

ANNUAL REPORT & ACCOUNTS 2009-10



Presented to Parliament pursuant to Paragraph 6(3), Section 232, Schedule 15 of the National Health Service Act 2006

Ordered by the House of Commons to be printed 19 July 2010

NHS Professionals Annual Report and Accounts 2009-2010

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ISBN: 9780102967401

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID P002374592 07/10

Printed on paper containing 75% recycled fibre content minimum.

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NHS Professionals Promise

“We promise to deliver our services for best value compared with an in-house solution. In addition, our clients benefit from NHS Professionals’ expertise in driving down the cost of flexible staffing by:

- Demand reduction through superior processes and controls
- Agency staff reduction
- Optimisation of pay rates

Client Trusts can also be confident our flexible staff are fit for your requirements as we take full responsibility for their mandatory training, clinical governance management and assurance.”

It is with great pleasure that I am able to report on behalf of the Board on a very successful year for NHS Professionals (NHSP).

This was my last year as Chairman as on 1 April 2010, the organisation moved to its new status of a Limited Company, wholly owned by the Secretary of State for Health. I would like to welcome Robin Williams as the Chairman of the newly formed NHS Professionals Ltd.

The organisation that Robin inherits has made significant progress over the last three years on all measures: client satisfaction has improved, with 82% of clients rating us 'good/ to 'excellent' compared with 75% in 2008/09; the financial deficit has been reduced by over 66% since 2006/07, with the business planning to breakeven during the current year; and, rigorous adherence to safer recruitment procedures means we can evidence that virtually 100% of our flexible workers meet governance standards.

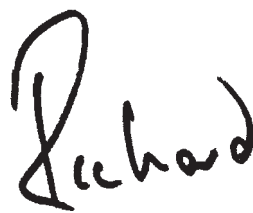
Importantly, the turnaround of NHS Professionals coupled with its new corporate status means the organisation is no longer dependent on government funding and is financially secure for the longer-term.

The Board would like to thank the executive management and staff for their tremendous hard work and dedication during another year of change.

I would also like to take this opportunity to personally thank the outgoing Non-Executive Directors, Sue Hobbs, Fiona Eldridge and Nilesh Goswami, for their support over the years and for their commitment to the work of NHS Professionals. I wish John Flook every success as he moves across to the new Board of NHS Professionals as Senior Non-Executive Director to work alongside Robin Williams.

Finally, I would like to thank our clients for the support they have shown NHS Professionals, particularly through the very high rate of renewal of agreements.

I am extremely proud to have been Chairman of NHS Professionals for the last 6 years and I will watch with interest how the organisation develops over the coming years.



Richard Martin
Chairman

"I am extremely proud to have been Chairman of NHS Professionals for the last 6 years and I will watch with interest how the organisation develops over the coming years."





"All bar two of our clients agreed to extend and assign to NHS Professionals Limited; our signed contract base now represents approximately 95% of annualised revenues as at 31 March 2010.

This is a great endorsement of the value of our services and of how far service quality has come over the last three years."

Continuing improvement in performance

Our reported deficit continued to fall from £10.3m in 2008/09 to £6.2m in 2009/10. We now confidently expect to achieve an adjusted breakeven position during the current year.

This has been achieved principally by greatly reducing our costs through investment in IT, with costs reducing by 4% from £30.5m to £29.3m. The investment in IT has also improved the quality of our services, therefore we have been able to achieve our financial targets and increase service standards and client satisfaction.

A key IT project was the roll out of e-timesheets. In 2008/09, only 10% of timesheets were processed via our e-timesheet module, whereas by 31 March 2010 e-timesheet usage was virtually 100%.

Our Operations Centre continues to deal with an impressive number of requests for flexible workers, whilst maintaining robust and rigorous processes for recruiting over 600 fully screened and vetted new bank staff every month. We currently have approximately 50,000 flexible workers registered with NHS Professionals.

We receive over 200,000 shift requests from Trusts every month; 92% of shifts are now booked on line (2008/09 80%), with 68% being fulfilled by using NHS Professionals online.

Client Renewals

The initial term of over 90% of our client agreements expired on or before 31 March 2010, co-terminus with our business transfer date.

All bar two of our clients agreed to extend and assign to NHS Professionals Limited: our signed contract base now represents approximately 95% of annualised revenues as at 31 March 2010.

This is a great endorsement of the value of our services and of how far service quality has come over the last three years.

We look forward to working with our current Trust clients for many years to come.

New Business Wins

In the three years to 2008/09 we concentrated on transforming our back office to ensure a consistently high level of service and to drive cost reduction through automation; the changes arising from back office transformation are now well embedded within our organisation and continuous service improvement is business as usual.

During 2009/10, management began the transformation of sales and marketing in order to achieve a higher rate of new business growth.

We now have a new sales and marketing team in place and have adopted a more proactive engagement with potential clients, whereby we work with them to benchmark their in-house services against an NHS Professionals service.

Also, we have worked hard with a number of client Trusts to move away from a commission rate and develop a more "fit for purpose" charging model. It gives Trusts a highly predictable cost, the ability to flex up and down at very low cost and encourages wider usage of the control platform for all staff groups.

We have also continued the process of strengthening our client relationship team and in particular, freeing them from administrative tasks with automated solutions to allow them to liaise more widely at a ward level where the quality of our service is defined.

The results of these efforts are beginning to yield visible returns, with our best year for new business since 2006/07.

We expect to see this trend continue into next year and beyond.

We would like to welcome the following new clients to the NHS Professionals service:

South West London and St George's Mental Health NHS Trust

South Staffordshire & Shropshire Healthcare NHS Foundation Trust

Suffolk Mental Health Partnership NHS Trust

In addition, we added a number of new staff groups at existing clients to the NHS Professionals Online platform.

Transition

In December 2009 Her Majesty's Treasury published the Government's Asset Portfolio to be considered within the Operating Efficiency Programme. NHS Professionals was identified as one of those assets for consideration.

From 1 April 2010 NHS Professionals will be 100% owned by the Department of Health but in future there could be a wide range of opportunities for working with the private sector, for them to partner or to potentially invest in NHS Professionals. To explore these opportunities the Department of Health has appointed independent advisors to assess the options.

Client Satisfaction

Our annual Client Satisfaction Survey showed client satisfaction has improved, with 82% of clients rating us 'good' to 'excellent' compared with 75% in 2008/09. In addition, 83% of clients responding stated that they would recommend NHS Professionals to another Trust.

Client satisfaction is vital to us and we will continue to work to increase satisfaction year-on-year, particularly where we know there are specific service issues we can target.

Governance Quality

We are rightly proud of our recruitment process and the strength of our governance framework to ensure absolute adherence to Safer Recruitment Check Standards. We are able to evidence the highest levels of assurance that our staff have completed the necessary checks - Criminal Records Bureau (CRB), Right to Work (RTW) and Occupational Health (OH).

For those workers recruited over the last twelve months we have evidence to support:

- 99.7% of workers with CRB checks
- 100% with RTW
- 99.6% with OH clearance

In addition, we have spent two years and £1.2m "repairing" the records of FW's working who were recruited prior to October 2008 or who were transferred from a new Trust client.

This process has involved deregistering some flexible workers from our list, as governance compliance will always take priority.

We are now able to evidence similarly high levels of compliance across our entire flexible workforce no matter when they were recruited or if they were transferred from a client.

Crucially, as part of our transfer to Limited Company status, we received unqualified accreditation from the Care Quality Commission in respect of our ability to provide a managed workforce solution for the NHS.

Transfer to NHS Professionals Limited

On 01 April 2010, the assets, liabilities, obligations and rights of NHS Professionals Special Health Authority transferred to NHS Professionals Limited; a public body and company guaranteed by shares held 100% by the Secretary of State for Health. It is therefore management's view that it is appropriate for NHS Professionals to be considered a going concern.

This was the culmination of a project commenced in November 2008, the objectives of which were to implement the optimum trading form for NHS Professionals, its clients and its flexible staff; also, to give NHS Professionals greater financial independence in order to ensure the continuity of its services long-term.

This was a large complex project involving consultation with approximately 50,000 people and their Unions, the TUPE transfer of those workers and securing a Closed Pension Direction for circa 11,000 members. In addition, agreements with all clients and suppliers had to be extended and transferred.

It is testament to NHS Professionals staff and stakeholders that such a project

could be successfully completed, whilst achieving such great operational and financial performance improvement.

Outlook and Prospects

There is uncertainty within the NHS marketplace; however, what is certain is that our Trust clients will be challenged with the requirement to continuously improve the quality of care whilst meeting increasing care demand with restrained financial resources.

Trusts are already looking closely at their workforce strategy with a view to getting greater productivity out of their substantive staff and thereby reducing the requirement for temporary staffing. We monitor temporary staffing movements through our National Trends Quarterly and we have seen a sustained reduction in expensive agency usage, particularly in London, since July 2009. NHSP shift volume was much less affected and we ended the year like-for-like up on 2008/09; despite a downward trend through the last quarter compared with the previous year.

We expect shift volume to fall on a like-for-like basis through the current year; however, the size of the reduction is far from certain. We may be able to maintain volumes by increasing fill rates at the expense of more expensive agency shifts i.e. we expect to increase market share in a reducing market.

Also, we are tailoring our proposition to more closely fit a "core & periphery" staffing strategy by delivering a very low cost solution where substantive staff

productivity is high but maintaining an effective level of bank to manage peaks (e.g. unbudgeted beds) without the need to go to expensive agency supply. Also, we intend to extend our capability in specialist nursing to allow Trusts to bring in expertise – a core benefit of an effective temporary workforce strategy – but at lower cost than the traditional agency model.

