

Health Development Agency





Health Development Agency

ANNUAL ACCOUNTS 2003-04

Presented to the House of Commons pursuant to section 98 (1C)
of the National Health Service Act 1977

Ordered by the House of Commons to be printed 21 July 2004

CONTENTS

Foreword to the accounts	4
Statement of the Chief Executive's responsibilities as the Accounting Officer	8
Statement on internal control 2003-04	9
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	13
Financial accounts 2003-04	15

FOREWORD TO THE ACCOUNTS 2003-04

Basis of accounts

These accounts have been prepared in accordance with a direction given by the Secretary of State, with the approval of the Treasury, under Section 98(2) of the National Health Service Act 1977.

Background information

The Health Development Agency (HDA) was established in January 2000 by Statutory Instrument 1999 No. 3431. It is a special health authority created to support and enhance efforts to improve health and reduce inequalities of people living in England. Working with a range of national and regional partners, it plays an important role in assessing – and then disseminating – information to improve the public’s health. It offers expert advice and guidance, support for the development of standards, and resources and training for those involved in improving public health.

The HDA’s mission is to improve public health.

Financial results and year end position

The agreed financial targets for the agency for 2003-04 were:

- To ensure that the HDA’s use of resources in the financial year did not exceed the revenue and capital resource limits specified by the Secretary of State for Health
- Cash balance of £0 at 31 March 2004
- 90% of creditors paid within 30 days (Better Payment Practice Code).

Financial Target	Achievement 2003-04	Achievement 2002-03
Revenue and capital resource limits	Revenue – underspend of £65k Capital – underspend of £1k	Revenue – overspend of £36k Capital – underspend of £2k
Cash balance nil	Balance of £0	Balance of £109,000 (limited to £115k in 2002-03)
90% of creditors paid within 30 days	85% by number and 84% by value	84% by number and 78% by value

Summary of results from 2001-02 to 2003-04

This table contains extracts from the operating cost statement and the cashflow statement. The net operating costs represent the gross operating costs less operating income (income other than Parliamentary funding).

	2001-02 £000	2002-03 £000	2003-04 £000
Parliamentary funding	12,261	11,015	11,992
Total operating income	1,611	835	1,477
Net operating costs	11,960	11,024	11,828

Review of activity

Details of the HDA's operational activities in 2003-04 are described in the annual report, which is available on the agency's website at www.hda.nhs.uk

Fixed assets

During the year £415,000 was spent on fixed assets. Of this, £310k related to the Knowledge and Information Technology Strategy (KITS). The KITS' objective is to develop and implement systematic and organisation-wide approaches to sharing information, to make information accessible, and to use information to promote the goals and values of the HDA. The balance of the capital expenditure was spent on routine IT purchases and office equipment.

HDA activities

During 2003-04, the HDA has continued to develop its innovative work on establishing review

processes of the evidence base of what works to prevent disease and promote good health. To support this work evidence briefings have been published on: breastfeeding, sexually transmitted infections, low birth weight, accidental injury in children and older people, obesity and weight management, social support in pregnancy, physical activity, and smoking and public health. Work continues on transport, housing, depression in later life, and mental health.

In addition to the evidence briefings, the agency has also published a wide range of other material focused on improving and promoting good health and preventing disease. Key publications include: *The Working Partnership*, *Local government scrutiny of health*, and *Standards for training in smoking cessation*.

Over the year the HDA has also taken forward a great deal of practice development work to

encourage the uptake of its evidence and guidance products. In particular, the agency's nine regional associate directors have led programmes of practice development including seminars, conferences, policy development and advisory work. This has ensured that HDA evidence and guidance is used at regional and local level to guide practice and inform policy development.

The year also saw the staging of the agency's first national conference, which was attended by over 300 delegates and attracted an 85% satisfaction rating among participants. Significant progress was also made in the selection and establishment of collaborating centres. The centres have now been chosen and final contracts for service will be in place by the summer of 2004.

The HDA has also continued to deliver a number of national initiatives which include the National Healthy School Standard (NHSS) programme and the pre-retirement and mid-life programme, as well as developing its work on health needs assessment and health impact assessment. In the electronic medium the agency continued to provide a suite of web-based information services including the Public Health electronic Library, Evidence Base, Health Action and the HDA corporate website. Statistics reveal that there has been a marked increase in the use of these electronic information services.

The HDA was also actively engaged in supplying the Wanless review with evidence and advice and assisted with the development of the new public health white paper consultation. The Wanless review was the first ever evidence-based assessment of the long-term resource requirements of the NHS. It concluded that in order to meet the people's expectations and deliver the highest quality over the next 20 years, the UK will need to devote more resources to healthcare and that this

must be matched by reform to ensure that these resources are used effectively.

