

Commission for Health Improvement Account, 2001-02 : account, ... for the year ended 31 March 2002, together with the report of the Comptroller and Auditor General thereon.

Contributors

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HEALTH ACT 1999

Account, of the Commission for Health Improvement, Schedule 2, Section 19, paragraph 11(4) of the Health Act 1999, for the year ended 31 March 2002, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons paper No. 183 of 2001-2002.)

Presented pursuant to Act 1999, c.8, s.20, para 11(4)

Commission for Health Improvement Account 2001-2002

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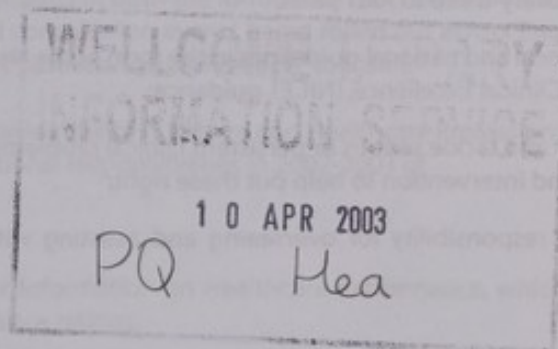
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Foreword to the Annual Accounts for the year ended 31 March 2002

Background Information

The Commission for Health Improvement was established on 1 November 1999 under Statutory Instrument 1999 Number 2801. The statutory functions conferred on the Commission are set out in Section 20 of the Health Act 1999 and the Commission for Health Improvement (Functions) Regulations 1999-2000. The Commission is a Non-Departmental Public Body sponsored by the Department of Health.

CHI's functions are to

- provide national leadership to develop and disseminate clinical governance issues;
- independently scrutinise local clinical governance arrangements to support, promote and deliver high quality services. The Commission will conduct a rolling programme of reviews of clinical governance arrangements, visiting each NHS Trust, Primary Care Trust, and Health Authority in England and Wales approximately once every three to four years;
- review and monitor local and national guidelines in the form of the National Service Frameworks, (NSFs), and National Institute of Clinical Excellence, (NICE), guidance;
- help the NHS identify and tackle serious or persistent clinical problems. The Commission has the capacity for rapid investigation and intervention to help put these right;
- increasingly take on responsibility for overseeing and assisting with external NHS incident inquiries in England and Wales.

Form of accounts

The accounts have been prepared in accordance with paragraph 11(2) of Schedule 2 to the Health Act 1999 and are drawn up in a form determined by the Secretary of State. A copy of the accounts direction issued by the Secretary of State is attached as Appendix A.

Financial results

The financial accounts cover the period 1 April 2001 to 31 March 2002, and are the Commission's third annual set of accounts.

The Commission's financial performance for the period is identified within the Income and Expenditure Account. The Commission received total Grant in Aid of £25,656,000 and spent £22,586,000 on operational activities. The retained surplus for the year was £1,882,000.

Fixed assets

A number of fixed assets have been purchased during the period due to the continuing development of the Commission, and in connection with the refurbishment of Finsbury Tower. These assets include refurbishment costs, office furniture, office equipment, information technology infrastructure and software. In total, the Commission incurred expenditure of £1,730,000 on fixed assets during the year.

Review of activities and future development

The twelve months to 31 March 2002 was a period of continued development and momentum for the Commission. A target of one hundred and two published clinical governance reviews was agreed with the Department of Health, and was met. This compares with 4 reports published during 2000-2001, the Commission's first year of operation, and a target of 140 reports to be published during 2002-2003. A substantial redesign of the review process itself was also undertaken during the year, and the revised methodology implemented for

2002-2003. Since its inception, CHI has now visited over 70% of NHS acute trusts with the inspection of Primary Care Trusts (PCTs) becoming its principal activity over the next two years. By the end of March 2002, eight pilot reviews of PCTs were already in progress. In addition, the Commission also initiated the first combined review of an ambulance trust and the NHS Direct service it hosts.

During the year, three investigations were reported with a further two initiated, as well as involvement in eight multi-partner studies looking at local authority safeguards for children. It is planned that the Commission will undertake approximately 10 investigations during 2002-2003. Investigations are undertaken as requested by the Secretary of State for Health in England, or the Welsh Assembly Government. An investigation may also be initiated following a request from a member of the community, or as a result of significant problems uncovered during a CHI clinical governance review.

