



Business Services Authority

Annual Report and Accounts 2012/13



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1. Chair's Introduction



Welcome to the NHSBSA Annual Report for 2012/13. I'm delighted to say that it has been another successful year for us. We have continued to deliver a range of vital goods and services to millions of our customers and users, day in, day out.

I'm also pleased to report that this has been done typically with excellent performance standards at record levels of demand - and in a way that has yielded further increased value for money in line with the trend since our creation. This performance and efficiency results in further funding available to the Department of Health (DH) for reinvestment in patient care. It is testament to the consistent hard work and imagination of those involved throughout our business.

During the year we have also put into effect many policy changes in our plethora of services. These have been managed very well overall, although exceptionally the timeliness of granting student bursaries under the new policies did not meet the standards expected. We are always disappointed by any shortfall, however temporary, and, as ever, we apologise to those affected and we have renewed our efforts to put it right quickly

We have also made significant strides in our corporate social responsibility agenda. This report gives details of our continued progress in meeting our targets in this area. In parallel, we have managed a major planned reduction in our estate size without any service disruption - and with a continued trend of high and improving satisfaction levels from our customers and our people alike.

Turning to the future, I'm confident that the NHSBSA is well placed and equipped to play an even wider and strategically important role in the new health landscape, as the NHS reforms roll out from this coming year. Last year I reported that the DH's Commercial Review of the NHSBSA was broadly aligned with the Board's own strategy of improved service and value transformation through greater commercialisation. That is now manifesting itself by the acceleration of our strategy, together with a wider mandate for the NHSBSA, building on our reputation as an organisation that can be trusted to deliver. As examples of that, we are now collaborating with the new NHS England and others to provide shared and hosted HR services to thousands of people during and beyond the transition to the new health landscape. Similarly, we will be seeking further collaborations with expert providers to deliver transformed services in pensions, prescription payments and

supply chain. It is an exciting and challenging time for us. We are well equipped to meet such a challenge, following a thorough review of our talent and organisation design. In addition, we welcomed to the Board last year Steven Pink, who brings the right senior customer insight skills and partnering experience as our new Commercial Director.

Finally, this will be my last year as Chair of the NHSBSA. Along with several of my Non-Executive board colleagues, my tenure ends in 2013/14. I would like to thank all my board colleagues for their commitment and wisdom during our time together. I'm proud to have been Chair from the very outset of the NHSBSA's creation in 2006. I'm delighted to have seen the enormous strides it has taken since then both in its service performance, the handling of many difficult change issues in a quiet but effective way and in the strategic platform and reputation it has built to move forward confidently into the future with stakeholder support. The progress is due to the personal contributions of the executive and the thousands of people working for, and with, the business in all its many aspects. On behalf of the Board, I would like to thank them, and give my personal wishes for further future success.

Paul Rich
Chair
NHS Business Services Authority



NHSBSA Board: (left to right) Alistair McDonald, Steven Pink, Anne Galbraith, Nick Scholte, David Hulf, Paul Rich, Roberta Barker, David Teale, Jeremy Strachan, Mike Harling and Michael Brodie

2. Our Organisation

The NHSBSA is a Special Health Authority (SHA) which operates as an Arms Length Body (ALB) of the Department of Health (DH). Our role is to provide a range of critical central services to NHS organisations, NHS contractors, NHS patients and the general public.

These services are:

- management of the NHS Pension Scheme in England and Wales which has over 2.6 million members and receives contributions of circa £9 billion per annum;
- administration of the European Health Insurance Card (EHIC) scheme (in the UK) processing over 5.3 million EHIC cards per annum. Currently approximately 23.5 million people in the UK have an active EHIC card;
- management of a ten-year outsourced Master Services Agreement (a specific contract type) for the delivery of supply chain services to the NHS, supporting the planned delivery of around £1 billion of savings to the NHS over the life of the agreement;
- provision of strategic procurement and contract management expertise in line with DH and other requirements across the health sector;
- payments to pharmacists (in England) for prescriptions dispensed in primary care settings (circa 1 billion prescription items with payments circa £9 billion per annum);
- payments to dentists for work undertaken on NHS contracts (44 million dental forms with payments totalling £2.2 billion) in England and Wales;
- provision of management information to over 25,000 registered NHS and DH users on costs and trends in prescribing and dental care in England and Wales;

Case Study

This year our Annual Report has the theme of Corporate Social Responsibility (CSR) running through it, and we have included 'Positive Action – Case Studies' in each section. We hope that this reporting approach will help to demonstrate how we have moved on from our, albeit important - but narrow, initial focus on the environmental impact of our own buildings, our business travel and resource use, to us now moving towards recognising that acting in a truly sustainable way aligned to our overall business strategy, not only supports but is actually integral to us achieving our goals. Also, that this responsibility extends outside of what we control directly to working with our customers and clients, our supply chain partners and our own people to ensure we plan for future risks and opportunities, based on high-quality information and intelligent insight.

- provision of the NHS Dictionary of Medicines and Devices (in partnership with NHS Connecting for Health) for use throughout the NHS (in both primary and secondary care) as a means of uniquely identifying the specific medicines or devices used in the diagnosis or treatment of patients;
- compilation, publication and distribution the NHS Drug Tariff for England and Wales. Approving the list of appliances and chemical reagents that appear in the Drug Tariff and determining the prices of those products;
- administration of a range of health related services across the UK, including a Low Income Scheme, Medical and Maternity Exemption Schemes, Tax Credit NHS Exemption Cards (in the UK) and Prescription Pre-payment Certificates (in England). In total we process over 5 million claims per annum;
- management of the NHS Student Bursaries scheme (in England) making payments of circa £510 million to over 82,000 students;
- management of the Social Work Bursaries scheme (in England) making payments of over £82 million to nearly 14,000 students;
- management of the Education Support Grant making payments of £31 million;
- management of the NHS Injury Benefit Scheme (in England and Wales) processing over 30,000 applications since the inception of the Scheme;
- provision of HR Shared Service functions and Hosted Employment Services for 8,500 staff, and
- provision of NHS Protect Services (in England and Wales) under a Memorandum of Understanding (MoU) with the DH.

Our Locations

We provide this range of services from locations across the country as described below.

Newcastle

- Headquarters Functions
- Shared Services
- Prescription Pricing
- EHIC
- Help with Health Costs
- NHS Protect
- Warehousing
- Scanning

Fleetwood

- NHS Pensions
- Student Bursaries
- Injury Benefits

Wakefield

- Prescription Processing
- Warehousing
- Scanning

Middlebrook

- Prescription Processing
- Warehousing
- Scanning

Mansfield

- Supplier Management

Eastbourne

- Dental Services

London

- NHS Protect

Coventry

- NHS Protect

St Helens

- NHS Protect



Further details regarding the management of the NHSBSA, including a high level organisational structure, are included in Section 10 of this report.

3. Our Operational Performance

An important part of ensuring we continue to deliver high quality services to our clients and customers is measuring our performance. During 2012/13, we have continued to develop our balanced scorecard which assists in driving continuous improvements in our performance.

Performance Management Reporting

The NHSBSA is proud of its continued high levels of performance and a key part of maintaining such standards is the regular review and management of performance data by operational and management teams. We also discuss the performance of our suppliers with partner organisations on a regular basis.

Performance reports are a key aspect of our Leadership Team meetings, Board meetings and accountability meetings with clients, including the Department of Health (DH). We are able to discuss our performance in detail with clients to ensure our business continues to deliver against their policy requirements.

We have centralised our management information activities, in relation to data collection, reporting and personnel. This gives us the capability to better analyse trends and deliver more in-depth reporting.

Key Performance Indicators (KPIs)

The NHSBSA has a number of key performance indicators (KPIs) designed to measure our performance across the key processes within each of our services, which include:

- **Service Delivery:**
how quickly we are processing our customers' applications;
how quickly we are paying our customers, and
how we provide information and reports.
- **Quality of Service:**
accuracy of our processing, and
accuracy of our payments.
- **Customer Care:**
how we are dealing with customer complaints;
how we handle our customer contact by assessing wait times and abandoned call rates, and
how quickly we deal with customer enquiries.
- **Financial:**
projected expenditure against our financial budget.

KPI results are reported monthly using a RAG (Red- Amber-Green) status approach. The summary below provides an overview of average performance for each KPI throughout the year and while individual RAG scores may have differed during specific months, the table reflects the status of each KPI for the majority of 2012/13. As stated previously, we have met the majority of our performance targets across the business in 2012/13. The two amber areas relate to the issues experienced in the provision of the Student Bursaries service, as discussed in Section 4.

	Service Delivery	Quality of Service	Customer Care	Financial
Prescription Services	Green	Green	Green	Green
Information Services	Green	Green	Green	Green
Pre-Payment & Exemption Certificates	Green	Green	Green	Green
Low Income Scheme	Green	Green	Green	Green
European Health Insurance Card	Green	Green	Green	Green
Social Work Bursaries	Green	Green	Green	Green
Student Bursaries	Green	Amber	Amber	Green
Pensions	Green	Green	Green	Green
Dental	Green	Green	Green	Green

4. Annual Service Reviews

Delivering for our Clients and Customers

NHSBSA are continuing to work in partnership with our clients, including new clients arising from the Health and Social Care Act 2012, supporting them and working together to create the future strategic direction for the services we deliver. Understanding policy needs from a diverse client base and collaborating with them to transform requirements into effective service delivery is a proven capability and we want to build on this in future.

We are developing our approach to relationship management throughout our organisation to maximise the opportunity for effective collaboration. This means all managers will have responsibility for engaging with clients.

The NHSBSA will work with clients building an even deeper understanding of the needs of the DH, NHS England and other client organisations so that we are able to predict as well as respond to their requirements.

Dental Services

NHS Dental Services ensure payments to dentists are paid promptly and accurately. In 2012/13, we processed the activity from 44 million courses of treatment and made payments totalling over £2 billion. We also produced statistics and other information relating to dentistry, including the provision of data and information to support the ongoing dental contract reforms pilot. Our information and monitoring activities are used to manage contract performance and we have worked closely with NHS colleagues to agree new reports to support the area teams within NHS England. In addition, we provide expert support and advice to assist the Government in setting dental policy.

- **Dental Contract Reform Programme**

Dental Services continued to support the Department of Health's (DH) piloting of new contract models during 2012/13. There are currently seventy contracts participating in the pilot scheme, with a further twenty-nine joining in April 2013. Dental Services support the management and evaluation of these contracts covering the dental treatment provided to the pilot contracts' 1.4 million patients.

- **Web Portal for Dentists**

The online portal for dentists went live during 2012/13. During the first two months of implementation, more than half of the dentists currently working on NHS dental contracts had signed up to access the portal.

The portal enables dentists to access their contract and activity information, and make changes to contact and bank details. We anticipate that more dentists will sign up for the service in April 2013 when the end of year superannuation process will be available for completion online for the first time.

As the take-up of the portal increases, more information that would otherwise be printed and posted will be available online and more self-service functionality will provide customers with an additional channel of communication.

- **Commissioning Support**

During 2012/13, Dental Services, with support from our business partners Capita, were asked by the DH to take on the administration of superannuation and Statement of Financial Entitlement payments from 1 April 2013. During the later stages of 2012/13 we worked with NHS England colleagues to agree the service and ensure that single operating policies reflect the role of Dental Services.

In addition to the centralisation of the payment and superannuation administration, we will continue to work with NHS England to provide a debt management service which will start in 2013/14.

The information and monitoring services have been reviewed in line with the move across to NHS England to provide a more centralised service which will support the single operating framework principles and enable a more coordinated focus on high risk areas. We understand that the information provided by all NHSBSA services is highly valued and to ensure that our data is fully exploited at a more strategic level we are engaging with NHS England to set up a steering group to direct activities in a co-ordinated way.

Case Study

During 2012/13 our Prescriptions and Pharmacy teams in Newcastle, Middlebrook and Wakefield have moved their administration processes from paper-based forms to shared electronic systems, including staff timesheets and quality processes. This has reduced office paper use by around 70,000 sheets of A4 paper annually.

The roll of the Electronic Prescription Service (EPS) is also reducing large numbers of paper prescriptions being printed and transported to our premises to be scanned, stored and then recycled. During 2012/13 the further uptake of the system means around one million paper prescriptions have been eliminated from the process. We are continuing to promote the further take-up of EPS in 2013/14.



Prescription Services

NHS Prescription Services makes payments to pharmacists dispensing contractors in England for the prescriptions they dispense in primary care. During 2012/13, we processed almost 1 billion prescription items and made payments of around £9 billion.

- **Improved Accuracy**

During 2012/13, Prescription Services maintained a high standard of timely and accurate payments to dispensing contractors. Significant investment in staff, systems and the business process has resulted in accuracy improvements across all key measures.

- **Prescribing Information**

NHS Prescription Services has continued to provide a range of prescribing and dispensing information to the NHS during 2012/13. This information has been produced in a timely and accurate manner for our clients and customers. Together with our business partners, we have continued the modernisation programme to enhance our prescribing and dispensing information services. This has ensured we continue to support NHS initiatives such as Quality Innovation, Prevention and Productivity (QIPP) while preparing for future NHS Reforms changes.

- **Value for Money**

Prescription services continued to focus on efficiencies and cost savings throughout 2012/13. We continued to deliver the service with reduced staffing levels and an increase in prescription volumes of around 4%, which equates to more than 4 million additional prescriptions every month.

- **Supporting our Clients**

NHS Prescription Services has continued to support the DH with the development of a reimbursement and remuneration policy for dispensing contractors. In particular, the Department has introduced new rules simplifying the process of processing prescriptions which was successfully introduced in September 2012. As stated above

Case Study

Our Wakefield Prescription Services office formed a partnership with Martin House - a local Children's Hospice in Wetherby, in 2012. Staff have undertaken a range of fund raising events over the year including raffles, a toy appeal and a stock appeal for the hospice shops.



we have supported our clients with the introduction of tougher accuracy targets. We have also supported the Government's initiative to help community pharmacies get earlier access to their monthly payment for the provision of NHS pharmaceutical services.

- **Pharmacy Earlier Payment Scheme**

In collaboration with the DH, Cabinet Office and Government Banking Service, the NHSBSA has developed a supply chain finance scheme which allows pharmacy contractors to gain earlier access to their monthly payments. The scheme was designed and development during 2012/13 and will go live from April 2013.

European Health Insurance Card

The European Health Insurance Card (EHIC) allows UK residents access to state provided healthcare in countries across Europe. We administer the free EHIC application and card distribution system on behalf of the DH. During 2012/13 the NHSBSA processed over 5.3 million EHICs.

The NHSBSA continues to work with the DH and Department of Work and Pensions (DWP) to design and implement improvements to the scheme to reduce fraud and error and enhance the customer experience. Central to this is a working group set up to improve our communications to the customer to help guide them from third party sites offering an EHIC service at unnecessary cost.

Help with Health Costs

On behalf of the DH, we administer a range of health related schemes across the UK, including the NHS Low Income Scheme, NHS Medical and Maternity Exemption Schemes, NHS Tax Credit Exemption Cards and NHS Prescription Pre-Payment Certificates. In 2012/13 we processed over 5 million applications.

NHS Low Income Scheme (LIS): LIS achieved all of its KPIs and continued to focus on improving customer service during 2012/13. Wider business priorities have been supported by the flexibility and agility of LIS staff in working in other business areas such as our Customer Contact Service and HR when additional support has been required due to increased workloads.

Case Study

By working with our new card supplier CPI Cards we were able to reduce the letter carrier used to hold the EHIC card in the post from an A3 to an A4 sheet. This change saves around 4 million sheets of A4 paper and £11K per annum.



The NHSBSA has worked closely with the DH during 2012/13 to understand changing requirements and prepare the necessary changes to our systems to implement the planned changes to the welfare system. This work will continue into 2013/14 and includes changes relating to the state pension age, the introduction of Universal Credit and other state benefits.

Prescription Pre-Payment Certificates (PPC): NHSBSA have worked with the DH and a group of charities representing people with long term conditions to promote the PPC. As part of this work, new promotional material was made available from 5 November 2012 to coincide with the launch of self care week. We have contacted all GP surgeries, dispensing doctors, Patient Advice and Liaison Service pharmacies, National Association of Citizens' Advice Bureau, PCT and NHS Trusts in England to inform them about the changes we have made to the promotional material for PPC and sent them a supply of the new leaflets etc.

Work continues into 2013/14 to redesign the service delivery of PPC to improve and modernise card payment handling.