We do expect to win a number of new clients in the current year as we can deliver a highly effective temporary workforce strategy at much lower cost than a Trust can do themselves and with faster time to benefit. Also, our ability to evidence the very highest levels of clinical governance compliance means that we can deliver a "safer" temporary workforce strategy than most Trusts.

2009/10 has been the most fundamental year of operation for NHS Professionals since its formation, as for the first time we can look forward with a high degree of certainty about our financial security and the continuity of our services into the long-term. This has been achieved, whilst continuously improving business as usual, through the dedication of our flexible staff and of our staff in Watford, Tingley and in the field with our Trust clients. We owe them all a debt of thanks.



Neil Lloyd
Chief Executive

About NHS Professionals



Who we are

NHS Professionals is a provider of temporary worker managed services to the NHS.

We enable nurses, doctors and other staff to work flexibly in the NHS whilst providing our clients with a 'value for money' service and the assurance of our first class clinical governance standards.

What we do

On behalf of our client Trusts, we manage recruitment, placement and payment of locum doctors via our bank service, taking responsibility for performance management during each placement.

We will help client Trusts:

- reduce agency demand, fill and expense
- maximise the shifts fulfilled by the Trust's own staff subject to WTD
- implement optimal standard pay bands for flexible workers
- eliminate unnecessary overtime
- reduce overall shift demand
- meet shortfalls in demand via local recruitment

Nursing Service

NHS Professionals provides a fully managed nurse bank service – including recruitment and booking of staff, learning and development, clinical governance and payroll/finance. We also manage the booking and payment of all agency staff on behalf of our client trusts. Our nursing service includes the provision of interim nurses (i.e. nurses on fixed term placements).

Administration and Clerical (A&C) Service

Similarly our administration and clerical service provides trusts with a complete package – from recruitment to payroll.

Doctors' Service

We offer locum doctors available on our bank to our client Trusts – at individually agreed pay rates.

We manage the recruitment, placement and payment of those doctors on our bank. As with all our flexible staff we also manage their clinical performance during placements with a Trust.

How we do it

Managing Healthcare Workers

We currently have approximately 50,000 flexible workers on our bank – through contracts of engagement we manage all performance, disciplinary and grievance issues as well as the following:

- **National Recruitment Service**
we recruit all flexible workers to our bank through our on-line e-recruitment system. Our flexible workers can apply online and we can track their application at every stage of the process. This is supported by national and local recruitment events and our Client Relationship Team who facilitate interviews and face-to-face contact
- **Groundbreaking Learning and Development Service**
we provide all statutory and mandatory training for all bank-only workers through an exclusive online Managed Learning Environment (MLE). This enables us to meet our unique challenge of providing Learning and Development opportunities to a geographically dispersed workforce.

“We enable nurses, doctors and other staff to work flexibly in the NHS whilst providing our clients with a value for money service and the assurance of our first class clinical governance standards”

- **Ensuring High Quality Patient Care** ensuring quality care for patients is at the heart of everything we do. We use best-practice pre-employment checking, best NHS intelligence to exclude unsuitable practitioners and best performance monitoring and vigilance.

Service Delivery to Trusts

Booking Service

Our booking service is largely technology-based which allows Trusts, agencies and flexible workers to access our service via the web 24/7. This major investment in technology means that it is simple for flexible workers and Trusts to interact with us and allows us to focus on hard-to-fill areas.

Customer Relations

We provide our Trusts and flexible workers with direct access to dedicated teams as well as on-site support from a local, dedicated Client Relationship manager and Trust Liaison team.

Finance (Nursing and A&C Services)

For our Nursing and A&C services we manage the interface with agency provided workers on behalf of Trusts. A full payroll service and verification of agency timesheets is provided plus query resolution and payment of invoices.

The People behind the Service

NHS Professionals values the vital role its 289 corporate staff play in ensuring the success of the organisation. We use a variety of media to keep staff informed. This year in particular we have engaged in a full consultation on the change to Limited Company status.

The internal communications tools used within the organisation are set out each year through our Marketing and Communications strategy - briefly these include:

- an intranet site for all updates and news

- face to face briefings
- feedback mailboxes to ensure consultation and upward communication
- ebulletins
- poster campaigns (where appropriate)

Sites

NHS Professionals operates from a National Service Centre in Watford, which supports the booking and recruitment service.

Our Client Relations team is based at hospital sites of our client Trusts to ensure they are on hand to deal with enquiries from Trust staff and flexible workers.

Pension Liabilities

Treatment of pension liabilities is detailed in note 1.9 of the accounts.



The market

Overall demand for NHS Professionals services has grown by 2% in a year where the key focus for most NHS Trusts has been to reduce expenditure and control costs.

Over the last year demand from acute Trusts has remained strong with 68% of demand for our services coming from this market, with Mental Health Trusts accounting for 23% and PCTs 9%.

This growth has not only come from the implementation of our service to new Trusts but also from existing Trusts increasing the number of NHS Professionals services they use i.e. a 'nursing' service Trust deciding to also implement our A&C service.

The demand for locum Doctors remains strong. We are planning to offer the locum Doctors service through our NHS Professionals on-line platform in 2010. This will further automate the delivery of management information to clients and which, we believe, will enable us to accelerate growth of the business.

“Our expertise in service delivery, clinical governance compliance and demand reduction has been evidenced by a number of recent case studies from our client Trusts...”

Our Performance

Operations

Although Demand is only 2% up on last year, NHS Professionals has improved client shift fill using its' Bank staff by 4%. Shift requests transacted over the web are up by 16% year on year and web requests now represent 91% of all transactions.

We have seen continual uptake in the use of our web facilities by our own flexible workers, with the ability to book shifts direct on their home PC using our secure access. This has grown by 53% year on year and now represents an average of 44,000 shifts filled each month

We have now completed the roll out of e-timesheets to all our flexible workers and from 1 April, 2010 will process all timesheet transactions electronically, saving significant time and effort for clients.

Key IT improvements in 2009/10 also include the implementation of a Business Continuity/Disaster Recovery solution, significant improvements in our NHS Professionals On-line system and e-recruitment system and a number of new mandatory training modules added to our on-line Managed Learning Environment (MLE)

Business Development

NHS Professionals continues to offer its managed flexible worker service to all NHS Trusts in England and Wales; however, our new limited company status will allow us to enter other markets.

We identified over 100 Trusts where NHS Professionals could make a significant contribution to the management of the flexible worker requirement, reducing agency spend, improving quality through safe recruitment and reducing cost.

Our expertise in service delivery, clinical governance compliance and demand reduction has been evidenced by a number of recent case studies from our client Trusts, including Central Manchester University Hospitals NHS Foundation Trust, Newham University Hospital NHS Trust and North Middlesex University Hospital NHS Trust.

National Trends

NHS Professionals is in a position to view shift demand and agency usage across a substantial cross-section of Trusts in England and Wales. Consequently, we are delivering a quarterly commentary on observations of shift demand and agency usage across our client base. This information is presented in an effort to help Trusts compare their seasonal demand pattern against a benchmark for their region and Trust type.

"Our local teams meet regularly with ward level users as well as senior Trust Directors to ensure that our service reflects the temporary staffing strategy of the individual Trust"

The team

Due to demand from NHS Trusts enquiring about cost savings and clinical governance compliance, a new business development team has been established. This will ensure that NHS Professionals is in a position to respond to opportunities in a professional and timely manner. Recruited from a managed services background, this team is actively pursuing opportunities to expand our client base and provide further quality improvements and cost savings to the NHS.

Customer Relationship Management

We understand that being visible and available at the very front line of our business is critical to successful service delivery of a Trusts' requirement. Our local teams meet regularly with ward level users as well as senior Trust Directors to ensure that our service reflects the temporary staffing strategy of the individual Trust. Our front line teams understand all aspects of our business and have strong links with our central work-streams so they are quickly able to resolve any service issues. They are a key contact point for our flexible workers, being the first people they meet during recruitment and there to make sure that that 'first shift' is a positive experience.

Complaints and Incidents policy

We recognise that when things go wrong it is important not only to put them right but also to do so in a way that we learn from what occurred in order to prevent it happening again.

Our policy for handling complaints and incidents has been developed, as far as practicable, in line with best practice in the NHS. The principle behind our policy is that we will be open and honest with complainants, our clients and those involved in and affected by incidents that occur. When things go wrong we will apologise, explain what has happened and what we have done to prevent the same thing happening again.

Where we deem that we have acted correctly a full explanation of the matter will be given and where we must maintain confidentiality – then this will be explained.

We aim to address all dissatisfaction with our services immediately with the intention of resolving the matter to the complainant's satisfaction.

This policy fits within our overall Clinical Governance Strategy.

Sickness Absence (Corporate Staff)

Overall sickness absence has reduced over 2009/10. The key measure is total time lost which was 7.08% end of March 2010 (vs.7.6% March 2009)

Clinical Governance

Summary of other protected personal data related incidents 2009-10

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the tables shown below. Small localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	1
V	Other	0

Better Payment Practice Code

We aim to pay our non NHS Trade Creditors in accordance with the Better Payment Practice Code. The target is to pay 95% of non NHS Trade Creditors within 30 days of receipt of goods or a valid invoice (whichever is the later), unless other payment terms have been agreed with the supplier.

Of the total relevant bills in 2009/10, 99% by number, representing 96% by value, were paid within the target.

Our creditor days for 2009/10 were 10 days (2008/09 18 days).

Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2009-10	179,452	72,348
Total non NHS bills paid within target	178,496	69,441
Percentage of non NHS bills paid within target	99.5%	96.0%
Total NHS bills paid 2009-10	537	965
Total NHS bills paid within target	510	962
Percentage of NHS bills paid within target	95.0%	99.7%

Finance



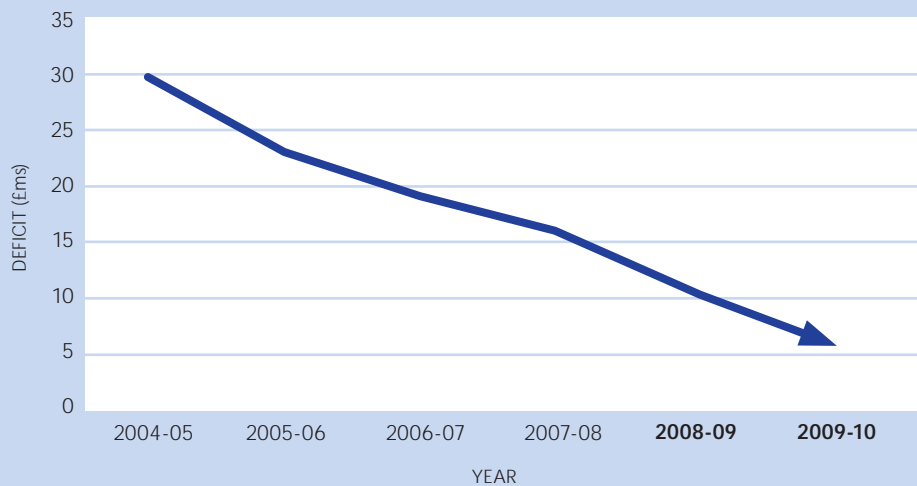
Financial Performance

Our overall financial performance for 2009-10 has demonstrated a significant improvement on the previous year, as illustrated below.

Income & Expenditure 2004-05 to 2009-10						
	2004-05 £000	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000 (Restated)	2009-10 £000
Turnover	229,327	272,696	235,711	239,878	287,676	315,998
Gross Margin	8,198	11,217	14,406	18,740	20,195	23,132
Expenses	38,465	34,490	33,739	35,119	30,461	29,347
Total Deficit	(30,267)	(23,273)	(19,333)	(16,378)	(10,266)	(6,215)

Decrease in Deficit

The deficit has reduced from £10.3m in the last financial year and the margin generated from business has increased from £8.2m in 2004-05 to £23.1m in 2009-10.



(Over)/under spend against Revenue Grant in Aid			
	Financing from DoH £000	Net operating cost £000	(Over)/Under spend £000
DoH Funding	6,581	(6,215)	366
Less: Non-cash funding	(1,516)		
Add: Net Capital funding	52		
Less: Cash adjustment re 2008/09	(48)		
Financing per Annual Accounts	5,069	(6,215)	1,146

We have operated within our statutory Grant in Aid limits set for both Revenue and Capital expenditure, as well as achieving the Better Payment Practice requirements of over 95% of invoices paid within 30 days and return on capital targets.

The Department of Health (DoH) funding in the accounting statements is formulated on a cash accounting basis and therefore shows a different picture from that reported through the year which reflects performance against the Department of Health agreed resource limit. The reconciliation between the two figures is shown in the table. In summary the accounting statements show an underspend of £1,146k against the Revenue Grant in Aid of £5,069k which represents the cash drawdown to cover revenue spend for the year. However this excludes £1.5m non-cash items of depreciation and capital charges and cash spent on capital items. The available resource limit from the Department of Health was £6.5m and therefore the position against this limit was an underspend of £366k.

We have utilised £2.6m non-recurrent funding which is included in the above figures. This funding has been used for various projects aimed at business process improvement.

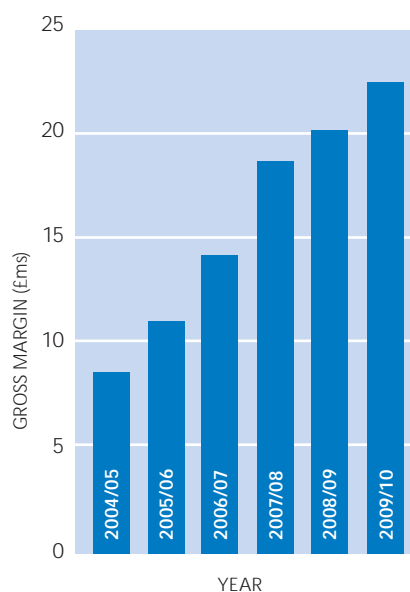
Capital cash spend, at £348k for the year, was under spent by £52k against the total capital funding available.

Finally the improved position is reflected in the Balance Sheet at the end of the year which shows an improved management of Working Capital and Cash flow.

The following three Key Performance Indicators (KPI) demonstrate this improvement:

Gross Margin

During 2009-10 our Gross Margin has increased by £2.9m.



Operating expenditure

Operating expenses represent the 'corporate' costs in running the organisation and excludes flexible worker direct staff costs.

Our total operating expenditure as a whole decreased from £30.4m in 08/09 to £29.3m in 09/10.

Management of Debtors

Management of working capital, in particular over the control of aged debt, remains strong with debtor days remaining at a year end level of 29 days. Trade Debtors increased by £15.3m from the position at the end of March 09 to stand at £32m at the end of the financial year, reflecting the impact of the Department of Health embargo on raising invoices for the last 2 weeks of March 09 to facilitate the year end "faster close" timetable. In March 2010 NHS Professionals, in consultation with the Department of Health, continued to invoice up to 31st March to facilitate the transfer of the business to Limited company status on 1st April.

Plans for the Future

The three year business plan demonstrates continued improvements in our financial performance with the deficit reducing to under £1m in 2010/11 and moving into sustainable profit during 2011/12.

A Service in the Public Interest



Statutory background

Our accounts for the twelve months ended 31 March 2010 have been prepared in accordance with the direction given by the Secretary of State in accordance with section 232 (schedule 15 paragraph 3) of the NHS Act 2006 and in the format instructed by the Department of Health with the approval of Treasury.

Our organisation was established on 1 January 2004 as a Special Health authority to become operational on 1 April 2004. Founding legislation includes the National Health Act 1977 c49 and Statutory Instruments 2003 No. 3059 and 2004 No. 648. We are required to produce an Annual report on our activities and finances to the Secretary of State for Health. We are funded through charges to customers within the NHS that recover purchase cost of acquiring nurses' and doctors' services plus an amount to contribute to the operating costs of our organisation. We also receive a contribution from the Department of Health to cover the remainder of our operating costs.

Disability Equality Scheme

Amendments to the Disability Discrimination Act 1995, which came into force on 4 December 2006, require all NHS Authorities to actively promote disability equality and to produce a Disability Equality Scheme. The Act makes it unlawful to discriminate against disabled people, or people who have had a disability, in several areas including employment, access to goods and services, education and transport.

We believe NHS professionals is in a unique position to promote Disability equality in the NHS through our staff, partnership working with NHS Trusts and leverage with suppliers. We are committed to promoting disability equality for internal and external customers, within our working practices and through the services that we purchase during the normal course of our duties.

Our scheme (published 4 December 2006) ensures that we are compliant with the requirements of legislation by enabling NHS Professionals to take action to identify and address attitudinal, institutional and physical barriers that disadvantage disabled people in accessing employment and services.

Race Equality Scheme

We full acknowledge our role in helping the NHS to attract, retain, develop and nurture Black and Minority Ethnic (BME) medical, nursing and other staff and we have a national diversity campaign in place to ensure that opportunities we offer are publicised to all BME sections of the community.

Through our Race Equality Scheme we aim to ensure:

- Equal treatment of all regardless of race, colour, culture, ethnic or national origin
- That understanding racial and cultural differences becomes a reality in the delivery of our service and treatment of staff
- Staff have the necessary skills, understanding and support to deal professionally with people from diverse backgrounds and are protected from racial abuse
- Existing and future policies and procedures do not have an adverse impact on the promotion of race equality.

This scheme has been in place since 2005 and is reviewed annually.

"We aim to build a diverse workforce that reflects the NHS and the wider community in which we operate."

Equal Opportunity Policy

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

Our policy has been developed in partnership with staff side organisations and the Race Equality Steering Group. It applies to recruitment and selection, terms and conditions of employments, including pay, promotion, training and transfer, and every other aspect of employment. In addition we will regularly review our procedures and selection criteria to ensure that individuals are selected, promoted and otherwise treated according to their relevant individual abilities and merits. We aim to build a diverse workforce that reflects the NHS and the wider community in which we operate.

We are committed to the implementation of this policy and to a programme of action to ensure that our policy is, and continues to be, fully effective. Our Directors and Managers, with support from the Human Resources department, ensure that the policy is implemented and deal with any potential unlawful discrimination.

Freedom of Information

NHS professionals, as holder of public sector information, has complied with its responsibilities to disclose information under the Freedom of Information Act, including charging for such information in accordance with Treasury guidance.

Impact on the Environment

NHS Professionals has continued to invest in its programme of technology advancements this year, which limits the organisation's impact on the environment. Not only does technology make the service easy to use and accessible, it also limits resources e.g. paper used by the organisation. The move to e-timesheets, in particular, further limits the use of non-sustainable resources. The organisation's decision to move to a single base also lessens its impact on the environment.

Audit Services

Our accounts have been audited by the Comptroller and Auditor General, via the National Audit Office, in accordance with the National Health Service Act 2006 and per the Special Health Authority Directions at a cost of £87,500 - including £5,000 for audit work done on preparations for the implementation of International Financial Reporting Standards in 2009-10. The audit certificate can be found on page 34 of the Annual Report.

West Yorkshire Audit Consortium were appointed through a tender process to provide the 2009-10 internal audit service and local counter fraud service.

- A programme of internal audit work was agreed in advance of the year with the Audit Committee, focusing on key systems and governance arrangements to improve efficiency and effectiveness. The internal auditors provide assurance via regular reporting to the Board on the adequacy of systems and processes.
- A local counter fraud service is a compulsory requirement of NHS Bodies and serves to link up with NHS Trust Audit teams to minimise fraud by education of staff, making staff and bank workers aware of fraud and joint working with other NHS Bodies to maximise effectiveness and resources.

