



Prescription Pricing Authority

ANNUAL REPORT AND ACCOUNTS 2005-2006



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NHS Prescription Pricing Authority

ANNUAL REPORT 2005-2006

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INTRODUCTION TO THE PRESCRIPTION PRICING AUTHORITY

The Organisation

The Prescription Pricing Authority (PPA) is an NHS Special Health Authority that supports the delivery of primary healthcare services within the National Health Service in England. Our work is focused upon the payment, information and budget management of significant numbers of professionals involved in front-line patient care. Our prescribing information systems provide the basic building blocks for performance management in the primary care sector.

The PPA was established under the National Health Service Act 1977 and reconstituted under that Act in 1990.

Our main functions are:

to calculate and make payments for amounts due to pharmacists and appliance contractors, and calculate amounts due to general practitioners, for supplying drugs and appliances prescribed under the NHS;

- to produce information for General Practitioners (GPs), Primary Care Trusts (PCTs) and other NHS stakeholders about prescribing volumes, trends and costs;
- to manage the NHS Low Income Scheme (LIS) and a range of exemption and pre-payment certificates offering help with health costs;
- to manage the receipt of applications and the distribution of European Health Insurance Cards throughout the UK;
- to produce the Drug Tariff containing the reimbursement prices of a range of prescribable items and remuneration rules; and
- to provide managed financial and human resources services to a range of external public bodies.

In October 2003 the Secretary of State announced the intention to review the Department of Health's Arms Length Bodies, of which the PPA was one. Subsequently, a report "Reconfiguring the Department of Health's Arms Length Bodies" was published which detailed the bodies that would merge, be abolished, or see their functions transferred. This was followed in November 2004 by the publication of "An Implementation Framework for reconfiguring the Department of Health's Arms Length Bodies", setting out the principles, processes and timescales by which the change programme would be implemented. As a result the PPA was dissolved on 31 March 2006 and with effect from 1 April 2006, its functions were transferred to the NHS Business Services Authority, a Special Health Authority created on 1 October 2005.

All assets, liabilities and staff of the PPA transferred to the NHS Business Services Authority on 1 April 2006, and as the transfer of activities was between NHS bodies, they are not considered as 'discontinued'. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PPA final financial statements.

Our Vision

Everything we do is linked to our governing vision:

To support effective patient care by delivering high quality services and management information across the NHS.

The PPA exists to add value to the NHS, supporting front-line healthcare by operating national services that are cost effective and efficient. These national services provide the means for transactions to be handled consistently. By drawing comprehensive data from these transactions, we can also enable meaningful comparisons to be made across England's health economy.

We provide five core types of service:

Service Type	Principal Stakeholder
Payment Services – processing over two million prescription items for payment every working day.	10,000 community pharmacy contractors are paid directly, 4,400 dispensing doctor payments are calculated for payment by PCTs
Information Services – analysing each item to form the basis of our prescribing information services.	PCTs receive a range of prescribing and financial information. National information services support other NHS bodies .
Regulatory Services – providing regulatory and administrative support to the Department of Health to enable it to manage a range of pharmaceutical services.	Services which support prescribers and dispensers and which enable the Department of Health to implement policy effectively and holistically
Patient Services – administering exemption or assistance with health costs for those who need it. Receiving applications and distributing European Health Insurance Cards to those entitled to these throughout the UK.	Over five million NHS patients receive Help With Health Costs. Fifteen million UK citizens have received a EHIC since September 2005.
Managed and Hosted Services – underpinning our own direct services and those of other NHS organisations.	Supporting national bodies working across health and social care with Finance and HR services

For each service, we measure the effective delivery of the service; the quality of what we deliver; the efficiency with which we deliver it; and the satisfaction of service users with what they receive. We have worked to realistic but stretching targets for effectiveness, efficiency and quality performance indicators.

MANAGEMENT SUMMARY

Introduction

The Department of Health's (DH) review of its Arm's Length Bodies (ALB), which reported in July 2004, established 2005-06 as the closing year of the Prescription Pricing Authority. The PPA will merge with other bodies providing services for frontline NHS organisations into the new NHS Business Services Authority (NHSBSA) on 1 April 2006. The PPA's plans and activities for 2005-06 have been dominated by this process. The process towards this merger has created a number of organisational milestones during the year and has moderated the shape of service delivery and development achieved within the year.

Capacity Improvement Programme

The Capacity Improvement Programme (CIP) constitutes the fundamental redesign and re-equipping of the PPA's prescription processing activities. The purpose of CIP is to provide an increase in prescription processing capacity and put in place the ability automatically to process both paper and electronic prescription payment claims. Electronic reimbursement claims will be submitted by contractors as the Electronic Prescriptions Service is rolled out across England. The processing infrastructure developed under the CIP will be capable of facilitating the changeover from paper to electronic in a way that optimises the efficiency of each process. Current trends suggest that the total volume of prescriptions received for processing will increase by more than 40% between 2005 and 2011.

Before the start of 2005-06, the PPA developed a working CIP model to test the various components, levels of automation and staff throughput upon which a CIP business case could be based. During 2005-06, that business case was submitted to the Department of Health and was approved. Supplementary business cases have been prepared for the estates changes that will be needed to move to three processing sites from the current nine.

The capacity of CIP to deal with prescriptions without manual intervention was shown to exceed initial estimates as it was demonstrated that the intelligent character recognition element of the programme was able to capture more free-form data from prescription forms than had been originally envisaged.

The scale and the planned pace of change was formally announced to staff at the beginning of November 2005. The total number of staff (whole time equivalents) that will be required to process the national prescription processing workload when CIP is fully implemented is estimated to be between 600 and 700 people. The equivalent total number of people currently employed to undertake the process on existing technology is 1,300 (whole time equivalents).

The payback of the investment to drive CIP forward is less than two years. Recurring savings of over £20 million will result, which will form a significant contribution to the savings targets required of the NHSBSA in the period to 2008. However, major transitional costs will be incurred as part of the rollout of CIP. The rollout plan is subject to review because of the funding to the NHSBSA. The exact timescale for rollout cannot be determined until this funding has been agreed.

European Health Insurance Card (EHIC)

The DH International Division commissioned the PPA to administer a replacement system for the existing E111s, enabling access to medical treatment across Europe.

Cards have been issued from September 2005, replacing E111 forms, which became obsolete from the end of December. The card production is outsourced.

The volume of applications received and processed by the PPA stands at 15 million. This is three-fifths of the total distribution originally envisaged for the first 18 months of the project. The bulk of these – 11.5 million – come from cards provided to people who had applied for E111 from 2004 onwards and indicated they would like to receive an EHIC once these were available. The remaining 3.5 million applications were direct EHIC applications received since September 2005. Overall volumes in December and November 2005 were double the forecast receipts. The proportion of these received via the Internet (47%) has exceeded expectations. Postal applications represent 29% of the total with the remainder (24%) being made over the telephone. The PPA has responded to a request from the DH with a proposal to increase the service to include distribution of a travellers' information booklet and paper application forms through a dedicated customer contact centre.

The DH has described the implementation of EHIC as “the most successful Government project to date in encouraging on-line applications. It has received a significant amount of positive feedback from members of the public who have used the system. It has also brought incidental benefits, including a significant increase in the number of people registering as organ donors.” The project won an award for “The best project – Government to citizen” at the Government Computing BT Awards for Innovation 2006.

Moving from Paper to Electronic Publication

In the past five years, there has been an increasing shift in the way that service users have accessed PPA prescribing information services. As new and improved electronic services have become available such as the PCT Board Report and the electronic Prescribing and Financial Information for Practices (ePFIP) service, reliance on paper variants of PACT and PMD has fallen. The PPA decided to cease the production of these paper reports from October 2005 as part of the 2005-06 Business Plan. This was coupled with a new drive to promote use of EPFIP and ePACT to all service users. This change was completed successfully in October 2005 once additional functionality had been applied to ePACT and EPFIP to enable the changeover for users. This change has produced revenue savings of £1.2 million.

The PPA had also planned to cease production of the paper Drug Tariff, which is produced monthly and widely circulated, in favour of the now well-established electronic variant. However, this has been superseded by the DH decision to seek further consultation with stakeholders currently in receipt of the paper version.

Use of the PPA website and the PPA NHSnet site, through which most information services are accessed, continues to rise every quarter and now averages 100,000 visits per month.

Policy Developments

Within the context of CIP as the significant development for 2005-06, the Business Plan contained a commitment to implement a small number of policy changes from the DH.

Safer Management of Controlled Drugs – New standard forms have been developed to support the capture of private prescription data for prescriptions dispensed from April 2006. The information on the back of NHS form has been revised too. Data capture and prescribing information systems have been revised to incorporate information derived from private controlled drug forms. These systems will be live in 2006.

Home Oxygen Service – Changes to this service required the PPA to agree a process for payment claims and payment timescales by June 2005, in preparation for the first payments to the new contractors in February 2006. This was completed. The system will be in transition until August 2006, with legacy payments continuing until that date.

Extending the Range of Prescribers – changes to processing systems and information systems were completed to accommodate the new types of independent and supplementary prescribers entering primary care prescribing.

Introduction of Category M generic drug prices – this new drug tariff pricing category was introduced successfully in 2005.

Pharmaceutical Price Regulation Scheme – The PPRS, a voluntary arrangement between the DH and Pharmaceutical Industry, was revised in 2005/06 and resulted in a 7% reduction in proprietary drug prices. The PPA completed the changes required to implement the scheme and continues to monitor prices submitted by manufacturers for the products included in the 2005 PPRS scheme, providing a monthly report to the DH.

VAT claims relating to 2004-05 – the DH asked the PPA to calculate revised VAT allowances for dispensing doctors and for personal administration claims for prescribing doctors for 2004-05. This was completed.