Social Work Bursaries including Education Support Grant

From 1 August 2012, the NHSBSA took over the responsibility for the administration of the Education Support Grant (ESG).

The ESG, formerly administered by the now disbanded General Social Care Council (GSCC), is a payment made to Higher Education Institutions (HEI) each year to help them arrange and manage essential placement experiences for students studying towards a qualification in social work.

The NHSBSA already administer the Social Work Bursary (SWB) on behalf of the DH, and the ESG function now sits alongside the SWB function.

Work began in May 2012 with colleagues in GSCC to ensure a smooth transition of the service with no negative impact to HEI and other customers. A small team of NHSBSA staff worked closely with GSCC colleagues to build up knowledge of the payment process and have since applied LEAN principles to bring about several process improvements. These improvements include changing the funding timetable in order to give HEI more time to calculate their funding requirements which should result in more accurate forecasting and payments in moving forward.

The team has also been involved in building relationships with the eighty-five HEI involved to ensure that the annual budget of £30m is spent accurately and appropriately.

NHS Student Bursaries

We manage the NHS Student Bursaries (SB) scheme (in England) making payments of circa £510 million to over 82,000 students.

In 2012, the NHSBSA faced unprecedented challenges in administering the NHS SB scheme. A combination of a change in policy and the implementation of a new online application system led to a significant increase in administrative activity for the NHSBSA.

As a result of these circumstances, the NHSBSA agreed an action plan with clients, which included contingency arrangements to pay an interim payment to continuing students, thus ensuring that most of these students would receive some payment at the start of the academic year. This was complemented by an enhanced communication and engagement programme and the deployment of additional processing and customer service resources within the NHSBSA.

The issues with bursary application processing in-turn placed stress upon customer services. For a period of time the NHSBSA Customer Contact Centre (supported by the SB team in Fleetwood) struggled to supply an acceptable level of service to students, even though additional resources had been recruited and redeployed within the Customer Contact Centre to cater for an anticipated surge in demand. This has in-turn led to an increase in the level of complaints, MP's enquiries and the voicing of concerns by stakeholders.

Actions to improve customer service have been taken since December 2012, enabling us to significantly improve service delivery to our customers. During 2012/13 we have also introduced a range of new systems, online self-service and have increased accuracy of payments. Work to ensure continued and improved service provision continues to be undertaken, and results monitored, in 2013/14.

NHS Pensions

The NHSBSA administers the NHS Pension Scheme which provides retirement benefits to NHS

Case Study

During 2012/13 over one hundred and fifty staff from our Customer Contact Centre, Patient Services Team and MODS Team have taken part in fourteen team challenge events in partnership with Durham University's Staff Volunteering and Outreach team (SVO). As well as forming links with local community organisations and Durham University, the activities were designed to help build working relationships and also individual's personal development. Activities have included creating a butterfly border within gardens at Durham Wildlife Trust, constructing an otter Holt at Elba Park, Houghton-le-Spring and decorating a charity bookshop for a Willowburn Hospice. A review undertaken by the university details a range of benefits from the activities including improved team working and working relationships, as well as building personal confidence and the feeling of giving something back to the local community. We are now working on rolling out this scheme to the entire business during 2013/14.



employees, GPs, dentists and employees of other approved organisations in England and Wales. During 2012/13, the NHS Pension Scheme had over 2.5 million members and received contributions in excess of £9 billion.

- **NHS Pension Choice**

After completing the bulk delivery of NHS Pension Choice during 2011/12, we have continued to issue statements to all eligible members upon rejoining the Scheme.

- **Annual Benefit/Total Reward Statements**

We have continued with the development of our business capabilities to allow the production of Annual Benefit Statements for members of the NHS Pensions Scheme. This development forms part of our work with the DH on the strategic delivery of Total Rewards Statements. The national rollout of Total Reward Statements takes place in 2013/14.

- **Improving Data**

During 2012/13, we have continued to work collaboratively with NHS organisations to improve the quality and integrity of the data we hold and receive to support our business. This includes the information provided to support the Government Actuaries Department (GAD) in determining an accurate valuation of the NHS Pension Scheme.

- **Government Public Sector Pension Review**

2012/13 has seen us preparing for changes associated with the review of public sector pensions. We have been working closely with the DH and the Review Group to ensure we will be in a position to implement the necessary changes to public sector pensions (The Hutton Review).

- **Implementation of NHS Reforms**

During 2012/13 work was undertaken to prepare for the impact of the NHS Reforms on the NHS Pension Scheme. NHS Reforms was taken into consideration as part of all on-going Pension Scheme developments. There have been regular

Case Study

We have continued to maintain an externally certified Environmental Management System, meeting the requirements of ISO 14001, at our Fleetwood site in partnership with our service delivery partner. Continuous improvement of our environmental performance on site includes the generation of over 60,000 kWh of renewable electricity via PV cells we installed in March 2012, saving us circa £12,000. We have also reduced water use on site by 45% with the introduction of high-efficiency systems such as waterless urinals, saving circa 1,900m³ of water and £4,500.



meetings with Stakeholders to discuss and share plans, and to highlight the challenges of implementing the necessary changes in time for April 2013. We are confident that the appropriate steps have been taken to ensure business continuity and the successful implementation of the necessary changes to support the NHS Reforms.

NHS Injury Benefits Scheme

The NHSBSA manages the NHS Injury Benefit Scheme for England and Wales. The scheme provides income protection for any eligible NHS employee during their employment in the NHS. We have processed over 32,000 applications since the inception of the scheme.

- **Review of Scheme**

We have worked with the DH during 2012/13 to support the review of the NHS Injury Benefits Scheme. Revised arrangements for payment of injury allowances will be introduced from 1 April 2013. We will continue to deal with applications eligible under the existing rules for injuries sustained or diseases contracted before 31 March 2013. Temporary Injury Allowance (TIA) will become Injury Allowance and be administered entirely by NHS employers as part of employee terms and conditions.

NHSBSA Supplier Management Team

- **NHS Supply Chain**

NHS Supply Chain manages the sourcing, compliant procurement and delivery of healthcare products, for instance medical consumables, surgical instruments, stationery and food for over 1,000 trusts and healthcare organisations providing a single point of access to a range of over 600,000 items across eleven product categories, for their consumable, medical and surgical needs including capital equipment services. Product cost and the service offering is included within the selling price.

The services provided by NHS Supply Chain under the Master Services Agreement (MSA) are subject to performance measurements that the NHSBSA Supplier Management team uses to monitor performance and intervene, where appropriate, to deliver the service aspirations. They also form part of the regular operational reviews between the parties.

During 2012 NHSBSA carried out a review of the BSA Supplier Management team's role in managing NHS Supply Chain. There are twenty service visions to be delivered by NHS Supply Chain in order to fulfil NHS expectations; with more than eighty measures (including savings, value for money, sales) and insight commentaries in order to measure that these are on target. Where there is a need we work with NHS

Supply Chain to improve performance. For example following the Health and Social Care Act the NHS structure will be transformed, meaning PCTs will cease to exist and be replaced by new organisations. We have embarked on a redevelopment of the customer approvals process to allow NHS Supply Chain and the NHSBSA to be agile in responding to the changing customer base. A savings work plan is also being developed to maximise savings over the ten year contract term.

- **Additional Services for the Department of Health**

NHSBSA Supplier Management provides contract management and assurance on behalf of the DH that ensures its strategic emergency preparedness; medicines and pharmaceutical storage and distribution arrangements are maintained. These critical services involve multiple suppliers operating in excess of forty storage locations across England with stock value totalling £1 billion.

NHS Protect

NHS Protect leads on work to identify and tackle crime across the health service. The aim is to protect NHS staff and resources from activities that would otherwise undermine their effectiveness and their ability to meet the needs of patients and professionals. Whilst operating independently, NHS Protect's relationship with the NHSBSA is governed by a Memorandum of Understanding (MoU) between the NHSBSA and the DH, with central services such as Finance, HR etc being managed for NHS Protect by the NHSBSA.

- **An Intelligence Led Approach**

NHS Protect has continued to develop a programme of work designed to ensure that strategic and operational decision making in respect of tackling crime is supported by targeted intelligence outputs and a sound evidential base. This has included highlighting key crime threats facing the NHS to set priority areas of action and evaluation of the nature and scale of fraud in relation to significant areas of NHS spend, for example suspected fraud in contractor claims within NHS dental services estimated to have an annual cost of £73.2 million.

Case Study

Following the creation of NHS Protect, an estate rationalisation project reduced the estate by two offices in 2012/13. This has resulted in a reduction in the impact of running the two offices (energy use, water use, waste). NHS Protect has also identified certain specific posts where, owing to the closure of offices, some staff can best deliver the services we offer, in the areas where an office is no longer available, by being home based workers. The benefits of these changes have included reduced carbon impact, improved work-life balance for our staff and the associated reduction in costs.



NHS Protect continues to provide specialist intelligence and analytical support for criminal investigations, as well as supporting anti-crime specialists across the NHS in terms of supplying information, intelligence and data from a range of sources. In one specific area alone such work has resulted in a reduction in the total value of identified fraud from £9.8 million suffered in 2011/12 to £2.2 million in 2012/13.

- **Policy and Standards**

Significant work has been undertaken in order to ensure that appropriate anti-crime arrangements are in place in the reformed NHS, including the development of clauses for the standard commissioning contract, a crime risk assessment tool and standards that will set out the requirements for providers in respect of their anti-fraud and security management arrangements.

Other work in this area has included the development of quality assurance processes based around the NHS Protect issued standards for security management and anti-fraud work, the delivery of university accredited foundation training to security and fraud specialists and the delivery of key skills modules regionally, and work to develop a Training Bookings Database that will eventually be complemented by a personal development system enhancing the capability to deliver person specific training solutions.

- **Investigating Fraud**

NHS Protect investigates allegations of serious or complex fraud against the NHS. At the present time over one hundred complex fraud investigations are being pursued within the NHS. Since April 2012 NHS Protect has achieved twelve successful prosecutions in such cases of serious and complex fraud.

- **Supporting and Mentoring the NHS**

Local Support and Development Services provide the frontline face of NHS Protect for all those who are engaged in anti-fraud work and the management of security across the NHS in England. During 2012/13 Area Anti-Fraud Specialists advised on over 2,500 fraud referrals and authorised further investigation in nearly 1,400 of these cases. Area Security Management Specialists provide support and guidance to the NHS on all matters relating to the protection of staff and property in the NHS and on average have 5,000 contacts with health bodies per month.

- **Deterrence and Engagement**

Continued proactive media engagement, and the provision of an online toolkit, has enabled the anti-fraud and pro-security message to be spread to the widest possible audience, through online systems, print media, television and radio. Extensive national, regional and local coverage has continued to generate referrals to the Fraud and Corruption Reporting Line.

- **Information Services**

NHS Protect provides a number of key business services across the NHS network to assist with the management of crime related activity. Industry best practices and ISO standards such as ISO27001 and ISO20000 are in place for the management of the Information Technology environment within NHS Protect.

HR Shared Services

As part of the NHS Reforms the NHSBSA have spent much of 2012/13 preparing to provide a range of operational Human Resources (HR) services to three new bodies; NHS England (formerly the NHS Commissioning Board), NHS Trust Development Authority and Health Education England.

We are working in partnership with these organisations to complement their strategic HR functions. Services we are providing include:

- issues relating to HR management of individual members of staff;
- recruitment;
- performance and absence management;
- interpretation and application of HR policies, and
- training administration.

Initial focus running up to the start of 2013/14 has been on agreeing the contractual terms for the service, ensuring an effective payroll for each new organisation, the provision of statutory and mandatory training, mobilisation of the recruitment service and providing key information and guides.

Case Study

Staff from across Patient Services and Contact Centre Services (CCS) have continued to support Young Enterprise North East (YENE) during 2012/13 with their programmes in local schools. Young Enterprise is the UK's leading enterprise education charity aiming to empower young people with confidence, ability and ambition. Programmes are across all age groups from age 4-5 onwards and last around 6-8 hours in total, either across one or two days or a number of weeks. Programmes include topics such as "Our Families" for 6-7 year olds, "Our Communities" for children aged 7-8 and "Enterprise in Action" for the 12-16 year olds. Staff members have facilitated sessions in schools. This not only supports the local community, but also offers development opportunities for our staff in areas such as presentation skills and confidence building.

5. Our People

Evolution

During 2012/13 our organisational development and change programme, Evolution, has resulted in a more networked approach to change management with greater integration across the organisation, giving more of our people an opportunity to contribute. It has helped to ensure that work is undertaken in a way that reflects our values. This shift is helping us in moving forward in delivering our services, policy changes and our transformation programme.

Work areas include:

- Reward & Recognition;
- Embedding Team Dialogue;
- Networking - Change Champions supporting people through change;
- Building Capability for Leading and Managing
- Capabilities, and
- Corporate Social Responsibility - Community Partnering.

The new employee Reward and Recognition scheme, developed through Evolution, was launched at an event to celebrate the success of Phase 1 of Evolution.

The Team Dialogue process has been implemented aimed at improving employee engagement and giving our people a voice in organisational change initiatives.

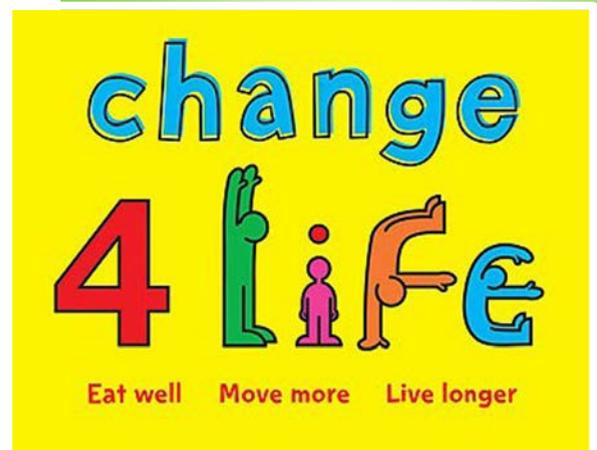
Also, during 2012/13, new capabilities have been agreed for launch as part of the business's Ongoing Review and Objectives (ORO) approach to appraisal and performance management.

Learning and Organisation Development

During 2012/13, a range of programmes have been implemented to meet business needs.

Case Study

During January 2013, the first national NHSBSA Health & Wellbeing campaign was launched in support of the Change4Life initiative. Staff received information on healthy eating, coordinated by the Health & Safety Team and supported by Local Positive Action Groups (CSR Groups). A national staff survey was also rolled-out. Results have informed the Positive Action campaign plan for 2013/14, ensuring topics relevant to staff are addressed.



Programmes have included Equality & Diversity (E&D) training, Relationships Matter – a programme to promote improved networking and work with clients, customers and suppliers, and bespoke interventions with the Prescriptions Team. The in-house coaching programme continues to provide support to staff from across the organisation. Also, reporting of learning and development activity has been enhanced with the introduction of dashboard reporting for the Leadership Team.

Performance and Talent Management

ORO is now well established as the approach for having quality conversations about performance, identifying learning needs and development opportunities.

Work carried out to improve ORO through the Evolution network has led to more streamlined paperwork for managers and has enabled the identification of underused talents in the organisation.

Communications and Engagement

2012/13 has seen an increased emphasis on employee engagement. This has manifested in a range of activities including the development of the Business Strategy through a networked approach with the Extended Leadership Team and has seen wider involvement in the creation of the organisation's vision and values.

Sickness absence

We have an absence management policy covering the whole of the organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme.

Based on returns to the end of March 2013, our overall level of short term sickness absence (seven days or less) for 2012/13 was 0.88% and long term was 2.47%, totalling 3.35% for the year. This represents a small improvement on the total reported for 2011-12 of 3.52%.

Equality and diversity

January 2013 marked the end of a successful first year of our Equality Strategy, which sets out our commitment to taking equality, diversity and human rights into account in everything we do. The Equality Strategy Annual Report (see www.nhsbsa.nhs.uk) provides more detail on the significant progress made this year, with many objectives already achieved or underway. Highlighted below are our main achievements to date, which the Equality & Diversity Committee have continued to oversee.

There has been an increased emphasis on equality and diversity training, with the Board participating in an Equality and Diversity seminar and a new 'Equality and Diversity for Managers' course being launched. In addition, all staff and new starters are required to complete Equality and Diversity training annually.

