NHS

National Treatment Agency
for Substance Misuse

National Treatment Agency
Annual Accounts 2012/2013

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of the National Health Service Act 2006

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ANNUAL REPORT

NTA Business activities, Board membership and Governance

The accounts for the year ended 31 March 2013 have been prepared in accordance with the direction given by the Secretary of State under Schedule 15 of the National Health Service Act 2006 and in a format as instructed by the Department of Health (DH) with the approval of the Treasury.

Nature of the NTA business and its Aims, Objectives and Activities

The National Treatment Agency for Substance Misuse (NTA) is a Special Health Authority within the NHS, established by Government on 1 April 2001 to improve the availability, capacity and effectiveness of treatment for drug misuse in England.

The NTA was the delivery agent for the treatment arm of the Government's drug strategy https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118336/drug-strategy-2010.pdf. On 1 April 2013, the NTA's key functions transferred to Public Health England. The NTA Head Office was located at Skipton House in the Elephant and Castle, London. In addition the NTA had regional teams operating from the seven localities throughout England.

Accounting Officer's Responsibilities

The Principal Accounting Officer of the Department of Health designated the Chief Executive as Accounting Officer of the National Treatment Agency up until 31 March 2013. At this date, the Principal Accounting Officer of the Department took back the responsibilities as Accounting Officer and designated the Accounting Officer of Public Health England as Accounting Officer.

Information and assurances provided by the NTA Chief Executive has been relied on to compile this Annual Report as have assurances from the Director of Corporate Services, and the Audit Committee.

As Accounting Officer the Chief Executive had responsibility for maintaining sound governance arrangements which support the achievement of the NTA's policies, aims and objectives, whilst safeguarding public funds and departmental assets for which he was personally responsible. These responsibilities are set out in the HM Treasury document, Managing Public Money.

Corporate Governance and Risk Management

The NTA was committed to ensuring the highest standard of corporate governance. The NTA Board had responsibility for defining strategy and ensuring resources were allocated to ensure the delivery of the NTA objectives. The NTA had a Risk Management Policy and Strategy approved by the Board. Key risks were set out in the NTA's strategic and corporate risk register. The risk management processes were embedded within the NTA through regular discussion in the Audit and Risk Committee, Senior Management Team meetings and regular management meetings across NTA directorates. Responsibilities for the residual winding-up activities of the NTA including preparation of its final Annual Report and accounts passed to PHE.

Membership of the Board, Audit and Risk (A & R) Committee & Human Resources (HR) Committee until 31 March 2013

Executive and Non-Executive Directors of the NTA Board

Executive Directors of the NTA

Paul Hayes	Chief Executive
Jon Hibbs	Director of Communications (until August 2012)
Stephen Hodges	Director of Corporate Services
Rosanna O'Connor	Director of Delivery

Non-Executive Directors (NED) of the NTA

Doreen Massey	Chair (also Chair of HR Committee and Transition Group)
Alison Comley	NED (also A & R Committee and HR Committee)
Anthony Cooke	NED (also A & R Committee and HR Committee)
Kate Davies	NED (also A & R Committee and HR Committee)
Adrian Evans	NED (also A & R Committee)
Peter McDermott	NED
Gill Laver	NED (Chair of A & R Committee, member of the HR Committee and Transition Group)
Gabriel Scally	NED

Details of remuneration can be found in the remuneration report below. Details on pension liabilities and statements of the pension scheme can be found in section 1.9 of the accounting policies within the accounts.

Register of Interests

The NTA maintained a Register of Interests for Executive and Non-Executive Directors. The policy was updated and approved by the Board in October 2009. It is available to the public. Where any decisions were taken which could give rise to a possible or perceived conflict of interest, Executive or Non-Executive Directors were required to make a declaration of interest, and at the Chair's discretion they would have been asked to withdraw for the duration of any discussion of that item.

Where possible conflicts of interest had or could be perceived to have arisen during the period 1 April 2012 to 31 March 2013, declarations of interest were made at the relevant meeting and were minuted.

Significant interests registered by Executive and Non-Executive Directors which might have conflicted with their management interests are as follows;

Doreen Massey:	Labour working peer
Alison Comley:	Strategic Director of Health & Social Care, Bristol City Council
Kate Davies:	Executive Lead for East Midlands Prison & Offender Health Commissioning Unit and Executive Lead for Equalities; Prison Treatment Review Board; Diversity Ambassador for Public Appointments Commission; Head of Public Health Armed Forces and Offender Health NHS Commissioning Board
Gabriel Scally:	Regional Director of Public Health NHS South West (until March 2012)
Peter McDermott:	Consultant, UK Harm Reduction Alliance
Anthony Cooke:	Asst. Director, Commissioning and Strategic Development, NHS Kirklees
Adrian Evans:	Chair of SPODA and Non-Executive Director of the National Probation Service Derbyshire Trust

Risk Management

The NTA's risk management and internal control systems were the responsibility of the Senior Management Team (SMT) who reported key organisational risks to the Audit and Risk Committee and the Board. The key risks were monitored through the Corporate Strategy, Business Plans and a Risk, Controls and Assurance Dashboard developed in conjunction with NTA Internal Auditors (RSM Tenon). As part of the risk assessment, ownership of each key risk was identified by Executive Directors and communicated to the responsible teams.

Executive Directors had responsibility for monitoring and managing risks within their respective directorates. As part of the Strategy the NTA's Strategic/High Risk Register were updated regularly and reviewed by the SMT. They were discussed at each Audit and Risk Committee and the Quarterly Accountability Meeting with NTA key civil service officials. Each year there was a comprehensive refresh of all Directorate Risk registers, the aim being to ensure that risks were identified and appropriate action plans in place to mitigate any risks identified.

Equal Opportunities

The NTA was committed to action to ensure equal access to relevant and appropriate drug treatment services for the whole population. In addition it was committed to ensure, the eradication of unlawful discrimination and the promotion of equal opportunities with respect to ethnicity, age, culture, gender, sexuality, mental ability, mental health, geographical location, offending background, physical ability, political beliefs, religion, health or status or any other specific factors which result in discrimination for drug treatment services and NTA staff. The NTA Board approved an Equality Policy in July 2012 covering the period 2012/13.

Staff Resources

During 2012/13 the NTA employed an average of 160 full-time equivalent staff. These included permanent, agency and fixed term contract staff. The NTA Head Office was based in London with approximately 90 staff based at premises at Skipton House at the Elephant and Castle. NTA Regional staff were based in seven locations within local area across England.