Additional work was carried out to support the DH in introducing the new pharmacy contract and in recharging new contract costs to PCTs, the continued rollout of the out of hours supply of medicines and the simplification of the rules for reimbursement and remuneration. There was also work undertaken to introduce repeat dispensing for primary care prescribing. The PPA introduced a change control process to capture and appropriately consider additional requests from DH, which did not form part of the Business Plan. Three such requests were considered in the year.

People and Performance

The Authority uses a range of methods to facilitate good communication between all staff. Newsletters are published on a variety of matters to brief staff on forthcoming developments within the Authority that affect them and to keep them apprised of developments in the wider NHS. Information is both posted on the PPA intranet site as well as hard copies being available for staff with no intranet access. Internet sites are used to keep all staff informed of relevant developments. Full information of the Authority's written policies and procedures are contained in the Human Resources Manual and Health and Safety Manual, which are available to all staff in both hard copy and electronically.

The Authority has regularly reviewed statistics relating to the composition of its staff based on ethnicity, age and gender and compares this with information provided by CRE to ensure that its staff reflect the make up of local populations. HR statistics are provided quarterly to give a view of absence rates, turnover and the basis on which staff are employed.

The PPA has both local and national consultative forums for formal consultation with recognised trade unions. All staff are encouraged to join a recognised trades union. During 2005-06, the new national Agenda for Change agreement has been implemented for staff throughout the PPA. The implementation of Agenda for Change facilitated partnership working between staff side and the Authority with significant numbers of staff being trained and participating in Agenda for Change activities. A number of working groups exist at both national and local level to facilitate the development of policy for the PPA. These include equalities and race relations forums.

The PPA has achieved the assimilation of all staff onto Agenda For Change Pay Bands and Terms and Conditions.

- In addition to assimilation of pay all staff have an agreed Knowledge and Skills Framework (KSF) Outline.
- All relevant HR policies have been agreed to reflect the Agenda for Change agreement, and where this is silent, or the facility exists for a local agreement to be made, these have been negotiated with Staff side.

The Agenda for Change Project has facilitated a strong partnership working ethos between the Authority and its people with significant numbers of staff being trained and participating in Agenda for Change activities.

A separate remuneration report is contained within this document. This report contains a complete and up to date record of the interests of all members of the NHS Business Services Authority and also highlights the standard disclosures with respect to the pensions paid to senior managers.

Details of the pension scheme are disclosed in note 1.9 of the annual accounts.

Health and Safety

A full range of Health and Safety policy and procedures set out how the PPA fulfils its health and safety responsibilities. It applies to staff, visitors, contractors and anyone who might be affected by activities related to commercial and industrial properties and projects. Training and Development activities are run regularly to ensure that staff meet statutory, mandatory and developmental needs. The Authority meets its duties in the reporting of accidents and regularly reviews statistics at the National Safety Committee with a view to carrying out preventative measures. All staff have free and self-referral access to a Counselling Service. The PPA has a contracted out OHS Service.

Equal Opportunities Statement

The PPA is committed to providing equality of opportunity for all employees. It is also committed to the application of employment practices, policies and procedures which positively value diversity and which aim to ensure that all employees and potential employees receive fair, equitable and consistent treatment. It is intended that no-one should receive less favourable treatment or be subject to direct or indirect discrimination on grounds of race, colour, nationality, ethnic origin, gender, sexual orientation, marital status, age, disability, religion, political affiliation, trade union membership or criminal record.

This policy is complementary to the NHS Staff Council Equal Opportunities Agreement.

The PPA has a single Committee dealing with Race Relations and Equality & Diversity, within a strategic framework, to ensure that commitment to equality issues is an inherent part of the direction of the Authority. This strategic framework is modelled on NHS best practice; namely the Positively Diverse Framework which has been acknowledged by the DH as key to supporting the NHS's equality and diversity agenda by promoting approaches to increase workforce diversity and improve equality standards.

Employment of people with a disability

The PPA is a two ticks disability symbol user and as such complies with the requirement of this standard in the employment of people with a disability.

Summary of Risks and Challenges

There are risks inherent in any business operation. For the PPA, the significance of the change and the size of CIP represent the principal risks facing the organisation. CIP is driven through a project structure that identifies and manages risk. Project risk is linked into the corporate risk register. The register has been maintained throughout the year. It will migrate to the operational environment of the NHSBSA Prescription Pricing Division. Risks transferring to NHSBSA have been identified in a separate report to the Audit and Risk Management Committee.

A series of continuing challenges, which must be addressed, are presented within that risk structure. The first is to secure the transitional funding on which CIP is dependent. The rollout is reliant on the availability of new data capture and processing systems in consolidated locations with suitably trained and structured staff. Each of these elements is sensitive to the availability of appropriate resources at appropriate times. The second is the transition to delivery within the NHSBSA. This is a significant exercise in its own right and will present new constraints and priorities in the management of existing PPA services. The final challenge is to be able to maintain effective relationships with sponsors and stakeholders that continue to enable an effective response to the DH and effective services to the NHS.

The Authority's key risks are set out in its Risk Management Strategy which is published on its website, www.epact.ppa.nhs.uk/ppa/risk_register.htm.

Business Continuity

The PPA's business continuity and disaster recovery planning sits alongside the risk management framework. Relevant identified risks are mitigated through the business continuity plan. The plan is constructed around the cyclic demands of PPA services with roles assigned at strategic and operational levels throughout the organisation. There are no imminent threats to business continuity. Continuity planning will continue through handover into the operational management of the Prescription Pricing Division.

Governance at Handover

The Authority has considered the achievement of its Key Performance Indicators each month and performance against Business Plan objectives half-yearly. Financial monitoring and risk management are within the remit of the Audit and Risk management committee of the PPA and are reflected in regular reports to the full Authority Meeting. In addition to this report, schedules and reports covering these matters have been prepared to summarise the PPA's performance to the end of March 2006 and the position at handover to the NHS Business Services Authority on 1 April 2006.

Performance Against the PPA's Objectives for 2005-06

Overall, the PPA Business Plan contained 44 target areas at the year-end. These are summarised in the table (Table 1) below against the five business plan sections. Of these, 22 were complete and 20 were continuing at or above target. These continuing targets include all monthly-reported Key Performance Indicators (12 – all 'Maintaining core Services') and programmes of work, which extend beyond 31 March 2006. These are:

- Monitor progress of ETP against timescales yet to be agreed with NHSCfH
- Maintain and update the NHS dm+d Editorial Policy. Release updated versions following any significant changes to policy
- Maintain PPA legacy systems related to oxygen services during the transition phase to 31 July 2006
- Provide market intelligence to DH on the supply and reimbursement of generic medicines each month
- Provide market intelligence to DH on the supply and reimbursement of proprietary medicines each month

- Provide market intelligence to DH on reimbursement of Standard Branded Generic Medicines following the DH consultation on 15 April 2005
- Develop CIP for implementation

Two targets were placed on hold during the year (These are discussed in the Management Report above):

- Paper drug tariff
- Chargeable FOI service

Table 1

Section	On Hold	Below Target	On Target	Above Target	Complete	
Maintaining Core Services	2		12		4	18
Developing Core Services			6		14	20
CIP			1		1	2
EHIC					2	2
Transferring to the NHSBSA			2		2	2
Total	2		20		22	44

Performance against the Authority's Key Performance Indicators are tabulated in Tables 2 and 3, below, these tables have been calculated on the same basis as in previous years.

The responsibility for each target is assigned to an officer independent of the process. This allows for an internal, systematic validation of the result before it is reported on a quarterly basis to the Authority. The accuracy statistics are measured by the Prescription Analysis Team independent of operations processing.

Table 2 – SERVICE AVAILABILITY AND KEY DATES

Month Prescriptions Dispensed or Request Keyed	PAYMENTS				INFORMATION SERVICES							
	Final Authorised Payment to Pharmacy Contractors		Final Authorised Payment to Appliance Contractors		ePACT.net		Prescribing Toolkit		IPP		PCT Board Report	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Jan 05	01 Apr 05	✓										
Feb 05	29 April 05	✓	01 Apr 05	✓	13 Apr 05	✓			29 Apr 05	✓		
Mar 05	01 Jun 05	✓	29 April 05	✓	12 May 05	✓	19 May 05	✓	31 May 05	✓	20 May 05	✓
Apr 05	01 Jul 05	✓	01 Jun 05	✓	15 Jun 05	✓			30 Jun 05	✓		
May 05	30 Jul 05	✓	01 Jul 05	✓	14 Jul 05	✓			29 Jul 05	✓		
Jun 05	01 Sep 05	✓	30 Jul 05	✓	16 Aug 05	✓	23 Aug 05	✓	31 Aug 05	✓	24 Aug 05	✓
Jul 05	30 Sep 04	✓	01 Sep 05	✓	15 Sep 05	✓			30 Sep 05	✓		
Aug 05	01 Nov 05	✓	30 Sep 04	✓	14 Oct 05	✓			31 Oct 05	✓		
Sep 05	01 Dec 05	✓	01 Nov 05	✓	11 Nov 05	✓	18 Nov 05	✓	30 Nov 05	✓	21 Nov 05	✓
Oct 05	30 Dec 05	✓	01 Dec 05	✓	09 Dec 05	✓			30 Dec 05	✓		
Nov 05	01 Feb 06	✓	30 Dec 05	✓	11 Jan 06	✓			31 Jan 06	✓		
Dec 05	01 Mar 06	✓	01 Feb 06	✓	10 Feb 06	✓	17 Feb 06	✓	28 Feb 06	✓	20 Feb 06	✓
Jan 06			01 Mar 06	✓	10 Mar 06	✓			31 Mar 06	✓		
Basis of availability	First day of second month following submission or earlier if not a working day (except April)		First day of month following submission or earlier if not a working day (except April)		Monthly, five working days after processing ends		Quarterly updates, ten working days after processing ends		Last working day of second month after dispensing month		Quarterly updates, eleven working days after processing ends	

