NHS Professionals

Building FOR Growth

Annual Report and Accounts 2005-06

Contents

Foreword

Carmel Flatley
Chief Executive

Richard Martin
Chairman

Welcome to this our second annual report which details the progress we have made during 2005-06.

Our aim during the last year was to standardise our processes, review our infrastructure and centralise a number of our operations to improve our cost efficiency and service delivery - and we are pleased to report this has been successfully achieved.

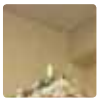
We streamlined our services in the Northern Service Centre and established a new Southern Service Centre and National Finance Centre. We also implemented the first phase of a new technology infrastructure to improve efficiency and processes – all of which we have delivered on budget.

We delivered significant operational improvement whilst increasing income by 19 percent to £273m in 2005-06 and reducing operating deficit by 23 per cent to £23.3m; as well as improving productivity, measured by cost per shift filled, by 13 per cent in 2005-06.

We increased our bank fill rates by six per cent over the last year and this improvement in bank fill was matched by an eight per cent decrease in agency fill rates.

We filled 2.1 million nurse shifts in over 4,500 clinical areas – which is equivalent to four shifts being filled every minute of every hour throughout the year. Our doctors' service also more than doubled the number of hours placed through the locum bank.

> we have filled 2.1 million nurse shifts in over 4500 clinical areas – which is equivalent to four shifts being filled every minute of every hour throughout the year <



We answered in our nursing service centres nearly 1.5 million calls from Trust staff, flexible workers and agencies and recruited well over 15,000 new staff to our bank, bringing our total bank size to 60,000.

We implemented our Clinical Governance agenda, to ensure a consistent high standard of care from flexible workers and to protect patients from outdated practices and poor practitioners. We launched our Clinical Governance Strategy in September with the support of Chief Nursing Officer Christine Beasley and we also contributed to the meeting of key service priorities including infection prevention and national emergency preparedness.

We successfully reached an agreement to deliver Agenda for Change terms and conditions for our flexible workers following consultation with our partner Trusts and staff side representatives. This has been a significant move for us as it now means we have a common way of describing the assignments flexible workers undertake (our clinical classification system) enabling us to be consistent in the way we recruit, train, place and pay people across the NHS. This offers a simple and transparent pay process for Trusts which will help the NHS with benchmarking pay rates and control of pay costs for temporary staff.

We worked on building customer relationships and further increased the number of Trusts using our nursing service by taking on 18 new partner Trusts. We developed a network of business relationship teams for the 147 Trusts we work with which, importantly, includes on site liaison staff, and we monitored the effectiveness of our service through our Customer Satisfaction Surveys. This has been invaluable in allowing us to measure and improve our service. More detail on the key trends for both good levels of service and areas requiring improvement can be found in section four of this report. Through extensive consultation with this network of stakeholders and partner Trusts we also developed a new Service Level Agreement to set out the partnership between us and our client Trusts.

We contributed to reducing costs and reducing risk around temporary staffing and we invite you to read the case studies and the information that we provide to show how we achieved this in 2005-06. We hope you will find this report informative and we look forward to continuing to bring benefit to flexible workers, individual Trusts and the wider NHS in the future.

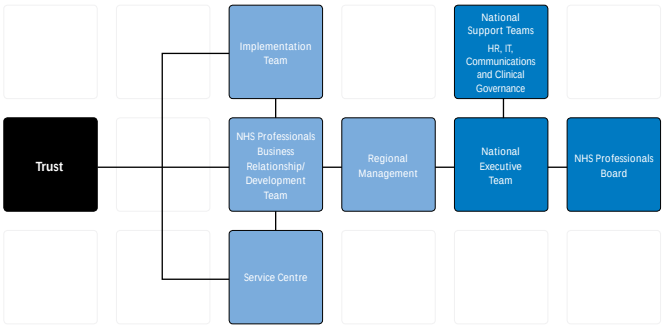
Who we are

NHS Professionals Special Health Authority works in partnership with NHS Trusts to provide high quality flexible staff to Acute, Primary Care and Mental Health organisations across England.

Our organisation was established in April 2004 following concerns over the rising costs and risks associated with flexible staff.

Our mission is to become the first choice provider for flexible staffing to the NHS and our primary objective is to be the lowest cost, lowest risk provider of flexible staff within the NHS by March 2008.

Currently we provide a service to 147 Trusts across England and our goal over the past year has been to build a robust base to enable us to grow further in the coming year. This report will outline the steps we have taken to achieve this.



Our Structure

Over the past year we have re-structured our current operations, especially in call centre and finance functions, to improve cost efficiency and productivity and ensure we deliver a value for money service.

We have created a centralised finance and payroll function, our National Finance Centre, and we have established a Southern Service Centre which has enabled us to centralise call centre operations in the South East and London.

Our organisation inherited an infrastructure which included seven call centres and nine satellite sites. As a result of this restructuring we now have three regional nursing service centres (in Wakefield, Oxford and Watford), a single finance base (Tingley) and a doctors service centre (Sheffield). This means we are able to provide a more consistent service that offers value for money for our partner Trusts. These Trusts have been serviced by an organisation of 897 corporate staff in April 05 decreasing to 854 by March 06.

Our service is structured around harmonised service centre operations but with a local response and delivery team. Our local presence ensures there is a dedicated team to support both flexible workers and Trusts.

Our Commitment to Patients

One of our key roles is to lead on the development of higher standards of clinical governance in the provision of flexible workers to the NHS.

We aim to do this, not only by developing robust arrangements for clinical governance in our own services, but also by influencing standards across the whole NHS.

> By enabling people to work more flexibly, our organisation helps the NHS remain an attractive employment option <

Our Commitment to Flexible Workers

We are committed to giving staff the opportunity to work flexibly in the NHS, enabling them to achieve a better balance of work and life. By enabling people to work more flexibly, our organisation helps the NHS remain an attractive employment option.

Our Commitment to Partner Trusts

We work in partnership with NHS Trusts to meet their overall objectives of cost savings and give them the necessary understanding and control of their flexible staffing. Our organisation is committed to improving quality and reducing risk to patients.

> Problems with balancing personal and work commitments... ...has been highlighted as a major cause of staff leaving the NHS <

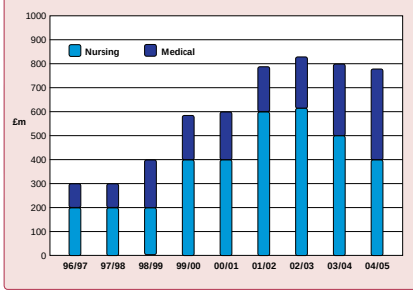
Our impact on the market

History of the Market

NHS Professionals was established to provide a strategic oversight of the temporary labour markets and provide a national approach to the management of the supply of temporary staff to the NHS.

Independent research carried out by bodies such as the Royal College of Nursing, the Department of Health and healthcare analysts Laing and Buisson has charted both the rise in commercial agency spend and the need for flexibility in today's health workforce. Prior to the introduction of our organisation, data demonstrating trends in bank expenditure (in NHS Trusts) was very limited due, in part, to the ways in which Trusts captured this information.

Spend on agency by staff type



The Need for Cost Reduction

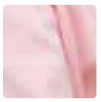
Our organisation was created in response to:

- Rising spend on temporary staff

  Between 1996-97 and 2004-05 agency spend grew at approximately 13% p.a. During the same period the NHS Pay Bill grew at approximately 9% p.a. The total market is now worth approximately £1.3bn p.a., with nursing and medical spend making up just under £800m of this.

  In the last two years, since NHS Professionals was established, expenditure on temporary nursing staff has reduced but medical expenditure has continued to rise. This can be seen in the graph opposite. NHS Professionals Doctors service is now a priority area for development and growth.

- NHS dependence on commercial agencies
- Poor practice in the running of many in-house staff banks and limited information on direct and indirect costs



The Need for Flexibility

The RCN's Stepping Stones Report in 2004 highlighted that the NHS needed to address issues of recruitment and retention due to the following reasons:

- An ageing workforce

  In 1987, the average age of a nurse responding to the RCN survey was 33, 39 in 1998, 41 in 2003 and 42 today.

  At the same time, the age at which nurses first register as qualified nurses has been increasing. Almost all nurses who qualified in the 1960s and 1970s were under the age of 30 but today a third of all new registrants are aged over 30.