All three bodies regularly attend and report at the Audit Committee, whose membership comprised the following Non Executive Directors:

John Flook

Fiona Eldridge

Susan Hobbs

Nilesh Goshwami

In addition, the Chief Executive and Director of Finance also regularly attend.

Audit Assurance Statement

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

Register of Interests 2009/10

Name	Directorships (including non-executive) and partnerships in private companies or PLCs	Ownership or part-ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Significant shareholdings in organisations likely or possibly seeking to do business with the NHS	Details of any position of authority in any body, including a charity or voluntary body, in the field of health and social care	Details of any connection with a voluntary or other body contracting for NHS services	Details of fees received from public bodies or other organisations
Anne O'Brien	None	None	None	None	None	None
John Flook	Director – John Flook Coaching and Consulting Ltd	Director – John Flook Coaching and Consulting Ltd	Sole shareholder in John Flook Coaching and Consultancy Ltd.	Non Executive Director Darlington PCT.	Occasional adviser to Commercial sector organizations seeking business with the NHS.	The majority of my income as a self employed business coach, consultant and NED comes from NHS and NHS related organisations.
	Director - Cardea Group of Consultants	Director - Cardea Group of Consultants	Material minority equity stake in Cardea.	Non Executive Director of General Pharmaceutical Council		
Keith Nash	B&C Consulting Ltd	None	None	None	None	None
	MPSGI plc					
Laurence Ansell	None	None	None	None	None	None
Neil Lloyd	Director of NHS Professionals Ltd	Director of NHS Professionals Ltd	None	None	None	None
Rob Clarke	Director/Owner - Healthy Figures Ltd	Director/Owner - Healthy Figures Ltd	Director / owner	Director	None	None
	Director of NHS Professionals Ltd	Director of NHS Professionals Ltd	Nil	Director	Director	None
Stewart Buller	Director – Umbilicus Limited	None	None	None	None	None
Richard Martin	Director – Integrated International Payroll Ltd (iipay Ltd)	Shareholder - Integrated International Payroll Ltd (iipay Ltd)	Shareholder - Integrated International Payroll Ltd (iipay Ltd)	None	None	None
	Director and Chairman - Ochre House Ltd Recruitment Group					
	Director - Inspiring Futures Foundation					
Anne Challinor	None	None	None	None	None	None
Stephen Dangerfield	Director – Taxabal Ltd	None	None	None	None	None
	Director – SFCS Ltd					

Name	Directorships (including non-executive) and partnerships in private companies or PLCs	Ownership or part-ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Significant shareholdings in organisations likely or possibly seeking to do business with the NHS	Details of any position of authority in any body, including a charity or voluntary body, in the field of health and social care	Details of any connection with a voluntary or other body contracting for NHS services	Details of fees received from public bodies or other organisations
Fiona Eldridge	Non Executive Chairman - Teaching Personnel Holdings Ltd	Owner - The Coaching and Communication Centre Ltd	Sole shareholder - The Coaching and Communication Centre Ltd	Non executive Director NHS Haringey	None	None
	Non- Executive Chairman -Teaching Personnel Ltd					
	Director - The Coaching and Communication Centre Ltd					
Susan Hobbs	None	None	None	Trustee - Primrose Foundation, Plymouth	None	I have a contract with the General Medical Council (GMC) as a 'Visitor' for the Education Committee on the QAMBE programme.
				Chair - St Loyes Foundation, Exeter		I also have a contract as a 'Partner' for the Post Graduate Medical Education Training Board (PMETB). Both of these are remunerated at a daily rate plus expenses
				Chair - Cerebra, Carmarthen		
Nilesh Goswami	Director – Urbanselect Ltd	Sole trader providing consultancy services to NHS organisations	Meridian Clinical and Meridian IP	Trustee Chauncy Maples Trust	None	The majority of my earned income as a self employed consultant comes from NHS and NHS related organisations. All fees are project specific.
	Director – Meridian Clinical and Meridian IP	Meridian Clinical and Meridian IP				

Remuneration Report

Membership of the Remuneration and Terms of Service Committee

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

Richard Martin – Chairman

Sue Hobbs – Non-Executive Director

John Flook – Non-Executive Director

Fiona Eldridge – Non-Executive Director

Nilesh Goswami – Non-Executive Director

Policy for remuneration

Remuneration for all employees, excluding the Chief Executive, is in compliance with Agenda for Change or very senior managers pay framework. Executive remuneration is dealt with by the Remuneration Committee.

Method of Remuneration for senior managers

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

In addition internal and external benchmarking is completed to allow comparisons to take place.

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

Executive Team Members					
	Role	Start in Current Role	Notice	Nature/Expiry	Continuous Service Starts
Neil Lloyd	Chief Executive	03 November 08	3 months	Interim	N/a
Rob Clarke	Interim Director of Finance	04 August 08	3 months	Interim	N/a
Anne Challinor	Director of Client Relations	01 July 07	3 months	Permanent	09 August 04
Stephen Dangerfield	Director of Operations	11 June 07	3 months	Permanent	01 September 08
Anne O'Brien	Director of Clinical Governance	21 January 08	3 months	Permanent	August 91
Keith Nash <i>(started 01 October 09)</i>	Director of Human Resources	01 October 09	3 months	Permanent	01 October 09
Stewart Buller <i>(started 04 January 2010)</i>	Interim Director of Marketing & Communications	04 January 2010	1 month	Fixed Term Contract	04 January 10
Laurence Ansell <i>(started 06 July 2009)</i>	Sales Director	06 July 2009	3 months	Permanent from 01 March 10	01 March 10
Janet Martin <i>(left 04 January 2010)</i>	Associate Director of Human Resources	29 November 07	3 months	Permanent	06 September 73
Christopher Day <i>(left 03 July 2009)</i>	Director of Marketing & Communications	01 November 07	3 months	Permanent	21 June 99
Volker Kellermann <i>(left 31 July 2009)</i>	Director of Business Development & Commercial Services	01 January 08	3 months	Fixed term contract	28 November 05

The tables below confirm the salary and other remunerations paid to the senior managers of NHS Professionals during financial year 2009-10. Payments have been made in line with the remuneration policy outlined on page 22. Tables a and b are subject to audit.

a. Remuneration						
Name and title	2009-10			2008-09		
	Salary in £5k bands	Other remuneration in £5k bands	Benefits in kind (rounded to the nearest £00)	Salary in £5k bands	Other remuneration in £5k bands	Benefits in kind (rounded to the nearest £00)
	£000	£000	£00	£000	£000	£00
Executive Team Members						
Anne Challinor (Director of Client Relations)	90-95	5-10	0	90-95	5-10	0
Stephen Dangerfield (Director of Operations)	105-110	0-5	0	60-65	0-5	0
Anne O'Brien (Director of Clinical Governance)	85-90	0-5	0	85-90	0	0
Keith Nash (Director of Human Resources) started 01 October 2009	50-55	0-5	0	0	0	0
Stewart Buller (Interim Director of Communications & Marketing) started 04 January 2010	20-25	0	0	0	0	0
Laurence Ansell (Sales Director) permanently employed from 01 March 2010	5-10	0	0	0	0	0
Janet Martin (Associate Director of Human Resources) left 04 January 2009	75-80	0-5	0	85-90	5-10	0
Christopher Day (Director of Marketing & Communications) left 03 July 2009	20-25	0-5	0	80-85	5-10	0
Volker Kellermann (Director of Business Development & Commercial Services) left 31 July 2009	65-70	0-5	0	110-115	0-5	0
Remuneration paid to Chief Executive for his services. These figures exclude VAT charged of £46k (2008/09 £16k).						
Neil Lloyd (Chief Executive) started 03 November 2008	280-285	0-5	0	100-105	0-5	0
Amounts paid to Third Party Organisations						
The cost shown below for Rob Clarke, Laurence Ansell and Stephen Dangerfield are the amounts paid by NHS Professionals to external organisations for services.						
Rob Clarke (Interim Director of Finance) started 04 August 2008	200-205	5-10	0	130-135	0-5	0
These figures exclude VAT charged of £32k (2008/09 £22k)						
Laurence Ansell (Interim Sales Director) started 06 July 2009	135-140	0-5	0	0	0	0
These figures exclude VAT charged of £20k (2008/09 £nil)						
Stephen Dangerfield (Director of Operations) permanently employed from 01 September 2008	0	0	0	140-145	0-5	0
These figures exclude VAT charged of £nil (2008/09 £25k)						

a. Remuneration						
Name and title	2009-10			2008-09		
	Salary in £5k bands	Other remuneration in £5k bands	Benefits in kind (rounded to the nearest £00)	Salary in £5k bands	Other remuneration in £5k bands	Benefits in kind (rounded to the nearest £00)
	£000	£000	£00	£000	£000	£00
Non-Executive members of the Board *						
Richard Martin (Chairman)	55- 60	0-5	0	55-60	0-5	0
Fiona Eldridge	5-10	0-5	0	5-10	0-5	0
John Flook	15-20	0-5	0	10-15	5-10	0
Sue Hobbs	5-10	0-5	0	5-10	0-5	0
Nilesh Goswami	5-10	0	0	5-10	0	0
*As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.						

b. Pension benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2010 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2010 (bands of £5,000)	Cash Equivalent transfer Value at 31 March 2010	Cash Equivalent transfer Value at 31 March 2009	Real increase in Cash equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
Executive Team Members							
Anne Challinor (Director of Client Relations)	0-2.5	0-2.5	10-15	35-40	279	239	28
Stephen Dangerfield (Director of Operations)	0-2.5	0	0-5	0	39	14	24
Anne O'Brien (Director of Clinical Governance)	0-2.5	2.5-5	5-10	20-25	120	98	18
Keith Nash (Director of Human Resources) started 01 October 2009	0-2.5	0	0-5	0	14	N/A	0
Stewart Buller (Interim Director of Communications & Marketing) started 04 January 2010	0-2.5	0	0-5	0	5	N/A	0
Laurence Ansell (Sales Director) permanently employed from 01 March 2010	0-2.5	0	0-5	0	0	N/A	0
Janet Martin (Associate Director of Human Resources) left 04 January 2009	0	0	0	0	825	745	38
Christopher Day (Director of Marketing & Communications) left 03 July 2009	0	0	0	0	161	137	4
Volker Kellermann (Director of Business Development & Commercial Services) left 31 July 2009	0	0	0	0	89	79	2

There were no employers contributions to Stakeholder pensions in respect of senior managers.