A Communications & Engagement Plan for Equality has been developed, which aims to raise awareness and encourage greater involvement from staff, and a new Equality & Diversity section on our website has been developed. A Staff Diversity Network has been established, which covers all protected characteristics and membership of which reflects a diverse mix of staff. A new procedure for Equality Analysis (formerly referred to as Equality Impact Assessment) has been developed as part of the business change and policy review processes across the organisation.

Accessibility audits of our premises have been carried out this year to ensure that there are no accessibility problems for staff and visitors. Issues requiring action have been prioritised for completion going forward. Customers with different accessibility requirements have continued to be supported to access the services we provide. We use Language Line to provide translation services for customers for whom English is not their first language, BT TypeTalk and Sign It can be used by customers with hearing or speech impairments, and we offer a form completion service for customers who need additional help.

We continue to be members of Stonewall's Diversity Champions Programme and were included for the first time in their recruitment guide, 'Starting Out', which is distributed to all schools, colleges and universities across the UK. We also maintained our accreditation for the Disability Equality 'Two Ticks' Award by JobCentre Plus, by continuing to demonstrate our commitment to disability equality in recruitment.

Case Study

As one of 147 call centres operating across the UK, our Newcastle Contact Centre supported taking a share of the 458,000 calls to the Comic Relief donation line on its 25th anniversary during March 2013. Volunteers from both the NHSBSA and our partner organisations took donation calls totalling almost £88,000. Staff also played their part in raising money across the business. This included events such as cake sales and a sponsored 'head shave' at Fleetwood, dressing up in 80's fashions, a 'cyber bike race', and a 'Bake-Off' at Middlebrook, Wakefield and Newcastle offices.



6. Our Buildings

During 2012/13 the NHSBSA completed a property rationalisation programme as described in its business plan, which has delivered a reduction in estate size from 59,000 sq m, to 33,000 sq m. The rationalisation has been achieved in line with Government Property Unit (GPU) guidance, and includes acquiring good quality freeholds and disposal of excess freeholds to the private sector; the non-renewal of leases, and a reduction in backlog maintenance, at the same time as meeting government occupancy standards. Specifically this has included:

- acquisition and occupation of a new HQ building - Stella House;
- completion of the refurbishment of a new operational centre in Newcastle, reducing the number of building occupancies in the city from four to one;
- Supplier Management team relocation to Mansfield, and closure of Alfreton;
- staff relocation in Eastbourne and planned disposal of old site;
- closure of NHS Protect offices in Mansfield, Surbiton, Bristol, Reading and Harlow, and relocation of Newcastle team to one floor in Citygate offices, and
- disposal of freehold buildings at Durham and Bolton.

These actions have led to over £2 million of recurring annual savings and have created a safer, more efficient, fit-for-purpose property portfolio.

The coming year, as with 2012/13, will continue to be focused on delivering our Estates Strategy. The key tenets are:

- to maximize the occupancy of properties, thereby achieving or exceeding government space utilisation targets;
- to rationalise where possible the number of

Case Study

Our Property & Facilities Team have worked closely with our building works supplier, Sir Robert McAlpine (IHP), to ensure environmental and community issues are taken into account in all of our building projects. Projects are audited by the NHSBSA CSR Team in line with our Environmental Management System, ensuring legal compliance and best practice is addressed. For example, the recent work at our Fleetwood office has been undertaken in line with the Considerate Constructors Scheme (CCS), helping to ensure practices are in place to protect the general public, the workforce and the environment.

Other key policies applied by our supplier for our projects include compliance with the Government Sustainable Timber Policy and a focus on diverting waste from landfill. The Fleetwood project is targeting sending zero waste to landfill.



properties held in order to minimise the cost of the overall estate;

- where properties are leased to migrate from long term leases to short term flexible leases where benefits of such flexibility outweigh costs;
- to ensure that the cost and efficiency of the estate benchmarks favourably both within and outside the sector;
- to provide a safe, comfortable and appropriate working environment for staff;
- to comply with government property unit mandates;
- to create and maintain a sustainable estate, and
- to utilise best practice procurement and delivery models, including, as appropriate, shared services.

We will create a new five year Property Asset Management Plan to take the NHSBSA up to the implementation of its new strategic operating model. Initiatives will include the resolving of concrete issues at the Fleetwood office and a programme to improve the internal environment in line with other NHSBSA properties, the potential to operate for longer hours to eliminate the need for extra office space to contain workstream growth, and working in partnership with Capita to further deploy the 'work anywhere' model by using the MVS cloud telephony platform, and IT networking initiatives for greater productivity.

7. Corporate Social Responsibility (CSR) - (Our Sustainability Report)

Introduction

In previous years our main focus under the 'Sustainable Development' banner has been the environment and efficiency. During 2012/13 we have broadened our focus to ensure that social issues are given the same level of importance, hence the change to using the CSR term. This new approach is in support of the Department of Health's (DH) ultimate purpose, to improve health and well-being and in doing so achieve better health, better care, and better value for all, and therefore strategically important for us also.

Governance

During 2012/13 we have further strengthened our governance arrangements around CSR. Whilst our Finance Director continued to take a lead role at Leadership Team level ensuring progress is reported and monitored at Leadership Team and Board levels, specific actions and responsibilities have recently been agreed via a workshop approach with each of our other directors and their management teams linked directly to their areas of responsibility. These will be monitored as part of their regular performance review regimes, along with KPIs and any relevant findings from our internal and external ISO 14001 audits.

The following arrangements are in place to assure the information contained within this report:

- Environmental Management System (ISO 14001), including policies and procedures for recording and reporting CSR data, system/ data auditing and ensuring staff have the required skills – externally certified;
- Carbon Trust Standard – including policies and procedures for recording and reporting carbon data - externally awarded by The Carbon Trust, and
- Risk Management Framework and Internal Audit function (see Section 10).

Case Study

Upon moving into our new HQ office in Newcastle, we took advantage of the availability of two electric car-charging points on our site and introduced an electric pool car for use by staff travelling between local offices and other local business trips. The use of the car supported the Switch EV trial programme - one of only eight projects across the UK to have won funding through the Technology Strategy Board's Ultra Low Carbon Vehicle Demonstrator Programme. Data related to its use was provided from the car's on-board system to help in the further development and improvement of electric vehicles and supporting infrastructure. As well as supporting the further development of the electric vehicle industry in the UK, the trial resulted in savings for the business linked to local business travel, and in 2012 following the end of the scheme, we signed up to a further extend the car lease.



Our Performance

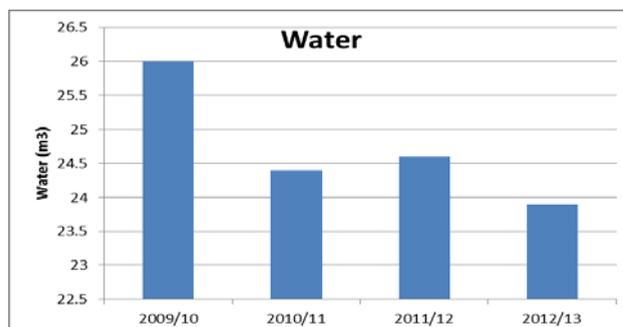
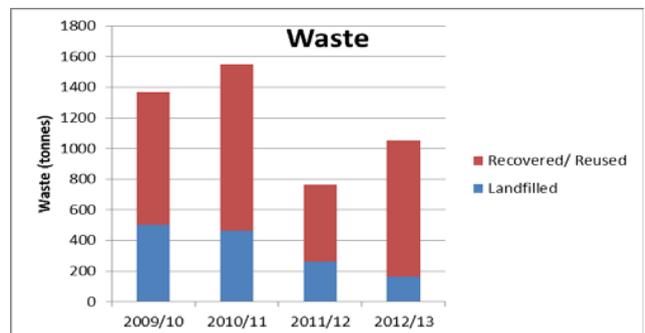
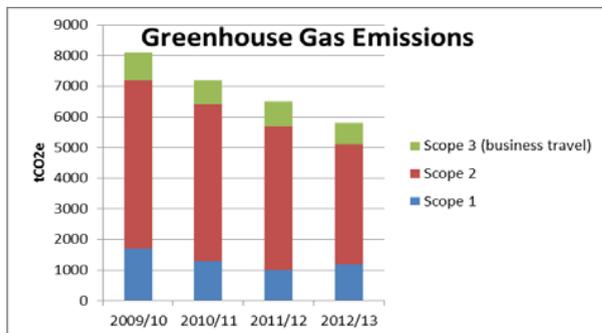
Our CSR Annual Report complies with the guidelines laid down by HM Treasury in Public Sector Annual Reports: Sustainability Reporting. We have reported beyond these requirements with our staff engagement and community engagement information, and extended environmental reporting, demonstrating our commitment to this agenda.

The NHSBSA Corporate Social Responsibility Annual Report 2012/13 gives further details of our performance over the year. The NHSBSA CSR Strategy and Action Plan 2013-18 and NHSBSA Carbon Management Plan 2009-2015 gives details of our future plans and targets - www.nhsbsa.nhs.uk,

Summary of Performance and Future Targets

The following table summarises our targets and performance up to the end of 2012/13, our 2013/14 targets and longer term targets. The charts below show our progress since our baseline year - 2009/10.

2012/13 Targets	2012/13 Performance	2013/14 Target	Long-term target
21% reduction in CO ₂ e emissions from energy use in our buildings	29%	40%	50% reduction in our 2009/10 carbon emissions baseline by the end of 2014/15
7% reduction in water consumption in our buildings	8%	26%	Meet good practice water benchmarks (<6m ³ per FTE), or better, in our offices by the end of 2014/15
19% reduction in CO ₂ e emissions from business travel	21%	22%	50% reduction in our 2009/10 carbon emissions baseline by the end of 2014/15
43% reduction in office waste arisings	58%	60%	2014/15 Greening Government Target achieved. Recycle Paper via Closed Loop Recycling



Greenhouse Gas Emissions

		2009/10	2010/11	2011/12	2012/13
Non-Financial Indicators (t CO2e)*	Gross emissions Scope 1** (direct)	1.7k	1.3k	1.0k	1.2k
	Gross emissions Scope 2*** (indirect)	5.5k	5.1k	4.7k	3.9k
	Gross emissions Scope 3**** (indirect – business travel)	0.9k	0.8k	0.8k	0.7k
	TOTAL	8.1k	7.2k	6.5k	5.8k
	Building CO2e per FTE	2.5	2.2	2.2	2.0
	Business travel CO2e per FTE	0.18	0.21	0.27	0.20
Related Energy Consumption (KWh)	Gas	8.3m	6.1m	4.8m	5.6m
	Electricity: Grid	10.9m	10.1m	9.4m	8.2m
	Gas Oil	N/A	N/A	N/A	0.2m
Self-Generated Energy (kWh)	PV	N/A	N/A	N/A	60k
Financial Indicators*****	Expenditure on Energy	£1.2m	£1.1m	£1.1m	£1.0m
	Expenditure on Carbon Reduction Commitment	N/A	<£2k	<£2k	£66k
	Expenditure on official business travel	£1.1m	£1.1m	£1.0m	£1.1m
	TOTAL	£2.3m	£2.2m	£2.1m	2.2m

Performance Commentary Including Measures

During 2012/13 we exceeded both of our internal carbon targets linked to our buildings (28% reduction achieved) and business travel (21% reduction achieved) on our 2009/10 baseline. CO2e per FTE has reduced year-on-year for our buildings. This is due to continued estate rationalisation and efficiency projects. For business travel CO2e per FTE peaked during 2011/12. During this year we outsourced our IT contract for a large portion of the business. This impacted this measure as we lost a large number of non-travelling staff, and also remaining management staff increased their travel during the initial contract roll-out nationally.

Controllable Impacts Commentary

Our main impacts are from the operation of our offices (electricity and gas), and to a lesser extent our business travel, having offices spread around England with managers line managing staff at multiple sites.

Overview of Influenced Impacts

Our key influential impacts are those related to our supply chain. We are currently reviewing our supplier engagement strategy as described in Sustainable Procurement below. Our key impact is via our outsourced NHS Supply Chain Contract, also described below.

Notes: * Emissions accounting includes all Scope 1 and 2 emissions along with separately identified Scope 3 emissions related to official business travel. Details of carbon accounting within the NHSBSA, in support of HM Treasury Guidance, can be requested from d.jukes@nhs.net Defra carbon conversion factors have been used.

Scope 1**: gas used in buildings (Approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering), gas oil, fugitive emissions from air conditioning units in buildings we own and/or control, transport emissions from vehicles we own or on finance lease (<1% has been estimated for March 2013 due to the reporting deadline).

Scope 2***: electricity used in buildings (Approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering).

Scope 3****: transport emissions from hire cars, grey fleet, taxis (some figures are approximated using spend data), buses (figures are approximated using spend data), air (data prior to June 2010 is estimated using data from 2010-11), rail (data prior to June 2010 is estimated using data from 2010-11).

**** Minor estimates have been included for areas without direct billing, for example, where the energy bills are part of the service charge for a building.

Waste

		2009/10	2010/11	2011/12	2012/13
Non-Financial Indicators (tonnes) *	Landfilled	504	466	261	161
	Recycled/ reused/ composted (non-prescription / dental form waste)	634	471	322	488
	Recycled/ reused/ composted (prescription / dental form waste)	200	586	114	350
	ICT waste recycled externally	2	0	16	36
	Incinerated/ energy from waste	26	26	50	16
	TOTAL	1366	1549	763	1051
	Office waste per FTE	0.38	0.32	0.24	0.27
Financial Indicators **	Landfilled	-	-	-	26.7k
	Recycled/ reused/ composted (non-prescription/dental form waste)	-	-	-	31.0k
	Recycled/ reused/ composted (prescription/dental form waste)	-	-	-	-
	ICT waste recycled externally	-	-	-	-
	Incinerated/ energy from waste	-	-	-	2.6k
		TOTAL	£36k	£36k	£39k

Performance Commentary Including Measures

During 2012/13 we achieved an office waste reduction level of 58% on our 2009/10 baseline ('office waste' is used for our internal target, and excludes external prescriptions and dental forms we receive. Prescriptions etc. are included within the data table above). This was achieved even with the production of extra waste during office rationalisation (furniture, waste paper etc), the majority of which was recycled or reused (hence the cost increase). We also had an IT equipment refresh across the business, resulting in the recycling/ reuse of an increased level of IT equipment.

A large number of prescriptions were disposed of and recycled during 2010/11, hence the high recycled figure. Prior to 2011/12 dental form waste was recorded as 'non-prescription/dental form waste'. This is now recorded as 'prescription/dental form waste'.

Controllable Impacts Commentary

Our key controllable impact is the production of office-waste. Teams across the business are increasingly moving from paper-based systems to paperless methods of administration. This is demonstrated by our reduction in office waste per FTE.

Overview of Influenced Impacts

Our key influential impact is related to the use of prescriptions. The roll out of the Electronic Prescription Service (EPS) is reducing large numbers of paper prescriptions being printed and transported to our premises to be scanned, stored and then recycled. During 2012/13 the further uptake of the system means around one million paper prescriptions have been eliminated from the process. We are continuing to promote the further take-up of EPS in 2013/14.

We also have influential impacts related to our supply chain. We are currently reviewing our supplier engagement strategy as described in Sustainable Procurement below. Our key impact is via our outsourced NHS Supply Chain Contract, also described below.

** Waste (tonnes): approx. 1% has been estimated where we are a minor tenant in large office blocks, and waste is managed via the Service Agreement.*

*** Minor estimates included aligned to non-financial estimates listed here, and due to some data reporting issues for 2009/10. All waste costs are included together up to 2012/13 due to level of reporting possible, with 2012/13 data split. Prescription/ form and non-prescription/form recycling costs have been combined. ICT waste costs are included within managed service contract costs so have not been included here.*

Finite Resource Consumption

		2009/10	2010/11	2011/12	2012/13
Non-Financial Indicators (m3) *	Water from office estate	26.0k	24.4k	24.6k	23.9k
	Water from non-office estate	<0.1k	<0.1k	<0.1k	<0.1k
	TOTAL	26.0k	24.4k	24.6k	23.9k
	Water - m ³ per FTE (office estate)	8.63	8.26	9.50	9.19
	Paper - reams of A4**	48k	48k	34k	29k
	Paper -Reams per FTE	16	16	12	11
Financial Indicators***	Mains Water Supply and Treatment	£93.3k	£96.7k	£83.7k	90.2k

Performance Commentary Including Measures

During 2012/13 we exceeded our internal water reduction target for our buildings (8% reduction achieved) on our 2009/10 baseline, although our use per FTE has been increasing.

