

*Developing people
for health and
healthcare*

Health Education England
(Special Health Authority)
Annual Report and
Accounts 2012/13



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(Special Health Authority)**

Annual Report and Accounts 2012/13

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Health Education England Annual Report 2012/13

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Chairman's Foreword

Annual Report: Introduction

Welcome to our first Annual Report showcasing the achievements and performances of Health Education England (HEE) over the last 12 months.

We are proud that over the last year a huge amount of work has been undertaken locally and nationally to bring together key components of the education and training arena – importantly, with a real focus on people for the first time. As a result of months of hard work and dedication, HEE now holds the important responsibility for ensuring that an allocation of £9,500 per minute is spent in the right way on the education, training and development of every single member of healthcare staff through our thirteen Local Education and Training Boards.

The last few months have been extremely busy – some of our key achievements include appointing 95+% of our staff, setting up Board and Governing Bodies, establishing bases around the country, delivering LETB authorisation, introducing ourselves via our Strategic Intent document and producing business and investment plans. It's good news that our current RAG traffic light status remains at 'green', highlighting that we have made good progress in establishing the new organisation.

This is a difficult time for our NHS, as we continue to reflect with shock and disappointment upon the events that occurred at Mid-Staffordshire NHS Foundation Trust. The type of culture outlined in the second report by Robert Francis has no place in any caring environment and definitely not in our NHS. Since the publication of the report, HEE has already started undertaking some important ground work towards dealing with the issues around values, culture and behaviours – in particular, a pilot scheme introducing a 'year of care' working as a healthcare assistant for those wishing to study NHS funded nursing degrees, Situational Judgement Testing and improved dementia training.

HEE has an explicit responsibility to promote the NHS Constitution and we continue to realise this duty through our approach to recruitment, education and training. Everyone who works within HEE and our LETBs has been recruited because they share these values and are passionate about making a difference to the next generation of NHS staff.

As we reflect on a year of rapid change in the NHS, we would like to recognise and pay tribute to the hard work and support of HEE national and LETB staff, our Board, our stakeholders and everyone who has given their time to help us with our work. It is through their commitment and enthusiasm that we have been able to develop new ways to help ensure the highest quality education and training is commissioned. We are extremely grateful for all their hard work.

Best wishes



Ian Cumming
Chief Executive



Sir Keith Pearson JP DL
Chair

Organisation Overview

Who we are

Health Education England (HEE) was established as a Special Health Authority on 28 June 2012 to provide national leadership and oversight on strategic planning and development of the health and public health workforce, and allocate education and training resources. HEE will work to ensure the shape and skills of the future health and public health workforce evolves to sustain high quality outcomes for patients in the face of demographic and technological change.

From 1 October 2012, HEE took over the work of Medical Education England (MEE) when it was decommissioned and staff have been reassigned to HEE.

From 1 November HEE also took on delegated authority for 2013/14 planning functions for workforce planning, education and training from Strategic Health Authorities.

HEE assumed full operational responsibilities from 1 April 2013.

Purpose

We are here to develop people for health and healthcare, we are the NHS engine that will deliver a better health and healthcare workforce for England.

We are responsible for the education; training; and personal development of every member of staff, and recruiting for values from our schools and into our Universities.

We are employer led, to provide the right workforce, with the right skills and values, in the right place at the right time, to better meet the needs and wants of patients.

Our mission is to improve health outcomes for the people of England by developing people for health and healthcare.

We are England's health and healthcare development service.

Why we are here

With over 1.3 million staff, the NHS operates on a global scale and is one of the five largest employers in the world and the largest in Europe. The workforce performs over 300 different types of jobs spread across more than 1000 separate employers delivering services on an industrial scale.

In 2012/13, the Strategic Health Authorities nationally spent nearly £5 billion on education and training in the NHS. Over 160,000 students are currently undertaking training and education to be part of our future workforce. This budget has now been transferred to HEE and highlights the scale of what we will be responsible for within 2013/14.

HEE has five national functions to achieve its aim of improving health services for patients:

- Providing national leadership on planning and developing the health and healthcare workforce
- Appointing and supporting the development of Local Education and Training Boards (LETBs)
- Promoting high quality education and training that is responsive to the changing needs of patients and local communities, including ensuring the effective delivery of national functions such as medical trainee recruitment
- Allocating and accounting for NHS education and training resources and the outcomes achieved
- Ensuring the security of supply of the health and healthcare workforce.

What we do

Through our national work, and in partnership with employers and stakeholders through our Local Education and Training Boards, which are committees of HEE, we will future proof the health and healthcare workforce based on the right values, behaviours and skills for those who care for patients.

