



*National Treatment Agency
for Substance Misuse*

National Treatment Agency Annual Accounts 2004/2005

Presented to Parliament pursuant to section
98 (1c) of the National Health Service Act 1977

Ordered by the House of Commons to be printed 2 November 2005



Foreword

The accounts for the year ended 31 March 2005 have been prepared in accordance with the direction given by the Secretary of State under section 98(2) of the NHS Act 1977 dated December 2001 and in a format as instructed by the Department of Health with the approval of Treasury.

The National Treatment Agency was established on 6 March 2001 as a Special Health Authority to become operational on 1 April 2001. Founding legislation includes the National Health Service Act 1977 c49 and Statutory Instruments 2001 Nos. 713, 715 and 4044. The Agency is required lay its accounts before Parliament.

The National Treatment Agency is part of the NHS. It is a Special Health Authority that was established to increase the availability, capacity and effectiveness of treatment for drug misuse in England. The Agency's aims and objectives were set out in its Business Plan for the 12 month period to 31 March, 2005. These reflected the Agency's priorities during 2004-2005. The business plan also set out specific targets in support of those aims and objectives. The 2004-2005 focus was as follows

- Continuing to improve access to drug treatment services through the reduction in waiting times.
- Development of useable and timely performance management information to inform decision making by service providers and commissioners.
- Ensuring that management information produced informs Strategic Health Authorities, Government Offices and the Healthcare Commission to identify under-performance and target support where required.
- Continued implementation of initiatives to improve treatment for offenders through the Drug Intervention Programme and other initiatives.
- Targeting under-performing Drug Action Teams.
- Ensuring that there are improved and an increasing range of services for young people's drug treatment.
- Continued improvements to the NTA's Corporate Infrastructure.
- Initiating a range of research programmes and disseminating research evidence between government departments and other agencies.
- Involving Users and Carers in the development of initiatives being developed by NTA.
- Development of an Inspection team, working in partnership with the Healthcare Commission, to review the performance of health bodies in relation to substance misuse treatment.
- Continuing to develop capacity within the drug treatment sector to respond to the diversity agenda.
- Continued developments of standards for drug treatment in line with Modals of Care.

The NTA is allocated Revenue and Capital Resource limits annually by the Department of Health. In 2004/05 the net resource outturn was £10,518k against a Revenue Resource limit of £10,366k, resulting in an overspend of £152,000. Capital expenditure was £69,000 against a resource limit of £70,000. As a consequence the agency has not achieved its financial duties.

The overspend principally relates to expenditure on Information Management and the requirement to plan to be able deliver information on Young People within the National Drug Treatment and Monitoring System (NDTMS) in 2005/06. The expenditure on NDTMS was higher than anticipated and the expenditure needed to meet this additional requirement, placed pressure on the Information Management budget. The NTA were unable to make savings within other budget areas to meet these additional costs.

Board Members

Chair

The Baroness Massey of Darwen

Non Executive Directors

Dr Berry Beaumont
Kate Davies
Grantley Haynes
Professor Kamlesh Patel, OBE
Gabriel Scally
Andy Buck
Tina Williams
Peter McDermott

Non Executive Directors (ex-officio)

Sarah Mann
Vic Hogg
Martin Lee
Ellie Roy

Executive Directors

Paul Hayes	Chief Executive
Rosanna O'Connor	Director of Regional Management
Annette Dale-Perera	Director of Quality
Chandresh Somani	Director of Finance & Planning (to May 2004)
Stephen Hodges	Director of Corporate Services (from November 2004)

Equal Opportunities

The National Treatment Agency is committed to action to ensure equal access to relevant and appropriate drug treatment services for the whole population; 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.

Better Payments Practice Code

The Better payments practice code target is to pay non-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 2004/05 80.4 percent of bills, representing 79.6 percent by value, were paid within the target. The Agency used the NHS Shared Business Services Limited in 2004/05 to process payments on the Agency's behalf.

Arms Length Body Review

The National Treatment Agency, as a Special Health Authority is classed as an Arms Length Body (ALB). A review of ALB's took place in 2004/05 as part of the Secretary of State for Health's announcement that the sector would need to reduce by 50% by 2007/08 with a reduction in expenditure of £0.5bn and staffing reductions of 25%.

