

**National Institute for
Health and Care Excellence**

Annual Report and Accounts 2015/16

**National Institute for
Health and Care Excellence
(Non-Departmental Public Body)**

Annual Report and Accounts 2015/16

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Chair's and Chief Executive's foreword

The health and social care system faces unprecedented challenges that are both varied and complex. As our population ages, many more people are presenting with more than one health condition, leading to increasingly complex demands on services. This, together with resource constraints, means it is critical that we seek new and more efficient ways of working across the system. NICE is at the heart of a range of initiatives with this as their aim.

Well-performing health and social care systems cannot rely on innovation and new technology alone. Kindness, together with trust, should be core principles of health and social care. They sum up the relationships that we each have with the people who work in the NHS and social care.

Just as no two relationships are the same, so care must be personalised for the individual. To this end we have updated and increased the prominence of our advice for health and care professionals on how they should use our guidance. New text on the introductory page of each guideline explains the value of shared decision-making and personalising care. This updated advice should help all health and care professionals use NICE guidance with confidence – balancing their experience and the needs and wishes of people using services with best practice, evidence-based recommendations.

Quality improvement remains part of our core purpose. Our recently merged Indicator Advisory Committee develops NICE indicators, which can be used to set high standards of care. This year we also issued 34 quality standards on topics ranging from prostate cancer to domestic violence and excess winter deaths.

Our social care programme is now firmly embedded in NICE. In 2015/16 we published 4 new social care guidelines, including new guidance on home care visits that calls for most visits to older people to last for at least half-an-hour.

Our clinical guidelines programme has maintained its focus on completing the library of topics we have agreed with NHS England and the Department of Health. This year, we published an updated and redesigned guideline to help identify early signs and symptoms of cancer. The guideline will help GPs speed up the process of referral, enable faster diagnosis, and should ultimately help save more lives. We also produced a new guideline that sets out how to give people the best possible care at the end of their lives, which encourages a person-centred, sensitive, evidence-based framework to guide care during the last days of life for adults, their families and others important to them.

For the health system to work at its best, the life sciences industries need to be encouraged and supported to bring truly innovative and effective products to the NHS, which really help to improve outcomes. In October 2015, we launched the Office for Market Access (OMA), a new programme that will help companies do this by offering them advice on how to collect the right evidence, how to develop a better business case for their products, and on engaging with the right people to get their products adopted in the NHS. We intend that the programme will enable technology developers to deliver effective and innovative technologies to patients more quickly.

In November 2015 the Board approved new arrangements for working with NHS England to manage the Cancer Drugs Fund. The proposals will mean that the Fund will be used for new drugs

where there is real uncertainty about their clinical and cost effectiveness, and which fixed-term funding with data collection has a good chance of resolving. For the first time, NICE will issue draft guidance on new cancer drugs or significant new licence indications before they have received marketing approval in the UK, unless external factors prevent us from doing so. Any cancer drug that receives a positive draft recommendation, or a recommendation for use in the Fund, would then be funded from the date it receives its licence, up to the date final guidance is published – and beyond, where the final recommendations are positive, or the drug is accepted into the Cancer Drugs Fund.

In July 2015, the government published its first Triennial Review of NICE. The review concluded that 'NICE is a respected and valued organisation with an important role to play' in the health and care system. We are encouraged by this endorsement of our work, and have been implementing the review's conclusions in those areas it recommended that we can improve. And we are reminded that so much of the positive performance from a high-performing organisation is a result of the hard work of our staff and the many other people who contribute to our work. We are, as ever, very grateful to them.

Professor David Haslam CBE Chair
Sir Andrew Dillon CBE Chief Executive

PERFORMANCE REPORT

OVERVIEW

WHO WE ARE

NICE was set up in 1999 as an independent organisation to reduce variation in the availability and quality of NHS treatments and care. We provide national guidance and advice to promote high-quality healthcare and public health. We develop evidence-based guidance, advice and other products to clarify the medicines, treatments, procedures and devices that provide the best quality and most cost-effective care. We also produce quality standards, performance metrics and a range of information services for those providing, commissioning and managing services across the spectrum of health and social care.

In April 2013, we were established in primary legislation, becoming a non-departmental public body (NDPB), and placing us on a solid statutory footing as set out in the Health and Social Care Act 2012. At this time, we took on responsibility for developing guidance and quality standards in social care. Our name also changed to the National Institute for Health and Care Excellence, to reflect these new responsibilities.

As an NDPB, we are accountable to our sponsor department, the Department of Health, but operationally we are independent of government. Our guidance and other recommendations are made by independent committees. The NICE Board sets our strategic priorities and policies, but day-to-day decision-making is the responsibility of our Senior Management Team. Professor David Haslam is Chair and Sir Andrew Dillon is Chief Executive.

WHAT WE DO

CENTRE FOR CLINICAL PRACTICE

This directorate develops guidance, in the form of clinical guidelines, on the appropriate treatment and care of people with specific

diseases or conditions, for people working in the NHS. The directorate also contains the Medicines and Prescribing Centre, which is responsible for developing evidence summaries for selected new medicines, and for unlicensed and off-label medicines that are considered to be of clinical significance to the NHS, where there are no clinically appropriate licensed alternatives. It is also responsible for commissioning the British National Formulary (BNF) and British National Formulary for Children (BNFC) medicines guides and distributing them to the NHS.

CENTRE FOR HEALTH TECHNOLOGY EVALUATION

This directorate develops guidance on the use of new and existing treatments and procedures within the NHS, such as medicines, medical devices, diagnostic techniques and surgical procedures. It is responsible for the Patient Access Scheme Liaison Unit and the Scientific Advice Programme, and hosts the NICE Topic Selection Programme. The directorate includes the Science Policy and Research Programme, which helps to improve the methods that NICE uses to develop guidance and encourages partners to commission research relevant to our work.

It is also responsible for the Highly Specialised Technologies Programme, which provides recommendations on the use of new and existing highly specialised medicines and treatments within the NHS. This year the programme gained a new function, the Office for Market Access (OMA). The OMA provides expert advice for the life sciences industry, helping organisations understand NICE processes, how to work with NICE to achieve their aims, how NICE links with different parts of the system, and NICE's role in supporting the Early Access to Medicines Scheme.

COMMUNICATIONS DIRECTORATE

The communications directorate is responsible for raising awareness of our work among key audiences and external partners, and for protecting and enhancing our reputation by using the most effective channels. The directorate manages the publication and dissemination of NICE guidance, runs the NICE website, and handles press and public enquiries.

This year, we updated the NICE website to make it easier to find and use NICE guidance, quality standards and other products. Our site is optimised for mobiles and tablets and is constantly updated to ensure that it is fully integrated with NICE's products and services.

The website averages more than 1.6 million sessions each month. It provides information about all of our work programmes, including free access to all NICE guidance and implementation tools to help people put our recommendations into practice. Smartphone users can download the NICE Guidance app, which allows all our guidance to be seen at a glance. We also provide NICE BNF and BNFC apps, which allow easy access to the latest prescribing information from the most widely used medicines information resources within the NHS.

In 2015/16 NICE employees attended 156 speaking engagements at conferences and events in the UK and Europe. Audiences ranged from industry to local government and the charity sector. In July 2015, we held an online web seminar on NICE's role in supporting high-quality care in general practice.

HEALTH AND SOCIAL CARE DIRECTORATE

This directorate is responsible for developing a range of products, including guidelines for social care, resources to support implementation and adoption, and quality standards for health, public health and social care. It also develops and supports opportunities for people who use services to

become involved in NICE's work. The directorate includes the following.

Public Health and Social Care Centre

This centre was formed this year after our Public Health and Social Care Programmes were merged. NICE social care guidelines cover care and support for adults and children across a wide range of topics. The guidelines for social care are primarily aimed at social care practitioners, commissioners and providers (including the independent and voluntary sectors), as well as people using social care services and their families and carers.

Our public health guidelines cover a range of topics including communicable diseases, environmental health and reduction in risk factors such as smoking and obesity. The guidelines are aimed at health and social care practitioners, commissioners and managers with responsibility for health improvement in the NHS, local authorities, schools, and the public, private and voluntary sectors.

Quality Programme

This programme is responsible for producing a range of products to drive improvements in health, public health and social care. Quality standards provide measurable markers in areas where improvement is needed, linked with a set of indicators for local use. The Quality Programme also contains the NICE Indicators work stream. This develops a range of high quality indicators suitable for use in incentivisation schemes such as the Quality and Outcomes Framework. The work stream also develops indicators for inclusion in the Clinical Commissioning Outcomes Indicator Set. The Quality Programme also accredits external guideline producers and endorses implementation resources.

Leadership and Engagement Programme

This programme includes our 8-strong implementation team, which works across England, Northern Ireland and Wales to ensure that we respond to local requests, and

can provide general information and support about the role of NICE. The programme also provides more general support across the health and social care system, enabling NICE to engage with new initiatives such as the New Models of Care Programme.

NICE Fellows and Scholars Programme

This recognises the achievement and promise of health and care professionals. It contributes to their professional development, and fosters a growing network of people linked to NICE who will help to improve the quality of care in their local areas.

Public Involvement Programme

This develops and supports opportunities to involve people who use health and social care services, carers and the public in NICE's work. This work is essential to ensure that all our guidance, standards and indicators are informed by the views of those they affect.

Adoption and Impact Programme

This facilitates the adoption of selected medical and diagnostic technologies across the NHS. This team also provides clinicians, professionals, managers and other decision-makers with resources as part of their quality improvement programmes. The team develops uptake metrics and informs organisations on the implementation and use of NICE guidance and standards.

EVIDENCE RESOURCES DIRECTORATE

This directorate is made up of the Digital Services and Information Resources teams, and is responsible for managing all of NICE's digital and information requirements.

Digital services

The Digital Services team manages NICE's digital services in line with our digital strategy. This includes maintaining and improving existing digital products and services, and delivering new digital products and services. Our digital services consist of the NICE website, NICE Pathways, the NICE syndication service, NICE Evidence Services, and guidance

development services, which support internal guidance development processes.

Information resources

Information resources is made up of 3 teams:

- The Guidance Information Services team supports NICE programmes by providing systematic literature searching and quality assurance of searches developed by external contractors. This team also ensures the continuing development of NICE's information function and its corporate library services.
- The Evidence Information Services team provides information support for the content of NICE Evidence Services and UK PharmaScan, and for NICE's evidence surveillance requirements.
- The Commissioned Content and Access team procures and contract manages commissioned content for the NHS on behalf of Health Education England and makes this available via OpenAthens.

NICE Evidence Services

NICE Evidence Services are a suite of services available through the NICE website that provide internet access to high-quality authoritative evidence and best practice.

NICE Evidence Services consist of:

- Evidence Search, which provides free open access to selected and authoritative evidence in health, social care and public health.
- Healthcare Database Advanced Search (HDAS), which is aimed at the expert user and provides access to an extensive set of journals and bibliographic databases. These are procured and managed by NICE and funded by Health Education England. The HDAS service is being redeveloped to improve its performance, stability and user experience.
- Clinical Knowledge Summaries (CKS), which provide primary care practitioners with access to evidence-based guidance on over 330 key conditions presenting in primary care.

- BNF microsite, which provides open access to BNF and BNFC content across the UK.
- Evidence Awareness services, which provide monthly, weekly and daily email services, to help busy professionals keep up to date with important new evidence in health and social care, public health and medicines.

UK PharmaScan

UK PharmaScan is a secure horizon-scanning database with over 175 registered pharmaceutical companies recording information on new medicines in development. It provides up-to-date information such as clinical trial and regulatory information to national horizon-scanning groups and approved NHS organisations. NHS England uses UK PharmaScan as its primary source of horizon-scanning information on new medicines.

BUSINESS PLANNING AND RESOURCES DIRECTORATE

This directorate manages business planning, finance, human resources, corporate governance, IT services, and estates and facilities for NICE.

NICE INTERNATIONAL

NICE International works with individual governments or funding agencies to support local teams to develop local solutions. It offers:

- strategic advice on evidence-based policy-making
- technical support on critical appraisal and health technology assessment to inform decisions
- input on strengthening existing or designing new decision-making frameworks, with a focus on transparency, stakeholder involvement, public engagement and consultation
- support with evaluating the effectiveness of health system innovation.

