



*National Treatment Agency  
for Substance Misuse*

# National Treatment Agency Annual Accounts 2010/2011

Presented to Parliament pursuant to Schedule 15  
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 2011 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 is the delivery agent for the treatment arm of the Government's drug strategy. This was revised in December 2010 and confirmed that the NTA will cease to exist as a separate organisation, and its key functions will transfer to Public Health England (PHE). The NTA is working closely with the Transition Team to ensure a smooth transfer of its critical functions to PHE. The NTA Head Office is located at Skipton House in the Elephant and Castle, London. In addition the NTA has regional teams operating from the nine Government Office Regions throughout England in 2010/11 although one of these offices closed in 2010/11 and staff were relocated to Skipton House.

### Accounting Officer's Responsibilities

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

### Corporate Governance and Risk Management

The NTA is committed to ensuring the highest standard of corporate governance. The NTA Board has the responsibility for defining strategy and ensuring resources are allocated to ensure the delivery of the NTA objectives. The NTA has a Risk Management Policy and Strategy approved by the Board. Key risks are set out in the NTA's strategic and corporate risk register. The risk management process is embedded within the NTA through regular discussion in the Audit and Risk Committee, senior management team meetings and regular management meetings across NTA directorates.

### 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
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)
Andy Buck	NED (also A & R Committee) (until 05.07.2010)
Alison Comley	NED (also A & R Committee)
Anthony Cooke	NED (also HR Committee)
Kate Davies	NED (also A & R & HR Committees)
Adrian Evans	NED (also A & R Committee)
Peter McDermott	NED
Gill Laver	NED (Chair of A & R Committee and member of HR Committee)
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 1.11 of the accounting policies within the accounts.

## Register of Interests

The NTA maintains 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 are taken which could give rise to a possible or perceived conflict of interest, Executive or Non Executive Directors will make a declaration of interest. At the Chair's discretion he or she may be asked to withdraw for the duration of any discussion of the item.

Where possible conflicts of interest have or could be perceived to have arisen during the period 1 April 2010 to 31 March 2011, declarations of interest were made at the relevant meeting and were minuted.

Significant interests registered by Executive and Non Executive Directors which may conflict with their management interests are as follows;

<b>Doreen Massey:</b>	Labour working peer
<b>Andy Buck:</b>	Chief Executive, NHS Rotherham
<b>Alison Comley:</b>	Strategic Director of Neighbourhoods, Bristol City Council
<b>Kate Davies:</b>	Asst. Director Strategy, Equality and Diversity, NHS Nottinghamshire: Prison Treatment Review Board: Diversity Ambassador for Public Appointments Commission
<b>Gabriel Scally:</b>	Regional Director of Public Health NHS South West
<b>Peter McDermott:</b>	Consultant, UK Harm Reduction Alliance
<b>Tony Cook:</b>	Asst. Director, Commissioning and Strategic Development, NHS Kirklees
<b>Gill Laver:</b>	Non Executive Director, West Midlands Strategic Health Authority until September 2010
<b>Adrian Evans:</b>	Chair of SPODA and member National Probation Service Derbyshire

## Risk Management

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

Executive Directors have responsibility for monitoring and managing risks within their respective directorates.

As part of the Strategy the NTA's Strategic/High Risk Register is updated regularly and reviewed by the SMT and Audit and Risk Committee. Each year there is a comprehensive refresh of all Directorate Risk registers, the aim is to ensure that risks are identified and appropriate action plans are in place to mitigate any risks identified.

## Equal Opportunities

The NTA is committed to action to ensure equal access to relevant and appropriate drug treatment services for the whole population. In addition, the NTA is 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.

## Staff Resources

During 2010/11 the NTA employed an average of 189 full-time equivalent staff. These include permanent, agency and fixed term contract staff. The NTA Head Office is based in London with approximately 115 staff based at premises at Skipton House in the Elephant and Castle. NTA Regional staff were based in 9 locations within government regional offices, however in early 2011 London regional staff were relocated to Skipton House as a result of the closure of the government office.

The NTA managerial structure operated through 3 Directorates; Communications; Corporate Services and Delivery.

The NTA is an employer with staff entitled to membership of the NHS Pension Scheme.

## Employee Consultation

The NTA is committed to consulting and advising its staff on relevant issues which may have an impact on them. It does this through consultation with appointed staff representatives and through regular meetings with representatives as well as 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 2010/11 91.82% of bills, representing 91.85% by value, were paid within the target. For NHS bills, the corresponding figures were 83.69% of bills representing 82.46% by value were paid within the target. The NTA uses the NHS Shared Business Services to process payments.