We will do this by:

- Ensuring staff and students are recruited for values and behaviours
- Delivering lifelong in-service training for healthcare support workers, nurses, clinic and A&E receptionists, porters, cleaners: those with most patient contact
- Promoting the NHS as a career of choice
- Investing in genomics so that we can commission training and education courses to better reflect future needs of patients
- Using the lessons of the Francis Inquiry and the NHS Constitution to improve the cultures of the NHS.

Our People

As at 31 March 2013, we employed 52 people who were recruited between 28 June 2012 and 31 March 2013 and there were also a number of staff who were seconded into HEE during its implementation phase. From the 1 April, we employ approximately 1,750 people, mostly locally based working with partners and stakeholders as part of our LETBs. Nationally we are led by our Chair Sir Keith Pearson JP DL and our Chief Executive Professor Ian Cumming OBE. We operate a single system of dispersed leadership with the directors of HEE and the managing directors and chairs of our LETBs working together to deliver both local and nationwide success.

Equal opportunities and diversity

HEE is an organisation that values and promotes equality and diversity in the way we conduct our business and the way we treat our employees.

HEE is an inclusive organisation which recognises and values differences so that employment practices are personal to staff. At HEE we believe employees should feel valued for who they are and the contributions they make. Employees should be fairly treated, afforded equal opportunity, be from all sections of our society and from a wide variety of professional backgrounds. These components will help establish a diverse workforce which feels welcome and enables our employees to build a career within the organisation.

Staff involvement and wellbeing

HEE will set an example by being an employer of choice. As a people focused organisation, we will seek to promote and support the NHS Constitution pledges to staff, which are:

- to provide all staff with clear roles and responsibilities and rewarding jobs for teams and individuals that make a difference to patients, their families and carers and communities (pledge);
- to provide all staff with personal development, access to appropriate training for their jobs and line management support to succeed (pledge);
- to provide support and opportunities for staff to maintain their health, well-being and safety (pledge); and
- to engage staff in decisions that affect them and the services they provide individually, through representative organisations and through local partnership working arrangements. All staff will be empowered to put forward ways to deliver better and safer services for patients and their families (pledge).

HEE is an organisation that cares for its staff and is committed to their health and well-being. Policies have been put in place which support staff through flexible working opportunities, parental and special leave, whistle blowing, and respect and dignity at work – and working with trade unions to implement relevant Partnership for Occupational Health and Safety in Healthcare (POSH) standards, which support good health and safety management as specified in the NHS Constitution.

Our staff will have access to occupational health services and an employee assistance programme. The organisation will also work to facilitate staff access to other well-being services. Above all, we strive to be a great place to work, with well-designed office accommodation, IT systems that foster efficiency and flexibility, and a culture that supports staff to excel without sacrificing work-life balance.

HEE Office Locations:

Leeds Head Office:

1st Floor | Blenheim House | Duncombe Street | Leeds | LS1 4PL

Cambridge office:

Victoria House | Capital Park | Fulbourn | Cambridge | CB21 5XB

London Office:

16th Floor | Portland House | Bressenden Place | London | SW1E 5RS

Birmingham Office:

St Chad's Court | 213 Hagley Road | Edgbaston | Birmingham | B16 9RG

The Board

Since establishment in June 2012 the HEE Board has met in public bi-monthly. Through those meetings, the Board has been responsible for taking key strategic decisions about the direction of the organisation, how it will use its resources, agreeing key priorities for 2013/14, developing and agreeing the process which took Local Education & Training Boards (LETBs) through authorisation and agreeing the allocation of funding to LETBs for 2013/14.

Meetings of the HEE Board are publicised through the HEE website, with reports published one week prior to meetings taking place. All of our board meetings are held in public, and members of the public are welcome to attend and observe the meetings.

All Directors have stated that he or she is aware that there is no relevant audit information of which the HEE's auditors are unaware. He or she has taken all the steps that he or she ought to have taken as a director in order to make themselves aware of any relevant information and to establish that the HEE's auditors are aware of that information.

During the financial period June 2012 to March 2013, five public meetings of the HEE Board took place. At the first meeting of the HEE Board, Standing Orders were suspended in order to allow business to be carried out by those Board Members appointed and present, all remaining meetings were recorded as fully quorate.

Biographies of all HEE board members can be found online at: <http://hee.nhs.uk/about/our-board/>

Members of the Board are listed below:

Non-Executive Members

Sir Keith S. Pearson JP DL, Chair

Ann Abraham

John Burdett

Kate Nealon

Shirley Pearce

Executive Members

Prof. Ian Cumming OBE, Chief Executive

Steve Clarke, Finance Director

Prof Chris Welsh, Director of Education and Quality

Dr Nicki Latham, Chief Operating Officer

Jo Lenaghan: Director of Strategy and Planning

Dr Lisa Bayliss-Pratt: Director of Nursing

Wendy Reid: Medical Director

Lee Whitehead, Director of People and Communications (non-voting)

Remuneration Committee

The Remuneration Committee is a formally appointed Committee of the Board of Directors and its Terms of Reference comply with the Secretary of State's Code of Conduct and Accountability for NHS Boards.