In 2015 NICE International was awarded a grant of US\$12.8 million (£8.9 million) from the Bill and Melinda Gates Foundation – a

major investment by the Foundation in the International Decision Support Initiative, a collaboration led by NICE International which supports health systems in low- and middle-income countries to make better decisions about the use of their healthcare resources.

HOW WE WORK

NICE works with experts from the NHS, local authorities and others in the public, private, voluntary and community sectors, and life sciences industries, as well as people who use health and social care services and carers. We make independent decisions in an open, transparent way, based on the best available evidence, and we include input from experts and interested parties.

NICE's guideline topics are referred to us by the Department of Health, NHS England or another government department. Topics are selected on the basis of a number of factors, including the burden of disease, the impact on resources and whether there is inappropriate variation in practice across the country. Our guidance is then created by independent advisory committees.

The NHS is committed to enabling the public to influence the development and delivery of services. NICE actively encourages the involvement of people who use health and social care services, carers and the public (organisations and individuals) in the development and implementation of our guidance. Our Citizens Council provides a public perspective on NICE decision-making processes, and the meetings of our advisory bodies are held in public, enabling scrutiny of our decisions.

Since it was set up, the Citizens Council has provided valuable input on a range of issues, including incentives to promote individual behaviour change, patient safety, harm reduction in smoking, and the aspects of benefit, cost and need that NICE should take into account when developing social care guidance.

WHERE DOES NICE GUIDANCE APPLY?

NICE was established in legislation as an England-only body. However, we have agreements to provide certain products and services to Wales, Scotland and Northern Ireland.

Decisions on how our guidance applies in these countries are made by the devolved administrations, which are often involved in and consulted on the development of NICE guidance.

PERFORMANCE ANALYSIS

OUTPUTS

In 2015/16, we published:

- 26 new clinical guidelines
- 4 social care guidelines
- 48 technology appraisals
- guidance on 34 interventional procedures
- guidance covering 4 medical technologies
- 6 public health guidelines
- guidance on 6 diagnostic technologies
- 34 quality standards.

In addition, we produced:

- 34 Medtech innovation briefings
- 15 evidence summaries on new medicines
- 9 evidence summaries on unlicensed or off-label medicines
- 3 key therapeutic topics
- 1 medicines and prescribing briefing
- 38 medicines evidence commentaries.

From September 2015 NICE began to publish surveillance reports. These reports contain a summary of new evidence related to the relevant clinical guideline and provide a decision on whether the guideline should be updated in light of the new evidence. This year we published 18 new reports, of which 11 identified new evidence that could have a potential impact on guidance.

FINANCIAL OVERVIEW

NICE is an NDPB with the majority of funding (83%) coming through grant-in-aid from the Department of Health. The remaining funding comes from other NDPBs (NHS England and Health Education England) and our income-generating activities (NICE International and the Scientific Advice Programme). This funding and how it was used is explained in more detail below.

HOW IS NICE FUNDED?

NICE's total funding from the Department of Health for 2015/16 was £63.1 million. This comprised:

- **£53.2 million Administration grant-in-aid funding.** The recurrent baseline

funding from the Department of Health was £53.2 million (a reduction of £2.3 million from 2014/15).

- **£8.9 million Programme grant-in-aid funding.** This is ring-fenced funding to purchase and distribute the BNF on behalf of the NHS (both in print and digital versions), and to support the Medical Technologies Evaluation Programme, in particular the cost of the external assessment centres.
- **£1.0 million ring-fenced depreciation limit.** This is non-cash funding, consistent with funding in 2014/15.

In addition to the revenue resource limit, NICE's capital resource limit was £0.5 million for 2015/16.

The total amount of cash available to be drawn down from the Department of Health during 2015/16 was £62.6 million, made up of Administration funding (£53.2 million), Programme funding (£8.9 million) and capital funding (£0.5 million), as described above.

The actual amount of cash drawn down in 2015/16 was £60.5 million. This was £2.1 million lower than the amount available because of underspends on vacancies across the organisation and savings released through planning for funding reductions in future years.

OTHER INCOME

NICE also received £12.7 million operating income from other sources, as follows:

- £3.7 million was received from Health Education England to fund national core content (such as journals and databases) on the NICE Evidence Search website for use by NHS employees.
- £2.1 million was received from the devolved administrations and other government departments to contribute to the cost of producing NICE guidance and publication of the BNF.
- NICE International trading activities generated £2.3 million gross income and receipts.

- The Scientific Advice Programme generated £1.1 million gross income and receipts.
- NHS England provided £2.5 million funding for developing Medtech innovation briefings and supporting the Commissioning Through Evaluation Programme.
- £0.4 million was received from charges to subtenants of the Manchester office.
- £0.6 million was received from other sources, including grants for supporting academic research and recharges for staff seconded to external organisations.

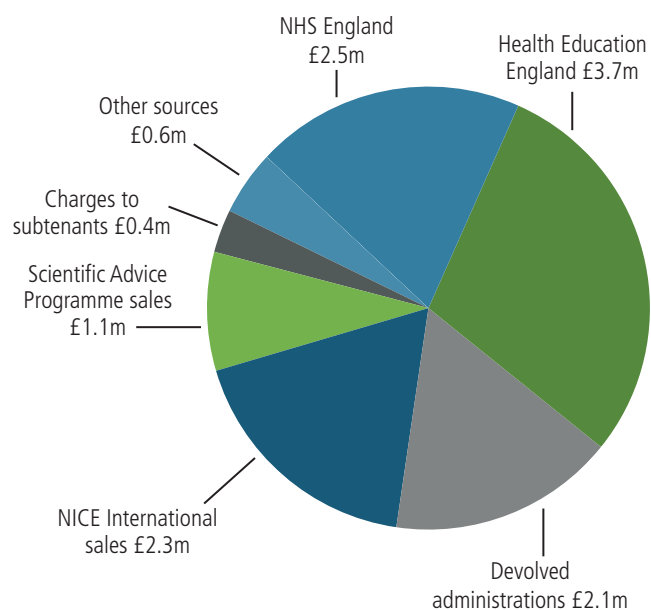
Figure 1 shows the breakdown of other income received.

HOW THE FUNDING WAS USED

Total net expenditure in 2015/16 was £62.5 million (£63.3 million in 2014/15), which resulted in an underspend of £0.6 million against a total revenue resource limit of £63.1 million (see table 1).

The £0.6 million (1%) underspend in 2015/16 came from a mixture of vacancies throughout the year, savings generated through renegotiation of contracts, general

Figure 1: Other income (non-grant-in-aid) (£12.7 million)

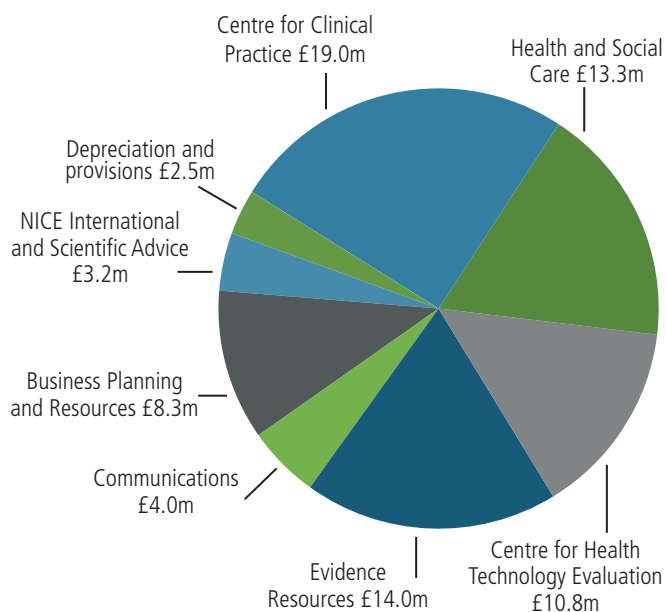


caution exercised by the Board in not committing to new recurrent expenditure, and savings programmes in preparation for reductions to its grant-in-aid budget in future years.

Table 1: Summary of financial outturn

	Resource limit £m	Net expenditure £m	Variance £m
2015/16 Financial outturn			
Grant-in-aid	62.1	61.6	(0.5)
Depreciation and amortisation	1.0	0.9	(0.1)
Total comprehensive expenditure for the year ended 31 March 2016	63.1	62.5	(0.6)
2014/15 Financial outturn			
Grant-in-aid	63.7	62.4	(1.3)
Depreciation and amortisation	1.0	0.9	(0.1)
Total comprehensive expenditure for the year ended 31 March 2015	64.7	63.3	(1.4)

Figure 2: Gross expenditure by centre and directorate (£75.1 million)



The organisation is structured into 4 guidance- and advice-producing directorates and several corporate support functions. Figure 2 shows how the gross expenditure is spread across NICE.

During the 2015/16 financial year the Social Care and Public Health Programmes came together to create streamlined guidance production and working practices across both functions.

We continue to build closer ties with other NHS organisations such as NHS England, which commissions our Medtech innovation briefings, and Health Education England, which funds and contributes to Evidence Services, for example by providing access to specialist journals and databases, and supporting the Healthcare Databases Advanced Search (HDAS) tool. In 2014/15 NHS England requested that NICE supports the introduction of access and waiting time standards in mental health, with the first outputs delivered in 2015/16. Funding for this work is due to continue until the end of 2019/20.

CAPITAL EXPENDITURE

The capital budget during 2015/16 was £0.5 million. Of this, £0.3 million was spent on a minor furniture refit in the London office, IT hardware upgrades and new meeting pods in the Manchester office to enable better use of previously unused space and flexible working.

To maximise the utility of the office space, NICE has sublet part of the Manchester office to the Homes and Communities Agency and the Care Quality Commission.

Refurbishment work on the toilets in the Manchester office which was planned for 2015/16 will now start in 2016/17.

FUTURE DEVELOPMENTS

The government spending review and autumn statement published in November 2015 set out the target of reducing the Department of Health Administration budget by 30% by April 2019. The Department of Health had indicated that this is likely to result in a similar reduction to our grant-in-aid funding over the same period. NICE has devised a strategic financial plan to address this challenge. The plan maintains the broad shape of NICE's offer. It will be phased in over the next 3 years and a 2020 strategy group has been created to help drive these reductions.

As part of this strategy, the decision was taken to conduct a competitive tender process to replace the Centre for Clinical Practice's 4 external development centre contracts (held by the Royal College of Physicians, the Royal College of Psychiatrists, the Royal College of Obstetricians and Gynaecologists, and Velindre NHS Trust), ending in March 2016, with 2 non-specialist contracts providing opportunities for economies of scale.

The contracts were awarded in summer 2015 to the Royal College of Physicians and the Royal College of Obstetricians and Gynaecologists, with the new centres being

called the National Guideline Centre and the National Guideline Alliance, respectively. They began on 1 April 2016 with the majority of work and staff from the old national collaborating centres already transferring to the new centres, ensuring business continuity.

To improve the efficiency with which we use our office space, we sublet part of the Manchester office to the Homes and Communities Agency and Care Quality Commission. An agreement is also now in place to sublet part of the London office to the Human Fertilisation and Embryology Authority, resulting in gross income across both sites of £0.8 million.

Looking forward to 2016/17, NICE has been asked by NHS England to support the operation of the new Cancer Drugs Fund from 1 April 2016. This additional work programme will manage the operational and strategic interface and support the Cancer Drugs Fund Investment Group in its governance role while monitoring, coordinating and delivering an increase in output of cancer technology appraisals.

NICE International continues to work closely with the Bill and Melinda Gates Foundation and the Department for International Development, including securing a new

grant (\$12.8 million over 5 years) entitled 'International Decision Support Initiative: towards more health for the money'. The grant is to guide national and global decision-makers on effective and efficient healthcare resource allocation strategies for improving health.

NICE continues to contribute to the Accelerated Access Review, which published an interim report in October 2015 detailing 5 key propositions and some key areas for action, with the final report due in July 2016. This should help identify and solidify the role that NICE will play going forward.

Information on NICE's objectives and our strategic plans can be found in the business plan, available on our website (www.nice.org.uk/aboutnice).

FREEDOM OF INFORMATION

NICE has complied with its responsibilities to disclose information under the Freedom of Information Act, including charging for such information, where necessary, in accordance with Treasury guidance (Managing Public Money, Chapter 6).