The HDA produced and disseminated 58 publications on evidence, guidance and practice development. This publishing activity included the agency's bi-monthly magazine, *Health Development Today*, which reaches an audience in excess of 18,000 public health professionals. The evaluation commissioned by the agency demonstrated it achieved a satisfaction rating of over 80% with external stakeholders in terms of its general credibility and performance.

Future developments

In the ministerial review of 2003, the HDA was asked to develop its regional work and direct support for getting its evidence into practice. The agency was also asked to ensure that the Public Health electronic Library was developed further and that new procedures for systematically capturing examples of effective practice in public health be put in place. Over the next year the HDA will consolidate its new approach to delivery through four long-term programmes of action focused on: Big Killers; Children and Young People; Adults; and the Wider Determinants of Health. The agency will also refocus its efforts to ensure a more market-led approach to developing and disseminating its work is put in place. Additional staff will be appointed in each region and more effort will be focused on the active marketing of their work.

Going concern

The balance sheet at 31 March 2004 shows net liabilities of £69,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the HDA's other sources of income, may only be met by future direct funding from the HDA's sponsoring department, the Department of Health. This is

because, under the normal conventions applying to parliamentary control over income and expenditure, payments may not be made by the Department of Health to the HDA in advance of need.

Funding for 2004-05, taking into account the amounts required to meet the HDA's liabilities falling due in that year, has already been included in the Department of Health's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the HDA's financial statements.

In addition, the NHS (Residual Liabilities) Act 1996 also requires the Secretary of State to exercise his statutory powers to deal with the liabilities of a special health authority if it ceases to exist.

As a special health authority, the agency is classed as an arms length body. In October 2003, the Secretary of State for Health announced his intention to review the Department of Health's 'Arms Length Bodies'. On 20 May 2004, the Secretary of State for Health outlined the first stage of this review. There are 42 separate arms length bodies which employ 22,000 staff with a combined budget of £2.5bn. The Secretary of State announced that by 2007-08 there will be a 50% reduction in the number of arms length bodies reducing total expenditure by £0.5bn and staff posts by 25%. The final outcome of the review should be announced before the Parliamentary summer recess. As at the date of signing these financial statements, the implications of the review for the agency have not yet been announced.

Board membership

Board membership during 2003-04 was as follows:

Chair Yve Buckland

Executive directors

Paul Streets, *Chief Executive*

Dr Jeff French, *Director of Knowledge Management and Communication*

Carolyn Hughes, *Director of Corporate Services*

Professor Mike Kelly, *Director of Evidence and Guidance*

Dr Viv Speller, *Director of Development and Regions*

Non-executive directors

Tahera Aanchawan, Professor Michael Adler, Colin Browne (until May 2003), Denise Campbell, Ken Crossland, Professor Christine Godfrey, Liam Hughes, Michael Peters, Dr Michael Varnam

Audit committee

Tahera Aanchawan (from November 2004), Denise Campbell (to October 2004), Ken Crossland, Michael Peters

Policy in relation to disabled employees

An employment priority for the agency is that our policies and activities are modified in order to eliminate discrimination based on disabilities. The HDA creates equal opportunity for people with disabilities to work and develop.

Employee consultation

The HDA continues to inform and consult with staff on a wide range of issues.

Better Payment Practice Code

The public sector Better Payment Practice Code requires public bodies to pay all suppliers' invoices

within 30 days. The HDA aims to observe the principles of this policy and in 2003-04 the agency paid 85% of invoices within 30 days and 96% within 60 days.

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 1977 as amended by the Government Resources and Accounts Act 2000 (Audit of Health Service Bodies) Order 2003 No. 1324. The Audit Certificate can be found on pages 13-14. For information, the Comptroller and Auditor General is Sir John Bourn. His address is:

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



Paul Streets
Chief Executive and Accounting Officer
Dated: 12 July 2004

Statement of the Chief Executive's responsibilities as the Accounting Officer of the organisation

The Secretary of State has directed that the Chief Executive should be the Accounting Officer of the organisation. The relevant responsibilities of Accounting Officers are set out in the Accounting Officers Memorandum issued by the Department of Health. These include ensuring that:

- There are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance
- Value for money is achieved from the resources available to the agency
- The expenditure and income of the agency has been applied to the purposes intended by Parliament and conform to the authorities which govern them
- Effective and sound financial management systems are in place
- Annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the net operating cost, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accounting Officer.