Controllable Impacts Commentary

Our key controllable impact is water use in our buildings. Our ageing building stock, and the acquisition of a poorly maintained modern building, has led to various leaks and water management issues during 2012/13. The disposal of the old buildings and work undertaken to address the issues in our new HQ building means water use per FTE should improve during 2013/14. Water efficiency measures introduced in our Fleetwood office is of particular note, resulting in a 45% reduction on-site.

Overview of Influenced Impacts

Our key influential impacts are related to our supply chain. We are currently reviewing our supplier engagement strategy as described in Sustainable Procurement below. Our key impact is via our outsourced NHS Supply Chain Contract, also described below.

** Water (m³): approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering.*

*** Paper (reams): reams of A4 reported here refer to office paper purchased by the NHSBSA directly. It does not include paper purchased on our behalf e.g. leaflets, scheme documents etc linked to our outsourced services.*

**** Minor estimates have been included for areas without direct billing, for example, where the water bills are part of the service charge for a building.*

No. of office buildings with water m ³ per FTE (2012/13)		
<4 (best practice)	>4 and <6 (good practice)	>6 (poor practice)
3	3	7

Staff and Community Engagement

		2009/10	2010/11	2011/12	2012/13
Employees	Staff using the Cycle-to-Work scheme	51	25	19	24
	Staff using the discounted public transport schemes	246	331	303	302
	Staff using the Childcare Vouchers scheme	62	50	46	65
Community Engagement	Staff signed up to Pennies from Heaven scheme	N/A	178	177	166
	Staff volunteer days	N/A	N/A	N/A	85

Note: As part of our move to include more social and community elements under our CSR banner, the table above is included to demonstrate our work in helping our employees reduce their impact, improve their health, save money and also engage with the local community.

Benchmarking Our Estate

Under the requirements of the Climate Change Act 2008 Government is required to lay before Parliament each year a report on the efficiency and sustainability of its central civil estate for the previous financial year. This report includes specific data related to our performance and also measures our performance against that of other Government organisations and also the private sector. We use this information to help us identify areas of good practice and areas for improvement.

Information and data submitted as part of the 2011/12 return (2012/13 yet to be published) indicated the following (Full details can be found at www.civilservice.gov.uk).

Key Points from State of the Estate (2011-12)

- Environmental sustainability better than private sector average;
- Environmental impact of office space has reduced compared to previous year;
- CO₂e per FTE reduced compared to previous year and is lower than average.

NOTE: The Scope of the data reported to Government for State of the Estate differs to the full estate data reported in this Annual Report.

Climate Change Adaptation

During 2012/13 we undertook a project to develop a Climate Change Adaptation Strategy based on the UK Climate Impacts Programme (UKCIP) tools. The project has produced a Climate Change Strategy and key actions identified have been included within our CSR Action Plan 2013/14. In summary the study highlighted risks related to a) the impact of extreme weather events on our estate and transport issues for our staff, and b) our supply chain, particularly outsourced services, and ensuring resilience to the impacts of climate change (see Sustainable Procurement below).

Biodiversity and Natural Environment

Although we have a limited amount of green space on our estate, we are continuing to make the most of the land we do have. We have continued to maintain the grounds at our HQ in Newcastle in line with the local Biodiversity Action Plan (BAP). This has included the planting of a herbaceous garden and a wild flower meadow to encourage insects and therefore other wildlife.

At Fleetwood, the advice provided to us by the local Wildlife Trust has been passed to our construction partners to use as part of a landscape design following completion of the construction project currently being undertaken there. As with HQ, this is based upon the local BAP.

Sustainable Procurement

We recognise that much of our CSR impact is related to the goods and services we procure, and the management of outsourced contracts such as the Master Services Agreement (MSA) for the delivery of procurement and supply chain services to the NHS. The CSR-risks related to this contract have been managed proactively since 2007, and details of annual performance in this area can be viewed within the NHS Supply Chain Annual Sustainability Report and website:

<http://www.supplychain.nhs.uk/about-us/sustainability/>

We have had a Sustainable Procurement Policy and procedures in place for a number of years (see www.nhsbsa.nhs.uk). During 2012/13 we have commenced a focused project to review practices internally and externally in relation to sustainable procurement, with the aim of embedding this within our new overarching strategic sourcing strategy. The work in scope to date includes:

- development of a Sustainable Procurement Strategy;
- CSR risk-assessment of our suppliers;

- measurement of our compliance with Government Buying Standards (GBS) - Government sustainability specifications - across our supply chain, and engagement with our suppliers to improve, and
- initial assessment of the CAESER tool (supplier CSR self-assessment and assurance tool) in support of central Government's drive to assess and support their supplier base.

Food Procurement

During 2012/13 we have worked with our HQ catering contractor to achieve compliance at the 'Mandatory' level, and also 'Best Practice' in some areas (see 'Case Study'). This requirement has also been stipulated within the Service Level Agreement.

NHS Supply Chain launched a new web page to support trusts working towards GBS for food and catering services with information about catering suppliers and their product ranges that meet the new standards and help them buy more sustainably. Recently, NHS Supply Chain completed a review of the traceability of its supply of meat and meat products to the NHS. All suppliers have been able to provide test evidence in support of assurances that their products are free from horse meat. The new web page supports NHS Supply Chain's wider commitment to the GBS which includes the provision of GBS information on all future catering tenders and ongoing work with suppliers to provide clear details of individual products and their compliance with specific GBS criteria.

Further details can be viewed at:

www.supplychain.nhs.uk/governmentbuyingstandards

Further details of specific sustainable procurement projects can be seen in NHSBSA CSR Annual Report 2012/13.

Sustainable Construction

During 2012/13 we have undertaken estate rationalisation (disposing of three of our large, under-occupied buildings), and also undertaken works to

Case Study

Our catering contractor at our HQ building, Baxterstorey, has worked with us to embed catering and food Government Buying Standards (GBS) ensuring, for example, sustainable fish is used, meat is farmed with high standards of assurance, seasonal produce is promoted, and waste and energy is managed efficiently.

Progress against GBS compliance is monitored via the regular contract management process, with many areas of the contract going beyond the 'Mandatory' level of GBS, meeting 'Best Practice' levels, for example operating a company-wide Environmental Management System and procuring only fairly traded coffee and tea.



improve the operational efficiency of the buildings we have retained. For example, the removal of the out-dated heating/ cooling system from our Bridge House building and replacement with a modern system has reduced gas use by approximately 40%. The new system has also reduced the large number of individual air conditioning units in the building, reducing the risk of fugitive emissions being released. GBS for construction products and the UK Government Timber Policy are applied across our building projects.

All works carried out by our construction partners are now subject to our internal Environmental Management System audits. These concentrate on the potential impacts and controls applied to building works, another of our key CSR risks, including the operation of Site Waste Management Plans. As part of this approach, the building works started at our Fleetwood site during February has a target of zero waste to landfill and zero complaints from neighbours related to noise etc. Our construction partners are complying with the Considerate Constructors Scheme in pursuit of these goals.

Waste – Construction

	2009/10	2010/11	2011/12	2012/13
Non-hazardous (tonnes)	N/A	N/A	N/A	56.2
Hazardous (tonnes)	N/A	N/A	2.3	16.0
% diverted from landfill	N/A	N/A	0	78%
TOTAL	N/A	N/A	2.3	72.2

Sustainability and Our People

To embed the new CSR-approach within the business, the CSR team has spent time re-engaging with all of our teams across the authority. All management teams have taken part in ‘Positive Action Workshops’, identifying their own actions for 2013/14. Teams also have local Positive Action Groups, responsible for rolling-out local events and communicating CSR themes across the year. This approach was launched in January 2013. The first theme was the ‘Change4Life’ (healthy eating) campaign during January and February. Our teams have also undertaken a range of community work during the year. A selection of these activities have been highlighted in the Case Study boxes throughout this report

Environmental Management System (EMS) and Impact Assessment

We have continued to maintain our externally certified ISO 14001 EMS. This helps us to organise and manage our approach to the CSR agenda, including the setting of

objectives and targets, legal compliance and continuous improvement. We also use our EMS 'Significant Aspects & Impacts' process to help us identify the CSR issues relevant to us and our stakeholders (clients, customers, our staff, local communities and our suppliers), therefore concentrating our resource in the areas that really matter. This process is undertaken on a quarterly basis as part of our EMS timetable.

8. Our Financial Review

Background

The financial statements contained within this report have been prepared in accordance with the direction given by the Secretary of State for Health under the NHS Act 2006 and in a format instructed by the Department of Health (DH) with the approval of HM Treasury.

Our accounts for 2012/13 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

Our accounts for 2012/13 are based upon two distinct segments. The first of these segments relates to bursary payments we make on behalf of Strategic Health Authorities and the DH for NHS and Social Work students, and the second segment of our accounts relates to our operating expenditure, which represents our running costs.

Financial Performance

We have been set stringent financial targets by the DH against which we are expected to deliver.

For 2012/13 we were required to maintain our expenditure within certain key funding limits:

- net revenue expenditure within a limit of £120.025 million, and
- capital expenditure within a limit of £25 million.

We are able to report that for 2012/13 we successfully achieved these statutory targets.

There are no post balance sheet events to report.

In addition to the above, we are required to report our performance against the Better Payments Practice Code, which requires non NHS trade creditors to be paid within 30 days or agreed terms. Our performance against this target for 2012/13 is as follows:

NHSBSA Performance	<u>Number</u>	<u>Value £000</u>
Total non-NHS Trade Invoices paid 2012/13	17,861	81,890
Total non-NHS Trade Invoices paid within target	16,552	72,822
Percentage of non-NHS Trade Invoices paid within target	93%	89%

Delivering Value for Money

Delivering value for money is an integral part of our vision and some of the achievements outlined in this report demonstrate our success in doing so.

In cash terms, the NHSBSA's running costs are around £19m lower in 2012/13 than they were in 2005/06. However to provide a more accurate comparison of costs over that time period, we must consider inflation and also the significant increase in volumes of transactions we now process compared with eight years ago. With this in mind, we calculate our gross running costs for 2012/13 to be around £79m lower than the equivalent cost in 2005/06, which shows a real terms reduction in operating costs since the inception of the NHSBSA of around 41%.

We have achieved these savings by:

- automating our systems and leveraging technology to reduce manual involvement in business processes to a minimum e.g. scanning and intelligent character recognition in our prescription processing system and voice automation in our customer contact centre;
- re-engineering our business processes through the application of six-sigma and lean methodologies to some of our key functions;
- providing and promoting internet access to our services to replace both paper and telephone based access;
- centralising services common to all business streams e.g. HR, Finance, commercial, property and facilities, imaging, IT infrastructure and call centre functions and reorganising our operational capability to maximise synergy savings;
- putting in place professional contract and service management of key private sector suppliers to improve efficiency and value;
- reviewing and re-shaping services such as NHS Protect and Dental Reference Services;
- negotiating and awarding a contract with a private sector provider to transform dental services and a managed IT infrastructure which delivers major savings over the contract term, and
- robust and prudent financial management.

Future Financial Targets

Like all public services, we are facing significant financial challenges in the short term. The Business Plan for 2013-14 sets out our broad funding requirements to the end of the current CSR period. and our strategy to ensure that we continue to deliver against our financial targets. This will be achieved through a range of initiatives including:

- developing strategic partnerships with private sector partners for service delivery;
- management de-layering;
- review of service levels;
- identification of non value added activities;
- further income generation;
- opportunities for further sharing of services;
- opportunities to recharge functions, and
- service specific efficiencies.

Pension Costs for Current Staff

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 3.6 to the financial statements and in the remuneration report in Section 9.

Hosted Services

We provide a range of hosted financial, commercial and HR services to other NHS organisations and DH teams. The costs that we incur in providing these services, primarily staff costs have been included within our operating expenditure, as has the total income contributions received from these organisations to cover costs. For 2012/13 the income received from hosted and managed services was £1.199 million.

The income and expenditure of the organisations to which we provide hosted services, although disbursed by us, is not included in our income and expenditure accounts and is charged to the relevant organisation's accounts.

Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2013 of £130k is for the audit of these accounts. An additional notional fee of £90k relates to the audit of the Pension Scheme Accounts.

Accounting Officer's Disclosure to the Auditors

As far as the Accounting Officer is aware, there is no relevant audit information of which our auditors are unaware and the Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that our auditors are aware of that information.

Nick Scholte

Chief Executive

NHS Business Services Authority

18 June 2013

9. Our Remuneration Report

The remuneration of the NHSBSA Executive Directors is set by the Remuneration and Terms of Service Committee on behalf of the NHSBSA Board in conjunction with the Department of Health (DH). The Committee is chaired by a Non-Executive Director of the Board together with two other Non-Executive Members, one of whom is the Chair of the Authority.

This report for the year ended 31 March 2013 is produced by the Board. The Remuneration and Terms of Service Committee has met on eight occasions during the period 1 April 2012 to 31 March 2013.

The Remuneration and Terms of Service Committee operates within a framework laid down by the DH. Its remit is to determine, on behalf of the Authority, the Terms of Service, remuneration and other benefits of the Chief Executive, Executive Directors and such other posts as are specifically designated by the Board to be within their purview, with the intention that relevant employees are fairly rewarded for their individual contributions to the organisation. This includes setting the terms for the recruitment of any new Executive Directors within the DH Framework.

The Committee has an objective to satisfy itself that appropriate and effective succession planning arrangements are in place for relevant employees. During the last year, the Committee has made significant progress in ensuring that adequate arrangements are in place for the NHSBSA's executive directors.

The Committee also ensures that an effective system is in place and being properly administered to monitor and evaluate the performance of relevant employees, including such assessments as may be required to determine their level of remuneration.

The remuneration of Executive Directors is reviewed at least annually by the Remuneration and Terms of Service Committee, taking account of NHS national awards, central DH directions or guidance and other relevant factors. The remuneration for the tenure of Non-Executive Directors is determined by the Secretary of State for Health.

The NHSBSA, with the approval of the DH Remuneration Committee operates the NHS VSM Pay Framework. This framework also provides access to an approved scheme for performance related payments which are paid in line with DH instructions.

Due to revised DH arrangements, the Authority chose not to pay any individual bonus payments to Executive Directors during 2012/13. In addition, DH central direction has frozen VSM pay during 2012/13 in respect of NHS national pay awards.

Appointments

Non-executive directors are appointed to the NHSBSA Board by the Secretary of State for a fixed period of time and further changes are expected during 2013/14 following the appointment of a new Chair. To ensure a smooth transition and provide some continuity, existing non-executive directors, Mike Harling and David Teale have had their current tenures extended until the end of December 2013. Executive directors have standard NHS Very Senior Manager contracts of employment. There are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements and normal pay provisions.

Emoluments of Board Members

The remuneration relating to all directors in post during 2012/13 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives. This information is subject to audit.

Non-Executive Directors

The following table sets out details of payments made and appointment term details for the Chair and non-executive members.

Subject to Audit

Name and Title	2012/13			2011/12			Date of Appointment/ Re-appointment	Appointment Ends
	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100)		
	£000	£000	£000	£000	£000	£000		
P Rich Chair	60-65	0	0	60-65	0	0	1 Nov 2005 Reappointed 1 Nov 2009	31 Oct 2013
M Harling Non Executive Director and Chair of the Remuneration Committee	5-10	0	0	5-10	0	0	1 Dec 2005 Reappointed 17 Feb 2011 Extended 24 May 2013	31 Dec 2013

Name and Title	2012/13			2011/12			Date of Appointment/ Re-appointment	Appointment Ends
	Salary in £5k bands £000	Bonus Payments in £5k bands £000	Benefits in Kind (rounded to the nearest £100) £000	Salary in £5k bands £000	Bonus Payments in £5k bands £000	Benefits in Kind (rounded to the nearest £100) £000		
D Teale Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005 Reappointed 17 Feb 2011 Extended 24 May 2013	31 Dec 2013
D Hulf Non Executive Director and Chair of the Audit and Risk Management Committee	10-15	0	0	10-15	0	0	1 Dec 2005 Reappointed 1 Dec 2009	30 Nov 2013
J Strachan Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005 Reappointed 17 Feb 2011	31 Jul 2013
A Galbraith Non Executive Director	5-10	0	0	5-10	0	0	1 Apr 2006 Reappointed 1 Apr 2012	31 Oct 2013

Chief Executive and Senior Managers

The following table sets out details of payments made and contract term details for the Chief Executive and other Senior Managers, as appropriate. All benefits in kind relate to the provision of a lease car:

Subject to Audit

Name and Title	2012/13			2011/12			Date of Contract Commencing	Contract Ends
	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100) £000	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100) £000		
	£000	£000	£000	£000	£000	£000		
N Scholte Chief Executive	150-155	0	6.0	150-155	0	5.1	1 Feb 2006	Permanent Contract (6 months notice)
R Barker Director of People and Organisational Development	105-110	0	0	105-110	0	0	29 Sep 2008	Permanent Contract (6 months notice)
M Brodie Director of Finance	105-110	0	0	95-100	0	0	1 Jan 2011	Permanent Contract (6 months notice)
S Pink Commercial Director (appointed 30 April 2012)	115-120 *	0	0	n/a	n/a	n/a	30 April 2012	Permanent Contract (6 months notice)
A McDonald Chief Operating Officer	105-110	0	2.7	105-110	0	2.4	1 May 2006	Permanent Contract (6 months notice)
J Orr Commercial Director (retired 25 December 2011)	n/a	n/a	n/a	90-95*	0	0	3 Jul 2006	Contract ended 25 December 2011

* part year

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

The banded remuneration of the highest paid director in the NHSBSA in the financial year 2012/13 was £150,000 – £155,000 (2011-12: £150,000 – £155,000). This was 8.8 times (2011-12: 9) the median remuneration of the workforce, which was £17,253 (2011-12: £17,003**).