The Secretary of State for Health announced the outcome of the review in July 2004. The principal proposals in respect of the NTA were;

- The Secretary of State described progress in treatment as excellent and the NTA contribution as vital.
- The NTA will continue to exist until 2008 but by that date structures will be created which enable the drug treatment agenda to be mainstreamed. The NTA will have a key role in shaping any new arrangements and it was recognised that aspects of NTA activity will need to continue post 2008.
- NTA regional teams and staff would be integrated to existing mainstream structures between now and 2008.
- The Department of Health and Home Office would consider how the new arrangements could be jointly accountable to Ministers in both Departments.

The implications of the review are presently being considered by NTA, Department of Health and the Home Office.

Further reviews of the NTA budgets, as part of the ALB review have determined the core NTA budget for 2005/06 as well as staffing requirements.

Name of Auditor

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 1977 as amended by the Government Resources and Accounts Act 2000 (audit of Health Service Bodies) Order 2003 No. 1324. The audit certificate is on pages 8 to 9.

Signed:



Chief Executive

Dated 5 October 2005

STATEMENT OF THE BOARD'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, the National Treatment Agency is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the National Treatment Agency state of affairs at the year end and of its net resource outturn and cash flows for the financial year.

The Accounting Officer for the Department of Health has appointed the Chief Executive of the National Treatment Agency as the Accounting Officer, with responsibility for preparing the National Treatment Agency accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Board and Accounting Officer are required 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 have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the National Treatment Agency will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the National Treatment Agency and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

STATEMENT ON INTERNAL CONTROL 2004/05

NATIONAL TREATMENT AGENCY

1. Scope of responsibility

As Accounting Officer, together with the Board, of the National Treatment Agency, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accounting Officer Memorandum issued by the Department of Health.

There is a comprehensive reporting and accountability system in place both with the sponsor branch at the Department of Health, the Home Office and extensive 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 sub-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.
- 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 National Treatment Agency for the year ending 31 March 2005. The Agencies external auditors, the National Audit Office (NAO), has however, identified a number of weaknesses in internal controls which I agree need to be addressed.

3. Capacity to handle risk

Risk identification and management is reviewed and monitored by the Board's sub-committee for Audit and Risk. The formal risk processes was implemented in 2003/04 within the agency. The process 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 and resultant work plans across the organisation. As part of the risk assessment, ownership of each key risk by Executive Directors is identified.

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 provided monthly where necessary to Ministers or Steering Groups and quarterly at Board meetings.

4. The risk and control framework

The Audit and Risk sub-committee has been engaged in developing the risk management and assurance framework within the Agency. The Committee has appointed a Director to oversee 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.

In 2004/2005 a review of risk management arrangements was undertaken following the departure of the Director of Finance and Planning in May 2004. Work has been carried out throughout 2004/2005 to ensure that an adequate and robust Risk Management strategy and subsequent processes are in place within the NTA.

The Risk Management strategy sets out the Agency's approach to risk management and monitoring including objectives and a fully mapped risk process. Roles and responsibilities across the organisation are identified, requirements for action planning and the review processes clearly outlined.

5. Review of effectiveness

As Accounting Officer, I have responsibility, together with the Board, for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The work of the internal auditors provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the internal control provide me with assurances. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit & Risk Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Audit and Risk Committee, meets quarterly and reports to the Board on all aspects of financial control, risk management, internal and external audit and financial reporting. In 2004/2005 membership of the Committee has been widened to include a number of new non-Executive Board members.

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.

Internal Audit ensures the effective operation of internal audit review and reporting. This function reviews, confirms and reports to the Audit & Risk sub-committee on the internal audit programme who considers the major findings of internal audit investigations and managements' response confirming any action.

In 2004/2005 the Agency was impacted by the absence of a Director of Finance and Planning for a number of months, the migration of its financial processing to a new provider and continued expansion of staff numbers. As such, my review of the system of internal control in conjunction with Internal and External Audit has identified the following weaknesses:

- In 2004/2005 the NTA established for the first time a comprehensive financial management reporting structure reflecting the increased size and complexity of the organisation and to ensure adequate analysis and monitoring of budgets. The first review of this system has highlighted the need to improve variance analysis and ensure that timely information is available to decision makers.
- The migration of the financial processing functions within the Agency required that payroll processing was sub-contracted to a new provider. In the first year of operation the agency has identified weaknesses in the level of reporting currently available from the new provider. Negotiations are underway to resolve this issue.