REMOTE CONTINGENT LIABILITIES

As at 31 March 2016, NICE had no remote contingent liabilities.

BETTER PAYMENT PRACTICE CODE

As a public sector organisation, NICE is required to pay all non-NHS trade creditors in accordance with the Better Payment Practice Code. The target is to pay 95% of all valid invoices by the due date or within 30 days of receipt of the goods, whichever is the later. NICE's performance against this code is shown below.

	Number	£000
Total non-NHS bills paid 2015/16	4,172	39,766
Total non-NHS bills paid within target	<u>3,820</u>	<u>36,100</u>
Percentage of non-NHS bills paid within target	<u>91.6%</u>	<u>90.8%</u>
Total NHS bills paid 2015/16	194	3,363
Total NHS bills paid within target	<u>176</u>	<u>3,246</u>
Percentage of NHS bills paid within target	<u>90.7%</u>	<u>96.5%</u>

The amount owed to trade creditors at 31 March 2016, in relation to the total billed through the year expressed as creditor days, was 3 days (4 days in 2014/15).

SOCIAL, COMMUNITY AND ENVIRONMENTAL ISSUES

NICE occupies 2 floors in a shared building in London and 1 floor in a shared building in Manchester. Both landlords provide services and support for behaviour that encourages sustainable use of their space. NICE performance against a number of indices of sustainable practice is contained in the Sustainability Report below.

We consider environmental and sustainability issues when procuring goods and services. Staff are encouraged to travel on NICE business in the most sustainable and cost-effective way. NICE is also a member of the Cycle to Work scheme, which provides tax-efficient incentives for employees to use cycles to travel to work.

SUSTAINABILITY REPORT

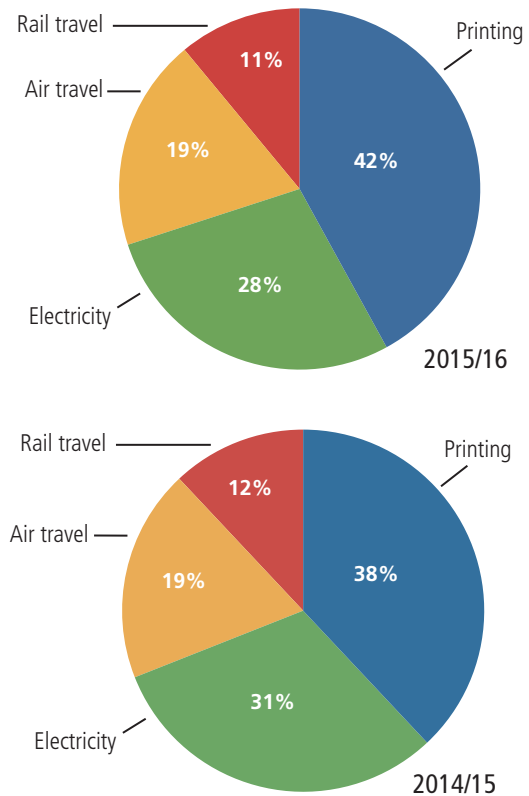
We continue to support and promote climate change issues across the London and Manchester offices. We are committed to reaching sustainability targets as stated in the 10:10 Agreement and Greener Government Strategy. Monitoring continues in all areas where the carbon impact is most significant, with the aim to make reductions every year. These include:

- electricity/air conditioning usage
- staff and non-staff business travel
- office waste and recycling
- printing the British National Formulary.

With the exception of a very small percentage of the Manchester office waste, all waste is recycled or transferred off site to be compressed and used to provide sustainable energy. Therefore, NICE recycles 99% of its waste. We still encourage staff to reduce waste and separate waste wherever possible.

Energy use has reduced by 4.4% compared with 2014/15. The London office receives meter readings for the floor areas it occupies, which do not include the main plant usage but cover common areas.

Figure 3: Activities contributing to greenhouse gas emissions (carbon tonnes)



Rail travel emissions have increased by 5% because of the changes in the workforce, and more meetings where face-to-face attendance is required. However, NICE staff continue to make use of the more economical videoconferencing and teleconferencing facilities across sites for all other meetings.

Air travel has decreased by 4.3%, which is mainly because of the changes in the countries where the International team has worked.

Printing has increased by almost 16% because our suppliers and distributor had run out of stock of the BNF and further copies had to be printed. We anticipate printing levels to return to 2014/15 levels or below through the continued electronic delivery of guidance and better stock management.

NICE’s performance is summarised in figure 3 (above) and in tables 2-4 (on page 16).

Table 2: Estimated carbon emissions

Activity	2015/16		2014/15	
	Outturn	Carbon tonnes	Outturn	Carbon tonnes
Electricity (kWh)	799,039	487	836,371	510
Scope 2¹ total		487		510
Rail travel (miles)	2,509,701	183	2,379,275	187
Air travel (miles)	1,447,882	325	1,513,819	313
Printing (tonnes)	240	724	207	624
Scope 3² total		1,232		1,124
Total		1,719		1,634

¹ Scope 2 emissions relate to energy consumed which is supplied by another party

² Scope 3 emissions relate to official business travel paid for by NICE

Table 3: Sustainable development – summary of performance

Activity		2015/16	2014/15
Business travel including international air travel	Miles	3,957,583	3,893,094
	Expenditure (£)	1,253,175	1,334,396
Office estate energy	Consumption (kWh)	799,039	836,371
	Expenditure (£)	149,866	153,113
Office estate waste	Consumption (kg)	62,041	65,035
Printing	Paper (tonnes)	240	207
	Expenditure (£)	618,402	575,636

Table 4: Waste

	2015/16	2014/15
Non-recycled (kg)	356	384
Recycled (kg)	61,685	64,651
Total waste (kg)	62,041	65,035
Percentage recycled	99%	99%

- Financial information was not separately available for office estate waste because the cost is included in office cleaning and maintenance contracts, where the element is not differentiated.
- Financial information was not separately available for office estate water usage because the cost is included in the overall service charge. There are no other uses of finite resources where the use is material.
- NICE currently has no scope 1 carbon emissions, which are from sources owned by the organisation such as fleet vehicles.

We use the Crown Commercial Services frameworks whenever possible to maximize small and medium enterprises (SME) spend. In addition, our contracts are as SME friendly as possible, and we also publish pre-tender notices to allow consortia to form. In 2015/16 expenditure with this group was 18.6% of total supplier spend.

NICE reports its SME spend to the Department of Health on a quarterly basis.

Signed: Sir Andrew Dillon, Accounting Officer

21 June 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTOR'S REPORT

During the financial year 2015/16, 6 public meetings of the NICE Board took place. Attendance rates of members, as well as their biographies, are available on our website.

The NICE Board meets in public every 2 months. Through those meetings, the Board has been responsible for taking key strategic decisions about the direction of the organisation, how it will use its resources, and reviewing progress with the delivery of key priorities for 2015/16.

Meetings of the Board are publicised through the NICE website, with reports published

before meetings take place. Board meetings are held in public as per the Admissions to Meetings Act. Members of the public are welcome to attend and observe the meetings.

All directors have confirmed that there is no relevant audit information of which the auditors are unaware and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant information and to establish that auditors are aware of that information.

Where applicable, directors are members of the NHS pension scheme. Please refer to the Remuneration and Staff Report for details.

THE BOARD

The Board's membership in 2015/16 was:

Professor David Haslam CBE Chair

Dr Margaret Helliwell¹ Vice Chair

Professor David Hunter Non-Executive Director

Professor Rona McCandlish² Non-Executive Director

Andrew McKeon³ Non-Executive Director

Linda Seymour Non-Executive Director

Jonathan Tross CB Non-Executive Director

Bill Mumford Non-Executive Director

Professor Finbarr Martin Non-Executive Director

Tim Irish⁴ Non-Executive Director

Dr Rosie Benneyworth⁵ Non-Executive Director

Sir Andrew Dillon CBE Chief Executive

Professor Gillian Leng CBE Deputy Chief Executive and Health and Social Care Director

Professor Carole Longson MBE Health Technology Evaluation Centre Director

Ben Bennett Business Planning and Resources Director

¹ Until 31/12/2015 ² Until 31/3/2016

³ Vice Chair since 31/12/2015

⁴ From 1/4/2015 ⁵ From 1/1/2016

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

The committee provides an independent and objective review of arrangements for internal control within NICE, including risk management. The members in 2015/16 were: **Jonathan Tross CB¹** Non-Executive Director
Professor David Hunter Non-Executive Director
Professor Rona McCandlish² Non-Executive Director
Linda Seymour Non-Executive Director
Bill Mumford Non-Executive Director

¹ Chair of the Committee ² Until 31/3/2016

REMUNERATION COMMITTEE

The committee sets remuneration levels and terms of service for senior staff at NICE, in line with NHS practice. Members in 2015/16 were: **Professor David Haslam CBE** Chair
Dr Margaret Helliwell¹ Non-Executive Director
Tim Irish² Non-Executive Director
Andrew McKeon Non-Executive Director
Jonathan Tross CB Non-Executive Director

¹ Until 31/12/2015 ² From 20/01/2016

SENIOR MANAGEMENT TEAM

The members of the Senior Management Team in 2015/16 were:

Professor David Haslam CBE Chair

Sir Andrew Dillon CBE Chief Executive

Professor Gillian Leng CBE Deputy Chief Executive and Health and Social Care Director

Professor Mark Baker Centre for Clinical Practice Director

Ben Bennett Business Planning and Resources Director

Jane Gizbert Communications Director

Professor Carole Longson MBE Health Technology Evaluation Centre Director

Alexia Tonnel Evidence Resources Director

INDEPENDENT ADVISORY COMMITTEES

Membership of these committees includes healthcare professionals working in the NHS and local authorities, social care practitioners and people who are familiar with the issues that affect those who use health and social care services, their families and carers. The committees seek the views of organisations that represent people who use health and social care services, and professional and industry groups, and their advice is independent of any vested interest. During 2015/16, they were:

- Technology Appraisal Committees, chaired by Dr Jane Adam, Dr Amanda Adler, Professor Andrew Stevens and Professor Gary McVeigh
- Highly Specialised Technologies Committee, chaired by Dr Peter Jackson
- Interventional Procedures Advisory Committee, chaired by Professor Bruce Campbell¹ and Dr Thomas Clutton-Brock²
¹ Until 31/12/2015 ² From 1/1/2016
- Diagnostics Advisory Committee, chaired by Professor Adrian Newland CBE
- Medical Technologies Advisory Committee, chaired by Professor Bruce Campbell¹ and Dr Peter Groves²
¹ Until 31/12/2015 ² From 1/1/2016
- Public Health Advisory Committees, chaired by Professor John Britton CBE, Professor Susan Jebb OBE, Professor Catherine Law

OBE,¹ Paul Lincoln OBE, Professor Alan Maryon-Davis, Dr David Sloan,² Professor David Croisdale-Appleby OBE³ and Dr Sharon Hopkins⁴

¹ Until 13/10/2015 ² Until 16/10/2015

³ From 5/11/2015 ⁴ From 24/11/2015

- Local Government Reference Group,¹ chaired by Philip Woodward
¹ The Senior Management Team made the decision to close this group on 10/11/2015. This was followed by a letter of confirmation sent from Sir Andrew Dillon on 18/11/2015.
- Safe Staffing Advisory Committee,¹ chaired by Marie Burnham
¹ This programme closed on 4/6/2015 and work has transferred to NHS England. A letter of confirmation informing the stakeholders of this decision was sent on 15/6/2015.
- Clinical Guidelines Update Committee, chaired by Professor Susan Bewley, Professor Damien Longson and Professor Steve Pilling
- Indicator Advisory Committee, chaired by Professor Danny Keenan
- Quality Standards Advisory Committees, chaired by Dr Bee Wee, Dr Hugh McIntyre, Professor Damien Longson and Dr Michael Rudolf
- Accreditation Advisory Committee, chaired by Professor Martin Underwood.