Paul Streets
Chief Executive and Accounting Officer
Dated: 12 July 2004

Statement on internal control 2003-04

1 Scope of responsibility

As Accounting Officer and Chief Executive of the Health Development Agency (HDA), I have responsibility for maintaining a sound system of internal control that supports the achievement of the HDA's policies, aims and objectives, whilst safeguarding the public funds and agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The following accountability arrangements relate to my role in the HDA:

I started work as Chief Executive of the HDA in October 2003. I have regular one-to-one meetings with the Chair of the HDA. Public meetings of the HDA board are held six times a year, and there is an Annual General Meeting which is widely publicised.

During the first half of the year, the board received a report at each meeting from the acting Chief Executive on performance against key indicators. Since my arrival in post, the board has received an update report from executive directors and myself on salient performance and delivery issues, including risk management. The board has also agreed indicators to monitor my own performance since my arrival in post.

The board holds the Executive and myself specifically to account in terms of risk management as follows:

- a** Through the audit committee for risk management and assurance
- b** Through the resources committee for risks associated with the use of the HDA's financial and staff resources.

The HDA's internal auditors have reviewed the HDA's committee structure and reported favourably.

During the first half of 2003-04, when the position of Chief Executive was vacant, the Executive Management Team (EMT) met under the rotating chairmanship of one of the four executive directors. The Director of Corporate Services was appointed Accounting Officer during this period. The EMT meeting received (and continues to receive) quarterly reports on the management of principal risks in the HDA and (latterly) progress with the Board Assurance Framework.

With our programme heads and key directors, I have quarterly meetings with officials of our sponsoring department to monitor progress against the HDA's annual delivery plan. The plan includes a statement of key business risks. There is an annual accountability meeting with the Minister of Public Health where the HDA's performance against its delivery plan is reviewed.

2 The purpose of the system on internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify, record and prioritise the risks to the achievement of the HDA's policies, aims and objectives
- Evaluate the likelihood of those risks being realised and the impact should they be realised
- Manage the risks efficiently, effectively and economically.

The system of internal control has been in place in the HDA for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3 Capacity to handle risk

The HDA's capacity to handle risk has been enhanced through clear leadership and comprehensive training on managing risk:

- All staff were provided with mandatory training in risk identification and management during the summer of 2003
- The risk management steering group (RMSG) coordinates risk identification and management and reports to EMT on a quarterly basis
- The audit committee is responsible for overseeing the process of risk management and controls assurance in the HDA
- The board receives an annual report on risk management.

Guidance on governance is provided to staff through the personal issue to each employee of key governance and risk management documents, which are also available on the HDA's intranet site. There is a built-in review mechanism for updating these documents.

4 The risk and control framework

The key elements of the Risk Management Strategy (approved by the board in February 2003) are:

- A statement of the HDA's philosophy in relation to risk management. This establishes the HDA's appetite for risk in the following terms: 'Minimising risk to all its stakeholders through a comprehensive

system of internal controls, while maximising potential for flexibility, innovation and best practice'

- A definition of risk in the particular context of the HDA, covering both threats to the achievement of our objectives and threats to our reputation and/or stakeholders' confidence in us
- The objectives of risk management in the HDA, focusing on the identification and assessment of risks, the implementation of cost-effective risk control measures, the inculcation of a risk management culture in the HDA and in its business planning processes, and the monitoring of the effectiveness of risk control measures
- Responsibilities at all levels for risk identification, assessment and management
- The machinery for implementing and reporting on risk identification, assessment and management in the HDA.

The **means by which risk identification, assessment and management are carried out in the HDA** are as follows:

- Risks are identified by staff at individual, project and (from 2004-05) programme level and referred to the Board Secretary/Governance Officer. This mechanism was updated during the final quarter of the year to dovetail with the HDA's programme planning process. Risk identification is also informed by the outcome of discussions at the board, audit committee and EMT, by discussions held with sponsoring ministers and departments and via the HDA's annual stakeholder survey
- Reported risks are discussed and monitored by RMSG, evaluated and allocated a risk profile for inclusion in the HDA's central risk register

- On a quarterly basis EMT receives the latest position on the treatment of key risks extracted from the central risk register
- The audit committee regularly receives an analysis of the latest position on the treatment of risks. It signs off any risks which have been fully managed and present no residual risks.

The Board Assurance Framework

During the final quarter of the year the audit committee received a Board Assurance Framework describing, against each principal risk, the relevant control, the source of assurance and any gaps in either the control or the assurance. This is a key document to enable both myself and the board to have assurance that the principal risks are being effectively managed. I have grouped the principal risks to the HDA's objectives in 2003-04 against the four key risk areas:

- Delivery of targets and outcomes in the current delivery plan
- Establishment of effective mechanisms for the management and control of collaborating centres
- Getting the programme scoping right for 2004-05
- Progressing organisational development work to ensure that the HDA's new structure delivers what it has promised.