This year, in conjunction with the Audit Commission, CHI carried out the first of a series of national studies measuring the implementation of all National Service Frameworks (NSFs) across the NHS. The work resulted in the publication in December of a comprehensive report into NHS Cancer care in England and Wales. During 2002-2003 CHI will be commencing major work on the national studies of the NHS progress against the National Service Frameworks for Coronary Heart Disease and Older People. In addition, preliminary work on the national study of NHS progress against the Mental Health NSF will also begin.

2001-2002 also saw significant developments in both the formulation and expansion of CHI's patient and public strategy, with a programme of national consultation events being rolled out across England and Wales, in order to understand and develop the types of partnerships CHI is eager to foster.

The Department of Health is currently taking the NHS Reform and Healthcare Professions Bill through Parliament, and, if successful will give CHI the additional responsibilities in 2002-2003 of

- Inspections of NHS Organisations.
- The establishment of an Office for Information on Healthcare Performance, which will include publishing annual comparative NHS performance ratings.
- Leading on commissioning of national clinical audits.
- Taking over the management of annual staff and patient surveys.
- Publishing an annual report on the state of the NHS to Parliament and the Welsh Assembly Government.

The government has also recently announced in Delivering the NHS Plan that it intends to establish a new health inspectorate with responsibility for inspecting both the public and private health care sectors. This new body will bring together the work of CHI, the private health care role of the National Care Standards Commission, and the health value for money work of the Audit Commission. These changes will create a new commission, the Commission for Healthcare Audit and Inspection (CHAI), which, if approved, is expected to come into being in 2004.

Charitable payments

No charitable donations were made during the year.

Equal opportunities

The Commission is an equal opportunities employer with a policy of providing equality of opportunity for all staff members and job applicants. The Commission does not discriminate against any individual on the grounds of race, colour, ethnic or national origin, gender, marital status, responsibility for children or other dependents, disability, sexual orientation, religious or political beliefs. The Commission's work on diversity is subject to ongoing development.

During 2002-2003 the Commission will be publishing a Race Equality Scheme which consists of a strategy and action plan designed to be implemented over the next three years. The scheme was developed by a working group on meeting the statutory requirements of the Race Relations (Amendment) Act 2000, and the ethnic diversity working group. A consultation exercise will also be carried out next year involving both the Commission's staff and its stakeholders, the results of which will be used to make any amendments to the scheme.

Staff consultation

The Commission currently communicates with all staff across its functions. More formal and effective consultation and involvement mechanisms will be implemented during the summer of 2002. The Commission complies with requirements set out in health and safety legislation, has access to an occupational health service, and provides a health and employee assistance programme for its staff.

Payment of creditors

The Commission's policy is to pay creditors in accordance with contractual conditions, or where no contractual conditions exist within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. This complies with the Better Payment Practice Code.

In 2001-2002 the Commission for Health Improvement paid 78.3% of invoices based on volume within 30 days, and 78.8% of invoices based on value within 30 days. These calculations are based on the date of the invoice, and will therefore marginally understate the Commissions performance.

Commission members

			Date appointed
Dame Deirdre Hine (Chairman)	#	+	1 November 1999
Ms. Janet Beyleveld		+	1 November 1999 (left 31 October 2001)
Prof. Ian Cameron	#		1 December 1999
Dr. Sam Everington	#		1 December 1999
Prof. Sir Martin Harris		+	1 November 1999
Mr. Anthony Hewson			1 November 1999
Ms. Ann James	*		1 November 1999
Prof. David Kerr		+	1 December 1999 (left 31 October 2001)
Prof. Julian LeGrand	#		1 December 1999
Ms. Melinda Letts			1 December 1999
Mr. Stephen Moss	*	+	1 December 1999
Mr. Nick Partridge	*		1 November 1999
Mr. Museji Takolia	*		1 November 1999
Prof. Charles Vincent		+	1 December 1999
Mr. Bruce Keogh		+	1 February 2002
Prof. Jennie Popay		+	1 February 2002

* Denotes member of the Audit Committee

+ Denotes member of the Remuneration Committee

Denotes member of the Finance Committee

Implementation of the Euro

The Commission has identified the potential impact of the United Kingdom changing currency to the Euro. The relevant key systems have been identified and an action plan drawn up.

Register of Interests

The Commission maintains a Register of Interests for Commission Members and Directors. Where any committee decisions are taken which could give rise to a possible conflict of interests, the chair of the meeting ensures at the outset that disclosure is made and the Committee Member withdraws for the duration of any discussion of the relevant item.