The NTA managerial structure operated through three Directorates; Delivery, Corporate Services and Communications.

Employee Consultation

The NTA was committed to consulting and advising its staff on relevant issues which might have an impact on them. It consulted with appointed Trade Union representation through Unite the Trade Union which was recognised by NTA. Regular meetings with Trade Union representatives took place throughout 2012/13. In addition NTA communicated through newsletters, the NTA Intranet and electronic mail.

Better Payments Practice Code

The Better payments practice code target is to pay non-National Health Service (NHS) trade creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed. In 2012/13 97.75 per cent of bills, representing 91.82 per cent by value, were paid within the target. For NHS bills, the corresponding figures were 94.29 per cent of bills representing 86.49 per cent by value were paid within the target. The NTA used the NHS Shared Business Services to process payments.

Information Governance

The NTA had in place a range of systems which ensured that information maintained by the NTA was secure. The NTA implemented the requirements and recommendations of the Information Governance Assurance Programmes (IGAP). Regular returns were provided as part of the monitoring process. All appropriate NTA staff were trained on Protecting Information as part of the National School of Government e learning process.

There were no serious untoward incidences involving data within the NTA in 2012/13.

Sickness Absence

The NTA monitored sickness absence levels for its staff on a quarterly basis. These were then reported to the NTA Senior Management Team and to the Department of Health as necessary. Sickness absence levels within the NTA were an average of 5.46 days per member of staff in 2012/13. These figures were reported on a calendar year basis.

Management Commentary

2012/13 was the NTA's last year stewardship of the drug treatment system in England. Although final confirmation will not be available until the publication of National Statistics in the autumn of 2013 the evidence available identifies continued improvement in key deliverables despite an increasing challenging economic environment.

The number of heroin and crack users has continued to fall; the latest estimate suggests that fewer than 300,000 individuals used the most dangerous drugs in 2010/11, a 10% reduction from the peak of 332,000 in 2005/6.

This is mirrored by a continuing decline in treatment demand which has fallen from 211,000 in 2008/9 to a projected 194,000 in 2012/13.

Prevalence Incidence and treatment access are falling faster amongst younger age groups leaving a residual ageing treatment population suffering from entrenched problems and increasingly frail health. This population will present a significantly different set of problems to PHE in 2013 to those faced by the NTA at its inception in 2001.

One consequence of the ageing population and the decline in new users entering treatment is that the year on year improvement in numbers successfully completing treatment will become increasingly more difficult to replicate. A priority for PHE will be to work in partnership with Local Government in reaching an evidence based view of the level of ambition that there should be locally.

Access to treatment continues to be readily available despite challenging financial constraints and this is contributing to a welcome decline in drug related deaths and injecting while maintaining England's low rates of blood borne virus infection.

Financial Performance

The NTA was allocated revenue annually by the Department of Health (DH). The NTA also received funding through the Home Office to cover costs associated with the Drug Interventions Programme (DIP). Further funding was also provided by the DH for a number of projects managed by the NTA in 2012/13, the most significant of these was funding for Injectable Opioid Treatment (IOT). In 2012/13 the Net Expenditure was £10,854k against a Revenue Resource limit of £9,666k resulting in an overspend in the year of £1,188k. As agreed with DH, this was offset against prior year reserves of £1,498k resulting in overall underspend of £310k.

Name of auditor

The accounts have been audited by the National Audit Office (NAO) who were appointed as the NTA's external auditors. The NAO's Comptroller and Auditor General carried out the statutory audit on NTA accounts in 2012/13 and reported accordingly to the NTA Board and Audit and Risk Committee throughout the 2012/13 financial year. The NAO remuneration for audit work in 2012/13 did not include any amounts for non audit work. The NAO's audit fee was £26,000.

The NTA Internal Audit was provided by RSM Tenon.

The accounts have been certified by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The audit certificate is on pages 17 and 18.

Political and Charitable Donations

The NTA made no political or charitable donations during the year.

Audit Assurance Statement

The Accounting Officer took has taken steps to ensure that he is aware of any relevant audit information and to ensure that the NTA auditors are aware of that information. As far as the Accounting officer is aware, there is no relevant audit information of which the NTA auditors are unaware.

Duncan Selbie
Accounting Officer
07 June 2013

REMUNERATION REPORT 2012/13

1. Introduction

This report covers the position of the Senior Managers of the NTA. Senior Managers can be described as those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NTA. This means those who influence the decisions of the NTA as a whole, rather than the decisions of individual directorates or departments.

For the purposes of this Remuneration Report, it covers the position of the Executive and Non-Executive directors.

The disclosures in this remuneration report have been provided with their explicit written consent.

2. Membership of the Board, Audit and Risk (A & R) Committee & Human Resources (HR) Committee

Executive and Non-Executive Directors of the NTA Board

Executive Directors of the NTA

Paul Hayes	Chief Executive
Jon Hibbs	Director of Communications (until August 2012)
Stephen Hodges	Director of Corporate Services
Rosanna O'Connor	Director of Delivery

Non Executive Directors (NEDs) of the NTA

Doreen Massey	Chair (also Chair of HR Committee and Transition Group)
Anthony Cooke	NED (also A & R Committee and HR Committee)
Alison Comley	NED (also A & R Committee and HR Committee)
Kate Davies	NED (also A & R Committee and HR Committee)
Adrian Evans	NED (also A & R Committee)
Gill Laver	NED (Chair of A & R Committee, member of HR Committee and Transition Group)
Peter McDermott	NED
Gabriel Scally	NED

3. Statement of NTA policy on the remuneration of senior managers

Senior Managers in the NTA are paid in accordance with the terms and conditions for Senior Managers' posts as set out in Health Service Circular 1998/017 and subsequent amendments.

In July 2007 the Department of Health issued a revised pay framework for Very Senior Managers (VSMs) within Strategic and Special Health Authorities, Primary Care Trusts and Ambulance Trusts. The revised arrangements covered Chief Executives, Executive Directors and senior managers with Board level responsibilities who report directly to the Chief Executive. The arrangements placed Chief Executives on one of three pay ranges with Executive Directors pay paid at a percentage of the Chief Executives range. The revised arrangements prescribe payments relating to recruitment and retention payments, annual uplifts and performance bonus scheme.