The role of the Remuneration Committee is to advise and make recommendations to the Board about appropriate remuneration and terms of service for the Chief Executive, Executive Directors and other very senior managers covered by the Pay Framework for Very Senior Managers (VSMs) - Gateway reference 6931. The Committee will also approve any residual local pay arrangements and ratify the application of the national terms for staff.

The Committee is made up of the Non-Executive Board members, with a quorum being at least two members. The Chair of the Committee is Ann Abraham. During the financial period June 2012 to March 2013, no meetings of the Remuneration Committee took place, meetings will commence financial year April 2013 to March 2014.

Audit Committee

The Audit Committee is established to provide the Board with an independent and objective review on its financial systems, financial information and compliance with laws, guidance, and regulations governing the NHS and Special Health Authorities.

The Committee is appointed by the Board from the Trust's Non-Executive Directors and consists of not less than two members. The Chair of the Committee is John Burdett. During the financial period June 2012 to March 2013, two Audit Committee meetings were held.

Information on environmental, social and community issues

HEE is working with the Sustainable Development Unit (SDU) for the health and care system to ensure that as a newly formed organisation it considers the role it can play in relation to sustainable development.

HEE will develop a Sustainable Development Management Plan and is responding to the Sustainable Development Strategy consultation. HEE is a part of the National Advisory Group for the SDU and will endeavour to implement the Carbon Reduction Strategy and support the Sustainable Development Strategy as appropriate.

Next Steps

Prior to going fully live on 1 April a document outlining HEE's intent was produced. *Introducing Health Education England: Our strategic intent* sets out our purpose and the role that we will play in leading education, training and development across the system to deliver improvements in the quality of care for patients. This was the start of a conversation with our stakeholders to help shape our vision and support its implementation.

Following feedback from our stakeholders - over 130 separate responses from organisations - we are further reviewing our strategies, alongside our business plan.

Over the next few months, we will be continuing to speak to staff and stakeholders, about this and our mandate from the government.

The Mandate to Health Education England sets out:

- Objectives to be achieved in HEE's first 2 years of operation;
- Details of the strategic objectives of the Government in the areas of workforce planning, health education, training and development for which HEE and the LETBs have responsibility;
- The expectations on HEE in supporting the commitment to deliver high quality health services and patient care and a smooth transition between care settings and organisations.

HEE's mandate will be aligned with and reflective of the NHS England mandate and the public health outcomes framework.

Local Education and Training Boards

There are 13 LETBs which are formal committees of HEE and will put employers and professionals in the driving seat. Working with HEE they will improve the quality of education and training outcomes so they meet the needs of service providers, patients and the public within their local footprints.

The 13 LETBs were authorised by the Board on the 27 March 2013 after undergoing a rigorous process to assess their abilities in areas including meaningful engagement with key partners and outcome-led improvements. Working with HEE they will improve the quality of education and training outcomes so they meet the needs of service providers, patients and the public within their local footprints.

Ian Cumming, Chief Executive

Date 10th June 2013

Financial Review

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 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.

HEE was established on 28 June 2012 for the sole purpose of establishing and developing commissioning architecture outlined in the NHS Health and Social Care Act 2012. During the period from June 2012 to March 2013 expenditure relates mainly to payment of staff, either directly or through secondment arrangements, and non-pay spend relating to the provision of financial services, premises costs and legal and professional fees.

Financial performance

We have been set financial targets by the DH against which we are expected to deliver. For 2012/13, we were required to maintain our expenditure within our revenue expenditure limit of £3.417m. We are able to report that for 2012/13 HEE underspent against this target by £727k. There were no post balance sheet events to report.

In addition to the above, we are required to comply with the Better Payments Practice Code, which requires 95% of non NHS trade creditors to be paid within 30 days or agreed terms. Our performance against this target for 2012/13 is as follows:

Non-NHS Creditors	Number	Value £000s
Total non-NHS trade invoices paid	702	186
Total non-NHS trade invoices paid within target	575	164
Percentage of non-NHS bills paid within target	82%	88%

Auditor

The Comptroller and Auditor General is appointed by statute to audit the HEE. The audit fee for the period ended 31 March 2013 is £20,000 for the audit of these 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.

Principal risks and uncertainty

Effective risk management is a cornerstone of good governance and our framework of procedures and internal controls contribute to mitigating and controlling the risks we face. Our Annual Governance Statement, included at pages 13 to 16, provides further details of our risk management strategy and procedures.