Statement of the Commission's and Chief Executive's responsibilities for the year ended 31 March 2002

Under the 1999 Health Act the Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State. The accounts are prepared on an accruals basis and must give a true and fair view of the Commission's state of affairs at the year end and of its income and expenditure and cash flows during the financial period.

In preparing the accounts, the Commission is required to

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for the Department of Health has designated the Chief Executive as the Accounting Officer for the Commission. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting.

Dr Peter Homa
Chief Executive

11 July 2002

Statement on Internal Control

As Accounting Officer, I have a responsibility for maintaining, and reviewing the effectiveness of, a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, agreed with the Department of Health and the Welsh Assembly Government, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Commission's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Appropriate procedures have been put in place from March 2002 to ensure the implementation of Treasury guidance, and management will monitor compliance with these procedures during 2002-2003. This takes account of the time needed to fully embed the processes which the Commission has agreed should be established and improve their robustness.

We have held risk management workshops, attended by representatives of each of the departments within the Commission, during which we identified the objectives and risks and determined a control strategy and action plan for each of the significant risks.

During 2001-2002 we also developed a risk register based on the Commission's activities. This was compiled by the Risk Management Working Group, following presentation and advice from our Internal Auditors. A paper drawing together all this work, listing the main risks, and outlining a strategy for risk management was then placed in the public domain.

The Commission receives periodic reports from the chairman of the audit committee concerning internal control and we require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.

Action was taken in year to address weaknesses in the control environment for the payroll system to ensure that the improved control systems are embedded into the payroll processes of the Commission. These weaknesses had been identified through Internal Audit reports and subsequent actions taken to rectify them will be reviewed by Internal Audit in 2002-2003.

The Directors of the Commission, via the Business Group, will be required to consider risk management and internal control on a regular basis during the year, with a full risk and control assessment before reporting on the year ending 31 March 2003. Consequently, risk management has been incorporated more fully into the corporate planning and decision-making processes of the Commission.

In addition to the actions mentioned above, in the coming year the Commission plans to

- Arrange a programme of facilitated staff workshops to identify and keep up to date the record of risks facing the organisation;
- Continue to develop and maintain an organisation-wide risk register;
- Establish a system of key performance and risk indicators;
- Introduce a programme of risk awareness training

The Commission has an internal audit service, provided by South Coast Audit, which operates to standards defined in the Government Internal Audit Manual. They submit regular reports which include their independent opinion on the adequacy and effectiveness of the Commission's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal audit service, the Audit Committee, which oversees the work of the internal auditors, the executive managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

In addition, further evidence is provided by the monthly performance reviews of the Commission's achievement of the annual objectives as identified in its Business Plan, and agreed with the Department of Health and the Welsh Assembly Government. The Commission receive regular reports from the Chief Executive, on the achievement of these objectives, compiled with information obtained through the regular staff performance appraisals and from the Directors Group meetings.

The systems of internal control will be continuously reviewed whilst the Commission continues to develop in order that they are robust and are relevant to the changing needs of the organisation.

Dr Peter Homa
Chief Executive

11 July 2002

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

I certify that I have audited the financial statements on pages 10 to 21 under paragraph 11(4) of schedule 2 of the Health Act 1999. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 to 14.

Respective responsibilities of the Commission, the Chief Executive and Auditor

As described on page 5, the Commission and Chief Executive are responsible for the preparation of the financial statements in accordance with the Health Act 1999 and Secretary of State for Health directions made thereunder and for ensuring the regularity of financial transactions. The Commission and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Health Act 1999 and the Secretary of State for Health directions 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 Commission 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 6 and 7 reflects the Commission's compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

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 Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission for Health Improvement'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 Commission for Health Improvement at 31 March 2002 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with paragraph 11(2) of schedule 2 of the Health Act 1999 and directions made thereunder by the Secretary of State for Health; and

- 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

23 July 2002

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

Statement of Total Recognised Gains and Losses for the year ended 31 March 2002

	2002	2001
£000	£000	£000
Total recognised gains and losses for the financial year	1,822	(1,822)
Retained surplus (deficit) on first year valuation	22	22
Retained surplus (deficit) on first year valuation	22	22
Total recognised gains and losses for the financial year	1,844	(1,844)