INDEPENDENT ACADEMIC CENTRES AND INFORMATION-PROVIDING ORGANISATIONS

NICE works with independent academic centres to review the published and submitted evidence when developing technology appraisals guidance. We currently work with:

- Health Economics Research Unit and Health Services Research Unit, University of Aberdeen
- Liverpool Reviews and Implementation Group, University of Liverpool
- School of Health and Related Research (SCHARR), University of Sheffield
- Centre for Reviews and Dissemination and Centre for Health Economics, University of York
- Peninsula Technology Assessment Group (PenTAG), University of Exeter

- Southampton Health Technology Assessment Centre (SHTAC), University of Southampton
- Kleijnen Systematic Reviews Ltd
- BMJ Evidence Centre, BMJ Group
- Warwick Evidence, Warwick Medical School, University of Warwick.

We commission independent academic centres to support advance evidence synthesis in the development of clinical guidance. The Centre for Clinical Practice in 2015/16 worked with the following organisation:

- Technical Support Unit, University of Bristol.

We also commission independent academic centres to review the published evidence when developing public health guidance. In 2015/16, the Public Health and Social Care Centre worked with the following organisations:

- Cardiff University
- York Health Economics Consortium
- Health Economic Research Group, Brunel University
- Matrix Ltd
- Institute for Employment Studies
- Institute of Education, University of London
- Leeds Beckett University (formerly Leeds Metropolitan University)
- Plymouth University
- RAND Europe Community Interest Company
- Royal College of Psychiatrists
- University of Sheffield
- Optimity Matrix
- Liverpool John Moores University
- Eunomia Research & Consulting.

EXTERNAL ASSESSMENT CENTRES

The 4 External Assessment Centres are independent academic units retained to work with the Centre for Health Technology Evaluation on projects related to the work programmes on medical devices, diagnostics and interventional procedures. The centres are:

- Birmingham and Brunel Consortium, University of Birmingham
- CEDAR, Cardiff and Vale University Health Board

- King's Technology Evaluation Centre (KiTEC), King's College London
- Newcastle and York Consortium, Newcastle upon Tyne Hospitals NHS Foundation Trust.

NATIONAL COLLABORATING CENTRES

The National Collaborating Centres (NCCs) develop clinical guidelines for NICE. The NCCs bring together a multidisciplinary development group for each guideline. These groups include patients, healthcare professionals such as nurses and GPs, and technical experts who work together to interpret evidence and draft recommendations. During 2015/16 the centres were:

- National Clinical Guidelines Centre, hosted by the Royal College of Physicians
- National Collaborating Centre for Cancer, based at Velindre NHS Trust
- National Collaborating Centre for Mental Health, hosted by the Royal College of Psychiatrists
- National Collaborating Centre for Women's and Children's Health, hosted by the Royal College of Obstetricians and Gynaecologists.

SOCIAL CARE COLLABORATING CENTRE

In January 2013, NICE appointed the Social Care Institute for Excellence (SCIE), and its 4 partner organisations, to support the development, implementation and dissemination of social care guidelines and quality standards. The collaborating centre is known as the NICE Collaborating Centre for Social Care, and SCIE's partner organisations are:

- Evidence for Policy and Practice Information and Coordinating Centre (EPPI-Centre)
- The Personal Social Services Research Unit (PSSRU) at the London School of Economics and Political Science and the University of Kent
- Research in Practice (RIP)
- Research in Practice for Adults (RIPfA).

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

Under the Health and Social Care Act 2012, the Secretary of State for Health with the approval of HM Treasury has directed the National Institute for Health and Care Excellence (NICE) 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 NICE's state of affairs at the year end and of its net expenditure, changes in taxpayers' equity 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 for Health, 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 accounts
- prepare the accounts on a going concern basis.

The Accounting Officer for the Department of Health has appointed the Chief Executive of NICE as the Accounting Officer for NICE. 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 NICE's assets, are set out in the Government Financial Reporting Manual published by HM Treasury.

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of NICE's business and strategic plans while safeguarding the public funds and the departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

THE GOVERNANCE FRAMEWORK OF THE ORGANISATION

NICE was established as the National Institute of Clinical Excellence on 26 February 1999 as a special health authority to become operational on 1 April 1999. The Health and Social Care Act 2012 re-established NICE as a national advisory body with the status of an NDPB. It works closely with the Department of Health (its sponsor), and with the Welsh Government under a Service Level Agreement, and

arrangements are in place for regular performance monitoring and review.

The primary statutory functions of NICE are to provide guidance and support to providers and commissioners to help them improve outcomes for people using the NHS, public health and social care services. NICE supports the health and care system by defining quality in the NHS, public health and social care sectors, and helps to promote the integration of health and social care.

NICE does this by producing robust evidence-based guidance and advice for health, public health and social care practitioners; developing quality standards for those providing and commissioning health, public health and social care services; and providing information services for commissioners, practitioners and managers across health and social care.

The management structure of NICE consists of a Board of 10 non-executive and 4 executive members with a balance of skills and experience appropriate to its responsibilities, and provides leadership and strategic direction for the organisation. The Board is collectively accountable, through the Chair, to the Secretary of State for Health for the strategic direction of NICE, for ensuring a sound system of internal control through its governance structures, and for putting in place arrangements for securing assurance about the effectiveness of that system.

The non-executive directors are appointed by Ministers, and in 2015/16 all executive and non-executive directors had an annual review of their performance. The outcome demonstrated an effective Board, performing well.

Public Board meetings consider reports on strategic issues facing NICE and its performance against business targets. In addition, the Board reviews finance reports, the business plan, project-specific papers on major developments, reports from all directors on activity within their departments and reports from Board committees. All papers are reviewed by the Senior Management Team before submission to the Board. The papers are of a high standard and consistent in reference to the business plan and other strategic issues. The Board's position on these papers is recorded in the minutes, which are published on our website.

The Board held a strategy day meeting in October 2015 which focused on the nature of the contribution NICE will be making to the health and care system by 2020, together with the action it will need to take to manage the reduction in core Department of Health income following the Comprehensive Spending Review. It also considered opportunities to realise non-grant-in-aid income generation and managing the transition and interdependencies of the changes required.

The Department of Health regularly assesses the extent to which NICE meets its statutory obligations at quarterly accountability meetings and has been satisfied with the outcome. Management actions to support the attainment of NICE's policies, aims and objectives while safeguarding public funds are discharged by the Senior Management Team.

The Senior Management Team provides regular reports to the Board to enable it to meet its responsibilities and supports the Board by:

- developing strategic options for the Board's consideration and approval
- preparing an annual business plan
- delivering the objectives set out in the business plan through delegation of specific responsibilities and active business management
- preparing and operating a set of policies and procedures which have the effect of both motivating and realising the potential of NICE staff
- designing and operating arrangements to secure the proper and effective control of NICE's resources
- constructing effective relationships with partner organisations at a national level, in health and social care, and with the life sciences and social care industries.

NICE stood down its work programme on developing guidance on safe staffing levels in June 2015 following the decision of NHS England to take forward the issue of safe staffing as part of its wider programme of service improvement. The work on safe staffing will now be incorporated into alternative approaches being developed by NHS Improvement to help NHS providers achieve the right levels and mix of staff.

The Board is supported by 2 committees – the Audit and Risk Committee and the Remuneration Committee. The function of the Audit and Risk Committee is to provide advice and assurance to the Board and Accounting Officer on the adequacy and effectiveness of

NICE's systems of internal control and its arrangements for risk management, control and governance processes, as well as supporting the Board in securing efficiency and effectiveness in the way NICE goes about its work.

The Audit and Risk Committee meets quarterly and has received reports from internal audit in a range of areas. It has considered positive reports on developing quality standards, IT general controls, foreign exchange transactions, digital strategy, stakeholder engagement, financial management and risk management.

The overall opinion of the Audit and Risk Committee based on the audit work and related papers is that the control and governance processes are well designed and effectively implemented, and may be relied on by the Board. In May 2016 the Board considered an Audit and Risk Committee annual report where the assessment of the Committee, based on the totality of the work presented to it, including but not exclusively the internal and external audit work, is that control and governance processes are well designed and managed.

The Senior Management Team provides oversight and scrutiny of human resources functions and issues are escalated to the Audit and Risk Committee and Board as necessary.

NICE does not have a separate nominations committee. Instead, its functions are carried out by the Remuneration Committee, which is responsible for ensuring that a policy and process for performance review and remuneration of the Chief Executive, executive directors and centre directors are in place.

Attendance at all Board committees was good and the details can be found on the NICE website.

Taking all the above factors into account, I am satisfied that the governance structure

complies with the Code of Practice for Corporate Governance in Central Government Departments insofar as it is relevant to NICE.

TRIENNIAL REVIEW

The report of the Triennial Review of NICE was published in July 2015. The report's conclusions were positive and highlighted that 'NICE performed well in the delivery of necessary functions and was highly valued by stakeholders.'

The report made 14 recommendations which have been considered by the Board together with proposed timescales for implementation.

RISK ASSESSMENT

The Audit and Risk Committee challenges and scrutinises the operation of the risk management process and reports to the Board on its effectiveness. The Senior Management Team acts as the risk management group and reviews the risk register and assurance framework. Managers are required to consider risk issues in the annual business planning processes and also in relation to any changes that arise during the year. They receive appropriate support and guidance in this from the Governance Manager.

When unforeseen adverse events occur, NICE has processes in place to carry out a retrospective review of the causes so that the underlying risks can be identified and reassessed, and appropriate management action taken. All risks are being evaluated in light of current circumstances and NICE's intentions for its services and contribution in 2020.

Managers assess risks to their business objectives within their directorates and escalate these as necessary to the Senior Management Team. They establish controls to mitigate them and provide assurance to the Audit and Risk Committee that the controls they have put in place are effective. In doing so, they consider the resources available, the complexity of the task, external factors that

may impact on the work of NICE and the level of engagement required with partners and stakeholders.

NICE has a risk appetite statement agreed by the Board. This statement informs the acceptance of an appropriate level of risk for any given business objective. Our high public profile is an additional consideration in assessing reputational risk. The level of transparency of our methods and processes and the extent of public scrutiny are essential to the robustness and credibility of our guidance and advice but this needs to be balanced against the importance of maintaining robust standards of information security.

The review of strategic risks identified the following issues to be managed in the medium to long term.

- Changes taking place in the health and social care system cause NICE to lose visibility and impact.
- The new arrangements for the Cancer Drugs Fund are not achieved within the agreed timelines.
- The strategic financial plan fails to deliver the significant reductions expected in NICE's direct Department of Health funding.
- NICE fails to implement the recommendations of the Triennial Review and the Accelerated Access Review.

INFORMATION GOVERNANCE

The government's position on the security of personal data held by government departments and arm's length bodies has been reported to the Audit and Risk Committee and the Board. NICE does not handle sensitive personal data in medical records as part of its general functions so the risk to patient information is low. Where other sensitive personal information is held, it is not usual for it to be transferred on portable media and it is closely controlled within the systems that process it.

NICE is guided by official guidance on information governance from relevant bodies,

including the Health and Social Care Information Centre, on a risk-assessed basis, and this is reported to the Audit and Risk Committee and Board. Board-level responsibility for the management of information risk rests with the Business Planning and Resources Director, who is the Senior Information Risk Owner. Sensitive data received from the Health and Social Care Information Centre is managed in accordance with a dedicated process manual.

All significant information risks are included in the risk register and reported to the Senior Management Team and Audit and Risk Committee. Policies and procedures for managing the security of personal data are reviewed in light of best practice guidance and relevant standards are applied to underpin information governance. Staff have been reminded of what to be alert for in the handling of sensitive personal data and all staff are required to undertake annual information governance training.

Further work will be undertaken to strengthen our long-term IT strategy to support our information governance standards and to reflect future needs. This will include completion of a 3-year digital strategy to support various aspects of information management at NICE.

An information risk assessment is completed each year and reported to the Audit and Risk Committee for review.

SIGNIFICANT ISSUES

There have been no significant lapses in information governance arrangements or serious untoward incidents relating to sensitive information that required escalation outside of NICE management structures.

THE RISK AND CONTROL FRAMEWORK

I have responsibility for maintaining a sound system of internal control that supports the achievement of NICE's policies, aims and objectives. The system of internal control is

designed to manage risk to a reasonable level rather than to eliminate all risks. Risk management assessment is carried out annually by the Senior Management Team as part of the business planning process. Key risks and handling strategies are included in the business plan and reported to the Board.

These are reviewed quarterly by the Audit and Risk Committee and are informed by the work of internal and external audit. Resources required to enable implementation of the plan are fully considered by the Senior Management Team and assigned a priority within the overall constraints of NICE.

