

Annual report and accounts 2009–10

Presented to Parliament pursuant to Schedule 15,
Section 6 of the National Health Service Act 2006





Business Services Authority

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Chair's introduction

The vision of the NHS Business Services Authority has remained clear and unchanged since 2006. Our focus is to provide business solutions that deliver service excellence with value for money.

During 2009-10, our customer contact centre handled over 2.7m calls. We issued 3.5m European Health Insurance Cards and 3.7m tax credit NHS exemption cards. NHS Pensions have significantly improved customer services resulting in significant improvements in timescales and a 50% reduction in associated related complaints. Prescription Services processed more than 800m prescription items in the last year whilst completing the introduction of a new pricing system.

The most recent figures from NHS Counter Fraud Services demonstrate almost £60m has been recovered in the last decade. Dental Services introduced significant improvements to their information services last year as they processed over 40m dental forms. We also worked closely with NHS Supply Chain to support the Department of Health throughout the Swine Flu outbreak to manage the national distribution of anti-viral pharmaceuticals, consumables and vaccines through a number of third parties.

The services we provide are large scale, and the demand for them continues to grow significantly. They are vital for the NHS as a whole to operate. We have, wherever possible, sought to bring excellence and efficiency to help the frontline. Since our creation, we have done much more for much less – saving

over £104m in 4 years in real terms, with an annual savings run rate banked into the future of over £42m every year, plus more to come, together with significantly improved quality.

We have continued to work hard to collect information and feedback from our clients in the Department of Health and elsewhere; and from our customers who use our services on a daily basis. This feedback is invaluable to us in ensuring we are delivering high quality services and the Board reviews such feedback at each of its meetings throughout the year.

We are also keen to ensure our services are supported by a commitment to the sustainable development agenda which is why I am delighted that the NHS Business Services Authority has been awarded ISO 14001. This is the internationally recognised standard for Environmental Management and demonstrates our increased efficiency in the use of materials, energy and water and reflects our commitment to sustainable development.

My sincere gratitude goes to all of our people responsible for delivering our services and to my colleagues on the Board for their hard work and achievements to date.



Paul Rich

Paul Rich
Chair
NHS Business
Services Authority



Who we are

The NHSBSA is a Special Health Authority of the Department of Health providing a range of services to the public and the NHS.

Our vision is to be the organisation of choice providing business solutions that deliver service excellence and value for money.

This vision is supported by our mission, which is to:

“Support the NHS, supply the NHS and protect the NHS”.

Our mission is supported by our values which are:

Respect, Integrity, Quality, Innovation and Teamwork

The NHSBSA has a wide portfolio of services. The total value of transactions under our accountability represents approximately 20% of the total national NHS budget.



Our services include:

- Payments to pharmacists (in England) for prescriptions dispensed in primary care settings (circa **800m** for prescription items with payments of circa **£8 billion per annum**).
- Management of the NHS Pension Scheme in England and Wales which has over **2m** members and receives contributions of over **£7 billion** per annum.
- Payments to dentists for work undertaken on NHS contracts (**40m** dental forms with payments totalling over **£2.5 billion**) in England and Wales.
- Management of a 10-year outsourced contract for the delivery of supply chain services to the NHS (in England and Wales), supporting the planned delivery of around **£1 billion** of procurement savings to the NHS over the life of the contract.
- Administering a range of health benefit schemes across the UK, including a low income scheme, medical and maternity exemption schemes, tax credit NHS exemption cards (in the UK) and prescription pre-payment certificates (in England). In total we process over **6m** claims per annum.
- Provision of management information to over **25,000** registered NHS and DH users on costs and trends in prescribing and dental care in England and Wales.
- Management of schemes for NHS Student Bursaries and NHS Social Work Bursaries (in England) making payments of over **£550m** in respect of over **100,000** registered healthcare and social work professionals.
- Administration of the European Health Insurance Card (EHIC) scheme (in the UK) processing over **3.5m EHIC cards** this year.
- Provision of NHS Counter Fraud and Security Management services (in England and Wales), which over the last 10 years has successfully detected and investigated circa **£60m** of fraud against the NHS.
- Management of the NHS Injury Benefit Scheme (in England and Wales) processing over **24,000** applications since the inception of the Scheme.
- Provision of a range of hosted employment, human resources and financial services, employing around **2,000** staff and administering payments of over **£140m** on behalf of various DH teams and programmes.

The demand for our services grows each year. This growth together with the £104m savings already achieved demonstrates that we are doing much more for much less.



How we operate

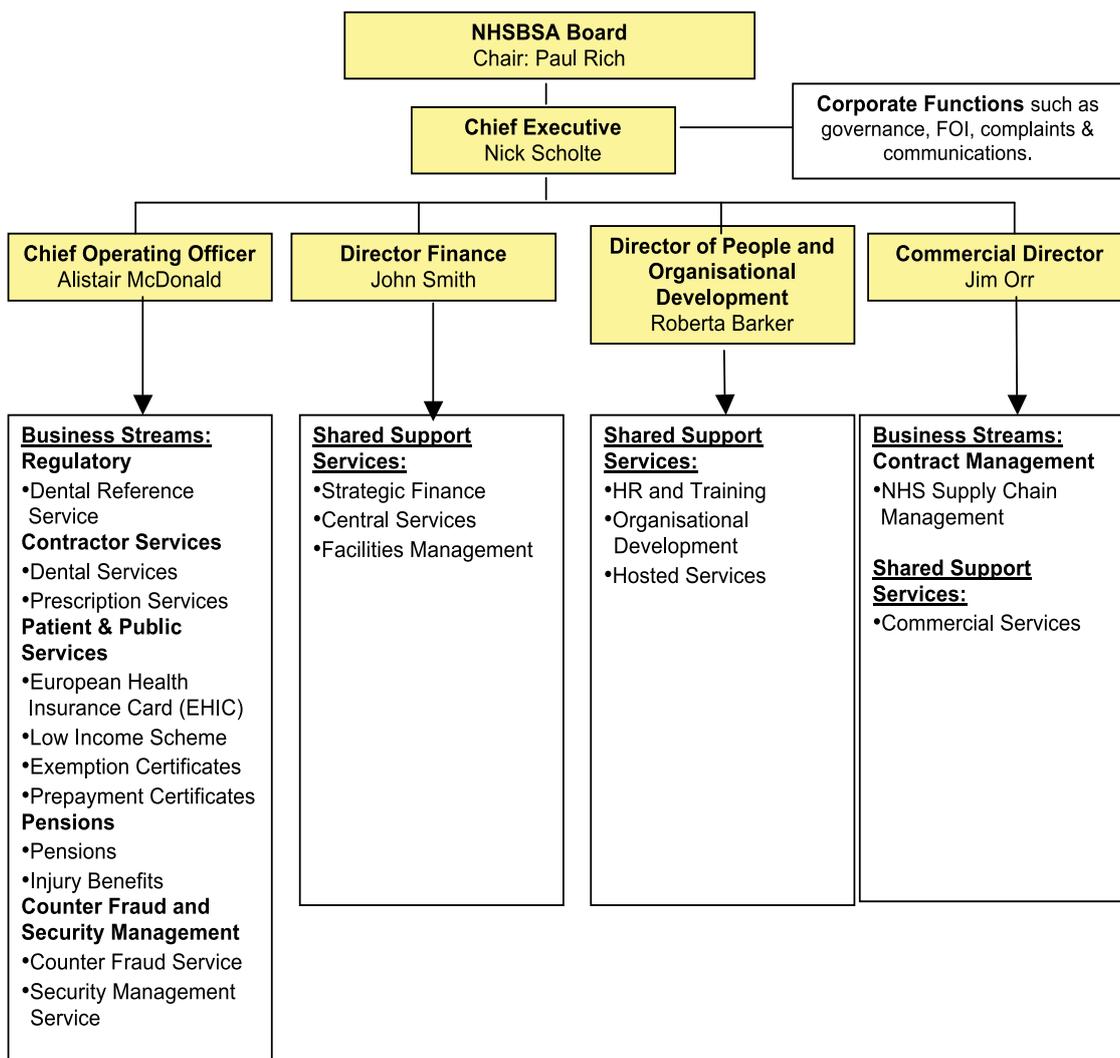
Management model

Our services are managed within a flexible structure which allows us to focus on the needs of our customers, improve efficiencies, maximise opportunities to ensure synergy savings and merge new operations with minimal impact.

We manage our services within six business streams (Regulatory,

Contractor Services, Patient & Public Services, Contract Management, Pensions and Counter Fraud & Security Management). Each of these business stream groups together similar processes to ensure synergies and efficiencies. The business streams are supported by organisation-wide shared support services. The following high level management structure demonstrates how this is managed:

NHSBSA Management Structure



Further details of our business streams and shared support services can be found on pages 8 through to 15 of this report.



Overview of the Performance of the NHSBSA's Business Streams during 2009–10

This section provides a summary of the achievements of each of the NHSBSA's services throughout 2009–10. The services are highlighted within the business stream in which they are managed.

Business stream: Regulatory Contractor Services

● Dental Services and Dental Reference Service

NHS Dental Services processes prompt and accurate payments to dentists on behalf of Primary Care Trusts in England and Local Health Boards in Wales, as well as providing dental statistics and key information to national, regional and local NHS bodies.

NHS Dental Services also employs a team of experienced dentists to monitor and advise on quality within the NHS primary dental services. This team is known as the Dental Reference Service.

Key achievements:

- Negotiated and awarded a major new contract to provide Dental Contract Support Services that delivers both savings and major service improvements through the redevelopment of the service's legacy systems. This contract also includes the provision of a new IT infrastructure for the wider NHSBSA.
- The development of core IT systems to support the new Personal Dental Services (PDS) Plus contracts and other initiatives from the Department of Health's Dental Access Programme.
- Successful management of the transfer of call handling to a central contact centre and the transfer of the imaging of paper dental activity forms to a NHSBSA Business Services Authority shared service, thereby reducing costs and improving efficiency.
- The development and implementation of a customer relationship management system to enable NHS Dental Services to improve contact with customers. The system also incorporates a comprehensive case management system which enables clinical policy advisers to manage their workflow more effectively. It also provides detailed management and performance information on their work.

- As a result of these changes and other service improvements, Dental Services witnessed significantly improved customer service ratings from Primary Care Trusts and Local Health Boards in the 2009 customer survey.

Dental Services are continuing to work closely with Primary Care Trusts and Local Health Boards customers through regular NHS user groups.

These groups provide an opportunity for our customers to input directly into the development of our products and services.

In addition, NHS Dental Services has expanded its clinical monitoring activities to provide services for the Health Inspectorate in Wales including the assessment of performers in private dentistry and the inspection of private dental practices.

Business stream: Contractor Services

● Prescription Services

Prescription Services calculate and pay on behalf of the NHS, reimbursement and remuneration fees due to dispensing contractors (mainly community pharmacies, dispensing doctors and appliance contractors), for prescription items they have dispensed to patients. This involves a significant volume of transactions. During 2009-10, Prescription Services processed more than 800 million prescription items, with annual payments made on behalf of the NHS amounting to more than £8 billion.



Key achievements:

- Continued rollout of the new pricing system designed to deliver significant efficiency savings in the processing of prescriptions. By July 2009, all Dispensing Doctors and Personal Administration accounts were being processed through the new Capacity Improvement Programme (CIP) along with all community pharmacy accounts. This enabled the closure of the remaining legacy sites and reduced the total number of processing centres from ten to only three.
- Developed internal systems and continued to work closely with suppliers and NHS Connecting for Health, to ensure we can accept electronic prescriptions from pharmacy contractors.
- Maintained the NHS dictionary of medicines and devices providing accurate information (99.99%) and supporting the National Patient Safety Agency led initiative to standardise the abbreviation of product label names
- Worked closely with the NHS Information Centre, Healthcare Commission, the National Prescribing Centre and Connecting for Health in the provision of accurate prescribing data to the wider NHS.

Business stream: Patient and Public Services

● Range of services as detailed below

Patient and Public Services administers a range of schemes to more than 10 million people. These include Student and Social Work Bursaries, European Health Insurance Cards, Prepayment Certificates, Medical and Maternity Exemptions. Patient and Public Services uses a shared service approach providing efficient customer call handling and scanning services. During 2009–10 the service managed the following volumes of activity:

- 2.7m calls to our customer contact centre.
- 3.4m European Health Insurance Cards (EHIC).
- 3.7m tax credit NHS exemption cards.
- 440,000 Low Income Scheme NHS exemption certificates.
- 493,000 Maternity Exemption certificates.
- 380,000 medical exemption certificates.
- 1.3m prescription pre-payment certificates (PPCs).

Key achievements:

- Continued to raise awareness of our services using regular direct mailings to pharmacies, GP surgeries and key stakeholders.
- Introduced self service options for EHIC to support customers and improve efficiency along with changes in processing applications for overseas customers following changes to regulations.
- Successfully co-ordinated the transfer of NHS Pensions & Dental Services calls to the shared contact centre.



● NHS Student Bursaries

We administer the Student Bursary Scheme for England on behalf of the Department of Health and ten Strategic Health Authorities. During 2009–10 we successfully processed 92,000 bursary awards, making 800,000 payments totalling over £487 million. Overall accuracy of assessments exceeded the target of 97%.

During 2009–10 new students had to submit original evidence in support of their bursary application. This process was introduced to reduce the risk of fraudulent applications to the bursary scheme.