Income and Expenditure Account for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Income			
Grant in Aid	2	23,498	8,992
Sundry income	3	3	0
Transfers from Deferred government grant account	10	941	668
		24,442	9,660
Expenditure			
Staff costs	4	11,492	4,791
Other operating costs	5	10,327	5,880
Depreciation	6	767	601
		22,586	11,272
Operating surplus/(deficit) for the year		1,856	(1,612)
Notional capital charges	1e	(129)	(57)
Surplus/(deficit) on ordinary activities		1,727	(1,669)
Write back of capital charges		129	57
Transfer from reserves		26	30
Retained surplus/(deficit) for the financial year		1,882	(1,582)
Retained surplus/(deficit) brought forward		(1,479)	103
Retained surplus/(deficit) carried forward for the financial year		403	(1,479)

All operations are continuing

Statement of Total Recognised Gains and Losses for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Retained surplus/(deficit) for the financial year		1,882	(1,582)
Unrealised surplus/(deficit) on fixed asset indexation	6 (a), 10	55	6
Receipt of donated assets	6 (a)	0	97
Total recognised gains and losses for the financial year		1,937	(1,479)

The Notes on pages 13 to 21 form part of these accounts.

Balance Sheet as at 31 March 2002

	Notes	31 March 2002		31 March 2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		4,062		3,367
Intangible assets	6		215		71
Donated assets	6		45		71
Current assets					
Debtors: Amounts falling due within one year	7	1,064		102	
Cash at bank and in hand		809	1,873	50	152
Current liabilities					
Creditors: Amounts falling due within one year	8	(1,391)	(1,391)	(1,721)	(1,721)
Net current assets/(liabilities)			482		(1,569)
Total assets less current liabilities			4,804		1,940
Creditors: Amounts falling due after more than one year	8		(613)		(875)
Total net assets			4,191		1,065
Financed by					
Income and Expenditure Account		403		(1,479)	
Donated asset reserve	6b	45		71	
Deferred government grant	10	3,743	4,191	2,473	1,065
			4,191		1,065

The Notes on pages 13 to 21 form part of these accounts.

Dr Peter Homa
Chief Executive

11 July 2002

Cash Flow Statement for the year ended 31 March 2002

	Note	2002 £000	2001 £000
Operating activities			
Net cash inflow from operating activities	13	999	1
Capital expenditure and financial investments			
Payments to acquire fixed assets		(2,398)	(2,404)
Net cash outflow before financing		(1,399)	(2,403)
Financing			
Department of Health capital funding		2,158	2,410
Increase in cash		759	7

The Notes on pages 13 to 21 form part of these accounts.

Notes to the Financial Statements

1 Accounting policies

a Accounting convention

The Financial Accounts cover the period 1 April 2001 to 31 March 2002, and are the Commission's third set of accounts.

The financial statements have been prepared under the modified historic cost convention, in accordance with the Commission for Health Improvement's Financial Memorandum and Accounts Determination issued by the Secretary of State (attached as Appendix A).

b Fixed assets

Fixed assets have been capitalised in the Balance Sheet at their modified historic cost less depreciation. Assets have been re-valued in 2001-2002 using the Office of National Statistics (ONS) current price index.

Fixed assets other than computer software are capitalised as a tangible asset as follows

- Equipment with an individual value of £5,000 or more,
- Grouped assets which are interdependent with a total value of £5,000 or more, and a minimum expected life as set out in paragraph c(i) below,
- Building and refurbishment costs valued at £10,000 or more.

Purchased computer software is capitalised as an intangible asset where expenditure of £5,000 or more is incurred.

Project Management costs have not been capitalised.

c i Depreciation

Depreciation has been provided on all fixed assets held at year-end on a straight-line basis, at rates calculated to write off the cost, less any residual value, over their estimated useful lives as follows

Office Refurbishment	15 years
Office Furniture	10 years
Office Equipment	5 years
Computer Equipment	4 years
Computer Software	4 years

A full year's depreciation is charged in the year of acquisition.

ii Indexation

Indexation is applied from the asset's capitalisation date. It has been applied quarterly to buildings and monthly for other assets. Indices are taken from the ONS publication 'Price index numbers for current cost accounting'.

d Pension costs

The Commission participates in the NHS pension scheme which is an unfunded multi-employer defined benefit scheme, but the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out in 2000, details of which can be found on the appropriate statement for the NHS Pension scheme.

This is a statutory, defined benefit scheme, the provisions of which are contained in the NHS Pension Scheme Regulations (SI 1995 No. 300). Under these regulations the Commission is required to pay an employer's contribution, currently 7% of pensionable pay, as specified by the Secretary of State for Health. For 2001-2002,

employers' contributions of £396,000 were payable to the NHS Pension Scheme (£81,000 for 2000-2001). These contributions are charged to operating expenses as and when they become due.