The NTA Board and Arms Length Body Performance Oversight Committee (PAPOC) agreed revised pay arrangements for NTA VSMs in 2007/08 and these were implemented in line with the revised framework. The agreement sets Executive Directors pay at 65% of the mid-point of the Chief Executives' pay range and includes a Recruitment and Retention supplement placing Executive Directors at 75% of the Chief Executives' mid-point.

The VSM framework includes provision for a performance bonus. This is based on organisational targets and performance. Organisational targets have been set by the Board for the organisation and these have been agreed with the Department of Health. Performance payments have been agreed which are conditional on these targets being met.

The Department of Health advised the NTA Board that there would be no increase in basic pay for VSMs, Chairs and Non Executive Directors in 2012/13. A performance related pay (PRP) award was made to one VSM in 2012/13. This payment was 5% of pay and was in line with the revised PRP arrangements, which only allows awards to the top performing 25% of VSM's.

4. Duration of contracts, notice periods and termination periods for Senior Managers

Each Executive Senior Manager within the NTA is employed on a 'permanent' contract of employment. Contracts provide for the provision of a notice period of three months on either side (six months in the case of the Chief Executive), with the exception that the period of notice may be waived in the case of gross misconduct. Non-Executive Directors are appointed for a three year period which may be extended to a maximum of 10 years by agreement with the Secretary of State for Health. As a consequence of the transfer of NTA functions to Public Health England on 1 April 2013, some Non-Executive Directors and the Chair of the Board had their term of office extended during the transitional year. There was one compulsory redundancy made to the Chief Executive in March 2013.

5. Remuneration of senior managers during 2012/13

The remuneration relating to all senior managers in post during 2012/13 is detailed in the tables below, which identify the salary, other payments, allowances and pension benefits applicable to both Executives and Non-Executives and are subject to audit.

Salaries & Allowances

Name and title	2012/13 Salaries (exc. non-consolidated performance pay)	Non-consolidated performance Pay	Benefits in kind	2011/12 Salaries (exc. non-consolidated performance pay)	Non-consolidated performance Pay	Benefits in kind
	£'000	£'000	nearest £100	£'000	£'000	nearest £100
Paul Hayes Chief Executive	130-135	–	–	130-135	–	–
Jonathan Hibbs Director of Communications (until August 2012)	30-35	–	–	90-95	–	–
Stephen Hodges Director of Corporate Services	90-95	–	–	90-95	–	–
Rosanna O'Connor Director of Delivery	100-105	0-5	–	90-95	–	–
Doreen Massey Board Chair	20-25	–	–	20-25	–	–
Anthony Cooke Non-Executive Director	5-10	–	–	5-10	–	–
Alison Comley Non-Executive Director	5-10	–	–	5-10	–	–
Kate Davies Non-Executive Director	5-10	–	–	5-10	–	–
Adrian Evans Non-Executive Director	5-10	–	–	5-10	–	–
Gill Laver Non-Executive Director	10-15	–	–	10-15	–	–
Peter McDermott Non-Executive Director	5-10	–	–	5-10	–	–
Gabriel Scally Non-Executive Director	5-10	–	–	5-10	–	–
Highest Earner's Total Remuneration (£'000)		**130-135**			**130-135**	
Median Total Remuneration		**40,157**			**40,157**	
Ratio		**3.30**			**3.30**	

Notes:
Paul Hayes was made redundant on 31 March 2013 and in addition to the salary in the table above he received £120,645 under terms of the NHS Compensation Scheme.

Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2,500) £000	Real increase in pension lump sum at age 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2013 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2013 (bands of £5,000) £000	Cash equivalent transfer value at 31 March 2013 £000	Cash equivalent transfer value at 31 March 2012 £000	Real increase in cash equivalent transfer value £000	Employer's contribution to stakeholder pension £000
Paul Hayes Chief Executive	0–2.5	5.0–7.5	55–60	170–175	N/a*	N/a*	N/a*	–
Jonathan Hibbs Director of Communications	0–2.5	–	20–25	–	285	263	22	–
Stephen Hodges Director of Corporate Services	0–2.5	2.5–5.0	35–40	110–115	801	756	45	–
Rosanna O'Connor Director of Delivery	0–2.5	5.0–7.5	10–15	35–40	N/a*	N/a*	N/a*	–

Notes:
All Executive Directors are members of the NHS Pension Scheme. Non Executive Directors do not receive pensionable remuneration and are not members of the NHS Pension Scheme. No compensation was payable to former senior managers and no amounts were payable to third parties for the services of senior managers.

* NHS Pensions do not provide CETV values where a member has passed normal retirement age because hereafter scheme rules do not allow benefits to be transferred out of the scheme.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangements which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Duncan Selbie
Accounting Officer
07 June 2013

Statement of Chief Executive's Responsibilities

Under the National Health Service Act 2006 the Secretary of State with the approval of Treasury has directed the National Treatment Agency for Substance Misuse to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Treatment Agency and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accounting Officer of the Department of Health designated the Chief Executive as Accounting Officer of the National Treatment Agency up until 31 March 2013. At this date, the Principal Accounting Officer of the Department took back the responsibilities as Accounting Officer and designated the Accounting Officer of Public Health England as Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Treatment Agency's assets, are set out in Managing Public Money published by the Treasury.

GOVERNANCE STATEMENT

1. NTA Governance Framework and Scope of Responsibilities

Role of the NTA

The National Treatment Agency for Substance Misuse (NTA) was a Special Health Authority within the NHS, established by Government on 1 April 2001 to improve the availability, capacity and effectiveness of treatment for drug misuse in England.

The NTA was the delivery agent for the treatment arm of the Government's drug strategy. The NTA closed on 31 March 2013 and on 1 April 2013, the NTA's functions transferred to Public Health England (PHE).

Accountability Arrangements

The NTA was accountable, through its Chair, to the Secretary of State for Health who is accountable to Parliament. The Secretary of State for Health determines the broad policy and financial framework within which the NTA operated and approved its Corporate Plan and annual Business Plan, but was not involved in the day-to-day management of the organisation.

The NTA's Chief Executive was Accounting Officer until 31 March 2013 and the information and assurances he has provided to compile this statement have been relied on as well as assurances from the Director of Corporate Services, and the Audit Committee.

The Chief Executive as Accounting Officer for the NTA was responsible for maintaining a sound system of internal control that supported the achievement of the NTA's policies, aims and objectives, whilst safeguarding public funds and departmental assets for which they were personally responsible as set out in Managing Public Money produced by HM Treasury. In addition the Accounting Officer was responsible for ensuring the proper stewardship of the NTA's public funds and assets.