● NHS Social Work Bursaries

During 2009–10 the Social Work Bursary team processed over 13,000 bursary applications, making 40,000 payments totalling over £70m.

Throughout the year the accuracy of assessments exceeded the target of 97%.

We have continued to make improvements which include the streamlining of work processes when information confirming student attendance at university is received ensuring payment is released to students at earliest opportunity.



Business stream: Contract Management

● Supply Chain Management

The NHS Business Services Authority manages an outsourced service agreement with DHL for the provision of supply chain and logistical services, including procurement and sales to the NHS. Additionally, services are provided to the Department of Health to manage storage and distribution services, through a range of different service providers, in the following areas:

- Childhood vaccines distribution.
- Flu pandemic contingency arrangements.
- Emergency contingency storage and transport.

Supply Chain Management comprises experts in logistics, procurement, finance and audit in order to maintain an 'intelligent client' position and to offer supply chain management capability.

Key achievements:

- Continuing support of NHS Supply Chain (DHL) to assist in the delivery of benefits to the NHS. NHS Supply Chain has continued to increase sales during 2009–10.
- Initiated a major new contract management agreement with the Department of Health to manage the storage and distribution arrangements for products associated with flu pandemic protection, including the formation and implementation of Key Performance Indicators and service level agreement.
- Supported the Department of Health following the outbreak of the Swine Flu Pandemic. Supply Chain

Management were responsible for mobilising and managing the national distribution of anti-viral pharmaceuticals, consumables and vaccines through a number of third party providers. We played a major part in ensuring the NHS was provided with the products and services it needed to protect and treat against the threat posed by this serious health risk.

- Supply Chain Management extended its liaison to three healthcare trade associations and initiated a national forum between NHS Supply Chain and trusts pharmacists in order to improve service provision from NHS Supply Chain.
- Supply Chain Management led a pilot value for money study across NHS Trusts in the southwest of England to deliver real savings to front line NHS services. The Department of Health have now adopted this approach to initiate a wider and more extensive study.
- Supply Chain Management continued to support NHS Supply Chain in assuring sustainable practices are developed and adopted through the sourcing of products from NHS Supply Chain.
- Promoted the introduction of a new scorecard to identify and fast-track new, innovative products. This enables suppliers to deliver innovative products more quickly to the NHS than was possible using the standard listing procedure.

Business stream: Pensions

● NHS Pensions

The NHS Pension Scheme provides retirement benefits to NHS employees, GPs, dentists and employees of other approved organisations in England and Wales. During 2009–10, the NHS Pension Scheme had 1.4m active members and received contributions in excess of £7billion.

Key achievements:

- Successfully introduced the NHS Pension Choice Exercise which will now run until March 2012 offering members an informed choice of membership between the new and existing schemes.
- Continued our data governance project with over 4.8m data cleanse activities completed since January 2008.
- Completed the Annual Greenbury Exercise three weeks early to directly support the Department of Health's "faster closure of accounts" initiative.
- Successfully transferred call handling to the shared services call centre to provide greater call handling capacity and improved efficiency.
- Implemented a new operational business model which has improved customer services and service delivery. Following which, NHS Pensions have already witnessed:
 1. Significant improvement in daily case clearance rates.
 2. 50% reduction in complaints relating to timeliness.
 3. Month on month reductions of average case clearance times.
- Introduced a business transformation programme to develop a culture of continuous improvement and customer service excellence across all functions.
- Completed an external benchmarking exercise against other pension providers to identify best practice and share ideas for improvement.
- Successfully progressed the retrospective Guaranteed Minimum Pension exercise alongside other public sector schemes in line with ministerial directions.

● NHS Injury Benefit Scheme

The NHS Injury Benefit Scheme provides an annual allowance for staff who have suffered a permanent loss of earning ability as the result of an illness or injury which is wholly or mainly attributable to their NHS employment. This service is operated under the management of NHS Pensions.

Business stream: Counter Fraud and Security Management

● NHS Counter Fraud Service NHS Security Management Service

The NHS Counter Fraud and Security Management Service operates across the NHS and the Department of Health to prevent, detect and investigate fraud and corruption and for the management of security in the NHS.

During 2009–10 we collated and reported counter fraud performance for 2008–09 which demonstrated that:

- The value of fraud and unlawful action identified was over £16m and the potential NHS savings from completed NHS Counter Fraud Service investigations was almost £10m.
- The NHS Counter Fraud Service maintained a 96% successful prosecution rate with 69 prosecutions brought in 2008–09.
- A total of £2m was recovered by the NHS Counter Fraud Service, with more than £59m recovered since 1999.
- Over 1,000 articles were published in the media regarding the work of NHS Counter Fraud which aims to act as a deterrent.

The aim of the Security Management Service is to provide NHS trusts with the guidance and support to enable them to ensure a safe and secure environment for NHS staff and patients. In 2008–09 the number of reported physical assaults against NHS staff in England was 54,758 which was a decrease of 1,235

compared with the previous year (and a decrease of 9% since the NHS Security Management Service was created and figures first collected in 2004–05).

The Criminal Justice and Immigration Act 2008 introduced an offence of causing a nuisance or disturbance on NHS hospital premises. This included the power for fully trained NHS staff to remove a person from the premises if they suspect them of committing this offence. Work to support the NHS in dealing with this legislative change has been a focus for the Counter Fraud and Security Management Service during the last year.

Key achievements:

- The Security Management Service supported the Department of Health in assisting NHS trusts in arranging for the delivery of 30,000 safety devices for NHS lone workers.
- The fourth Security Awareness Month with NHS trusts was held to help demonstrate to NHS staff and professionals that violence and abuse should not be tolerated.
- The Security Management Service supported the Department of Health in developing Project Argus – Health, a multimedia presentation which explores the consequences for the health sector in the aftermath of a terrorist attack. Subsequently Local Security Management Specialists and Counter Terrorism Security Advisors have all been trained to deliver Project Argus – Health and co-hosted events in NHS trusts across England.

Shared support services

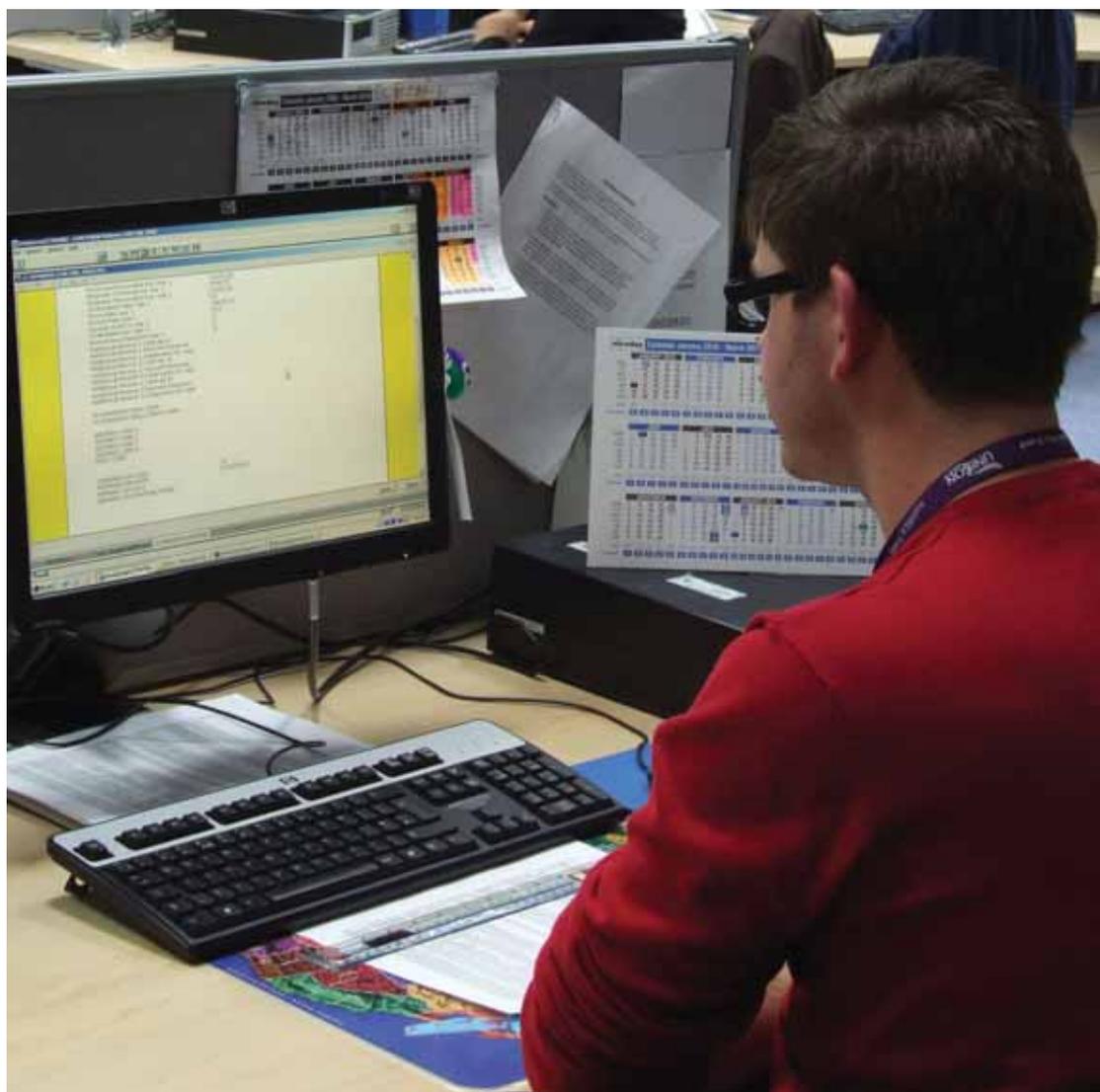
The NHSBSA has a number of shared services which support operational activity and corporate functions. These services include financial services, HR services, business process improvement, central contact centre, commercial services, estates, IT and information.

Hosted Services

The NHSBSA also provides a range of hosted financial and human resource services to other NHS organisations and Department of Health teams. The costs we incur in providing these services, primarily staff costs, have been included within our operating expenditure as has the total income contributions received from these organisations to cover these costs. For

2009–10 the income received from hosted and managed services was £1.18m

The income and expenditure of the organisations we provide hosted services to, although disbursed by our organisation, is not included in our income and expenditure accounts as they are charged to the financial accounts of the relevant organisations.





Performance measurement and management

Performance management system

We have developed a comprehensive balanced scorecard which assists in driving continuous improvements in our performance.

The scorecard can be interrogated at various levels and provides data on:

- Financial performance.
- Specific service level operating performance.
- Project performance.
- Key performance indicators.
- Customer satisfaction.
- Benchmarking of operational processes and industry standard services.
- Employee engagement and satisfaction.

Performance management reporting

Performance reports are reviewed regularly within the NHSBSA. Board members meet regularly with Department of Health sponsors to discuss performance and to ensure our business continues to deliver against policy requirements. The NHSBSA understands the importance of working closely with our clients and during the last year we have reviewed and significantly improved the way in which we do this. We have introduced a new framework which provides a more structured approach to ensuring our clients have regular opportunities

to discuss their priorities and requirements with us. We also gain valuable feedback as to their satisfaction with service delivery. This process will remain under regular review.

2009–10 also saw the introduction of a powerful Executive Information Service which provides key performance information to the desktops of relevant managers across the NHSBSA. This information is up to date and accurate to support discussions with clients and management decisions.

Key Performance Indicators for Service Delivery

Key performance indicators (KPIs) consolidate over 80 service delivery performance indicators. We measure our performance across the processes within each of our services, including:

- **Payments to customers**
We measure the accuracy of our payments and their timeliness.
- **Case administration**
We measure the accuracy of our administration in each case and the timeliness with which we deal with them.
- **Information**
We measure the timeliness of our information products to customers.
- **Supply chain**
We manage the contract with NHS Supply Chain and at a high level monitor the standard industry measurements in the areas of "on time in full", product delivery and orders received on time.

- **Contact centre**
Within our contact centres we monitor the standard industry measurements in the areas of wait times and abandoned call rates.

The key performance indicators for service delivery are shown on the following table. The results are reported on a RAG (red-amber-green) basis and demonstrate average performance throughout 2009-10.

Overall performance during 2009-10 has been good with most targets either achieved or improved. There has also been a significant improvement within the 'turn around' times of case administration within Pensions with the majority of cases being cleared within target. However, the overall status in this area remains amber mainly due to issues beyond the control of the service, where information supplied by employers is missing and so our customers experienced delays whilst the information is sought.

| | | | Payments | | Case Admin | | Information | Contact Centre | | Supply Chain | |
|---------------------------|-----------------------|--------|------------|----------|------------|----------|-------------|----------------|---------------------|----------------------|-------------------------------|
| | | | Timeliness | Accuracy | Timeliness | Accuracy | Timeliness | Wait Times | Abandoned Call Rate | Product Availability | goods/orders received on time |
| Contractor Services | Dental Services | Annual | Green | Green | Grey | Grey | Green | Green | Grey | Grey | Grey |
| | | Qtr 4 | Green | Green | Grey | Grey | Green | Green | Grey | Grey | Grey |
| Contractor Services | Prescription Services | Annual | Green | Green | Grey | Grey | Green | Green | Grey | Grey | Grey |
| | | Qtr 4 | Green | Amber | Grey | Grey | Green | Green | Grey | Grey | Grey |
| Patient & Public Services | | Annual | Green | Green | Green | Grey | Green | Green | Grey | Grey | Grey |
| | | Qtr 4 | Green | Green | Green | Grey | Green | Green | Grey | Grey | Grey |
| Pensions | | Annual | Green | Green | Amber | Grey | Green | Green | Grey | Grey | Grey |
| | | Qtr 4 | Green | Green | Amber | Grey | Green | Green | Grey | Grey | Grey |
| Supply Chain Management | | Annual | Grey | Grey | Grey | Grey | Grey | Grey | Green | Green | Green |
| | | Qtr 4 | Grey | Grey | Grey | Grey | Grey | Grey | Green | Green | Green |
| Hosted Services | | Annual | Green | Green | Green | Grey | Green | Green | Grey | Grey | Grey |
| | | Qtr 4 | Green | Green | Green | Grey | Green | Green | Grey | Grey | Grey |

There were performance issues within Prescription Services payment accuracy in the last quarter of 2009-10. Business process improvement initiatives have been introduced for 2010-11 to resolve this issue.