Source: Contractor Payments Team

Source: IT Department

Month Prescriptions Dispensed or Request Keyed	INFORMATION SERVICES (continued)						DRUG TARIFF		NHS dm+d	
	PCA		ePFIP		Hospital ePACT		Paper Drug Traffic Distribution		NHS Dictionary of Medicines and Devices	
	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved	Target	Achieved
Jan 05										
Feb 05	29 Apr 05	✓	20 Apr 05	✓	13 Apr 05	✓				
Mar 05	31 May 05	✓	19 May 05	v	12 May 05	✓				
Apr 05	30 Jun 05	✓	22 Jun 05	✓	15 Jun 05	✓			30 Apr 05	✓
May 05	29 Jul 05	✓	21 Jul 05	✓	14 Jul 05	✓	27 Apr 05	✓	31 May 05	✓
Jun 05	31 Aug 05	✓	23 Aug 05	✓	16 Aug 05	✓	27 May 05	✓	30 Jun 05	✓
Jul 05	30 Sep 05	✓	22 Sep 05	✓	15 Sep 05	✓	28 Jun 05	✓	31 Jul 05	✓
Aug 05	31 Oct 05	✓	21 Oct 05	✓	14 Oct 05	✓	27 Jul 05	✓	31 Aug 05	✓
Sep 05	30 Nov 05	✓	18 Nov 05	✓	11 Nov 05	✓	26 Aug 05	✓	30 Sep 05	✓
Oct 05	30 Dec 05	✓	16 Dec 05	✓	09 Dec 05	✓	28 Sep 05	✓	31 Oct 05	✓
Nov 05	31 Jan 06	✓	18 Jan 06	✓	11 Jan 06	✓	27 Oct 05	✓	30 Nov 05	✓
Dec 05	28 Feb 06	✓	17 Feb 06	✓	10 Feb 06	✓	28 Nov 05	✓	31 Dec 05	✓
Jan 06	31 Mar 06	✓	17 Mar 06	✓	10 Mar 06	✓	21 Dec 05	✓	31 Jan 06	✓
Feb 06							27 Jan 06	✓	28 Feb 06	✓
Mar 06							24 Feb 06	✓	31 Mar 06	✓
Apr 06							29 Mar 06	✓		
Basis of availability	Last working day of second month after dispensing month		Monthly, ten working days after processing ends		Monthly, five working days after processing ends		To be received by designated NHS bodies three days prior to the applicable month		To provide weekly iterations of the dm+d accessible from www.dmddownload.nhs.uk	

Source: Contractor Payments Team

Source: Pharmaceutical Team

Table 3 - VOLUME PERFORMANCE MEASURES

Performance Month	PATIENT SERVICES									
	PAYMENT	To assess 95% of LIS claims accurately working days of receipt	Clear 99% of all complete LIS claims within 15 working days	Clear 99% of resubmitted LIS claims within 5 days	Clear 99% of LIS misc. items within 5 working days	Clear 99% of certificate applications within 5	Assess 93% of certificate applications accurately			
Apr-05	99.94	96.8	99.64	100	99.72	100	99.6			
May-05	99.92	96.6	99.79	100	99.46	100	99.1			
Jun-05	99.90	97.0	99.88	100	99.53	100	99.1			
Jul-05	99.91	96.8	99.92	100	98.36	100	99.1			
Aug-05	99.91	98.1	99.97	100	98.80	100	99.1			
Sep-05	99.91	96.5	99.95	100	99.45	100	98.9			
Oct-05	99.89	97.4	100	100	99.87	100	99.1			
Nov-05	99.89	98.1	99.93	100	99.54	100	100			
Dec-05	99.89	98.5	99.85	100	100	100	100			
Jan-06	99.89	98.9	99.96	100	99.26	100	99.3			
Feb-06	99.89	97.0	99.96	100	99.38	100	98.9			
Mar-06	99.90	97.4	99.95	100	99.41	100	98.8			

Source: Patient Services

Source: Pharmaceutical Prescription Analysis Team

Complaints Handling

The NHS complaints procedure covers complaints made by a person about any matter connected with the provision of NHS services by NHS organisations. Complaints from NHS organisations and contractors are excluded from formal consideration. Our aim remains to deal with any patient concerns at the earliest possible stage and to try to resolve issues immediately. However, where concerns are not easily or immediately resolved, patients are now advised how they can escalate the complaint.

The vast majority of patient concerns continue to be resolved amicably, either at source or via line management up to Customer Service Manager level. Although the customer base has now risen to well in excess of 20 million, to date, local resolution has not been achieved in only 38 cases, requiring a formal response to be made by the Chief Executive (this includes responses to complaints made via MPs).

In each case, a full response was provided within the prescribed timescale – 20 working days.

Case files have been requested on three cases that have escalated to the Healthcare Commission. They found in favour of the PPA in one case, while the other two cases are still pending. In all cases, the PPA has confirmed that attempts at local resolution have been exhausted.

NHS Tax Credit exemption certificates are automatically issued by the PPA using electronic data provided by HM Customs and Revenue.

During the year, a high volume of calls/letters was received from people who have been sent certificates in error, possibly because of fraud or system failure. Typically, the profile is that:

- the customer has no knowledge of the person named on the certificate
- the customer has never applied for Tax Credits
- the certificate covers twins/triplets born in the last 12 months (many of the callers say they have no children)
- the customers are extremely concerned as the same thing has happened on numerous other occasions
- some callers are receiving multiple certificates, up to 15 in the same post
- some of the certificates are going to empty or non-residential properties

The PPA is currently working in partnership with HM Revenue and Customs to resolve these issues. A dedicated fraud team is profiling claims with known features. During December approximately 13,000 multiple certificates were identified. These have not been logged as complaints for the purpose of this report.

Financial performance and position

The financial statements for the Authority are shown on pages 36 to 38. The accounts have been prepared in accordance with the direction given by the Secretary of State for Health under section 98(2) of the NHS Act 1977 (as amended) and in a format as instructed by the Department of Health with the approval of HM Treasury. A copy of the directions are on page 63.

They confirm that the Authority reported a net operating cost of £74.054 million, which was £12k below the revenue resource limit of £74.066 million. The capital resource outturn was £5.511 million, which was £19k below the capital resource limit of £5.530 million (shown in Notes 3.1 and 3.2).

The Authority was also required to stay within the overall cash limit of £75.042 million. This was achieved and there was a balance of £27k in the Authority's bank accounts at 31 March 2006.

The Authority experienced major funding changes during 2005-06. These include financing of £8.5 million to develop and supply the European Health Insurance Card (EHIC) and to process data for the existing E111 scheme. The Authority identified funding from within the revenue allocation to finance the implementation costs in relation to the Capacity Improvement Programme (CIP).

Major capital schemes undertaken during the year included major hardware components to enable the delivery of EHIC and to accommodate growth in image processing for CIP as well as infrastructure changes and licenses to allow the processing of prescriptions via scanning. The Authority took a lease on a new property in Bolton to install the CIP process in 2006-07.

The Authority's uplift from the Department of Health to cover inflation and pay awards was 2.5%. However the cost to the Authority of the Administrative and Clerical Staffs pay award amounted to 3.225%. The shortfall of £339k was met by efficiencies generated through cost improvement programmes.

The Authority agreed with the Department of Health a total brokerage of £3.3 million from 2005-06 to 2006-07 (including £0.5 million of capital allocation) to part fund the development of CIP. The Authority's resource limit was also reduced by £0.5 million as a contribution to the funding of the NHSBSA which was set up in October 2005.

The Authority has continued to provide financial and human resources services to a range of external bodies throughout 2005-06. Cash limits in excess of £323 million were given to cover expenditure by the following organisations:

- NHS Modernisation Agency
- Care Service Improvement Partnership
- Modernising Medical Careers
- NHS Connecting for Health
- DH Secondary Care Projects

The remaining organisations provided funding or were invoiced to cover expenditure incurred on their behalf to the value of £78 million:

- National Primary Care Development Team
- NHSU
- Department of Health Expert Patients Programme (part funded by cash limit)
- NHS Institute for Innovation and Improvement
- Health and Social Care Information Centre

This expenditure is not included in the Authority's Income and Expenditure accounts and is recharged back to the originating organisation. However, the Authority's costs incurred in providing these services have been included along with the total contribution from the organisations of £1.2 million towards these costs. There are residual debtor/creditor balances within the Balance Sheet reflecting the relative cash positions of each organisation as at 31 March 2006.

The Authority used the cash limits globally to fund the expenditure of the bodies above. Total cash drawings were £383 million. The global cash limit was £398 million.

As a result of the Arms Length Body Review the Authority's financial services function was expected to transfer to the NHS Shared Business Services Ltd by 1 April 2006. However due to a continuing need to provide services for hosted bodies this has now been delayed. The Authority will continue to provide financial services to a reduced number of organisations until this time.

Over 97% of the value of invoices received are paid within 30 days.

Overall the debtors balance has increased from £8.3 million in 2004-05 to £9.4 million in 2005-06. The level of prepayments has increased by £1.15 million as a result of additional contractual obligations for maintenance and rental payments relating to CIP and EHIC.

Creditors have increased from £2.15 million in 2004-05 to £3.53 million in 2005-06. Accruals have increased by £307k which relates to EHIC contract staff, printing and postage and CIP divisional rollout.

Future Financial Performance

As part of the NHSBSA the organisation will have stringent financial targets to meet in the next 3 years. The implementation of the CIP programme will go a long way to meeting both the financial and headcount targets given by the Department of Health for the NHSBSA. However further savings will need to be achieved if the targets are to be met in full. The organisation is reviewing how these efficiencies can be achieved as part of the wider NHSBSA strategy.