Cash Equivalent Transfer Value

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

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

Signed:



Chief Executive and Accounting Officer

Date: 01 July, 2010

Accounts



Statement of Accounting Officer's Responsibilities

Under the National Health Service Act 2006, the Secretary of State with the approval of HM Treasury has directed the NHS Professionals Special Health Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NHS Professionals and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State with the approval of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Department of Health has designated the Chief Executive as Accounting Officer of NHS Professionals. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding NHS Professionals' assets, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

Statement on Internal Control

1. Scope of responsibility

As 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, whilst safeguarding the public funds and departmental assets and information for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

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

I meet regularly with colleagues from the Department of Health to discuss operational and financial performance and risk using the Business Plan to monitor progress against agreed objectives. In addition regular meetings are held with the Department of Health, sponsor of NHS Professionals, to ensure there is an awareness and involvement in the direction of the Authority.

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

NHS Professionals SpHA moves into its new status of a Limited Company wholly owned by the Secretary of State for Health from 1 April 2010.

The consultation exercise for this major change was completed in early December and has now received Ministerial approval for the move to Limited Company. During this transfer process our internal auditors have carried out a detailed review to consider the arrangements which ensure financial controls are robust in the period in the run up to 31st March 2010 (and immediately afterwards) and the controls that will ensure a successful and complete transfer of financial responsibilities at that date. This review was conducted in real time so that any significant issues arising could be reported verbally to the Audit Committee. No significant issues arose from this review.

I have been appointed by the Department of Health as Accounting Officer of NHS Professionals SpHA for the purposes of signing of the accounts for 2009/10.

2. The purpose of the system of internal control

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

the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

We developed our committee structure to reflect management responsibilities. Financial, operational and corporate governance risks are reported to the Audit Committee and clinical and facilities (health and safety fire, security) risks are reported to the Clinical Governance Committee. The Audit Committee and the Clinical Governance Committee are chaired by Non-Executive Directors and to ensure consistency both Non Executive Chairs are on the two committees. Both Committees are supported by the Director lead who also report on risk related matters at the Board meeting. The Audit Committee also has a corporate governance role in assuring that each sub committee has an adequate process in place for the assessment and management of risk.

All committees report directly to the Board and minutes of meetings are sent to all Board members to ensure a top down approach to risk management. We operate from a centralised operational base in Watford which offers a full range of flexible workers services. A satellite office in Wakefield provides essential back office functions.

Each Directorate is responsible for its own risk register and manages risk within the agreed Assurance Framework. Principal risks and assurances on control are reported to the Board.

4. The risk and control framework

We have formally adopted a Risk Management Policy and a Risk Management Strategy. Regular risk assessments are carried out during the year on our activities and performance against recognised external standards. These are consolidated within an overall risk register and monitored at executive level, at the Audit Committee, and at our board on a quarterly basis, to ensure risk is minimised and mitigated against.

Our objectives, Business Plan and major Business Cases are also reviewed in this process to determine all organisational risks are considered.

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

Our Board have adopted the Assurance Framework approach to the management of risk and have agreed to follow a process similar to other NHS organisations. A number of discussions have taken place at the Board and its sub committees to refine this process and its applicability to our organisation. Risks are structured in a way that matches the main business objectives of the organisation. Principal risks are scored and reported to the Board with details on assurance and action plans to resolve any outstanding issues.

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

Our Director of Clinical Governance is responsible for all risk matters and a review of all risk areas has also been set up under her leadership. CEAC, our Local Security Management Specialists as required under the Directions to NHS Bodies on Security Management Measures (2004), completed further assessment work during the year which followed on from their 08/09 review of our security arrangements at all sites in line with national guidance and best practice.

Risk management and health and safety are also features of the job descriptions of staff that have responsibility at a national level. Additionally, each site has a trained Institute of Safety and Health representative.

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

We have a process in place for ensuring compliance with information governance requirements. Our Board have approved an information governance policy and an assurance audit conducted by our internal audit provider West Yorkshire Audit Consortium has been completed to assess compliance against requirements.

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 regulations are complied with.

This includes ensuring that deductions from salary, employer contributions and payments into 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 regulations.

Our level of compliance on documentation for our pure bank only flexible workers continues to improve. We continue to monitor and manage this essential part of our business and will review the effectiveness of our electronic Document Management System in the coming year. We have successfully implemented the NHS Employment Check Standards (2008).

During the course of the year, we discovered a failure in our internal data security systems. NHS Professionals was requested by the Department of Health to set up a swine flu call centre in August 2009. The proper systems were followed to ensure that staff employed for the call centre had the right to work in the UK and were who they claimed to be. However, during this period a reporter from a national newspaper gained employment in the call centre with the aim of gaining access to NHS Professionals systems and was able to access potentially sensitive data files. In response to this, NHS Professionals has now significantly tightened access to data to prevent future breaches in security.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and

maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Our Head of Internal Audit provides me with an opinion on our ability to place reliance on the Assurance Framework and on the controls reviewed as part of their internal audit work programme. Executive Directors have responsibility for developing and maintaining systems of internal control within their areas of responsibility. The various component parts of the Assurance Framework itself provide me with evidence that risks faced by the organisation are being managed and that the principal objectives are constantly reviewed and assessed.

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

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

The annual counter fraud work plan, carried out by our counter fraud provider West Yorkshire Audit Consortium, addressed seven generic areas of counter fraud activity to be carried out by the LCFS during 2009/2010. The plan demonstrates which activities will cover-off specific tasks, described in the national template document. In terms of referrals, advice and assistance enquiries, numbers have now exceeded those of last year, both externally from LCFS / CFS staff across the country and internally from members of NHS Professionals staff. This is in part due to a higher profile for the NHS Professionals LCFS, the LCFS is copied more routinely into other LCFS enquiries involving NHS Professionals staff.

A series of actions were described in the Statement on Internal Control for 2008/09, which have been addressed as follows:

- Management Information & Reporting framework - encompassing all reporting throughout the organisation and providing a foundation for improved monthly performance reviews with all internal and external stakeholders.
- E-timesheets have been rolled out to all clients to improve control over authorisation, which has reduced errors and opportunities for fraud. Also, a review to scope the opportunity to reduce costs by moving to e-payslips.

- Development of a personal file compliance framework, including an audit of existing flexible workers. In addition we have implemented scanning technology to electronically store 100% of personal documents and files with built in password security.
- Improvements have been made to data security, data transfer technology and a revised disaster recovery plan that encompasses IT systems and office accommodation has been put in place. An e-learning module introduced in December 09 on Data Protection has been completed by 90% of Corporate staff.
- Controls to reduce risks associated with client implementation and flexible worker recruitment and maximise return on these investments
- A review of our processes and controls to improve quality within an accredited framework, for example ISO 9000.2000.

The Head of Internal Audit has provided a significant assurance statement in respect of the overall Internal Controls which recognises improvements from 2008-09. In addition I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Audit Committee, the Clinical Governance Committee and the Board.

6. Areas for further development

The component parts of the NHS Professionals Assurance Framework have been in place now for four full financial years. However, there are a number of areas that have been identified through the Management Team and via Internal Audit work that require development during 2009-10 and for which we have an action plan:

- Improved functionality to ensure compliance with the Working Time Directive
- Further automation of our NHS Professionals On-line system to improve control over shift cancellations
- Implementation of the Doctor's business onto NHS Professionals on-line to improve processing controls and client experience
- Implementation of a solution to transact Long Term/Interim placements. This improves processing, control and client visibility as much of this activity is currently handled manually and outside the NHS Professionals On-line system
- Improved functionality in NHS Professionals On-line to remove the need to process payroll exceptions for incorrect/missing data
- Automation of the agency invoice validation processing and ability to generate self-billing invoices. This would remove the current high volume of query resolution required to validate and process agency invoices
- Upgrade of our e-Recruitment system to incorporate TUPE transfer functionality and an ability to manage a 2-stage implementation for new clients, whereby we initially provide a platform for shift booking/fulfilment and then later take on full Bank management including payroll
- Increased focus on sales forecasting and sales & margin analysis, and tighter cost control to improve financial control.

Signed:



Chief Executive and Accounting Officer

Date: 01 July, 2010

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 NHS Professionals Special Health Authority (NHS Professionals) for the year ended 31 March 2010 under the National Health Service Act 2006. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 the financial statements in accordance with applicable law and 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 NHS Professionals' circumstances and have been

consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by NHS Professionals; and the overall presentation of the financial statements.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of NHS Professionals' affairs as at 31 March 2010 and of its deficit changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and directions issued thereunder by the Secretary of State.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance the National Health Service Act 2006 and directions issued thereunder by the Secretary of State; and

- the information given in the management commentary, finance and a service in the public interest in 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 05 July, 2010

Income & Expenditure Statement

for the year ended 31 March 2010

		2009-10	2008-09
	Notes	£000	£000
Operating income	4	315,998	287,676
Operating expenditure	3.2	(322,213)	(297,942)
Net operating cost for the financial year	3.1	(6,215)	(10,266)

All income and expenditure is derived from continuing operations.