Ian Cumming, Chief Executive

Date 10th June 2013

Statement of Accounting Officer's responsibilities

The Accounting Officer for the Department of Health has appointed the Chief Executive of HEE as the Accounting Officer. As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements 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 NHS Act 2006 and directions made there under by the Secretary of State with the approval of the 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 our state of affairs at the year end and of its net resource outturn, recognised gains and losses and cash flows for the financial year. As Accounting Officer, I have responsibility for ensuring the preparation of our accounts and the transmission of them 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, given that Health Education England will be the successor body to the Medical Education England and workforce and education element at Strategic Health Authorities.

My relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public funds and assets vested in HEE, and for the keeping of proper records, are set out in *Managing Public Money* issued by the Treasury.

Annual Governance Statement

Governance Statement

Scope of responsibility

This statement outlines how responsibility for the control and management of Health Education England's resources were discharged during 2012/13. I was appointed as Chief Executive on 20 June 2012, so was in post to oversee Health Education England (HEE) being formally established as a Special Health Authority on 28 June 2012, commence work in shadow form from October 2012 and take on its full responsibilities from April 2013.

As Accounting Officer I am responsible for maintaining a robust system of internal control to support the achievement of the organisation's aims, objectives and policies, whilst safeguarding the public funds and assets, including information, for which I have personal responsibility. This is in accordance with those responsibilities assigned to me in the Accounting Officer's Memorandum and in *Managing Public Money*, as well as relevant guidance on information governance.

As Accounting Officer, and Chief Executive of a Special Health Authority, my tripartite accountability is to the HEE Board, the Secretary of State for Health, and Parliament, regarding the effective discharge of the organisation's functions, meeting its statutory duties and for the stewardship of the resources provided to us. We have worked closely with our Department of Health sponsor team and have agreed arrangements for regular performance reporting and review. We have also worked closely and productively with Department of Health colleagues on the establishment of HEE to ensure we were fully prepared to assume our full responsibilities on 1 April 2013.

HEE's governance framework

HEE operates within a governance framework that includes: the Primary Legislation, Statutory Instruments and Directions that describe our core functions and duties; matters determined by our Board to ensure robust decision-making processes are in place; and compliance with the requirements of *Managing Public Money* and the *Corporate Governance in central government departments: Code of good practice 2011* to the extent to which it is meaningful and relevant to HEE which is a Special Health Authority. As a new organisation, we recognise that our corporate governance arrangements are still evolving.

HEE now has a Board comprising the Chair, four Non-executive Directors, the Chief Executive and four other Executive Directors. There are plans to increase the Board's Non-executive Director representation and the Secretary of State for Health has made an order to facilitate these plans.

The Board is responsible for holding the Executive team to account and one of the ways it achieves this is by reviewing regular performance and progress reports.

HEE is responsible for exercising the Secretary of State for Health's duty to secure that there is an effective system for the planning and delivery of education and training in respect of the health service in England. This includes providing national leadership for the planning and development of the whole healthcare and public health workforce, as well as promoting high quality education and training that is responsive to the changing needs of patients and communities.

Responsibility for the regional delivery of our core functions is delegated to thirteen Local Education and Training Boards (LETBs) in accordance with directions from the Secretary of State for Health. The governing bodies of LETBs are constituted as committees of the HEE Board.

During 2012/13, we conducted an exhaustive authorisation process to ensure that our LETBs were fit to operate as committees of the Health Education England Board. This process was successful. All LETBs have now been authorised to act as Board committees, with individual accountability agreements issued to each, defining any developmental conditions attached.

Going forward, we will continue to hold LETBs to account through monthly meetings of our Senior Leadership Team, comprising all LETB Managing Directors and HEE Executive Directors.

Our governance framework also includes separate Audit & Risk and Remuneration Committees (though the Remuneration Committee has not yet met as it did not assume its function until April 2013).

The Audit & Risk Management Committee is constituted as a non-executive committee of the Board. It has two non-executive members, with attendance as required by the Director of Finance, internal and external audit and other staff members. It is responsible for providing the Board with an objective assessment of the effectiveness of the Assurance Framework and management of governance and risk.

The Remuneration Committee is also a non-executive committee of the Board. It will be responsible for determining the remuneration, terms of service for the Chief Executive and Executive Directors, as well as ensuring that systems are maintained to assess the performance of senior officers.