Contractual obligations

A further set of accounts are produced in relation to payments made in respect of pharmaceutical services that are not accounted for by Primary Care Trusts (PCTs) or NHS Hospital Trusts for the payment of pharmacists, appliance contracts and oxygen concentrator suppliers. The basic cost of drugs and any discretionary local payments are recharged back to the prescribing body and are included in their accounts. Dispensing fees, patient charges and non-discretionary payments are accounted for by the Authority separately within the Pharmaceutical Account. The Authority calculates and authorises the payments for dispensing doctors and personal administration claims, but the actual payments to GPs are made by Primary Care Trusts.

The Authority has no contractual relationship with dispensers, who work under contract to their local Primary Care Trust. The Authority does not, therefore, authorise the payment of additional fees or monitor the quality of service provided by dispensers. In relation to patient exemption checking the Authority has no power to instruct the dispenser to ensure that the patient exemption is claimed correctly.

Our resources

The PPA as a stand alone special health authority does not have any special relationships with other bodies other than those that it provides services to. This would include other NHS bodies that use PPA information for the delivery of their services. The PPA does provide support to other government bodies on an adhoc basis by providing information on the services it provides.

The Environment and Sustainability

The Prescription Pricing Authority recognises that the management of the impact of its business processes on the environment is of fundamental importance to its stakeholders and members of the public. The Authority will endeavour to adopt measures that will reduce the impact that its business operations and activities have on the environment.

In order to achieve this, the Authority has implemented policies and strategies that:

- make sustainable development and continuous improvement a key part of all policies and procedures;
- recognise and appraise the impact that our facilities, services and activities have on the environment;
- introduce and develop environmental management systems;
- include environmental consideration in investment decisions;
- ensure that the activities of the Authority comply with all statutory requirements of environmental legislation and aim for continual improvement in environmental performance over defined time scales.

The Management Board are fully committed to improving the environmental performance of the Authority, and demonstrate that commitment by endorsing this policy and its subordinate strategies.

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 1977 as amended by the Governance Resources and Accounts Act 2000 (audit of Health Services bodies) Order 2003, Number 1324. The Audit Certificate is on pages 34 and 35.

The agreed fee for the audit was £133,000.

Summary

The Prescription Pricing Authority has met its corporate objectives for 2005-06. The services to be transferred to the NHS Business Services Authority are fit for purpose and capable of meeting the needs of stakeholders. There are significant challenges to be met and managed within the transferring organisation and within the wider NHSBSA.

This is the final Annual Report and Accounts for the Prescription Pricing Authority. Future activities of the PPA will be reported as part of the NHSBSA Annual Report from 2006-07 onwards.

Nick Scholte
Accounting Officer
7 July 2006

REMUNERATION REPORT

This report for the year ended 31 March 2006 is produced by the Board on the recommendation of the Remuneration Committee and deals with the remuneration of the Chief Executive and Executive Directors who have influence over the decisions of the Authority as a whole.

Remuneration Committee

The remuneration of the Board is set by the Remuneration and Terms of Service Committee which is comprised of the Authority's Chairman and two non-executive members, currently A Galbraith (Chair) and J Norman and S Purdy.

The committee's members are elected for the tenure of their appointment to the Authority Board. A quorum of this committee shall be two.

The Chief Executive or other Directors are not present for discussions about their own remuneration and terms of service, but could attend meetings of the Committee to discuss other employee terms.

The work of the Committee is supported and administered by the Chief Executive and appropriate staff.

The Remuneration Committee met four times during the course of the year.

Remuneration Policy

The posts falling within the responsibility of the Remuneration and Terms of Service Committee are; the Chief Executive, Chief Executive reportees who are Directors and, exceptionally, any post which is analogous to a Director post and determined by the Remuneration Committee on the recommendation of the Chief Executive to be outside NHS Pay Bands 1-9.

The remuneration of executive members is reviewed annually by the Remuneration and Terms of Service Committee and the remuneration of non-executive members is set by the Secretary of State.

The Committee will:

- (i) Make recommendation to the Authority on the Terms of Service and remuneration of the Chief Executive, such other posts as may be deemed to be within the purview of the Committee as determined under Paragraph 8 (1) of those Terms of Reference ensuring that they are fairly rewarded for their individual contribution – having regard to any specified nationally determined criteria and the Authority's circumstances and performance.

- (ii) Ensure that appropriate systems are in place and are being properly administered for the assessment of individual performance and the determination of remuneration for relevant staff.
- (iii) Oversee contractual arrangements for relevant staff, including the calculation and scrutiny of termination payments, ensuring that such payments are appropriate and take account of national guidance.
- (iv) Report to the Authority concerning the basis of its recommendations. The Authority shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of the Chief Executive, Directors and other employees as may be deemed to be within the purview of these Terms of Reference. Minutes of the Authority's meetings should record such decisions.

The NHS Agenda for Change Agreement provides pay bands which allow for annual increments. The pay bands also contain gateway points. Progression beyond these gateway points is subject to the employee demonstrating required competence against a knowledge and skills framework developed for each post.

The PPA has determined that the Chief Executive and Directors are outside of the NHS Agenda for Change Agreement.

There are no employees of the Authority who are subject to Performance Related Pay.

Service contracts

Non executive directors are appointed by the Secretary of State for a term of either three years or four years.

Executive directors have standard contracts of employment with the Authority.

There are no contractual clauses or any other agreements for compensation in the event of early termination of office.

Emoluments of Board members

	2005/06			2004/05		Date of Contract	Date of Resignation	Contract Expires
	Salary in £5k bands	Other Rem- uneration in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	Other Rem- uneration in £5k bands			
Name and title	£000	£000	£000	£000				
A Galbraith - Chairman	15-20	0	0	15-20	0	1 Nov 2004		31 Mar 2006
M Ali – Authority Member	5-10	0	0	5-10	0	1 Feb 2003		31 Mar 2006
M Bennett – Authority Member	5-10	0	0	5-10	0	1 Dec 2002		31 Mar 2006
J C Norman – Authority Member	5-10	0	0	5-10	0	1 Jan 2005		31 Mar 2006
S Purdy – Authority Member	5-10	0	0	5-10	0	1 Jan 2005		31 Mar 2006
J A Stockwell – Authority Member	5-10	0	0	5-10	0	1 Jan 2005		31 Mar 2006
K Murphy - Authority Member	0	0	0	0	0		30 Sept 2005	31 Mar 2006

Emoluments of Chief Executive and Senior Managers

	2005/06			2004/05		Notice Period	Date of Contract	Date of Resignation	Contract Expires
	Salary in £5k bands	2005/06 Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	2004/05 Other Remuneration in £5k bands				
Name and title	£000	£000	£000	£000	£000				
D G Ball – Director of IT	55-60	80-85	3.6	75-80	0		Consent withheld	31 Mar 2006	
C Dalton – Director of Pharmaceutical Policy and Services	80-85	0	0.0	75-80	0	9 Months	18 Aug 1997		
M King – Director of Planning and Corporate Affairs	Consent to Disclose Withheld								
A McDonald – Director of Operations. Appointed Acting CEO from 1 Feb 06	80-85	0	5.7	75-80	0	9 Months	12 Nov 2001		
N Scholte – Chief Executive	100-105	0	7.0	115-120	0		Consent withheld	31 Jan 2006	
M Siswick – Director of Human Resources	70-75	0	1.9	70-75	0		1 Jan 1996	31 Jan 2006	
W J Smith – Director of Finance	70-75	0	3.9	75-80	0		1 May 1985	31 Jan 2006	
C Johnson – Director of Finance (Acting)	10-15	0	0.0				1 Feb 2006		31 Mar 2006
B Alexander – Director of Operations (Acting)	10-15	0	3.2				1 Feb 2006		31 Mar 2006
J Cowen – Head of Human Resources (Acting)	5-10	0	0.0				1 Feb 2006		31 Mar 2006

Note * Other remuneration for D G Ball is made up of redundancy payment of £42K and payment in lieu of notice of £41K. From 1st April 2006 all contracts of employment were transferred to the Business Services Authority under TUPE protection.

Pension benefits

	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 £2,500)	Cash Equivalent Transfer Value at 31 March 2006	Cash Equivalent Transfer Value at 31 March 2005	Real increase in Cash Equivalent Transfer Value
Name and title	£000	£000	£000	£000	£000
A Galbraith - Chairman		N/A			
M Ali – Authority Member		N/A			
M Bennett – Authority Member		N/A			
J C Norman – Authority Member		N/A			
S Purdy – Authority Member		N/A			
J A Stockwell – Authority Member		N/A			
D G Ball – Director of IT		Consent to Disclose Withheld			
C Dalton – Director of Pharmaceutical Policy and Services	5 - 7.5	82.5 - 85	300 – 302.5	260 - 262.5	22.5 - 25
M King – Director of Planning and Corporate Affairs		Consent to Disclose Withheld			
A McDonald – Director of Operations	10 - 12.5	100 – 112.5	357.5 - 360	305 - 307.5	30 -32.5
N Scholte – Chief Executive	92.5 - 95	125 – 127.5	415-417.5	102.5 -105	215 – 217.5
M Siswick – Director of Human Resources	2.5 - 5	37.5 - 40	Consent to Disclose Withheld		
W J Smith – Director of Finance	5 – 7.5	125 – 127.5	487.5 - 490	435 – 437.5	27.5 - 30
C Johnson – Director of Finance (Acting)	10 -12.5	72.5 - 75	240 - 242.5	190 – 192.5	30 – 32.5
J Cowen – Head of Human Resources (Acting)	5 – 7.5	30 – 32.5	107.5 - 110	80 – 82.5	15 – 17.5
B Alexander – Director of Operations (Acting)	10 – 12.5	82.5 - 85	282.5 - 285	230 - 232.5	32.5 - 35

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

The Chief Executive and the Directors received no additional remuneration, golden hello payments for compensation for loss of office.