## Sustainable Development

No significant priority has been given to this area of activity within the NTA during 2010/11. The scope to introduce significant changes is limited due to the size of the NTA and because there is no estate portfolio and no significant purchasing of consumables. However, the NTA will be working with the PHE Transitions Team as necessary to ensure that sustainable development issues are addressed as part of the development of the new body.

## Information Governance

The NTA has in place a range of systems which ensure that information maintained by the NTA is secure. The NTA is in the process of implementing the requirements and recommendations of the Information Governance Assurance Programmes (IGAP). Regular returns are provided as part of the monitoring process.

As part of overall compliance the NTA has developed and updated a range of Information Risk Policies, these include an Information Risk Policy, and a Physical, Personal and Information risk policy. These were approved by the NTA board in July 2010.

There were no serious untoward incidences involving data within the NTA in 2010/11.

## Sickness Absence

The NTA monitors sickness absence levels for its staff on a quarterly basis. This is 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 3.5 days per member of staff in 2010/11.

## Management Commentary

The Government has signalled a radical shift in its approach to drug and alcohol misuse over the past year. Instead of focussing primarily on reducing the harms caused by drug misuse, it will create an integrated drug and alcohol recovery system with the needs of individual users at its heart.

To deliver this new ambition for recovery, the Health and Social Care Bill envisages that responsibility for drug and alcohol commissioning will in future be located with local authorities. This will make it easier to create locally-based recovery systems, integrating housing and employment more effectively with existing treatment systems and mutual aid networks, in order that every individual has the opportunity to live a drug free life.

This locally-owned system will be supported at a national level by Public Health England, the proposed new integrated public health service which will assume the key functions of the NTA from 2012.

The financial year 2010/11 was therefore a period of transition for the NTA, in which the organisation had three priorities:

- Preparing for the transition to Public Health England
- Implementing the Government's recovery vision
- Consolidating the improvements in the drug treatment system achieved since 2001.

Our performance during the year can be assessed under three headings:

**Prevalence** – There is growing evidence that the levels of use of heroin and crack are falling, with an associated drop in new presentations to treatment. Estimates from the University of Glasgow identified 7,500 fewer heroin and crack users in England (down from 328,767 to 321,229) and a statistically significant reduction of 10,700 in the number of heroin users (from 273,123 to 262,428).

Provisional figures for 2010/11 indicate that the number of new presentations to treatment for heroin and/or crack amongst the 18-30 age group has further declined by 8% (from 20,149 to 18,471). The fall in the under-18s has been even more dramatic, with a 20% drop so far in 2010/11 (from 486 to 391), contributing to an overall reduction of 52% (from 808) since 2005/06.

**Completions** – The key to enhancing an individual's chances of recovery is to improve the ambition of the treatment system and its competence to work with them to achieve and sustain abstinence from dependency. The number of individuals completing treatment having overcome dependency has already doubled (from 11,208 in 2005/06 to 23,680 in 2009/10) and we anticipate the final figure for 2010/11 will be around 28,000.\*

In order to support and sustain this improvement, the NTA has been working with:

- Drug treatment providers, to create a sector-led Skills Consortium to equip practitioners with the competences required to promote successful completions
- Commissioners, to ensure their local treatment systems are configured to maximise routes into recovery and out of treatment for service users
- Clinicians and scientists, to identify the clinical provision and protocols required to give all clients the opportunity to make as much progress towards recovery as they can, as rapidly as they can, without precipitating avoidable relapse.

**Access** – As local areas seek to transform delivery to focus on recovery, it is vital to ensure that neither the availability of treatment nor rapid access to help is compromised. Over recent years, average waiting times have fallen to one week while the numbers in treatment have expanded dramatically.

Provisional figures for 2010/11 indicate that the overall treatment population has stabilised at about 204,000, while performance in respect of access has improved slightly. Currently 97% of individuals can access treatment programmes within three weeks of assessment, while fewer people are dropping out of treatment early – the proportion of new clients leaving prematurely is now 16%.

\* All 2010/11 data reported here is provisional management information as of March 2011: final verified figures will be published as national statistics in the autumn.

## Financial Performance

The NTA is allocated Revenue annually by the Department of Health. The NTA also receives funding through the Home Office to cover costs associated with the Drug Interventions Programme. In addition, funding has been provided jointly by the Home Office and Department of Health for work on System Change Pilots. Further funding was also provided by the Department of Health for a number of projects managed by the NTA in 2010/11, the most significant of these was funding for Randomised Injectable Opioid Treatment Trial (RIOTT) and Integrated Drug Treatment System (IDTS). In 2010/11 the Net Expenditure was £10,234k against a Revenue Resource limit of £10,707k resulting in an underspend in the year of £473k. As a consequence, the NTA has achieved its financial duties in relation to the Revenue Resource limit.