Possible and actual attendance records for Board and Committee members are shown below:

Board	Possible	Actual
Sir Keith Pearson	5	5
Ian Cumming	5	5
John Burdett	5	5
Shirley Pearce	4	4
Ann Abraham	4	4

Board	Possible	Actual
Katherine Nealon	4	4
Nicki Latham	4	4
Steve Clarke	4	4
Jo Lenaghan	4	4
Chris Welsh	4	3

Audit & Risk	Possible	Actual
John Burdett	2	2
Katherine Nealon	2	2

2012/13 was a period of establishment and transitional development for HEE. Having an effective board was vital to ensure good governance underpinned all the organisation's activities from the outset. Non-executive board members have been a valuable source of constructive challenge and advice to the executive team throughout this crucial period.

I have reviewed HEE's corporate governance arrangements against the requirements of the *Corporate Governance in central government departments: Code of good practice 2011*. I am satisfied that, in as far as it is possible and proportionate to apply the Code to a fledgling organisation, the relevant principles and provisions are reflected by the arrangements we have in place.

Risk assessment and control framework

HEE has established and maintained a risk register which has been considered at Board meetings and more fully by the Audit & Risk Committee. The risk register is accessible to all staff. Copies of the register have been provided regularly to our Department of Health sponsor team.

We have also developed a Board Assurance Framework. This describes the assurance and control measures that exist as well as identifying risks and their mitigating actions. Managers have been required to consider risk as an integral part of business and operational planning. We are currently in the process of formalising this approach, by agreeing robust programme and project management governance, to underpin all workstream activity.

The content of our risk register has necessarily related mainly to establishment and transition issues, including the over-arching widespread volume of change in the NHS. In this, our risk management has been augmented by the Department of Health's Education and Training Reform Programme Office. We have worked closely with the Programme Office to establish HEE effectively and manage associated activity across the system. This

has been supported by full engagement with additional Department of Health transition governance arrangements as required.

Review of risk management and internal control effectiveness

As Accounting Officer for HEE, I am responsible for reviewing the effectiveness of the system of internal control. In this, I have been informed by the work of internal auditors and managers in the organisation with responsibility for the development and maintenance of a robust internal control framework. I have also been advised on the effectiveness of the arrangements in place by the Board, the Audit & Risk Committee and the Executive team. As a new body, the focus has necessarily been on implementing internal controls to enable organisational establishment and developing plans to refine and continuously improve the measures we have in place.

Our internal audit service is provided by the Department of Health; their Head of Internal Audit will be responsible for providing an opinion on the overall assurance arrangements we have in place. An initial assessment of our internal control effectiveness was conducted in March 2013, immediately prior to HEE taking on its full responsibilities. The internal audit report has been received and there are no substantial issues to address.

There have been no significant internal control issues at HEE during the year. Nor am I aware of any incidents relating to the loss or unauthorised disclosure of protected personal data.

Conclusion

HEE is a new organisation that came into being during 2012/13. Our systems of internal control are appropriate and proportionate for a body at this early stage of its existence.

I have not identified any significant governance issues in the period since 28 June 2012 and this statement confirms that an adequate level of internal control exists to support the achievement of our aims, policies and objectives.

Ian Cumming, Chief Executive

Date 10th June 2013

Remuneration Report

The Remuneration Committee's primary aim is to approve the appropriate remuneration and terms of service for the Chief Executive, Directors and other Very Senior Managers. In addition the Committee will consider some issues in relation to all staff employed by Health Education England. The Committee will have delegated powers to act on behalf of the HEE Board within the approved Terms of Reference.

The Committee shall adhere to all relevant laws, regulations and policies in all respects including (but not limited to) determining levels of remuneration that are sufficient to attract, retain and motivate executive directors and senior staff whilst remaining cost effective. The committee's remit includes:

- With regard to the Chief Executive, Directors and other Very Senior Managers, all aspects of salary (including any performance-related elements, bonuses)
- Provisions for other benefits, including pensions and cars
- Arrangements for termination of employment and other contractual terms (decisions requiring dismissal shall be referred to the Board)
- Ensuring that officers are fairly rewarded for their individual contribution to the Authority – having proper regard to HEE's circumstances and performance and to the provisions of any national arrangements for such staff
- Proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate, advising on and overseeing appropriate contractual arrangements for such staff. This will apply to all Health Education England staff
- Proper calculation and scrutiny of any special payments
- Approval of HR policies and procedures for all Health Education England staff

Chief Executive and Senior Managers (This element of the report has been audited as per mandatory guidance)

Name & Title	Actual 2012/13 Salary Paid in £5k bands	Bonus payments in £5k bands	Benefits in kind	Date of contract commencing	Contract End Date
	£000s	£000s	£000s		
Non-Executive Directors					
Ms A Abraham	0-5	Nil	Nil	01/10/2012	30/09/2015
Mr J C Burdett	5-10	Nil	Nil	28/06/2012	27/06/2015
Sir K S Pearson	40-45	Nil	Nil	28/06/2012	27/06/2016
Ms K A Nealon	0-5	Nil	Nil	01/10/2012	30/09/2015
Prof S A Pearce	0-5	Nil	Nil	01/10/2012	30/09/2014
Executive Directors					
Ian Cumming	125-130	Nil	5.2	01/08/2012	n/a
Dr Nicki Latham	75-80	Nil	Nil	01/09/2012	n/a