All benefits in kind relate to the provision of a lease car.

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 members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real Increase in CETV

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

Explanation of Significant Awards

There are no significant awards.

Register of Interests

The Secretary of State has agreed that NHS Authorities should maintain a formal register of Members' interests which should be made publicly available, on request, in the offices of the Authority.

The Register should include details of all directorships and other relevant and material interests which have been declared by both executive and non-executive Board Members.

Interests which should be regarded as “relevant and material” are:

- Directorships including non-executive directorships held in private companies or PLCs (with the exception of those of dormant companies);
- Ownership or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS;
- Majority or controlling shareholdings in organisations likely or possibly seeking to do business with the NHS;
- A position of authority in a charity or voluntary body in the field of health or social care;
- Any connection with a voluntary or other body contracting for any NHS services.

Any changes in interests should also be declared in writing within four weeks of the change occurring, and recorded in the Board Minutes.

Board Members’ Directorships of companies likely or possibly seeking to do business with the NHS should be published in the Board’s Annual Report. The information should be kept up to date for inclusion in succeeding Annual Reports.

During the course of a Board meeting, if a conflict of interest is established, the Board Members concerned should withdraw from the meeting, and play no part in the relevant discussion or decision. This goes further than the present Regulations and will be reflected in Standing Orders.

DR MOHAMMED ALI, OBE

- **Chief Executive**, Quest for Economic Development Limited
- **Member**, Learning & Skills Council (West Yorkshire)
- **Member**, Association of Chief Executives of Voluntary Organisations Board
- **Director**, Alquest Ltd
- **Member**, University of Bradford Council
- **Member**, National Consumer Council Advisory Group
- **Non-Executive Member**, Prescription Pricing Authority

MARTIN BENNETT, B.Pharm, F.R.Pharm.S., F.I.Pharm.M.

- **Managing Director**, Associated Chemists (Wicker) Ltd., 61 – 71 Wicker, Sheffield, S3 8HT. Also trading as HLC – Sheffield Mobility Shop, the Handicapped Living Centre, H + H System, Wicker Pharmacy, Wicker Mobility Shop
- **Non-Trading Company Director**, Handicapped Living Centres Ltd
- **Secretary**, Sheffield Local Pharmaceutical Committee
- **Non-Executive Director**, Committee of Management of the Pharmaceutical and General Provident Society Ltd
- **Non-Executive Member**, Prescription Pricing Authority

ANNE GALBRAITH

- **Self Employed**, Health and Education Consultant
- **Trustee**, charity raising funds for cystic fibrosis
- **Governor and Director**, Durham School
- **Chairman**, Valuation Tribunal Service
- **Chairman**, Prescription Pricing Authority

ALISTAIR MCDONALD (Member of the PPA with effect from 1 February 2006)

- **Acting Chief Executive**, Prescription Pricing Authority

KIERON MURPHY (Member of the PPA up to and including 30 September 2005)

- **Chief Executive**, Solihull Primary Care Trust
- **Non-Executive Member**, Prescription Pricing Authority (until 30 September 2005)

JOHN NORMAN

- **Owner and Director**, Personnel Matters – Human Resources Consultancy
- **Vice Chairman and Non-Executive Board Member**, Bedfordshire Pilgrims Housing Association
- **Trustee and Non-Executive Board Member**, The Guinness Trust
- **Non-Executive Director**, OCP
- **Non-Executive Member**, Prescription Pricing Authority

DR SARAH PURDY

- **General Practitioner**
- **Honorary Senior Lecturer**, University of Newcastle
- **Education and Consultancy**, NHS and other organisations on a self employed basis
- **Senior Clinical Research Fellow**, Academic Unit of Primary Health Care, University of Bristol
- **Non-Executive Member**, Prescription Pricing Authority

NICK SCHOLTE (Member of the PPA up to and including 31 January 2006)

- **Chief Executive**, Prescription Pricing Authority (until 31 January 2006)
- **Non-Executive Director**, Supporta PLC

DR JIM STOCKWELL

- **Director and Shareholder**, Denmans Assignments Ltd
- **Non-Executive Member**, Prescription Pricing Authority

STATEMENT OF THE MEMBERS' AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, the Prescription Pricing Authority is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the PPA state of affairs at the year end and of its net resource outturn, 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 the NHS Business Services Authority as the Accounting Officer, with responsibility for preparing the Authority's accounts and for transmitting them to the Comptroller and Auditor General.

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

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards had been followed and disclosed and explained any material departures in the financial statements; and
- prepared the financial statements on a going concern basis, notwithstanding the dissolution of the Prescription Pricing Authority, Prescription Pricing Authority operations will continue under revised management arrangements.

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

Audit Assurance

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

STATEMENT OF INTERNAL CONTROL 2005-06

1. Scope of responsibility

The Prescription Pricing Authority ceased to exist on 31 March 2006. The Statement of Internal Control for the Authority 2005-06 has been completed by the NHS Business Services Authority in its capacity as the body incorporating the functions previously carried out by the Prescription Pricing Authority.

Due to the closure of Prescription Pricing Authority I have signed this Statement of Internal Control being the Chief Executive and Accounting Officer of the NHS Business Services Authority.

As Accounting Officer for the Prescription Pricing Authority for the period 1 April 2005 to 31 January 2006 together with the former Acting Chief Executive of the Prescription Pricing Authority who was in post for the period 1 February 2006 to 31 March 2006 I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accounting Officer Memorandum.

The Authority occupied a unique position within the National Health Service. Its work was fundamental to the payment and budget management of significant numbers of professionals involved in front line patient care. We provided secure, high quality information services to a range of stakeholders. We were also a national provider of managed services to the NHS, and support PCTs, Hospital Trusts, and other bodies in their delivery of patient care.

2. The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control was in place in the Prescription Pricing Authority for the year ended 31 March 2006.

3. Capacity to handle risk

The Authority had a range of internal control and risk management processes including a policy and strategy for risk management, which was endorsed by the Authority, the Management Board and Audit Committee. The system of internal control comprised:

- Clearly defined organisation structures and delegated authorities appropriate to the Authority's business.

- Approval of Authority strategy and business plans by both the Authority and the Department of Health (DH).
- Regular internal review processes, supported by review with our DH sponsor branch.
- Authority wide standards, policies and processes on core business activities including risk management, health and safety, financial management, managers code of conduct and corporate governance framework.
- An embedding of risk management and business continuity planning, to provide assurance that should risks materialise, plans are in place to ensure continuity of operations whilst we return to normal operation.

More specifically the Authority's risk management policy and strategy was part of the board assurance framework, and was maintained and developed to ensure continuing effectiveness. The policy:

- was endorsed by the Chief Executive and members of the Management Board, demonstrating leadership and commitment to risk management and a sound system of internal control.
- defined an Audit Committee, chaired by a non-executive member of the Authority, providing an independent view and advice on governance, risk and control issues.
- included a risk management group consisting of risk liaison officers which meets regularly to discuss incidents, significant internal control issues and reviews risk management progress within each business unit. For further assurance, the Chair of the Audit Committee also attends.
- described an assurance framework that overlays business objectives, with areas of principal risk to achieving objectives, outlining the key controls that provides assurance that risks are being managed, and with an action plan to mitigate risk exposure.
- enabled the identification and prioritisation of the risks to achieving organisational policies, aims and objectives.
- described the Authority's framework for managing organisational risk at all levels.

The Authority's risk management arrangements were based on:

- a set of risk registers targeted at all organisational layers that was prepared and maintained throughout the business planning and regular review process.
- staff training to manage risk in a way appropriate to their authority and duties. Training was augmented by programmes of facilitated risk workshops.
- a reporting structure that facilitated the inclusion of risk, control issues and assurances at Management Board, Authority and Audit committee meetings.
- quarterly reviews of the corporate risk register, reviewing risks and including new risks where appropriate.
- an independent Internal Audit function to provide assurance on the effectiveness of the system of internal control.

4. The risk and control framework

The risk management policy and strategy document described in detail how the Authority approached the management of risk. It described:

- an organisational structure for managing risk that provided independence through an Audit Committee, assurance via Internal Audit, involvement of non-executive Directors, organisational accountability for risk management and an operational group to undertake the work.
- how the assurance framework was applied to our business.
- definitions of risks, and descriptions of the type of risk that the Authority was exposed to.
- the framework that enabled the Authority to structure its risk management process at all levels of operation and planning. Risks were passed up and down the organisation; connected both laterally across the Authority and horizontally through the planning process.
- how the business planning and review process assisted in identifying evaluating and controlling risk.

Specific areas of risk management included:

- Strategic planning – Risks to the Authority's strategy were assessed, risk registers were published and action plans were implemented.
- Business planning – The Management Board discussed risk as a regular agenda item at quarterly review of the organisational business plan. High profile risks from directorate business planning were also escalated to this level.
- Operational planning – The Management Board reviewed risks to operational targets on a regular basis. Risks highlighted in directorate planning were escalated to this review when appropriate.
- Project management – Projects were attributed to programmes of work, with Management Board members acting as programme directors, responsible for delivery. Major projects were managed using the PRINCE2 methodology. Risks were considered from both a project and programme perspective.
- Risk of opportunity – the Management Board was aware that risk taking can bring both rewards and penalties. In contributing to understanding more fully the consequences of taking those risks, management tools such as Six Sigma were utilised to assist in managing risks with greater confidence.
- Quality management – Organisational accreditation to ISO 14001:1996, and accreditation to ISO9001:2000 in respective directorates across the Authority provided additional assurance that key controls were in operation, were audited and were fit for purpose.

The Authority was committed to working in partnership with our stakeholders, to improve communications and influence policy development. Our approach included:

- Understanding stakeholder satisfaction, through surveys, forums, conventions and an annual open Management Board meeting.
- Utilising the Authority's web site as a vital source of information for stakeholders and the public describing our total range of services.
- Open publication of documents such a risk registers to inform stakeholders of how we were managing our risks.
- Regular and frequent contact with our sponsor DH branch.