Given the announced intentions of the Government regarding the implications of the abolition of the NTA, SMT have a reasonable expectation that NTA will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the 'going concern' basis in preparing the annual report and financial statements. The accounts do not include the adjustments which would result if NTA were unable to continue as a 'going concern', in fact, preparing accounts on a break up basis would not be likely to be materially different.

## Name of auditor

The accounts have been audited by the National Audit Office (NAO) who is appointed as the NTA's external auditors. The NAO's Comptroller and Auditor General has carried out the statutory audit on NTA accounts in 2010/11 and has reported accordingly to the NTA Board and Audit and Risk Committee throughout the 2010/11 financial year. The NAO remuneration for audit work in 2010/11 does not include any amounts for non audit work.



The NTA Internal Audit is 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 16 & 17.

## Political and Charitable Donations

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

## Audit Assurance Statement

The Accounting Officer 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.

A handwritten signature in black ink, appearing to read 'P. Hayes'.

**Paul Hayes**  
Chief Executive  
10 June 2011

# REMUNERATION REPORT 2010/11

## 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)
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)
Andy Buck (until 05.07.2010)	(NED) (also A & R Committee)
Anthony Cooke	(NED) (also HR Committee)
Alison Comley	(NED) (also A & R Committee)
Kate Davies	(NED) (also A & R & HR Committees)
Adrian Evans	(NED) (also A & R Committee)
Gill Laver	(NED) (also A & R Chair & HR Committee)
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 new 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 2010/11. Performance related pay awards of 4% were paid to VSMS in 2010/11.

#### **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, with the exception that the period of notice may be waived in the case of gross misconduct. These arrangements are expected to operate on the same basis in future years. 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.

#### **5. Remuneration of senior managers during 2010/11**

The remuneration relating to all senior managers in post during 2010/11 is detailed in the tables below, which identify the salary & allowances, performance related pay, any benefits-in-kind and pension benefits applicable to both Executives and Non-Executives; all are subject to audit.

## Salaries & Allowances

Name and title	2010/11				2009/10			
	Salaries & Allowances (bands of £5,000)	Performance Related Pay	Benefits in kind (rounded to the nearest £100)	Total Pay	Salaries & Allowances (bands of £5,000)	Performance Related Pay	Benefits in kind (rounded to the nearest £100)	Total Pay
Paul Hayes Chief Executive	130-135	5-10	0	135-140	130-135	5-10	0	135-140
Annette Dale-Perera Director of Quality	0	0	0	0	20-25	0-5	0	20-25
Jonathan Hibbs Director of Communications	90-95	0-5	0	90-95	90-95	0-5	0	90-95
Stephen Hodges Director of Corporate Services	90-95	0-5	0	90-95	90-95	0-5	0	90-95
Rosanna O'Connor Director of Delivery	90-95	0-5	0	90-95	90-95	0-5	0	90-95
Doreen Massey Board Chair	20-25	0	0	20-25	20-25	0	0	20-25
Anthony Cooke Non-Executive Director	5-10	0	0	5-10	5-10	0	0	5-10
Alison Comley Non-Executive Director	5-10	0	0	5-10	5-10	0	0	5-10
Kate Davies Non-Executive Director	5-10	0	0	5-10	10-15	0	0	10-15
Adrian Evans Non-Executive Director	5-10	0	0	5-10	5-10	0	0	5-10
Grantley Haynes Non-Executive Director	0	0	0	0	1-5	0	0	1-5
Gill Laver Non-Executive Director	10-15	0	0	10-15	10-15	0	0	10-15
Peter McDermott Non-Executive Director	5-10	0	0	5-10	5-10	0	0	5-10

## Pension Benefits

Name and title	Real	Real	Total	Lump sum	Cash	Cash	Real	Employer's
	increase	increase	accrued	at age 60				
	in pension	in pension	pension at	related to	Equivalent	Equivalent	increase	contribution
	at age 60	at age 60	age 60 at	accrued	Transfer	Transfer	in Cash	to stakeholder
	(bands of	(bands of	31 March	pension at	Value at	Value at	Equivalent	holder
	£2,500)	£2,500)	2011	31 March	31 March	31 March	Transfer	pension
	£000	£000	(bands of	(bands of	2011	2010	Value	£000
			£5,000)	£5,000)	£000	£000	£000	
			£000	£000				
Paul Hayes Chief Executive	2.5–5.0	10.5–12.5	50–55	160–165	1,274	1,250	24	0
Jonathan Hibbs Director of Communications	0	0	0–5	0	4	21	–17	0
Stephen Hodges Director of Corporate Services	0–2.5	2.5–5.0	35–40	105–110	703	733	–30	0
Rosanna O'Connor Director of Delivery	0–2.5	2.5–5.0	5–10	25–30	0	0	0	0

### 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.

## 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.



**Paul Hayes**  
Chief Executive  
10 June 2011

## **ANNUAL ACCOUNTS 2010/11**

### **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 Accounting Officer of the Department of Health has designated the Chief Executive as Accounting Officer of the National Treatment Agency. 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.