- Similarly, with growth in the number of fixed assets held by the organisation has identified the need to review the fixed asset and inventory registers to ensure an adequate audit trail and ensure clear identification of individual assets.
- In 2004/05 the NTA incurred expenditure in excess of its revenue resource limit. The overspend was £152,000 and principally relates to an overspend within the Information Management budget. Discussion to ensure that additional funding is made available to meet the costs incurred in providing data through NDTMS has taken place with the Department of Health. Additional funding has been made available in 2005/06.

These control weaknesses have been discussed in detail at the Audit & Risk Committee and action plans are in place to ensure that they are addressed as soon as possible.

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

Paul Hayes
Chief Executive
5 October 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament.

I certify that I have audited the financial statements on pages 10 to 24 under the National Health Service Act 1977. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 to 16.

Respective responsibilities of the Chief Executive and Auditor

As described on page 4, the Chief Executive is responsible for the preparation of the financial statements in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury thereunder and for ensuring the regularity of financial transactions. The Chief Executive is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury, and whether 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 5 reflects the Authority's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by the Parliaments and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Unqualified opinion on the truth and fairness of the account and qualified opinion on the regularity of expenditure

Section 97AA of the National Health Service Act 1977 (as amended by Section 12 of the Government Resources and Accounts Act 2000) requires every Special Health Authority to ensure that the use of its resources in a financial year does not exceed the amount specified for it in relation to that year by the Secretary of State.

As outlined in the Foreword and note 3.1 to the account, the National Treatment Agency exceeded its revenue resource limit by £152,000. As the National Treatment Agency has no power to exceed its revenue resource limit for the period, I therefore conclude that this excess expenditure has not been applied to the purposes intended by Parliament and is not in conformity with the authorities that govern it.

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Treatment Agency at 31 March 2005 and of the net resource outturn, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State for Health with the approval of the Treasury; and
- except for the expenditure incurred in excess of the National Treatment Agency's revenue resource limit referred to above, 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.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

24 October 2005

Operating Cost Statement for the year ended 31 March 2005

	Notes	2004-05 £000	2003-04 £000
Programme costs	2.1	11,924	9,169
Operating income	4	<u>(1,406)</u>	<u>(233)</u>
Net operating cost		10,518	8,936
Net resource outturn	3.1	<u>10,518</u>	<u>8,936</u>

All income and expenditure is derived from continuing operations

Statement of Recognised Gains and Losses for the year ended 31 March 2005

There were no recognised gains or losses.

The notes at pages 13 to 24 form part of this account.

Balance Sheet as at 31 March 2005

	Notes	31 March 2005 £000	31 March 2004 £000
Fixed assets:			
Intangible assets	5.1	8	0
Tangible assets	5.2	<u>163</u>	<u>178</u>
		171	178
Current assets			
Debtors	7	1,105	928
Cash at bank and in hand	8	<u>12</u>	<u>1</u>
		1,117	929
Creditors:			
amounts falling due within one year	9.1	(1,077)	(822)
		<u>40</u>	<u>107</u>
Net current assets/(liabilities)		40	107
Total assets less current liabilities		211	285
Taxpayers' equity			
General Fund	12.1	211	285
		<u>211</u>	<u>285</u>

The notes at pages 13 to 24 form part of this account.

Signed:



Date: 5 Oct. 2005

Accounting Officer

Cash Flow Statement for the year ended 31 March 2005

	Notes	2004-05 £000	2003-04 £000
Net cash (outflow) from operating activities	13	(10,356)	(7,604)
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		(9)	0
(Payments) to acquire tangible fixed assets		<u>(60)</u>	<u>(203)</u>
Net cash inflow/(outflow) from investing activities		<u>(69)</u>	<u>(203)</u>
Net cash (outflow) before financing		<u>(10,425)</u>	<u>(7,807)</u>
Financing			
Net Parliamentary funding	12.1	<u>10,436</u>	<u>7,763</u>
Increase/(decrease) in cash in the period	8	<u>11</u>	<u>(44)</u>

The notes at pages 13 to 24 form part of this account.