Customer satisfaction

The NHSBSA undertakes annual structured customer satisfaction surveys using an independent specialist (with a variety of our stakeholders). The results provide valuable feedback to enable action plans to be created to improve our customers' experiences. We consider our customers to be those who use our services, which is not always the same as our clients, who pay for the services we provide.

The areas surveyed mirror our key performance indicators but also include an overall customer satisfaction result based on customers being asked to consider all aspects of the service they currently receive.

The results are reported on a RAG (red-amber-green) basis and demonstrate current performance levels in our service areas. The overall results are shown in the table below:

The NHSBSA will continue to collect and monitor customer satisfaction and use this feedback to improve our services. The information collected during 2009–10 is used in our business planning for the future to ensure we improve services for our customers. We understand some improvements will take longer than others but we continue to communicate with our customers to ensure they understand where improvements are being made.

| | | Payments | | Case Admin | Information | | Contact Centre | Supply Chain | | Overall |
|----------------------------------|-----------------------|------------|----------|------------|-------------|----------|----------------|--------------------|----------------------------------|---------|
| | | Timeliness | Accuracy | | Timeliness | Accuracy | | Deliveries on time | Deliveries accurate and complete | |
| Contractor Services | Dental Services | Green | Green | Green | Green | Green | Green | Grey | Grey | Green |
| | Prescription Services | Green | Orange | Grey | Green | Orange | Green | Grey | Grey | Orange |
| Patient & Public Services | | Green | Green | Grey | Green | Green | Green | Grey | Grey | Green |
| Pensions Division | | Grey | Grey | Orange | Orange | Orange | Orange | Grey | Grey | Orange |
| Contract Management Supply Chain | | Grey | Grey | Green | Grey | Grey | Grey | Green | Orange | Orange |

Overall score is based upon asking customers the following question. "Thinking of all aspects of the service that you currently receive from __, how would you rate them overall on a scale of 1 to 10?"



Our people

The Human Resources (HR) function within the NHSBSA was restructured and refocused during 2009–10 in order to fit with a changing business agenda. The work undertaken by HR was reviewed during this time to identify future priorities. This resulted in an internal re-branding of HR services to People and Organisational Development. This is felt to more accurately reflect the scope of services provided.

Advisory, Administration and Reporting

During 2009–10, the provision of HR services and HR administration moved to a centralised function to support the new service delivery model.

The consolidation of services has resulted in:

- Economies of scale through centralised provision.
- Common administration processes being followed across the organisation and all personnel files stored in one place.
- Common approach to supporting of business streams

With the completion of the closure of some Prescription Services' offices, HR supported the management of the resulting changes including redundancies. In addition to these restructures, HR also supported restructures in Dental Services and Pensions.

2009–10 saw high levels of recruitment across the organisation, when both Prescription Services and Pensions carried out large scale recruitment and the NHS Graduate Trainee Scheme, one of the NHSBSA's hosted services, recruited over 270 trainees during the summer, the highest intake in the history of the scheme.

NHS Employers and the Borders Agency both introduced revised levels of checks for new employees, these checks have been implemented and further work will take place during 2010–11 to review all checking processes to ensure consistency and best practice.

A smart procurement project to review the provision of temporary agency staff was initiated and the investigatory work completed. Recommendations will be made to implement improved ways of working for 2010–11.

HR supported the work to implement the new contract for Dental Contract Support Services and the Managed IT Infrastructure. This work, including the TUPE transfer of staff into and out of the NHSBSA will continue into 2010–11.

Learning and Development

As part of the review of HR the need for an increased emphasis on Learning and Development was identified and a revised team structure put in place during 2009–10.

The new team undertook a review of learning and development which involved 920 individuals across the NHSBSA utilising one to one interviews, focus groups, or evaluation of a specific learning intervention. This data is being used to develop a new L&D Strategy to be implemented in 2010–11.

A management competency framework was also developed with input from over 50 senior managers across all areas of the business. This framework will be used to support future recruitment, performance management and development processes throughout the organisation.

2009–10 introduced new performance and talent management processes and policy, designed to implement a common performance and talent review process across the organisation. This will result in a common approach to setting objectives, reviewing performance and succession planning.

A new corporate induction programme supported by service specific induction programmes for new managers, whether new to the business or promoted internally has been developed. This will be implemented during 2010–11.



Board members

The NHSBSA Board comprises executive and non-executive members, namely:

Paul Rich

Chair and Member of the Remuneration Committee

Nick Scholte

Chief Executive

Anne Galbraith CBE

Non Executive Director and Member of the Audit & Risk Management Committee

Michael Harling

Non Executive Director and Chair of the Remuneration Committee

David Hulf

Non Executive Director and Chair of the Audit & Risk Management Committee

Jeremy Strachan

Non Executive Director and Member of the Audit & Risk Management Committee

David Teale

Non Executive Director and Member of the Remuneration Committee

Alistair McDonald

Chief Operating Officer

Jim Orr

Commercial Director

Roberta Barker

Director of People and Organisational Development

John Smith

Director of Finance

The Board's declared interests are listed on pages 29 & 30 of this report.



Paul Rich



Nick Scholte



Anne Galbraith



Michael Harling



David Hulf



Jeremy Strachan



David Teale



Alistair McDonald



Jim Orr



Roberta Barker



John Smith



Management commentary

for the year ended 31 March 2010

FINANCIAL REVIEW

Background

The financial statements for the NHSBSA have been prepared in accordance with the direction given by the Secretary of State for Health under the NHS Act 2006 and in a format instructed by the DH with the approval of HM Treasury.

The NHS Business Services Authority Accounts for 2009–10 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Operating Cost Statement, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes. The NHSBSA differs from most other Special Health Authorities in that its Accounts are based upon three distinct segments. The first of these segments is a summary of the trading activity of NHS Supply Chain which is also supported by full disclosure notes reflecting the different nature of supply chain trading to the administration of the rest of the NHSBSA. Secondly, the bursary payments the Authority makes on behalf of Strategic Health Authority's to NHS students and the DH for Social Work students are disclosed separately.

The third segment of the Accounts relates to the running costs of the organisation, this being the operating expenditure for the NHSBSA.

Financial performance

The NHSBSA has been set stringent financial targets by the Department of Health against which it is expected to deliver.

For 2009–10 the NHSBSA was required to maintain its expenditure within certain key funding limits

- Revenue expenditure within a limit of £155.056m
- Capital expenditure within a limit of £23.700m.
- Total cash spend within a limit of £156.956m

Each of these statutory targets were successfully achieved.

In addition to the above targets the NHSBSA is required to comply with the Better Payments Practice Code, which requires non NHS trade creditors to be paid within 30 days or agreed terms. Our performance against this target is set out below.

| Non-NHS | Number | £000 |
|---|-----------|-----------|
| Total Non-NHS trade invoices paid in the year | 1,579,904 | 1,114,427 |
| Total Non-NHS trade invoices paid within target | 289,316 | 358,691 |
| Percentage of Non-NHS trade invoices paid within target | 18.3% | 32.2% |

This overall performance is split as follows:

| Supply Chain performance | Number | £000 |
|---|-----------|-----------|
| Total Non-NHS trade invoices paid in the year | 1,557,361 | 1,032,439 |
| Total Non-NHS trade invoices paid within target | 268,440 | 284,687 |
| Percentage of Non-NHS trade invoices paid within target | 17.2% | 27.6% |

| Other divisions performance | Number | £000 |
|---|--------|--------|
| Total Non-NHS trade invoices paid in the year | 22,543 | 81,988 |
| Total Non-NHS trade invoices paid within target | 20,876 | 74,004 |
| Percentage of Non-NHS trade invoices paid within target | 92.6% | 90.3% |

NHS Supply Chain performance is disclosed with reference to this 30 day target. This is consistent with the rest of the Authority with prior year comparatives however NHS Supply Chain is entitled to agree extended payment terms with suppliers. NHS Supply Chain compliance with contractually agreed payment terms is higher than against this 30 day target and is within the creditor day performance criteria defined in the Master Services Agreement.

Financial Standing

The NHSBSA has total non current assets of £58.8m. Of this, £19.3m relates to property, plant and equipment that it owns, the balance primarily relates to IT software, licenses and developments.

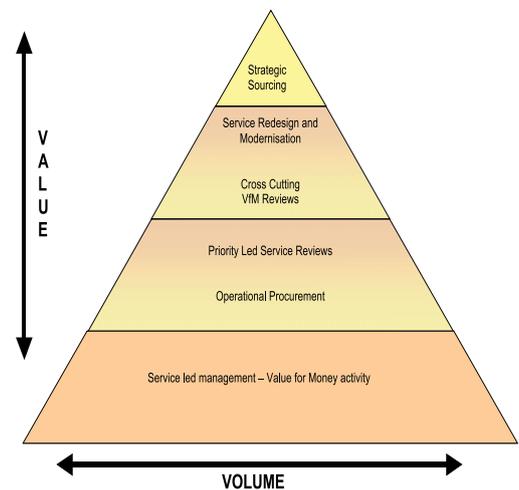
The organisation has net current assets on its balance sheet of £125.2m, this includes £65.2m relating to the working capital balances of the NHS Supply Chain operation managed by DHL.

There were no post balance sheet events to report.

Value for Money

In achieving its financial targets the NHSBSA has adopted a variety of

strategies for maximising the efficiency of its service delivery. The diagram below shows the various approaches utilised ranging from high level strategic sourcing options to day to day low level value for money improvements led by operational managers and staff.



In particular during 2009–10 value for money savings were achieved by:

- The continued implementation and development of the Capacity Improvement Programme within the Prescription Pricing Division, which automated many of the previously manual processes

- The further development of shared support services such as the centralised NHSBSA wide scanning and call centre.
- Productivity increases in all areas of the NHSBSA's operations as a result of a range of business process improvement activities
- Value for Money savings arising from the successful completion of a number of cross cutting Smart Procurement reviews
- Improved contract management and procurement practices
- Major service redesign programmes

Future financial targets

The NHSBSA, like all public services, is facing significant financial challenges in the near term. Its business plan for 2010–11 to 2014–15 sets out the agreed strategy for the organisation to continue to deliver against its financial targets. This will be achieved through a range of initiatives under the headings in the diagram above. In particular, savings will be delivered through the implementation of a strategic partnership for the delivery of dental services claims processing and managed IT infrastructure across the NHSBSA. Also, service redesign in many areas coupled with further sharing of services will continue to deliver efficiency savings.

Pension Costs for Current Staff

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 3.6 to the financial statements and in the remuneration report on page 31.

Hosted Services

The NHSBSA provides a range of hosted financial and HR services to other NHS organisations and Department of Health Teams. The costs that the Authority

incurs in providing these services, primarily staff costs, have been included within the Authority's operating expenditure as has the total income contributions received from these organisations to cover these costs. For 2009–10 the income received from hosted and managed services was £1.18m.

The income and expenditure of the organisations to which the NHSBSA provides hosted services, although disbursed by the NHSBSA, is not included in the Authority's income and expenditure accounts and is charged to the relevant organisation's accounts.

Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2010 of £148k is for the audit of these accounts. An additional £30k relates to the audit of the Authority's Agency Accounts and £30k relates to the provision of assurances to other bodies over the authority's various payment systems. An additional notional fee of £85k relates to the audit of the Pension Scheme Accounts.

Accounting Officer's Disclosure to the Auditors

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

Equality and diversity

The NHS Business Services Authority is committed to equality of opportunity for all employees and potential employees.

Our aim is to create an environment in which individual differences and the contributions of all employees are recognised and valued and where everyone irrespective of race, gender, disability, sexual orientation, or religion and belief is treated with equity, dignity and respect.

We operate an Equality and Diversity Standing Committee with membership from across the organisation and equality and diversity awareness training will continue to be rolled out and is included in the induction for new employees. Additionally we have undertaken equality impact assessments of all policies and procedures across the organisation.

Sickness absence

We have an absence management policy covering the whole of the organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme which is available 24 hours a day. Our overall level of sickness absence during 2009–10 was less than 4%.

Health and safety

Health and safety arrangements within the Authority are continuing to be strengthened. Last year was primarily related to laying foundations for 2009–10 improvements and compliance. Health & Safety standards have been raised through a combination of initiatives, consultation, publicity and targeted training. In order to continue this forward trend we need to further develop management competencies and achieve full legislative compliance.

Each of our business divisions have union appointed health & safety representatives and we are in the process of appointing local health & safety coordinators to act as a conduit between

the health and safety function and local management to support business services in the effective implementation of health, safety and well being policies.