In 2012/13 there were no employees (2011-12: 0) who received remuneration in excess of the highest paid director.

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

Subject to Audit

	2012/13	2011/12
Band of Highest Paid Director's Total Remuneration (£'000)	150-155	150-155
Median Total (£)	17,253	17,003**
Remuneration Ratio	8.8	9

**The 2011/12 figure has been re-stated based on the whole time equivalent median salary.

Pension Benefits

The table below sets out the pension benefits of the Chief Executive and Senior Managers of the NHSBSA:

Subject to Audit

Name and Title	Real Increase in pension at age 60 (bands of £2,500) £000	Real Increase in pension lump sum at aged 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2013 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2013 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2013 £000	Cash Equivalent Transfer Value at 31 March 2012 £000	Real Increase in Cash Equivalent Transfer Value £000
N Scholte Chief Executive	(0-2.5)	(0-2.5)	55-60	170-175	1,123	1,037	22
R Barker Director of People and Organisational Development	10-12.5	0 ¹	15-20	0 ¹	195	68	86
M Brodie Director of Finance	0-2.5	5-7.5	25-30	85-90	442	378	31
S Pink Commercial Director (appointed 30 April 2012)	0-2.5	0 ¹	0-5	0 ¹	21	0	15
A McDonald Chief Operating Officer	(0-2.5)	(2.5-5)	40-45	130-135	824	778	4

As non-executive directors do not receive pensionable remuneration, there are no entries in respect of pensions for non-executive directors.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme.

¹ No lump sum is disclosed for R Barker or S Pink as they are in the 2008 section of the NHS Pension Scheme where there is no set minimum lump sum.

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 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.

Nick Scholte

Chief Executive

NHS Business Services Authority

18 June 2013

10. Our Annual Governance Statement

Introduction

The Accounting Officer for the NHS Business Services Authority (NHSBSA) is required to provide, on an annual basis, assurances about the stewardship of the Authority.

These assurances are provided in this Annual Governance Statement, in line with HM Treasury guidance.

The Accounting Officer for the NHSBSA is Nick Scholte, Chief Executive.

Scope of Responsibilities

The NHSBSA Board is accountable for internal control, ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively in accordance with Managing Public Money. In discharging this responsibility the Board is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions. This includes, ensuring a sound system of internal control is maintained throughout the year which supports the achievement of the Authority's policies, aims and objectives and arrangements are in place for the management of risk.

As Accounting Officer for the NHSBSA, the Chief Executive has overall responsibility for ensuring that the contracted administrators for any outsourced activity is managing the risks effectively and for reviewing the effectiveness of the administrator's systems of internal control.

The Purpose of the Governance Framework

The governance structure has been strengthened over a period of time to deliver an integrated governance framework. This framework comprises the systems and processes by which the NHSBSA leads, directs and controls its functions and accounts to, and engages with, the Department of Health (DH) and the wider NHS community. The NHSBSA takes its corporate social responsibilities seriously, striving to be a good corporate citizen by always 'doing the right thing'. To achieve this, the corporate governance framework is underpinned by the culture, values and behaviours adopted across the Authority.

A significant element of the framework is the system of internal control, which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and 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 Authority's policies, aims and objectives; and
- evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework and system of internal control have been in place in the NHSBSA for the year ended 31 March 2013 and up to the date of the approval of the annual report and accounts.

NHSBSA Governance Framework

The overarching Corporate Governance Framework has been approved and adopted by the Board and is subject to annual review. The framework incorporates the following elements:

- Statutory Instruments and Directions which describe and govern the NHSBSA's core operations, processes and structure;
- Code of Conduct and Accountability for NHS Boards, instilling a culture of accountability, probity and openness underpinning the work of the NHS;
- matters determined by the Board which ensure that the Authority has appropriate decision making processes in place, including:
 - Ways of Working (including Standing Orders);
 - Standing Financial Instructions; and
 - Scheme of Delegation, and
- other management information which supports effective governance and operation, i.e. corporate policies and procedures.

The Corporate Secretary is responsible for ensuring that all decisions made are legal and comply with the NHSBSA's Corporate Governance Framework and the Corporate Governance Code.

NHSBSA Board and Ways of Working

The Board is responsible for the strategic direction and integrated governance of the Authority, including the stewardship of its finances. In fulfilling these responsibilities the Board reserves certain decision making powers, including decisions on strategy and budgets, but other key duties have been delegated to the Authority's two standing committees:

- Audit and Risk Management Committee; and
- Remuneration and Terms of Service Committee.

The roles and responsibilities of these standing committees are described more fully below.

All powers of the Authority that have not been retained as reserved for the Board or otherwise delegated to a standing committee are exercised on behalf of the Board by the Chief Executive, unless otherwise specified in the NHSBSA's Standing Financial Instructions or Scheme of Delegation. The Chair is primarily responsible for leading the Board and ensuring its effectiveness with the Chief Executive responsible for day-to-day management. The document which describes how the Authority operates is called the Ways of Working which incorporates the Standing Orders. This document is supported by the Standing Financial Instructions and Scheme of Delegation which details which decisions the Board has reserved for itself and those which it has delegated and to whom.

Board

Membership of the Board is currently made up of a Non-executive Chair, five other Non-executive Directors, Chief Executive and four Executive Directors. The key roles and responsibilities of the Board are as follows:

- to set and oversee the strategic direction of the Authority;
- continued appraisal of the financial and operational performance of the Authority;
- direct operational decisions as required;
- to discharge their duties of regulation and control;
- to receive reports and updates from the Standing Committees, and
- to adopt the Annual Report and Accounts.

The Board meets not less than eight times during the financial year, to discuss an agenda based on the following key areas:

- operational performance and use of resources;
- corporate governance, risk and regulatory issues, and
- strategy, business planning and improvements.

The Board is responsible for approving the business plan and budget in advance of the financial year and subsequent reporting is based on an exception principle ensuring that the Board focuses on key issues and utilises its time effectively.

The Board receives regular updates from its standing committees on the business covered, risks identified and actions taken. These updates are delivered by the Non-Executive Chair of the respective Committee.

At each meeting, the Board receives an integrated balanced scorecard which summarises:

- performance against the identified key performance indicators;
- the current financial position;
- people related issues;
- customer satisfaction, including complaints;
- client engagement, and
- progress against key change projects.

Board members are required to declare their interests to the Chair and Corporate Secretary in any matter relating to the Authority’s business at the time that they become aware of a potential conflict. Members will normally be excluded from the discussion after declaring an interest related to that issue. The minutes of the meeting will record the member’s declaration.

The table below shows the number of meetings attended by Board members during the 2012/13 financial year and also highlights their declared business interests.

Board Members

Board Composition	Meetings Attended	Register of Interests
Non-executive Chair: Paul Rich	8 out of 8	Non-Executive Director, South East Water
Non-executive Directors: Mike Harling	7 out of 8	Shareholder in Deutsche Post Partner is also declared as being a shareholder in Deutsche Post Receives a pension from the Steria Pension Plan (part of Groupe Steria SCA) Board Member, Guinness South (housing association)
David Hulf	8 out of 8	Non-executive Director and Chair of Audit Committee at National Savings and Investments

Board Composition	Meetings Attended	Register of Interests
Anne Galbraith	8 out of 8	Member of Puffin Appeal (charity raising funds for cystic fibrosis) Chair of Valuation Tribunal Service Health Consultant (Self-employed) – Chaired Mental Health Inquiries Chair of Council for University of Durham (until July 2012)
Jeremy Strachan	7 out of 8	Trustee of Drugscope (National Charitable Trust)
David Teale	8 out of 8	Chair of Solutions SK (company wholly owned by Stockport MBC) Chair of Individual Solutions SK Member and Chair of Audit Committee for Parkway Green Housing Trust (charitable trust) Chief Executive of North of England Excellence
Chief Executive: Nick Scholte	8 out of 8	Nothing declared
Executive Directors: Roberta Barker Director of People and Organisational Development	8 out of 8	Trustee of Richmondshire Leisure Trust
Michael Brodie Director of Finance	8 out of 8	Member of Durham University Audit Committee President of the Executive Committee of the Chartered Institute of Public Finance and Accountancy (CIPFA) in the North East Finance and Commercial Director, Public Health England
Alistair McDonald Chief Operating Officer	8 out of 8	Nothing declared
Steven Pink Commercial Director (since 30 April 2012)	8 out of 8	Nothing declared

The Board's two standing committees are described below:

Audit and Risk Management Committee

The Committee is chaired by a Non-Executive Director and meets no less than six times a year. Membership of this Committee is made up of three Non-Executive Directors (including the Chair), one of whom is required to have recent and relevant financial experience. David Hulf provides this experience and also chairs the Committee. There is also a requirement for regular attendance from the Director of Finance and representatives from both Internal and External Audit. Nick Scholte, Chief Executive and Accounting Officer, is invited to attend at least one meeting during the year to discuss the assurance processes which support the production of the Annual Report and Accounts. Other officers are invited to attend meetings as appropriate.

Audit and Risk Management Committee	Meetings Attended
Non-Executive Directors – members:	
David Hulf, Chair	6 out of 6
Anne Galbraith	6 out of 6
Jeremy Strachan	5 out of 6
Executive Directors – in attendance:	
Michael Brodie	6 out of 6

Paul Rich, Non-Executive Chair, attended one meeting and Nick Scholte and Steven Pink both attended two meetings during the year to discuss relevant issues.

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the Authority's governance and assurance arrangements, including the governance framework, risks, controls and related assurances. Verbal updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An annual report is submitted to the Board following the completion of the Annual Accounts process which summarises the work undertaken by the Committee during the previous year.

The Audit and Risk Management Committee's key responsibilities are:

- monitoring financial governance and reviewing the draft financial statements;
- reviewing the effectiveness of internal controls;
- monitoring the effectiveness of risk management controls;
- seeking assurance regarding the control environment, and

- reviewing the effectiveness of internal audit arrangements.

The Committee has reviewed the Accounting Policies and the Annual Report and Accounts which includes the Annual Governance Statement as required by HM Treasury’s Managing Public Money Annex 3.1. The Committee is satisfied that the Annual Report appropriately covers the key requirements of disclosure, such as Board governance, risk and assurance. The Committee in particular has reviewed with management the basis of areas of judgment within the Accounts and sought explanations for any key changes during the year. Areas of particular focus were as follows:

- revaluation and impairments (relating to Bridge House and Eastbourne properties): The impairment relating to the Eastbourne office has been charged to the Statement of Comprehensive Net Expenditure (rather than the Revaluation Reserve) due to the offices being vacated for disposal;
- an adjustment of fixed assets: bringing the accounts in line with the Fixed Asset Register;
- provisions for Impairment of Receivables: this mainly relates to Student Bursary debts.

Remuneration and Terms of Service Committee

The Remuneration and Terms of Service Committee is a standing committee of the Board and comprises three Non-executive Directors, one of whom chairs the Committee. The Chief Executive and/or the Director of People and Organisational Development attend these meetings on an ‘as required’ basis. The Committee is chaired by a Non-Executive Director.

Remuneration and Terms of Service Committee	Meetings Attended
Non-Executive Directors – members:	
Mike Harling, Chair	7 out of 8
David Teale	8 out of 8
Paul Rich	8 out of 8

During 2012/13, Nick Scholte attended five meetings and Roberta Barker attended seven meetings. David Hulf, Non-executive Director was also in attendance at one meeting.

The key responsibilities of the Remuneration and Terms of Service Committee are to:

- determine the terms of service, remuneration and other benefits of the executive team and any other relevant employees;
- monitor systems to evaluate the performance of relevant employees;
- oversee contractual arrangements for relevant employees;
- nominate candidates for appointment as officer members of the Board, and
- monitor succession planning arrangements.

The Chair of the Committee provides verbal updates to the Board following each meeting and confirmed minutes are shared at subsequent Board meetings. The Committee produces an annual report for the Board which summarises the work undertaken during the previous year.

The full terms of reference for both of these Committees can be found in the NHSBSA's Corporate Governance Framework.

Annual Committee Effectiveness Reviews

On an annual basis these Committees are required to consider how well they have performed during the year against the remit set out in the individual terms of reference.

The annual review of effectiveness for both identified that the Committees had operated effectively, were in compliance with the Corporate Governance Code and had provided an appropriate balance of review and supportive challenge during the year.

NHSBSA Board Review of Effectiveness

The NHSBSA Board is required to consider whether it has been effective in leading the Authority on an annual basis. The Board has undertaken an evaluation for 2012/13 and has determined that it is operating effectively and is compliant with the Corporate Governance Code. This is supported by the following evidence that the Authority has:

- achieved its financial target;
- consistently delivered against its agreed key performance indicators;
- strengthened its assurance process with the full rollout of the assurance map which is now embedded into day-to-day operations;
- implemented a more robust performance reporting mechanism adopting a dashboard style approach;

- enhanced its risk management procedures which have seen the implementation of dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas, and
- a significant reduction in the number of outstanding internal audit recommendations.

NHSBSA Sponsorship Arrangements

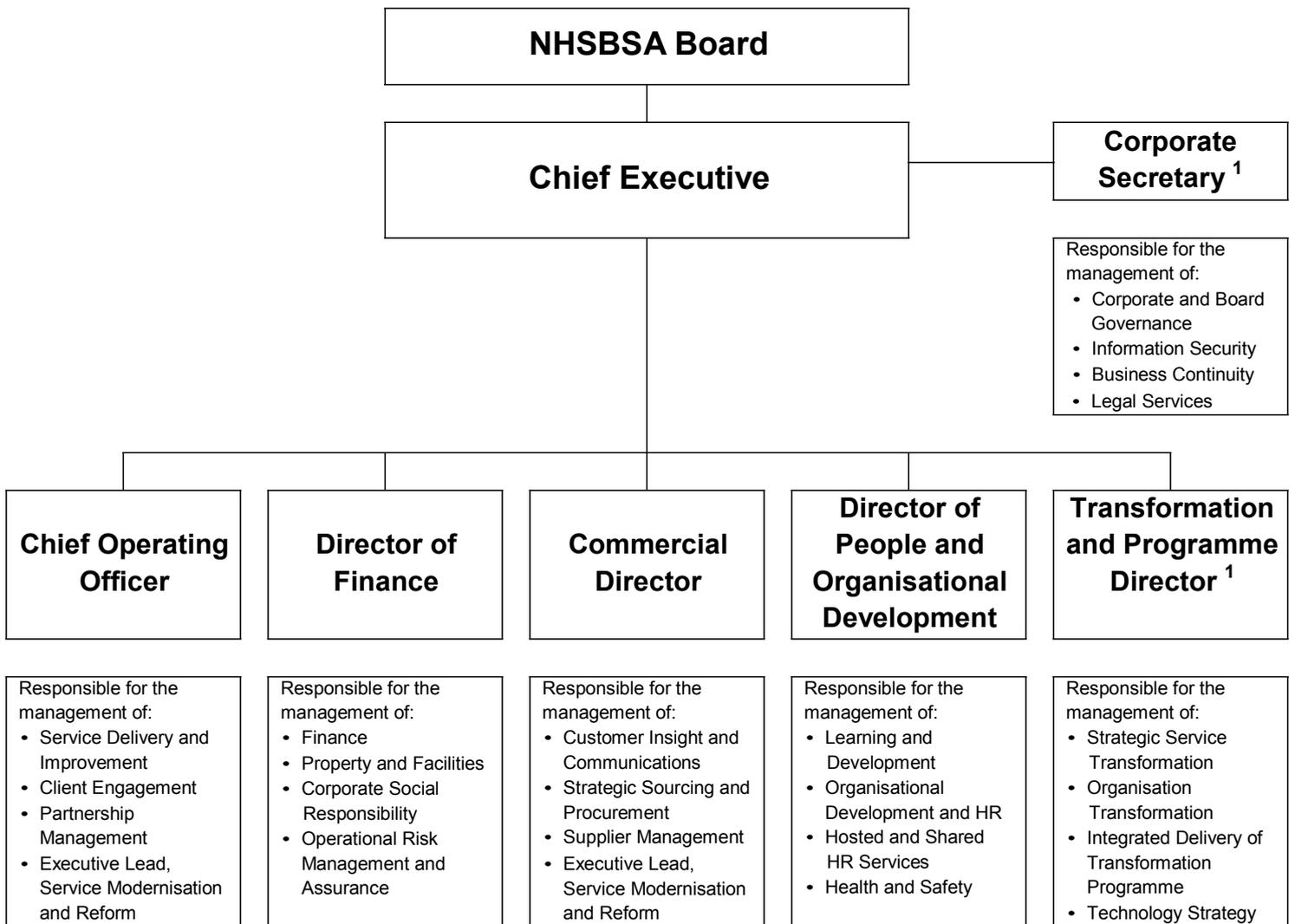
The NHSBSA manages a complex range of business activities on behalf of the DH. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream. A clear ongoing accountability framework is in operation, which includes formal reviews with Senior Sponsors. Strategic, policy and operational issues are reviewed alongside the corporate risk register, assurance arrangements and the latest financial position. Additionally, regular scheduled meetings are held with the individual service sponsors.