Name & Title	Actual 2012/13 Salary Paid in £5k bands	Bonus payments in £5k bands	Benefits in kind	Date of contract commencing	Contract End Date
Prof Chris Welsh*	35-40	Nil	Nil	n/a*	n/a
Lisa Bayliss-Pratt**	55-60	Nil	Nil	n/a**	n/a

* This individual's recharge represents the time he spent at HEE during 2012/13 and amounts to three months remuneration

** This individual was recharged by their host organisation for the work undertaken on behalf of HEE during 2012/13 and amounts to six months remuneration

The following directors have been appointed by HEE and have been involved in the implementation of HEE however, they remained in their substantive posts within SHA's during 2012/13 and consequently their remuneration and pension benefits are disclosed in the accounts of their substantive organisations as appropriate. These Directors took up employment with Health Education England on the 1st April 2013.

- Steve Clarke – East of England SHA
- Jo Lenaghan – West Midlands SHA
- Wendy Reid – London Deanery
- Lee Whitehead – East of England SHA

Health Education England is 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. (This element of the report has been audited as per mandatory guidance)

	2012/13 WTE
Band of highest paid director's total remuneration	195-200
Median total	£21,176
Remuneration Ratio	9.3

The banded remuneration of the highest paid director in Health Education England in the financial year 2012-13 was £195,000 to £200,000. This was 9.3 times the median remuneration of the workforce excluding seconded staff, which was £21,276. In 2012-13, nil employees 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. The Remuneration Ratio was based on 52 staff in post as at 31st March 2013. HEE was in transition during 2012/13, from 1st April 2013 HEE will have a full complement of staff and therefore this ratio will differ in 2013/14.

Pension Benefits (This element of the report has been audited as per mandatory guidance)

Name & Title	Real increase in pension at age 60	Real increase in pension lump sum at aged 60	Total accrued pension at age 60 at 31/03/13	Lump sum at age 60 related to accrued pension at 31/03/13	Cash equivalent transfer value at 31/03/12	Cash equivalent transfer value at 31/03/13	Real Increase in cash equivalent transfer value
	(bands of £2,500)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)	(£000)	(£000)	(£000)
Ian Cumming	2.5–5.0	7.5–10	70–75	210–215	1,060	1,193	78
Dr Nicki Latham	0-2.5	0–2.5	0–5	0–5	0	14	14

The above table includes all of the pension benefits paid to directors in 2012/13.

Ian Cumming, Chief Executive

Date 10th June 2013

Auditor's Opinion

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of Health Education England for the period ended 31 March 2013 under the National Health Service 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 Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 Health Education England's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Health Education England; 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 Health Education England's affairs as at 31 March 2013 and of its net operating cost for the period 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 the Secretary of State directions issued under the National Health Service Act 2006; and
- the information given in the sections entitled "Organisation Overview" and "Financial Review" for the financial period 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 17th June 2013

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

Financial Statements 2012/13

Statement of comprehensive net expenditure for the period ended 31 March 2013

	Notes	2012/13
		£000s
Staff Costs	3.3	1,119
Non Staff Costs	3.2	1,571
Less Income	3.1	0
Net operating costs for the financial period		<u>2,690</u>
Total comprehensive net expenditure for the period		<u>2,690</u>

Non-staff costs include £386k relating to Programme expenditure

Statement of financial position as at 31 March 2013

	Notes	31 March 2013
		£000s
Current Asset		
Trade and other receivables	4.1	52
Cash and cash equivalents	4.3	<u>1,042</u>
Total Current Assets		<u>1,094</u>
Current Liabilities		
Trade and other payables	4.2	<u>1,784</u>
Total current liabilities		<u>1,784</u>
Current assets less current liabilities		
		<u>(690)</u>
Tax payer's equity:		
General Fund		(690)
Total tax payer's equity		<u>(690)</u>

The notes on pages 28 to 39 form part of these accounts.