# STATEMENT ON INTERNAL CONTROL

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NTA's policies, aims and objectives, whilst safeguarding public funds and departmental assets for which I am personally responsible, as set out in Managing Public Money.

There is a comprehensive reporting and accountability system in place both with the sponsor branch at the Department of Health, the Home Office and other key Government Departments as well as Ministerial engagement to manage key risks. Checks and balances are provided by Internal and External Audit and are overseen by the Board's Audit & Risk Committee.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to; identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the NTA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

Risk identification and management is reviewed and monitored by the Audit and Risk Committee on behalf of the Board. The formal risk processes have operated within the agency since 2003/04 and have been regularly reviewed and updated. The last significant review of the Risk Management Policy and Strategy was in 2009 but the policy is due to be reviewed further in June 2011. The risk management approach identifies and registers key risks to the organisation through to the Audit and Risk Committee jointly with Executive Directors. These key risks are then embedded within and monitored through the Corporate Strategy, Business Plans as well as a newly developed Risk, Controls and Assurance Dashboard developed in conjunction with our Internal auditors RSM Tenon. As part of the risk assessment, ownership of each key risk is identified by the Executive Directors and NTA managers.

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

The Agency's Strategic and High Risk Register is updated regularly and each year there is a comprehensive refresh of all Directorate Risk Registers. Regular training events for staff on risk management and the risk management software used by the NTA is provided by RSM Tenon.

## 4. The risk and control framework

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

A Risk Management Policy and Strategy is in place, the policy sets out the Agency's approach to risk management and monitoring including objectives, the NTA risk management structure and includes definitions and clarity on risk scoring and its application in order to better understand the NTA risk tolerances and associated responses. The strategy also includes the implementation of a 'risk road map' this identifies the key activities that are completed each year and enables the NTA to monitor them appropriately. The 'risk road map' ensures that there are indicative dates for planned actions against the following risk management elements; review and implementation of the revised risk management policy and strategy, strategic risk management, operational risk management and risk control assurance framework.

As part of an Assurance process, NTA Internal Auditors (RSM Tenon) undertook an Assurance Stock-take in February 2011. The stock-take built on previous risk maturity audits and reviewed the effectiveness of the arrangements operated by the agency. RSM Tenon concluded that the NTA has continued to strengthen its risk management and assurance framework by the development of a risk, controls and assurances dashboard which has enabled closer monitoring of assurances and analysis of risk mitigation and effectiveness of controls. Consequently the agency retained its Risk Managed status in 2010/11.

A number of recommendations were made by RSM Tenon which would further improve the risk control framework and these have been agreed. All recommendations made in the previous audit have been implemented and the 2010/11 stock-take noted that the progress made in implementing the recommendations has led to great improvement to the control environment and risk mitigation and that this had provided a good platform for a robust assurance framework.

The NTA has primary stakeholders at both regional level and at national level. Regionally, they include drug action team commissioners, managers of drug treatment services, carers and families of drug misusers, local government partners, directors of public health, criminal justice agencies (including the police, probation and prison services), strategic health authorities and primary care trusts.

At a national level, NTA stakeholders include the Department of Health, Home Office, Ministry of Justice, Department for Education, National Offenders Management Service, Department of Work and Pensions, drug treatment service users and carer umbrella groups, royal colleges (e.g. the Royal College of Psychiatrists and the Royal College of General Practitioners), researchers and academics.

The NTA Risk Management Policy and Strategy requires communication to be carried out with internal and external stakeholders on the risk management process. At a national level, the regular accountability meetings with ministers and senior staff from the Department of Health, Home Office and other appropriate Government Departments provide a further examination of the NTA approach to risk management.

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with.

This includes ensuring that deductions from salary, employer contributions and payments into the Scheme are in accordance with Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

The NTA has in place a range of systems which ensure that information maintained by the NTA is secure. The NTA is in the process of implementing the requirements and recommendations of the Information Governance Assurance Programmes (IGAP). Regular returns are provided as part of the monitoring process. As part of overall compliance the NTA has developed and updated a range of Information Risk Policies, these include an Information Risk Policy, and a Physical, Personal and Information risk policy. These were approved by the NTA board in July 2010.