5. Review of effectiveness

Within the Prescription Pricing Authority the Acting Chief Executive and myself had responsibility for reviewing the effectiveness of the system of internal control on an ongoing basis during the course of the year. This was informed in a number of ways. The Head of Internal Audit provided me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provided me with assurance. The Assurance Framework itself provided me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives had been reviewed. My review was also informed by Internal and External Audit.

I was advised on the implications of the result of my review of the effectiveness of the system of internal control by the Authority, Management Board Audit Committee and Internal Audit. A plan to address weaknesses and ensure continuous improvement of the system was in place.

The above arrangements had been in place throughout the financial year 2005-06, and I considered the Authority to be fully compliant with required standards.

In addition, plans requiring implementation in 2005-06 were progressed and appropriate actions, based on a concept of continuous improvement, had been undertaken:

- There was further integration and testing of the risk management process with business continuity planning.
- The Authority had achieved organisation wide accreditation to ISO 14001 (waste management).
- The risk management policy and strategy had been and continued to be applied to the project for the delivery of the European Health Insurance Card (EHIC). In addition Key Performance Indicators in the form of a trend analysis had assisted the programme board in determining its risk exposure as the project developed towards implementation.
- In demonstrating a commitment to Risk Management the Authority was one of the organisations cited as an example of good practice in the NAO publication 'Managing Risks to Improve Public Services'.
- The Caldicott Guardian had submitted the Authority's return in relation to Information Governance. The purpose is to:
 - Support the provision of high quality care by promoting the effective and appropriate use of information.
 - To encourage responsible staff to work closely together, preventing duplication of effort and enabling more efficient use of resources.
 - To develop support arrangements and provide staff with appropriate tools and support to enable them to discharge their responsibilities to consistently high standards.
 - To enable the Authority to understand its own performance and manage improvement in a systematic and effective way.

Future plans for the further embedding of the risk management and the system of internal control for the coming year are listed below:

- The Authority will manage the risks associated with its merger with other organisations to form the Business Services Authority
- In striving for continuous improvement the Authority will consider its position on implementing the latest advice on integrated governance, as well as the newly published 'Good Governance Standards for Public Services'.
- A review of the best practice adopted for the project and risk management of the EHIC project will be undertaken, to enable further embedding into the assurance framework.

Whilst overall accountability and responsibility for risk management lies with the Chief Executive, all Directors, Managers and Team Leaders will take ownership of their risks on a day to day basis. The published reporting structure covered the following responsibilities:

- The Management Board – The Chief Executive had delegated responsibility for the controls assurance framework to the Director of Finance.
- The Audit Committee – To advise the Authority and liaise with the Chief Executive.
- The Risk Management Team – To facilitate the development of, and review, organisational and directorate risk management programmes, to enable the Authority to meet its obligations.
- Divisional Management Teams – Accept personal responsibility for the active implementation of the risk management process in their directorate, division or building, escalating risk action where appropriate.
- Internal Audit – Provide the Chief Executive with independent assurance

6. Significant control issues

As a result of:

- the comprehensive review of the system of internal control that I, as Chief Executive, in the period 1 April 2005 to 31 January 2006, the former Acting Chief Executive during the period 1 February 2006 to 31 March 2006 and former officers of the Prescription Pricing Authority conducted; and
- on the basis of documentation provided by the Prescription Pricing Authority to the NHS Business Services Authority.

I feel that no significant controls issues have been identified.

Signed
Nick Scholte:

Chief Executive
(on behalf of the Board)

7 July 2006

THE PRESCRIPTION PRICING AUTHORITY – ADMINISTRATION ACCOUNT

THE 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 Prescription Pricing Authority for the year ended 31 March 2006 under the National Health Service Act 1977. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet and the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board of the Prescription Pricing Authority, Chief Executive and auditor

The Board of the Prescription Pricing Authority and Chief Executive are 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 Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board and 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 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 the Prescription Pricing Authority 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 29 to 33 reflects the Prescription Pricing 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 Prescription Pricing Authority's corporate 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 Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. 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 Prescription Pricing Authority and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Prescription Pricing 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 Treasury, of the state of the Prescription Pricing Authority's affairs as at 31 March 2006 and of the net resource outturn, recognised gains and losses and cash flows for the year then ended 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 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
18 July 2006*

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

Operating Cost Statement for the year ended 31 March 2006

	Notes	2005-06 £000	2004-05 £000
Programme costs	2.1	77,516	76,260
Operating income	4	(3,462)	(3,584)
Net operating cost before interest		74,054	72,676
Net operating cost		74,054	72,676
Net resource outturn	3.1	74,054	72,676

All income and expenditure is derived from continuing operations

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

		2005-06 £000	2004-05 £000
Unrealised surplus/(deficit) on the revaluation of fixed assets	12.2, 12.3	0	(846)
Unrealised surplus/(deficit) on the indexation of fixed assets	12.2, 12.3	296	864
Receipt of Donated Assets	12.3	0	0
Fixed asset impairment losses	12.2, 12.3	0	0
Prior Period Adjustment		0	0
Recognised gains and (losses) for the financial year		296	18

The notes at pages 39 to 62 form part of these accounts.

Balance Sheet as at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
Fixed assets:			
Intangible assets	5.1	2,382	966
Tangible assets	5.2	19,930	18,353
		22,312	19,319
Current assets:			
Stocks	6	117	110
Debtors	7	9,357	8,296
Cash at bank and in hand	8	27	1,169
		9,501	9,575
Creditors: amounts falling due within one year	9.1	(3,532)	(2,148)
Net current assets/(liabilities)		5,969	7,427
Total assets less current liabilities		28,281	26,746
Creditors: amounts falling due after more than one year	9.2	0	0
Provisions for liabilities and charges	10	(180)	(916)
		28,101	25,830
Taxpayers' equity			
General Fund	12.1	26,889	24,914
Revaluation reserve	12.2	1,212	916
Donated asset reserve	12.3	0	0
		28,101	25,830

The notes at pages 39 to 62 form part of these accounts.

Signed:
Nick Scholte
Accounting Officer
7 July 2006

Cash Flow Statement for the year ended 31 March 2006

	Notes	2005-06 £000	2004-05 £000
Net cash (outflow) from operating activities	13	(70,783)	(70,546)
Servicing of finance			
Interest paid		0	0
Interest elements of finance leases		0	0
Net cash (outflow) from servicing finance		0	0
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		(1,802)	(243)
(Payments) to acquire tangible fixed assets		(3,727)	(4,595)
Receipts from disposal of intangible fixed assets		0	0
Receipts from disposal of tangible fixed assets		0	0
Net cash inflow/(outflow) from investing activities		(5,529)	(4,838)
Net cash (outflow) before financing		(76,312)	(75,384)
Financing			
Net Parliamentary funding	12.1	75,107	76,477
Capital element of finance leases	0	0	
Increase in Overdraft	63	0	
Increase/(decrease) in cash in the period	8	(1,142)	1,093

The notes at pages 39 to 62 form part of these accounts.

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. There have been no major changes in the application of these policies in 2005-06 from previous years.

The PPA provides managed services for 11 other NHS/DH bodies (see Note 19). Income and expenditure in relation to these bodies are not included in these accounts, as each organisation prepares their own statements. Although a single bank account is operated for the making of payments, notional bank accounts are included in each organisation's accounts. This allows the PPA to reconcile the cash balances on all accounts to the consolidated bank statement and then allocate the relevant share of this global sum to each organisation.

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 their current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by 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. There have been no acquisitions or discontinued operations in 2005-06.

1.2 Income

Income is accounted for by applying the accruals convention. The main source of funding for the Prescription Pricing Authority is Parliamentary grant from the Department of Health from Request for Resource, Vote 1, within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which the cash is received.

Operating income is income which relates directly to the operating activities of the authority. It principally comprises fees and charges for services provided on a full-cost basis to external customers. 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 operating income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

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

1.4 Capital Charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 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 licenses are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.
- (iii) Tangible assets which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000;
 - collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
 - form part of the initial equipping and setting-up cost of a new building, or unit irrespective of their individual or collective cost.

(b) Valuation

Intangible Fixed Assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is re-valued 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 if there is some indication that impairment has occurred and if there is indication that the carrying value may not be recoverable.

Tangible Fixed Assets

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

(i) Land and buildings (including dwellings)

Valuations are carried out by the District Valuer of the Inland Revenue Government Department at five yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and have been included in these accounts at March 2006.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

To meet the underlying objectives established by the Department of Health the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- specialised operational assets have been valued on a replacement rather than modern substitute basis;
 - no adjustment has been made to the cost figures of operational assets in respect of dilapidations; and
 - additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.
- (ii) Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.
- (iii) 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.

- (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) Land and assets in the course of construction are not depreciated.
- (iv) Buildings are depreciated evenly on their re-valued amount over the assessed remaining life of the asset as advised by the District Valuer.
- (v) Each equipment asset is depreciated evenly over the expected useful life:

	Years
Moveable Engineering plant and equipment	15
Furniture	10
Mainframe Installations	8
Vehicles and Soft Furnishings	7
Office and IT Equipment	5

The method of accounting for second hand assets is to disclose net acquisition cost.

1.6 Donated Fixed Assets

There are no donated fixed assets.

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. There is no work in progress.

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 Prescription Pricing 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 £4,557,415 (2004-05: £4,386,216). Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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

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.

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

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

There is no expenditure on Research and Development.

1.11 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

1.12 Leases

There are no assets held under finance leases and hire purchase contracts. Rentals under operating leases are charged on a straight line basis over the terms of the lease. This includes property occupied by the Authority, and is as detailed in Note 5.5.

1.13 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 2.2%.