A National Joint Health & Safety Committee is established and is the main vehicle for consultation and introduction of the Health & Safety Management System.

Communications

During 2009–10 we have continued to strengthen both our internal and external communications with the introduction of a corporate staff newsletter, revised Chief Executive's bulletin, editorial guidelines and a new media handling policy. A project team has also been set up to look at the development of a single NHSBSA-wide intranet. The NHSBSA introduced new branding guidelines across all its services. The NHSBSA's website was also updated.

Complaints

The NHS Business Services Authority takes complaints seriously and believes in the value of learning from the complaints which are made about our staff and services to make improvements for our customers.

During 2009–10, we operated a single complaints procedure across the NHS Business Services Authority. To ensure consistency across our services, we use the following definition of a complaint:

An expression of dissatisfaction that requires a response.

Against this definition, the total number of complaints received by the NHSBSA during 2009–10 was 2,661.

Of this total:

- Complaints resolved in the financial year: 2,644
- Complaints found to be justified: 1,272

- Percentage of complaints received compared to the number of completed transactions: 0.02%

It should be noted that NHS Pensions is subject to pension legislation which also governs complaints handling. This legislation is reflected in the NHSBSA's complaints procedure. The above figures do not include any formal stage 1 or 2 pension disputes.

Business continuity planning

Business continuity planning is important to ensure continued delivery of our services wherever possible. During 2009–10, we undertook a significant review of our business continuity arrangements. This involved:

- Identifying and documenting all critical business activity across the NHSBSA.
- Identifying the relevant recovery time objectives associated with each critical activity.
- Developing business continuity plans for each service to support the recovery of each critical activity including action cards.
- Identifying key roles and responsibilities within services including local business continuity owners.
- Simulation tested each service's business continuity plan, including de-brief and development of action plans to update plans.
- Developing a corporate, overarching business continuity plan to support service plans and cover corporate functions.
- Identifying key roles and responsibilities across corporate services and for the GOLD and SILVER teams.

- Simulation testing the overarching plan, including de-brief and development of an action plan.

The process and framework used for this work was in line with Department of Health guidance and compliant with BS25999.

Principal risks and uncertainty

Effective risk management is a cornerstone of good governance and the NHSBSA framework of procedures and internal controls contribute to mitigating and controlling the risks the organisation faces. Our risk management system is embedded throughout the organisation and was in place throughout 2009–10.

Our Statement on Internal Control, included at Page 37, provides further details of our risk management strategy and procedures.

Freedom of Information Act

As a Special Health Authority we are subject to the requirements of the Freedom of Information Act (FOI) 2000. This means that all requests for information are responded to within the provisions of the Act, typically within 20 working days. During 2009–10, we dealt with 809 FOI requests, all except eight were responded to within the required timeframe. The total number of requests has increased by 8% compared to requests received during 2008–9.

Looking after information

In the course of our business, we hold and use information about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence the NHSBSA has stringent controls in place to ensure the security of this information. Despite these rigorous controls the NHSBSA did report an instance of data loss to the Department of Health which was classified as a

serious or untoward incident. This related to the theft of five batches of prescriptions from a secure courier, contracted by the NHSBSA to deliver prescriptions to our offices for pricing. The Information Commissioner and members of the public in the area affected were advised of the theft and we are continuing to work with contractors to minimise the risk of any further occurrences.

As a Special Health Authority, we are also subject to the requirements of the Data Protection Act (DPA) 1998. This means that all subject access requests are responded to within the provisions of the Act, typically within 40 calendar days. During 2009–10, we dealt with 277 DPA requests, all except 18 were responded to within the required timeframe.

During 2009–10, on behalf of the Department of Health, the NHSBSA took custodianship of complaint files previously held by the Health Care Commission. Access to these files is provided to the Parliamentary Health and Social Care Ombudsman (PHSO) to support the NHS complaints system. During 2009–10, the NHSBSA processed 768 requests from the PHSO and all except 122 were responded to within the required 10 working day timeframe. The majority of the late responses occurred during the first four months of the service when request volumes were particularly high. Remedial action was taken to support improved response times from July 2009 and the revised processes have resulted in all but nine (out of 122) subsequent requests being processed within 10 working days.

Information Governance is co-ordinated for the NHS Business Services Authority by the Information Governance and Security Group. This Group is chaired by the NHS Business Services Authority's Director of Finance, who also holds the position of Caldicott Guardian and Senior Information Risk Owner (SIRO).

The remit of the Caldicott Guardian is to ensure that any person identifiable information we hold is held and used properly. The remit of the SIRO is to take ownership of the NHS Business Services Authority's information risk policy, act as advocate for information risk at Board level and provide written advice to the accounting officer on the content of their Statement of Internal Control in regard to information risk.

The NHS Business Services Authority is subject to the Data Protection Act 1998 and has filed the appropriate notification with the Information Commissioner's Office.

Property and Asset Management

The NHS Business Services Authority has a Property and Facilities Team which supports our Property Asset Management Group to oversee the ongoing development of our Estates Strategy. This Estates Strategy aims to support the business by ensuring that our property portfolio is fit for purpose and that suitable buildings are available in the most appropriate locations to help us achieve service excellence and value for money in our operations. In support of this, the Strategy includes the following key principles:

- Migration from owning freehold properties to leasehold, with a shorter term leasing strategy.
- Rationalisation of the number of properties in the portfolio, involving the disposal of unwanted accommodation.
- Improved space utilisation and a drive towards full occupancy of all properties.
- Improved quality of office stock in line with best government practice.

During 2009–10 we disposed of two of our buildings which were no longer

required operationally, and plans are in place to dispose of a further two properties in 2010–11 and one in 2011–12. Additionally, two leased buildings were disposed of in 2009–10 with plans developed to rationalise our leased estate in Newcastle by 2012–13.

Space utilisation has improved during 2009/10 as the occupancy of our remaining properties increases. Our occupancy benchmark now stands at 12.2 square metres per full time equivalent member of staff, an improvement from 15.1 sq m/ft.

Additionally, work was undertaken on many of these buildings during 2009/10 to improve the quality of the work environment.

Sustainability

2009–10 saw the establishment of a dedicated Sustainable Development Team responsible for the promotion, coordination and management of sustainable development throughout the Authority.

Our annual Sustainable Development Action Plan has been the focal point for our activities during 2009–10. Key achievements include:

- Creation of an Authority-wide 'Positive Action Group', focussed on the roll-out of sustainable development initiatives at each location.

- Establishment and external certification of an Authority-wide ISO 14001 environmental management system.
- Establishment and roll-out of an Authority Sustainable Procurement Policy.
- Completion of travel surveys in key office locations, and the creation and roll-out of Travel Plans to enable and encourage active travel. Initiatives include travel pass schemes, cycling schemes, improved information provision.
- Roll-out of an organisation-wide sustainable development training package.

Processes developed to ensure compliance and progression against the Carbon Reduction Commitment Energy Efficiency Scheme, including creation of an Authority carbon footprint and reduction strategy.

Welsh Language Scheme

The NHSBSA has adopted the principle that when conducting public business in Wales, it will treat the English and Welsh languages on a basis of equality. To achieve this aim a Welsh Language Scheme has been prepared in accordance with the requirements of the Welsh Language Act 1993. The purpose of the scheme is to specify the measures we propose to take in order to give effect to the principle of equality.



Looking to the future

The NHSBSA is very aware of the challenges facing the public sector and the wider economy in the future. We will face these challenges with an ongoing commitment to delivering our vision of service excellence and value for money.

We have undertaken a review of our organisational design and this has informed our strategy for 2010–2015 which will ensure we focus on the needs of our customers and our clients, whilst ensuring value for money and providing a range of quality services to support the NHS.

Our key strategic themes for 2010 onwards are:

- Modernising our service portfolio to deliver value for money and service excellence
- Harnessing further private sector expertise
- Providing what customers want
- Delivering client needs with understanding, agility and added value

This strategy is available on our website www.nhsbsa.nhs.uk and it describes our aspirations and sets a direction of travel which will deliver, over time, significantly lower running costs as well as enhanced customer experience and agility in meeting client's needs.





Register of interests

The NHS Code of Accountability requires Board members to declare any interests that are relevant and material to the NHS body of which they are a member. A register of declarations of interest is maintained by the Corporate Secretary and published on the NHSBSA website.

Interests regarded as “relevant and material” are:

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

During the course of a Board meeting, if a conflict of interest is established, the Board Members concerned would withdraw from the meeting, and play

no part in the relevant discussion or decision.

Interests declared by members of the NHS Business Services Authority Board during the year 2009-10 are as follows:

Chair

Mr Paul Rich

Nothing Declared

Non-Executive Directors

Mr David Hulf

Non-Executive Director of Agni Inc. Pty Limited (Singaporean registered company in the Renewable Energy Power generation business).

Until June 2009

Non-Executive Director & Chair of Audit Committee, National Savings and Investments

From January 2010 onwards

Mr Jeremy Strachan

Trustee of Drugscope (National Charitable Trust)

Company Secretary for Forensic Science Service Ltd (Government Owned Private Company)

Mrs Anne Galbraith, CBE

Member of Puffin Appeal (Charity Raising Funds for Cystic Fibrosis)

Chair of Valuation Tribunal Service

Chair of Council for University of Durham

Health Consultant (Self Employed) – Chaired Mental Health Inquiries.

Mr David Teale

Chair of Solutions SK (Company wholly owned by Stockport MBC).

Chair and Member of Parkway Green Housing Trust (Charitable Trust)

Chief Executive of North of England Excellence

Chair of Individual Solutions SK

Mr Michael Harling

Shareholder in Deutsche Post

Partner is also declared as being a shareholder in Deutsche Post.

Receives a pension from the Xansa Pension Plan (part of Groupe Steria SCA)

Board Member Guinness Trust

Board Member Guinness Midsummer Ltd

Board Member Guinness Midsummer Homes Ltd

From June 2009 onwards

Clapton Community Housing Trust Ltd – all charitable social housing providers.

September 2009 onwards

Executive Directors

Mr Nick Scholte, Chief Executive
Non-Executive Director of Supporta plc Until January 2010

Ms Roberta Barker, Director of People & Organisational Development
Trustee of Richmondshire Leisure Trust

Mr John Smith, Director of Finance
Nothing Declared

Mr Jim Orr, Commercial Director
Nothing Declared

Mr Alistair McDonald, Chief Operating Officer
Nothing Declared

Remuneration report

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

This report for the year ended 31 March 2010 is produced, by the Committee, for the Board. The Remuneration and Terms of Service Committee has met on five occasions during the period 1 April 2009 to 31 March 2010.

Its remit is to deal with the remuneration, benefits and terms of service of the Chief Executive, Executive Directors and, exceptionally, any post which is equivalent to an Executive Director post and determined by the Remuneration Committee on the recommendation of the Chief Executive to be outside NHS (Agenda for Change) Pay Bands 1–9.

The remuneration of Executive Directors is reviewed annually by the Remuneration and Terms of Service Committee, taking account of national awards, central guidance and other relevant factors. The remuneration of Non-executive Directors is determined by the Secretary of State.

The NHSBSA, with the approval of the Department of Health Pay and Performance Oversight Committee operates within the NHS Very Senior Managers pay framework. This framework provides access to an approved bonus scheme and payments under this scheme are considered in line with Departmental instruction. For 2009–10 the Executive Directors of the NHSBSA received a 5% bonus, on a collegiate basis, for achieving specified organisational objectives. This payment was agreed with the Department of Health.

Appointments

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

Executive Directors have standard NHS Very Senior Manager contracts of employment. There are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements.

Emoluments of Board Members

The remuneration relating to all Directors in post in 2009–10 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both Executives and Non Executives. This information is subject to audit.