Local risk registers are maintained within programmes and significant issues escalated through the reporting process for Senior Management Team and Audit and Risk Committee scrutiny.

These assessment exercises resulted in a prioritised risk management register highlighting the key controls in place and assurances on those controls. This was reported to the Audit and Risk Committee and the committee minutes are received by the Board at its public meetings.

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. It is based on a continuous process designed to identify and prioritise the risks to the achievement of departmental 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 at NICE for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. The NICE Assurance Framework includes the identification and

documentation of strategic risks that are drawn from the business planning processes. These are monitored through Senior Management Team meetings, the Audit and Risk Committee and by the Board.

REVIEW OF THE EFFECTIVENESS OF GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

As Accounting Officer, I have responsibility for reviewing the effectiveness of the systems of corporate governance and internal control. My review is informed by the work of the internal auditors, the managers who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter.

I have been advised on the implications of the result of my review by the Board and the Audit and Risk Committee, and a plan to ensure continuous improvement of the systems is in place.

The effectiveness of the system of internal control has been subject to review by our internal auditors who, in liaison with the external auditors, plan and carry out a programme of work that is approved by the Audit and Risk Committee to review the design and operation of the systems of corporate governance and internal financial control. Where areas for improvement have been identified, these are reported to the Audit and Risk Committee and an action plan agreed with management to implement the recommendations agreed.

In 2015/16 internal audit completed 7 assessments. These included assessments on IT general controls, financial management, foreign exchange transactions, digital strategy, stakeholder engagement, quality standards and risk management. All of these assessments provided substantial or moderate assurance that the controls NICE relies on to manage risk are suitably designed, consistently applied and effective.

NICE has adhered to the requirements on publishing information on any highly paid and/or senior off-payroll appointments, and has passed to the Department of Health accurate data and disclosures to this end.

Measures are in place to ensure that NICE's obligations under equality, diversity and human rights legislation are complied with and these have been reported to, and approved by, the Board. The Head of Internal

Audit has concluded that the Board can provide moderate assurance that NICE has adequate and effective systems of control, governance and risk management in place.

On the basis of all of the above I am satisfied that the systems of corporate governance and internal control are operating effectively.

Sir Andrew Dillon
Chief Executive and Accounting Officer

AUDITORS

The external auditors carried out only standard audit work, and received no additional payments. The audit fee for 2015/16 was £49,500 and includes travel and subsistence costs.

The accounts have been audited by the Comptroller and Auditor General in accordance with the Health and Social Care Act 2012. The Audit Certificate can be found on pages 38 to 39.

The Comptroller and Auditor General is Sir Amyas C E Morse. His address is:

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

AUDIT ASSURANCE

As far as I am aware, there is no relevant audit information of which NICE's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that NICE's auditors are aware of that information.

Signed

Sir Andrew Dillon
Chief Executive and Chief Operating Officer

21 June 2016

REMUNERATION AND STAFF REPORT

SENIOR STAFF REMUNERATION

The remuneration of the Chair and non-executive directors is set by the Secretary of State for Health.

The salaries of the staff employed on NHS conditions and terms of service are subject to direction from the Secretary of State for Health, and the remuneration of the Chief Executive is subject to approval by the Department of Health. The remuneration of the senior managers detailed in the table on page 28 is set by the Remuneration Committee, based on Department of Health guidance.

The information contained in the tables of the Remuneration and Staff Report has been audited. Information on NICE's remuneration policy can be found on page 27 and the membership of the Remuneration Committee can be found on page 17 and has not been audited.

PERFORMANCE APPRAISAL

A personal objective-setting process that is aligned with the business plan is agreed with each member of staff annually and all staff are subject to an annual performance appraisal.

NICE is a designated body for the revalidation of medical staff and has implemented a robust appraisal and revalidation process for its medical workforce that complies with the guide for good medical practice and the General Medical Council's framework for medical appraisal and revalidation.

SUMMARY AND EXPLANATION OF POLICY ON DURATION OF CONTRACTS, AND NOTICE PERIODS AND TERMINATION PAYMENTS

Terms and conditions: Chairs and non-executives

For Chairs and non-executive members of NICE the terms and conditions are laid out below.

Statutory basis for appointment

Chairs and non-executive members of NDPBs hold a statutory office under the Health and Social Care Act 2012. Their appointment does not create any contract of service or contract for services between them and the Secretary of State for Health or between them and NICE.

Employment law

The appointments of the Chair and non-executive members of NICE are not within the jurisdiction of Employment Tribunals. Neither is there any entitlement for compensation for loss of office through employment law.

Reappointments

Chairs and non-executive members are eligible for reappointment at the end of their period of office, but they have no right to be reappointed. The Department of Health will usually consider afresh the question of who should be appointed to the office. If reappointed, further terms will only be considered after open competition, subject to a maximum service usually of 10 years with the same organisation and in the same role.

Termination of appointment

Regulation 5 of the NHS Regulations sets out the grounds for terminating an appointment. A Chair or non-executive member may resign by giving notice in writing to the Secretary of State for Health or the Department of Health. Their appointment will also be terminated if, in accordance with regulations, they become disqualified for the post. In addition, the Department of Health may terminate the appointment of the Chair and non-executive members on the following grounds:

- if it believes that it is not in the interests of NICE or the NHS for them continue to hold office

- if the Chair or non-executive member does not attend a NICE meeting for a period of 3 months
- if they fail to disclose a pecuniary interest in matters under discussion at a NICE meeting.

There is no need for provision in NICE's annual accounts for the early termination of any non-executive director's appointment. The following list provides examples of when it may be no longer in the interests of the health service for the appointee to continue in office. The list is not exhaustive or definitive; the Department of Health will consider each case on its merits, taking account of all relevant factors:

- if an annual appraisal or sequence of appraisals is unsatisfactory
- if the appointee no longer enjoys the confidence of the Board
- if the appointee loses the confidence of the public
- if a Chair fails to ensure that the Board monitors the performance of NICE effectively
- if work is not delivered against pre-agreed targets as part of their annual objectives
- if there is a breakdown in essential relationships, for example, between a Chair and a Chief Executive or between an appointee and the rest of the Board
- if a newly appointed Chair, on reviewing the objectives of the Board members, recommends to the Department of Health that an appointment is discontinued.

Remuneration

Under the Act, the Chair and non-executive members are entitled to be remunerated by NICE for so long as they continue to hold office. There is no entitlement to compensation for loss of office.

Conflict of interest

NDPB boards are required to adopt the Cabinet Office Codes of Conduct, published in April 2011. The Codes require Chairs and Board members to declare, on appointment, any business interests, positions of authority in a charity or voluntary body in health and social care, and any connection with bodies

contracting for NHS services. These must be entered into a register which is available to the public. Any changes should be declared as they arise.

Indemnity

NICE is empowered to indemnify the Chair and non-executive members against personal liability which they may incur in certain circumstances while carrying out their duties.

TERMS AND CONDITIONS: NICE EXECUTIVE

Basis for appointment

All executive directors are appointed on a permanent basis under a contract of service at an agreed annual salary with eligibility to claim allowances for travel and subsistence costs, at rates set by NICE, for expenses incurred on its behalf.

Termination of appointment

An executive director has to give 3 months' notice. NICE will normally give an executive director 6 months' notice. In the case of incapacity, NICE will give 6 months' notice once sick pay allowances have been exhausted. There is no need for provision for compensation to be included in NICE's annual accounts for the early termination of any executive director's contract of service.

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. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 2008.

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

SALARIES AND ALLOWANCES – SENIOR MANAGERS’ REMUNERATION (SUBJECT TO AUDIT)

Name	Title	2015/16			2014/15			
		Salary (bands of £5,000) £000	Benefit/ expenses (taxable) total to nearest £100 £000	All pension-related benefits (bands of £2,500) £000	TOTAL (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefit/ expenses (taxable) total to nearest £100 £000	All pension-related benefits (bands of £2,500) £000
Prof David Haslam CBE	Chair	60 to 65	nil	nil	60 to 65	60 to 65	nil	60 to 65
Dr Margaret Helliwell (1)	Vice Chair	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Jonathan Tross CB	Non-Executive Director	10 to 15	nil	nil	10 to 15	10 to 15	nil	10 to 15
Andrew McKeon	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Prof David Hunter	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Prof Rona McCandlish	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Linda Seymour	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Prof Finbarr Martin	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Bill Mumford	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	nil	5 to 10
Timothy Irish (2)	Non-Executive Director	5 to 10	nil	nil	5 to 10	5 to 10	n/a	n/a
Dr Rosie Benneyworth (3)	Non-Executive Director	0 to 5	nil	nil	0 to 5	0 to 5	n/a	n/a
Sir Andrew Dillon CBE	Chief Executive	185 to 190	0.1	nil	185 to 190	185 to 190	nil	185 to 190
Prof Gillian Leng CBE	Deputy Chief Executive and Health and Social Care Director	180 to 185	nil	72.5 to 75	255 to 260	175 to 180	12.5 to 15	185 to 190
Prof Carole Longson MBE	Health Technology Evaluation Centre Director	125 to 130	nil	30 to 32.5	155 to 160	125 to 130	22.5 to 25	150 to 155
Prof Michael Kelly (4)	Public Health Excellence Director	nil	nil	nil	nil	80 to 85	nil	80 to 85
Ben Bennett	Business Planning and Resources Director	115 to 120	3	20 to 22.5	140 to 145	115 to 120	0 to 2.5	120 to 125
Jane Gizbert	Communications Director	105 to 110	nil	32.5 to 35	140 to 145	105 to 110	57.5 to 60	165 to 170
Alexia Tonnel	Evidence Resources Director	115 to 120	nil	42.5 to 50	160 to 165	115 to 120	50 to 52.5	170 to 175
Prof Mark Baker	Clinical Practice Centre Director	115 to 120	nil	nil	115 to 120	115 to 120	nil	115 to 120

No performance pay and bonuses or long term performance pay and bonuses were paid to any senior managers in 2015/16 or 2014/15.

(1) Until 31/12/2015 (2) From 01/04/2015 (3) From 01/01/2016 (4) Until 31/12/2014

PENSION BENEFITS – SENIOR MANAGEMENT

Name	Title	Real increase/ (decrease) in pension lump sum at age 60 (bands of £2,500)		Real increase/ (decrease) in pension lump sum at age 60 (bands of £2,500) of £2,500		Total accrued pension at age 60 at 31 March 2016 (bands of £5,000)		Lump sum at age 60 related to accrued pension at 31 March 2016 (bands of £5,000)		Cash equivalent transfer value at 31 March 2016		Real increase in cash equivalent transfer value	
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Sir Andrew Dillon CBE (1)	Chief Executive	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Prof Gillian Leng CBE	Deputy Chief Executive and Health and Social Care Director	2.5 to 5	7.5 to 10	55 to 60	165 to 170	55 to 60	165 to 170	1,042	1,131	1,131	1,131	77	77
Prof Carole Longson MBE	Health Technology Evaluation Centre Director	0 to 2.5	2.5 to 5	20 to 25	70 to 75	20 to 25	70 to 75	445	481	481	481	31	31
Ben Bennett	Business Planning and Resources Director	0 to 2.5	2.5 to 5	45 to 50	140 to 145	45 to 50	140 to 145	906	942	942	942	26	26
Jane Gizbert (2)	Communications Director	0 to 2.5	nil	10 to 15	nil	10 to 15	nil	173	202	202	202	27	27
Alexia Tonnel (2)	Evidence Resources Director	0 to 2.5	nil	5 to 10	nil	5 to 10	nil	61	82	82	82	20	20
Prof Mark Baker	Clinical Practice Centre Director	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) No longer an active member of the NHS Pension Scheme. At 31 March 2014, total accrued pension at age 60 was £85–90k and lump sum was £255–260k.

(2) No lump sum for senior managers who only have membership in the 2008 Section of the NHS Pension Scheme.

There is no CETV (cash equivalent transfer value) for those members who are over the age of 60 (1995 Section of the NHS Pension Scheme) and members over 65 (2008 Section).

inflation and 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.