Embedding risk management in the HDA

In the final quarter of the year mechanisms were developed to embed risk identification, analysis and management within the HDA's four programmes and functions as a key component of the programme planning process. The mechanisms provide for:

- Line managers to ensure that the staff they manage have clear and relevant personal objectives with regard to managing risk, that risks are recorded, analysed and managed, and that local risk registers are compiled
- Programme, functional and regional heads compiling and maintaining risk registers for their areas of responsibility and reporting significant risks up through RMSG.

Responsibilities to stakeholders

The HDA's stakeholders are primarily its sponsoring departments and professional practitioners across public health, education and local government. Stakeholder groups are informed of key business risks in the HDA via its annual delivery plans which are distributed widely, both via the Internet and at specific conferences and events. Stakeholders' views on the HDA's delivery are obtained via annual independent surveys, the results of which inform the risk management process for the following year.

5 Review of effectiveness

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

Specifically, internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Board Assurance Framework and on the controls reviewed as part of the Internal Audit Plan. Executive directors provide me with assurance in relation to programmes and functions falling within their span of managerial control.

The Board Assurance Framework itself provides me with evidence of the effectiveness of controls for managing risks to the organisation in achieving its principal objectives.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee, the impact evaluation committee, EMT and RMSG. A plan to address weaknesses and ensure continuous improvement of the system is in place through the deliberations of RMSG and EMT.

No significant internal control issues were identified in this financial year that I need to highlight.

A handwritten signature in black ink, appearing to read 'Paul Streets', with a stylized flourish at the end.

Paul Streets
Chief Executive and Accounting Officer
Dated: 12 July 2004

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

I certify that I have audited the financial statements on pages 15 to 36 under the National Health Service Act 1977. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 18 to 21.

Respective responsibilities of the Chief Executive and Auditor

As described on page 8, the Chief Executive is responsible for the preparation of the financial statements in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury thereunder and for ensuring the regularity of financial transactions. The Chief Executive is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the agency has not kept proper accounting records, or if I have

not received all the information and explanations I require for my audit.

I review whether the statement on pages 9 to 12 reflects the agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the agency's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to

the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the Health Development Agency at 31 March 2004 and of the net resource outturn, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury thereunder
- In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General

Dated: 13 July 2004

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

FINANCIAL ACCOUNTS 2003-04

Operating cost statement for the year ended 31 March 2004

Continuing operations

	Notes	£000	2002-03 £000
Programme costs	2.1	13,304	11,859
Operating income	4	(1,477)	<u>(835)</u>
Net operating cost before interest		11,827	11,024
Interest payable		1	0
Net operating cost		<u>11,828</u>	<u>11,024</u>
Net resource outturn	3.1	<u>11,828</u>	<u>11,024</u>

Statement of recognised gains and losses for the year ended 31 March 2004

		£000	2002-03 £000
Unrealised surplus/(deficit) on the revaluation of fixed assets	11.2	0	0
Unrealised surplus/(deficit) on the indexation of fixed assets	11.2	28	46
Fixed asset impairment losses	11.2	0	0
Prior period adjustment (early retirements)		0	0
Prior period adjustment (other)		0	0
Recognised gains and losses for the financial year		<u>28</u>	<u>46</u>

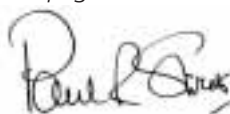
The notes at pages 18 to 36 form part of this account.

Balance sheet as at 31 March 2004

	Notes	£000	31 March 2003 £000
Fixed assets			
Intangible assets	5.1	153	83
Tangible assets	5.2	653	503
		806	586
Current assets			
Stocks		0	0
Debtors	6	1,293	626
Cash at bank and in hand	7	0	109
		1,293	735
Creditors: amounts falling due within one year	8.1	(1,287)	(1,128)
Net current assets/liabilities		6	(393)
Total assets less current liabilities		812	193
Creditors: amounts falling due after more than one year	8.2	0	0
Provisions for liabilities and charges	9	(881)	(414)
		(69)	(221)
Taxpayers' equity			
General fund	11.1	(143)	(267)
Revaluation reserve	11.2	74	46
		(69)	(221)

The notes at pages 18 to 36 form part of this account.