Non-Executive Directors

The following table sets out details of payments made and appointment term details for the Chair and Non Executive Members:

| Name and Title | 2009-10 | | | 2008-09 | | | Date of Appointment/ Re-appointment | Appointment Ends |
|---|-----------------------------|---|--|-----------------------------|---|--|---|------------------|
| | Salary in £5k bands £000 | 2009-10 Other Remuneration in £5k bands £000 | Benefits in Kind (rounded to the nearest £100) £000 | Salary in £5k bands £000 | 2008-09 Other Remuneration in £5k bands £000 | Benefits in Kind (rounded to the nearest £100) £000 | | |
| P Rich Chairman | 60-65 | 0 | 0 | 60 -65 | 0 | 0 | 1 Nov 2005 Reappointed 1 Nov 2009 | 31 Oct 2013 |
| M Harling Non Executive Director | 5-10 | 0 | 0 | 5-10 | 0 | 0 | 1 Dec 2005 Reappointed 1 Dec 2008 | 30 Nov 2011 |
| D Teale Non Executive Director | 5-10 | 0 | 0 | 5-10 | 0 | 0 | 1 Dec 2005 Reappointed 1 Dec 2008 | 30 Nov 2011 |
| D Hulf Non Executive Director | 10-15 | 0 | 0 | 10-15 | 0 | 0 | 1 Dec 2005 Reappointed 1 Dec 2009 | 30 Nov 2013 |
| J Strachan Non Executive Director | 5-10 | 0 | 0 | 5-10 | 0 | 0 | 1 Dec 2005 Reappointed 1 Dec 2008 | 30 Nov 2011 |
| A Galbraith Non Executive Director | 5-10 | 0 | 0 | 5-10 | 0 | 0 | 1 Apr 2006 Reappointed 1 Apr 2009 | 31 Mar 2012 |



Chief Executive and Senior Managers

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

| Name and Title | 2009-10 | | | 2008-09 | | | Date of Contract Commencing | Contract Ends |
|---|---------------------|---|--|---------------------|---|--|-----------------------------|--------------------------------------|
| | Salary in £5k bands | 2009-10 Other Remuneration in £5k bands | Benefits in Kind (rounded to the nearest £100) | Salary in £5k bands | 2008-09 Other Remuneration in £5k bands | Benefits in Kind (rounded to the nearest £100) | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| N Scholte Chief Executive | 155-160 | 0 | 5.5 | 155-160 | 0 | 5.7 | 1 Feb 2006 | Permanent Contract (6 months notice) |
| R Barker Director of People and Organisational Development | 105-110 | 0 | 0 | 50-55* | 0 | 0 | 29 Sept 2008 | Permanent Contract (6 months notice) |
| W J Smith Director of Finance | 110-115 | 0 | 2.7 | 110-115 | 0 | 3.6 | 1 Feb 2006 | Permanent Contract (6 months notice) |
| J Orr Commercial Director | 125-130 | 0 | 0 | 125-130 | 0 | 0 | 3 Jul 2006 | Permanent Contract (6 months notice) |
| A M ^c Donald Chief Operating Officer | 110-115 | 0 | 3.7 | 110-115 | 0 | 3.7 | 1 May 2006 | Permanent Contract (6 months notice) |

* part year only



Pension benefits

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

| Name and Title | Real Increase in pension at age 60 (bands of £2,500) | Real Increase in pension lump sum at aged 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 | Employer's contribution to stakeholder pension |
|---|--|--|--|--|---|---|---|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| N Scholte Chief Executive | 0 – 2.5 | 5 – 7.5 | 40 – 45 | 130 - 135 | 843 | 746 | 42 | 0 |
| R Barker Director of People and Organisational Development | 0 – 2.5 | 0 – 2.5 | 0 – 5 | 0 - 5 | 28 | 9 | 13 | 0 |
| W J Smith Director of Finance | (0 – 2.5) | (0 – 2.5) | 45 – 50 | 135 - 140 | 1,116 | 1,018 | 33 | 0 |
| J Orr Commercial Director | 0 – 2.5 | 5 – 7.5 | 25 – 30 | 80 - 85 | 664 | 561 | 53 | 0 |
| A M ^c Donald Chief Operating Officer | (0 – 2.5) | (0 – 2.5) | 40 – 45 | 120 - 125 | 734 | 672 | 19 | 0 |



As Non-Executive Directors do not receive pensionable remuneration, there are no entries in respect of pensions for Non-executive Directors.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figure and the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.



Real Increase in CETV

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

Nick Scholte
Chief Executive
NHS Business Services
Authority
10 June 2010



Statement of the Chief Executive's responsibilities

Under the National Health Service Act 2006 and directions made there under by the Secretary of State with the approval of Treasury, we are required to prepare a statement of accounts for each financial year in the form, and on the basis, determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of our state of affairs at the year end and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the DH has appointed the Chief Executive of the NHSBSA as the Accounting Officer, with responsibility for preparing our accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards had been followed and disclosed and explained any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the NHSBSA, and for the keeping of proper records, are set out in Managing Public Money issued by the Treasury.



Statement on internal control 2009–10

Scope of responsibility

The NHSBSA Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and organisation's assets for which I am personally responsible, in accordance with the responsibilities set out in HM Treasury's Managing Public Money and as assigned to me in the Accounting Officers Memorandum.

The NHSBSA manages a range of business activities on behalf of the DH. Accountability arrangements with the Department of Health comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service streams. A clear ongoing accountability framework is in place, which includes formal quarterly reviews with all sponsors, where amongst strategic, policy and operational issues, the NHSBSA's corporate risk register and latest financial position are reviewed. Additionally, regular scheduled meetings are held with individual service sponsors.

The purpose of the system of internal control

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

control is based on an ongoing process designed to:

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

The system of internal control has been in place in the NHS Business Services Authority for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The NHSBSA is committed to ensuring that risk management is an integral part of the leadership and management of the organisation. The Board has overall responsibility for approving the Authority's Risk Management Strategy and assurance relating to the implementation and monitoring of this strategy is provided by the Audit and Risk Management Committee. As Accounting Officer, I have overall responsibility for establishing the organisation's internal controls and I have delegated certain risk management responsibilities to other Directors and their senior managers.

We have established a team with responsibility for coordinating the risk management activities within each business stream and supporting all staff with the effective identification and management of risks.

The Authority aims to empower all staff

to assume responsibility for contributing to effective risk management. This is achieved by robust governance systems and processes which enable the identification, assessment, analysis and management of risk at appropriate levels for all operational and project related risks. During 2009–10 we have continued to make significant progress in developing our capability to manage risk. We have reviewed and refreshed our risk management processes to ensure a consolidated and common methodology is in place and that appropriate training is provided. We are also developing a measured approach to reviewing and agreeing our risk appetite.

The risk and control framework

In working towards its five year Strategy, the NHSBSA Board approves an annual Business Plan which sets out the key service delivery priorities, objectives and developments which it aims to deliver against during the year. The Plan also identifies the key risks to delivery.

Responsibility for approving the Authority's policy and procedures for the management of risk is a Board responsibility and as Accounting Officer, responsibility for ensuring the NHSBSA has a programme of risk management in place has been delegated to me.

The Audit and Risk Management Committee provide the Authority's Board with an independent and objective review of the adequacy and effectiveness of the Authority's overall assurance framework and in particular the organisation's risk management approach. The Committee has responsibility for reviewing :

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

procedures for ensuring compliance with law, guidance and codes of conduct, and their effectiveness

- policies and procedures related to the detection and prevention of fraud and corruption.

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

- quarterly risk management reports setting out and assessing the major risks facing the organisation, stratified into strategic external risks; business plan risks; operational risks and project risks. Such reports set out the key movements in risks between reporting periods and identify emerging risks and the mitigating actions which have been taken or are planned to mitigate them.
- a half yearly corporate assurance schedule which sets out the key elements of the Authority's overarching assurance framework and identifies the extent to which robust arrangements are in place and operating effectively in each area.
- An annual risk management report outlining how the Authority's risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened.

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

- Regular quarterly reviews of the Corporate Risk Register by me and my Executive Directors, as a precursor to the Audit and Risk Management Committee Review.
- The maintenance and quarterly review of Divisional Risk Registers by each Business Division covering their operational and project risks.
- A Risk Management Group led by the Director of Finance with

representation from all of the NHSBSA's business divisions, which reviews risk issues and provides a platform for shared learning and a harmonised approach

- Annual letters of divisional management representation from each Managing Director providing confirmation that an appropriate control environment has been in place throughout the financial year for their area, thus informing this Statement on Internal Control.
- Regular reviews of all information risks by an Information Governance and Security Group (IGSG) which monitors the Authority's compliance with information governance and security best practice and self assessing against a nationally developed toolkit.
- Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.
- 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's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations

As set out above, the Authority has strong governance arrangements to manage and minimise the risks it faces. However, like any organisation, there remain a number of major risks facing the NHSBSA. In particular, the Authority faces key risks regarding external factors which impact upon the organisation. The current pressures on public expenditure are likely to have a significant impact upon our funding in future years and

may subsequently impact upon our ability to deliver all of our services in the way we do now. Likewise, our ability to continue to deliver against our programme of reducing our operating costs is, in part, subject to the delivery of the Electronic Prescription Service, which is outside our sphere of control. As an organisation we have identified a risk that, due to the complexity of our activities, we may be insufficiently agile to respond to changes in policy where these are required at short notice. We are looking to mitigate this risk through a programme of client relationship management training, regular engagement with stakeholders and organisational and service redesign.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the risk based internal audit work. For 2009-10 the Head of Internal Audit Opinion concluded that based on the work completed to date **significant assurance** can be given that there is a generally sound system of internal control, designed to meet the Authority's objectives, and that controls are generally being applied consistently. Some control issues were brought to the attention of management. The significant areas are outlined below.

Executive Directors and Managing Directors within the organisation who have responsibility for the development and maintenance of the system of internal control within their service area provide me with assurance via annual letters of management representation assurance which confirm that internal controls have remained in place during the year; financial information for their service is to the best of their knowledge

correct and there is no material information of which they are aware that I have not also been made aware of.

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

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

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

Significant Internal Control Issues

During 2009–10 we continued to develop our approach to handling information securely and our self assessment against the national NHS toolkit shows our performance as 'green' on the traffic light scoring scale used by the system. However, notwithstanding this, the NHSBSA did report an instance of data loss to the Department of Health which was classified as a serious or untoward incident. This related to the theft of five batches of prescriptions from a secure courier, contracted by the NHSBSA to deliver prescriptions to our sites for pricing. The Information Commissioner and members of the public in the area affected were advised

of the theft and we have worked with our contractors to minimise the risk of any further occurrences.

A further significant internal control issue has been identified with regard to Prescription Services. The NHSBSA is responsible for the payment of over £8 billion in the reimbursement of primary care drugs and associated fees to community pharmacists. It also compiles the official reimbursement price related to specific drug products on a regular basis by means of the Drug Tariff, which is updated monthly. As a result of a manual keying error, not identified in the checking process, in the Drug Tariff published in November 2009, a price change to a rarely prescribed sugar-free version of Dipyridamole was wrongly ascribed to the much more commonly prescribed 200mg capsule version of the same drug. This resulted in an overall overpayment to pharmacists of around £4.3m that month, which averages around £430 per dispensing contractor (average annual payments currently exceed £700,000 to each contractor).

Once the error had been identified, immediate action was taken to correct the error for future payments and notification of the issue was escalated to the Department of Health. A review of the processes used to update the prices in the Drug Tariff has been undertaken with a view to reducing the risk of errors of this magnitude occurring in the future.

Conclusion

With the exception of the internal control issues that I have outlined in this statement, my review confirms that the NHSBSA has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that those control issues have been and are being addressed.

Nick Scholte
Chief Executive
NHS Business Services Authority
10 June 2010



Certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2010 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Chief Executive Responsibilities, the Chief Executive 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 the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; 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 the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Authority's affairs as at 31 March 2010, and of the net operating cost, 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.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the National Health Service Act 2006; and
- the information given in the Management Commentary 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.
- 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

17 June 2010



Operating cost statement for the year ended 31 March 2010

| | Notes | 2009-10 | 2008-09 |
|---|-------|-----------------------|------------------|
| | | £000 | Restated £000 |
| Staff Costs | 3.5 | 73,014 | 72,674 |
| Non-Staff Programme costs | 3.3 | 642,124 | 615,424 |
| Less income | 3.2 | (569,402) | (548,277) |
| Net operating costs for the financial year | | <u>145,736</u> | <u>139,821</u> |
| Net Resource outturn | | <u>145,736</u> | <u>139,821</u> |

The notes at pages 48 to 75 form part of these accounts

Statement of Financial Position as at 31 March 2010

| | Notes | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|--|-------|-----------------------|-----------------------|----------------------|
| Non Current Assets | | | | |
| Property, Plant & Equipment | 4.2 | 19,330 | 20,066 | 27,016 |
| Intangible Assets | 4.1 | 37,328 | 27,538 | 20,964 |
| Trade and other receivables | 4.4 | 2,161 | 1,609 | 1,204 |
| Total non-current assets | | 58,819 | 49,213 | 49,184 |
| Current assets | | | | |
| Inventories | 4.3 | 66,114 | 61,987 | 50,148 |
| Trade and other receivables | 4.4 | 149,958 | 105,077 | 84,389 |
| Cash and cash equivalents | 4.6 | 21,676 | 9,330 | 40,120 |
| Total current assets | | 237,748 | 176,394 | 174,657 |
| Current Liabilities | | | | |
| Trade and other payables | 4.5 | 171,089 | 109,421 | 104,812 |
| Borrowings | 4.5.1 | 0 | 0 | 105 |
| Provisions for liabilities and charges | 4.7 | 272 | 1,047 | 415 |
| Total current liabilities | | 171,361 | 110,468 | 105,332 |
| Non-current assets plus/less net current assets/liabilities | | | | |
| | | 125,206 | 115,139 | 118,509 |
| Non-current liabilities | | | | |
| Provisions for liabilities and charges | 4.7 | 2,090 | 2,088 | 2,223 |
| Trade and other payables | 4.5 | 0 | 0 | 237 |
| Total non-current liabilities | | 2,090 | 2,088 | 2,460 |
| Total Assets Employed: | | 123,116 | 113,051 | 116,049 |
| Taxpayers' Equity | | | | |
| General Fund | 4.9 | 120,283 | 110,401 | 107,879 |
| Revaluation Reserve | 4.8 | 2,833 | 2,650 | 8,170 |
| Total Taxpayers' Equity: | | 123,116 | 113,051 | 116,049 |