Employees pay 6% of pensionable pay. Employer and employee contributions are used to defray the cost of providing the scheme benefits. These are guaranteed by the Exchequer, with the liability to pay benefits falling to the Secretary of State, not to the Commission. Index linking costs under the Pensions (Increase) Act 1971 is met directly by the Exchequer.

The scheme is notionally funded. Scheme accounts are prepared annually by the Department of Health and are examined by the Comptroller and Auditor General. The Government Actuary values the scheme every five years and his quinquennial reports are published.

The scheme has a money purchase Additional Voluntary Contribution (AVC) arrangement linked to the Equitable Life Assurance Society. Under the arrangement the Commission can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Amounts paid for seconded staff from the NHS and Government departments include contributions payable to the NHS and Civil Service Pension Schemes.

e Notional costs

A notional cost of capital has been calculated in accordance with HM Treasury requirements at a rate of 6% on the average value of capital employed during the year.

f Value added tax

The Commission for Health Improvement is not registered for Value Added Tax. All expenditure reported in these statements therefore includes VAT where this was charged.

g Income

The gross income is made up of Grant-in-Aid received from the Department of Health and the Welsh Assembly Government to fund both the operating costs and capital costs of the Commission.

Grant-in-Aid relating to the purchase of capital assets is shown in the Balance Sheet as Deferred Government Grant. A proportion is transferred annually to the Income and Expenditure statement to offset depreciation charged on those assets.

h Leases

Rentals Payable under operating leases are charged to the income and expenditure account on a straight line basis.

2 Government grant

	Year to 31 March 2002 £000	Year to 31 March 2001 £000
Department of Health Resource Account	24,166	10,764
Welsh assembly	1,490	638
Total Grant-in-Aid	25,656	11,402
Capital Grant-in-Aid (transfer to Deferred government grant)	(2,158)	(2,410)
Gross income reported in Income and Expenditure Account	23,498	8,992

3 Sundry income

	Year to 31 March 2002 £000	Year to 31 March 2001 £000
Cancer conference jointly held with Audit Commission	2	0
Other - speakers fees etc	1	0
Total	3	0

4 Employee information

a Staff costs

	Year to 31 March 2002 £000	Year to 31 March 2001 £000
Staff costs include		
Salaries and wages - CHI	6,640	2,038
Seconded staff costs	2,003	1,128
Employers National Insurance*	601	184
Employers superannuation	396	81
Agency staff	804	342
External consultants	298	894
Lay reviewers and other staff	750	124
Total	11,492	4,791

* The employers national insurance and superannuation costs relate to directly employed staff only and any lay reviewers included on the Commission's payroll since December 2001. Figures are not available for seconded staff paid through their 'parent' employer's payroll.

b The chief executive's remuneration

The Chief Executive's salary for the year ended 31 March 2002 was £125,473 (£113,500 for the year ended 31 March 2001).

The Chief Executive is a member of the NHS Pension Scheme, and the Commission's contribution to the scheme was £9,256 for the year ended 31 March 2002, (£5,675 for the year ended 31 March 2001).

Chief executive's remuneration

	Age at 31 March 2002	Remuneration for year ended 31 March 2002 £	Real increase in pension at 60 £	Total accrued pension at 31 March 2002 £
Dr Peter Homa <i>Chief Executive</i>	45	135,458	4,493	32,215

The difference between the total remuneration and salary for the Chief Executive for the year ended 31 March 2002 is due to bonus payment (£2,509), Lease Car contribution (£3,500) and subsistence and travel expenses (£3,976)

c Chairman's remuneration

The Chairman Dame Deirdre Hine's salary for the year ended 31 March 2002 was £29,000, (£28,784 for the year ended 31 March 2001). The Chairman's Remuneration is not superannuable.

d Commissioners' remuneration

	Year to 31 March 2002 £	Year to 31 March 2001 £
Ms Janet Beyleveld***	3,109	5,140
Prof Ian Cameron	5,179	5,140
Dr Sam Everington**	5,179	5,140
Prof Sir Martin Harris*	5,179	5,140
Mr Anthony Hewson	5,179	5,140
Ms Ann James	5,179	5,140
Prof David Kerr***	3,109	5,140
Prof Julian LeGrand	5,179	5,140
Ms Melinda Letts	5,179	5,140
Mr Stephen Moss	5,179	5,140
Mr Nick Partridge	5,179	5,140
Mr Museji Takolia	5,179	5,140
Dr Charles Vincent	5,179	5,140
Mr Bruce Keogh****	857	0
Prof Jennie Popay****	857	0

* Remuneration for Prof Sir Martin Harris was paid direct to the University of Manchester.