The Chief Executive was accountable to the Chair and Board of the NTA for progress on the agreed programme of work and use of its resources. The Board's role was to ensure that the NTA conducted its business on behalf of the NHS in the most effective way.

Following its closure and transfer of functions, I, as Accounting Officer of PHE have taken on residual Accounting Officer responsibilities for the wind up of the NTA, including its final accounts preparation.

NTA Board

The Board of the NTA was made up of Executive Directors from the NTA and independent Non-Executive Directors from the drug treatment field, local authorities, the NHS, service users, carer and criminal justice. The NTA complied with the requirements of the *Corporate Governance Code for Central Government Departments* in so far as they relate to NTA which is a Special Health Authority. The Board was responsible for:

- Approving the work programme, budget and general strategy of the NTA
- Providing independent advice on the NTA's strategy to the Secretary of State for Health
- Overseeing the NTA's general performance.

There were three Executive Directors and eight Non-Executive Directors including the Board Chair. Additionally the Board had a number of co-opted stakeholder members from the government departments, including Home Office, Criminal Justice and Education.

The Board met a minimum of four times a year. There were four Board meetings in 2012/13 and all meetings were quorate.

The Board held both a public and private meeting. The private meeting dealt with confidential matters which are not appropriate in a public forum.

Board Committees

The Board operated a number of Committee, these included an Audit and Risk Committee, Human Resources Committee (Remuneration Committee) and a Transitions Group. The Audit and Risk Committee supported the Board by reviewing governance and assurance process on which the Board could place reliance. Within the NTA the Committee also had responsibility for the monitoring and gaining assurance relating to the organisations Risk Management frameworks. Membership of the Committee was drawn from Non-Executive members of the Board, supported by NTA staff including the Chief Executive, Director of Corporate Services, NTA Finance staff. The NTA's Internal and External Auditors also attend. The Committee met a minimum of five times each year. In 2012/13 the Committee met on six occasions and meetings were quorate though some members used telephone conferencing to participate in the meetings on two occasions.

The Human Resources Committee had responsibility for remuneration matters. The Committee's responsibility was to ensure that the NTA had appropriate skilled staff and policies to deliver its key corporate objectives. The Committee ensured that there were appropriate staffing policies, performance management and training in place. It was also responsible for ensuring that a policy and process for performance review of the Chief Executive, Executive Directors was in place and agreed by the Board. The work of the Committee was also set against the context of other regulatory agreements, e.g. schemes of delegation. Membership was drawn from Non-Executive Directors and supported by NTA staff as required. The Committee met as necessary. During 2012/13 regular meetings of the Committee significantly reduced due to the formation of a Transition Group which has dealt with most transition and staff matters, consequently only one meeting took place.

The Terms of Reference of the Transition Group were to address, transition issues, process and timings, workforce change, retention, recruitment and redundancy, change communication and NTA organisational health. Membership consisted of the Board Chair, the Chair of the Audit and Risk Committee, Chief Executive and Director of Corporate Services. The Group met on two occasions in 2012/13. The Transition Group generally met prior to each Board meeting, and then presented verbal feedback depending on the confidentiality of matters to either the public or private Board.

Reporting to the Board

At its public meetings, the Board received reports from the Chief Executive outlining key issues which members needed to be aware of. In addition reports and quarterly performance information on key indicators and objectives were provided, budget update reports and the NTA Strategic Risk Register was discussed. Although these reports were for information they provided the Board with a range of assurances and the opportunity for members to check and challenge as necessary the information provided. Other papers and presentations on a range of issues were also provided to the Board.

In 2012/13 the Board received the annual statistical report covering NTA statistical information on drug and alcohol treatment. The Board also approved an Equality Scheme. Meetings also receive minutes of Committee meetings and an annual report on the work undertaken by the Audit and Risk Committee was provided; the last such report covered a 15 month period and was presented by the Chair of the Audit and Risk Committee to the March 2013 Board meeting.

This information provided the Board with assurances that business critical matters were being addressed and provided background information on the range of issues that were under consideration by management.

As a consequence of the transfer of NTA functions to Public Health England on 1 April 2013 the Board also focused on key issues relating to the transfer. A presentation was received covering the implications of the move to PHE on the new landscape and a meeting of the Board in December 2012 focused on wider transitional issues which posed significant risks for the drug and alcohol functions. This transition focus formed part of a regular standing item on transition at each Board meeting.

Board Effectiveness

There was no formal assessment of the Boards effectiveness during 2012/13. The last formal away day was held in January 2011 when there was a review of the way the board operated and changes were made to the formal meeting structures of the Board and its Committees in preparation of the move to PHE. Given the considerable work and activity on issues relating to transition outlined above and the fact that the Board ceased to exist from 1 April 2013, a formal assessment was deemed inappropriate during 2012/13.

Based on the above, I am satisfied that the governance framework was effective during the period under review.

2. Risk Assessment and Assurance

Risk Management

Risk identification and management was reviewed and monitored by the Audit and Risk Committee on behalf of the Board. Formal risk processes operated within the NTA since 2003/04 and were regularly reviewed and updated. The Board's Risk Management Policy and Strategy was updated and approved in September 2011. The policy set out the Agency's approach to risk management and monitoring including objectives, the NTA risk management structure included definitions and clarity on risk scoring and its application in order to better understand the NTA risk tolerances and associated responses. As a result of the strategy NTA developed a Risk, Controls and Assurance Dashboard (RCAD) in conjunction with the NTA's internal auditors RSM Tenon. This provided the NTA with a snap-shot of its risk, controls and assurance profile at intervals throughout the year across a number of defined activities and processes falling under four dimensions: Services, Performance, Compliance and Governance. The Audit and Risk Committee found this process particularly helpful and were actively engaged in its development and application.

Assurance

The risk management approach identified and registered key risks to the organisation through to the Audit and Risk Committee jointly with Executive Directors. These key risks were embedded within and monitored through the Corporate Strategy, Business Plans as well the Risk, Controls and Assurance Dashboard (RCAD). As part of the risk assessment, ownership of each key risk was identified by the Executive Directors and NTA managers.