- The need for choice and control for staff

  Problems with balancing personal and work commitments, particularly when staff are working on a rotating shift system, has been highlighted as a major cause of staff leaving the NHS.

Our Impact on the Market

Offering Flexibility

By enabling people to work more flexibly, our organisation helps the NHS with recruitment and retention.

Particularly with an ageing workforce, people now want and need to work flexibly. The RCN survey reveals that employers that offer higher levels of part-time working retain more experienced nurses. We can bridge a gap through the flexibility we offer.

Research conducted by NHS Professionals (Source: NHS Professionals – Research Wave 3) has revealed the following:

- Lifestyle choice (work/life balance)
  Working flexibly through our organisation provides nurses with a more acceptable work/life balance. They can arrange their work to fit around other responsibilities such as caring for their children or older relatives. This is also an attractive option for nurses at retirement age who are not ready to give up their skills entirely or nurses who continue with their training and also work to ensure they keep up their skills.

- Experience
  We enable nurses to gain experience working on different wards and specialties and also offer the opportunity to flexible workers, who are new to nursing, the opportunity to gain experience in caring.

Through our research we know that we have made a difference to the NHS employment market as out of the 15,000 nurses who joined NHS Professionals one of the primary reasons they cite for joining is the flexibility working for NHS Professionals provides them – allowing them to balance other priorities in their lives and achieve a good work/life balance.

Our Impact on the NHS Pay Bill

Laing and Buisson (Source: "Laing and Buisson" Flexible Staffing Services in UK Health and Care Markets 2004) reported that there are three factors which appear to affect NHS Trusts' spend on "flexible staffing bureaux services" (i.e. on agency provision of temporary staff):

- The general level of employment in the economy (activity tends to go down in terms of recession and up in times of prosperity and full employment)
- The success of the NHS' workforce planning policies e.g. the NHS Plan
- The impact of the NHS' temporary workforce policies i.e. of NHS Professionals and PASA framework agreements.

Laing and Buisson also identify that it is the latter of these as having the biggest impact on the UK Flexible Staffing Healthcare Market. Philip Blackburn, senior economist at Laing and Buisson, states that he believes the drop in spending on agency nurses across the UK is due to the creation of NHS Professionals.

"Keeping nurses agency spend under control has been NHS Professionals, the NHS' internal flexible staffing organisation, which has been servicing more NHS Trusts with in house bank solutions in preference to agency temps." *Source: Laing and Buisson, Agency Costs Under Control, Press Release 4th May 2005.*

Further evidence for NHS Professionals' impact on the market can be obtained from the Department of Health central statistics unit, which show that NHS Professionals costs Trusts 24 per cent less than an agency for an equivalent shift. The impact of this cost difference is favourably compounded by NHS Professionals' bank fill rates increasing by six per cent, agency fill rates decreasing by eight per cent and the organisation filling more shifts than ever (200,000 more in 2005-06).

To additionally support the reduction of temporary staffing costs in the wider NHS our organisation has also worked in conjunction with the National Agency Staffing Project.

> Working flexibly through our organisation provides nurses with a more acceptable work/life balance. <

The National Agency Staffing Project, led by South West London Strategic Health Authority on behalf of the Department of Health, aimed to reduce agency staffing within the NHS through the identification and roll-out of good practice, backed up by maximising performance management and an audit regime to deliver improvements.

In the last year we worked with the project to achieve its aim of reducing agency costs by identifying and sharing 'best practice' across the country through a variety of methods including facilitating workshops and the creation of a website, www.agencybestpractice.nhs.uk, to facilitate the sharing of best practice across all Trusts in the NHS.

MANAGEMENT COMMENTARY

Delivering on performance

For 2005-06 our priority for the year has been to improve delivery standards, whilst supporting the implementation of new and harmonised processes.

Our organisation has been pursuing the objectives of its first year business plan, while delivering a high quality and valued service to a growing base of customers. These objectives include:

- Improving competence and delivery standards, whilst supporting the implementation of new and harmonised processes
- Making internal and external stakeholders aware of how NHS Professionals is changing and growing and potentially what's in it for them
- Building a robust base of people practices and competent staff that will enable sustainable growth and a consistently high performing service
- Implementing planned estate changes that will deliver cost efficiency and customer satisfaction
- Implementing technology infrastructure changes that deliver a platform for sustainable growth and a consistently high performing service from 2006 onwards
- Establishing a working capital mechanism and exploring options for an organisational status appropriate to NHS Professionals plans for development and growth.

Our financial performance is measured using three Key Performance Indicators:

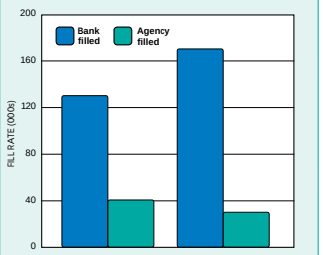
Gross Margin

This defines the relationship between our income and cost of sales, showing the difference between bank and agency direct staff costs plus direct overheads to income received for these services that we received. This shows the net contribution prior to incurring operating costs (i.e. corporate staff and running expenses) and is used to monitor improvements in the income and cost of sales.

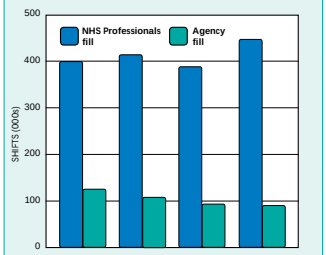
For 2005-06 our Gross Margin has increased by £3.1m, mainly due to the additional activity from the Trusts brought on in 2005-06.

This means that we have significantly reduced our operating costs in our move towards a break-even position.

Improvement in bank & agency fill rates



Shifts filled



OPEX

OPEX or operating expenses monitors the running costs of our organisation and excludes direct staff costs from nursing staff and other groups. The calculation simply looks at corporate staff and operating costs used in running the organisation.

The purpose of this measure is to monitor planned improvements and efficiencies to ensure costs are reducing in line with expectations. This should also be viewed in relation to activity fluctuations.

Some of the benefits from our restructuring and improvement in operational efficiency have already begun to be realised. Our corporate staff costs have fallen by £4m with our operating expenditure as a whole falling from £38.5m to £34.5m over the course of the year.

Management of Debtors

In addition, we have also made progress in our control of debt with a net debtors' position at the end of the year of £49.3m compared to £48.9m in 2004-05.

This decrease in operating costs and improvement in liquidity is despite a 20 per cent increase in sales giving us a firm financial foundation on which to build.

It should be noted however that despite a good performance on debt management our organisation received additional funding of £23m to cover the cash flow associated with managing late payments by NHS organisations. It is likely that further pressure on NHS finances will continue to impact our debt position in future years.

Our operational **Key Performance Indicators** (KPI) improvements from last year include:

Increasing the number of Trusts

We have increased the number of Trusts using our Nursing service by taking on 18 new Trusts in the last year, taking our total number of partner Trusts (including both Nursing and Doctors) to 147 in March 06.

Improving our bank fill rates and reducing agency usage

Our fill rates for bank have improved by 6 per cent (i.e. increasing the number of staff directly placed from the NHS Professionals bank) throughout the year with the number of shifts filled by agency usage decreasing by 8 per cent (i.e. reduction in the number of shifts filled through commercial agencies) and the level of unfilled shifts has remained constant throughout the year at 11 per cent.

Many Trusts, following the implementation of our service, experience a dramatic increase in bank fill rates and reduction in agency usage – this can clearly be seen in the case study at the end of this section.




> In its first six months of operation the SSC has answered over 200,000 calls from flexible workers, Trusts and agencies and, on average, callers had to wait no longer than 19 seconds to talk to a placement officer. <

Harmonisation of infrastructure and processes

Over the past year our organisation has undergone a period of change in order to harmonise its infrastructure and processes.

The harmonisation of our operational infrastructure has given us the opportunity to reduce the risk associated with the management of our business critical systems.

The development of a dual data centre strategy has allowed our organisation to build in the necessary resiliency thereby allowing all data files to be backed up in the event of hardware failure.

In addition, a service level agreement with Baum Hart (our IT software provider) and a back-up manual process provide contingency in the event of a significant software failure.

We have consolidated our service centre operations in the South East and London by establishing our Southern Service Centre (SSC) in August 2005. In its first six months of operation the SSC has answered over 200,000 calls from flexible workers, Trusts and agencies and, on average, callers had to wait no longer than 19 seconds to talk to a placement officer. Also of note is that Trusts with high web usage, on average, only had to make one call for every 265 shifts filled by the Southern Service Centre.