Signed:



Date: 12 July 2004

Paul Streets, Accounting Officer

Cash flow statement for the year ended 31 March 2004

	Notes	£000	2002-03 £000
Net cash outflow from operating activities	12	(11,685)	(10,891)
Servicing of finance			
Interest paid		(1)	0
Interest element of finance leases		0	0
Net cash (outflow) from servicing finance		(1)	0
Capital expenditure and financial investment			
(Payments) to acquire intangible fixed assets	5.1	(113)	(66)
(Payments) to acquire tangible fixed assets	5.2	(303)	(69)
Receipts from disposal of intangible fixed assets		0	0
Receipts from disposal of tangible fixed assets		1	0
Net cash outflow from investing activities		(415)	(135)
Net cash outflow before financing		(12,102)	(11,026)
Financing			
Net Parliamentary funding		11,992	11,015
(Decrease)/increase in cash in the period	7	(109)	(11)

The notes at pages 18 to 36 form part of this account.

Notes to the account

1 Accounting policies

The financial statements have been prepared in accordance with the Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by the agency are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

This account is prepared under the historical cost convention, modified to account for the revaluation of fixed assets, and in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the agency is Parliamentary grant from the Department of Health within an approved cash limit, which is credited to the general fund.

Operating income is income which relates directly to the operating activities of the agency. It principally comprises fees and charges for services provided on a direct-cost basis to external customers, but it also includes other income such as that from the Department of Health, the Cabinet Office and the Office of the Deputy Prime Minister. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

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

1.4 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2003-04 was 3.5% (2002-03 6%) on all assets less liabilities, except for cash balances with the Office of the Paymaster General (OPG), where the charge is nil.

1.5 Fixed assets

a. Capitalisation

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred
- iii Tangible assets which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000
 - collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control or
 - form part of the initial set-up cost of a new building, irrespective of their individual or collective cost.

b. Valuation

Intangible fixed assets

Intangible fixed 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.

Tangible fixed assets

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

i Land, buildings, installations and fittings valuations are carried out by the District Valuer of the Inland Revenue Government Department at five-yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset provided by the Valuation Office Agency and published in the Manual for Accounts are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS).

ii 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.

iii All adjustments arising from indexation and five-yearly revaluations are taken to the revaluation reserve. All impairments resulting from price changes are charged to the statement of recognised gains and losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

c. Depreciation and amortisation

Depreciation is charged on each individual fixed asset as follows:

i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets

ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives

iii Buildings, installations and fittings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term

iv Each equipment asset is depreciated evenly over the expected useful life:

	Years
Furniture	5
Office, information technology, and other equipment	3

1.6 Stocks and work in progress

The net realisable value of publication stocks is nil. The HDA has no other stocks or work in progress.

1.7 Losses and special payments

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

1.8 Pension contributions

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the agency to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contribution payable in 2003-04 was £252,934 (£242,954 for 2002-03). Employees pay contributions of 6% of their pensionable pay.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. These contributions will need to be reviewed at the next investigation date, due at 31 March 2004.

The scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an update of the scheme liabilities

on an annual basis. The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationery Office.

NHS bodies are directed by the Secretary of State to charge employers' pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation on which contribution rates were based (31 March 1999) employer contribution rates from 2003-04 were set at 14% of pensionable pay (7% for 2002-03). Until 2003-03 the Treasury paid the Retail Price Indexation costs of the NHS Pension Scheme direct, but as part of the Spending Review Settlement these costs have been devolved in full. For 2003-04 the additional funding has been retained as a Central Budget by the Department of Health and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004-05 this funding will be devolved in full to the NHS Pension Scheme employers and the employers' contribution rate will rise to 14%.

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last three years' pensionable pay for each year of service. A lump sum normally equivalent to three years' pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the

12 months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, is payable.

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

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the operating cost statement at the time the agency commits itself to the retirement, regardless of the method of payment.

The HDA has chosen to fully adopt FRS 17 from 2003-04.

1.9 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the operating

cost statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation, ie on a quarterly basis.

1.10 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. During 2003-04 the agency's most significant foreign currency transactions were with The Minister of Welfare of Latvia (£15k), The Minister of Health of Albania (£27k), International Health Promotion & Education Europe (£12k) and Eurohealthnet (£12k).

1.11 Leases

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

1.12 Provisions

The agency provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms. This is a change from the rate of 6% applied in 2002-03 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown at note 10.

1.13 Change of policy

There has been no changes in policy from 2002-03 to 2003-04.