Notes to the Accounts

1 Accounting policies

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied 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 tangible fixed assets and stock where material, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1/2 within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is income which relates directly to the operating activities of the authority. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as other public repayment work, but it also includes other income such as that from investments and from 'list Departments etc'. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

The Authority 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.

1.4 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2004-2005 was 3.5% (2003-04 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.5 Fixed Assets

a. Capitalisation

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.
- iii Tangible assets which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000;
 - collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
 - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.
- iv Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b. Valuation

Intangible Fixed Assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

- i Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.
- ii Assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any existing land or buildings under the control of a contractor.
- iii Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.
- iv All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

c. Depreciation and Amortisation

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii Each equipment asset is depreciated evenly over the expected useful life:

Years

Information technology - network	5
Information technology - personal computers	3

- iv Depreciation has been calculated on a full month basis. There has been no indexation on assets in the first year of their useful life.

1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work in progress comprises goods in intermediate stages of production.

1.7 Losses and special payments

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

1.8 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the Special Health Authority to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contributions payable in 2004-05 was £485,225 (2003-04 £157,507).

The Scheme is subject to a full valuation by the Government Actuary every four years which is followed by a review of the employer contribution rates. The last valuation took place as at 31 March 2003 and has yet to be finalised. The last published valuation covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004-05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement account at the time the Authority commits itself to the retirement, regardless of the method of payment.

A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

1.9 Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives or primary lease term. Rentals under operating leases are charged on a straight line basis over the terms of the lease.

1.10 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet 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 3.5% in real terms.

2.1 Authority programme expenditure

	Notes	2004-05 £000	2004-05 £000	2003-04 £000
Non-executive members' remuneration		68		47
Other salaries and wages	2.2	5,254	5,322	3,097
Supplies and services - general			0	30
Establishment expenses			994	723
Transport and moveable plant			35	55
Premises and fixed plant			663	477
External contractors			4,791	4,669
Capital: Depreciation and amortisation	5.1, 5.2	76		25
Capital charges interest		8		10
			84	35
Auditor's remuneration: Audit Fees			35	36
			11,924	9,169

The Authority did not make any payments to Auditors for non audit work.

2.2 Staff numbers and related costs

	2004-05 Total £000	Directly Employed Staff £000	Other £000	2003-04 £000
Salaries and wages	4,351	3,671	680	2,729
Social security costs	333	333	0	210
Employer contributions to NHSPA	485	485	0	158
Compensation Payments	85	85	0	0
	5,254	4,574	680	3,097

The average number of employees during the year was:

	Total Number	Directly Employed Staff Number	Other Number	2003-04 Number
Total	113	95	18	79

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £2,599 (2003-04: £nil,000).

Retirements due to ill-health

During 2004-05 there were no early retirements from the Special Health Authority on the grounds of ill-health.

2.3 Salary and pension entitlements of senior managers

a. Remuneration

Name and title	Salary	2004-05	Benefits	Salary	2003-04	Benefits
	in £5k bands	Other remuner. in £5k bands	in kind (to the nearest £00) £00	in £5k bands	Other remuner. in £5k bands	in kind (to the nearest £00) £00
A. Buck	5-10	0	0	0	0	0
P. McDermott	5-10	0	0	0	0	0
D.E. Massey	20-25	0	0	20-25	0	0
P.J. Hayes	115-120	0	0	100-105	0	0
S. Hodges (from 01/11/04)	25-30	0	0	0	0	0
A. Dale-Perera	65-70	0	0	60-65	0	0
R. O'Connor	65-70	0	2	60-65	0	0
C. Somani (until 31/05/04)	10-15	80-85	0	60-65	0	0
B. Beaumont	5-10	0	0	5-10	0	0
K.A. Davies	5-10	0	0	5-10	0	0
G.M. Haynes	5-10	0	0	5-10	0	0
K.K.Patel	5-10	0	0	5-10	0	0
G. Scally	5-10	0	0	0	0	0
T. Williams	5-10	0	0	0	0	0