We have also established a new National Finance and Payroll Centre (NFC) to centralise these functions for our organisation. This, together with the introduction of OCR scanning technology, means that the centre is beginning to realise real efficiency gains from the move to a single finance function. Over the last year we have processed over 79,000 agency invoices worth around £61 million.

To support the harmonisation of processes our organisation has introduced a new Service Level Agreement (SLA). The new SLA was created in full consultation with our partner Trusts with a number of stakeholder focus groups being held. A draft of the document was sent to all our partner Trusts to give them the opportunity to comment and influence the document. The new SLA more clearly demonstrates the service we provide to Trusts and the expectations of both parties.

Our stakeholders' feedback is of great importance to us – this can also be seen in the introduction of our Customer Satisfaction Surveys.

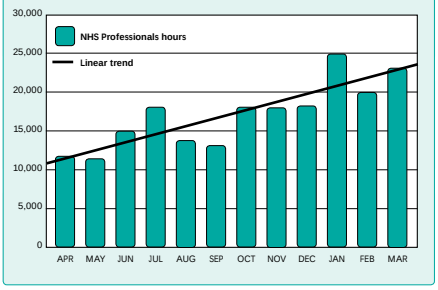
Building Customer Relations - Customer satisfaction

In the last year we have introduced a key tool in measuring the effectiveness and satisfaction ratings of our service. Our Customer Satisfaction Survey gathered the views and perceptions of our service amongst ward managers and Trust leads in each of our partner Trusts – this will provide a useful benchmark for future survey results.

As a consequence we were able to highlight areas we excelled in and those that required further monitoring or improvement. The survey emphasised good levels of satisfaction in many features of our service. In particular, Trusts feel the benefit of:

- Accurate, timely and useful management information
- Quality flexible staff supplied by NHS Professionals
- Effective on-site teams
- The politeness and efficiency of service centre staff.

Increase in hours filled by bank - 2005-06



As a result of the Customer Satisfaction Survey, we have undertaken a number of measures to further improve our performance in:

- Recruitment – our organisation has developed a new automated recruitment system which enable the team to track applicants from request through to joining.
- On-site teams – We have re-engineered our resources to ensure the existence and development of the on-site offices to ensure support for both flexible workers and Trusts.

NHS Professionals Doctors

The last year has been a year of great change for our Doctors service - a restructure has enabled it to maximise productivity and further increase Trusts' confidence to engage with us.

With regards to maximising productivity our Doctors' service has consistently increased the number of hours filled through the bank and the hours filled per placement officer has increased by 58 per cent over the year. This is a result of creating a team of staff dedicated to dealing solely with doctors on our locum bank which will help us build a stronger relationship with locum doctors based on knowledge of their personal placement requirements and specialties.

Not only has the number of hours filled increased over the last year but we have also increased the number of doctors on the bank by 15 per cent.








Case Studies – **Reducing the costs and risks of temporary staffing**

North East London Mental Health NHS Trust (NELMHT)

North East London Mental Health Trust was the first mental health organisation to join the London region of NHS Professionals and has been working in partnership with the organisation since January 2005.

Prior to this, the Trust's temporary/ flexible staffing service had been delivered by using two agencies in different areas of the Trust.

The NELMHT board did not feel that this system was delivering the quality and most cost effective model for flexible staffing supply and, after looking at what NHS Professionals could offer, implemented the service.

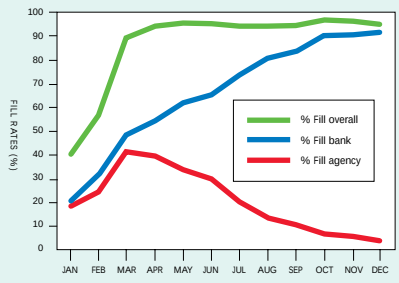
The implementation of NHS Professionals has produced some dramatic results for the Trust. From a starting position of 100% agency fill, the NHS Professionals fill rate rose incrementally, 48% in March 2005 to 92% in December 2005.

Overall fill rates have been maintained at 95% - 97% since April 2005 with the agency fill rate declining dramatically to only 4% in December 2005.

These results have been delivered by key partnership working and a willingness by the Trust to adopt the significant changes regarding controls and flexible staffing management recommended by NHS Professionals to address their particular issues. This has also resulted in the Trust utilising the web-based booking service for approximately 37% of all bookings.

Martin Munro, Director of Human Resources at the Trust, said: "Initially there was a worry within the Trust that the sort of flexibility provided by our previous arrangements would be lost in a more formal and bureaucratic process. In fact, as the implementation process rolled out, NHS Professionals staff worked closely with our existing agencies and quickly learned the temporary staffing needs of mental health services. The one point I would emphasise to any Trust introducing NHS Professionals is that it is critical to dedicate significant time from a senior nurse manager to be the Trusts own internal project lead. This enabled us to manage the internal process changes and to quickly resolve concerns as they emerged."

NELMHT - 2005 Fill Rates



North West Mental Health Collaborative

A group of nine Trusts in the North West are reaping the benefits of working collaboratively on agency staffing.

The group of Trusts, including Pennine Care NHS Trust, Bolton, Salford & Trafford Mental Health NHS Trust and Manchester Mental Health and Social Care NHS Trust, set up a key agreement between themselves and NHS Professionals Doctors to take a collective approach to their flexible staffing needs.

As a result of the new arrangement this competition has been taken away, enabling Trusts to enjoy the benefits of:

- Consistent quality of locums
- The support NHS Professionals gives to locum doctors
- Good quality management information.

David Curtis, Director of Nursing and Corporate Development at Pennine Care NHS Trust explains:

"Working collectively across the region has allowed us to look at what agencies we used in preparation for the PASA agreement coming into place and how we can be more pro-active in managing our resources."

He added: "NHS Professionals delivers a high quality locum service supported by clear, concise management information. These reports enable us to identify where, and how, we use locum medical staff in the Trust.

"I have always said that one of the aspects of my job that keeps me awake at night was medical locum staffing. I don't lose sleep over it any more."

Royal Berkshire Hospital NHS Trust

The Royal Berkshire Hospital, RBH, joined NHS Professionals in April 2004 and is one of the largest general hospital Trusts in the country.

In September 2005 the Trust, in partnership with NHS Professionals, introduced a new internal control system for booking bank and agency staff. This involved the introduction and enforcement of authorisation codes for booking staff and new IT systems and processes to enable better understanding and control of working patterns. These changes were instigated by the Finance Team, led by Martin Sheldon, Chief Finance Director.

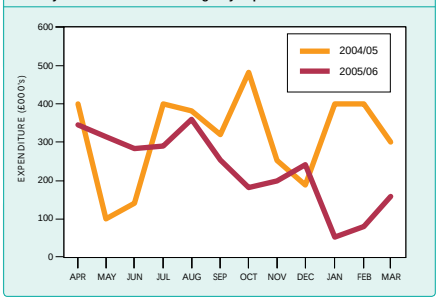
A weekly budget for temporary staff was introduced for each ward. Once the limit on this budget is reached then wards have to refer to the next level of management before temporary staff can be booked.

The key to the system is ensuring that no booking is given without an authorisation code and this has been strictly adhered to. NHS Professionals has implemented a mandatory field in its IT booking system which ensures that all shifts booked via the web booking system and/or Contact Centre contain the authorisation code.

Since the introduction of the new control process there has been a dramatic reduction, approximately 500 a month, in demand for bank and agency shifts.

After the initial introduction, the response from NHS Professionals was proactive and both organisations looked to achieve benefits from the change.

Royal Berkshire - Bank and Agency Expenditure



NHS Professionals takes its duty to ensure the quality of care provided by its flexible workers very seriously. On 7th September 2005 the Chief Nursing officer for England, Chris Beasley, launched our Clinical Governance Strategy at a national meeting at the Queen Elizabeth II Centre in London. Our Strategy highlighted that Clinical Governance is an integral part of our activities, that it aims to develop an open culture as a learning organisation, and that to achieve the highest quality patient care we will work together with our partners.

Improving Quality, Managing Risk





During the year a great deal was achieved as our strategy was implemented. New clinical governance standards for the recruitment of flexible workers were introduced in September and by the end of the year these were being regularly audited, with 90 per cent compliance achieved across all regions.