2 General operating costs

2.1 Programme costs

	Notes	£000	£000	2002-03 £000
Non-executive members' remuneration			93	81
Staff costs	2.2		6,294	5,789
Capital:				
Depreciation and amortisation	5.1, 5.2	221		228
Impairments	5.1, 5.2	0		0
Capital charges interest		(40)		(120)
(Profit)/loss on disposal	5.3	2		2
			183	110
Premises and fixed plant			1,410	1,665
Transport and moveable plant			14	43
External contractors			3,345	2,066
Publications & conferences			1,115	1,137
Establishment expenses			731	848
Auditor's remuneration: audit fees*			32	36
Supplies and services – general			87	84
			13,304	11,859

*No non-audit fees were charged

Staff costs

2.2 Executive members' remuneration and staff costs

	£000	2002-03 £000
Salaries and wages	4,687	4,401
Social security costs	398	396
Employer contributions to NHSPA	253	243
Other pension costs	14	41
Redundancies	0	0
Agency staff	413	279
Secondees	529	429
	<u>6,294</u>	<u>5,789</u>

The average number of whole-time equivalent persons employed (including senior management) during the year was 132 including 10 wte agency staff (2002-03 148 including 8 wte agency staff).

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £54,725 (2002-03: £66,612).

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 one retirement, at an additional cost of £63,179. This information has been supplied by the NHS Pensions Agency.

2.3 Senior staff remuneration

The salary and pension entitlements of the most senior managers of the agency were as follows:

Name and title	Age as at 31/3/04 years	Salary in £5k bands £000	Other remuner. in £5k bands £000	Benefits in kind £000	Real increase in pension at age 60 in £2.5k bands £000	Total accrued pension at age 60 at 31/3/04 in £5k bands £000
Non-executive directors						
Yve Buckland	47	*35-40	0	0	N/A	N/A
Tahera Aanchawan	48	5-10	0	0	N/A	N/A
Prof Michael Adler	64	5-10	0	0	N/A	N/A
Colin Browne	58	**0	0	0	N/A	N/A
Denise Campbell	50	5-10	0	0	N/A	N/A
Ken Crossland	49	5-10	0	0	N/A	N/A
Prof Christine Godfrey	53	5-10	0	0	N/A	N/A
Liam Hughes	52	5-10	0	0	N/A	N/A
Michael Peters	49	5-10	0	0	N/A	N/A
Dr Michael Varnam	59	5-10	0	0	N/A	N/A
Executive directors						
Paul Streets <i>Chief Executive</i>	44	***55-60	0	0	0-2.5	0-5
Dr Jeff French <i>Director of Knowledge Management & Communications</i>	48	****75-80	0	0	0-2.5	25-30
Carolyn Hughes <i>Director of Corporate Services</i>	43	****75-80	0	1	0-2.5	20-25
Prof Mike Kelly <i>Director of Evidence & Guidance</i>	51	****75-80	0	0	0-2.5	0-5
Dr Viv Speller <i>Director of Development & Regions</i>	50	****75-80	0	2	0-2.5	15-20

* acting executive Chair for 2003-04

** left board on 22 May 2003

*** actual part year salary shown, from October 2003

**** includes £3K for time acting up as Chief Executive to October 2003

Richard Parish, the previous Chief Executive, left the agency in 2002-03. His notice period ended on 25 May 2003. Paul Streets took up this post in October 2003.

Benefits in kind relate to provision of childcare allowance, travel allowance and reimbursement of relocation. The remuneration of the Chair and other non-executive members of the board is determined by the Secretary of State. The remuneration of executive board members is determined by the Remuneration Committee.

2.4 Better Payment Practice Code – measure of compliance

	Number	£000
Total bills paid 2003-04	7,473	8,799
Total bills paid within target	6,370	7,392
Percentage of bills paid within target	85.2%	84.0%
Total bills paid 2002-03	5,725	7,805
Total bills paid within target	4,831	6,107
Percentage of bills paid within target	84.4%	78.2%
The Late Payment of Commercial Debts (Interest) Act 1998		
Interest paid under the legislation	£0	
Compensation payments made	£0	

3 Performance against resource limits

3.1 Reconciliation of net operating cost to net resource outturn and revenue resource limit

	£000	2002-03 £000
Net operating cost	11,828	11,024
Prior period adjustment	0	0
Net resource outturn	11,828	11,024
Revenue resource limit*	11,893	10,988
(Over)/underspend against limit	65	(36)

3.2 Reconciliation of gross capital expenditure to capital resource limit

	£000	£000
Gross capital expenditure	416	135
NBV of assets disposed	2	2
Capital grants	0	0
Net capital resource outturn	414	133
Capital resource limit	415	135
(Over)/underspend against limit	1	2

*The revenue resource limit comprises Parliamentary funding of £11,688k as notified by the Department of Health plus non-cash items totalling £205k.