b. Pension benefits

Name and title	Real Increase	Total accrued	Cash Equivalent	Cash Equivalent	Real increase	Employer's
	in pension and related lump sum at age 60 (bands of £2,500) £000	pension at age 60 and related lump sum (bands of £5,000) £000	Transfer Value at 31 March 2005 £000	Transfer Value at 31 March 2004 £000	in Cash Equivalent Transfer Value £000	contribution to stakeholder pension rounded to nearest £00) £
P.J. Hayes	5-7.5	135-140	542	494	35	0
S. Hodges (from 01/11/04)	0	0	5	0	0	0
A. Dale-Perera	2-5.5	5-10	29	13	16	0
R. O'Connor	2-5.5	5-10	29	13	16	0
C. Somani (until 31/05/04)	0	50-55	173	0	0	0

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

Cash Equivalent Transfer Value

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 members' 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 a scheme and chooses to transfer the benefit accrued in the 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 figure, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement 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 their purchasing additional years of pension service in the scheme at their own cost. CETV 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 period.

2.4 Better Payment Practice Code – measure of compliance

	Number	£000
Total bills paid 2004-05	1,815	4,824
Total bills paid within target	1,459	3,838
Percentage of bills paid within target	<u>80.4%</u>	<u>79.6%</u>

No interest was paid under the legislation or no compensation payments made.

3

3.1 Reconciliation of net operating cost to net resource outturn

	2004-05 £000	2003-04 £000
Net operating cost	<u>10,518</u>	8,936
Net resource outturn	<u>10,518</u>	8,936
Revenue resource limit	<u>10,366</u>	8,990
(Over)/under spend against revenue resource limit	<u>(152)</u>	<u>54</u>

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2004-05 £000	2003-04 £000
Gross capital expenditure	<u>69</u>	203
Net capital resource outturn	<u>69</u>	203
Capital resource limit	<u>70</u>	203
(Over)/underspend against limit	<u>1</u>	<u>0</u>

4 Operating income

Operating income analysed by classification and activity, is as follows:

	Appropriated in aid £000	Total £000	2003-04 £000
Programme income:			
Income received from Scottish Parliament	13	13	0
Income received from National Assembly for Wales	13	13	0
Income received from other Departments, etc	1,380	1,380	175
Other	0	0	58
Total	<u>1,406</u>	<u>1,406</u>	<u>233</u>

5.1 Intangible fixed assets

	Software Licences £000	Total £000
Gross cost at 01 April 2004	0	0
Additions – purchased	9	9
Gross cost at 31 March 2005	9	9
Accumulated amortisation at 01 April 2004	0	0
Provided during the year	1	1
Accumulated amortisation at 31 March 2005	1	1
Net book value:		
Purchased at 31 March 2004	0	0
Total at 31 March 2004	0	0
Net book value:		
Purchased at 31 March 2005	8	8
Total at 31 March 2005	8	8

5.2 Tangible fixed assets

	Information Technology £000	Total £000
Cost or Valuation at 01 April 2004	203	203
Additions – purchased	60	60
Gross cost at 31 March 2005	263	263
Accumulated depreciation at 01 April 2004	25	25
Provided during the year	75	75
Accumulated depreciation at 31 March 2005	100	100
Net book value:		
Purchased at 31 March 2004	178	178
Total at 31 March 2004	178	178
Net book value:		
Purchased at 31 March 2005	163	163
Total at 31 March 2005	163	163

5.3 Profit/loss on disposal of fixed assets

At 31 March 2005, there was no profit/loss on disposal of fixed assets.

6 Stocks and work in progress

At 31 March 2005, there was no stock and/or work in progress.

7 Debtors

7.1 Amounts falling due within one year

	31 March 2005	31 March 2004
	£000	£000
NHS debtors	46	21
Prepayments	52	14
Accrued income	865	790
Other debtors	142	103
Total debtors	<u>1,105</u>	<u>928</u>

8 Analysis of changes in cash

	At 31 March 2004 £000	Change during the year £000	At 31 March 2005 £000
Cash at OPG	1	11	12
	<u>1</u>	<u>11</u>	<u>12</u>

9 Creditors

9.1 Amounts falling due within one year

	31 March 2005	31 March 2004
	£000	£000
NHS creditors	109	461
Tax and social security	192	0
Other creditors	272	316
Accruals	504	45
	<u>1,077</u>	<u>822</u>

10 Provisions for liabilities and charges

Nil (£0) is included in the provisions of the NHS Litigation Authority at 31/03/2005 in respect of clinical negligence liabilities of the Special Health Authority.