2.1 Authority programme expenditure

	Notes	£000	2005-06 £000	2004-05 £000
Non-executive members' remuneration			47	49
Other salaries and wages	2.2		51,657	53,657
Supplies and services – general			0	0
Establishment expenses			8,862	6,725
Transport and moveable plant			708	719
Premises and fixed plant			10,394	9,902
External contractors			0	0
Capital:				
Depreciation and amortisation	5.1, 5.2	2,814		2,742
Impairments	5.1, 5.2	0		0
Capital charges interest		922		816
(Profit)/loss on disposal	5.4	18		136
			3,754	3,694
Other finance costs – unwinding of discount	10		13	15
– change in discount rate	10		0	0
Auditor's remuneration: Audit Fees			133	143
Auditor's remuneration: Other Fees *			0	0
Miscellaneous			18	0
Professional Fees			1,930	1,356
			77,516	76,260

* The Authority did not make any payment to auditors for any non audit work.

2.2 Staff numbers and related costs

	2005-06 Total £000	Permanently employed staff £000	Other £000	2004-05 £000
Salaries and wages	41,421	41,421	0	39,943
Social security costs	2,863	2,863	0	2,505
Employer contributions to NHSPA	4,557	4,557	0	4,387
Agency Staff	2,729	0	2,729	882
Redundancy and Pension Capitalisation	87	87	0	5,940
	<u>51,657</u>	<u>48,928</u>	<u>2,729</u>	<u>53,657</u>

Redundancy and Pension Capitalisation above includes £46k in respect of redundancy and £42k in respect of Payments in Lieu of Notice.

The average number of employees during the year was:

	Total Number	Employed Staff Number	Other Number	2004-05 Number
Total	<u>2,849</u>	<u>2,849</u>	<u>0*</u>	<u>2,747</u>

* It was not possible to accurately calculate this information due to the nature and diversity and terms of contract for these staff.

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £21k (2004-05: £Nil)

Retirements due to Ill Health

During the year to 31 March 2006 there were three early retirements from the Prescription Pricing Authority on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £447,524, (2004-05 – 3 early retirements at cost of £225,000).

These retirements represented 1.66 per 1,000 active scheme members.

2.3 Better Payment Practice Code – measure of compliance

	Number	£000
Total non NHS bills paid 2005-06	17,394	38,125
Total non NHS bills paid within target	17,028	37,562
Percentage of non NHS bills paid within target	97.9%	98.5%
	Number	£000
Total NHS bills paid 2005-06	42	818
Total NHS bills paid within target	42	818
Percentage of NHS bills paid within target	100.0%	100.0%

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

3.1 Reconciliation of net operating cost to net resource outturn

	2005-06	2004-05
	£000	£000
Net operating cost	74,054	72,676
Net resource outturn	74,054	72,676
Revenue resource limit	74,066	74,657
(Over)/under spend against revenue resource limit	12	1,981

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2005-06	2004-05
	£000	£000
Gross capital expenditure	5,529	4,838
NBV of assets disposed	18	136
(loss) on disposal of donated assets	0	0
Capital grants	0	0
Donations	0	0
Net capital resource outturn	5,511	4,702
Capital resource limit	5,530	4,845
(Over)/under spend against limit	19	143

4 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	444	0	444	450
Income received from Scottish Parliament	986	0	986	967
Income received from National Assembly for Wales	454	0	454	457
Income received from Northern Ireland Assembly	0	0	0	0
Income received from other Departments, etc	0	0	0	0
Other	1,578	0	1,578	1,710
Total	3,462	0	3,462	3,584

5.1 Intangible fixed assets

	Software licences £000	Licences & trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 31 March 2005	1,364	0	0	0	1,364
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions – purchased	1,802	0	0	0	1,802
Additions – donated	0	0	0	0	0
Reclassification	0	0	0	0	0
Disposals	(58)	0	0	0	(58)
Gross cost at 31 March 2006	3,108	0	0	0	3,108
Accumulated amortisation at 31 March 2005	398	0	0	0	398
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Other revaluations	0	0	0	0	0
Charged during the year	386	0	0	0	386
Reclassification	0	0	0	0	0
Disposals	(58)	0	0	0	(58)
Accumulated amortisation at 31 March 2006	726	0	0	0	726
Net book value:					
Purchased at 31 March 2005	966	0	0	0	966
Donated at 31 March 2005	0	0	0	0	0
Total at 31 March 2005	966	0	0	0	966
Net book value:					
Purchased at 31 March 2006	2,382	0	0	0	2,382
Donated at 31 March 2006	0	0	0	0	0
Total at 31 March 2006	2,382	0	0	0	2,382

5.2 Tangible fixed assets

	Land	Buildings exc dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 31 March 2005	2,960	7,285	2,237	44	20,432	247	33,205
Additions – purchased	0	0	39	0	3,677	11	3,727
Additions – donated	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0
Indexation	148	134	47	0	0	5	334
Other in year revaluations	0	0	0	0	0	0	0
Disposals	0	0	(122)	0	(1,291)	0	(1,413)
Gross cost at 31 March 2006	3,108	7,419	2,201	44	22,818	263	35,853
Accumulated depreciation at 31 March 2005	0	235	1,595	44	12,968	10	14,852
Charged during the year	0	159	292	0	1,951	26	2,428
Impairments	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0
Indexation	0	4	34	0	0	0	38
Other in year revaluation	0	0	0	0	0	0	0
Disposals	0	0	(121)	0	(1,274)	0	(1,395)
Accumulated depreciation at 31 March 2006	0	398	1,800	44	13,645	36	15,923
Net book value:							
Purchased at 31 March 2005	2,960	7,050	642	0	7,464	237	18,353
Donated at 31 March 2005	0	0	0	0	0	0	0
Total at 31 March 2005	2,960	7,050	642	0	7,464	237	18,353
Net book value:							
Purchased at 31 March 2006	3,108	7,021	401	0	9,173	227	19,930
Donated at 31 March 2006	0	0	0	0	0	0	0
Total at 31 March 2006	3,108	7,021	401	0	9,173	227	19,930

There were no assets held under Finance Leases

5.3 Net Book Value of land and buildings

The net book value of land, buildings and dwellings as at 31 March 2006 comprises:

	31 March 2006	31 March 2005
	£000	£000
Freehold	10,129	10,010
Long leasehold	0	0
Short leasehold	0	0
	<u>10,129</u>	<u>10,010</u>

5.4 Profit/(loss) on disposal of fixed assets

	31 March 2006	31 March 2005
	£000	£000
Profit on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	(18)	(136)
	<u>(18)</u>	<u>(136)</u>

5.5 Summary of Rented Properties

	DV Value £000	Length of Lease (years)	Expiry Date
**Scottish Life House A	315	7	Jul 2009
Scottish Life House B	1,385	20	Jul 2009
Sandyford House	4,000	15	Jul 2012
Garage	35	14	Jul 2007
West Bromwich	700	12	Jan 2009
Wakefield	1,117	28	Nov 2010
Sheffield	875	25	Mar 2008
*Wakefield Warehouse	31	15	Jun 2007
***Liverpool	–	5	Feb 2010
Newcastle Warehouse	410	6	Nov 2010
Cuthbert House	2,300	8	Jul 2012
*** Bolton	–	10	Nov 2010

DV District Valuer.

These properties are not recorded in the balance sheet as assets as they are considered to fall within the parameters of SSAP21 and not FRS5.

* Lease has been assigned to an Non NHS Organisation.

** Used by NHS Counter Fraud and Security Management Services.

*** The DV's of the Liverpool and Bolton premises were not received as at the date of production of these accounts.

6 Stocks and work in progress

	31 March 2006 £000	31 March 2005 £000
Raw materials and consumables	117	110
Work in progress	0	0
Finished processed goods	<u>0</u>	<u>0</u>
	<u>117</u>	<u>110</u>

7 Debtors**7.1 Amounts falling due within one year**

	31 March 2006 £000	31 March 2005 £000
NHS debtors	3,151	2,568
Provision for irrecoverable debts	0	0
Prepayments	4,220	3,069
Accrued income	153	112
Capital debtors	0	0
Other debtors	<u>1,833</u>	<u>2,547</u>
	<u>9,357</u>	<u>8,296</u>

7.2 Amounts falling due after more than one year

	£000	£000
NHS debtors	0	0
Prepayments	0	0
Accrued income	0	0
Capital debtors	0	0
Other debtors	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Total debtors	<u>9,357</u>	<u>8,296</u>

NHS Debtors above includes an amount of £3.114m in respect of notional cash balances with Managed Services customers. This is to reflect the fact that the managed services clients do not have separate bank accounts. The balance represents the closing notional cash position for each managed service customer which is contained within the PPA Bank Account at the Balance Sheet date.

8 Analysis of changes in cash

	At 31 March 2005 £000	Change during the year £000	At 31 March 2006 £000
Cash at OPG	1,284	(1,259)	25
Cash at commercial banks and in hand	(115)	117	2
	<u>1,169</u>	<u>(1,142)</u>	<u>27</u>

9 Creditors:**9.1 Amounts falling due within one year**

	31 March 2006 £000	31 March 2005 £000
Overdrafts	63	0
NHS creditors	391	0
Capital creditors	0	0
Tax and social security	0	0
Other creditors	1,642	932
Accruals	1,088	781
Deferred income	348	435
	<u>3,532</u>	<u>2,148</u>

NHS creditors includes £300k in respect of notional cash balances held on behalf of the NHS Modernisation Agency. Other creditors include £801k in respect of notional cash balances held on behalf of other Managed Services Customers. This is to reflect the fact that the managed services clients do not have separate bank accounts. The balance represents the closing notional cash position for each managed service customer which is contained within the PPA Bank Accounts.