** Remuneration for Dr Sam Everington was paid directly to XX Place (Dr Everington's employer).

*** Ms Janet Beyleveld and Prof David Kerr resigned from office on 31 October 2001.

**** Mr Bruce Keogh and Prof Jennie Popay were appointed on 1 February 2002.

Commissioners' Remuneration is not superannuable.

e Other directors

Treasury guidance (DAO3/00) requires the Commission to provide information on the salary and pension rights of named individuals who are 'the most senior managers' of the Commission.

The salary and pension rights for the following Directors of the Commission were

	Age at 31 March 2002	Remuneration for year ended 31 March 2002 £	Real increase in pension at 60* £	Total accrued pension at 31 March 2002 £
Dr Jocelyn Cornwell <i>Director Policy and Development</i>	48	100,717	1,193	18,632
Elizabeth Fradd <i>Director of Nursing</i>	52	93,788	1,063	35,968
Matt Tee <i>Director of Communications</i>	38	75,893	930	6,049
Steve Graham <i>Director of Operations</i>	56	84,833	0	0
Harry Hayer <i>Director of Human Resources</i>	36	85,576	1,406	11,381
Gwyn Bevan <i>Director Research and Information</i>	55	79,330	972	29,549
Dr Linda Patterson** <i>Medical Director</i>	50	115,468	1,621	44,025
Mervyn Fermer*** <i>Joint Director of Finance and Information Technology</i>	51	49,958	570	31,170
Steve Hopkins*** <i>Joint Director of Finance and Information Technology</i>	52	54,274	596	23,059

- * The real increase in pension at age 60 reflects the increase in pension earned in the year.
 ** Dr Linda Patterson is seconded to CHI for four days a week from Burnley Healthcare NHS Trust.
 *** Mervyn Fermer and Steve Hopkins are both employed on a job share basis.

Remuneration includes gross salary and any other allowance to the extent that it is subject to UK taxation.

f Pension benefits

Pension benefits are provided through the NHS Scheme. This is a statutory scheme, which provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension on death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

g Average number of employees during year

The average number of whole time equivalent employees, including secondees for the year ended 31 March 2002, by category of employment was as shown below

	Year to 31 March 2002 W.T.E.	Year to 31 March 2001 W.T.E.
Managerial	8.72	5.42
Support staff	233.33	68.21
Total	242.05	73.63

5 Other operating costs

	Year to 31 March 2002 £000	Year to 31 March 2001 £000
Other operating costs include		
Operating leases	1,313	875
Other premises costs	1,076	1,379
Consultancy	3,110	969
Recruitment and staff search	507	672
Travel and subsistence	1,612	477
Training and development costs	607	386
Commission promotional	554	343
Office supplies	593	315
External Audit fees**	45	33
Impairment of fixed assets	201	94
Loss on disposal of fixed asset	2	0
Other costs	707	337
Total other operating costs	10,327	5,880

- ** The Audit Fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work. No such work was undertaken.

6 Fixed assets

a Analysis of fixed asset values

	Office refurb. £000	Office furniture £000	Office equipment £000	Computer equipment £000	Computer software £000	Donated assets £000	Total £000
Cost or valuation							
Balance at 1 April 2001	2,482	502	284	835	117	98	4,318
Additions during the year	573	81	159	665	252	0	1,730
Disposals during the year				(2)			(2)
Indexation applied	52	3	(32)	(226)	(40)	0	(243)
Assets under construction							0
Balance at 31 March 2002	3,107	586	411	1,272	329	98	5,803
Depreciation							
Balance at 1 April 2001	283	62	66	325	46	27	809
Depreciation charged to I&E during the year	196	58	86	322	79	26	767
Disposals during the year				0			0
Indexation applied	0	0	(5)	(79)	(11)	0	(95)
Balance at 31 March 2002	479	120	147	568	114	53	1,481
NBV							
NBV at 31 March 2001	2,199	440	218	510	71	71	3,509
NBV at 31 March 2002	2,628	466	264	704	215	45	4,322

b Donated assets reserve

This represents the net current value of assets donated to the Commission. During 2000-2001 the Bristol Royal Infirmary donated assets to the Commission.