External Auditors

The National Audit Office (NAO) is appointed by Statute as external auditors for the NHSBSA accounts. The NAO do not undertake any non-audit services on behalf of the NHSBSA.

NHSBSA Management

As described earlier, other than those matters reserved for the Board, responsibility for the day-to-day management of the Authority is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team of Executive Directors responsible for the areas shown in the table.



¹ Not members of the Board

Key Governance Systems

The Authority has identified the following areas which support the overarching governance arrangements:

- risk management;
- assurance; and
- managing information.

The Audit and Risk Management Committee regularly review these areas to ensure that they remain robust and effective.

Risk Management

Risk appetite can be defined as “an organisation’s unique attitude towards risk taking, which in turn dictates the amount of risk that it considers acceptable.” The

Authority's aim is to ensure that its overall level of risk is balanced, sustainable and appropriate. The Authority's risk appetite dictates that all risks classified as extreme, within the control of the NHSBSA, are mitigated until the residual risk rating falls to high, moderate or low. All other risks are mitigated to an acceptable level.

During 2012/13 an annual review of the Risk Management Framework was undertaken, resulting in minor changes. These changes did not impact on the Authority's risk policy, appetite or tolerance. The framework includes guidance on the classification, management and escalation process for identifying not only risks facing the Authority but also issues which are currently impacting on business. The Audit and Risk Management Committee has approved the framework, on behalf of the Board. The framework has been fully embedded into day to day operations.

Each business area is responsible for maintaining individual risk and issue registers which are monitored monthly by respective Senior Management Teams. On a quarterly basis these registers are submitted centrally for consolidation and review by the Risk Management Group and Leadership Team.

Development work has been completed during the year to improve the monitoring and reporting mechanisms for risks and issues. This has resulted in a dashboard reporting tool for reviewing risks and issues across the business. The newly implemented Risk and Issue Dashboard provides an overview of the risk and issue profile across the Authority in its entirety but focuses attention on key areas, for example, extreme risks or catastrophic and major issues, enabling a more effective use of time for the Risk Management Group and Leadership Team. The dashboard also highlights emerging risks identified across the Authority.

Project risks are identified, managed and monitored through Project Boards with an escalation route through to the Programme Board and then Leadership Team, where appropriate.

The Corporate Risk Register contains the key risks facing the Authority at a strategic level. It is owned by the Leadership Team and reviewed quarterly in conjunction with the Risk and Issue Dashboard. The introduction of the new monitoring and reporting mechanism demonstrates the robust escalation process in place across the Authority in relation to risk and issue management, with any risks classified as extreme or issues classified as catastrophic or major being considered by the Leadership Team for escalation onto the Corporate Register.

Following the quarterly reviews by the Risk Management Group and Leadership Team, the Audit and Risk Management Committee receives an update on the work undertaken in the area of risk and issue management. The Committee also receives a copy of the Corporate Risk Register. This process enables the Committee to provide assurances to the Board that risks and issues are being appropriately identified and managed across the business.

In a dynamic and complex business environment significant risks can always be encountered. At the start of 2012/13 there were sixteen risks identified on the Corporate Risk Register. Work throughout 2012/13 saw this number reduce to thirteen by the year end. The three main risks currently facing the Authority are shown below:

- **NHS Pensions Reforms (the Hutton Review)**

Due to the lack of clear requirements and delays with contract re-let there are time constraints that may result in additional costs and sub-optimal results for customers. A Programme Board and Director have been established to manage this project, and governance arrangements are being regularly discussed with the DH to mitigate this risk within one year.

- **Contractor / Supplier Failure**

As a result of a default in contractor / supplier provider performance resulting in termination of arrangements (including failure due to financial stability), there is a risk to the continuity of service which may result in an inability to meet service levels and meet target savings. Several controls have been put place to identify and monitor critical suppliers and regular review of the Business Continuity Plan will be carried out to reduce the probability and impact of this risk within one year.

- **HR Services**

On behalf of the DH, the NHSBSA agreed to provide HR Services for NHS England, Health Education England and NHS Trust Development Authority. As a result of unresolved issues caused by a transition phase there is a risk that the NHSBSA will not have the ability to deliver the required service level agreements within the first three months, which may result in the inability to deliver service levels and reputational damage. Individual risks including internal and external factors are managed at an operational level and regular discussions with the DH continue, aiming to reduce this risk within 6 months.

These risks are monitored by the leadership of the NHSBSA on a quarterly basis and mitigating actions are developed and implemented to reduce the level of the risk to an acceptable level.

This process reflects the Authority's risk appetite of always mitigating risks, within the Authority's control and where it is economical to do so, until the risk is below the Authority's risk tolerance level.

Assurance Arrangements

In recent years the NHSBSA has introduced significant enhancements to its assurance framework. An overarching assurance map has been developed using the industry best practice three lines of defence model to identify the sources of assurance in place over each of the key functions and services delivered by the Authority. The three lines of defence represent:

- 1st line: management control and reporting;
- 2nd line: functional oversight and governance systems, and
- 3rd line: independent review and regulatory oversight.

This model provides the basis upon which the leadership of the NHSBSA can determine the focus of assurance effort, assess the outcome of existing assurance activity and determine its assurance appetite. The assurance map is fully integrated with the risk management process with areas of concern being reflected in the relevant business area risk register and escalated to the Corporate Risk Register, where required.

A schedule of six-monthly reviews of the overarching assurance map, by the Leadership Team and Audit and Risk Management Committee, has been implemented to ensure that the Authority is accurately represented and that areas of concern are being addressed.

A recent review identified the various sources of assurance in place around the readiness of statutory functions and the transition to the new NHS landscape (issues raised by the Harris Review). The assurance map has been changed to reflect this, and shows the NHSBSA are compliant with the issues and will continue to monitor this through six monthly reviews of the governance framework.

The Audit and Risk Management Committee has introduced a programme of deep dive exercises to assure itself on behalf of the Board regarding the robustness of the assurance maps and supporting evidence for each business area. To date the following areas have been reviewed:

- Student Bursaries;
- Finance;
- Supplier Management;
- Prescription Services;
- Pensions, and
- Dental.

The Committee has gained a higher degree of confidence over the assurances in place for each of the areas reviewed. Further deep dive reviews will be scheduled during 2013/14.

Third Party Assurance

The NHSBSA provides services to the wider NHS including making dental, prescription and student bursary payments on behalf of PCTs and SHAs. To provide third party assurance over the controls in place for these payments the NHSBSA engaged PricewaterhouseCoopers (PwC) LLP to undertake an audit exercise in each area. This resulted in the production of ISAE3402 reports on the control design and tests of operating effectiveness of the controls in place during the period 1 April 2012 – 31 March 2013. Whilst showing an improved position the outcome of these reports showed there were some instances where user access controls and periodic user access reviews had not been operating as planned within Dental and Prescription services, resulting in a qualified opinion in these areas. However, there was no financial impact identified as a result of these control issues. An unqualified opinion was given for Student Bursary payments.

Managing Information

During 2012/13 the NHSBSA has continued to improve its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Information Governance Toolkit. Using this toolkit, the NHSBSA's rating for 2012/13 was a satisfactory rating with a total compliance level of 85%.

The NHSBSA did not have any security incidents classified as serious untoward incidents by the DH. However, using the DH categorisation framework, there were two incidents classed as minor to report during the year. The first involved pension scheme member information. The second related to a number of referred-back prescriptions. Both were reported to the DH, as required, who did not request any further reporting to be undertaken.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0

IV	Unauthorised disclosure	2
V	Other	0
	Total Number of incidents	2

In the course of the NHSBSA's business, information is held and used about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence stringent controls are in place to ensure the security of this information.

Issues relating to information governance within the NHSBSA are coordinated by the Information Governance and Security Group which is chaired by the Director of Finance who holds the position of both Caldicott Guardian and Senior Information Risk Owner (SIRO). The remit of the Caldicott Guardian is to ensure that any person identifiable information is held and used properly. The remit of the SIRO is to take ownership of the NHSBSA's information risk policy, act as advocate for information risk to the Board and provide written advice to the accounting officer on the content of the Annual Governance Statement with regard to information risk.

Data Protection and Freedom of Information

As a Special Health Authority, the NHSBSA is subject to the requirements of the Data Protection Act (DPA) 1998 and the appropriate notifications have been filed with the Information Commissioner's Office. This means that all subject access requests are responded to within the provisions of the Act, typically within forty calendar days.

During 2012/13, we dealt with 205 DPA requests, all of which were responded to within the required timeframe. The numbers of requests have decreased by 14% when compared to last year.

The NHSBSA is also subject to the requirements of the Freedom of Information Act (FOI) 2000. This means that all requests for information are responded to within the provisions of the Act, typically within twenty working days.

During 2012/13, we dealt with 799 FOI requests, all of which were responded to within the required timeframe. The number of requests has decreased by 16% when compared to last year.

As a public sector information holder, the NHSBSA complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. The NHSBSA can confirm that no charges were made for access to information during 2012/13.

Handling Complaints

The NHSBSA takes complaints seriously and believes in the value of learning from the complaints which are made about its staff and services to make improvements for customers.

During 2012/13, further improvements were made to the complaints handling processes. The NHSBSA handled an increased number of issues which may have led to formal complaints through the customer contact centre and helped customers to have their concerns dealt with quickly and effectively. This approach has dramatically reduced the number of formal complaints received during the year compared to the previous year.

The total number of formal complaints received during 2012/13 was 446 of which 197 (44.17%) were found to be justified. This compares with a total of 754 of which 395 (52.4%) were found to be justified in 2011/12.

NHS Reforms

During 2012/13 work was undertaken to assess the impact of the NHS Reforms on the NHSBSA and to implement the necessary changes to support the reforms. The NHSBSA actively managed a Change Programme to implement the required changes to its four key services in time for April 2013. High level progress with this programme was overseen by both the Leadership Team and the Board as a key project on the change element of the Board Performance Report. Each of the four projects within the programme (NHS Pensions, Dental Services, Student Bursaries and Prescription Services) maintained individual risk registers managed by the project teams. Any high or extreme risks were escalated to the Programme Board for review and management. In addition NHSBSA Supplier Management is working with NHS Supply Chain to redevelop the customer approvals process to allow agility in responding to the changing customer base once the PCT's cease to exist and are replaced with new organisations.

Sources of Assurance

Audit and Risk Management Committee

One of the key sources of assurance provision for the Authority's Board is from the Audit and Risk Management Committee. It provides an independent and objective review of the adequacy and effectiveness of the Authority's approach to risk management and the overall assurance framework. The Committee has responsibility for reviewing:

- all risk and control related disclosure statements including the annual Head of Internal Audit opinion and External Audit opinion;
- the underlying assurance process that governs the management of principal risks and the achievement of corporate objectives;

- the appropriateness of policies and procedures for ensuring compliance with law, guidance and codes of conduct, and their effectiveness, and
- policies and procedures related to the detection and prevention of bribery, fraud and corruption.

The Committee meets these responsibilities by receiving regular reports on a range of audit and assurance topics and in particular the receipt and review of:

- quarterly risk management updates setting out and assessing the major risks facing the Authority, aligned with key areas of focus set out in the Business Plan. These reports detail the movements in risks between reporting periods and identify emerging risks and actions which have been taken or are planned to mitigate them;
- an annual risk management report outlining how the Authority's risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened;
- a six-monthly review of the overarching NHSBSA Assurance Map;
- individual business area assurance maps as part of a programme of deep dive exercises to consider the control environment in operation throughout the Authority;
- regular progress reports on the work undertaken by Internal Audit against the agreed workplan;
- quarterly updates on progress made across the Authority implementing internal audit recommendations;
- quarterly updates on progress made across the Authority implementing external audit recommendations;
- an annual local counter fraud specialist report detailing the work undertaken during the year mapped against the agreed workplan;
- the Whistleblowing Policy which encourages staff to raise any serious concerns regarding the practice of the Authority, including acts of fraud and bribery. The Committee receives six-monthly updates on whistleblowing activity across the business, and
- the outcome of the third party assurance engagements undertaken by PwC to review the control environment covering prescription, dental and student bursary payments. The outcome of these engagements is shared with Primary Care Trusts and Strategic Health Authorities, as appropriate, to provide third party assurance for the payments made by the NHSBSA on their behalf.

Other Sources of Assurance

Supporting the role of the Board and the Audit and Risk Management Committee, the NHSBSA's governance and control environment also includes the following elements:

- maintenance and monthly review of the risk and issue registers for each business area;
- a Risk Management Group, chaired by the Director of Finance, with representation from all business areas. The Group has an agreed Terms of Reference and is responsible for reviewing the Risk and Issue Dashboard providing a forum for debate and challenge ensuring a consistent and harmonised approach. The Group meets prior to the Leadership Team review of risk to ensure that the latest position is reported;
- quarterly reviews of the Corporate Risk Register and the Risk and Issue Dashboard by the Leadership Team, as a precursor to the Audit and Risk Management Committee review;
- an enhanced performance management framework is reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance;
- all information risks are reviewed by the Information Governance and Security Group (IGSG) on a regular basis. The Group is also responsible for ensuring that the Authority complies with information governance and security best practice and performs a self-assessment against a nationally developed toolkit;
- controls are in place to ensure that all the Authority's obligations under equality, diversity and human rights legislation are adhered to. An Equality and Diversity Committee has been established, chaired by an Executive Director;
- as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations, and
- updates on performance against the Sustainable Development Action Plan are received quarterly to ensure that the Authority's targets are being met. The Authority is also required to deliver against the Greening Government Commitments, requiring regular performance updates.

Accounting Officer's Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the risk based internal audit work. For 2012/13 the Head of Internal Audit Opinion concluded that based on the work completed to date there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and / or inconsistent application of controls, puts the achievement of particular objectives at risk. These weaknesses have been raised in relevant Internal Audit reports and recommendations agreed with the appropriate Senior Management Teams. Progress against these recommendations is monitored on a regular basis by Senior Management Teams, Leadership Team and Audit and Risk Management Committee.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the Authority achieving its principal objectives have been reviewed. My review is informed by:

- the work of the Audit and Risk Management Committee which informs the Board about the outcome of its activities through submission of its minutes and its annual report to the Board;
- the findings of both the National Audit Office and the internal audit reviews. The Audit and Risk Management Committee oversees progress towards the implementation of all such recommendations; and
- the work of the Local Counter Fraud Specialist (LCFS) to prevent, deter, investigate and report of fraud activity. The Audit and Risk Management Committee receive the annual workplan and annual report of the LCFS and provide updates to the Board as appropriate.