4 Operating income

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

	£000	2002-03 £000
Programme income:		
Fees & charges to external customers	156	656
Income received from Scottish Parliament	0	0
Income received from National Assembly for Wales	0	0
Income received from Northern Ireland Assembly	0	0
Income received from Department of Health	712	143
Income received from government departments	608	33
Other	1	3
Total	<u>1,477</u>	<u>835</u>

5 Fixed assets

5.1 Intangible fixed assets

	Software licences £000
Gross cost at 31 March 2003	119
Indexation	0
Impairments	0
Other revaluations	0
Additions – purchased	113
Additions – donated	0
Reclassification	0
Disposals	(20)
Gross cost at 31 March 2004	212
Accumulated amortisation at 31 March 2003	36
Indexation	0
Impairments	0
Other revaluations	0
Provided during the year	43
Reclassification	0
Disposals	(20)
Accumulated amortisation at 31 March 2004	59
Net book value:	
Purchased at 31 March 2003	83
Donated at 31 March 2003	0
Total at 31 March 2003	83
Net book value:	
Purchased at 31 March 2004	153
Donated at 31 March 2004	0
Total at 31 March 2004	153

5.2 Tangible fixed assets

	Buildings	Plant and machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation at 31 March 2003	305	46	348	165	864
Indexation	30	1	0	1	32
Impairments					
Other in year revaluations					
Additions – purchased	27	54	222	0	303
Additions – donated					
Reclassification					
Disposals			(20)		(20)
Gross cost at 31 March 2004	<u>362</u>	<u>101</u>	<u>550</u>	<u>166</u>	<u>1179</u>
Accumulated depreciation at 31 March 2003	0	18	198	145	361
Indexation		3	0	1	4
Impairments					
Other in year revaluation					
Provided during the year	43	16	112	7	178
Additions – purchased					
Additions – donated					
Reclassification					
Disposals			(17)		(17)
Accumulated depreciation at 31 March 2004	<u>43</u>	<u>37</u>	<u>293</u>	<u>153</u>	<u>526</u>
Net book value:					
Purchased at 31 March 2003	305	28	150	20	503
Donated at 31 March 2003	0	0	0	0	0
Total at 31 March 2003	<u>305</u>	<u>28</u>	<u>150</u>	<u>20</u>	<u>503</u>
Net book value:					
Purchased at 31 March 2004	<u>319</u>	<u>64</u>	<u>257</u>	<u>13</u>	<u>653</u>
Donated at 31 March 2004	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total at 31 March 2004	<u>319</u>	<u>64</u>	<u>257</u>	<u>13</u>	<u>653</u>

There were no assets held under finance leases or hire purchase contracts at the balance sheet date.

5.3 Profit and loss on disposal

	£000
(Loss) on disposal of plant and equipment	(2)
	(2)

6 Debtors

	£000	2002-03 £000
6.1 Amounts falling due within one year		
NHS debtors	290	27
Provision for irrecoverable debts	(3)	(3)
Prepayments	617	287
Other debtors	389	315
	1,293	626
6.2 Amounts falling due after more than one year	0	0
Total debtors	1,293	626

7 Analysis of changes in cash

	At 31 March 2003 £000	Change during the year £000	At 31 March 2004 £000
Cash at OPG	1,124	(232)	892
Cash at commercial banks and in hand	(1,015)	123	(892)
	109	(109)	0

8 Creditors

8.1 Creditors: amounts falling due within one year

	£000	2002-03 £000
Overdrafts	0	0
NHS creditors	78	52
Capital creditors	0	0
Tax and social security	0	126
Other creditors	629	551
Accruals	580	399
Deferred income	0	0
	<u>1,287</u>	<u>1,128</u>

8.2 Amounts falling due after more than one year

£000	£000
<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>

9 Provisions for liabilities and charges

	Pensions for former staff £000	Other £000	Total £000
At 31 March 2003	350	64	414
Arising during the year	0	542	542
Utilised during the year	(11)	0	(11)
Reversed unused	0	(64)	(64)
At 31 March 2004	<u>339</u>	<u>542</u>	<u>881</u>

Expected timing of cash flows:

Within 1 year	15	542	557
1-5 years	45	0	45
Over 5 years	278	0	278

The HDA has provided for a liability at 31 March 2004 in respect of a claim for compensation by the 2002-03 outgoing Chief Executive. A provision of £173k has been made which includes both parties' legal costs. There is a further provision at 31 March 2004 in respect of redundancy costs due to restructuring. A provision of £369k has been made.