11 Movements in working capital other than cash

	2004-05 £000	2003-04 £000
Increase/(decrease) in debtors	177	1,057
(Increase)/decrease in creditors	<u>(255)</u>	<u>240</u>
	<u>(78)</u>	<u>1,297</u>

12 Movements on reserves

12.1 General Fund

	2004-05 £000	2003-04 £000
Balance at 31 March 2004	285	1,448
Net operating costs for the year	(10,518)	(8,936)
Net Parliamentary funding	10,436	7,763
Non-cash items: Capital charge interest	8	10
Balance at 31 March 2005	211	285

13 Reconciliation of operating costs to operating cash flows

	2004-05 £000	2003-04 £000
Net operating cost before interest for the year	10,518	8,936
Adjust for non-cash transactions	2.1 (84)	(35)
Adjust for movements in working capital other than cash	11 (78)	(1,297)
Net cash outflow from operating activities	10,356	7,604

14 Contingent liabilities

At 31 March 2005, there were no known contingent liabilities/disclose liabilities (2003-04: £nil,000).

15 Capital commitments

At 31 March 2005 there were no contracted capital commitments (2003-04:£nil,000).

16 Commitments under operating leases

At 31 March 2005 there were no commitments under operating leases (2003-04: £nil,000).

17 Other commitments

The Authority has not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2005 (2004:£nil,000).

18 Losses and special payments

At 31 March 2005 there were the following losses and special payments:

A compensation payment on early termination of £84,993.33 was made to Mr C Somani, a former Director of Finance of the NTA.

There was one duplicate payment of £2,356.00 (2003-04: £nil,000).

19 Related parties

The Authority is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party. During the year the Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

The Authority transacts with the Department of Health for parliamentary funding in order to discharge its duties. Furthermore it has received various operating services, including facilities and rent, for which £219,355 has been charged for the 2004-05 Financial Year.

The Authority has its financial services provided by NHS Shared Services according to a Service Level Agreement. An amount of £46,370 has been charged for these services during the 2004-05 Financial Year.

In addition the Authority has had a small number of material transactions with other entities for which the Department is regarded as the parent Department, i.e.:

North Central London Strategic Health Authority
Bristol South and West PCT
Leeds Mental Health Services Teaching NHS Trust
Birmingham Womens Health Care NHS Trust
Milton Keynes PCT
South London and Maudsley NHS Trust

During the year none of the Authority's Members or members of the key management staff or other related parties has undertaken any material transactions with the National Treatment Agency.

20 Post balance sheet events

No post balance sheet events to report.

21 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the Special Health Authority is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Special Health Authority has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Strategic Health Authority in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

Liquidity risk

The Special Health Authority's net operating costs are financed from resources voted annually by Parliament. The Special Health Authority largely finances its capital expenditure from funds made available from Government under an agreed capital resource limit. The National Treatment Agency (Special Health Authority) is not, therefore, exposed to significant liquidity risks.

Interest-rate risk

100% of the Authority's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The National Treatment Agency (Special Health Authority) is not, therefore, exposed to significant interest-rate risk.

Foreign currency risk

The Authority has no foreign currency income or expenditure

Fair values

Fair values are not significantly different from book values and therefore no additional disclosure is required.

22 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	936	0	234	0
Balances with local authorities	0	0	1	0
Balances with NHS Trusts	12	0	277	0
Balances with public corporations and trading funds	0	0	50	0
Balances with bodies external to government	<u>157</u>	<u>0</u>	<u>516</u>	<u>0</u>
At 31 March 2005	<u>1,105</u>	<u>0</u>	<u>1,077</u>	<u>0</u>
Balances with other central government bodies	892	0	28	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	21	0	447	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	<u>15</u>	<u>0</u>	<u>347</u>	<u>0</u>
At 31 March 2004	<u>928</u>	<u>0</u>	<u>822</u>	<u>0</u>

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