The RCAD was updated quarterly, usually at a mid-way point in the period, therefore providing both a retrospective and forward look to form a view as to the expected risk profile and effectiveness of controls across the NTA. The RCAD included a specific assessment of risk relating to the transition of the NTA into Public Health England (PHE). This was undertaken through the assessment of risks against 12 transition risk drivers:

- Communication
- Human Resources: capacity & capability
- Funding
- Output quality
- Timeliness
- Legality & regulation
- Information technology & equipment
- Interdependencies & conflicts
- Partners & stakeholders
- Governance & probity
- Procurement & value for money
- Business continuity & maintaining business as usual

Key risks were monitored collectively by the Senior Management Team, with senior managers providing formal reports and presentations on a quarterly basis. Risk reporting to the Board and key stakeholders was embedded within highlight and status reports and through the RCAD. Reports were also provided at regular departmental accountability review meetings held with stakeholder Government departments.

Review of Risks and Risk Management

The NTA's, Strategic and High Risk Register was updated regularly and each year there was a comprehensive refresh of all Directorate business plans and risks.

The Audit and Risk Committee was engaged in developing, and overseeing, the risk management and assurance framework within the NTA. A nominated Director had responsibility for overseeing these processes. Action plans to address gaps in controls and assurance were identified by the various operational and audit functions and were monitored by the Committee.

The NTA Risk Management Policy and Strategy required communication to be carried out with internal and external stakeholders on the risk management process. Regular meetings took place as part of the accountability framework with senior staff at the Department of Health, Home Office and other appropriate Government Departments. These provided a further opportunity to examine the NTA approach to risk management and discuss the organisation's objectives and strategic risks.

The NTA had in place a range of systems which ensured that information maintained by the NTA was secure using the Information Governance Assurance Programmes (IGAP). NTA staff were trained using the Protecting Information e-learning package. Regular returns were provided as part of the monitoring process. There were no lapses of data security in 2012/13.

Key Risks

There were four strategic risks identified within the NTA Strategic Risk Register throughout most of 2012/13. These were; managing transition, the failure to consistently prioritise reintegration in local areas, fragmentation of prison and community drug treatment and finally, drug sector workers skills deficit. The later was deleted from the register in late 2012 but was subsequently re-instated after discussion at the March 2013 Board meeting.

As in 2011/12 during 2012/13 there was considerable focus on the risks to operational and corporate delivery associated with the move of NTA functions to PHE. The Board and Audit and Risk Committee identified managing transition risks as high risk. The NTA's Senior Management Team ensured that PHE transition remained high priority and transition issues were a standing item on the weekly senior management meetings. The NTA's Internal Audit Annual Report for the year ending 31 March 2013 commented that 'Transition Risks had been incorporated into the main risk management framework in order to demonstrate how they would affect delivery objectives rather than existing as a distinct entity'. There were no specific transition risks included within the strategic risk register. The NTA believed the risk was being sufficiently managed at a lower level'. RCAD for example was used to identify key transition risks.

The NTA's risk management process focussed on risks to national drug treatment delivery rather than the risks to the NTA's internal functioning. These risks have been inherited by Local Authorities and Public Health England as they jointly assumed responsibility for the English drug and alcohol treatment system.

The key continuing risks to delivery for 2013/14 will be:

- the relative level of resource allocated to drug treatment when compared to other public health priorities for which PHE and Local Government are responsible, such as smoking, obesity etc.
- the level of prioritization given to the crime reduction benefits of drug treatment.

- the potential for fragmentation of local partnership arrangements that have built shared ownership of the drug treatment agenda for the past twenty years, resulting from the impact of parallel structural changes in Health and Criminal Justice.
- failure of the drug and alcohol treatment sector to adequately respond to the challenging skills deficit facing employers and commissioners.

Alongside these challenges, PHE will also need to consider rapidly how best to use the resources inherited from the NTA and align them with its organisational structure, whilst at the same time maintaining the links between information, policy development and delivery support.

Based on the above, I am satisfied that risk management processes were effective, and I have received sufficient assurance that they operated effectively during the period under review.

3. External Review of the effectiveness of risk management and internal control

Internal Audit

The NTA Internal auditors, RSM Tenon undertook seven reviews in 2012/13. One of these, Regional visits contained visits to five regional teams. Four of the audits were assurance based, two were advisory and one was a follow up of audits undertaken the previous year. Three assurance based reviews received the highest positive assurance opinion (green). One received amber/green.

There were a number of specific weaknesses identified within the audits including those relating to project plans and reporting risks identified in the National Drug Treatment Monitoring System (NDTMS) Transition Plans.

Overall, there were recommendations totalling 16 of which 9 were medium, and 7 were low. These were being addressed by NTA management and this will continue as necessary by PHE.

In line with previous audits, Internal Audit monitored progress made with previous internal recommendations. The audit identified that Adequate Progress in implementing actions had been made with 14 out of 19 recommendations (74%) having been fully implemented. Three of the five outstanding recommendations related to the Provider Skills Consortium an independent body over which NTA did not have direct control or responsibility.

RSM Tenon overall opinion in 2012/13 is that on '*Risk Management and Governance' the NTA demonstrated sound awareness and application of the importance of maintaining a robust risk and assurance profile supporting delivery of agreed objectives*' on transition '*Sound governance arrangements supported by continuous process of risk identification and assessment should mean that the NTA is in a strong position to manage transition effectively to Public Health England (PHE) in 2013.*

On Controls based on four assurance reviews '*No major control weaknesses were identified through these review*'

The Head of Internal Audit opinion provided through the Internal Audit Annual Report for the year ending 31 March 2013 is as follows;

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the National Treatment Agency for Substance Misuse arrangements.

For the 12 months ending 31 March 2013 based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of National Treatment Agency for Substance Misuse arrangements for governance, risk management and control is as follows;

- *Governance, Our review did not identify any significant weaknesses – Green*
- *Risk Management, Our review did not identify any significant weaknesses – Green*
- *Control, Informed by the number of 'Green' opinions provided during the year – Green*

Local Counter Fraud Specialists

Reviews undertaken by Local Counter Fraud Specialists (RSM Tenon) identified that there were three counter fraud referrals were received during 2012/13. These did not result in any formal investigations being conducted. All of the referrals were investigated in accordance with the NHS Standards for providers.

Based on the external reviews carried out by Internal Audit, and the Local Counter Fraud Specialist, I have assurance that governance, risk management, internal controls were operating effectively.

4. Conclusion on Governance Arrangements

I am therefore content, based on my consideration of the NTA Governance Framework; Risk Management and Assurance; and External Reviews of Risk Management and Internal Control that overall governance arrangements were fit for purpose and provided the necessary assurance to assist the NTA in meeting its objectives during the period under review.