Last year we began replacing our manual complaints and incidents reporting systems by procuring the "Safeguard" computer system. This was configured to the needs of our organisation, and has been rolled out to each region during the year. The system, which went live from April 06, allows complaints to be tracked, and analysis to be done at individual, organisational and national levels. It will also allow a significant increase in feedback provided to Trusts on complaints and incidents involving our flexible workers and services.

The management of complaints and incidents is a critical part of ensuring patient safety by analysing the causes of incidents and taking action to prevent recurrences. Since we introduced our clinical governance structure, the number of very serious complaints and incidents involving our workers has dropped significantly – this is clearly demonstrated in the graph opposite.

This is almost certainly due to improved standards of recruitment and the identifying of potential problems with flexible workers at an early stage through the complaints and incidents handling arrangements.

The use of technology is a critical part of implementing our Clinical Governance Strategy. As well as procuring the complaints and incidents system, ten E-learning modules have been obtained which our flexible workers will be able to access on-line from home from the Autumn of 2006. These modules are being written specifically for flexible workers and will provide a range of topics suitable for workers from different areas such as acute hospitals, or the community.


Providing flexible workers with up to date clinical information has been another key aim. During the year we set up our "Clinical Reference Group", made up of representatives of Trusts and PCTs across the country. The group has ensured that the new clinical guidelines being introduced by our organisation are not only up to date, but also generic enough to ensure that they fit in with local practices. During the year, three guidelines were launched and made available to members in our offices and via the website, addressing issues relating to infection control, record keeping and the safe administration of medicines.

A further development was the introduction of placement guidelines across the country. The national guidelines were developed providing a quick "checklist" for our flexible workers when they first arrive on an assignment in a clinical area. The list reminds both the ward staff and flexible workers of information that needs to be exchanged before the flexible worker commences their duties.

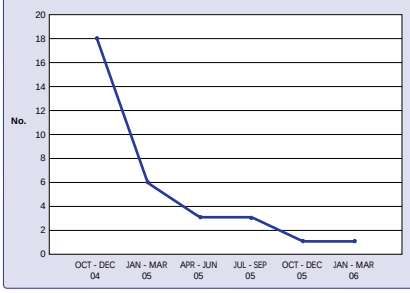
The guidelines have been produced in a large format, and it is expected that partner Trusts will display these in all their wards and departments that use our flexible workers.

Supporting the clinical and service needs of Trusts is an important part of our strategy. Early in the year, all our regions reviewed their Major Incident arrangements, and these were put to the test in London when the organisation supported Trusts called upon to care for the victims of the London bombings of July 7th. The systems worked well and, as a result of reviewing the events of the day, procedures around the country have been updated. Our Clinical Governance leads have also been in contact with Directors of Public Health in Strategic Health Authorities, as well as local Trusts, to ensure that we are involved in local planning for a pandemic flu outbreak.

Our organisation has also been developing a Clinical Classification System that will support the introduction of Agenda for Change, but also support an improved matching of flexible workers to assignments.

As part of our national role as a Special Health Authority, we have worked with the NHS Litigation Authority during the year to ensure that the risk issues associated with temporary workers were recognised in the new risk management standards being developed for the Clinical Negligence Scheme for Trusts. Also, our Doctors' service has been working on proposals for supporting appraisal for locum doctors in support of the anticipated CMO report following Dame Janet Smith's reports into the activities of the Harold Shipman GP case.

Incidents entered on NHS Professionals serious incidents register



In 2006-07 NHS Professionals will focus on pursuing sustainable growth by increasing the number of Trusts working in partnership with the service. We will also concentrate on achieving further productivity and efficiency gains.

Looking to the future

In our Business Plan, we identified four strategic priorities to support delivery of our mission and primary objectives:

1. Growth and Increased Sustainability - NHS Professionals will grow the organisation at a sustainable rate and provide an infrastructure that optimises the benefits to Trusts and flexible workers.

2. Brand - NHS Professionals will continue to develop a consistent brand that is clearly understood and valued by stakeholders which will give stakeholders the confidence to engage with us.

3. Added Value - NHS Professionals will continue to deliver a cost-effective service to provide quality, choice and peace of mind to service users.

4. Operations Performance - NHS Professionals will aim to deliver consistently high standards of service.

In addition, five supporting objectives or 'enablers' underpin these strategic priorities enabling the delivery of business critical initiatives. Specifically, these enablers are; People, Process, Estates, Technology and Organisational Status and Governance.

These priorities and enablers will take our organisation one step closer to the achievement of our long term mission to become the first choice provider for flexible staffing to the NHS.

Key Projects

There are a number of projects we will undertake in the next year to further improve our productivity and efficiency. These include:

Further Development of the Management Information System

We will perform an evaluation of the Management Information System to ensure it continues to satisfy the needs and requirements of both Trusts and our staff.

This will ensure that we remain flexible and reactive to the changing needs of our stakeholders and means we can provide access to accurate, reliable and consistent information to enable greater efficiency and effectiveness in decision making.

The further development of this system will enable us to develop workforce information across health economies to enable better workforce planning not only within Trusts but between Trusts in a particular health economy.

> NHS Professionals will continue to deliver a cost-effective service to provide quality, choice and peace of mind to service users <

Development of Extranet and Roll-out of Web Booking for Flexible Workers

Ward Managers from partner Trusts and our flexible workers have told us, via our feedback channels, that they want a service with easier access using the latest technology.

We have therefore begun the development of our extranet and a new National Placement System which will provide web-based access to users within Trusts and external agencies.

For our Flexible Workers, the system will allow users to:

- Update availability
- View available placements
- Register for a placement
- View their booked placements
- Enter/view timesheets.

This means nurses will be able to give their availability on-line as well as other traditional routes.

Agencies will also benefit from the system by having the ability to:

- View placements that are available for the Agency to fill
- Provide Agency staff details for placement
- View their booked placements.

The agency web browser will increase efficiency by allowing a number of selected agencies to view unfilled NHS Professionals shifts at the same time. This means that where we are unable to fill a shift, agencies are able to view and potentially fill the shift quickly.

Implementation of Agenda for Change for Flexible Workers

In 2006-07 NHS Professionals introduces Agenda for Change terms and conditions for its flexible workforce.

The move follows detailed negotiations between our organisation, partner Trusts and staff side representatives. Agreement has now been reached and we are to implement the new arrangements at the start of the new financial year.

We have developed a coding structure aligned to Agenda for Change for booking our staff onto potential assignments that will identify for an area of work, the specialty, seniority and specialist skills of the healthcare worker required. This means shifts and flexible workers' skills will be better matched in the future.

It will also enable better management reporting and also provide much greater clarity about the type of healthcare worker we are providing and allow better workforce planning.

Remuneration Report

Membership of the Remuneration and Terms of Service Committee

The Remuneration Committee consists of the following Non-Executive Directors:

Carol Varlaam	Non-Executive Director
John King	Non-Executive Director
Richard Martin	Chairman (Chair of the Committee)

Policy for Remuneration

Remuneration for all employees excluding the executive is in compliance with Agenda for Change, with all posts assessed against Agenda for Change criteria by September 2005. Executive remuneration is dealt with through the Remuneration Committee.

Method of Remuneration for Senior Managers

The method of remuneration for senior managers is based on two factors; job assessments and benchmarking of the roles. With regards to job assessments, each role is scoped to assess the full range of job responsibilities involved.

In addition, internal and external benchmarking is completed to allow comparisons to take place. During the establishment of the organisation this was undertaken by a HR/Recruitment Consultant who provided support to the Chief Executive to ensure that remuneration accurately reflected market conditions and job responsibilities.

Full details on the duration of contracts and notice periods, by executive role, can be seen in the table below.

	Richard McMahon	**Jeff Lynch**	**Paul Roche**	**Mike Pack**	**Carmel Flatley**	**Ian Millar** (Resigned)	**Naveed Younus** (Resigned)*
Role	Director of Clinical Governance	Director of HR, Marketing and Communications	Director of Operations	Director of Finance	Chief Executive	Director of Finance	Director of IT
Start	23 August 2004	17 May 2004	02 August 2004	05 September 2005	01 April 2004	09 February 2004	02 February 2004
Notice	3 months	3 months	3 months	1 month	6 months	3 months	3 months
Nature/ Expiry	Permanent	Permanent	Permanent	Fixed Term - Contract ending 04 July 2006	Permanent	Permanent – Left 12 August 2005	Permanent – Left 06 May 2005
Continuous Service Starts	30 June 1980	07 September 1987	02 August 2004	05 September 2005	15 September 2003	09 February 2004	02 February 2004

*The newly appointed Director of I.T. is not a full Board Member.