Highest paid director

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in NICE in the financial year 2015/16 was £185k–190k (2014/15: £185k–£190k). This was 4.5 times (2014/15: 4.6) the median remuneration of the workforce, which was £40,964 (2014/15: £40,558). In 2015/16, no employees (2014/15: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8k to £182k (2014/15, £8k–£175k).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind and severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Other information about pay includes:

- The highest paid director remuneration has not changed between 2014/15 and 2015/16. Senior managers did not receive an inflationary pay increase, with no bonuses being made during 2015/16.
- The Deputy Chief Executive has had an incremental pay increase in line with Medical and Dental terms and conditions, which provides for pay progression after 5 years at the previous band.
- Median pay has increased by 1% from 2014/15, in line with national uplifts of 1% to pay bands 9–42.
- Incremental pay progression was applied, except for staff on bands 34–54 who were not eligible for incremental pay progression

under Agenda for Change terms and conditions.

- Staff numbers have increased from 603 in 2014/15 to 613 in 2015/16; the cost and composition of permanent and other staff can be seen in the table on page 31.

STAFF NUMBERS AND RELATED COSTS

	Permanently employed staff £000	Other £000	2015/16 Total £000	2014/15 Total £000
Salaries and wages	25,486	2,883	28,369	28,572
Social security costs	2,299	0	2,299	2,253
Employer contributions to NHSPA	3,363	0	3,363	3,190
	31,148	2,883	34,031	34,015
Less recoveries in respect to outward secondments	(40)	0	(40)	(82)
Total net costs	31,108	2,883	33,991	33,933

Average number of persons employed

The average number of whole-time equivalent persons employed (excluding non-executive directors) during the year was as follows:

	Permanently employed staff number	Other number	2015/16 Total number	2014/15 Total number
Directly employed	586	27	613	603
Other				
Total	586	27	613	603

PENSIONS

Our employees automatically become members of the NHS Pension Scheme when they join NICE unless they choose to opt out.

The NHS Pension scheme is an unfunded, multi-employer benefit scheme. Individual NHS bodies are therefore unable to identify their shares of the underlying scheme assets and liabilities. The scheme was actuarially valued as at 31 March 2012. Details can be found on the pension scheme website at www.nhsbsa.nhs.uk/pensions.

For 2015/16, employers' contributions were payable to the NHS Pension Scheme at the rate of 14.3% of pensionable pay. These costs are shown in the NHS pension line of the table above. The scheme's actuary reviews employer contributions, usually every 4 years and now based on HM Treasury Valuation Directions, following a full scheme valuation. The latest review used data

from 31 March 2012 and was published on the government website on 9 June 2014.

The NHS Pension Scheme provides defined benefits, which are summarised on pages 32–33. This is an illustrative guide only, and is not intended to detail all the benefits provided by the schemes or the specific conditions that must be met before these benefits can be obtained.

Guide to the NHS pension scheme

Feature or benefit	NHS staff (Practice and approved employer staff)		Practitioners (NHS medical and ophthalmic practitioners)		All NHS workers and approved employer staff
Scheme	1995	2008	1995	2008	2015
Member contributions				Tiered contribution rates	
Type of scheme	Final salary based on the best of the last 3 years' pensionable pay	Final salary based on the average of the best 3 consecutive years within the last 10 years	Earnings accrual. The final value of pensionable earnings after adding all years' earnings and applying revaluation factors	Earnings accrual. The final value of pensionable earnings after adding all years' earnings and applying revaluation factors	Career Average Re-valued Earnings based on a proportion of pensionable earnings in each year of membership
Pension	A pension worth 1/80th of pensionable pay per year and pro rata for any part year of membership	A pension worth 1/60th of reckonable pay per year and pro rata for any part year of membership	A pension based on 1.4% of total uprated earnings	A pension based on 1.87% of total uprated earnings	A pension worth 1/54th of each year's pensionable earnings, revalued at the beginning of each following scheme year in line with a rate set by Treasury plus 1.5 % while in active membership
Retirement lump sum	3 x pension. Option to exchange part of pension for more cash up to 25% of capital value	Option to exchange pension for a lump sum, up to 25% of capital value. Certain members may have a compulsory amount of lump sum	3 x pension. Option to exchange part of pension for more cash up to 25% of capital value	Option to exchange pension for a lump sum, up to 25% of capital value. Certain members may have a compulsory amount of lump sum	Option to exchange part of pension for a lump sum up to 25% of capital value
Normal pension age	60 (55 for Special Class/MHO)	65	60	65	Equal to an individuals' state pension age or age 65 if that is later
Maximum age	75	75	75	75	75
Maximum membership	Non-special Class/MHO 45 years in total. Special class/MHO 40 years at age 55 and 45 years overall	45 years		45 years	No limit
Minimum pension age	50 if joined before 06/4/2006 and not had a break of 5 years or more. Otherwise 55	55	50 if joined before 06/4/2006 and not had a break of 5 years or more. Otherwise 55	55	55

Guide to the NHS pension scheme (cont.)

Feature or benefit	NHS staff (Practice and approved employer staff)		Practitioners (NHS medical and ophthalmic practitioners)		All NHS workers and approved employer staff
Actuarially reduced early retirement	Yes	Yes	Yes	Yes	Yes
Late retirement	No late retirement factors applied	Late retirement factors applied to pension earned before age 65	No late retirement factors applied	Late retirement factors applied to pension earned before age 65	Late retirement factors applied to all pension earned until retirement
Pensionable re-employment following payment of pension	Only available to eligible members who retire from active membership following ill-health retirement who rejoin before age 50	Yes if eligible	Only available to eligible members who retire from active membership following ill-health retirement who rejoin before age 50	Yes if eligible	Yes if eligible
Partial retirement	No	Yes	No	Yes	Yes
Ill health tier 1	Built up benefits paid without reduction	Built up benefits paid without reduction	Built up benefits paid without reduction	Built up benefits paid without reduction	Built up pension paid without reduction
Ill health tier 2	Tier 1 plus an enhancement of 2/3rds of prospective membership to normal pension age	Tier 1 plus an enhancement of 2/3rds of prospective membership to normal pension age	Tier 1 plus an enhancement of 2/3rds of prospective membership to normal pension age	Tier 1 plus an enhancement of 2/3rds of prospective membership to normal pension age	Tier 1 plus an enhancement of 1/2 of prospective pension to normal pension age
Increasing your pension	Purchase of additional pension in units of £250	Purchase of additional pension in units of £250	Purchase of additional pension in units of £250	Purchase of additional pension in units of £250	Purchase of additional pension in units of £250

Pensions indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in consumer prices in the 12 months ending 30 September in the previous calendar year.

Additional voluntary contributions (AVCs)

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Transfer between funds

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

Preserved benefits

Where a scheme member ceases NHS employment with more than 2 years' service they can preserve their accrued NHS pension for payment when they reach retirement age.

Retirements due to ill health

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There was no retirement during 2015/16 (2014/15: nil).

Redundancies and terminations

During 2015/16, there were 14 redundancies/terminations, totalling £1,493k (2014/15: 7 cases at £307k).

EXIT PACKAGES

Exit package cost band	2015/16			2014/15		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	8	8	0	0	0
£10,000 - £25,000	3	6	9	1	0	1
£25,000 - £50,000	1	0	1	3	0	3
£50,000 - £100,000	5	0	5	2	1	3
£100,000 - £150,000	2	0	2	0	0	0
£150,000 - £200,000	1	0	1	0	0	0
>£200,000	2	0	2	0	0	0
Total number of exit packages	14	14	28	6	1	7
Total resource cost (£000)	1,369	124	1,493	307	0	307

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Pensions Scheme. Exit costs are accounted for in full in the year of departure. Where NICE has agreed early retirements, the additional costs are met by NICE and not by the NHS Pension Scheme. This disclosure reports the number and value of exit packages agreed within the year.

Note: the expenses associated with these departures may have been recognised in part or in full in a previous period.

Exit package breakdown

Exit package cost band	Number of agreements	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	0	0
Mutually agreed resignations (MARS) contractual costs	0	0
Early retirement in the efficiency of service contractual costs	0	0
Contractual payments in lieu of notice (1)	14	124
Exit payments following Employment Tribunals or court orders	0	0
Non-contractual payments requiring HMT approval (2)	0	0
	<u>14</u>	<u>124</u>

As a single exit package can be made up of several components, each of which will be counted separately in this note, the total number above will not necessarily match the total numbers in the previous table, which will be the number of the individuals.

- (1) Any non-contractual payments in lieu of notice are disclosed under 'non-contractual payments requiring HMT approval' below.
- (2) Includes any non-contractual severance payment following judicial mediation and amounts relating to non-contractual payments in lieu of notice.

No non-contractual payments were made to individuals where the payment value was more than 12 months of their annual salary.

The Remuneration and Staff Report includes disclosure of exit payments payable to individuals named in that report.

HEALTH AND SAFETY

We are committed to adhering to the Health and Safety at Work Act 1974 and other related requirements to ensure that staff and visitors enjoy the benefits of a safe environment. There were 5 accidents and 4 incidents reported during the year, which were risk assessed and appropriate action taken. There were 3 days lost because of an injury at work during 2015/16.

EMPLOYEE CONSULTATION

NICE is committed to consulting and communicating effectively with employees. NICE has policies in place to ensure that, for all changes that affect the organisation there is open, honest and consistent 2-way consultation with UNISON and staff representatives. Information about proposed change, its implications and potential benefits is communicated clearly to all staff, who are encouraged to contribute their own ideas and to voice any concerns with their managers.

Also, all policy development for employment policies is carried out in partnership with trade union representatives at NICE.

NICE believes that communication with employees is essential and all consultation and changes, including policies, are published on the intranet, and detail is provided to staff through the weekly NICE newsletter. Monthly staff meetings are held on both sites for all staff to attend. These are chaired by the Chief Executive to enable high levels of communication and consultation.

EQUALITY AND DIVERSITY

NICE is committed to equality of opportunity for both current and prospective employees, and in the recruitment of committee and group members. Everyone who works for NICE, or applies to work at NICE, or applies to join a committee or group, is treated fairly and valued equally.

NICE has a single equality scheme covering all protected characteristics. NICE complies with

legislation and statutory codes of practice that relate to equality and diversity. All workers are treated fairly and equally regardless of age, disability, race, religion or belief, gender, marriage or civil partnership, pregnancy and maternity, sexual orientation or gender reassignment.

To ensure equal opportunities for disabled employees, NICE is committed to making reasonable adjustments to working conditions or to the physical working environment where this would help overcome the practical effects of a disability. NICE provides support to enable workers with a disability to participate fully in meetings and training courses. NICE also offers an interview to all disabled applicants who meet the essential shortlisting criteria for a post in accordance with the Employment Services '2 ticks' scheme, and makes reasonable adjustments to the recruitment process where requested and where practical.

All policies and change consultations are assessed through equality impact assessments, which are completed by the author, human resources and trade union representatives in partnership.

All employee data are collated and recorded and NICE ensures that it is accurate and up to date in accordance with the Equality Act 2010. The equality data of the NICE workforce is reported on an annual basis within the NICE Equalities report, which can be found at www.nice.org.uk/about/who-we-are/policies-and-procedures/nice-equality-scheme. Our commitment to equality and diversity is also found in the intranet resources available for all staff, which provide links to legislation, policy and useful guidance. See below for an analysis of employee gender by director, senior manager and other staff.

Gender by staff group

	Male %	Female %
Director	50	50
Senior manager	37	63
Other staff	37	63

REVIEW OF TAX ARRANGEMENTS OF PUBLIC SECTOR APPOINTEES – OFF-PAYROLL ENGAGEMENTS

As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, NICE must publish information about off-payroll engagements.

During 2015/16, 11 off-payroll engagements left NICE and 1 transferred to payroll. Assurance was received from all engagements.

All existing off-payroll engagements have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

Number of existing engagements as of 31 March 2016	21
<i>Of which:</i>	
number that have existed for less than 1 year at the time of reporting	5
number that have existed for between 1 and 2 years at the time of reporting	0
number that have existed for between 2 and 3 years at the time of reporting	2
number that have existed for between 3 and 4 years at the time of reporting	5
number that have existed for 4 or more years at the time of reporting	9

Number of new engagements, or those that reached 6 months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day	1
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	1
Number for whom assurance has been requested	1
<i>Of which:</i>	
assurance has been received	0
assurance has not been received	1
terminated as a result of assurance not being received	0

Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	0
Total number of individuals that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year. This figure should include both off-payroll and on-payroll engagements.	7

SICKNESS ABSENCE

During the period January to December 2015, the average number of days lost due to sickness by full-time equivalent employees was 4.6 days, or 2.03% (2014: 1.5%).