The financial statements on pages 24 to 27 were approved by the Board on 3rd June 2013 and signed on its behalf by:

Chief Executive: Ian Cumming

Date: 10th June 2013

Statement of changes in taxpayer's equity for the period ended 31 March 2013

	General Fund	Total Reserves
	£000s	£000s
Changes in taxpayers' equity for 2012/13		
Net operating cost for the period	(2,690)	(2,690)
Total recognised income and expense for 2012/13	(2,690)	(2,690)
Net Parliamentary funding	2,000	2,000
Balance at 31 March 2013	(690)	(690)

Statement of cash flows for the period ended 31 March 2013

	Notes	2012/13 £000s
Cash flows from operating activities		
Net operating costs		(2,690)
Movement in working capital		1,732
Net cash (outflow) from operating activities		<u>(958)</u>
Cash flow from financing activities		
Net Parliamentary funding		2,000
Net Financing		<u>2,000</u>
Net increase/(decrease) in cash and cash equivalents		1,042
Cash and cash equivalents at 31 March 2013		<u>1,042</u>

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, which is judged to be most appropriate to the particular circumstances of the Special Health Authority (SpHA) 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 fixed 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 reconciliation between current cost and historical cost surplus and deficits.

Going Concern

Health Education England is a statutory body established under the National Health Service Act 2006. In the opinion of Health Education England as long as the provisions of the Act apply it is appropriate to prepare the accounts on the going concern basis. The Statement of Financial Position as at 31 March 2013 shows negative taxpayers' equity of £690k. The future financing of Health Education England liabilities is to be met by grant in aid from the Department of Health approved annually by Parliament.

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 SpHA'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. There are no material estimates within the 2012/13 statement of accounts.

Accounting for staff costs and remuneration

Health Education England and Department of Health (DH) staff have a role in establishing the HEE Board. DH staff are accounted for in the DH Resource Account. Other staff costs are accounted for in these financial statements.

1.2 Income and Funding

The main source of funding for HEE is Parliamentary grant from the DH 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.

1.3 Taxation

HEE 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 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 three 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.

1.5 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 where their costs are charged to the SpHA Authority.

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 SpHA Authority commits itself to the retirement, regardless of the method of payment.

1.6 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.

2. Revenue Resource Limit	2012/13
	£000s
Net operating costs for the financial period	2,690
Revenue resource limit*	<u>3,417</u>
Under/(over) spend against revenue resource limit	<u>727</u>

**The HEE revenue resource limit is shown after the return of £500k to DH*

2.1 Under/(over) spend against cash limit

	2012/13
	£000s
Total charge to cash limit	958
Cash limit	<u>2,000</u>
Under/(over) spend against cash limit	<u>1,042</u>

3.1 Operating income

There was no operating income in 2012/13

3.2 Non-Staff Costs

	2012/13
	£000s
The expenses of HEE were:	
Non-executive members' remuneration	70
Establishment expenses	138
Premises and fixed plant	295
Auditors' remuneration: audit fees	20
Legal and professional fees	248
Other*	800
Total Costs	1,571

*Other costs includes £386k relating to Programme expenditure, £317k finance system, £20k payroll system, £59k procurement services

3.3 Staff numbers and related costs

	Total	Permanently Employed	Other
	£000s	£000s	£000s
Executive members and staff costs:			
Salaries and wages	1,009	481	528
Social Security Costs	50	50	-
Employer contributions to NHS Pensions	60	60	-
Other pension costs	-	-	-
Total	1,119	591	528

Executive members and staff costs:

The average number of persons employed during the period:

33

Salaries and wages costs relate to the cost (including social security and pension costs) of directly employed staff and employees seconded from other NHS Organisations and the Department of Health.

3.4 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 formal 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 have been 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. Employer and employee contribution rates are currently being determined under the new scheme design.

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 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 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 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 provided 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. 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. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI). 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.

4.1 Receivables

	Current 31/03/13 £000s
Other Receivables	52
Trade and Other Receivables	<u>52</u>

4.2 Trade payables and other current liabilities

	Current 31/03/13 £000s
Payables	55
Accruals and deferred income	<u>1,729</u>
Trade and other payables	<u>1,784</u>

4.3 Cash and cash equivalents	2012/13
	£000s
Balance at 28 June 2012	0
Net change in period	<u>1,042</u>
Balance at 31/03/2013	<u>1,042</u>
Comprising:	
Held with Government Banking Service	1,042
Commercial banks and cash in hand	0
Current investments	<u>0</u>
Cash and cash equivalents as in Statement of Financial Position	1,042
Bank overdraft	<u>(0)</u>
Cash and cash equivalents as in Statement of Cash Flows	<u>1,042</u>

4.4 Events after the reporting period

There have been no adjusting or non-adjusting events after the reporting period. HEE becomes fully operational on the 1st April and will take on assets and liabilities from Workforce and Education directorates of the old Strategic Health Authorities (SHA). The implications of these transfers will be known following audit of SHA's accounts. This annual report and accounts has been authorised for issue on the date the accounts were certified by the Comptroller and Auditor General.