The net operating cost for the year was financed by the Department of Health as per note 3.1.

The notes at pages 39 to 60 form part of this account.

Statement of Financial Position

as at 31 March 2010

		31 March 2010	31 March 2009	01 April 2008
	Notes	£000	£000	£000
Non-current assets:				
Property, plant & equipment	5.1	956	2,074	2,720
Intangible assets	5.2	492	627	845
		1,448	2,701	3,565
Current assets:				
Trade & other receivables	7.1	32,120	16,466	25,618
Other current assets	7.2	16,103	29,214	20,026
Cash & cash equivalents	8	4,292	7,130	1,201
		52,515	52,810	46,845
Total assets		53,963	55,511	50,410
Current liabilities				
Trade & other payables	9.1	(12,356)	(12,845)	(5,438)
Other liabilities	9.2	(15,637)	(16,680)	(17,020)
Total assets less current liabilities		25,970	25,986	27,952
Non-current liabilities				
Other payables		(400)		
Provisions	10	(2,199)	(1,345)	(1,736)
Total assets employed		23,371	24,641	26,216
Taxpayers' equity				
General Reserve		21,834	21,852	22,965
Revaluation reserve		89	89	89
Capital Reserve		1,448	2,700	3,162
Total taxpayer's equity		23,371	24,641	26,216

The notes at pages 39 to 60 form part of this account.

Signed:



Date: 01 July, 2010

Accounting Officer

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

		General Reserve	Revaluation Reserve	Capital Reserve	Total
	Note	£000	£000	£000	£000
Balance as at 31 March 2008		22,999	89	2920	26,008
Changes in accounting policy	21.2	(34)	0	242	208
Restated Balance as at 31 March 2008		22,965	89	3,162	26,216
Changes in taxpayers' equity for 2008-09					
Net Parliamentary Funding		8,416	0	0	8,416
Non-cash items: Capital charge interest		737	0	0	737
Indexation of fixed assets		0	0	0	0
Realised Depreciation		0	0	0	0
Capital Grant in Aid		0	0	579	579
Capital Reserve disposals		0	0	0	0
Depreciation		0	0	(1,041)	(1,041)
Retained (deficit) for the year		0	0	0	0
Transfers between reserves		0	0	0	0
Retained (deficit) for the year		(10,266)	0	0	(10,266)
Restated Balance at 31 March 2009		21,852	89	2,700	24,641
Changes in taxpayers' equity for 2009-10					
Net Parliamentary Funding		5,069	0	0	5,069
Non-cash items: Capital charge interest		632	0	0	632
Indexation of fixed assets		0	0	0	0
Realised Depreciation		0	0	0	0
Capital Grant in Aid		0	0	348	348
Capital Reserve disposals		496	0	(496)	0
Depreciation		0	0	(1,104)	(1,104)
Retained (deficit) for the year		0	0	0	0
Transfers between reserves		0	0	0	0
Retained (deficit) for the year		(6,215)	0	0	(6,215)
Balance at 31 March 2010		21,834	89	1,448	23,371

Statement of Cash Flows

for the year ended 31 March 2010

		2009-10	2008-09
	Notes	£000	£000
Cash flows from operating activities			
Operating (deficit)		(6,215)	(10,266)
Depreciation and amortisation	3.2	1,104	1,054
Asset impairment	3.2	494	0
Capital charges interest	3.2	632	737
Transfers from capital reserve		(1,104)	(1,041)
(Increase)/decrease in trade and other receivables		(2,543)	(36)
Increase/(decrease) in trade and other payables		(1,132)	7,456
Increase/(decrease) in provisions		854	(391)
Net cash (outflow) from operating activities		(7,910)	(2,487)
Cash flows from investing activities			
(Payments) for intangible assets		(116)	(19)
Proceeds from disposal of intangible assets		0	0
(Payments) for property, plant and equipment		(231)	(560)
Proceeds from disposal of property, plant and equipment		2	0
Net cash inflow/(outflow) from investing activities		(345)	(579)
Net cash (outflow) before financing		(8,255)	(3,066)
Cash flows from financing activities			
Revenue Grant in Aid		5,069	8,416
Capital Grant in Aid		348	579
Net cash (outflow) from financing		5,417	8,995
Net increase/(decrease) in cash and cash equivalents		(2,838)	5,929
Cash and cash equivalents at 31 March 2009		7,130	1,201
Cash and cash equivalents at 31 March 2010	8	4,292	7,130

The notes at pages 39 to 60 form part of this account.

Notes to the Accounts

1 Accounting policies

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

1.1 Accounting Conventions

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

Acquisitions and Discontinued Operations

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

1.2 Revenue

Revenue is accounted for applying the accruals convention. The main source of funding for the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources within an approved cash limit, which is credited to the general fund. Parliamentary funding is

recognised in the financial period in which it is received. Capital funding is credited to the capital reserve and released to the Income & Expenditure Statement in line with the associated expenditure.

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

1.3 Taxation

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

Capital charges

The treatment of non-current assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2009-2010 was 3.5% (2008-09 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.5 Non-Current Assets

Property, Plant & Equipment

a. Capitalisation

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- ii Property, plant & equipment which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000;
 - collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
 - form part of the initial equipping and setting-up cost of a new building or unit irrespective of their individual or collective cost.

b. Valuation

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Increases arising on revaluation are taken to the revaluation reserve except when it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case it is credited to the income statement to the extent of the decrease previously charged there. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement.

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 income 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 historic cost to reflect the opposite effects of development costs and technological advances.

Depreciation and Amortisation

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 balance sheet date, the trust 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 income 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 income statement to the extent to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

Amortisation is charged on a straight line basis over the following finite useful lives:

Software Licences: 5 years

Depreciation is charged on a straight line basis over the following finite useful lives:

Property, plant and equipment: 5 years

Land and buildings: 10 years

1.6 Donated Assets

Donated assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. Donated assets are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the income statement.

1.7 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

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 in the income statement on an accruals basis. However, the note on losses and special payments is compiled directly from the losses and special payments register which is prepared on a cash basis.

1.9 Employee Benefits

Pensions

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.pensions.nhsbsa.nhs.uk. 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. The total employer contributions payable in 2009-10 was £8,212,000 (2008-09 £8,106,000), of which Corporate was £814,000 (2008-09 £762,000).

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a IAS26 accounting valuation every year. 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 to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) IAS26 Accounting valuation

In accordance with IAS26, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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) Resource Account, published annually.

These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die 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 income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies.

Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

Short-term employee benefits

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.

1.10 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.

Amounts 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 charged directly to the income statement.

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.

1.11 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

Where a provision is likely to be settled within one year it is shown as a current liability.

1.12 Financial Instruments

Financial Assets

Financial assets are recognised on the balance sheet when the NHS Professionals 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 income statement. The net gain or loss incorporates any interest earned on the financial asset.

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 income statement on de-recognition.

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.

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 balance sheet date, NHS Professionals 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 income 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 income 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 balance sheet when the NHS Professionals 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 de-recognised 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 income 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.

1.13 Going Concern

On 1 April 2010 NHS Professionals transferred its business to a limited company 100% owned by the Secretary of State for Health. All NHS Professionals SpHA functions, assets and liabilities transfer to this company. The current activities and operations of NHS Professionals form part of the new business model and corporate form. It is therefore management's view that it is appropriate for NHS Professionals to be considered a going concern as at 31 March 2010, and has prepared its accounts on that basis.

2 Operating Segments

The following segmental information relates to the supply of flexible workers.

	Flexible Workers		Total	
	2009-10 £000	2008-09 £000	2009-10 £000	2008-09 £000
Income	315,998	287,676	315,998	287,676
Gross Margin	23,132	20,195	23,132	20,195
Expenses	(29,347)	(30,461)	(29,347)	(30,461)
Net operating cost	(6,215)	(10,266)	(6,215)	(10,266)
Total Assets	23,371	24,641	23,371	24,641

The Board considers that there is one reportable segment, being the provision of flexible worker managed services. Of the income relating to this segment, 99.6% is from NHS bodies.

3.1 Reconciliation of net operating cost to financing received from the Department of Health

	2009-10 £000	2008-09 £000
Net operating cost for the financial year	(6,215)	(10,266)
Financing received from the Department of Health	5,069	8,416
(Over)/Underspend against financing received from the Department of Health	(1,146)	(1,850)

Included within net operating costs for the financial year is £2.2m of non-cash capital cost. This gives a net underspend of £801k. For a more detailed explanation refer to Financial Performance on page 16 of the annual report.

3.2 Operating expenditure

	Notes	£000	2009-10 £000	2008-09 £000
Non-executive members' remuneration			105	98
Other salaries and wages	3.3		306,109	282,117
Supplies and services - general			875	949
Establishment expenses			3,118	4,376
Transport and moveable plant			29	38
Premises and fixed plant			3,223	3,243
External contractors			5,387	4,735
Capital: Depreciation and amortisation	5.1, 5.2	1,104		1,054
Impairment of furniture and fittings	5.1	494		0
Capital charges interest		632		737
(Profit)/Loss on disposal	5.4	0		0
			2,230	1,791
Auditor's remuneration: Audit Fees			88	80
Redundancies & early retirement			668	55
Miscellaneous			381	460
			322,213	297,942

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

Redundancies & early retirement includes £550 in respect of redundancies and £118 in respect of early retirements not due to ill health incurred as a result of business re-organisation.