9.2 Amounts falling due after more than one year

	31 March 2006 £000	31 March 2005 £000
NHS creditors	0	0
Capital creditors	0	0
Tax and social security	0	0
Other creditors	0	0
Accruals	0	0
Deferred income	0	0
	<u>0</u>	<u>0</u>

9.3 Finance lease obligations

	31 March 2006 £000	31 March 2005 £000
Leases Payable:	0	0
Within one year	0	0
Between one and five years	0	0
After five years	0	0
Gross obligation	<u>0</u>	<u>0</u>
Finance charges allocated to future periods	0	0
	<u>0</u>	<u>0</u>

10 Provisions for liabilities and charges

	Pensions for former staff £000	Legal claims £000	Other £000	Total £000
At 31 March 2005	298	0	618	916
Arising during the year	0	0	0	0
Utilised during the year	(142)	0	(312)	(454)
Reversed unused	0	0	(295)	(295)
Change in the discount rate	0	0	0	0
Unwinding of discount	13	0	0	13
At 31 March 2006	<u>169</u>	<u>0</u>	<u>11</u>	<u>180</u>

The other provisions were in respect of Agenda for Change Costs for the period from 1st October to 31st March 2005 and was calculated at £618k. It was based on the premise that all posts existing at the time would be assimilated to revised pay bands. All staff have now been assimilated.

Expected timing of cash flows:	Pensions for former staff £000	Legal claims £000	Other £000	Total £000
Within 1 year	0	0	0	0
1-5 years	157	0	11	168
Over 5 years	12	0	0	12

11 Movements in working capital other than cash

	2005-06 £000	2004-05 £000
Increase/(decrease) in stocks	7	(70)
Increase/(decrease) in debtors	1,061	3,078
(Increase)/decrease in creditors excluding overdraft	(1,321)	(967)
	<u>(253)</u>	<u>2,041</u>

12 Movements on reserves

12.1 General Fund

	2005-06 £000	2004-05 £000
Balance at 31 March 2005	24,914	20,297
Net operating costs for the year	(74,054)	(72,676)
Net Parliamentary funding	75,107	76,477
Transfer of realised profits/losses from revaluation reserve	0	0
Non-cash items: Capital charge interest	922	816
Balance at 31 March 2006	<u>26,889</u>	<u>24,914</u>

12.2 Revaluation reserve

	£000	£000
Balance at 31 March 2005	916	898
Impairments	0	0
Indexation of fixed assets	296	864
Revaluation of fixed assets	0	(846)
Transfer to general fund of realised elements of revaluation reserve	0	0
Balance at 31 March 2006	<u>1,212</u>	<u>916</u>

12.3 Donated asset reserve

	£000	£000
Balance at 31 March 2005		
Impairments	0	0
Other revaluations of fixed assets	0	0
Other indexation of fixed assets	0	0
Receipt of donated assets	0	0
Depreciation of donated assets	0	0
Disposal of fixed assets	0	0
	<u>0</u>	<u>0</u>
As at 31 March 2006	<u>0</u>	<u>0</u>

13 Reconciliation of operating costs to operating cash flows

		2005-06 £000	2004-05 £000
Net operating cost before interest for the year		74,054	72,676
Adjust for non-cash transactions	2.1	(3,754)	(3,694)
Adjust for movements in working capital other than cash	11	(253)	2,041
(Increase)/decrease in provisions	10	736	(477)
Transfer from donated asset reserve	12.3	0	0
Net cash outflow from operating activities		<u>70,783</u>	<u>70,546</u>

14 Contingent liabilities

At 31 March 2006, there were no known contingent liabilities (2004-05: £Nil)

15 Capital commitments

At 31 March 2006 the value of contracted capital commitments was £Nil (2004-05: £Nil).

16 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	0	0
Other operating leases	5,497	1,490
	<u>5,497</u>	<u>1,490</u>

Commitments under non-cancellable operating leases:

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

Land and buildings	£000	£000
Operating leases which expire: within 1 year	3	45
between 1 and 5 years	5,494	739
after 5 years	0	706
	<u>5,497</u>	<u>1,490</u>
Other leases		
Operating leases which expire: within 1 year	0	0
between 1 and 5 years	0	0
after 5 years	0	0
	<u>0</u>	<u>0</u>

17. Other Commitments

The authority does not have any non cancellable contracts.

18. Losses and Special Payments

There were 26 cases of losses and special payments (Prior year: 21 cases) totalling £13,244 (Prior year: £4,470) approved during 2005-06.

Note: the total cost included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.

19. Related Parties

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

The Department of Health is regarded as a controlling related party. During the year the Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department such as NHS Modernisation Agency, Connecting for Health, National Primary Care Development Team, DH Expert Patient Programme, HSC Information Centre, Care Services Improvement Partnership, DH Digital Radio ambulance Project, National Institute for Innovation and Improvement, NHS Graduate Trainees and NHSU.

The Authority transferred £500k of its own cash limit to the NHS Business Services Authority to cover set up costs.

The Authority continues to provide financial and human resource services to a range of external bodies. Cash limits in excess of £323 million were given to cover expenditure of the organisations detailed above. This expenditure is not included in the Authority accounts as it is recharged back to the originating organisation. However, the Authority's costs incurred in providing these services has been included along with the total contribution from the organisations of £1.2m towards these costs.

The total cash spend for all organisations was £383m against cash limits of £398m giving a £15m cash underdraw. The amount of this attributable to the PPA was £54k. The analysis of Cash Limits allocated Cash Funding and Income received for the provision of Managed Services was as follows:

	Cash Limit (£000s)	Funding Recvd (£000s)	Total Cash (£000s)	Income (£000s)
NHS Modernisation Agency	50,226	0	50,226	195
DH Expert Patients Programme	1,300	2,300	3,600	85
Care Services Improvement Partnership	16,568	0	16,568	89
NHS Modernising Medical Careers	2,050	0	2,050	20
NHSU	0	16,260	16,260	43
DH Digital Radio Ambulance Project	214	0	214	20
National Institute for Innovation and Improvement	0	10,850	10,850	37
National Primary Care Development Team	0	10,184	10,184	55
Community and Social Care Information Centre	0	38,000	38,000	192
Connecting For Health	251,700	0	251,700	464
NHS Business Services Authority	500	0	500	0
	<u>322,558</u>	<u>77,594</u>	<u>400,152</u>	<u>1,200</u>
Prescription Pricing Authority	75,038		75,038	
Total	<u>397,596</u>	<u>77,594</u>	<u>475,190</u>	<u>1,200</u>

20. Post Balance Sheet Events

There are no post balance sheet events for 2005-06.

21. Financial Instruments

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

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

Liquidity risk

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

Interest-rate risk

0% of the Authority's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Prescription Pricing Authority is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Authority's financial assets and liabilities:

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non interest bearing
					Weighted average interest rate	Weighted average period for which fixed years	Weighted average term years
	£000	£000	£000	£000	%		
At 31 March 2006							
Sterling	27	0	0	27	0.00%		
Other	0	0	0	0			
Gross financial assets	<u>27</u>	<u>0</u>	<u>0</u>	<u>27</u>			
At 31 March 2005							
Sterling	1,169	0	0	1,169	0.00%		
Other	0	0	0	0			
Gross financial assets	<u>1,169</u>	<u>0</u>	<u>0</u>	<u>1,169</u>			

Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non interest bearing
					Weighted average interest rate	Weighted average period for which fixed years	
	£000	£000	£000	£000	%		Weighted average term years
At 31 March 2006							
Sterling	243	0	243	0	8.00%		
Other	0	0	0	0			
Gross financial assets	243	0	243	0			
At 31 March 2005							
Sterling	916	0	916	0	3.50%		
Other	0	0	0	0			
Gross financial assets	916	0	916	0			

Foreign currency risk

The Authority has no foreign currency income or expenditure.

Fair values

A comparison, by category, of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2006 is as follows:

	Book value	Fair value	Basis of fair valuation
	£000	£000	
Financial assets:			
Cash	27	27	
Debtors over 1 year	0	0	
Total	<u>27</u>	<u>27</u>	
Financial liabilities:			
Overdraft	63	63	
Creditors over 1 year:	0	0	
Early retirements	169	169	note a
Finance leases	0	0	
Provisions under contract	0	0	
Loans	0	0	
Total	<u>232</u>	<u>232</u>	

Notes:

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

22 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
2006 and subsequent financial years in respect of the Prescription Pricing Authority				
Balances with other central government bodies	3128	0	300	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	23	0	2	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	89	0
At 31 March 2006	3151	0	391	0
Balances with other central government bodies	5	0	0	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	2	0	0	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	2561	0	0	0
At 31 March 2005	2568	0	0	0

THE NATIONAL HEALTH SERVICE IN ENGLAND ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR HEALTH IN ACCORDANCE WITH SECTION 98 (2) OF THE NATIONAL HEALTH SERVICE ACT 1977 AND WITH THE APPROVAL OF TREASURY

PRESCRIPTION PRICING AUTHORITY

1. The Secretary of State directs that an account shall be prepared for the financial year ended 31 March 2006 and subsequent financial years in respect of the Prescription Pricing Authority. The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the Prescription Pricing Authority comply with:
 - (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
 - (b) the accounting and disclosure requirements of the Companies Act;
 - (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
 - (d) accounting guidance approved by the FRAB and contained in the Resource Accounting Manual, but specifically excluding schedules 1 and 5;
 - (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the Prescription Pricing Authority for the year ended 31 March 2006 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.
4. For the financial year ended 31 March 2006 and subsequent years, the account of the Prescription Pricing Authority shall give a true and fair view of the state of affairs as at the end of the financial year and the net operating costs, recognised gains and losses and cashflows during the year.
5. The Foreword, the Balance Sheet and the Statement on the system of internal control shall be signed by the chief executive of the Authority and dated. All other papers should be initialled.

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of the Secretary of State for Health.

Signed:

Dated :

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