The risks associated with transfer of the NTA critical functions to Public Health England in 2012/13 has been identified within the NTA Strategic Risk Register. NTA Senior Managers are represented on both the PHE Transition and Executive Board. In addition the NTA Board has set up a Transitions Group consisting of key NTA Board and Senior Management Team members to ensure that the transfer of functions runs smoothly and that risks associated with the transfer are managed appropriately.

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Head of Internal Audit provides me with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Executive managers within the organisation who have responsibility for the development and maintenance of the internal control provide me with assurance. The Assurance Framework itself provides me with evidence of the effectiveness of controls that manage the risks to the organisation ensuring its principal objectives have been reviewed. My review is also informed by comments made by the external auditors in their management letter and other reports. A system is in place to address any weaknesses and ensure continuous improvement.

The Audit and Risk Committee meets regularly and reports to the Board on all aspects of financial control, risk management, internal and external audit and financial reporting. Executive Directors have responsibility for monitoring and managing risk within their respective directorates. They are responsible for ensuring that risks are identified and appropriate action plans are in place to mitigate such risks.

Internal Audit ensures the effective operation of internal audit review and reporting. The NTA Internal Auditors, RMS Tenon undertook nine reviews in 2010/11. Eight of these were assurance based reviews with one being advisory. Five assurance based reviews received the highest positive assurance opinion (green) with one receiving amber/green, the assurance review on IT Core controls was amber/red. The Follow Up audit received 'good progress'.

Internal Audit has provided their Audit Annual Report which comments on the agencies overall performance over 2010/11 and the Internal Audit Assurance Statement.

The Head of Internal Audit opinion provided through the Internal Audit Annual Report for the year ending 31 March 2011 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 2011 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 – Green*
- *Risk Management – Green*
- *Control – Green"*

The Head of Internal Audit commented that all of the recommendations made during the year were accepted by management and concluded there were no recommendations that were not receiving adequate management attention. On the basis of management comments provided management has taken the time to consider the implications of the findings and associated risks prior to agreeing the implementation of recommendations. As Accounting Officer, I note that the audits undertaken do identify a number of areas where there are some weaknesses. These are being addressed by managers. The IT Core Controls Report is receiving specific management attention and recommendations made by internal audit represent enhancement improvements rather than any significant control weaknesses.

A handwritten signature in black ink, appearing to read 'P. Hayes'.

**Paul Hayes**  
Chief Executive  
10 June 2011

# AUDIT CERTIFICATE

## 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 2011 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is 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 the financial statements in accordance with applicable law and 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 Chief Executive's Report, Management Commentary and the unaudited part of the Remuneration Report, included within 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported 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 have been applied to the purposes intended by Parliament and the financial transactions 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 2011 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.

### **Emphasis of matter**

Without qualifying my opinion, I draw attention to the disclosures made in note 1.1 to the financial statements concerning the application of the going concern principle in light of the proposal to abolish the National Treatment Agency for Substance Misuse. This is subject to legislation and there is therefore uncertainty over the National Treatment Agency for Substance Misuse's ability to continue to operate in its current form and with its current functions.

### **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 by National Health Service Act 2006; and
- the information given in the Chief Executive's Report, Management Commentary and the unaudited part of the Remuneration Report, 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**National Audit Office**  
**151-197 Buckingham Palace Road**  
**Victoria**  
**London SW1W 9SP**

21 June 2011

# ACCOUNTS OF NATIONAL TREATMENT AGENCY 2010/11

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010/11 £000	Restated 2009/10 £000
<b>Expenditure</b>			
Staff costs	3	9,802	9,805
Depreciation	4	375	361
Other Expenditures	4	9,153	10,569
		<u>19,330</u>	<u>20,735</u>
<b>Income</b>			
Income from Activities	5	(9,078)	(9,641)
Other Income	5	(18)	(178)
		<u>(9,096)</u>	<u>(9,819)</u>
<b>Net Expenditure</b>		<u>10,234</u>	<u>10,916</u>

*The notes on pages 22 to 33 form part of these accounts*

## Statement of Financial Position as at 31 March 2011

	Note	2010/11 £000	2009/10 £000
<b>Non-current assets</b>			
Property, Plant & Equipment	6	409	609
Intangible assets	7	91	112
<b>Total non-current assets</b>		<u>500</u>	<u>721</u>
<b>Current assets</b>			
Trade and Other receivables	11	3,963	881
Other current assets	11	416	286
Cash and cash equivalents	12	590	3,827
<b>Total current assets</b>		<u>4,969</u>	<u>4,994</u>
<b>Total assets</b>		<u>5,469</u>	<u>5,715</u>
<b>Current Liabilities</b>			
Trade and Other payables	13	(732)	(632)
Other liabilities	13	(3,667)	(4,486)
<b>Total current liabilities</b>		<u>(4,399)</u>	<u>(5,118)</u>
<b>Non-current assets plus/less net current assets/liabilities</b>		<u>1,070</u>	<u>597</u>
<b>Assets less liabilities</b>		<u>1,070</u>	<u>597</u>
<b>Reserves</b>			
General reserve		<u>1,070</u>	<u>597</u>
		<u>1,070</u>	<u>597</u>