	As at 31 March 2002 £000
Donation reserve opening balance	71
Assets donated	0
Transfer to I&E in respect of donated assets depreciation	(26)
Indexation applied	0
Total donated Assets Reserve	45

7 Debtors

	As at 31 March 2002 £000	As at 31 March 2001 £000
Amounts falling due within one year		
Prepayments	941	42
Staff loans*	67	47
Other debtors	56	13
Total debtors	1064	102

* Loans to staff are for season tickets, bicycle purchase and gym membership. No member of staff received loans in excess of £5,000.

8 Creditors

	As at 31 March 2002 £000	As at 31 March 2001 £000
Amounts falling due within one year		
Creditors	25	597
Taxation and Social Security accruals	7	12
Other accruals	1,359	1,112
Total creditors	1,391	1,721
Amounts falling due after more than one year		
Operating lease	613	875
Total creditors	613	875

9 Operating lease commitments

Operating lease payments payable within one year of the Balance Sheet date in respect of leases expiring

	As at 31 March 2002 £000
Land and buildings	
Less than one year	0
Between one and five years	0
Over five years	1575
Total operating leases	1575

10 Deferred government grant

	Year to 31 March 2002 £000	Year to 31 March 2001 £000
Balance at start of period	2,473	726
(Capital grant) transfer to Deferred government grant	2,158	2,410
Indexation of fixed assets (office furniture and Refurbishment)	55	5
Downward valuation of office equipment and IT charged to the income and expenditure account**	(202)	(94)
Depreciation charged to the income and expenditure account**	(741)	(574)
Balance at end of period	3,743	2,473

** There is a difference of £2,000 on the transfer from Deferred government grant as to what is reported in the Income and Expenditure Account due to roundings.

11 Capital commitments

The Commission has no outstanding capital commitments as at the Balance Sheet date.

12 Contingent liabilities

The Commission for Health Improvement had no contingent liabilities at the Balance Sheet date.

13 Reconciliation of operating surplus to net cash inflow from operating activities

	Year to 31 March 2002 £000	Year to 31 March 2001 £000
Operating (deficit)/surplus	1,882	(1,582)
Depreciation	767	601
Indexation	202	94
Decrease/(increase) in debtors	(958)	40
Increase/(decrease) in creditors	73	1546
Transfer from other reserves	(26)	(30)
Transfer from Deferred government grant	(941)	(668)
Net cash inflow from operating activities	999	1

14 Analysis of changes in cash during the year

	1 April 2001 £000	Cashflows £000	31 March 2002 £000
Cash at bank and in hand	50	759	809
Total	50	759	809

15 Related party transactions

The Commission for Health Improvement is a Non Departmental Public Body sponsored by the Department of Health.

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

In addition, the Commission has had various material transactions with the Welsh Assembly Government, NHS Health Authorities and Trusts and central government bodies.

The Commission maintains a Register of Interests for the Chairman, Commissioners and Directors. Where any committee decisions are taken which could give rise to a possible conflict of interests, the chair of the meeting ensures at the outset that disclosure is made and the Committee Member withdraws for the duration of any discussion of the relevant item.

The following transactions are considered to be disclosable related party transactions

Amount	Organisation	Commission member	Relationship
£723,000	Newchurch Ltd	Ms A James	Non Executive Director resigned 13 June 2001

The Commission purchased analytical services from Newchurch Clinical Services following a competitive tendering exercise. Newchurch Clinical Services is a wholly owned subsidiary of Newchurch Ltd.

Amount	Organisation	Commission member	Relationship
£18,177	Kings Fund	Ms A James	Fellow

The Commission purchased various reports from Kings Fund as well as using it as a venue for meetings.

Amount	Organisation	Commission member	Relationship
£24,055	University of Manchester	Pro Sir Martin Harris	Vice Chancellor

The Commission purchased various reports from the University of Manchester as well as using it as a venue for meetings.

Amount	Organisation	Commission member	Relationship
£10,517	Trust Nurses Association	Mr Stephen Moss	Chairman

The Commission purchased services and materials for national conferences from the Trust Nurses Association.

Amount	Organisation	Director	Relationship
£9,288	Steven James Consulting	Steve Hopkins	Managing director and 50% owner.

The Commission purchased IT consultancy services from Steven James Consulting.

16 FRS13 financial instruments

FRS13

Derivatives and Other Financial Instruments requires disclosure of the role which financial instruments have had during the period increasing or changing the risks the Commission faces in undertaking its activities.