5.1 Movements in working capital

	2012/13
	£000s
(Increase)/Decrease in receivables within 1 year	(52)
Increase/(Decrease) in payables within 1 year	<u>1,784</u>
Total	<u>1,732</u>

5.2 Analysis of changes in net debt

	As at 28 June 2012	Cash flows	As at 31st March 2013
	£000s	£000s	£000s
GBS cash at bank	0	1,042	1,042
Commercial cash at bank and in hand	0	0	0
Bank Overdraft	0	0	0
	0	1,042	1,042

6. Related party transactions

HEE is a body corporate established by order of the Secretary of State for Health. The DH is regarded as a related party. During the year HEE had a number of transactions with DH and with other entities for which the DH is regarded as the parent department including strategic health authorities, special health authorities, primary care trusts and NHS trusts.

7. 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 HEE are met primarily through Parliamentary funding, financial instruments play a more limited role in creating risk than 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 Board Authority's expected purchase and usage requirements and the Board Authority is therefore exposed to little credit, liquidity or market risk.

Currency risk

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

Interest rate risk

All of HEE's financial assets and financial liabilities carry nil or fixed rates of interest. HEE is not, therefore, exposed to significant interest-rate risk.

Credit risk

Because the majority of HEE's income comes from funds voted by Parliament and from other NHS bodies HEE has low exposure to credit risk.

Liquidity risk

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

7.1 Financial Assets	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000s	£000s	£000s	£000s
Trade receivables	0	0	0	0
Other receivables	0	52	0	52
Cash at bank and in hand	0	1,042	0	1,042
Other financial assets	0	0	0	0
Total at 31st March 2013	0	1,094	0	1,094

7.2 Financial Liabilities	At 'fair value through profit and loss'	Loans and receivables	Total
	£000s	£000s	£000s
Trade Payables	0	0	0
Other Payables	0	1,713	1,713
Borrowings	0	0	0
Other financial liabilities	0	0	0
Total as at 31st March 2013	0	1,713	1,713

7.3 Maturity of financial liabilities

	31-Mar-13 £000s
In one year or less	1,784
In more than one year but not more than five years	0
In more than five years	0
Total	1,784

7.4 Fair Values

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

8. Intra-government balances	Receivables amounts falling due within one year	Receivables amounts falling after more than one year	Payables amounts falling due within one year	Payables amounts falling after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	52	0	725	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	0	0	61	0
Balances with public corporations and trading funds	0	0	0	
Balances with bodies external to Government	0	0	998	0
At 31 March 2013	52	0	1,784	0

9. Early adoption of IFRS's, amendments and interpretations

Health Education England has not adopted any IFRS's, amendments or interpretations early.

IFRS's, amendments and interpretations in issue but not yet effective, or adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012/13. The application of the Standards as revised would not have a material impact on the accounts for 2012/13, where they are applied in that year:

- IFRS 7 Financial Instruments: disclosures amendment to allow for better comparisons between financial statements. Effective 2013/14
- IFRS 9 Financial Instruments: new standard intended to replace IAS39. Subject to consultation
- IFRS10 Consolidated Financial Statements. Effective date of 2013/14 but not yet adopted by the EU.
- IFRS11 Joint Arrangements. Effective date of 2013/14 but not yet adopted by the EU.
- IFRS12 Director of Interests in Other Entities. Effective date of 2013/14 but not yet adopted by the EU.
- IFRS 13 Fair Value Measurement IFRS 13 applies when other IFRS's require or permit fair value measurements. Effective date of 2013/14 but not yet adopted by the EU.
- IAS 1 Presentation of Financial Statements, on other comprehensive income (OCI). Effective date of 2013/14 but not yet adopted by the EU.
- IAS 12 Income Taxes amendment. Effective date of 2013/14 but not yet adopted by the EU.
- IAS 19 (Revised 2011) Employee Benefits. Effective date of 2013/14 but not yet adopted by the EU.
- IAS27 Separate Financial Statements. Effective date of 2013/14 but not yet adopted by the EU
- IAS28 Associates and joint ventures. Effective date of 2013/14 but not yet adopted by the EU.
- IAS 32 Financial Instruments: Presentation – amendment Offsetting financial assets and liabilities. Effective date of 2014/15 but not yet adopted by the EU.

10. Other Financial Commitments

	2012/13
	£000
Amount payable within one year	2,800
Amount payable after one year but within five years	5,817
Amount payable after five years	<u>819</u>
Total	<u>9,436</u>

The Board entered into contracts for core functions. In some instances these are through Department of Health Framework Agreements. These comprise contracts for Financial Services, Human Resources and Payroll Services. The contracts span the period to 2019. The expected annual values are £1.2m and £100k per annum respectively. In addition, we have entered into a contract to provide a medical and dental recruitment system and the financial commitment is reflected in the figures above.



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