Duncan Selbie
Accounting Officer
07 June 2013

AUDIT CERTIFICATE

NATIONAL TREATMENT AGENCY FOR SUBSTANCE MISUSE

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Treatment Agency for Substance Misuse for the year ended 31 March 2013 under the National Health Service Act 2006. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the National Treatment Agency, the Chief Executive as Accounting Officer and the auditor

As explained more fully in the Statement of Chief Executive's Responsibilities, the National Treatment Agency and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Treatment Agency for Substance Misuse's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Treatment Agency for Substance Misuse; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Treatment Agency for Substance Misuse's affairs as at 31 March 2013 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health

Service Act 2006 and directions issued thereunder by the Secretary of State.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State's directions issued under the National Health Service Act 2006; and
- the information given in the Management Commentary included within the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in the light of the abolition of the National Treatment Agency for Substance Misuse on 31 March 2013. As the National Treatment Agency for Substance Misuse's functions transferred to other Government bodies, it remains appropriate for the National Treatment Agency for Substance Misuse to continue to prepare the financial statements on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151-197 Buckingham Palace Road
Victoria
London SWIW 9SP

17 June 2013

ACCOUNT OF NATIONAL TREATMENT AGENCY 2012/13

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	**2012/13** **£000**	2011/12 £000
Expenditure			
Staff Costs	3	**8,919**	8,774
Depreciation	4	**239**	221
Other Expenditures	4	**6,638**	6,171
		15,796	15,166
Income			
Income from Activities	5	**(4,920)**	(5,441)
Other Income	5	**(22)**	(10)
		(4,942)	(5,451)
Net Expenditure		**10,854**	9,715

There are no items of expenditure that should be shown as Other Comprehensive Expenditure and therefore this statement is not required.

The notes on pages 23 to 35 form part of these accounts.

Statement of Financial Position as at 31 March 2013

	Note	**2012/13 £000**	2011/12 £000
Non-current assets			
Property, Plant & Equipment	6	**353**	398
Intangible assets	7	**53**	67
Total non-current assets		**406**	465
Current assets			
Trade and Other receivables	9	**121**	110
Other current assets	9	**54**	87
Cash and cash equivalents	10	**2,324**	3,580
Total current assets		**2,499**	3,777
Total assets		**2,905**	4,242
Current Liabilities			
Trade and other payables	11	**(716)**	(164)
Other liabilities	11	**(1,879)**	(2,580)
Total current liabilities		**(2,595)**	(2,744)
Non-current assets plus/less net current assets/liabilities		**310**	1,498
Assets less liabilities		**310**	1,498
Reserves			
General reserve		**310**	1,498
		310	1,498

The notes on pages 23 to 35 form part of these accounts.

Duncan Selbie
Accounting Officer
07 June 2013

Statement of Cash Flows for the year ended 31 March 2013

	Note	**2012/13 £000**	2011/12 £000
Cash flows from operating activities			
Net Expenditure after interest		**(10,854)**	(9,715)
Adjust for non-cash transactions	4	**239**	221
(Increase)/decrease in trade and other receivables	9	**(11)**	3,853
(Increase)/decrease in prepayments and accrued income	9	**33**	329
Increase/(decrease) in trade payables	11	**552**	(568)
Increase/(decrease) in other payables	11	**(701)**	(1,087)
Net cash outflow from operating activities		**(10,742)**	(6,967)
Cash flows from investing activities			
Purchase of plant, property and equipment	6	**(164)**	(181)
Purchase of intangible assets	7	**(17)**	(5)
Proceeds of disposal of property, plant and equipment	6	**1**	–
Net cash outflow from investing activities		**(180)**	(186)
Cash flows from financing activities			
Grants from parent department		**9,666**	10,143
Net financing		**9,666**	10,143
Net increase/(decrease) in cash and cash equivalents at 31 March 2013	10	**(1,256)**	2,990
Cash and cash equivalents at 31 March 2012	10	**3,580**	590
Cash and cash equivalents at 31 March 2013		**2,324**	3,580

The notes on pages 23 to 35 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	I & E Reserve £000	Total Reserves £000
Balance at 31 March 2011	1,070	**1,070**
Changes in accounting policy	–	**–**
Balance at 1 April 2011	1,070	**1,070**
Changes in reserves 2011-12		
Retained Surplus/(Deficit)	(9,715)	**(9,715)**
Total recognised income and expense for 2011-12	(9,715)	**(9,715)**
Grant from Parent	10,143	**10,143**
Balance at 31 March 2012	1,498	**1,498**
Changes in taxpayers' equity for 2012-13		
Non-cash charges – cost of capital	–	**–**
Retained Surplus/(Deficit)	(10,854)	**(10,854)**
Total recognised income and expense for 2012-13	(10,854)	**(10,854)**
Grant from Parent	9,666	**9,666**
Balance at 31 March 2013	310	**310**

The Total Reserves represent the net assets vested in the National Treatment Agency at 1 April 2001 (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from non-cash costs and trading activities, and the Parliamentary Funding provided since that date.

Notes to the Accounts

1. Accounting Policies

The Secretary of State for Health, under the National Health Service Act 2006, has directed that the financial statements of the National Treatment Agency for Substance Misuse (Agency), shall meet the accounting requirements of H M Treasury's Financial Reporting Manual (FReM). Consequently, the following 2012/13, financial statements have been prepared in accordance with the 2012/13 FReM. From 2010/11, the accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by Treasury. Special Health Authorities are not required to provide a reconciliation between current cost and historical cost surplus and deficits.

The NTA was abolished on 31 March 2013, and its functions, assets and liabilities were transferred to Public Health England from 1 April 2013. As the National Treatment Agency for Substance Misuse's functions are transferring to other Government bodies, it remains appropriate for the National Treatment Agency for Substance Misuse to continue to prepare the financial statements on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

1.2 Property, Plant & Equipment

(a) Capitalisation

Property, Plant & Equipment which is capable of being used for more than one year and they:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.

(b) Valuation

Land and buildings used for the Agency's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. Fair values are determined as follows:

Land and non-specialised buildings – market value for existing use

Specialised buildings – depreciated replacement cost

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Increases arising on revaluation are taken to the Revaluation Reserve except when it reverses a revaluation decrease for the same asset previously recognised in the Net Expenditure Account, in which case it is credited to the Net Expenditure Account to the extent of the decrease previously charged there. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Net Expenditure Account.