The tables below confirm the salary and other remuneration paid to the senior managers of NHS Professionals during financial year 2005-06. Payments have been made in the line with the remuneration policy outlined on page 22.

Salary and pension entitlement of Senior Managers

a. Remuneration

	2005-06			2004-05		
	Salary in £5k bands	**Other remuneration in £5k bands**	**Benefits in kind (rounded to the nearest £00)**	Salary in £5k bands	Other remuneration in £5k bands	Benefits in kind (rounded to the nearest £00)
Name and title	**£000**	**£000**	**£00**	£000	£000	£00
Executive Team						
Carmel Flatley (Chief Executive)	**175-180**	**0**	**0**	165-170	0	0
Ian Millar (Director of Finance) left 12 August 2005	**50-55**	**0**	**0**	105-110	0	0
Mike Pack (Director of Finance) started 5 September 2005	**105-110**	**0**	**0**	0	0	0
Jeffrey Lynch (Director of HR, Marketing and Communications)	**95-100**	**0**	**0**	75-80	0	0
Richard McMahon (Director of Clinical Governance)	**90-95**	**0**	**0**	50-55	0	0
Paul Roche (Director of Operations)	**125-130**	**0**	**0**	70-75	0	0
Naveed Younus (Director of IT) left 6 May 2005	**10-15**	**0**	**0**	85-90	0	0
Non Executive Team*						
Richard Martin (Chairman)	**50-55**	**0**	**0**	55-60	0	0
Richard Bromberg	**5-10**	**0**	**0**	5-10	0	0
Fiona Eldridge	**5-10**	**0**	**0**	5-10	0	0
John Flook	**5-10**	**0**	**0**	5-10	0	0
Sue Hobbs	**5-10**	**0**	**0**	5-10	0	0
John King	**5-10**	**0**	**0**	5-10	0	0
Anthony McKeever	**0-5**	**0**	**0**	5-10	0	0
Carol Varlaam	**5-10**	**0**	**0**	5-10	0	0
Nilesh Goswami	**5-10**	**0**	**0**	5-10	0	0
Maggie Lee	**5-10**	**0**	**0**	0-5	0	0

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

Remuneration Report

b. Pension Benefits

	2005-06			2004-05		
	Real Increase in pension and related lump sum at age 60 (bands of £2,500)	**Total accrued pension at age 60 at 31 March 2006 and related lump sum (bands of £5,000)**	**Cash Equivalent Transfer Value at 31 March 2006**	Cash Equivalent Transfer Value at 31 March 2005	Real increase in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension (rounded to nearest £00)
Name and title	**£000**	**£000**	**£000**	£000	£000	£00
Carmel Flatley (Chief Executive)	**2.5 -5.0**	**10.0 - 15.0**	**52.0**	29.0	16.0	0
Ian Millar (Director of Finance) left 12 August 2005*	**-**	**-**	**-**	-	-	-
Mike Pack (Director of Finance) started 5 September 2005	**0**	**0**	**0**	0	0	0
Jeffrey Lynch (Director of HR, Marketing and Communications)	**17.5 -20.0**	**95.0 - 100.0**	**308.0**	211.0	65.0	0
Richard McMahon (Director of Clinical Governance)	**30.0 - 32.5**	**120.0 - 125.0**	**403.0**	283.0	79.0	0
Paul Roche (Director of Operations)	**2.5 - 5.0**	**5.0 - 10.0**	**28.0**	10.0	12.0	0
Naveed Younus (Director of IT) left 6 May 2005	**0 - 2.5**	**0 - 5.0**	**16.0**	13.0	0	0

*Ian Millar left office 12 August 2005 and having less than 2 years' service will receive a full refund of contributions. This will clear Employer's liability in respect of his service, hence disclosure of Pension benefits is deemed misleading.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of period.

A service in the Public Interest

Statutory Background

The accounts for the 12 months ended 31 March 2006 have been prepared in accordance with the direction given by the Secretary of State in accordance with section 98(2) of the NHS Act 1977 dated December 2001 and in the format as instructed by the Department of Health with the approval of Treasury.

The NHS Professionals Health Authority was established on 1 January 2004 as a Special Health Authority to become operational on 1 April 2004. Founding legislation includes the National Health Act 1977 c49 and Statutory Instruments 2003 No. 3059 and 2004 No. 648. The Special Health Authority is required to produce an annual report on its activities and finances to the Secretary of State for Health.

The NHS Professionals Special Health Authority is part of the NHS. It is a national organisation classed as an Arms Length Body established to manage and recruit a flexible workforce in the National Health Service in an efficient and cost effective way. It is funded through charges to customers within the NHS that recover the purchase cost of acquiring nurses' and doctors' services plus an amount to contribute to the operating costs of the Authority. It also receives a contribution from the Department of Health to cover the remainder of its net operating costs.

Introduction

NHS Professionals, formed as a Special Health Authority in January 2004, commenced operations in April 2004 to lead and manage the supply of flexible staff to the NHS.

The concept was first launched as a set of national service standards for NHS organisations wishing to provide flexible staff. This enabled NHS organisations to create local 'models' of the service.

However the Flook Ramsden Report suggested that although there were significant improvements brought about by the introduction of this model, a more coordinated approach was still necessary if we were to provide a high quality, value-for-money service across the NHS.

The Gershon Review also gave further impetus to the creation of a national organisation that effective management of temporary staffing could make to the overall NHS efficiency gains.

As a result, NHS Professionals was established as a Special Health Authority. It was formed from a number of services into a single, national organisation to lead and manage the supply of flexible staff to the NHS.

NHS Professionals is a service provided in the interests of the public. The organisation provides employment to 60,000 members of staff, giving them the flexibility to choose where and when they work.

NHS Professionals aims to protect the public purse by securing better value for money for both the NHS and the wider general public.

NHS Professionals also protects patients by ensuring a consistent high standard of care from flexible workers across the NHS.

As a public service, we have taken a number of steps to maintain and develop information for, and in consultation with, employees. These include:

Equal Opportunity Policy

It is our policy to treat all corporate employees and flexible worker job applicants fairly and equally regardless of their sex, sexual orientation, marital status, race, colour, nationality, ethnic or national origin, religion, age or disability. In addition, we will ensure that no requirement or condition will be imposed without justification which could disadvantage individuals on any of the above grounds, or on the grounds of trade union membership.

Our policy has been developed in partnership with staff side organisations and the Race Equality Steering Group. It applies to recruitment and selection, terms and conditions of employment, including pay, promotion, training and transfer, and every other aspect of employment.

In addition, we will regularly review our procedures and selection criteria to ensure that individuals are selected, promoted and otherwise treated according to their relevant individual abilities and merits. We aim to build a diverse workforce that reflects the NHS and the wider community in which we operate.

We are also committed to the implementation of this policy and to a programme of action to ensure that our policy is, and continues to be, fully effective.

Our Directors and Managers ensure that the policy is implemented and deals with any potential unlawful discrimination with support from the national or regional Human Resources department.

Better Payment Practice Code

We are required to pay our non NHS Trade Creditors in accordance with the Better Payment Practice Code. The target is to pay non NHS Trade Creditors within 30 days of receipt of goods or a valid invoice (whichever is the later), unless other payment terms have been agreed with the supplier.

Of the total relevant bills in 2005-06, ninety one per cent of bills, representing eighty seven per cent by value, were paid within the target. Details can be found in note 2.3 to the Accounts.

Audit Services

Our organisation uses three separate bodies for the audit of our services:

- Our accounts have been audited by the Comptroller and Auditor General, via the National Audit Office, in accordance with the National Health Service Act 1977 and per the Special Health Authority Directions at a cost of £75,000. The audit certificate can be found on page 34 of the Annual Report.
- KPMG has been appointed through a tender process for the 2005-06 internal audit service. A programme of work was agreed in advance of the year with the audit committee, focusing on key systems and governance arrangements to improve efficiency and effectiveness. The internal auditors provide assurance via regular reporting to the Board on the adequacy of systems and processes.
- Central Eastern Audit Services (CEAC) have been appointed via tender for the 2005-06 Local Counter Fraud Service (LCFS). This is a compulsory requirement of NHS Bodies and serves to link up with NHS Trust Audit teams to minimise fraud by education of staff, making staff and bank workers aware of fraud and joint working with other NHS Bodies to maximise effectiveness and resources.