10 Movements in working capital other than cash

	2002-03
	£000
(Increase)/decrease in stocks	0
(Increase)/decrease in debtors	(667)
Increase/(decrease) in creditors	159
	<u>(508)</u>
	<u>(24)</u>

11 Reserves

11.1 The movement on the general fund in the year comprised:

	£000
Balance at 31 March 2003	(267)
Prior period adjustment	0
Net operating costs for the year	(11,828)
Net Parliamentary funding	11,992
Transfer of realised profits/losses from revaluation reserve	0
Non-cash items:	0
Capital charge interest	(40)
Balance at 31 March 2004	<u>(143)</u>

11.2 The movement on the revaluation reserve in the year comprised:

	£000
Balance at 31 March 2003	46
Impairments	0
Indexation of fixed assets	28
Revaluation of fixed assets	0
Transfer to general fund: realised revaluation	0
Balance at 31 March 2004	<u>74</u>

12 Reconciliation of operating cost to operating cash flows

	Notes	£000	2002-03 £000
Net operating cost before interest for the year		(11,827)	(11,024)
Adjust for non-cash transactions	2	183	110
Adjust for movements in working capital other than cash	10	(508)	(24)
Increase/(decrease) in provisions	9	467	47
Net cash outflow from operating activities		(11,685)	(10,891)

13 Contingent liabilities

The agency has no known contingent liabilities at 31 March 2004.

14 Commitments under operating leases

Expenses of the agency include the following in respect of hire and operating lease rentals:

	£000	2002-03 £000
Hire of plant and machinery	18	20
Other operating leases	10	21
	28	41

Commitments under non-cancellable operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires:

	£000	£000
Land and buildings		
Operating leases which expire: within 1 year	34	0
between 1 and 5 years	11	0
after 5 years	523	523
	568	523
Other leases		
within 1 year	4	6
between 1 and 5 years	14	20
after 5 years	0	0
	18	26

15 Related parties

The Health Development Agency is a special health authority established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year the Health Development Agency has had a significant number of material transactions with the Department.

During the year none of the HDA's directors or members of its key management, staff or parties related to them, has undertaken any material transactions with the HDA. There were no company directorships held by directors where such companies were likely to do business with the NHS.

16 Post balance sheet events

There are no post balance sheet events to report.

17 Financial instruments

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

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

Liquidity risk

The agency's net operating costs are financed from resources voted annually by Parliament. The agency largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Health Development Agency is not, therefore, exposed to significant liquidity risks.

Interest rate risk

100% of the agency's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The Health Development Agency is not, therefore, exposed to significant interest rate risk. The following two tables show the interest rate profiles of the agency's financial assets and liabilities:

Financial assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing
	£000	£000	£000	£000
At 31 March 2004				
Sterling	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross financial assets	0	0	0	0
At 31 March 2003				
Sterling	<u>108</u>	<u>0</u>	<u>0</u>	<u>108</u>
Other	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Gross financial assets	109	0	0	109

Financial liabilities

Currency	Total £000	Floating £000	Fixed £000	Non-interest £000
Sterling	339	0	339	0
	0	0	0	0
Gross financial assets	<u>339</u>	<u>0</u>	<u>339</u>	<u>0</u>
At 31 March 2003				
Sterling	350	0	350	0
Other	0	0	0	0
Gross financial assets	<u>350</u>	<u>0</u>	<u>350</u>	<u>0</u>

Note: (a) The Health Development Agency's non-interest bearing financial liabilities comprise provisions for early retirement.

Foreign currency risk

The agency has negligible foreign currency income or expenditure.

Fair values

A comparison, by category, of book values and fair values of the agency's financial assets and liabilities as at 31 March 2004 is as follows:

	Book value	Fair value	Basis of fair valuation
	£000	£000	
Financial assets:			
Cash	0	0	Cash basis
Debtors over 1 year	0	0	
Investments	0	0	
Total	0	0	
Financial liabilities:			
Overdraft	0	0	
Creditors over 1 year:			
Early retirements	339	339	Note a
Finance leases	0	0	Note b
Provisions under contract	0	0	Note c
Loans	0	0	
Total	339	339	

Notes:

a) Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.

b) To obtain fair value, cash flows have been discounted at prevailing market rates for finance leases for a similar term.

c) Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in 'real terms'.

Printed in the UK by the Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
171264 07/04

Health Development Agency
Holborn Gate
330 High Holborn
London
WC1V 7BA
Tel +44(0)20 7430 0850
Fax +44(0)20 7061 3390
Email communications@hda-online.org.uk
Website www.hda.nhs.uk

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary

Hotline Lo-call 0845 7 023474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

- 123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
- 68-69 Bull Street, Birmingham B4 6AD
0121 236 9696 Fax 0121 236 9699
- 9-21 Princess Street, Manchester M60 8AS
0161 834 7201 Fax 0161 833 0634
- 16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
- 18-19 High Street, Cardiff CF10 1PT
029 2039 5548 Fax 029 2038 4347
- 71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,
London SW1A 2JX

Telephone orders/General enquiries

020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