Interest rate risk

Interest rate risk is not significant as the Commission has no borrowings or material interest bearing deposits

Liquidity risk

The Commission is not exposed to significant liquidity risk, as it has no borrowing facilities, and cash requirements are met by Department of Health and Welsh Assembly Government funding.

Currency risk

Currency risk is not significant as the Commission does not hold foreign currency assets or liabilities.

Credit risk

The Commission is not exposed to credit risk.

17 Post balance sheet events

An announcement was made in the Budget speech on 17 April that CHI's functions will transfer to a new body, the Commission for Healthcare Audit and Inspection. This transfer is expected to occur in 2004.

Appendix A

Accounts determination

The Secretary of State, in exercise of the powers conferred on him by paragraph 11 (2) of Schedule 2 to the Health Act 1999, hereby gives the following determination

- 1 In this determination, 'the Commission' means the Commission for Health Improvement and 'the Companies Act' means the Companies Act 1985
- 2 The Commission shall prepare accounts for the financial year ended 31 March 2000 and subsequent financial years comprising
 - a a foreword;
 - b an income and expenditure account;
 - c a balance sheet;
 - d a cash flow statement; and
 - e a statement of total recognised gains and losses;
 - f a statement on the system of internal financial control;
 - g a statement of the financial officer's responsibilities,
 including such notes as may be necessary for the purposes referred to in the following paragraphs.
- 3 The accounts shall give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure; total recognised gains and losses and cash flows for the financial year. Subject to this requirement the statement of account shall also, without limiting the information given and subject to paragraph 5 of, and Schedule 1 and 2 to, this determination, be prepared in accordance with:
 - a best commercial practice including generally accepted accounting practice in the United Kingdom (UK GAAP) and, subject to paragraph 7 of Schedule 1, all relevant accounting standards issued or adopted by the Accounting Standards Board;
 - b the accounting and disclosure requirements contained in 'The Treasury Fees and Charges Guide' (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury or the Secretary of State may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c the accounting and disclosure requirements given in 'Government Accounting' and in 'Executive NDPBs: Annual Reports and Accounts guidance', as amended or augmented from time to time;
 - d any accounting and disclosure requirements which the Secretary of State or Treasury may issue to the Commission from time to time;
 - e subject to paragraphs 1 to 6 of Schedule 1, the accounting and disclosure requirements of the Companies Act,
 insofar as these are appropriate to the Commission and are in force for the financial year for which the statement of accounts is to be prepared.
- 4
 - a The accounting and disclosure requirements of the Companies Act and the relevant accounting standards issued by the Accounting Standards Board shall apply to the annual accounts prepared by the Commission, subject to the exceptions and modifications set out in Schedule 1.
 - b The additional disclosure requirements set out in Schedule 2 apply to the annual accounts prepared by the Commission.

- 5 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a fixed assets at their value to the business by reference to current costs; and
 - b stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 6 This accounts determination shall be reproduced as an appendix to the accounts.

Signed by the authority of the Secretary of State for Health

A Angilley
Branch Head (FPA-FAS)
NHS Executive

13 April 2000

Schedule 1

Application of the accounting and disclosure requirements of the Companies Act and accounting standards

Companies Act

- 1 The disclosure exemptions permitted by the Companies Act shall not apply to the Commission unless specifically authorised by the Secretary of State with the approval of the Treasury.
- 2 The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to the Commission shall be included in the Annual Report.
- 3 When preparing its income and expenditure account, the Commission shall have regard to the profit and loss format 2 prescribed in Schedule 4 to the Companies Act.
- 4 When preparing its balance sheet, the Commission shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at 'Total assets less current liabilities'.
- 5 The Commission is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.
- 6 The foreword and balance sheet shall be signed by the Chief Executive of the Commission and dated.

Accounting standards issued by the Accounting Standards Board

- 7 Notes on cash flow statements in line with FRS1 and on the statement of recognised gains and losses in line with FRS3. The Commission is not required to include a note showing historical cost profits and losses as described in FRS3.

Schedule 2

Additional disclosure requirements

- 1 The foreword shall, inter alia
 - a state that the accounts have been prepared in a form determined by the Secretary of State under paragraph 11(2) of Schedule 2 to the Health Act 1999;
 - b include a brief history of the Commission and its statutory background.
- 2 The notes to the accounts shall, inter alia
 - a include details of the accounting policies adopted;
 - b provide further explanations of figures in the accounts where it is considered appropriate for a proper understanding of the accounts;
 - c include details of the key corporate financial targets set by Ministers together with the performance achieved.



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