All three bodies regularly attend and report at the Audit Committee, whose membership comprises the following Directors, Senior Managers and third party advisors:

Chief Executive
Director of Finance
Director of Operations
Deputy Director of Finance
Four Non Executive Directors

NAO Representative
CEAC Representative
KPMG Representative

Audit Assurance Statement

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are aware.

The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

A service in the Public Interest

Directors' Interests

Name	Directorships (including non-executive) and partnerships in private companies or PLCs	Ownership or part-ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Significant shareholdings in organisations likely or possibly seeking to do business with the NHS	Details of any position of authority in any body, including a charity or voluntary body, in the field of health and social care	Details of any connection with a voluntary or other body contracting for NHS services
Richard Bromberg (02/03/04)	Willowmile Ltd Firmbond Associates Ltd	Firmbond Associates Ltd	None	None	None
Fiona Eldridge (28/06/05)	Teaching Personnel Ltd (Non- Executive Chairman) The Coaching and Communication Centre Ltd (Director)	Ownership of The Coaching and Communication Centre Ltd	Sole shareholder of The Coaching and Communication Centre Ltd	N/A	Associate Director at Veredus (employee)
Nilesh Goswami (01/05/04)	Director – Urbanselect Ltd Chair – 345 Preschools Ltd Director - UKTEN	Resigned as CEO of Matrix Research and Consultancy Ltd (13/04/05) sold 50% shareholding		Chair – 345 Preschools Ltd	
Carmel Flatley (01/04/04)	None	None	None	None	None
John Flook (01/05/04)	Chair – Flute Consulting Ltd Director – Cardea Group of Consultants Ltd Director – John Flook Coaching and Consulting Ltd	Chair – Flute Consulting Ltd Director – Cardea Group of Consultants Ltd Director – John Flook Coaching and Consulting Ltd	Material minority equity stake in Flute and Cardea. Sole shareholder in John Flook Coaching and Consultancy Ltd.	N/A	Occasional adviser to Commercial sector organisations seeking business with the NHS.
Susan Hobbs (02/05/05)	None	None	None	Trustee Primrose Foundation, Plymouth Trustee Cerebra, Carmarthen Trustee St Loyes Foundation, Exeter	None
John King (01/03/04)	Director Abbey National PLC Pension Scheme Companies Non Executive Director Sector Skills Development Agency Non Executive Director ENTRUST (Landfill Tax Credit Scheme Regulator)			Non Executive Director NHS Pensions Agency	
Maggie Lee (03/06/05)	Director of Seams Right Ltd Director of Lime Hill Search Ltd Associate Director of Director Bank	Lime Hill Search Ltd	Lime Hill Search Ltd	Governor of University of Westminster	N/A
Richard Martin (16/12/04)	Director – Integrated International Payroll Ltd (IT Pay) Non executive director and Chairman of Broomco (3363) Ltd.	Shareholder in Integrated International Payroll Ltd (IT Pay) Shareholder in Broomco (3363). Broomco (3363) acquired Pelcombe Training Ltd. and Working With You Ltd. also on 07 Dec 04	Shareholder in Integrated International Payroll Ltd (IT Pay)	Trustee – Turning Point Social Care Charity	Governor – Thames Valley University
Anthony Michael McKeever (12/03/04)	Director of MACS et al Ltd, Quo Health Ltd, Metacurve Ltd	Quo Health 25% MACS et al Ltd 100%	None	Non Executive Director	None
Mike Pack (05/09/05)	None	None	None	Member of Audit Committee of Turning Point	None
Carol Varlaam (03/05/05)	None	None	None	Non-executive Director, Southwest London Strategic Health Authority: Lay member, General Dental Council	None

Pension Liability

A detailed explanation of how Pension Liabilities are treated in the Accounts of the organisation can be found in note 1.9 under Accounting Policies on pages 40 and 41 of the annual accounts and also under the Remuneration Report within this annual report document..

Signed: C. Flatley Chief Executive and Accounting Officer

Dated: 5th July 2006

Statement of the Board's and Chief Executive's Responsibilities

Under the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, NHS Professionals is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of NHS Professionals' state of affairs at the year end and of the surplus/deficit, recognised gains and losses and cash flows for the financial year.

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

In preparing the accounts, the Board and Accounting Officer are required to:

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

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

Statement on Internal Control 2005/06

1. Scope of responsibility

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

I am accountable to Parliament and the Secretary of State for Health. I am also directly accountable to the Chairman of the Special Health Authority who is responsible for agreeing my personal objectives and appraising performance against them on an annual basis.

I meet regularly with colleagues from the Department of Health to discuss operational and financial performance and risk using the Business Plan to monitor progress against agreed objectives. In addition the Department of Health sponsor attends bi-monthly Board meetings of the SpHA to ensure there is an awareness and involvement in the direction of the Authority.

As Chief Executive, I take personal responsibility for risk management at Board level. These responsibilities are delegated to the Director of Finance for financial, business and corporate governance issues and to the Director of Clinical Governance for clinical and facilities issues.

2. The purpose of the system of internal control

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

NHS Professionals continues to improve the systems of internal control by constant review and development as identified later in the report (sections 5 & 6) where additional controls are now in place and further actions are strengthening processes.

3. Capacity to handle risk

The Authority developed its committee structure to reflect management responsibilities. Financial, operational and corporate governance risks are reported to the Audit Committee, and clinical and facilities (health and safety, fire, security) risks are reported to the Clinical Governance Committee. The Audit Committee and the Clinical Governance Committee are chaired by Non-Executive Directors and to ensure coverage of all types of risk, the Chair of the Clinical Governance Committee and the Director of Finance attend both groups.

In addition to these groups a development committee also meets at least quarterly to review business cases for approval over executive limits and monitor all major projects that are agreed by the board to ensure public expenditure is being used efficiently and effectively in line with the Authorities overall objectives.

All committees report directly to the board and minutes of meetings are sent to all board members to ensure a top down approach to risk management.

NHS Professionals operates across five regions which offer a nurse bank, plus a national locum bank doctors' service based in Sheffield. Regional Directors head up these operations supported by defined committee structures within each region including a local Risk Management Committee.

Statement on Internal Control 2005/06

4 The risk and control framework

The SpHA has formally adopted a Risk Management Policy and a Risk Management Strategy. Regular risk assessments are carried out during the year on the Authority's activities and performance against recognised external standards (e.g. Controls Assurance etc). These are consolidated within an overall risk register and monitored at executive level and the board quarterly to ensure risk is minimised and mitigated against. The organisation's objectives, Business Plan and major Business Cases were are also reviewed in this process to determine all organizational risks are considered.

The Risk Management Strategy describes the overall risk accountability arrangements including the levels of tolerance (risk appetite). The Risk Management Policy details the specific responsibilities of the Board, Committees, Directors and other members of staff.

The Special Health Authority is a member of the Risk Pool Scheme for Trusts operated by the NHS Litigation Authority. The Authority is not required to meet the standards of or join the Clinical Negligence Scheme for Trusts.

The SpHA has appointed a national Head of Risk Management to further develop controls in this area. CEAC have been appointed as the Local Security Management Specialists as required under the Directions to NHS Bodies on Security management Measures (2004). During the year they have reviewed the Authority's security arrangements at all its sites in line with national guidance and best practice.

Risk management and health and safety are also features of the job descriptions of staff who have responsibility at a national or regional level.

All staff are given basic risk management awareness training as part of their induction into the organisation.

5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, which is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the Authority's ability to place reliance on the Assurance Framework and on the controls reviewed as part of their internal audit work programme. Executive Directors have responsibility for developing and maintaining systems of internal control within their areas of responsibility. The various component parts of the Assurance Framework itself provide me with evidence that risks faced by the organisation are being managed and that the principal objectives are constantly reviewed and assessed.

My review is also informed by the findings of the National Audit Office as NHS Professionals' External Auditors including the improvement observations from last year's audit that have been fully taken on board and redressed.

The Audit Committee, Clinical Governance Committee and Development Committee meet on a regular basis and the minutes are reported to the full Board for formal approval, ensuring a channel for the reporting of risks and contributing to the overall process of ensuring that an effective system of internal control is maintained.