The notes at pages 48 to 75 form part of these accounts

Nick Scholte
Chief Executive and Accounting Officer
10 June 2010

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

| | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|---|----------------------------------|---|------------------------------------|
| Balance at 31 March 2009 | 110,401 | 2,650 | 113,051 |
| Prior period adjustment | 0 | 0 | 0 |
| Restated balance at 1 April 2009 | 110,401 | 2,650 | 113,051 |
| Changes in taxpayers' equity for 2009-10 | | | |
| Net operating cost for the year | (145,736) | 0 | (145,736) |
| Net gain/(loss) on revaluation of Property, Plant and Equipment | 0 | 183 | 183 |
| Non-cash charges – cost of capital | 3,592 | 0 | 3,592 |
| Non-cash charges – notional costs | 85 | 0 | 85 |
| Total recognised income and expense for 2009/10 | (142,059) | 183 | (141,876) |
| Net Parliamentary funding | 151,941 | 0 | 151,941 |
| Balance at 31 March 2010 | 120,283 | 2,833 | 123,116 |

| | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|---|----------------------------------|---|------------------------------------|
| Balance at 31 March 2008 | 107,996 | 8,170 | 116,166 |
| Prior period adjustment | (117) | 0 | (117) |
| Restated balance at 1 April 2008 | 107,879 | 8,170 | 116,049 |
| Changes in taxpayers' equity for 2008-09 | | | |
| Net operating cost for the year | (139,821) | 0 | (139,821) |
| Net gain/(loss) on revaluation of Property, Plant and Equipment | 0 | (5,520) | (5,520) |
| Non-cash charges – cost of capital | 3,150 | 0 | 3,150 |
| Non-cash charges – notional costs | 85 | 0 | 85 |
| Total recognised income and expense for 2008/09 | (136,586) | (5,520) | (142,106) |
| Net Parliamentary funding | 139,108 | 0 | 139,108 |
| Balance at 31 March 2009 | 110,401 | 2,650 | 113,051 |

The notes at pages 48 to 75 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2010

| | Notes | 2009-10 £000 | 2008-09 Restated £000 |
|---|-------|------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Net operating costs | | (145,736) | (139,821) |
| Other cashflow adjustments | 5.3 | 15,323 | 13,229 |
| Movement in Working Capital | 5.1 | 12,108 | (28,560) |
| Provisions utilised | 4.7 | (860) | (191) |
| Net cash (outflow) from operating activities | | (119,165) | (155,343) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (3,821) | (1,993) |
| Purchase of intangible assets | | (17,613) | (12,462) |
| Proceeds from disposal of property, plant and equipment | | 1,004 | 5 |
| Net cash inflow/(outflow) from investing activities | | (20,430) | (14,450) |
| Cash flows from financing activities | | | |
| Net Parliamentary funding | | 151,941 | 139,108 |
| Net financing | | 151,941 | 139,108 |
| Net increase/(decrease) in cash and cash equivalents | | 12,346 | (30,685) |
| Cash and cash equivalents at 31 March 2009 | 5.2 | 9,330 | 40,015 |
| Cash and cash equivalents at 31 March 2010 | 5.2 | 21,676 | 9,330 |

The notes at pages 48 to 75 form part of these accounts



Notes to the accounts

1. Accounting Policies

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

1.1 Accounting Conventions

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

Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease

entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another.

Critical accounting judgements and key sources of estimation uncertainty

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

1.2 Income

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

The main source of funding for the non-trading divisions of the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1 and 2 within an approved cash limit, which is credited to the general

fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income within the non-trading divisions is income which relates directly to the operating activities of these divisions of the authority. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The main source of funding for the Supply Chain trading division of the Authority is income from sales to NHS customers. Additional income comes from similar sales to non-NHS customers.

The funding of Bursary payments comes from two sources: Student Bursaries from the Strategic Health Authorities and Social Work Bursaries from the DH Policy Team. This income is treated as operating income. **Change in policy:** In previous years, Social Work Bursary funding was credited to the general fund along with Parliamentary funding. At the request of DH, this funding is now credited to operating income. Prior year figures have been adjusted to be comparable to the current year.

1.3 Taxation

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

1.4 Capital charges

The treatment of Property, Plant & Equipment in the accounts is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The cost of capital charge rate in the financial year 2009–10 was 3.5% (2008–09: 3.5%) on all assets less liabilities, except for cash balances with the Government Banking Service (GBS), formerly the Office of the Paymaster General (OPG), where the charge is nil.

1.5 Property, Plant & Equipment

a. Capitalisation

All assets falling into the following categories are capitalised:

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

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

b. Valuation

Land and buildings used for the Authority's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent

accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. The latest revaluation was carried out by a RICS qualified valuer from the DVS Valuation Office Agency as at 31 March 2010. Fair values are determined as follows:

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

Specialised buildings – depreciated replacement cost

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

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 Operating Cost Statement, in which case it is credited to the Operating Cost

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 Operating Cost Statement.

1.6 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:

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

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

the Operating Cost Statement in the period in which it is incurred.

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

1.7 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the

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

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value after allowance for redundant and slow moving items. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

1.9 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the

generality of payments. They are divided into different categories, which govern the way each individual case is handled.

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

1.11 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme.

The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.12 Research and Development

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

1.13 Leases

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

The Authority as lessee

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

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

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

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

The Authority as lessor

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

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

1.14 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are

discounted using the Treasury's discount rate of 2.2% in real terms.

1.15 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity,

and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

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

Loans and receivables

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

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

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

At the Statement of Financial Position date, the Authority assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is

objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

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

A new IFRS, a number of IFRS amendments, two new IFRIC Interpretations and one IFRIC Amendment have been issued but are not yet effective and have not been adopted early by the Authority. Those that are expected to be applicable to the Authority are listed below along with major FReM changes for 2010-11, none are anticipated to have a future material impact on the Authority's financial statements:

IAS 24 (Revised) Related Party Disclosures

IFRS 5 (Revised) Non-current Assets Held for Sale and Discontinued Operations

IAS 7 (Revised) Statement of Cash Flows

IAS 17 (Revised) Leases

FReM Chapter 8 - Impairments

FReM Chapter 11 - Income and Expenditure

1.17 Accounting standards issued that have been adopted early

The amendment to IFRS 8 Operating Segments that was included in the April 2009 Improvements to IFRS has been adopted early. However, the Authority has decided to continue reporting total assets by operating segment in the notes to the financial statements.

2.1 Operating Segments

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

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

| | Supply Chain | | Bursaries | | Service Provision | | Total | |
|--|--------------|-------------|-----------|-----------|-------------------|---------------------|-------------|---------------------|
| | 2009/10 | 2008/09 | 2009/10 | 2008/09 | 2009/10 | 2008/09 Restated | 2009/10 | 2008/09 Restated |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Trading Account | | | | | | | | |
| Income | 1,198,041 | 1,012,500 | 0 | 0 | 0 | 0 | 1,198,041 | 1,012,500 |
| Expenditure | (1,198,041) | (1,012,500) | 0 | 0 | 0 | 0 | (1,198,041) | (1,012,500) |
| Surplus/(deficit) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Cost Statement | | | | | | | | |
| Income | 0 | 0 | (557,576) | (532,549) | (11,826) | (15,728) | (569,402) | (548,277) |
| Expenditure | 0 | 0 | 557,576 | 532,549 | 157,562 | 155,549 | 715,138 | 688,098 |
| Net Operating Costs | 0 | 0 | 0 | 0 | 145,736 | 139,821 | 145,736 | 139,821 |
| Statement of Financial Position | | | | | | | | |
| Assets | 205,081 | 152,691 | 14,141 | 9,193 | 77,345 | 63,723 | 296,567 | 225,607 |
| Liabilities | (139,854) | (87,464) | (9,354) | (5,405) | (24,243) | (19,687) | (173,451) | (112,556) |
| Net Assets | 65,227 | 65,227 | 4,787 | 3,788 | 53,102 | 44,036 | 123,116 | 113,051 |

2.2 Supply Chain Trading

| | 2009-10 £000 | 2008-09 £000 |
|---|------------------|------------------|
| Gross income | | |
| Sales to NHS Customers | 1,147,209 | 986,323 |
| Sales to Non-NHS Customers | 28,996 | 23,677 |
| Fees and other income | 21,836 | 2,500 |
| | 1,198,041 | 1,012,500 |
| Cost of sales and administration | | |
| Cost of Sales | 1,039,688 | 893,370 |
| Main service provider contract | 158,353 | 119,130 |
| | 1,198,041 | 1,012,500 |
| Net trading surplus for the year | 0 | 0 |

The trading nature of NHS Supply Chain activity is such that it cannot be disclosed in full in the Authority's Operating Cost Statement and its standard associated notes. This note provides the equivalent level of detail relating to Supply Chain only.

From 1 October 2006 the previously in-house service was outsourced to an external provider. Under the outsourcing arrangement, all trading related administration expenditure is met by the service provider and is funded from the trading surplus. All non-trading income and expenditure relating to the Supply Chain Management Division is now included in the Authority's Operating Cost Statement.

Supply Chain staff numbers and related costs

Under the outsourcing arrangement that began on 1 October 2006, all trading related staff transferred to the service provider.

3.1.1 Revenue Resource Limit

| | 2009-10 | 2008-09 |
|--|----------------|------------------|
| | £000 | Restated £000 |
| Net operating costs for the financial year | 145,736 | 139,821 |
| Revenue Resource Limit | 155,056 | 139,931 |
| Under/(over) spend against Revenue Resource Limit | 9,320 | 110 |

3.1.2 Capital Resource Limit

| | 2009-10 | 2008-09 |
|--|----------------|---------|
| | £000 | £000 |
| Gross Capital Expenditure | 21,434 | 14,455 |
| Less: Net Book Value of assets disposed of | (1,016) | (7) |
| Charge against the Capital Resource Limit | 20,418 | 14,448 |
| Capital Resource Limit | 23,700 | 16,573 |
| Under/(Over) spend Against Capital Resource Limit | 3,282 | 2,125 |

3.2 Operating Income

| | 2009-10 | 2008-09 |
|--|----------------|------------------|
| | £000 | Restated £000 |
| Services provided to external customers | 10,204 | 10,199 |
| Services provided to the Scottish Parliament | 501 | 501 |
| Services provided to the National Assembly for Wales | 622 | 600 |
| Student Bursary funding from SHAs | 487,118 | 465,607 |
| SWB funding from DH | 70,458 | 66,942 |
| Services provided to internal customers | 499 | 4,428 |
| Total Operating income | 569,402 | 548,277 |

3.3 Non-Staff Programme costs

| | 2009-10 £000 | 2008-09 £000 |
|--|-----------------------|-----------------------|
| The expenses of the authority were as follows: | | |
| Non-executive members' remuneration | 117 | 116 |
| Rentals under operating leases | 3,969 | 3,528 |
| Establishment expenses | 11,752 | 10,554 |
| Transport and moveable plant | 711 | 699 |
| Premises and fixed plant | 14,204 | 12,893 |
| External contractors | 22,781 | 21,448 |
| Capital: Depreciation | 3,583 | 3,236 |
| Amortisation | 7,823 | 5,888 |
| Impairments & reversals PPE | 141 | 180 |
| Capital charge interest | 3,592 | 3,150 |
| (Profit)/loss on disposal of fixed assets | 12 | 2 |
| | <u>15,151</u> | <u>12,456</u> |
| Auditors' remuneration: | | |
| Audit fees | 148 | 250 |
| Other fees | 60 | 0 |
| Other costs | 7,561 | 6,610 |
| Redundancies | 8,094 | 14,321 |
| NHS Bursary Scheme | 487,118 | 465,607 |
| Social Work Bursaries | 70,458 | 66,942 |
| Total programme costs | <u>642,124</u> | <u>615,424</u> |

Other costs includes the following significant amounts:

| | 2009-10 £000 | 2008-09 £000 |
|---|---------------------|---------------------|
| Professional fees | 6,856 | 5,642 |
| Notional fee for the audit of the Pension Scheme accounts | 85 | 85 |
| | <u>6,941</u> | <u>5,727</u> |

3.4 Operating Leases

Authority as lessee

| | 2009/10 £000 | 2008/09 £000 |
|--|----------------------|----------------------|
| Payments recognised as an expense | | |
| Minimum lease payments | 3,969 | 3,280 |
| Contingent rents | 0 | 0 |
| Sub-lease payments | 0 | 0 |
| | <u>3,969</u> | <u>3,280</u> |
| Total future minimum lease payments | | |
| Payable: | | |
| Within 2010/11 | 3,152 | 2,819 |
| From 2011/12 to 2014/5 | 6,692 | 4,800 |
| From 2015/16 to 2019/20 | 3,524 | 1,505 |
| Thereafter | 6,027 | 2,063 |
| Total | <u>19,395</u> | <u>11,187</u> |

3.5 Staff numbers and related costs

Executive members and staff costs:

| | Total 2009-10 £000 | Permanently employed £000 | Other £000 | Total 2008-09 £000 |
|--|-----------------------------------|--|-----------------------|-----------------------------------|
| Salaries and wages | 65,808 | 61,616 | 4,192 | 66,312 |
| Social security costs | 4,586 | 4,586 | 0 | 4,527 |
| Employer contributions to NHS Pensions | 6,269 | 6,269 | 0 | 6,050 |
| Other pension costs | 905 | 905 | 0 | 964 |
| Total | <u>77,568</u> | <u>73,376</u> | <u>4,192</u> | <u>77,853</u> |
| Capitalised staff costs | (4,554) | | | (5,179) |
| | <u>73,014</u> | | | <u>72,674</u> |

The average number of persons employed during the year was :

| | Total Number | Permanently employed Number | Other Number | 2008-09 Number |
|--------------|-------------------------|--|-------------------------|---------------------------|
| Total | <u>2,676</u> | <u>2,541</u> | <u>135</u> | <u>2,818</u> |

The whole time equivalent number of staff whose cost was capitalised was 101 (2008-09: 115)

Note on expenditure of 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 was 1 (2008–09: Nil) early retirement from the Authority on the grounds of ill-health. The estimated additional pension liabilities of this ill-health retirement (calculated on an average basis and borne by the NHS Pension Scheme) will be £25k (2008-09: Nil).