EFFECTIVENESS OF WHISTLEBLOWING ARRANGEMENTS

NICE has in place a whistleblowing policy, which was updated in line with NICE's periodic review processes, and approved by the Board at the public Board meeting in September 2015. The Audit and Risk Committee oversees the application of the

policy and receives periodic reports on its application. During 2015/16, we increased communication with staff about whistleblowing, to raise the profile and understanding of the policy. This included an article in the staff communications bulletin, 'Your Week at NICE', and increased dedicated information for staff on the NICE intranet site, NICE Space. There were no reported cases of whistleblowing at NICE in 2015/16.

EXPENDITURE ON CONSULTANCY

During the year NICE spent £nil on consultancy (£nil in 2014/15.)

2015/16 ACCOUNTS

The Annual Report and Accounts have been prepared and issued by NICE, under directions given by the Secretary of State, with the approval of HM Treasury, in accordance with the Health and Social Care Act 2012.

The Accounts report the resources that have been used by NICE to deliver its objectives. These Annual Accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual (FReM) 2015/16.

Signed
Sir Andrew Dillon
Chief Executive and Accounting Officer

21 June 2016

AUDIT REPORT

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 Institute for Health and Care Excellence for the year ended 31 March 2016 under the Health and Social Care Act 2012. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report that is described in that report as having been audited.

RESPECTIVE RESPONSIBILITIES OF THE BOARD, ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2012. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National

Institute for Health and Care Excellence's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Institute for Health and Care Excellence; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

OPINION ON REGULARITY

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

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of the National Institute

for Health and Care Excellence's affairs as at 31 March 2016 and of the net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Health and Social Care Act 2012 and Secretary of State directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Health and Social Care Act 2012; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

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

- adequate accounting records have not been kept or returns adequate for my audit

have not been received from branches not visited by my staff; or

- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

30 June 2016

FINANCIAL STATEMENTS 2015/16

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2015/16 Total £000	2014/15 Total £000
Income from sale of goods and services	5	(3,359)	(3,611)
Other operating income	5	<u>(9,301)</u>	<u>(6,217)</u>
Total operating income		(12,660)	(9,828)
Staff costs (before recoveries of outward secondments)	3	34,031	34,015
Purchase of goods and services	3	38,636	37,746
Depreciation and impairment charges	3	909	946
Provisions expense	3	<u>1,542</u>	<u>469</u>
		75,118	73,176
Net comprehensive expenditure for the year ended 31 March 2016		62,458	63,348

There was no other comprehensive expenditure for the year ended 31 March 2016.

The notes on pages 44 to 56 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Notes	Total 31 March 2016 £000	Total 31 March 2015 £000
Non-current assets			
Property, plant and equipment	6	2,556	3,097
Intangible assets	6	127	166
Total non-current assets		<u>2,683</u>	<u>3,263</u>
Current assets			
Trade and other receivables	7	2,330	2,517
Other current assets	7	1,725	2,565
Cash and cash equivalents	8	6,379	3,434
Total current assets		<u>10,434</u>	<u>8,516</u>
Total assets		13,117	11,779
Current liabilities			
Trade and other payables	9	(7,710)	(5,237)
Provisions for liabilities and charges	10	(1,245)	(748)
Total current liabilities		<u>(8,955)</u>	<u>(5,985)</u>
Non-current assets less net current liabilities		<u>4,162</u>	<u>5,794</u>
Non-current liabilities			
Provisions for liabilities and charges	10	(1,210)	(884)
Total non-current liabilities		<u>(1,210)</u>	<u>(884)</u>
Assets less liabilities		<u>2,952</u>	<u>4,910</u>
Taxpayers' equity			
General fund		2,952	4,910
Revaluation reserve		0	0
		<u>2,952</u>	<u>4,910</u>

The financial statements were approved by the Board on 20 June 2016 and signed by

Sir Andrew Dillon, Accounting Officer

21 June 2016

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Total 31 March 2016 £000	Total 31 March 2015 £000
Cash flows from operating activities			
Net operating cost		(62,458)	(63,348)
Adjustments for non-cash transactions	3	2,451	1,415
(Increase)/decrease in trade and other receivables	7	1,027	13
Increase/(decrease) in trade and other payables	9	2,473	1,847
Use of provisions	10	(719)	(408)
Net cash outflow from operating activities		(57,226)	(60,481)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(305)	(1,007)
Purchase of intangible assets	6	(24)	(107)
Proceeds of disposal of property, plant and equipment		0	3
Net cash outflow from investing activities		(329)	(1,111)
Cash flows from financing activities			
Net grant-in-aid		60,500	62,000
<i>Net increase/(decrease) in cash equivalents in the period</i>		2,945	408
Net increase/(decrease) in cash equivalents in the period		2,945	408
Cash and cash equivalents at the beginning of the period	8	3,434	3,026
Cash and cash equivalents at the end of the period	8	6,379	3,434

The notes on pages 44 to 56 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	General Fund ¹ £000	Revaluation Reserve ² £000	Total reserves £000
Balance at 1 April 2014	6,258	0	6,258
Changes in taxpayers' equity for 2014/15			
Grant-in-aid funding from parent	62,000		62,000
Comprehensive expenditure for the year	(63,348)		(63,348)
Balance at 1 April 2015	<u>4,910</u>	<u>0</u>	<u>4,910</u>
Changes in taxpayers' equity for 2015/16			
Grant-in-aid funding from parent	60,500		60,500
Comprehensive expenditure for the year	(62,458)		(62,458)
Balance at 31 March 2016	<u><u>2,952</u></u>	<u><u>0</u></u>	<u><u>2,952</u></u>

¹ The General Fund represents the net assets vested in NICE (stated at historical cost less accumulated depreciation at that date), the surplus or deficit generated from notional charges and trading activities and grant-in-aid funding provided. It also includes surpluses generated from commercial activity. Further information on these activities is described in note 2.

² The Revaluation Reserve contains the equity movement arising from the revaluation of property, plant and equipment.

Notes to the accounts

1 ACCOUNTING POLICIES

The financial statements have been prepared on an accruals basis in accordance with the 2015/16 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NICE for the purpose of giving a true and a fair view has been selected.

The particular policies adopted by NICE are described below. They have been consistently applied in dealing with items that are considered material to the accounts.

1.1 GOING CONCERN

NICE's status changed on 1 April 2013 from that of a special health authority to an NDPB. All the functions transferred to the new organisation.

Following the government's Spending Review in 2015/16, the Department of Health has confirmed that funding of NICE will continue. It is therefore considered appropriate to prepare the 2015/16 financial statements on a going concern basis.

1.2 INCOME

Income is accounted for applying the accruals convention. Operating income is income which relates directly to the operating activities of NICE. It principally comprises fees and charges for services provided on a full-cost basis to external customers, but it also includes other income such as that from the Department of Health, the devolved administrations (Wales, Scotland and Northern Ireland), NHS England and Health Education

England. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income.

The NICE International team receives grants from other UK and overseas government departments, philanthropic organisations and development banks. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Other funding

The main source of funding for NICE is grant-in-aid funding from the Department of Health, from Request for Resources within an approved cash limit, and is credited to the General Fund. Grant-in-aid funding is recognised in the financial period in which the cash is received.

1.3 TAXATION

NICE 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 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. 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.

1.5 NON-CURRENT 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 1 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 per licence.
- iii Property, plant and equipment assets which are capable of being used for more than 1 year, and which:
 - 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, and had 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.
- iv Desktop and laptop computers are not capitalised.

b. Valuation

INTANGIBLE ASSETS

Intangible assets held for operational use are valued at historical cost. 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.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

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. Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

- i In periods of hyperinflation 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 Leasehold improvement assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any assets under the control of a contractor.
- iii All adjustments arising from indexation and revaluations are taken to the Revaluation Reserve. These changes in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

No indexation was applied to any asset class during 2015/16. The impact of indexation would not have been material. The carrying value is a reasonable approximation of fair value.

c. Depreciation and amortisation

Depreciation is charged on each fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets: 3–10 years.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives: 3–10 years.
- iii Assets under construction are not depreciated.
- iv Leasehold improvements are depreciated over 10 years, except where the lease will not be renewed in which case it will then be the remaining life of the lease.

- v Each equipment asset is depreciated evenly over the expected useful life:
 - Furniture 10 years
 - Office, IT and other equipment 3–5 years.

1.6 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.

1.7 LEASES

All operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. NICE has no finance leases.

1.8 PROVISIONS

NICE 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 have been discounted using the Treasury's discount rate of -1.55%.

1.9 PENSIONS

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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's 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.

1.10 KEY AREAS OF JUDGEMENT AND ESTIMATES

NICE has made estimates in relation to provisions, useful economic lives of its assets, and depreciation and amortisation. These estimates were informed by legal opinion, specialist knowledge of managers and senior staff, and length of property leases.

2. ANALYSIS OF NET EXPENDITURE BY SEGMENT

NICE operates 3 reportable operating segments that meet specified criteria as defined within the scope of IFRS 8 (Segmental Reporting) under paragraph 13, where each reportable segment accounts for 10% of the reported income, surplus/deficit or net assets of the entity. A fourth reportable segment that does not meet these quantitative thresholds was shown in 2014/15 to enable reconciliation to the Statement of Changes to Taxpayers' Equity.

The largest reportable segment is for the core activities of NICE, funded mainly through grant-in-aid from the Department of Health. NICE also receives income and funding from other sources, notably from the devolved administrations (Wales, Scotland and Northern Ireland), NHS England and Health Education England. Note 5 provides a detailed breakdown of income received to support NICE activities.

NICE International has been established for approximately 9 years, operating on a strict non-profit

fee-for-service basis. Funding comes from several sources, such as UK government bodies (Department of Health, Department for International Development), the World Bank, regional development banks and overseas governments. Philanthropic organisations such as the Bill and Melinda Gates Foundation and the Rockefeller Foundation provided a significant amount of funding to the NICE International programme during 2015/16, resulting in receipts totalling 18% of total income (29% in 2014/15).

The Scientific Advice Programme was launched by NICE in 2009, providing fee-for-service consultation to pharmaceutical and biotech companies on product development plans. It operates on a full cost recovery basis and receives no exchequer funding. This has now become an established programme within NICE, with dedicated resources. In 2015/16 it accounted for 9% (8% in 2014/15) of operating income (excluding grant-in-aid) received and is therefore shown as a separate reporting segment below.

2015/16	NICE £000	Scientific Advice £000	NICE International £000	HTAP Advisory Service £000	Total £000
Gross expenditure	71,745	1,065	2,308	0	75,118
Income	(9,301)	(1,096)	(2,263)	0	(12,660)
Net expenditure	62,444	(31)	45	0	62,458
Segment net assets (at 31 March 2016)	2,334	232	386	0	2,952
2014/15	NICE £000	Scientific Advice £000	NICE International £000	HTAP Advisory Service £000	Total £000
Gross expenditure	69,884	775	2,516	0	73,175
Income	(6,216)	(809)	(2,802)	0	(9,827)
Net expenditure	63,668	(34)	(286)	0	63,348
Transfer of net assets between segments		64		(64)	
Segment net assets (at 31 March 2015)	4,278	201	431	0	4,910

With the agreement of the Department of Health sponsor department, the net assets of the 3 operating segments are to be held separately within the General Reserve.

3. OPERATING COSTS

	Notes	2015/16 £000	2014/15 £000
Staff costs (before recovery of outward secondments)		34,031	34,015
National Collaborating Centres		10,786	10,057
British National Formulary		5,197	5,190
External contractors		5,432	7,156
Medical Technology external assessment centres		3,438	2,951
Healthcare library services		4,268	1,965
Premises and fixed plant		2,838	3,243
Rentals under operating leases		1,815	1,639
Establishment expenses		2,450	3,966
Supplies and services: general		1,904	1,105
Education, training and conferences		458	423
Auditor's remuneration: audit fees*		50	51
Non-cash items:			
Depreciation	6	846	836
Amortisation	6	63	50
(Profit)/loss on disposal		0	60
Provisions (sum of arising this year and prior year unused)	10	1,542	469
		<u>2,451</u>	<u>1,415</u>
Total		<u>75,118</u>	<u>73,176</u>

* No non-audit fees were charged.