The notes on pages 22 to 33 form part of these accounts



**Paul Hayes**

Chief Executive and Accounting Officer  
10 June 2011

## Statement of Cash Flows for the year ended 31 March 2011

	Note	2010/11 £000	Restated 2009/10 £000
<b>Cash flows from operating activities</b>			
Net expenditure after cost of capital and interest		(10,234)	(10,916)
Adjustment for loss on disposal	6	4	–
Adjust for non-cash transactions	4	379	361
(Increase)/decrease in trade and other receivables	11	(3,082)	408
(Increase)/decrease in other receivables	11	(130)	(123)
Increase/(decrease) in trade payables	13	100	37
Increase/(decrease) in other payables	13	(819)	1,143
<b>Net cash outflow from operating activities</b>		<b>(13,782)</b>	<b>(9,090)</b>
<b>Capital flows from investing activities</b>			
Purchase of plant, property and equipment	6	(149)	(232)
Purchase of intangible assets	7	(13)	(63)
<b>Net cash outflow from investing activities</b>		<b>(162)</b>	<b>(295)</b>
<b>Cash flows from financing activities</b>			
Grants from parent department		10,707	11,435
<b>Net financing</b>		<b>10,707</b>	<b>11,435</b>
<b>Net increase/(decrease) in cash and cash equivalents at 31 March 2011</b>	12	<b>(3,237)</b>	2,050
<b>Cash and cash equivalents at 31 March 2010</b>	12	<b>3,827</b>	1,777
<b>Cash and cash equivalents at 31 March 2011</b>		<b>590</b>	3,827

*The notes on pages 22 to 33 form part of these accounts*

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	<b>I&amp;E Reserve £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2009</b>	77	77
Changes in accounting policy	—	—
<b>Restated balance at 1 April 2009</b>	<u>77</u>	<u>77</u>
<b>Changes in reserves 2009/10</b>		
Retained Surplus/(Deficit)	<u>(10,916)</u>	<u>(10,916)</u>
<b>Total recognised income and expense for 2009/10</b>	<u>(10,916)</u>	<u>(10,916)</u>
Grant from Parent	<u>11,435</u>	<u>11,435</u>
<b>Balance at 31 March 2010</b>	<u>597</u>	<u>597</u>
<b>Changes in taxpayers' equity for 2010/11</b>		
Non-cash charges – cost of capital	—	—
Retained Surplus/(Deficit)	<u>(10,234)</u>	<u>(10,234)</u>
<b>Total recognised income and expense for 2010/11</b>	<u>(10,234)</u>	<u>(10,234)</u>
Grant from Parent	<u>10,707</u>	<u>10,707</u>
<b>Balance at 31 March 2011</b>	<u>1,070</u>	<u>1,070</u>

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 notional charges 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 2010/11, financial statements have been prepared in accordance with the 2010/11 FReM. From 2009/10, 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.

On 26 July, 2010, the Department of Health published a report on the Arms-Length Bodies review, proposing the abolition of the NTA and the move of its functions to within the new Public Health England. The remit and funding for the NTA remained in place for 2010/11 and will be in place for 2011/12, to cover those activities that are expected to continue. In light of this event management have reviewed the appropriateness of the preparation of the financial statements on a 'going concern' basis.

Management note that legislation is required to be passed before NTA can be abolished and statutory responsibilities ceased or transferred and they therefore do not yet have clarity on the nature or timing of any non-statutory activities that may be ceased or transferred. In the interim period, management are satisfied that sufficient funding is in place to enable NTA to continue trading and meet its obligations as they fall due. These accounts have therefore been prepared on a going concern basis.

### 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 Operating Cost Statement, in which case it is credited to the Operating Cost Statement 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 Operating Cost Statement.