A series of actions were described in the Statement on Internal Control for 2004-05, which have been addressed as follows;

- Harmonisation of financial processes through the National Finance Centre are progressing and will continue into 2006-07. Good work has already identified areas that can be developed and these are being moved forward.
- Management structures are formalised and fully documented with clear reporting lines present.
- Embedding business planning and linking into the performance management process has been successfully implemented and now forms part of the performance management agenda for meetings during the planning cycle.
- Better procurement processes and guidance have been embedded and development is continuing. This adds to the guidance already within the Authorities Standing Orders and Standing Financial Instructions with a practical guide to procurement and the introduction of a national contract for web ordering of regularly ordered goods and services.
- There is a manual system for incident reporting and during the year the computerised complaints and incidents management system (Safeguard) has been rolled out. This roll out will be completed once the national computer network is live in all regions. Reports on all complaints and incidents are presented at every meeting of the Clinical Governance Committee.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Audit Committee, the Clinical Governance Committee and the Board.

6 Areas for further development

The component parts of the NHS Professionals Assurance Framework have been in place for a full financial year. However, there are a number of areas that have been identified through the management team and via internal audit work that require development during 2006-07 and for which we have an action plan:

- The standardisation of Regional procedures and practices is key to harmonising processes and will be a major focus of work in the finance area.
- Enhancing systems to enable the more accurate recording of bank staff records.
- Development of more scenario based business planning with greater guidance to ensure consistency nationally.

Chief Executive and Accounting Officer

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

I certify that I have audited the financial statements of the NHS Professionals Special Health Authority for the year ended 31 March 2006 under the National Health Service Act 1977. These comprise the Income and Expenditure account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Chief Executive and auditor

The Chief Executive is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if NHS Professionals has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 31 to 33 reflects the NHS Professionals Special Health Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the NHS Professionals Special Health Authority's governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the foreword, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the NHS Professionals Special Health Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury, of the state of the NHS Professionals Special Health Authority's affairs as at 31 March 2006 and of its income and expenditure, total recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of the Treasury; 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

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

12th July 2006

Accounts

Income and Expenditure Statement for the year ended 31 March 2006

		2005-06	2004-05
	Notes	£000	£000
Operating income	3	272,696	229,327
Operating expenditure	2.1	(295,970)	(259,592)
Operating Deficit		**(23,274)**	**(30,265)**
Interest payable	2.3	0	(2)
Revenue grant in aid		43,927	31,534
Net surplus/(deficit) for the financial year		**20,653**	**1,267**

All income and expenditure is derived from continuing operations
Revenue grant in aid includes an additional £23,000,000 allocated to fund additional working capital requirements within the organisation.
The notes at pages 39 to 51 form part of this account.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2006

		2005-06	2004-05
	Notes	£000	£000
Surplus for the financial year		20,653	1,267
Unrealised surplus/(deficit) on the indexation of fixed assets	11.2	6	10
Total recognised gains and losses for the financial year		**20,659**	**1,277**

The notes at pages 39 to 51 form part of this account.

Balance Sheet as at 31 March 2006

		31 March 2006	31 March 2005
	Notes	£000	£000
Fixed assets:			
Intangible assets	4.1	501	103
Tangible assets	4.2	3,965	3,799
		4,466	3,902
Current assets			
Debtors	6	49,180	48,937
Cash at bank and in hand	7	15	(14)
		49,195	48,923
Creditors: amounts falling due within one year	8.1	(26,920)	(49,011)
Net current assets/(liabilities)		22,275	(88)
Total assets less current liabilities		26,741	3,814
Provisions for liabilities and charges	9	(813)	(2,483)
		25,928	1,331
Taxpayers' equity			
General Fund	11.1	22,451	1,321
Revaluation reserve	11.2	16	10
Capital Reserve	11.4	3,461	0
		25,928	1,331

The notes at pages 39 to 51 form part of this account.

Signed: 

Date: 5th July 2006

Accounting Officer

Cash Flow Statement for the year ended 31 March 2006

	Notes	2005-06	2004-05
		£000	£000
Net cash (outflow) from operating activities	12	(43,894)	(30,355)
Servicing of finance			
Interest paid		0	2
Net cash (outflow) from servicing finance		(0)	(2)
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		(293)	(33)
(Payments) to acquire tangible fixed assets		(3,784)	(1,158)
Net cash inflow/(outflow) from investing activities		(4,077)	(1,191)
Net cash (outflow) before financing		**(47,971)**	**(31,548)**
Financing			
Revenue Grant in Aid		43,927	31,534
Capital Grant in Aid	11.4	4,073	0
Increase/(decrease) in cash in the period	**7**	**29**	**(14)**

The notes at pages 39 to 51 form part of this account.

Notes to the Accounts

1 Accounting policies

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

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1 within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received. Capital funding is credited to the capital reserve and released to the Income & Expenditure Statement in line with the associated expenditure.

Operating income is income which relates directly to the operating activities of the authority. It principally comprises fees and charges to other NHS bodies for the provision of flexible health professionals, but it also includes other income such as that from investments and from other health bodies. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

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

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 2005-06 was 3.5% (2004-05 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.5 Fixed Assets

a. Capitalisation

All assets falling into the following categories are capitalised:

i) Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.

ii) Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

iii) Tangible assets which are capable of being used for more than one year, and they:

- individually have a cost equal to or greater than £5,000;
- collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

iv) Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b. Valuation

Intangible Fixed Assets

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

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

Notes to the Accounts

Tangible Fixed Assets

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

i) Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

ii) Assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any existing land or buildings under the control of a contractor.

iii) Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.

iv) All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

c. Depreciation and Amortisation

Depreciation is charged on each individual fixed asset as follows:

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

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

iii) Buildings 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 and fittings	10
Information technology	5

1.6 Donated Fixed Assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement. Similarly, any impairment on donated assets charged to the Operating Cost Statement is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the General Fund.

1.7 Stocks and work in progress

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

1.8 Losses and special payments

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

1.9 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the Special Health Authority to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contributions payable in 2005-06 was £8,300,000, of which Corporate was £1,794,000 (2004-05 £1,577,000) .

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

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

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

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

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

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

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

1.10 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except in so far 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 is revalued on the basis of current cost.
The amortisation should be calculated on the same basis as used for depreciation i.e. on a quarterly basis.

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 or primary lease term. Rentals under operating leases are charged on a straight line basis over the terms of the lease.

1.12 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.
Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms.

Notes to the Accounts

2.1 Operating expenditure

	Notes	£000	2005-06 £000	2004-05 £000
Non-executive members' remuneration			107	106
Other salaries and wages	2.2		282,289	238,673
Supplies and services - general			1,583	2,027
Establishment expenses			4,601	5,408
Transport and moveable plant			267	177
Premises and fixed plant			3,654	6,981
External contractors			1,673	4,205
Capital: Depreciation and amortisation	4.1, 4.2	1,064		381
Capital charges interest		477		138
			1,541	519
Auditor's remuneration: Audit Fees			75	80
Miscellaneous			180	1,416
			295,970	**259,592**

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

2.2 Staff numbers and related costs

	2005-06 Total	Permanently Employed Staff	Other	2004-05
	£000	£000	£000	£000
Salaries and wages	260,031	17,640	242,391	235,935
Social security costs	13,958	1,376	12,582	1,161
Employer contributions to NHSPA	8,300	1,794	6,506	1,577
	282,289	20,810	261,479	238,673

The average number of employees during the year was:	Total	Permanently Employed Staff	Other	2004-05
	Number	Number	Number	Number
Total	9,182	649	8,533	685*

*Information for the year 2004-05 was not collated for the full year in respect of other staff (including contract agency staff and bank staff), the 685 reported relates solely to permanently employed staff.

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £nil (2004-05: £nil).

Retirements due to ill-health

During 2005-06 there was 1 early retirement from the Special Health Authority on the grounds of ill-health. The estimated additional pension liabilities of this ill-health retirement (calculated on an average basis and borne by the NHS Pensions Scheme) will be £94,000. This information has been supplied by NHS Pension Agency.