1.3 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated useful lives, (see below). The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term.

- Information Technology – network 5 years
- Information Technology – personal computers 3 years
- Furniture and Fittings 10 years

At each Statement of Financial Position date, the Agency checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Net Expenditure Account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Net Expenditure Account to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.4 Intangible Assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at fair value. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset

- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is charged to the Net Expenditure Account in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. All intangible assets are treated as if they have a finite useful economic life. The Agency has chosen 5 years to amortise such assets. Internally-developed software is held at historic cost to reflect the opposite effects of development costs and technological advances.

1.5 Income

The main source of funding (Grant in aid) for the Agency is Parliamentary Funding allocations from the Department of Health within an approved cash limit, which is credited to the General Fund. Parliamentary funding is recognised in the financial period in which the cash is received.

Revenue is accounted for applying the accruals convention. Operating revenue is revenue which relates directly to the operating activities of the Agency. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating revenue. Where revenue is received for a specific activity which is to be delivered in the following financial year, that revenue is deferred. Likewise, when an activity has begun and we have not received the full funding for the work, the income is accrued, applying the accruals convention.

1.6 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Agency as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Agency's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases. This is a change in accounting policy from the prior year.

1.7 Taxation

The Agency is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.8 Cash and cash equivalents

Cash is cash in hand and deposits (if any) with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.9 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees, except for bonuses earned but not yet taken and the cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period. Further information can be found on the NHS Pensions website, www.nhsbsa.nhs.uk/pensions.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Agency commits itself to the retirement, regardless of the method of payment.

1.10 Provisions

The Agency provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's following discount rates: short-term rate of -1.80% for cash flows from 0 to 5 years; Medium term rate of -1.00% for cash flows after 5 years to 10 years; Long term rate of 2.2% for cash flows after 10 years.

1.11 Financial Instruments

Financial assets

Financial assets are recognised on the Statement of Financial Position when the Agency becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets ‘at fair value through profit and loss’; ‘held to maturity investments’; ‘available for sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. The loss is recognised in the Net Expenditure Account and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Net Expenditure Account to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Agency becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

2. Analysis of Net Expenditure by Segment

The Agency has no separately identifiable segments under IFRS 8

3. Staff numbers and related costs

Staff costs comprise:

				2011/12 £000
	Total	**Permanently employed Staff**	**Others**	Total
Salaries and wages	**7,349**	**6,949**	**400**	7,227
Social security costs	**662**	**662**	**–**	649
Other pension costs	**798**	**798**	**–**	785
Accrued Annual Leave	**110**	**110**	**–**	113
Total	**8,919**	**8,519**	**400**	8,774
Less recoveries in respect of outward secondments	**(284)**	**(284)**	**–**	(202)
Total net costs	**8,635**	**8,235**	**400**	8,572

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

				2011/12 Number
	Total	**Permanent Staff**	**Others**	Total
Directly employed	**160**	**156**	**4**	159
Total	**160**	**156**	**4**	159

3.1 Reporting of Civil Service and other compensation schemes – Exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2011/12 Number Total
<£10,000	**1**	**–**	**1**	1
£10,000 – £25,000	**–**	**–**	**–**	5
£25,000 – £50,000	**–**	**–**	**–**	3
£50,000 – £100,000	**–**	**–**	**–**	–
£100,000 – £150,000	**1**	**–**	**1**	–
£150,000 – £200,000	**–**	**–**	**–**	–
Total number of exit packages	**2**	**–**	**2**	9
Total resource cost/£000	**126**	**–**	**126**	237

4. Other Expenditure

	Note		**2012/13 £000**		2011/12 £000
Running Costs			**706**		604
External Data Contracts			**2,738**		2,394
Rentals under operating leases			**117**		181
Non-Executive members' remuneration			**89**		89
Auditors' remuneration – External			**26**		26
Auditors' remuneration – Internal			**59**		62
Transport and moveable plant			**47**		2
Premises and non-current plant			**798**		806
Non-cash items					
Depreciation	6	**208**		192	
Amortisation	7	**31**		29	
Loss on disposal of property, plant and equipment		**–**		–	
Total Non-cash items			**239**		221
Employee Benefits			**6**		4
Redundancies			**126**		237
Research Costs			**1,926**		1,765
Miscellaneous			**–**		1
Total			**6,877**		6,392

5. Income

	2012/13	2011/12
	£000	£000
Sales of Services*	**4,920**	5,441
Other	**22**	10
Total	**4,942**	5,451

***Sales of Services**	**£000**	£000
Integrated Drug Treatment System (DH)	**–**	1,177
IOT (DH)	**2,000**	1,400
DIP (Home Office)	**1,715**	1,890
Other departmental income (including secondments)	**1,205**	974
Total	**4,920**	5,441

6. Property, Plant and Equipment

	Information technology £000	**Furniture & fittings £000**	**Total £000**
Cost or Valuation			
At 1 April 2012	706	202	**908**
Additions	157	7	**164**
Disposals	(8)	–	**(8)**
At 31 March 2013	**855**	**209**	**1,064**
Depreciation			
At 1 April 2012	423	87	**510**
Charged in year	178	30	**208**
Disposals	(7)	–	**(7)**
At 31 March 2013	**594**	**117**	**711**
Net book value at 31 March 2012	**283**	**115**	**398**
Net book value at 31 March 2013	**261**	**92**	**353**
Asset financing:			
Owned	**261**	**92**	**353**
Net book value at 31 March 2013	**261**	**92**	**353**

	Information technology £000	Furniture & fittings £000	Total £000
Cost or Valuation			
At 1 April 2011	1,113	200	**1,313**
Additions	179	2	**181**
Disposals	(586)	–	**(586)**
At 31 March 2012	**706**	**202**	**908**
Depreciation			
At 1 April 2011	847	57	**904**
Charged in year	162	30	**192**
Disposals	(586)	–	**(586)**
At 31 March 2012	**423**	**87**	**510**
Net book value at 31 March 2011	**266**	**143**	**409**
Net book value at 31 March 2012	**283**	**115**	**398**
Asset financing:			
Owned	**283**	**115**	**398**
Net book value at 31 March 2012	**283**	**115**	**398**