This retirement represented 0.52 per 1,000 active scheme members.

3.6 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.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 scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an 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.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%. Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after

consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liability.

b. Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period 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 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 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 Pensions 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.

c. Scheme provisions

In 2008-09 the NHS Pension Scheme provided defined benefits, which are summarised below. This is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

Annual Pensions

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last 3 years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service. With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Pensions Indexation

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.

Lump Sum Allowance

A lump sum is payable on retirement which is normally three times the annual pension payment.

Ill Health Retirement

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

Death Benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVC's)

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

Transfer between Funds

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

Preserved Benefits

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

Compensation for Early Retirement

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pensions plus enhancement, at the employer's cost.

d. Principal Civil Service Pension Scheme

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

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

Interest and compensation payments under £1k relating to one late payment were made under the legislation.

3.8 Other gains and losses

| | 2009-10 £000 | 2008-09 £000 |
|---|--------------------|-------------------|
| Profit on disposal of land and buildings | 10 | 0 |
| (Loss) on disposal of land and buildings | 0 | 0 |
| Profit on disposal of plant and equipment | 12 | 0 |
| (Loss) on disposal of plant and equipment | <u>(34)</u> | <u>(2)</u> |
| Total | <u>(12)</u> | <u>(2)</u> |

4.1 Intangible assets

4.1.1 Intangible assets 2009-10

| | Software purchased £000 | Software Internally generated £000 | Licences and trademarks £000 | Patents £000 | Development Expenditure £000 | Total £000 |
|--|-------------------------------|---|------------------------------------|-----------------|------------------------------------|----------------------|
| Gross cost at 1 April 2009 | 4,659 | 33,525 | 0 | 0 | 421 | 38,605 |
| Additions - purchased | 129 | 17,484 | 0 | 0 | 0 | 17,613 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross cost at 31 March 2010 | <u>4,788</u> | <u>51,009</u> | <u>0</u> | <u>0</u> | <u>421</u> | <u>56,218</u> |
| Amortisation | | | | | | |
| Accumulated amortisation at 1 April 2009 | 3,803 | 7,098 | 0 | 0 | 166 | 11,067 |
| Charged during the year | 459 | 7,302 | 0 | 0 | 62 | 7,823 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 31 March 2010 | <u>4,262</u> | <u>14,400</u> | <u>0</u> | <u>0</u> | <u>228</u> | <u>18,890</u> |
| Net book value at 31 March 2009 | 856 | 26,427 | 0 | 0 | 255 | 27,538 |
| Net book value at 31 March 2010 | <u>526</u> | <u>36,609</u> | <u>0</u> | <u>0</u> | <u>193</u> | <u>37,328</u> |

4.1.2 Intangible assets 2008-09

| | Software purchased £000 | Software Internally generated £000 | Licences and trademarks £000 | Patents £000 | Development Expenditure £000 | Total £000 |
|--|-------------------------------|---|------------------------------------|-----------------|------------------------------------|----------------------|
| Gross cost at 1 April 2008 | 4,543 | 21,317 | 0 | 0 | 283 | 26,143 |
| Additions - purchased | 69 | 12,255 | 0 | 0 | 138 | 12,462 |
| Reclassifications | 47 | (47) | 0 | 0 | 0 | 0 |
| Gross cost at 31 March 2009 | <u>4,659</u> | <u>33,525</u> | <u>0</u> | <u>0</u> | <u>421</u> | <u>38,605</u> |
| Amortisation: | | | | | | |
| Accumulated amortisation at 1 April 2008 | 3,027 | 2,076 | 0 | 0 | 76 | 5,179 |
| Charged during the year | 761 | 5,037 | 0 | 0 | 90 | 5,888 |
| Reclassifications | 15 | (15) | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 31 March 2009 | <u>3,803</u> | <u>7,098</u> | <u>0</u> | <u>0</u> | <u>166</u> | <u>11,067</u> |
| Net book value at 31 March 2008 | 1,516 | 19,241 | 0 | 0 | 207 | 20,964 |
| Net book value at 31 March 2009 | <u>856</u> | <u>26,427</u> | <u>0</u> | <u>0</u> | <u>255</u> | <u>27,538</u> |

Supply Chain and Bursaries had no Intangible assets during the accounting period (2008/09 - £Nil)

4.2 Property, Plant and Equipment

4.2.1 Property, Plant and Equipment 2009/10

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|--|--------------|-------------------------------------|-----------|--|----------------------|------------------------|---------------------------|-------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation at 1 April 2009 | 5,277 | 8,798 | 0 | 0 | 3,054 | 714 | 27,913 | 2,672 | 48,428 |
| Additions - purchased | 0 | 1,352 | 0 | 0 | 0 | 0 | 2,469 | 0 | 3,821 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | (409) | (716) | 0 | 0 | 0 | (131) | (127) | 0 | (1,383) |
| Revaluation | (784) | 967 | 0 | 0 | 0 | 0 | 0 | 0 | 183 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross cost at 31 March 2010 | 4,084 | 10,401 | 0 | 0 | 3,054 | 583 | 30,255 | 2,672 | 51,049 |
| Depreciation | | | | | | | | | |
| Accumulated depreciation at 1 April 2009 | 0 | 724 | 0 | 0 | 2,386 | 504 | 23,024 | 1,724 | 28,362 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | (151) | 0 | 0 | 0 | (123) | (93) | 0 | (367) |
| Impairments | 0 | 141 | 0 | 0 | 0 | 0 | 0 | 0 | 141 |
| Charged during the year | 0 | 426 | 0 | 0 | 86 | 68 | 2,791 | 212 | 3,583 |
| Accumulated depreciation at 31 March 2010 | 0 | 1,140 | 0 | 0 | 2,472 | 449 | 25,722 | 1,936 | 31,719 |
| Net book value at 1 April 2009 | 5,277 | 8,074 | 0 | 0 | 668 | 210 | 4,889 | 948 | 20,066 |
| Net book value at 31 March 2010 | 4,084 | 9,261 | 0 | 0 | 582 | 134 | 4,533 | 736 | 19,330 |

4.2.2 Property, Plant and Equipment 2008/09

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|--|--------------|-------------------------------------|-----------|--|----------------------|------------------------|---------------------------|-------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation at 1 April 2008 | 5,277 | 13,212 | 0 | 8 | 3,125 | 764 | 27,021 | 2,669 | 52,076 |
| Additions - purchased | 0 | 1,106 | 0 | 0 | 0 | 0 | 884 | 3 | 1,993 |
| Reclassifications | 0 | 0 | 0 | (8) | 0 | 0 | 8 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | (71) | (50) | 0 | 0 | (121) |
| Impairments | 0 | (5,520) | 0 | 0 | 0 | 0 | 0 | 0 | (5,520) |
| Gross cost at 31 March 2009 | 5,277 | 8,798 | 0 | 0 | 3,054 | 714 | 27,913 | 2,672 | 48,428 |
| Depreciation | | | | | | | | | |
| Accumulated depreciation at 1 April 2008 | 0 | 0 | 0 | 0 | 2,366 | 467 | 20,745 | 1,482 | 25,060 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | (70) | (44) | 0 | 0 | (114) |
| Impairments | 0 | 180 | 0 | 0 | 0 | 0 | 0 | 0 | 180 |
| Charged during the year | 0 | 544 | 0 | 0 | 90 | 81 | 2,279 | 242 | 3,236 |
| Transfers to NHS bodies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accumulated depreciation at 31 March 2009 | 0 | 724 | 0 | 0 | 2,386 | 504 | 23,024 | 1,724 | 28,362 |
| Net book value at 31 March 2008 | 5,277 | 13,212 | 0 | 8 | 759 | 297 | 6,276 | 1,187 | 27,016 |
| Net book value at 31 March 2009 | 5,277 | 8,074 | 0 | 0 | 668 | 210 | 4,889 | 948 | 20,066 |

Supply Chain and Bursaries had no Property, Plant and Equipment during the accounting period (2008/09 - £Nil)

4.2.3 Land and Buildings

The net book value of land and buildings comprises:

| | 31 March 2010 | 31 March 2009 |
|-----------------|---------------|---------------|
| | £000 | £000 |
| Freehold | 11,495 | 12,098 |
| Long leasehold | 1,705 | 1,056 |
| Short leasehold | 145 | 197 |
| Total | 13,345 | 13,351 |

4.2.4 Economic Lives of Non-current Assets

| | Min Life | Max Life |
|--------------------------------------|----------|----------|
| | Years | Years |
| Intangible assets | | |
| Software licences | 3 | 5 |
| Internally generated software | 5 | 5 |
| Development expenditure | 5 | 5 |
| Property, Plant and Equipment | | |
| Buildings excl. dwellings | 3 | 65 |
| Plant & machinery | 5 | 10 |
| Transport equipment | 5 | 7 |
| Information technology | 5 | 7 |
| Furniture & fittings | 5 | 10 |

4.2.5 Impairments

a) Impairments charged in the year to the Operating Cost Statement

| | 2009-10 | | 2008-09 | |
|-------------------------|---|------------------------------|--|------------------------------|
| | Property, plant and equipment £000 | Intangible assets £000 | Property, plant and equipment £000 | Intangible assets £000 |
| Impairments arose from: | | | | |
| Changes in market price | 141 | 0 | 180 | 0 |
| Total | 141 | 0 | 180 | 0 |

b) Impairments charged in the year to the revaluation reserve

| | 2009-10 | | 2008-09 | |
|-------------------------------------|---|------------------------------|--|------------------------------|
| | Property, plant and equipment £000 | Intangible assets £000 | Property, plant & equipment £000 | Intangible assets £000 |
| Charged to the revaluation reserve: | 0 | 0 | 5,520 | 0 |

4.2.6 Non-current assets held for sale

| Year ended | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---------------|------|-------------------------------------|-----------|--|----------------------|------------------------|---------------------------|-------------------------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 31 March 2010 | 500 | 1300 | 0 | 0 | 0 | 0 | 0 | 0 | 1800 |
| 31 March 2009 | 410 | 514 | 0 | 0 | 0 | 0 | 0 | 0 | 924 |

Two of the Authority's buildings previously used for prescription processing were rendered surplus to requirements by the successful implementation of the Capacity Improvement Programme and vacated during 2009-10. These buildings were held for sale at the year end.

These building fall within the Service Provision segment assets.

4.3 Inventories

| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2008 £000 |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| Supply Chain trading stocks | 66,114 | 61,987 | 50,148 |
| Total | 66,114 | 61,987 | 50,148 |

All inventories relate to **Supply Chain**

4.4 Receivables

| | 31 March 2010 | Current 31 March 2009 | 31 March 2008 |
|---|----------------------|---------------------------------|---------------|
| | £000 | £000 | £000 |
| Trade receivables - revenue | 105,102 | 80,238 | 58,259 |
| Provision for impairment of receivables | (5,392) | (5,665) | (4,630) |
| Prepayments and accrued income | 12,379 | 7,281 | 12,088 |
| Other receivables | 37,869 | 23,223 | 18,672 |
| Trade and other receivables | 149,958 | 105,077 | 84,389 |
| Segmental split | | | |
| Supply Chain | 135,020 | 88,163 | 65,344 |
| Service Provision | 6,078 | 9,466 | 8,348 |
| Bursaries | 8,860 | 7,448 | 10,697 |
| | 149,958 | 105,077 | 84,389 |
| | | Non-current | |
| | 31 March 2010 | 31 March 2009 | 31 March 2008 |
| | £000 | £000 | £000 |
| Other receivables | 2,161 | 1,609 | 1,204 |
| Trade and other receivables | 2,161 | 1,609 | 1,204 |
| Segmental split | | | |
| Supply Chain | 0 | 0 | 0 |
| Service Provision | 0 | 0 | 0 |
| Bursaries | 2,161 | 1,609 | 1,204 |
| | 2,161 | 1,609 | 1,204 |

4.5 Trade payables and other current liabilities

| | 31 March 2010 £000 | Current 31 March 2009 £000 | 31 March 2008 £000 |
|---------------------------------|-----------------------|---|-----------------------|
| Trade payables revenue | 100,979 | 55,653 | 64,256 |
| Trade payables capital | 0 | 17 | 308 |
| Tax and social security | 4 | 1 | 7 |
| Accruals and deferred income | 67,732 | 51,380 | 37,343 |
| Other payables | 2,374 | 2,370 | 2,898 |
| Trade and other payables | 171,089 | 109,421 | 104,812 |
| Segmental split | | | |
| Supply Chain | 139,854 | 87,464 | 86,868 |
| Service Provision | 21,881 | 16,552 | 13,620 |
| Bursaries | 9,354 | 5,405 | 4,324 |
| | 171,089 | 109,421 | 104,812 |

| | 31 March 2010 £000 | Non-Current 31 March 2009 £000 | 31 March 2008 £000 |
|---------------------------------|-----------------------|---|-----------------------|
| Accruals and deferred income | 0 | 0 | 237 |
| Trade and other payables | 0 | 0 | 237 |
| Segmental split | | | |
| Supply Chain | 0 | 0 | 0 |
| Service Provision | 0 | 0 | 237 |
| Bursaries | 0 | 0 | 0 |
| | 0 | 0 | 237 |