### 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 Operating Cost Statement. 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 Operating Cost Statement 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 Operating Cost Statement 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 Capital charges

From 1 April 2010, the Agency is no longer required to show treatment of Property, Plant & Equipment in the accounts in accordance with the principal capital charges objective to ensure that such charges are reflected in the cost of capital. With these changes, this means that had we calculated the cost of capital for 2010/11, the effect on the financial statements would have been additional expenditure of £30k. In financial year 2009/10, the cost of capital charge rate was 3.5% on all assets less liabilities, except for cash balances with the Office of the Paymaster General (OPG), where the charge was nil. As a result of the change in requirements we have restated the 2009/10 figures in the Statement of Net Expenditure, so that cost of capital is now included within other expenditure.

## 1.9 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.

## 1.10 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings including losses which would have been made good through insurance cover had Special Health Authorities not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

## 1.11 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](http://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.

## 1.12 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Resulting exchange gains and losses are taken to the Operating Cost Statement.

## 1.13 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 discount rate of 2.2% in real terms.

## 1.14 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 Operating Cost Statement 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 Operating Cost Statement 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.

### Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

## 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:

	2009/10 £000		
	Permanently employed		Total
	Total	Staff	Others
Salaries and wages	8,249	7,416	833
Social security costs	621	621	–
Other pension costs	862	862	–
Accrued Annual Leave	70	70	–
<b>Total</b>	<b>9,802</b>	<b>8,969</b>	<b>833</b>
Less recoveries in respect of outward secondments	(471)	(471)	–
<b>Total net costs</b>	<b>9,331</b>	<b>8,498</b>	<b>833</b>

#### Average number of persons employed

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

	2009/10 Number		
	Permanent		Total
	Total	Staff	Others
Directly employed	189	177	12
Other	–	–	–
Staff engaged on capital projects	–	–	–
<b>Total</b>	<b>189</b>	<b>177</b>	<b>12</b>

### 4. Other Expenditure

	2010/11 £000		Restated 2009/10 £000
Note			
Running Costs		964	1,797
External Data Contracts		3,557	5,199
Rentals under operating leases		42	41
Non-Executive members' remuneration		92	92
Auditors' remuneration – External		31	37
Auditors' remuneration – Internal		66	60
Transport and moveable plant		9	21
Premises and non-current plant		1,300	1,127
<b>Non-cash items</b>			
Depreciation	6	344	326
Amortisation	7	31	35
Loss on disposal of property, plant and equipment		4	–
<b>Total Non-cash items</b>		<b>379</b>	<b>361</b>
Employee Benefits		4	22
Redundancies		–	180
Research Costs		3,084	1,992
Miscellaneous		–	1
<b>Total</b>		<b>9,528</b>	<b>10,930</b>

## 5. Income

	2010/11 £000	2009/10 £000
Sales of Services	9,078	9,641
Other	18	178
<b>Total</b>	<b>9,096</b>	<b>9,819</b>
<b>*Sales of Services</b>	<b>£000</b>	<b>£000</b>
Integrated Drug Treatment System (DH)	1,889	2,365
Harm Reduction (DH)	–	591
Treatment Delivery (DH)	–	104
RIOTT (DH)	1,984	1,780
NDTMS (DH)	–	390
DIP (Home Office)	2,043	2,132
System Change Pilots	1,947	1,751
Other departmental income (including secondments)	1,215	528
<b>Total</b>	<b>9,078</b>	<b>9,641</b>

## 6. Property, Plant and Equipment

	Information technology £000	Furniture & fittings £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2010	1,218	190	1,408
Additions	140	9	149
Disposals	(244)	–	(244)
<b>At 31 March 2011</b>	<b>1,114</b>	<b>199</b>	<b>1,313</b>
<b>Depreciation</b>			
At 1 April 2010	772	28	800
Charged in year	315	29	344
Disposals	(240)	–	(240)
<b>At 31 March 2011</b>	<b>847</b>	<b>57</b>	<b>904</b>
<b>Net book value at 31 March 2010</b>	<b>446</b>	<b>163</b>	<b>609</b>
<b>Net book value at 31 March 2011</b>	<b>267</b>	<b>142</b>	<b>409</b>
<b>Asset financing:</b>			
Owned	267	142	409
<b>Net book value at 31 March 2011</b>	<b>267</b>	<b>142</b>	<b>409</b>



## 7. Intangible assets

	Software purchased £000	Licences and trademarks £000	Develop- ment Expenditure £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2010	107	38	55	200
Additions	–	13	–	13
Disposals	(3)	–	–	(3)
<b>At 31 March 2011</b>	<b>104</b>	<b>51</b>	<b>55</b>	<b>210</b>
<b>Amortisation</b>				
At 1 April 2010	67	6	15	88
Charged in year	10	10	11	31
<b>At 31 March 2011</b>	<b>77</b>	<b>16</b>	<b>26</b>	<b>119</b>
<b>Net book value at 31 March 2011</b>	<b>27</b>	<b>35</b>	<b>29</b>	<b>91</b>
Net book value at 31 March 2010	40	32	40	112

## 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 its 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. Impairments

The Agency had no impairments to assets to report this financial year.