7. Intangible assets

	Software purchased £000	Licences and trademarks £000	Develop-ment Expenditure £000	Total £000
Cost or valuation				
At 1 April 2012	100	49	55	**204**
Additions	17	–	–	**17**
Disposals	(46)	(1)	–	**(47)**
At 31 March 2013	**71**	**48**	**55**	**174**
Amortisation				
At 1 April 2012	74	26	37	**137**
Charged in year	10	10	11	**31**
Disposals	(46)	(1)	–	**(47)**
At 31 March 2013	**38**	**35**	**48**	**121**
Net book value at 31 March 2013	**33**	**13**	**7**	**53**
Net book value at 31 March 2012	26	23	18	67

	Software purchased £000	Licences and trademarks £000	Develop-ment Expenditure £000	Total £000
Cost or valuation				
At 1 April 2011	105	50	54	209
Additions	5	–	–	5
Disposals	(11)	–	–	(11)
At 31 March 2012	**99**	**50**	**54**	**203**
Amortisation				
At 1 April 2011	76	16	26	118
Charged in year	8	10	11	29
Disposals	(11)	–	–	(11)
At 31 March 2012	**73**	**26**	**37**	**136**
Net book value at 31 March 2012	**26**	**24**	**17**	**67**
Net book value at 31 March 2011	29	34	28	91

8. Financial Instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the Agency are met through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk. The Agency's financial instruments consist of Loans and Receivables, and the fair values are not materially different from the carrying values.

Currency risk

The Agency is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Agency has no overseas operations. The Agency therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Agency is not permitted to borrow and therefore has low exposure to interest rate fluctuations.

Credit Risk

The Agency has low exposure to credit risk because the majority of it's income comes from funds voted by Parliament and Other Government Departments.

Liquidity Risk

The Agency is required to operate within limits set by the Secretary of State for the financial year and draws down funds from the Department of Health as the requirement arises. The Agency is not, therefore, exposed to significant liquidity risks.

9. Trade receivables and other current assets

	2012/13 £000	2011/12 £000
Amounts falling due within one year		
NHS receivables	**73**	17
Non-NHS receivables	**15**	50
Other receivables	**33**	43
Prepayments and accrued income	**54**	87
	175	197

Intra-Government Analysis:

	2012/13 £000	2011/12 £000
Local Government Bodies	**–**	12
NHS Bodies	**73**	17
Other Central Government Bodies	**–**	19
Bodies External to Government	**102**	149
	175	197

10. Cash and Cash equivalents

	2012/13 £000	2011/12 £000
Balance at 1 April 2012	**3,580**	590
Net change in cash and cash equivalent balances	**(1,256)**	2,990
Balance at 31 March 2013	**2,324**	3,580

The following balances at 31 March were held at:		
Government Banking Service	**2,324**	3,579
Commercial banks and cash in hand	**–**	1
Balance at 31 March 2013	**2,324**	3,580

11. Trade payables and other current liabilities

	2012/13 £000	2011/12 £000
Amounts falling due within one year		
Tax and social security	**(15)**	–
NHS payables (revenue)	**(201)**	(5)
Non-NHS payables (revenue)	**(515)**	(159)
Accruals and deferred income	**(1,864)**	(2,580)
	(2,595)	(2,744)

Intra-Government Analysis:

	2012/13 £000	2011/12 £000
Local Government Bodies	**(19)**	(16)
NHS Bodies	**(201)**	(2,277)
Other Central Government Bodies	**–**	(21)
Bodies External to Government	**(2,375)**	(430)
	(2,595)	(2,744)

12. Commitments under leases

12.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Agency as lessee

	2012/13 £000	2011/12 £000
Payments recognised as an expense		
Minimum lease payments	**178**	181
Total	**178**	181
Total future minimum lease payments		
Payable:		
By 31 March 2014	**–**	129
Between 1 April 2014 and 31 March 2018	**–**	–
Total	**–**	129

The Agency has operating lease arrangements in place on its regional offices for which rent is payable quarterly and terms renewable annually. There are no purchase options, escalation clauses or restrictions imposed by these lease arrangements, such as those concerning dividends, additional debt, and further leasing, applicable to the Agency. The future cost of rental leases will become part of the wider PHE upon merger. Accommodation will be shared amongst organisations joining forces to become PHE.

13. Events after the reporting period

In accordance with the requirements of IAS10 'Events after the Reporting Period', post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

The Agency closed on 31 March 2013; on 1 April 2013 all its functions along with the associated assets and liabilities transferred to Public Health England.

The Agency had no other post balance sheet events to report up to this date.

14. Related Party Transactions

The National Treatment Agency is a corporate body established by order of the Secretary of State for Health.

The Agency transacts with the Department of Health for parliamentary funding in order to discharge its duties.

The Agency has its financial services provided by NHS Shared Business Services according to the contract.

In addition, the Agency has had a number of material transactions with other government related entities. These are disclosed below and are based upon the following criteria:

All Related Parties where Senior Officers have some relationship with the body, and
All Other Governmental Bodies where sums paid or received exceeds £100k.

	Paid £	Received £
Birmingham Womens NHS Foundation Trust	246,820	
Cambridgeshire PCT	166,229	
Department for Communities and Local Government	118,318	
Department Of Health	657,258	2,081,630
Home Office	1,735,000	
Milton Keynes PCT	386,768	
South London and Maudsley NHS Foundation Trust	1,356,158	
Sussex Partnership NHS Foundation Trust	285,764	
Tee, Esk & Wear Valleys NHS Foundation Trust	339,581	
University Hospitals Southampton NHS Foundation Trust	236,202	

There are no Senior Officers at NTA that have a relationship with any such bodies.

15. Early adoption of IFRS's, amendments and interpretations

The NTA have not adopted any IFRS's, amendments or interpretations early.

IFRS's, amendments and interpretations in issue but not yet effective, or adopted

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRS's, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period. The following have not been adopted early by the NTA:

IFRS 7 Financial Instruments

Disclosures amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013. Also an amendment to improve the disclosure requirements in relation to transferred financial assets which is effective for accounting periods beginning on or after 1 July 2011.

IFRS 9 Financial Instruments

A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.

IFRS 13 Fair Value Measurement

IFRS 13 applies when other IFRS's require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.

IAS 1 Presentation of Financial Statements

Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.

IAS 19 Employee Benefits

The amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on or after 1 January 2014.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have a future material impact on the financial statements of the NTA, as NTA ceased to exist from 31 March 2013, and its assets and liabilities transferred to Public Health England.

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