3.3 Staff numbers and related costs

	2009-10 £000	Permanently Employed Staff £000	Other £000	2008-09 £000
Salaries and wages	281,148	8,283	272,865	258,319
Social security costs	16,749	690	16,059	15,692
Employer contributions to NHS Pensions Scheme	8,212	814	7,398	8,106
	306,109	9,787	296,322	282,117

The average number of employees during the year was:

	2009-10 Number	Permanently Employed Staff Number	Other Number	2008-09 Number
Total	9,079	303	8,776	9237

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £nil (2008-09: £nil).

Retirements due to ill-health

During 2009-10 there were no cases of retirements from NHS Professionals on the grounds of ill-health (2008-09: nil cases). This information was supplied by NHS Pensions Scheme.

4 Operating Income

	Not Appropriated in aid £000	Total £000	2008-09 £000
Fees & charges to external customers	206	206	131
Income received from other Departments, etc	314,688	314,688	286,517
Transferred from capital reserve	1,104	1,104	1,028
Total	315,998	315,998	287,676

5.1 Property, plant and equipment

	Information Technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 31 March 2009	4,248	1,224	5,472
Additions - purchased	231	0	231
Impairments	0	(828)	(828)
Disposals	(113)	(106)	(219)
Gross cost at 31 March 2010	4,366	290	4,656
Accumulated depreciation at 31 March 2009	2,960	438	3,398
Provided during the year	740	113	853
Impairments	0	(334)	(334)
Disposals	(113)	(104)	(217)
Accumulated depreciation at 31 March 2010	3,587	113	3,700
Net book value: Purchased at 31 March 2009	1,288	786	2,074
Net book value: Purchased at 31 March 2010	779	177	956
Asset Financing: Owned	779	177	956
Net book value at 31 March 2010	779	177	956
The impairment of furniture and fittings above relates to the fit-out costs at NHS Professionals Watford office. Notice was given on this building lease prior to 31 March 2010 with a view to moving to another premises in Watford.			
Prior Year			
Cost or Valuation at 31 March 2008	4,103	1,198	5,301
Additions - purchased	145	26	171
Disposals	0	0	0
Gross cost at 31 March 2009	4,248	1,224	5,472
Accumulated depreciation at 31 March 2008	2,257	324	2,581
Provided during the year	703	114	817
Disposals	0	0	0
Accumulated depreciation at 31 March 2009	2,960	438	3,398
Net book value: Purchased at 31 March 2008	1,846	874	2,720
Net book value: Purchased at 31 March 2009	1,288	786	2,074
Asset Financing: Owned	1,288	786	2,074
Net book value at 31 March 2009	1,288	786	2,074

5.2 Intangible assets

	Software Licences £000	Total £000
Cost or valuation at 31 March 2009	1,153	1,153
Additions - purchased	116	116
Gross cost at 31 March 2010	1,269	1,269
Accumulated amortisation at 31 March 2009	526	526
Charged during the year	251	251
Accumulated amortisation at 31 March 2010	777	777
Net Book Value: Purchased at 31 March 2009	627	627
Net Book Value: Purchased at 31 March 2010	492	492
Asset Financing: Owned	492	492
Net book value at 31 March 2010	492	492
Prior Year		
Cost or valuation at 31 March 2008	1,134	1,134
Additions - purchased	19	19
Gross cost at 31 March 2009	1,153	1,153
Accumulated amortisation at 31 March 2008	289	289
Charged during the year	237	237
Accumulated amortisation at 31 March 2009	526	526
Net Book Value: Purchased at 31 March 2008	845	845
Net Book Value: Purchased at 31 March 2009	627	627
Asset Financing: Owned	627	627
Net book value at 31 March 2009	627	627

5.3 Net Book Value of land and buildings

The net book value of land and buildings at the balance sheet date was £nil (31 March 2009: £nil)

5.4 Profit/(loss) on disposal of non-current assets

	2009-10 £000	2008-09 £000
Profit/(Loss) on disposal of plant and equipment	0	0
Total	0	0

6 Inventories

The net book value of inventories at the balance sheet date was £nil (31 March 2009: £nil)

7 Receivables

7.1 Trade and other receivables

Amounts falling due within one year	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
NHS receivables	32,120	16,466	25,618
	32,120	16,466	25,618
Provision for impairment of non-NHS debts			
Balance at 01 April 2009	94	214	2
Provided in the year	31	23	214
Written off during the year	(35)	(15)	(2)
Recovered during the year	(28)	(128)	0
Balance at 31 March 2010	62	94	214
Non-NHS debt relates to Foundation Trusts			
Aging of impaired debts			
Up to 3 months	5	3	111
Over 3 months	57	91	103
Total	62	94	214
Debtors past due but not impaired			
Up to 3 months	6,951	4,906	6,128
Over 3 months	169	311	950
Total	7,120	5,217	7,078
In determining whether these debts were impaired at 31 March 2010, NHS Professionals considered on-going disputes and payment history of customers.			
Amounts falling due after more than one year			
Debtors falling due after more than one year at the balance sheet date was Enil (31 March 2009:Enil)			

7.2 Other Current Assets

Prepayments	783	1,125	4,541
Accrued Income	13,920	27,848	14,463
Other current assets	1,400	241	1,022
	16,103	29,214	20,026

8 Cash and cash equivalents

	At 31 March 2008 £000	Change during the year £000	At 31 March 2009 £000	Change during the year £000	At 31 March 2010 £000
Cash at OPG	1,198	5,930	7,128	(2,836)	4,292
Cash at commercial banks and in hand	3	(1)	2	(2)	0
Cash and cash equivalents in cashflow statement	1,201	5,929	7,130	(2,838)	4,292

9 Payables**9.1 Trade and other payables**

Amounts falling due within one year	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
NHS payables	161	271	582
Non-NHS trade payables - revenue	1,927	2,798	4,467
Non-NHS trade payables - capital	0	0	389
Tax and social security	5,294	5,141	0
Other payables	4,974	4,635	0
	12,356	12,845	5,438
Amounts falling due after more than one year			
Other payables	400	0	0
	400	0	0

9.2 Other liabilities

Payments received on account	40	0	0
Accruals & deferred income	15,597	16,680	17,020
	15,637	16,680	17,020

9.3 Finance lease obligations

NHS Professionals has not entered into any finance lease obligations (2008-09: £nil)

10 Provisions

	Net current		
	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
Sheffield Rent - net cost of unoccupied premises	718	931	870
Wakefield Office Closure	0	410	0
Pension Scheme Transfer	0	4	0
Dilapidations on premises where lease break clause has been invoked	442	0	85
NI cost - potential cost of ER's NI relating to self-employed staff members	36	0	0
Closure of old pension records in preparation for closed direction	24	0	0
Redundancy resulting from reorganisation	589	0	0
Accounts preparation by NHS Professionals Ltd staff after abolition of SpHA	49	0	0
NHSLA excess on outstanding claims	15	0	0
Mandatory training and occupational health resulting from file audit	326	0	0
Work to clear pensions backlog	0	0	91
CRB checks for FW's	0	0	84
Redundancy costs	0	0	441
Restructuring	0	0	150
Outstanding legal claims	0	0	8
Agenda for change back pay	0	0	7
	2,199	1,345	1,736

All provisions are calculated using management's best estimates based on information available at the time.

10 Provisions

	Sheffield rent	Wakefield Office Closure	Pension Scheme Transfer	Dilapidations	Work to clear pensions backlog	CRB checks for FW's	Redundancy costs	Restructuring	Outstanding legal claims	Agenda for change back pay	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	870			85	91	84	441	150	8	7	1,736
Arising during the year	287	410	4								701
Used during the year	(226)				(91)	(84)	(240)		(8)	(6)	(655)
Reversed unused				(85)			(201)	(150)		(1)	(437)
At 31 March 2009	931	410	4	0	0	0	0	0	0	0	1,345

	Sheffield Rent	Wakefield Office Closure	Pension Scheme Transfer	Dilapidations	Ni cost	Closure of old pension records	Redundancy	Accounts preparation	NHSLA excess	Mandatory training	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2009	931	410	4	0	0	0	0	0	0	0	1,345
Arising during the year	41	0	0	442	36	24	589	49	15	326	1,522
Used during the year	(254)	(410)	0	0	0	0	0	0	0	0	(664)
Reversed unused	0	0	(4)	0	0	0	0	0	0	0	(4)
At 31 March 2010	718	0	0	442	36	24	589	49	15	326	2,199

Expected timing of cashflows:

	£000
2009/10	1,480
2010/11 - 2012/13	719
	<u>2199</u>

£nil is included in the provisions of the NHS Litigation Authority at 31 March 2010 in respect of clinical negligence liabilities of the Special Health Authority.

11 Contingent liabilities

At 31 March 2010, there were no contingent liabilities (31 March 2009: nil)

12 Capital commitments

There were no contracted capital commitments at 31 March 2010 (31 March 2009: nil)

13 Operating leases

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

	2009-10 £000	2008-09 £000
Hire of plant and machinery	16	23
Other operating leases	913	921
	929	944
Future minimum lease payments under non-cancellable operating leases:		
Land and buildings		
Payable: within 1 year	456	15
between 1 and 5 years	254	0
after 5 years	0	906
	710	921
Other leases		
Payable: within 1 year	4	4
between 1 and 5 years	9	2
after 5 years	0	11
	13	17

There were no restrictions imposed by the lease agreements held by NHS Professionals.

14 Other commitments

At 31 March 2010 the value of other financial commitments (which are not operating leases) was £9,552k. These relate to the provision of IT management services (£606k - 2 year contract) included in Premises and Fixed Plant, rental of office space (£21k - 3 month contract) included in External Contractors and provision of transaction processing services (£8,925k - 3 year contract). The value as at 31 March 2009 was £12,939k.