4. RECONCILIATION

4.1 Reconciliation of net operating cost to net resource outturn

	2015/16 £000	2014/15 £000
Net operating cost	62,458	63,348
Prior period adjustment	0	0
Net resource outturn	<u>62,458</u>	<u>63,348</u>
Revenue resource limit	63,077	64,655
(Over)/underspend against limit	<u>619</u>	<u>1,307</u>

4.2 Reconciliation of gross capital expenditure to capital resource limit

	2015/16 £000	2014/15 £000
Gross capital expenditure	329	1,011
Net book value of assets disposed	0	(63)
Net capital resource outturn	<u>329</u>	<u>948</u>
Capital resource limit	500	1,300
(Over)/underspend against limit	<u>171</u>	<u>352</u>

5. INCOME

	2015/16 £000	2014/15 £000
Income from sale of goods and services		
NICE International	2,263	2,802
Scientific Advice	1,096	809
Income from related NDPBs		
Health Education England	3,734	2,175
NHS England	2,530	1,200
Public Health England	0	14
Income from devolved administrations	2,088	2,197
Other income		
Office sublet income	418	0
Research grant receipts	275	346
Publications and royalties income	134	56
Income received for staff seconded out	40	82
Reimbursement of travel costs	20	28
Contribution to UK PharmaScan costs	15	15
Department of Health: National Clinical Excellence Awards	0	90
Other income	47	14
Total	12,660	9,828

Income from sales of goods and services shows the total income received by NICE International and Scientific Advice. Both programmes are operating segments under IFRS 8 (Segmental Reporting); see note 2 for further details. Major funding sources for NICE International in 2015/16 include the Bill and Melinda Gates Foundation (£4.6 million cash received), the Department for International Development (£0.3 million) and the Rockefeller Foundation (£0.9 million). Funding from these organisations is ringfenced for specific activity and income is recognised in the accounts when this activity has occurred. Where the specific activity is to be delivered in the following financial year, that income is deferred.

Income from related NDPBs shows the income from other NDPBs whose parent is the Department of Health. See note 14 for further information on related party transactions.

Income from devolved administrations is a contribution of funds from Wales, Scotland and Northern Ireland to provide certain NICE products and services in those countries.

Other income includes receipts from subletting part of the Manchester office to the Care Quality Commission and Homes and Communities Agency. NICE also participates in funded academic research, the majority of which (£223,000) relates to the IMI GetReal project funded by the EU.

6. NON-CURRENT ASSETS

6.1 Intangible assets

	Total software licences £000
Cost or valuation	
At 1 April 2015	647
Additions: purchased	24
Disposals	0
At 31 March 2016	<u>671</u>
Amortisation	
At 1 April 2015	481
Charged during the year	63
Disposals	0
At 31 March 2016	<u>544</u>
Net book value at 31 March 2016	<u>127</u>

All of NICE's assets are owned.

	£000
Cost or valuation	
At 1 April 2014	591
Additions: purchased	107
Disposals	(51)
At 31 March 2015	<u>647</u>
Amortisation	
At 1 April 2014	481
Charged during the year	50
Disposals	(50)
At 31 March 2015	<u>481</u>
Net book value at 31 March 2015	<u>166</u>

All of NICE's assets are owned.

6.2 Property, plant and equipment

2015/16

	Buildings £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Payments on account and assets under construction £000	Total £000
Cost or valuation						
At 1 April 2015	3,553	435	1,056	769	0	5,813
Additions: purchased	35	0	129	141	0	305
Disposals	0	(13)	(18)	0	0	(31)
Reclassification	0	0	0	0	0	0
At 31 March 2016	3,588	422	1,167	910	0	6,087
Depreciation						
At 1 April 2015	1,495	383	655	183	0	2,716
Charged during the year	575	28	172	71	0	846
Disposals	0	(13)	(18)	0	0	(31)
Reclassification	0	0	0	0	0	0
At 31 March 2016	2,070	398	809	254	0	3,531
Net book value at 31 March 2016	1,518	24	358	656	0	2,556
Net book value at 31 March 2015	2,058	52	401	586	0	3,097

Property, plant and equipment are valued using indices. No indexation was applied in 2015/16. No assets were donated during 2015/16. All of NICE's assets are owned.

2014/15

	Buildings £000	Plant and machinery £000	Information technology £000	Furniture and fittings £000	Payments on account and assets under construction £000	Total £000
Cost or valuation						
At 1 April 2014	2,386	435	1,079	736	602	5,238
Additions: purchased	565	0	91	248	0	904
Disposals	0	0	(114)	(215)	0	(329)
Reclassification	602	0	0	0	(602)	0
At 31 March 2015	3,553	435	1,056	769	0	5,813
Depreciation						
At 1 April 2014	958	347	577	265	0	2,147
Charged during the year	537	36	192	71	0	836
Disposals	0	0	(114)	(153)	0	(267)
Reclassification	0	0	0	0	0	0
At 31 March 2015	1,495	383	655	183	0	2,716
Net book value at 31 March 2015	2,058	52	401	586	0	3,097
Net book value at 31 March 2014	1,428	88	502	471	602	3,091

Property, plant and equipment are valued using indices. No indexation was applied in 2014/15. No assets were donated during 2014/15. All of NICE's assets are owned.

6.3 Profit/(loss) on disposal of fixed assets

	2015/16 £000	2014/15 £000
Profit/(loss) on disposal of intangible assets	0	0
Profit/(loss) on disposal of property, plant and equipment	0	(60)
	<u>0</u>	<u>(60)</u>

7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2015/16 £000	2014/15 £000
Amounts falling due within 1 year		
Trade receivables	2,330	2,517
Prepayments and accrued income	1,725	2,565
	<u>4,055</u>	<u>5,082</u>
Amounts falling due after more than 1 year	0	0
	<u>0</u>	<u>0</u>

8. CASH AND CASH EQUIVALENTS

	2015/16 £000	2014/15 £000
Balance at 1 April	3,434	3,026
Net change in cash and cash equivalent balances	2,945	408
Balance at 31 March	<u>6,379</u>	<u>3,434</u>
The following balances at 31 March were held:		
Government Banking Service	6,379	3,434
Commercial banks and cash in hand	0	0
Balance at 31 March	<u>6,379</u>	<u>3,434</u>

9. TRADE PAYABLES AND OTHER LIABILITIES

	2015/16 £000	2014/15 £000
Amounts falling due within 1 year		
Trade payables	(342)	(477)
Capital creditors	0	(6)
Tax and social security	(21)	(35)
VAT	(1,116)	0
Accruals and deferred income	(6,231)	(4,719)
	<u>(7,710)</u>	<u>(5,237)</u>
Amounts falling due after more than 1 year	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £000
Balance at 1 April 2014	1,571
Arising during the year	550
Utilised during the year	(408)
Provisions not required written back	(81)
Balance at 1 April 2015	<u>1,632</u>
Arising during the year	1,570
Utilised during the year	(719)
Provisions not required written back	(28)
At 31 March 2016	<u>2,455</u>

Analysis of expected timing of cash flows

Within 1 year (period to March 2017)	1,245
1 to 5 years (period April 2017 to March 2021)	1,210
Over 5 years (period March 2021+)	0

As at 31 March 2016 NICE made a provision of £1,549k for restructuring cost, £579k in respect of expected dilapidation and £327k for deferred lease incentives. The dilapidation relates to NICE's contractual liability at the end of the lease to reinstate the premises to the same state as at the start of the lease. The amount of the liability provision represents the current best estimate. Lease incentives are periods of occupation which are rent-free. IAS 17 (SIC 15) requires the total value of the lease to be spread over the whole lease period, including the rent-free period. The provision relates to lease incentives already taken but which will be applied to future rental periods. The provisions (excluding deferred lease incentive) have been discounted at -1.55%.

11. CAPITAL COMMITMENTS

NICE has no contracted capital commitments at 31 March 2016 for which no provision has been made (2014/15: £nil).

12. COMMITMENTS UNDER LEASES

12.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires.

	2015/16	2014/15
	£000	£000
Obligations under operating leases comprise:		
<u>Buildings</u>		
Not later than 1 year	1,880	1,740
Later than 1 year and not later than 5 years	3,921	4,343
Later than 5 years	0	628
	5,801	6,711
<u>Other leases</u>		
Not later than 1 year	95	98
Later than 1 year and not later than 5 years	101	61
Later than 5 years	0	0
	196	159

12.2 Finance lease

NICE does not hold any finance leases (none in 2014/15).

13. OTHER FINANCIAL COMMITMENTS

NICE has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payments to which NICE is committed during 2015/16 analysed by the period during which the commitment expires are as follows:

	2015/16	2014/15
	£000	£000
Not later than 1 year	347	276
Later than 1 year and not later than 5 years	469	0
Later than 5 years	0	0
	816	276

14. RELATED PARTY TRANSACTIONS

NICE is a body corporate established by order of the Secretary of State for Health. The Department of Health is regarded as a controlling related party. During the year NICE 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. In addition, NICE has had a small number of various material transactions with other government departments and other central government bodies. No board member, key manager or other related party has undertaken any material transactions with NICE during the year. NICE maintains a register of interests which is available on application. Material transactions are those that exceed £50k or balances at 31 March that exceed £25k.

	Income £000	Expenditure £000
NHS organisations		
<i>National core content on NICE Evidence Search website, e.g. journals</i> Health Education England	3,734	
<i>Funding for Medical Innovation Briefings, Commissioning Through Evaluation and Mental Health Access and Waiting Times Standards activity</i> NHS England	2,532	
<i>Seconded staff, committee chairs and assessors</i>		
Cambridge University Hospitals NHS Foundation Trust		57
St George's Healthcare NHS Trust		61
Royal Devon and Exeter NHS Foundation Trust		53
University Hospital of South Manchester NHS Foundation Trust		96
<i>Medical Technologies External Assessment Centre</i> Newcastle upon Tyne Hospitals NHS Foundation Trust		709
<i>Patient Group Directions service delivery</i> Guy's and St Thomas' NHS Foundation Trust		50
<i>Rental of office space Manchester</i> Care Quality Commission	68	
Other government organisations (not disclosed elsewhere)		
<i>Internal audit fees, training and recruitment costs</i> Department of Health		85
<i>Sales of services regarding Mexico and South Africa work</i> Department of Health	53	
<i>NICE International: Improving the legitimacy and efficiency of healthcare resource allocation decisions</i> Department for International Development	348	
<i>NICE funding from devolved administrations</i>		
Scottish Government	171	
Welsh Government	789	
Department of Health, Social Services and Public Safety: Northern Ireland	349	
<i>BNF funding</i>		
NHS National Services Scotland	359	
Business Services Organisation, Northern Ireland	136	
Welsh Government	220	

	Income £000	Expenditure £000
Other government organisations (not disclosed elsewhere) (cont.)		
<i>Medical Technologies External Assessment Centre</i> Cardiff and Vale University Health Board		732
<i>Rental of office space at Spring Gardens</i> British Council		1,164
<i>Rental of office space Manchester</i> Homes and Communities Agency	350	
<i>Business rates</i> Westminster City Council		475
	Receivables £000	Payables £000
NHS organisations		
<i>Commissioning Through Evaluation funding</i> NHS England	150	
<i>Deferred income</i> NHS England		108
<i>National core content on NICE Evidence Search website, e.g. journals</i> Health Education England	1,220	
<i>Clinical Practice Guidelines</i> Velindre NHS Trust	38	
Other government organisations (not disclosed elsewhere)		
<i>Rental of office space at Spring Gardens</i> British Council		89
<i>Rental of office space Manchester</i> Homes and Communities Agency	97	
<i>Internal audit fees, training and recruitment costs</i> Department of Health		44
<i>BNF funding</i> NHS Business Services Authority	31	
<i>Business rates</i> Manchester City Council	268	
Westminster City Council	478	
<i>NICE International: Improving the legitimacy and efficiency of healthcare resource allocation decisions</i> Department for International Development	144	
<i>NICE funding</i> Department of Health, Social Services and Public Safety: Northern Ireland	79	

15. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS 10, events after the reporting period 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. There were no such incidents. The financial statements were authorised for issue by the Accounting Officer on 21 June 2016.

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