This retirement represented 0.10 per 1,000 active scheme members

2.3 Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2005-06	128,398	93,271
Total non NHS bills paid within target	116,789	80,808
Percentage of non NHS bills paid within target	**91.0%**	**86.6%**
	Number	£000
Total NHS bills paid 2005-06	1,281	10,436
Total NHS bills paid within target	955	6,797
Percentage of NHS bills paid within target	**74.6%**	**65.1%**

The Late Payment of Commercial Debts (Interest) Act 1998

	2005-06 £000	2004-05 £000
Amounts included within interest payable arising from claims	0	2
Compensation paid to cover debt recovery costs under this legislation		
	0	2

Notes to the Accounts

3 Operating income

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

	Appropriated in aid £000	Not Appropriated in aid £000	Total £000	2004-05 £000
Programme income:				
Fees & charges to external customers	0	99	99	127
Income received from other Departments, etc	0	271,985	271,985	229,200
Income released from capital reserve	0	612	612	0
Total	**0**	**272,696**	**272,696**	**229,327**

4.1 Intangible fixed assets

	Software Licences (Restated) £000	Total £000
Gross cost at 31 March 2005	113	113
Additions - purchased	426	426
Gross cost at 31 March 2006	**539**	**539**
Accumulated amortisation at 31 March 2005	10	10
Provided during the year	28	28
Accumulated amortisation at 31 March 2006	**38**	**38**
Purchased at 31 March 2005	103	103
Net book value:		
Purchased at 31 March 2006	501	501

Gross Cost at 31 March 2005 has been restated to reflect the reclassification of software from Intangible to Tangible Assets.

4.2 Tangible fixed assets

	Information Technology (Restated) £000	Furniture & fittings £000	Total £000
Cost or Valuation at 31 March 2005	3,661	514	4,175
Additions - purchased	209	987	1,196
Indexation	0	10	10
Gross cost at 31 March 2006	**3,870**	**1,511**	**5,381**
Accumulated depreciation at 31 March 2005	188	189	377
Provided during the year	805	231	1,036
Indexation	0	4	4
Accumulated depreciation at 31 March 2006	**993**	**423**	**1,416**
Net book value:			
Purchased at 31 March 2005	3,473	325	3,798
Net book value:			
Purchased at 31 March 2006	**2,877**	**1,088**	**3,965**

NHS Professionals held no assets under finance leases and hire purchase contracts at the balance sheet date (31 March 2005: £nil)

Gross Cost at 31 March 2005 has been restated to reflect the reclassification of software from Intangible to Tangible Assets.

4.3 Net Book Value of land and buildings

The net book value of land and buildings at the balance sheet date was £nil (2004-05: £nil)

4.4 Profit/loss on disposal of fixed assets

NHS Professionals had no disposals of assets during the year resulting in £nil profit/loss on disposals (2004-05: £nil)

5 Stocks and work in progress

The net book value of stocks and work-in-progress at the balance sheet date was £nil (2004-05: £nil)

Notes to the Accounts

6 Debtors

6.1 Amounts falling due within one year

	31 March 2006 £000	31 March 2005 £000
NHS debtors	29,420	28,556
Provision for irrecoverable debts	0	0
Prepayments	881	183
Accrued income	17,962	19,523
Other debtors	917	675
	49,180	**48,937**

6.2 Amounts falling due after more than one year

NHS Professionals held £nil debtors falling due after more than one year at the end of the financial year 2005-06 (2004-05: £nil)

7 Analysis of changes in cash

	At 31 March 2005 £000	Change during the year £000	At 31 March 2006 £000
Cash at OPG	(15)	27	12
Cash at commercial banks and in hand	1	2	3
	(14)	**29**	**15**

8 Creditors

8.1 Amounts falling due within one year

	31 March 2006 £000	31 March 2005 £000
NHS creditors	1,257	7,387
Capital creditors	627	3,082
Tax and social security	(31)	5
Other creditors	6,530	14,046
Accruals	17,929	20,551
Deferred income	608	3,940
	26,920	**49,011**

8.2 Amounts falling due after more than one year

NHS Professionals held £nil creditors falling due after more than one year at the end of the financial year 2005-06 (2004-05: £nil)

8.3 Finance lease obligations

NHS Professionals has not entered into any finance lease obligations (2004-05: £nil)

9 Provisions for liabilities and charges

	Other £000	Total £000
At 31 March 2005	2,483	2,483
Arising during the year	120	120
Utilised during the year	(494)	(494)
Reversed unused	(1,296)	(1,296)
At 31 March 2006	**813**	**813**
Expected timing of cash flows:		
Within 1 year	813	813

£nil is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the Special Health Authority.

Notes to the Accounts

10 Movements in working capital other than cash

	2005-06 £000	2004-05 £000
Increase/(decrease) in debtors	243	48,799
(Increase)/decrease in creditors	19,638	(45,707)
	19,881	**3,092**

11 Movements on reserves

11.1 General Fund

	31 March 2006 £000	31 March 2005 £000
Balance at 31 March 2005	1,321	(84)
Net surplus for the year	20,654	1,267
Non-cash items: Capital charge interest	476	138
Closing Balance at 31 March 2006	**22,451**	**1,321**

11.2 Revaluation reserve

	31 March 2006 £000	31 March 2005 £000
Balance at 31 March 2005	10	0
Indexation of fixed assets	6	10
Closing Balance at 31 March 2006	**16**	**10**

11.3 Donated asset reserve

NHS Professionals did not hold a donated asset reserve at the end of the financial year 2005-06 (2004-05: £nil)

11.4 Capital reserve

	31 March 2006 £000	31 March 2005 £000
Balance at 31 March 2005	0	0
Capital Grant in Aid	4,073	0
Indexation	0	0
Depreciation	(612)	0
Closing Balance at 31 March 2006	**3,461**	**0**

12 Reconciliation of operating costs to operating cash flows

	Notes	2005-06 £000	2004-05 £000
Net operating cost before interest for the year		23,274	30,265
Adjust for non-cash transactions	2.1	(1,541)	(519)
Adjust for capital depreciation recognised in income	11.4	612	0
Adjust for movements in working capital other than cash	10	19,879	3,092
(Increase)/decrease in provisions	9	1,670	(2,483)
Net cash outflow from operating activities		**43,894**	**(30,355)**

13 Contingent liabilities

At 31 March 2006, there were no known contingent liabilities (31 March 2005: £nil)

14 Capital commitments

At 31 March 2006 the value of contracted capital commitments was £1,458k (31 March 2005: £8,053,233)

15 Commitments under operating leases

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

		2005-06 £000	2004-05 £000
Hire of plant and machinery		120	0
Other operating leases		1,744	1,809
		1,864	**1,809**
Land and buildings			
Operating leases which expire:	within 1 year	906	995
	between 1 and 5 years	342	432
	after 5 years	721	274
		1,969	**1,701**
Other leases			
Operating leases which expire:	within 1 year	90	17
	between 1 and 5 years	29	13
	after 5 years	0	0
		119	**30**

16 Other commitments

At 31 March 2006 the value of other financial commitments (which are not operating leases) was £671k. These relate to the provision of IT management services (£213k), accounting systems (£130k) and network line rentals (£328k). The value as at 31 March 2005 was £472K.

Notes to the Accounts

17 Losses and special payments

During the year 2005-06 NHS Professionals incurred losses and special payments as follows:

Settlement of Employee Claims	£9,000

18 Related parties

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

The Department of Health is regarded as a controlling related party. During the year the Authority/Board has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, i.e. sales and services to other Health Authorities, Primary Care Trusts and NHS Trusts during the year were valued at £272 million which represented trading with 181 individual organisations.

Purchase of goods and services from other Health Authorities, Primary Care Trusts and NHS Trusts during the year were valued at £10.5 million, which represented trading with 203 individual organisations.

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

19 Post balance sheet events

There were no material reportable post balance sheet events for 2005-06.

20 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, NHS Professionals 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. NHS Professionals 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 NHS Professionals in undertaking its activities.

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

Liquidity Risk

NHS Professionals net operating costs are financed from resources voted annually by Parliament. NHS Professionals largely finances its capital expenditure from funds made available from Government under an agreed capital resource limit. NHS Professionals is not, therefore, exposed to significant liquidity risks.

Interest rate risk

100% of the Authority's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. NHS Professionals is not, therefore, exposed to significant interest rate risk.

Foreign currency risk

NHS Professionals has negligible foreign currency income.

Fair values

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

21 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	797	0	2,838	0
Balances with local authorities	0	0	11	0
Balances with NHS Trusts	48,124	0	2,217	0
Balances with public corporations and trading funds	(1)	0	28	0
Balances with bodies external to government	260	0	21,826	0
At 31 March 2006	**49,180**	**0**	**26,920**	**0**

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	1,129	0	580	0
Balances with local authorities	2	0	3	0
Balances with NHS Trusts	47,713	0	11,709	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	93	0	36,719	0
At 31 March 2005	**48,937**	**0**	**49,011**	**0**

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NHS
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