15 Losses and special payments

There were 22 cases (2008-09 3 cases) of losses and special payments totalling £7,756 (2008-09 £1,929) paid during 2009-10 including no cases exceeding £250,000 (2008-09 nil cases) .

16 Related parties

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

The Department of Health is regarded as a controlling related party. During the year the Authority/Board has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, i.e. sales and services to other Health Authorities, Primary Care Trusts and NHS Trusts during the year were valued at £316 million which represented trading with 159 individual organisations. At 31 March 2010 the outstanding amounts owed by these parties was £32m.

Purchase of goods and services from other Health Authorities, Primary Care Trusts and NHS Trusts during the year were valued at £992 thousand, which represented trading with 68 individual organisations. At 31 March 2010 the outstanding amounts owed to these parties was £14k.

Purchase of goods and services from NHS Shared Business Services during the year were valued at £5.5 million. At 31 March 2010 the outstanding amounts owed to NHS Shared Business Services was £705K.

The Chief Executive is currently paid for his services on a consultancy basis. The Director of Finance is paid via a Limited Company which is 100% owned by him. The amounts of these transactions are shown in the Remuneration Report on pages 22-27. Other than the above, none of the Authority's members or members of the key management staff or other related parties has undertaken any material transactions with the Authority during the year. There were no outstanding amounts owed to the Chief Executive or Director of Finance at 31 March 2010.

17 Post balance sheet events

NHS Professionals' financial statements are laid before the Houses of Parliament by the Secretary of State for Health. IAS10 requires NHS Professionals to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by NHS Professionals' management to the Secretary of State for Health.

At midnight on 31st March 2010, NHS Professionals SpHA was abolished and, from 1st April 2010, the business transferred into its new status of a Limited Company wholly owned by the Secretary of State for Health.

The following assets and liabilities were transferred:

Assets	£53,963m
Liabilities	£(30,592)m
Total assets	<u>£23,371m</u>

The financial statements were authorised for issue by the Accounting Officer on the date that they were certified by the Comptroller and Auditor General.

18.1 Financial Instruments

IFRS 7, Financial Instruments Disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, NHS Professionals is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. NHS Professionals has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing NHS Professionals in undertaking its activities

NHS Professionals treasury management operations are carried out by the finance department, within parameters defined formally within NHS Professionals Standing Financial Instructions and policies agreed by the Board of Directors. NHS Professionals treasury activity is subject to review by the internal auditors.

Liquidity Risk

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

Credit Risk

Because the majority of NHS Professionals' income comes from contracts with other public sector bodies, NHS Professionals has low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the Trade and Other Receivables note.

Market & Interest rate risk

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

Foreign currency risk

NHS Professionals has negligible foreign currency income.

Fair values

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

18.2 Financial Assets

	Loans and Receivables £000	Total £000
Trade receivables	16,466	16,466
Accrued Income	27,848	27,848
Cash at bank & in hand	7,130	7,130
Other financial assets	241	241
Total at 31 March 2009	51,685	51,685
Trade receivables	32,120	32,120
Accrued Income	13,920	13,920
Cash at bank & in hand	4,292	4,292
Other financial assets	1,400	1,400
Total at 31 March 2010	51,732	51,732

18.3 Financial Liabilities

	Other £000	Total £000
NHS creditors	271	271
Tax and social security	5,141	5,141
Other creditors	7,432	7,432
Accruals	16,516	16,516
Total at 31 March 2009	29,360	29,360
NHS creditors	161	161
Tax and social security	5,294	5,294
Other creditors	6,901	6,901
Accruals	15,432	15,432
Total at 31 March 2010	27,788	27,788

19 Intra-government balances				
	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	765	0	6,358	0
Balances with local authorities	0	0	4	0
Balances with NHS Trusts	32,104	0	219	400
Balances with public corporations and trading funds	13,908	0	6	0
Total intra-government balances	46,777	0	6,587	400
Balances with bodies external to government	1,446	0	21,406	0
At 31 March 2010	48,223	0	27,993	400
Balances with other central government bodies	241	0	6,223	0
Balances with local authorities	0	0	5	0
Balances with NHS Trusts	37,587	0	357	0
Balances with public corporations and trading funds	6,672	0	1	0
Total intra-government balances	44,500	0	6,586	0
Balances with bodies external to government	1,180	0	22,939	0
At 31 March 2009	45,680	0	29,525	0

20.1 Explanation of Transition to IFRS

Overview of IFRS Reconciliations

For all periods up to and including the year ended 31 March 2009, NHS Professionals prepared its annual report and accounts in accordance with UK GAAP. For the year ended 31 March 2010, NHS Professionals is required to prepare its annual report and accounts in accordance with IFRS.

Accordingly, these accounts have been prepared in compliance with IFRS applicable for periods beginning on or after 01 April 2009 in conjunction with the interpretation of IFRS for the public sector as detailed in the I FREM. The significant accounting policies meeting these requirements are described in note 1. In preparing these accounts, NHS Professionals has started from a Balance Sheet at 31 March 2008, NHS Professional's date of transition to IFRS. Detailed reconciliations of the Income & Expenditure Statement for the year ended 31 March 2009 and Balance Sheets at 01 April 2008 and 31 March 2009 under IFRS to the results and financial position previously reported under UK GAAP are set out in note 21.2.

IFRS Adjustments

The adjustments that have been made to the figures previously reported under UK GAAP are explained below:

IAS 19 Employee Benefits

Under IAS 19 an accrual of £43k was recognised in respect of holiday pay.

IAS 38 Intangible Assets

Applying the I FREM interpretation of IAS 38 for the public sector, NHS Professionals has derecognised intangible assets previously recognised under UK GAAP and recognised a new intangible asset in line with the I FREM criteria.

IFRS Reclassification

IAS 1 Presentation of Financial Statements

Under IFRS, the current and non-current components of trade and other receivables/payables, provisions and deferred income are required to be shown separately. This was not a requirement under UK GAAP.

IAS 7 Cash Flow Statement

The IFRS cash flow statement is presented in a different format from that required under UK GAAP, with cash flows split into three categories - operating activities, investing activities and financing activities. The change in presentation has no net impact on NHS Professionals underlying cash flows.

21.2 Explanation of Transition to IFRS

Analysis of IFRS adjustments to the Income & Expenditure Account Year Ended 31 March 2009

	IFRS Adjustments			
	UK GAAP	Employee Benefits IAS 19	Intangible Assets IAS 38	IFRS
	£000	£000	£000	£000
Operating income	287,628	0	48	287,676
Operating expenditure	(297,900)	6	(48)	(297,942)
Net operating cost for the financial year	(10,272)	6	0	(10,266)

The UK GAAP column represents previously published results under UK GAAP

21.2 Explanation of Transition to IFRS

Analysis of IFRS adjustments to the Statement of Financial Position Year Ended 31 March 2008

	UK GAAP	IFRS Reclassification	Employee Benefits IAS 19	Intangible Assets IAS 38	IFRS
	£000	£000	£000	£000	£000
Non-current assets:					
Property, plant & equipment	2,720	0	0	0	2,720
Intangible assets	603	0	0	242	845
	3,323	0	0	242	3,565
Current assets					
Trade & other receivables	45,644	(20,026)	0	0	25,618
Other Current Assets	0	20,026	0	0	20,026
Cash & cash equivalents	1,201	0	0	0	1,201
	46,845	0	0	0	46,845
Total assets	50,168	0	0	242	50,410
Current liabilities					
Trade & other payables	(22,424)	16,986	0	0	(5,438)
Provisions	0	0	0	0	0
Other liabilities	0	(16,986)	(34)	0	(17,020)
Total assets less current liabilities	27,744	0	(34)	242	27,952
Non-current liabilities					
Provisions	(1,736)	0	0	0	(1,736)
Total assets employed	26,008	0	(34)	242	26,216
Taxpayers' equity					
General Reserve	22,999	0	(34)	0	22,965
Revaluation reserve	89	0	0	0	89
Government grant reserve	2,920	0	0	242	3,162
Total taxpayer's equity	26,008	0	(34)	242	26,216

The UK GAAP column represents previously published results under UK GAAP in IFRS format

21.2 Explanation of Transition to IFRS

Analysis of IFRS adjustments to the Statement of Financial Position Year Ended 31 March 2009

	UK GAAP	IFRS Reclassification	Employee Benefits IAS 19	Intangible Assets IAS 38	IFRS
	£000	£000	£000	£000	£000
Non-current assets:					
Property, plant & equipment	2,074	0	0	0	2,074
Intangible assets	433	0	0	194	627
	2,507	0	0	194	2,701
Current assets					
Trade & other receivables	45,680	(29,214)	0	0	16,466
Other Current Assets	0	29,214	0	0	29,214
Cash & cash equivalents	7,130	0	0	0	7,130
	52,810	0	0	0	52,810
Total assets	55,317	0	0	194	55,511
Current liabilities					
Trade & other payables	(29,497)	16,652	0	0	(12,845)
Provisions	0	0	0	0	0
Other liabilities	0	(16,652)	(28)	0	(16,680)
Total assets less current liabilities	25,820	0	(28)	194	25,986
Non-current liabilities					
Provisions	(1,345)	0	0	0	(1,345)
Total assets employed	24,475	0	(28)	194	24,641
Taxpayers' equity					
General Reserve	21,880	0	(28)	0	21,852
Revaluation reserve	89	0	0	0	89
Government grant reserve	2,506	0	0	194	2,700
Total taxpayer's equity	24,475	0	(28)	194	24,641

The UK GAAP column represents previously published results under UK GAAP in IFRS format



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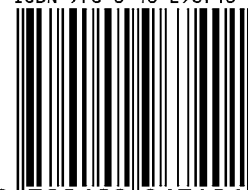
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ISBN 978-0-10-296740-1



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