## 10. Inventories

The Agency had no inventory to report this financial year.

## 11. Trade receivables and other current assets

	2010/11 £000	2009/10 £000
<b>Amounts falling due within one year</b>		
NHS receivables	3,895	662
Non-NHS receivables	40	198
Other receivables	28	21
Prepayments and accrued income	416	286
	<u>4,379</u>	<u>1,167</u>

### Intra-Government Analysis

	2010/11 £000	2009/10 £000
Local Government Bodies	13	–
NHS Bodies	3,895	662
Other Central Government Bodies	–	193
Public Corporations and Trading Funds	–	–
Bodies External to Government	471	312
	<u>4,379</u>	<u>1,167</u>

## 12. Cash and Cash equivalents

	2010/11 £000	2009/10 £000
Balance at 1 April 2010	3,827	1,777
Net change in cash and cash equivalent balances	(3,237)	2,050
Balance at 31 March 2011	<u>590</u>	<u>3,827</u>

### The following balances at 31 March were held at:

Government Banking Services	589	3,827
Commercial banks and cash in hand	1	–
Balance at 31 March 2011	<u>590</u>	<u>3,827</u>

### 13. Trade payables and other current liabilities

	2010/11 £000	2009/10 £000
<b>Amounts falling due within one year</b>		
Tax and social security	(325)	(12)
NHS payables (revenue)	(132)	(473)
Non-NHS payables (revenue)	(600)	(159)
Accruals and deferred income	(3,342)	(4,474)
	<u>(4,399)</u>	<u>(5,118)</u>

#### Intra-Government Analysis

	2010/11 £000	2009/10 £000
Local Government Bodies	(93)	–
NHS Bodies	(2,720)	(3,166)
Other Central Government Bodies	(326)	(12)
Public Corporations and Trading Funds	–	–
Bodies External to Government	(1,260)	(1,940)
	<u>(4,399)</u>	<u>(5,118)</u>

### 14. Provisions for liabilities and charges

The Agency had no provisions to report this financial year.

### 15. Capital commitments

The Agency has nothing to declare under this heading.

### 16. Commitments under leases

#### 16.1 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

	2010/11 £000	2009/10 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	651	751
<b>Total</b>	<u>651</u>	<u>751</u>
<b>Total future minimum lease payments</b>		
<b>Payable:</b>		
By 31 March 2012	273	751
Between 1 April 2012 and 31 March 2016	905	21
<b>Total</b>	<u>1,178</u>	<u>772</u>

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.

**17. Commitments under PFI contracts**

The Agency has nothing to declare under this heading.

**18. Other financial commitments**

The Agency has nothing to declare under this heading.

**19. Contingent liabilities disclosed under IAS 37**

The Agency has nothing to declare under this heading.

**20. 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 had no post balance sheet events to report up to this date.

**21. 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	294,612	
Bradford and Airedale Teaching PCT	153,500	
Cambridgeshire PCT	255,432	
Department for Communities and Local Government	588,139	
Department for Education		161,000
Department Of Health	545,600	1,134,159
Hampshire Partnership NHS Foundation Trust	185,924	
HM Prison Service	225,837	
Home Office		2,397,461
Lambeth PCT	448,277	
Milton Keynes PCT	378,350	
NHS Rotherham	10,037	
NHS Nottinghamshire County		11,644
Sefton PCT	192,000	
South London and Maudsley NHS Foundation Trust	1,843,385	
Southampton University Hospitals NHS Trust	294,622	
South West Strategic Health Authority	7,882	

In addition, and for the purpose of these accounts, the Agency had £3,888,716 outstanding from the Department of Health as at the end of 2010/11.

## **22. Third-party assets**

The Agency has nothing to declare under this heading.

## **23. Losses and Special Payments**

The Agency has nothing to declare under this heading.

## **24. IFRSs, amendments and interpretations in issue but not yet effective, or adopted**

IAS8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted early by the NTA:

### **IFRS9 Financial Instruments**

A new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2013.

### **IFRS7 Financial Instruments: Disclosure**

Amendments to the existing standard. The effective date is for accounting periods beginning on, or after 1 July 2011.

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.

In addition, the following are changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2011:

Chapters 5, 6, 7 & 11 Accounting for Capital Government Grants and Similar Financing from Non-Government Sources

Adaption of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Adaption of IAS 16 Property, Plant And Equipment

None of these changes to the FReM are anticipated to have a future material impact on the financial statements of the NTA.



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