A plan to address weaknesses and ensure continuous improvement of the assurance system is in place and the Audit and Risk Management Committee will continue to monitor improvements in the overall corporate assurance framework.

Significant Governance Issues

In the 2011/12 Annual Governance Statement we reported that certain key controls relating to the calculation of student bursary payments had failed on a limited number of occasions. The outcome of the failures did not have a material impact on the NHSBSA's accounts or those of the Strategic Health Authority (SHA's) it serves in 2011/12.

During 2012/13 an action plan was agreed and implemented to address the control failures and to enhance the NHSBSA's governance arrangements. Testing for 2012/13 showed some improvements in the accuracy of payment calculations and fraud prevention, however there are still operating issues and external factors resulting in some inaccuracies. Work is continuing to improve this service.

Conclusion

My review confirms that the NHSBSA has a generally sound system of governance that supports the achievement of its policies, aims and objectives and that the control issues identified are being addressed.

Nick Scholte

Chief Executive

NHS Business Services Authority

18 June 2013

11. Statement of Accounting Officer's Responsibilities

The Accounting Officer for the Department of Health (DH) has appointed the Chief Executive of the NHSBSA as the Accounting Officer. As Chief Executive and Accounting Officer, 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, in accordance with the responsibilities set out in HM Treasury's Managing Public Money and as assigned to me in the Accounting Officer Memorandum.

Under the National Health Service Act 2006 and directions made there under by the Secretary of State with the approval of Treasury, we are 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 state of affairs of the NHSBSA and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year. As Accounting Officer, I have responsibility for ensuring the preparation of our accounts and transmission to the Comptroller and Auditor General.

In preparing the accounts, I am 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 have been followed and disclosed and explained any material departures in the financial statements, and
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation.

My relevant responsibilities as accounting officer, including responsibility for the propriety and regularity of the public funds and assets vested in the nhsbsa, and for the keeping of proper records, are set out in managing public money issued by the treasury.

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

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2013 under the National Health Services Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the NHS Business Services Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by NHS Business Services Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of NHS Business Services Authority's affairs as at 31 March 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006; and
- the information given in "Our Operational Performance", "Corporate Social Responsibility Annual Report", and "Our Financial Review" sections of the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 20 June 2013

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

NHS Business Services Authority

Financial Statements
For the Year Ended 31st March 2013

Account of NHS Business Services Authority 2012-13

Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Notes	2012-13 £000	2011-12 £000
Staff Costs	3.5	66,147	64,926
Non-Staff costs	3.3	658,374	696,273
Less income	3.2	(609,206)	(606,400)
Net operating costs for the financial year		<u>115,315</u>	<u>154,799</u>
Other Comprehensive Net Expenditure			
Net (gain) on revaluation of property, plant & equipment		(100)	(328)
Adjustment for notional costs		(90)	(85)
Total comprehensive net expenditure for the year		<u>115,125</u>	<u>154,386</u>

The notes on pages 75 to 100 form part of these accounts.

Account of NHS Business Services Authority 2012-13

Statement of Financial Position at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
Non Current Assets			
Property, Plant & Equipment	4.2	30,011	25,923
Intangible Assets	4.1	33,268	34,814
Other Financial Assets	4.3	343,631	337,647
Trade and other receivables	4.4	1,489	1,555
Total non-current assets		408,399	399,939
Current Assets			
Trade and other receivables	4.4	16,147	20,063
Cash and cash equivalents	4.5	29,850	23,258
Total current assets		45,997	43,321
Current Liabilities			
Trade and other payables	4.6	35,537	40,145
Provisions for liabilities and charges	4.7	5,117	4,184
Total current liabilities		40,654	44,329
Non-current assets plus/less net current assets/liabilities		413,742	398,931
Non-current liabilities			
Provisions for liabilities and charges	4.7	764	1,053
Total non-current liabilities		764	1,053
Assets Less Liabilities:		412,978	397,878
Taxpayers' Equity			
General Fund		409,717	394,717
Revaluation Reserve		3,261	3,161
Total Taxpayers' Equity:		412,978	397,878

The notes on pages 75 to 100 form part of these accounts.

Nick Scholte
Chief Executive
18 June 2013

Account of NHS Business Services Authority 2012-13

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013**

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012	394,717	3,161	397,878
Changes in taxpayers' equity for 2012-13			
Net operating cost for the year	(115,315)	0	(115,315)
Net gain/(loss) on revaluation of Property, Plant and Equipment	0	100	100
Non-cash charges – notional costs	90	0	90
Total recognised income and expense for 2012-13	(115,225)	100	(115,125)
Net Parliamentary funding	130,225	0	130,225
Balance at 31 March 2013	409,717	3,261	412,978

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2011	121,214	2,833	124,047
Changes in taxpayers' equity for 2011-12			
Net operating cost for the year	(154,799)	0	(154,799)
Net gain/(loss) on revaluation of Property, Plant and Equipment	0	328	328
Non-cash charges – notional costs	85	0	85
Total recognised income and expense for 2011-12	(154,714)	328	(154,386)
Net Parliamentary funding	428,217	0	428,217
Balance at 31 March 2012	394,717	3,161	397,878

The notes on pages 75 to 100 form part of these accounts.

Account of NHS Business Services Authority 2012-13

Statement of Cash Flows for the year ended 31 March 2013

	Notes	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Net operating costs		(115,315)	(154,799)
Other cashflow adjustments	5.3	8,537	41,580
Movement in Working Capital	5.1	(626)	(3,693)
Provisions utilised	4.7	(217)	(303)
Net cash (outflow) from operating activities		<u>(107,621)</u>	<u>(117,215)</u>
Cash flows from investing activities			
Interest received	3.2	4,165	4,012
Purchase of property, plant and equipment	4.2	(9,603)	(9,873)
Purchase of intangible assets	4.1	(11,832)	(7,705)
Proceeds from disposal of property, plant and equipment		1,258	194
Proceeds from disposal of intangible assets		0	1,639
Payments for financial assets	4.3	0	(300,000)
Net cash inflow/(outflow) from investing activities		<u>(16,012)</u>	<u>(311,733)</u>
Cash flows from financing activities			
Net Parliamentary funding		130,225	428,217
Net financing		<u>130,225</u>	<u>428,217</u>
Net increase/(decrease) in cash and cash equivalents		6,592	(731)
Cash and cash equivalents at 31 March 2012	5.2	23,258	23,989
Cash and cash equivalents at 31 March 2013	5.2	<u>29,850</u>	<u>23,258</u>

The notes on pages 75 to 100 form part of these accounts.

Account of NHS Business Services Authority 2012-13

Notes to the Accounts

1. Accounting Policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NHSBSA for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of non-current assets at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by Treasury. Special Health Authorities are not required to provide a reconciliation between current cost and historical cost surplus and deficits.

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Account of NHS Business Services Authority 2012-13

1. Accounting Policies (continued)

1.2 Income

Income is accounted for applying the accruals convention. Income is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured.

The main source of funding of the Special Health Authority is Parliamentary Funding from the Department of Health within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

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, as well as public repayment work. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The funding of Bursary payments comes from two sources: Student Bursaries from the Strategic Health Authorities and Social Work Bursaries from the DH Policy Team. This income is treated as operating income.

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 Property, Plant & Equipment

(a) Capitalisation

All assets falling into the following categories are capitalised:

Property, Plant & Equipment which is capable of being used for more than one year and they:

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

(b) Valuation

Land and buildings used for the Authority's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. The latest revaluation was carried out by an independent RICS qualified valuer from the DVS Valuation Office Agency as at 31 March 2013. Fair values are determined as follows:

Land and non-specialised buildings – market value for existing use

Specialised buildings – depreciated replacement cost

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of Comprehensive Net Expenditure

Account of NHS Business Services Authority 2012-13

1. Accounting Policies (continued)

1.5 Intangible Assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at fair value. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is charged to the Operating Cost Statement in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at amortised historic cost to reflect the opposite effects of development costs and technological advances.

1.6 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated useful lives. The estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives or, where shorter, the lease term.

At each Statement of Financial Position date, the Authority checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the Operating Cost Statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Operating Cost Statement to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.7 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Account of NHS Business Services Authority 2012-13

1. Accounting Policies (continued)

1.8 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

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 its own risks (with insurance premiums then being included as normal revenue expenditure).

1.9 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Authority commits itself to the retirement, regardless of the method of payment.

1.10 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

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1. Accounting Policies (continued)

1.11 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Authority as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Authority's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The Authority as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Authority's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Authority's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.12 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rates of -1.80%, -1.00% and 2.20% for cash flows due in 0-5 years, 5-10 years and over 10 years respectively (2011/12 - all 2.2%) in real terms. In the case of early retirement costs the rates is 2.35% (2011/12 - 2.8%).

1.13 Financial Instruments

Financial assets

Financial assets are recognised on the Statement of Financial Position when the Authority becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the operating cost statement. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the operating cost statement on de-recognition.

Account of NHS Business Services Authority 2012-13

1. Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the Authority assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Operating Cost Statement and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Operating Cost Statement to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Operating Cost Statement. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.14 Accounting standards that have been issued but have not yet been adopted

Amendments to IAS1, 12, 16, 19, 27, 28, 32 & 34, IFRS9, 10, 11, 12 & 13, a new IFRIC Interpretation, IFRIC20, and a new IPSAS, IPSAS32, have been issued but are not yet effective and have not been adopted early by the Authority. Those that are expected to be applicable to the Authority are listed below with their effective date, none are anticipated to have a future material impact on the Authority's financial statements:

IFRS 9 Financial Instruments - effective 1 January 2015 - revised guidance on classification and measurement and calculation and recording of impairments.

IFRS 13 Fair Value Measurement - effective 1 January 2013 - consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

IPSAS 32 Service Concession Arrangements - effective 1 January 2014 - interpretation of IFRIC12 for the public sector context.

Account of NHS Business Services Authority 2012-13

2.1 Operating segments

The Authority's activities are considered to fall within two segments: the payment of Student and Social Work Bursaries and our operating expenditure relating to the provision of services to the wider NHS.

Details of the income and expenditure and assets and liabilities of the segments are shown below. The segments' shares of assets and liabilities are disclosed in more detail within the relevant notes to the accounts.

	Bursaries		Service Provision		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Statement of Comprehensive Net Expenditure						
Income	(594,891)	(591,178)	(14,315)	(15,222)	(609,206)	(606,400)
Expenditure	594,891	591,178	129,630	170,021	724,521	761,199
Net Operating Costs	<u>0</u>	<u>0</u>	<u>115,315</u>	<u>154,799</u>	<u>115,315</u>	<u>154,799</u>
Statement of Financial Position						
Assets	19,493	22,468	434,903	420,792	454,396	443,260
Liabilities	(15,705)	(18,680)	(25,713)	(26,702)	(41,418)	(45,382)
Assets less Liabilities	<u>3,788</u>	<u>3,788</u>	<u>409,190</u>	<u>394,090</u>	<u>412,978</u>	<u>397,878</u>

Account of NHS Business Services Authority 2012-13

3.1 Resource Limits

3.1.1 Revenue Resource Limit

	2012-13 £000	2011-12 £000
Net operating costs for the financial year	115,315	154,799
Revenue Resource Limit	<u>120,025</u>	<u>158,903</u>
Under/(over) spend against Revenue Resource Limit	<u>4,710</u>	<u>4,104</u>

3.1.2 Capital Resource Limit

	2012-13 £000	2011-12 £000
Gross Capital Expenditure	21,435	317,578
Less: Net Book Value of assets disposed of	<u>(1,814)</u>	<u>(1,832)</u>
Charge against the Capital Resource Limit	19,621	315,746
Capital Resource Limit	<u>25,000</u>	<u>317,682</u>
Under/(Over) spend Against Capital Resource Limit	<u>5,379</u>	<u>1,936</u>

Account of NHS Business Services Authority 2012-13

3.2 Operating income

	2012-13 £000	2011-12 £000
Department of Health invoiced funding	3,042	5,042
Services provided to UK Devolved Administrations and Crown Dependencies	2,522	2,832
Provision of Hosted Services	1,199	876
Supply Chain interest charges	4,165	4,012
Student Bursary funding from Strategic Health Authorities	479,897	509,597
Social Work Bursary and ESG funding from the Department of Health *	114,994	81,581
Other income	3,387	2,460
Total Operating income	609,206	606,400

3.3 Non-Staff costs

	2012-13 £000	2011-12 £000
The expenses of the authority were as follows:		
Non-executive members' remuneration	117	117
Rentals under operating leases	3,541	3,926
Establishment expenses	9,455	9,660
Transport and moveable plant	593	743
Premises and fixed plant	10,224	10,383
External contractors	22,342	27,662
Non-cash: Depreciation	3,143	2,772
Amortisation	10,728	11,655
Impairments & reversals PPE	1,696	2,531
Impairments & reversals intangible	1,612	0
(Profit)/loss on disposal of fixed assets	556	(1)
Change in carrying value of Financial Assets	(5,984)	27,985
	11,751	44,942
Auditors' remuneration:		
Audit fees	130	150
Other fees	0	0
Other costs	4,455	4,552
Redundancies	875	2,960
NHS Bursary Scheme	479,897	509,597
Social Work Bursaries and ESG *	114,994	81,581
Total non-staff costs	658,374	696,273

Other costs includes the following significant amounts:

	2012-13 £000	2011-12 £000
Legal & Professional fees	3,478	4,398
Notional fee for the audit of the NHS Pension Scheme accounts	90	85
	3,568	4,483

* From 1 August 2012, the NHSBSA took over the responsibility for the administration of the Education Support Grant (ESG).

The ESG, formerly administered by the now disbanded General Social Care Council (GSCC), is a payment made to Higher Education Institutions (HEI) each year to help them arrange and manage essential placement experiences for students studying towards a qualification in social work.

ESG expenditure for 2012-13 amounted to £30.5m.

Account of NHS Business Services Authority 2012-13

3.4 Operating leases

Authority as lessee

	2012-13	2011-12
	£000	£000
Payments recognised as an expense		
Minimum lease payments	<u>3,541</u>	<u>3,926</u>
	3,541	3,926
Total future minimum lease payments		
Payable:		
Within one year	2,011	2,506
Later than one year and not later than five years	4,043	5,375
Later than five years	<u>7,307</u>	<u>8,053</u>
Total	<u>13,361</u>	<u>15,934</u>

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3.5 Staff numbers and related costs

Executive members and staff costs:

	Total 2012-13 £000	Permanently employed £000	Other £000	Total 2011-12 £000
Salaries and wages	58,148	55,896	2,252	57,619
Social security costs	3,990	3,990	0	4,170
Employer contributions to NHS Pensions	5,256	5,256	0	5,417
Other pension costs	718	718	0	901
Total	68,112	65,860	2,252	68,107
Capitalised staff costs	(1,965)			(3,181)
	66,147			64,926

The average number of persons employed during the year was :

	Total Number	Permanently employed Number	Other Number	2011-12 Number
Total	2,314	2,226	88	2,320

The whole time equivalent number of staff whose cost was capitalised was 28 (2011-12: 119)

Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2011-12 £Nil).

Exit Costs

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
2012-13			
<£10,000	2	23	25
£10,000 - £25,000	3	0	3
£25,000 - £50,000	2	0	2
£50,000 - £100,000	6	0	6
£100,000 - £150,000	2	0	2
£150,000 - £200,000	0	0	0
>£200,000	0	0	0
Total number of exit packages by type	15	23	38
Total Resource Cost (£'000)	799	71	870

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
2011-12			
<£10,000	2	1	3
£10,000 - £25,000	1	12	13
£25,000 - £50,000	1	24	25
£50,000 - £100,000	4	10	14
£100,000 - £150,000	1	4	5
£150,000 - £200,000	0	0	0
>£200,000	0	1	1
Total number of exit packages by type	9	52	61
Total Resource Cost (£'000)	425	2,465	2,890

3.6 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2013, is based on the valuation data as at 31 March 2012 updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

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

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. The Consumer Price Index (CPI) replaced the Retail Prices Index (RPI) for this purpose from 2011-12.

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

d) Civil Service Pension Scheme

Some past and present employees are covered by the provisions of the Civil Service Pension Scheme (CSPS). The defined benefit elements of the scheme are unfunded and non-contributory except in respect of dependents' benefits. The Authority recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the CSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSPS. In respect of the defined contribution elements of the scheme, the Authority recognises the contributions payable for the year.