4.5.1 Borrowings

| | 31 March 2010 £000 | Current 31 March 2009 £000 | 31 March 2008 £000 |
|----------------|-----------------------|---|-----------------------|
| Bank Overdraft | 0 | 0 | 105 |
| Total | 0 | 0 | 105 |

4.6 Cash and Cash equivalents

| | 2009-10 £000 | 2008-09 £000 | 2007-08 £000 |
|------------------------|-----------------|-----------------|-----------------|
| Balance at 1 April | 9,330 | 40,015 | 16,216 |
| Net change in the year | 12,346 | (30,685) | 23,799 |
| Balance at 31 March | 21,676 | 9,330 | 40,015 |

| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2008 £000 |
|---|-----------------------|-----------------------|-----------------------|
| Held with the Government Banking Service (formerly OPG) | 21,674 | 9,269 | 40,115 |
| Commercial banks and cash in hand | 2 | 61 | 5 |
| Current investments | 0 | 0 | 0 |
| Cash and Cash equivalents as in Statement of financial position | 21,676 | 9,330 | 40,120 |
| Bank overdraft | 0 | 0 | (105) |
| Cash and cash equivalents as in Statement of cash flows | 21,676 | 9,330 | 40,015 |

| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2008 £000 |
|------------------------|-----------------------|-----------------------|-----------------------|
| Segmental split | | | |
| Supply Chain | 3,947 | 2,541 | 36,603 |
| Service Provision | 14,609 | 6,653 | 3,271 |
| Bursaries | 3,120 | 136 | 141 |
| | 21,676 | 9,330 | 40,015 |

4.7 Provisions for liabilities and charges

| | Current | | |
|----------------------------------|----------------------|---------------|---------------|
| | 31 March 2010 | 31 March 2009 | 31 March 2008 |
| | £000 | £000 | £000 |
| Pensions relating to other staff | 142 | 144 | 146 |
| Legal claims | 130 | 175 | 179 |
| Other | 0 | 728 | 90 |
| Total | 272 | 1,047 | 415 |

| | Non-current | | |
|----------------------------------|----------------------|---------------|---------------|
| | 31 March 2010 | 31 March 2009 | 31 March 2008 |
| | £000 | £000 | £000 |
| Pensions relating to other staff | 1,761 | 1,849 | 1,984 |
| Legal claims | 0 | 0 | 0 |
| Other | 329 | 239 | 239 |
| Total | 2,090 | 2,088 | 2,223 |

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

| | Pensions relating to other staff £000 | Legal claims £000 | Other £000 | Total £000 |
|--------------------------|--|----------------------------------|-----------------------|-----------------------|
| At 1 April 2008 | 2,130 | 179 | 329 | 2,638 |
| Arising during the year | 0 | 67 | 638 | 705 |
| Utilised during the year | (123) | (68) | 0 | (191) |
| Reversed unused | (14) | (3) | 0 | (17) |
| Unwinding of discount | 0 | 0 | 0 | 0 |
| Change in discount rate | 0 | 0 | 0 | 0 |
| At 1 April 2009 | 1,993 | 175 | 967 | 3,135 |
| Arising during the year | 67 | 20 | 0 | 87 |
| Utilised during the year | (157) | (65) | (638) | (860) |
| Reversed unused | 0 | 0 | 0 | 0 |
| Unwinding of discount | 0 | 0 | 0 | 0 |
| Change in discount rate | 0 | 0 | 0 | 0 |
| At 31 March 2010 | 1,903 | 130 | 329 | 2,362 |

Expected timing of cash-flows:

| | | | | |
|---|-----|-----|-----|------------|
| In the remainder of the spending review period to 31 March 2011 | 142 | 130 | 0 | 272 |
| Between 1 April 2011 and 31 March 2015 | 518 | 0 | 329 | 847 |
| Between 1 April 2015 and 31 March 2020 | 518 | 0 | 0 | 518 |
| Thereafter | 725 | 0 | 0 | 725 |

Other provisions at 31 March 2010 relates to Leasehold Property Decommissioning.

Contingencies at 31 March 2010

At 31 March 2010, there were no known contingent assets or liabilities (2008-09: £nil).

4.8 Revaluation Reserve

| | 2009-10 £000 | 2008-09 £000 |
|---|-----------------|-----------------|
| At 1 April | 2,650 | 8,170 |
| Impairments | 0 | (5,520) |
| Revaluations | 183 | 0 |
| Transfer to General Fund - realised revaluation | 0 | 0 |
| At 31 March | 2,833 | 2,650 |

4.9 General Fund

| | 2009-10 £000 | 2008-09 Restated £000 |
|---|-----------------|-----------------------------|
| At 1 April | 110,401 | 107,996 |
| IFRS restatement adjustments | 0 | (117) |
| At 1 April (Restated) | 110,401 | 107,879 |
| Net operating cost for the year | (145,736) | (139,821) |
| Net Parliamentary funding | 151,941 | 139,108 |
| Notional costs | 85 | 85 |
| Transfers to general fund of realised elements of Revaluation Reserve | 0 | 0 |
| Capital charges interest | 3,592 | 3,150 |
| At 31 March | 120,283 | 110,401 |

4.10 Events after the reporting period

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

The Accounts were authorised for issue on 17 June 2010 by the NHS BSA Chief Executive and Accounting Officer.

4.11 Capital commitments

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

| | 31 March 2010 £000 | 31 March 2009 £000 |
|-------------------------------|-----------------------|-----------------------|
| Property, plant and equipment | 5,370 | 0 |
| Intangible assets | 10,440 | 0 |
| Total | 15,810 | 0 |

5.1 Movements in working capital

| | 2009-10 £000 | 2008-09 £000 |
|--|-----------------|-----------------|
| (Increase)/decrease in receivables within 1 year | (44,881) | (20,688) |
| (Increase)/decrease in receivables after 1 year | (552) | (405) |
| (Increase)/decrease in inventories | (4,127) | (11,839) |
| Increase/(decrease) in payables within 1 year | 61,668 | 4,609 |
| Increase/(decrease) in payables after 1 year | 0 | (237) |
| Subtotal | 12,108 | (28,560) |
| Less Movement in receivables relating to items not passing through the OCS | 0 | 0 |
| Less Movement in payables relating to items not passing through the OCS | 0 | 0 |
| Subtotal | 0 | 0 |
| Total | 12,108 | (28,560) |

5.2 Analysis of changes in net debt

| | As at 1 April 2009 £000 | Cash flows £000 | As at 31 March 2010 £000 |
|-------------------------------------|-------------------------------|-----------------------|--------------------------------|
| GBS (formerly OPG) cash at bank | 9,269 | 12,405 | 21,674 |
| Commercial cash at bank and in hand | 61 | (59) | 2 |
| Bank overdraft | 0 | 0 | 0 |
| Total | 9,330 | 12,346 | 21,676 |

5.3 Other cashflow adjustments

| | 2009-10 | 2008-09 |
|------------------------------|---------------|---------------|
| Depreciation | 3,583 | 3,236 |
| Amortisation | 7,823 | 5,888 |
| Impairments and reversals | 141 | 180 |
| Cost of Capital Charge | 3,592 | 3,150 |
| Profit/(Loss) on disposal | 12 | 2 |
| Notional Costs | 85 | 85 |
| Provisions - Arising in Year | 87 | 705 |
| Provisions - Reversed unused | 0 | (17) |
| Total | 15,323 | 13,229 |

6. Losses and special payments

There were 2,437 cases of losses (prior year – 1,757) and 89 cases of special payments (prior year – 75) totalling £1,652,000 and £132,000 respectively (prior year £499,000 and £119,000) approved during 2009-10.

7. Related Party Transactions

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

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

8. Other commitments

The Pensions Division of the Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out services totalling £57.8m over 6 years 9 months as at 31 March 2010. (2009: £66.4m). £8.546m (2009: £8.551m) of this commitment is payable within one year.

The Authority has entered into a non-cancellable contract for the provision of contracted out Dental and IT infrastructure services totalling £127.854m over the remaining 9 years and 9 months as at the 31 March 2010. £25.648m of this commitment is payable within one year.

9. Prior Period Adjustments

Change in Accounting Policy

Social Work Bursary funding received from the DH Policy Team was credited in previous years to the General Fund along with Parliamentary funding. At the request of DH, this funding is now credited to operating income. Prior year figures have

been restated to be comparable to the current year.

This £66,942k restatement has the following effect on the 2008-09 figures:

An increase in operating income from £481,335 to £548,277 (Note 3.2).

A decrease in net operating cost from £206,763 to £139,821 (OCS).

A decrease in the revenue resource limit from £206,873 to £139,931 (Note 3.1.1).

A decrease in Parliamentary funding from £206,050 to £139,108 (Note 4.9).

10. Financial Instruments

Financial risk management

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

Currency risk

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

Interest rate risk

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

Credit Risk

Because the majority of the Authority's income comes from funds voted by Parliament and from other NHS bodies the Authority has low exposure to credit risk. The only potential exposure relates to the recovery of overpaid bursaries however any defaults would be recoverable from Strategic Health Authorities who fund the payments.

Liquidity Risk

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

10.1 Financial Assets

| | At 'fair value through profit and loss' | Loans and receivables | Available for sale | Total |
|-------------------------------|---|--------------------------|-----------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Embedded derivatives | 0 | 0 | 0 | 0 |
| Trade receivables | 0 | 80,238 | 0 | 80,238 |
| Other receivables | 0 | 11,684 | 0 | 11,684 |
| Cash at bank and in hand | 0 | 9,330 | 0 | 9,330 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total at 31 March 2009 | 0 | 101,252 | 0 | 101,252 |
| Embedded derivatives | 0 | 0 | 0 | 0 |
| Trade receivables | 0 | 105,102 | 0 | 105,102 |
| Other receivables | 0 | 13,295 | 0 | 13,295 |
| Cash at bank and in hand | 0 | 21,676 | 0 | 21,676 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total at 31 March 2010 | 0 | 140,073 | 0 | 140,073 |

10.2 Financial Liabilities

| | At 'fair value through profit and loss' | Other | Total |
|---|---|----------------|----------------|
| | £000 | £000 | £000 |
| Embedded derivatives | 0 | 0 | 0 |
| Trade Payables | 0 | 55,653 | 55,653 |
| Other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Private Finance Initiative and finance lease obligations | 0 | 0 | 0 |
| Other financial liabilities | 0 | 329 | 329 |
| Total at 31 March 2009 | 0 | 55,982 | 55,982 |
| Embedded derivatives | 0 | 0 | 0 |
| Trade Payables | 0 | 100,979 | 100,979 |
| Other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Private Finance Initiative and finance lease obligations | 0 | 0 | 0 |
| Other financial liabilities | 0 | 329 | 329 |
| Total at 31 March 2010 | 0 | 101,308 | 101,308 |

10.3 Maturity of financial liabilities

| | 31 March 2010 | 31 March 2009 |
|---|----------------|---------------|
| | £000 | £000 |
| In one year or less | 100,979 | 55,653 |
| In more than one year but not more than two years | 0 | 0 |
| In more than two years but not more than five years | 329 | 329 |
| In more than five years | 0 | 0 |
| Total | 101,308 | 55,982 |

10.4 Fair values

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

11. Intra-government balances

| | Receivables amounts falling due within one year £000 | Receivables amounts falling due after more than one year £000 | Payables amounts falling due within one year £000 | Payables amounts falling due after more than one year £000 |
|--|---|---|--|--|
| Balances with other central government bodies | 15,002 | 0 | 87 | 0 |
| Balances with local authorities | 7 | 0 | 0 | 0 |
| Balances with NHS Trusts | 90,433 | 0 | 62 | 0 |
| Balances with public corporations and trading funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 44,516 | 2,161 | 170,940 | 0 |
| At 31 March 2010 | 149,958 | 2,161 | 171,089 | 0 |
| Balances with other central government bodies | 15,428 | 0 | 13 | 0 |
| Balances with local authorities | 0 | 0 | 0 | 0 |
| Balances with NHS Trusts | 63,714 | 0 | 0 | 0 |
| Balances with public corporations and trading funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 25,935 | 1,609 | 109,408 | 0 |
| At 31 March 2009 | 105,077 | 1,609 | 109,421 | 0 |

12. Transition to IFRS

| | General Fund £000 | Revaluation reserve £000 |
|--|----------------------------------|---|
| Taxpayers' equity at 31 March 2009 under UK GAAP: | 110,555 | 2,650 |
| Adjustments for IFRS changes: | | |
| Private finance initiative | 0 | 0 |
| Leases | 0 | 0 |
| Discounting of long term debtors under IAS 39 | -154 | 0 |
| Adjustments for: | | |
| Impairments recognised on transition | 0 | 0 |
| UK GAAP errors | 0 | 0 |
| Taxpayers' equity at 1 April 2009 under IFRS: | 110,401 | 2,650 |
| | £000 | |
| Net restated operating costs for 2008/9 under UK GAAP | 139,784 | |
| Adjustments for: | | |
| Leases | 0 | |
| Discounting of long term debtors | 37 | |
| Net restated operating costs for 2008/9 under IFRS | 139,821 | |

IFRS 8 – Operating Segments

Application of IFRS 8 has resulted in the recognition and disclosure of the operating segment Bursaries in addition to the segments disclosed under UK GAAP.

IAS 38 – Intangible Assets

Application of IAS 38 has resulted in the reclassification of IT systems development expenditure from Tangible Assets under UK GAAP to Intangible Assets. The Net Book Value of these assets at 31 March 2009 was £26.4m.

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