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3.7 The Late Payment of Commercial Debts (Interest) Act 1998

No payments were made under the legislation during the year.

3.8 Other gains and losses

	2012-13	2011-12
	£000	£000
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	2
(Loss) on disposal of plant and equipment	(556)	(1)
Total	(556)	1

Account of NHS Business Services Authority 2012-13

4.1 Intangible assets

4.1.1 Intangible assets 2012-13

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2012	864	63,983	7,785	72,632
Additions - purchased	182	4,457	7,193	11,832
Reclassifications	3	5,601	(5,834)	(230)
Disposals	0	0	0	0
Revaluations	0	0	0	0
Impairments	0	(1,612)	0	(1,612)
Reversals of impairments	0	0	0	0
Gross cost at 31 March 2013	1,049	72,429	9,144	82,622
Amortisation				
Accumulated amortisation at 1 April 2012	785	37,033	0	37,818
Charged during the year	17	10,711	0	10,728
Reclassifications	0	808	0	808
Disposals	0	0	0	0
Accumulated amortisation at 31 March 2013	802	48,552	0	49,354
Net book value at 31 March 2012	79	26,950	7,785	34,814
Net book value at 31 March 2013	247	23,877	9,144	33,268

4.1.2 Intangible assets 2011-12

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2011	864	65,702	0	66,566
Additions - purchased	0	2,523	5,182	7,705
Reclassifications	0	(4,242)	4,242	0
Disposals	0	0	(1,639)	(1,639)
Gross cost at 31 March 2012	864	63,983	7,785	72,632
Amortisation:				
Accumulated amortisation at 1 April 2011	739	25,424	0	26,163
Charged during the year	46	11,609	0	11,655
Reclassifications	0	0	0	0
Disposals	0	0	0	0
Accumulated amortisation at 31 March 2012	785	37,033	0	37,818
Net book value at 31 March 2011	125	40,278	0	40,403
Net book value at 31 March 2012	79	26,950	7,785	34,814

Bursaries had no Intangible assets during the accounting period (2011-12 - £Nil)

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4.2 Property, Plant and Equipment

4.2.1 Property, Plant and Equipment 2012/13

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2012	5,459	18,054	2,293	223	29,952	3,441	59,422
Additions - purchased	0	2,348	154	0	3,980	3,121	9,603
Reclassifications	0	0	(85)	0	315	0	230
Disposals	(375)	(997)	0	(118)	(1,499)	(48)	(3,037)
Revaluation	100	0	0	0	0	0	100
Impairments	0	(1,675)	(12)	(9)	0	0	(1,696)
Reversals of impairments	0	0	0	0	0	0	0
Gross cost at 31 March 2013	5,184	17,730	2,350	96	32,748	6,514	64,622
Depreciation							
Accumulated depreciation at 1 April 2012	0	4,806	1,783	201	24,572	2,137	33,499
Reclassifications	0	0	257	0	(808)	(257)	(808)
Disposals	0	(122)	0	(107)	(946)	(48)	(1,223)
Impairments	0	0	0	0	0	0	0
Charged during the year	0	602	43	2	2,130	366	3,143
Accumulated depreciation at 31 March 2013	0	5,286	2,083	96	24,948	2,198	34,611
Net book value at 31 March 2012	5,459	13,248	510	22	5,380	1,304	25,923
Net book value at 31 March 2013	5,184	12,444	267	0	7,800	4,316	30,011

4.2.2 Property, Plant and Equipment 2011/12

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2011	4,084	11,161	2,293	276	28,494	3,441	49,749
Additions - purchased	1,500	6,915	0	0	1,458	0	9,873
Disposals	(200)	(275)	0	(53)	0	0	(528)
Revaluation	75	253	0	0	0	0	328
Gross cost at 31 March 2012	5,459	18,054	2,293	223	29,952	3,441	59,422
Depreciation							
Accumulated depreciation at 1 April 2011	155	2,024	1,763	228	22,672	1,689	28,531
Disposals	(155)	(140)	0	(40)	0	0	(335)
Impairments	0	2,531	0	0	0	0	2,531
Charged during the year	0	391	20	13	1,900	448	2,772
Accumulated depreciation at 31 March 2012	0	4,806	1,783	201	24,572	2,137	33,499
Net book value at 31 March 2011	3,929	9,137	530	48	5,822	1,752	21,218
Net book value at 31 March 2012	5,459	13,248	510	22	5,380	1,304	25,923

Bursaries had no Property, Plant and Equipment during the accounting period (2011-12 - £Nil)

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4.2 Property, Plant and Equipment (continued)

4.2.3 Land and Buildings

The net book value of land and buildings comprises:

	31 March 2013 £000	31 March 2012 £000
Freehold	14,358	15,946
Long leasehold	3,270	2,761
Short leasehold	0	0
Total	<u>17,628</u>	<u>18,707</u>

4.2.4 Economic Lives of Non-current Assets

	Min Life Years	Max Life Years
Intangible assets		
Software licences	3	5
Information technology	5	5
Property, Plant and Equipment		
Buildings excl. dwellings	3	65
Plant & machinery	5	10
Transport equipment	5	7
Information technology	5	8
Furniture & fittings	5	10

4.2.5 Impairments

a) Impairments charged in the year to the Statement of Comprehensive Net Expenditure

	2012-13		2011-12	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Impairments arose from:				
Loss or damage from normal operations	0	0	0	0
Changes in market price	1,215	0	0	0
Enhancement expenditure written off on revaluation	460	0	1,531	0
Irrecoverable VAT on property purchase	0	0	1,000	0
Revaluation of assets under third party control	21	1,612	0	0
Total	<u>1,696</u>	<u>1,612</u>	<u>2,531</u>	<u>0</u>

b) Impairments charged in the year to the revaluation reserve

	2012-13		2011-12	
	Property, plant and equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Charged to the revaluation reserve:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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4.2 Property, Plant and Equipment (continued)

4.2.6 Non-current assets held for sale

Year ended	Land	Buildings excluding dwellings	Total
	£000	£000	£000
31 March 2013	1,450	50	1,500
31 March 2012	375	875	1,250

The site of the Authority's former Dental headquarters in Eastbourne was rendered surplus to requirements and vacated during 2012-13. The site was held for sale at the year end and is expected to be sold early in 2013-14.

The asset is held at the agreed sale price, which is lower than the previous carrying value, and resulted in an impairment of £1,215k.

4.3 Financial Assets

4.3.1 Financial assets 2012-13

	Supply Chain Working Capital £000
Value at 1 April 2012	337,647
Additions	0
Changes in carrying value	5,984
Value at 31 March 2013	343,631

4.3.2 Financial assets 2011-12

	Supply Chain Working Capital £000
Value at 1 April 2011	65,632
Additions	300,000
Changes in carrying value	(27,985)
Value at 31 March 2012	337,647

The above assets represent working capital provided under the outsourced Supply Chain arrangement. £65.6m was provided under the original healthcare products arrangement in 2006 and a further £300m was made available in 2012 to facilitate aggregated capital purchases for the NHS.

The working capital is due to be repaid to NHSBSA at the end of the outsourced arrangement on 30 September 2016.

The assets are classified as 'loans and receivables' (Note 9) and carried at amortised cost, calculated using the effective interest method. Changes in carrying value during the year are taken to operating costs (Note 3.3).

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4.4 Receivables

	Current	
	31 March 2013	31 March 2012
	£000	£000
Trade receivables - revenue	3,005	4,482
Provision for impairment of receivables	(5,997)	(9,636)
Prepayments and accrued income	7,536	9,984
Other receivables	11,603	15,233
Trade and other receivables	<u>16,147</u>	<u>20,063</u>
Segmental split		
Service Provision	7,475	8,759
Bursaries	8,672	11,304
	<u>16,147</u>	<u>20,063</u>

	Non-current	
	31 March 2013	31 March 2012
	£000	£000
Other receivables	1,489	1,555
Trade and other receivables	<u>1,489</u>	<u>1,555</u>
Segmental split		
Service Provision	0	0
Bursaries	1,489	1,555
	<u>1,489</u>	<u>1,555</u>

Account of NHS Business Services Authority 2012-13

4.5 Cash and Cash equivalents

	2012-13 £000	2011-12 £000
Balance at 1 April	23,258	24,006
Net change in the year	6,592	(748)
Balance at 31 March	<u>29,850</u>	<u>23,258</u>

Comprising:

	31 March 2013 £000	31 March 2012 £000
Held with the Government Banking Service	29,808	23,157
Commercial banks and cash in hand	42	101
Cash and Cash equivalents	<u>29,850</u>	<u>23,258</u>

Segmental split

Service Provision	20,518	13,649
Bursaries	9,332	9,609
	<u>29,850</u>	<u>23,258</u>

4.6 Trade and other payables

	Current	
	31 March 2013 £000	31 March 2012 £000
Trade payables revenue	1,235	1,757
Accruals and deferred income	29,878	35,598
Other payables	4,424	2,790
Trade and other payables	<u>35,537</u>	<u>40,145</u>

Segmental split

Service Provision	19,832	21,465
Bursaries	15,705	18,680
	<u>35,537</u>	<u>40,145</u>

There are no non-current trade and other payables (2012 - Nil)

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4.7 Provisions for liabilities and charges

	Current	
	31 March 2013	31 March 2012
	£000	£000
Pensions relating to other staff	26	24
Legal claims	102	251
Other	4,989	3,909
Total	5,117	4,184

	Non-current	
	31 March 2013	31 March 2012
	£000	£000
Pensions relating to other staff	24	51
Legal claims	37	0
Other	703	1,002
Total	764	1,053

All provisions relate to the **Service Provision** segment.

	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 April 2011	99	251	4,625	4,975
Arising during the year	0	0	565	565
Utilised during the year	(24)	0	(279)	(303)
At 1 April 2012	75	251	4,911	5,237
Arising during the year	0	77	1,091	1,168
Utilised during the year	(25)	(29)	(163)	(217)
Reversed unused	0	(160)	(147)	(307)
At 31 March 2013	50	139	5,692	5,881

Expected timing of cash-flows:				
Within one year	26	102	4,989	5,117
Later than one year and not later than five	24	6	703	733
Later than five years	0	31	0	31

Other provisions at 31 March 2013 relate to Leasehold Property Decommissioning, based on professional valuations, of £4,150k, Redundancies of £653k and Unauthorised overseas pension payments of £889k.

Contingencies at 31 March 2013

At 31 March 2013, there were no known contingent assets or liabilities (2011-12: £nil).

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4.8 Events after the reporting period

There have been no adjusting or non-adjusting events after the reporting period.

The Accounts were authorised for issue on 20 June 2013 by the NHS BSA Chief Executive and Accounting Officer.

4.9 Capital commitments

The Authority had contracted capital commitments as at 31 March for which no provision has been made:

	31 March 2013	31 March 2012
	£000	£000
Property, plant and equipment	2,352	0
Intangible assets	4,706	7,740
Total	7,058	7,740

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5.1 Movements in working capital

	2012-13 £000	2011-12 £000
(Increase)/decrease in receivables within 1 year	3,916	(3,430)
(Increase)/decrease in receivables after 1 year	66	729
Increase/(decrease) in payables within 1 year	<u>(4,608)</u>	<u>(992)</u>
Total	<u>(626)</u>	<u>(3,693)</u>

5.2 Analysis of changes in net debt

	As at 1 April 2011 £000	Cash flows £000	As at 1 April 2012 £000	Cash flows £000	As at 31 March 2013 £000
GBS cash at bank	24,006	(849)	23,157	6,651	29,808
Commercial cash at bank and in hand	0	101	101	(59)	42
Bank overdraft	<u>(17)</u>	<u>17</u>	<u>0</u>	<u>0</u>	0
Total	<u>23,989</u>	<u>(731)</u>	<u>23,258</u>	<u>6,592</u>	<u>29,850</u>

5.3 Other cashflow adjustments

	2012-13 £000	2011-12 £000
Depreciation	3,143	2,772
Amortisation	10,728	11,655
Impairments and reversals	3,308	2,531
(Profit)/Loss on disposal of assets	556	(1)
Change in carrying value of Financial Assets	<u>(5,984)</u>	27,985
Notional Costs	90	85
Interest Received	<u>(4,165)</u>	<u>(4,012)</u>
Provisions - Arising in Year	1,168	565
Provisions - Reversed unused	<u>(307)</u>	<u>0</u>
Total	<u>8,537</u>	<u>41,580</u>

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6. Losses and special payments

	2012-13		2011-12	
	No of cases	£000	No of cases	£000
Losses				
'Cash' losses	8	1	3	0
Stores losses	0	0	1	0
Fruitless payments	476	7	359	5
Claims waived or abandoned	5,864	6,718	1,709	1,549
	6,348	6,726	2,072	1,554
Special Payments	244	228	81	310

Claims waived or abandoned include the write off of 5,847 uncollectable historical student bursary overpayment debts totalling £6,717k. These debts were previously provided for in the Provision for Impairment of Receivables (Note 4.4).

7. Related Party Transactions

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

The Department of Health is regarded as a related party. During the year the Authority had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department including Strategic Health Authorities, Primary Care Trusts and NHS Trusts.

During the year none of the Department of Health Ministers, Authority board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with NHS BSA.

8. Other commitments

The Pensions Division of the Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out services totalling £20.0m over 2 years 4 months as at 31 March 2013. (2012: £28.6m). £8.569m (2012: £8.563m) of this commitment is payable within one year.

The Authority has entered into a non-cancellable contract for the provision of contracted out Dental and IT infrastructure services totalling £86.626m (2012: £111.232m) over the remaining 6 years and 9 months as at the 31 March 2013. £14.501m (2012: £20.729m) of this commitment is payable within one year.

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9. Financial Instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the Authority are met primarily through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Authority's expected purchase and usage requirements and the Authority is therefore exposed to little credit, liquidity or market risk.

Currency risk

The Authority is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Authority has no overseas operations. The Authority therefore has low exposure to currency rate fluctuations.

Interest rate risk

Most of the Authority's financial assets and financial liabilities carry nil or fixed rates of interest, and the one asset with a variable rate is linked to LIBOR. The Authority is not, therefore, exposed to significant interest-rate risk.

Credit Risk

Because the majority of the Authority's income comes from funds voted by Parliament and from other NHS bodies the Authority has low exposure to credit risk. There is a potential exposure relating to the recovery of overpaid bursaries however any defaults would be recoverable from Strategic Health Authorities who fund the payments. The credit risk associated with Supply Chain working capital is assessed as low due to the controls and governance in place to manage the risk.

Liquidity Risk

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

9.1 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Trade receivables	0	4,482	0	4,482
Other receivables	0	5,597	0	5,597
Cash at bank and in hand	0	23,258	0	23,258
Other financial assets	0	341,253	0	341,253
Total at 31 March 2012	0	374,590	0	374,590
Trade receivables	0	3,005	0	3,005
Other receivables	0	5,606	0	5,606
Cash at bank and in hand	0	29,850	0	29,850
Other financial assets	0	345,455	0	345,455
Total at 31 March 2013	0	383,916	0	383,916

9.2 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000	£000	£000
Trade Payables	0	1,757	1,757
Other payables	0	2,790	2,790
Other financial liabilities	0	32,150	32,150
Total at 31 March 2012	0	36,697	36,697
Trade Payables	0	1,235	1,235
Other payables	0	4,424	4,424
Other financial liabilities	0	31,036	31,036
Total at 31 March 2013	0	36,695	36,695

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9 Financial Instruments (continued)

9.3 Maturity of financial liabilities

	31 March 2013	31 March 2012
	£000	£000
In one year or less	35,992	35,695
In more than one year but not more than five years	703	1,002
In more than five years	0	0
Total	36,695	36,697

9.4 Fair values

Fair values of financial assets and liabilities do not differ from the carrying amounts.

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10. Intra-government balances

	Receivables amounts falling due within one year £000	Receivables amounts falling due after more than one year £000	Payables amounts falling due within one year £000	Payables amounts falling due after more than one year £000
Balances with other central government bodies	2,729	0	4,578	0
Balances with local authorities	5	0	0	0
Balances with NHS Trusts	64	0	1	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	13,349	1,489	30,958	0
At 31 March 2013	16,147	1,489	35,537	0
Balances with other central government bodies	6,370	0	8,324	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	16	0	1	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	13,677	1,555	31,820	0
At 31 March 2012	20,063	1,555	40,145	0



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