Family Health Services Appeal Authority
(Special Health Authority)

ANNUAL REPORT & ACCOUNTS
TO 31 MARCH 2005

Family Health Services Appeal Authority (Special Health Authority)

ANNUAL REPORT & ACCOUNTS TO 31 MARCH 2005

Presented to the House of Commons pursuant to section 98 (1C) of the National Health Service Act 1977

Ordered by the House of Commons
to be printed 19 July 2005

HC 138 LONDON: The Stationery Office £12.20

Contents

1 Introduction

1.1 This is the annual report of the Family Health Services Appeal Authority (Special Health Authority) ["the Authority"], which includes commentary on the executive function provided to the Family Health Services Appeal Authority ["the FHSAA"]. It is a requirement of the President of the FHSAA to produce his own annual report, both reports being independent of each other, which is published separately and available a www.fhsaa.org.uk.

1.2 As part of the Department of Health's reconfiguration of Arms Length Bodies, the Authority was abolished at the end of March 2005; the functions being transferred to the NHS Litigation Authority [see S.I. 2005/502]. The remaining contact details are unchanged. The FHSAA is unaffected by this review and therefore continues as an independent tribunal.

1.3 The work of the Authority continued to underpin the Department of Health's aim of transforming the health and social care system so that it produces faster, fairer services that deliver better health and tackle health inequalities by providing mechanisms for the proper, prompt and cost-effective resolution of disputes between NHS primary care organisations and the practitioners and organisations that provide or seek to provide services for patients.

1.4 In providing that role, the Authority recognised its key challenges and sought to:

- develop an organisational culture committed to high performance in delivering its role and which enables its people to support continuous improvement.
- promote best practice in adjudication by acting impartially, applying uniform standards and taking account of the individual circumstances of each case in order to provide reasoned decisions.
- pursue value for money in its use of public funds while maintaining the quality and efficiency of the adjudication function.
- provide an effective performance with fair and timely decisions with appropriate information on the progress of disputes.
- express itself succinctly in Plain English.
- deliver the above in a fair, open and honest manner.

2 Chairman's Foreword

2.1 On behalf of the Board of the Authority, it is once again my pleasure to invite you to consider this, our annual report for the year 2004/05. As I look back on a year where the Authority again met business objectives, I am mindful of the positive attitude of the staff during the uncertainty posed by the reconfiguration of the Department of Health's Arms Length Bodies, which sees this Authority abolished at the end of this, our tenth year as a special health authority. The Authority has held a unique position within a changing NHS.

2.2 As an independent special health authority, the Authority continued to deal with matters conferred upon it by Direction of the Secretary of State. As well as those work streams for which it is better known, the Authority now acts as Adjudicator under the Dispute Resolution Procedure for the new GMS Contracts and PMS Agreements.

2.3 It has been a year of important achievement in providing the executive function to the FHSAA and local Primary Care Trusts with information on NHS regulatory decisions on primary care practitioners. In continuing to provide these services accurately and promptly, these organisations are able to fulfil their statutory obligations. Further, the Authority continued to contribute to the wider NHS by providing training courses on primary care regulations with which it is involved.

2.4 It is not surprising that the reconfiguration of the Department of Health's Arms Length Bodies came to dominate the perceptions of the Authority, its employees and its stakeholders. This Annual Report reminds me that those involved have come along way in ten years and further reassures me that the Authority is transferring a cohort of more than capable people to the NHS Litigation Authority, able to rise to the challenge and carry forward the successful delivery of the appellate function. The Board's thanks go to all the Authority's staff and to the members appointed to hear the appeals before the Authority, for their valued contribution throughout the decade. No doubt, they will continue to bring their experience and professionalism to the process and determination of appeals.

2.5 I hope this Annual Report assists in your understanding of the work of the Authority and lends an appreciation to the position it has held within the wider NHS.

Alan Crute
Chairman

3 Chief Executive's Report

3.1 This report comes on the threshold of change, which will see the Authority's portfolio of functions transferred to the NHS Litigation Authority on 1 April 2005. This was announced in the Department of Health's reconfiguration of Arms Length Bodies as the Authority was 'too small to continue as a separate ALB and will be abolished.' Whilst the details of the transfer were being worked upon, staff remained professional and contributed directly to the achievement of our objectives with another successful year for this Authority.

3.2 The Authority commenced this year being mindful of the need to adapt to new dispute resolution procedures for doctors, whilst maintaining and reviewing its other areas of adjudication. Alongside this, the Authority has recognised the need to work towards and apply the principles of Agenda for Change, taking great strides for a small authority in doing so. Again, the Authority achieved re-recognition as an Investor in People.

3.3 The Authority has continued to concentrate on its core functions, for which it was established, and to benefit from the economies of scale achieved by buying in 'back-office' services from elsewhere within the NHS; this being consistent with the principles expounded by the Gershon review. This, along with a programme of re-engineering during the late 1990's, released efficiency savings so as to reduce our call on the public purse. The Authority continued to identify pressures on costs and this year successfully capped tribunal venue expenditure with the use its own facilities and those of a separate tribunal in London.

3.4 Identifying and responding to relatively small changes in capacity requirements proved a continuing management challenge. Success was achieved through a flexible approach by core staff supported by agency staffing until such time as permanent needs became established for business continuity. The Board approved a small increase to establishment to mitigate the continuing cost of agency staff for a now established, and settled, work stream. That, along with replacement recruitment, complied with human resource restrictions placed upon the Authority during the ALB reconfiguration by only issuing twelve-month contracts with the challenges that they entail.

3.5 To understand what we do and place it in perspective, it helps to re-state the basic volumes and array of core work presently undertaken by the Authority. With an operational expenditure of approximately one million pounds, we:

- determined 618 appeals/representations, against a projection of 650.
- used over 16 different regulations/directions, each with own sub-divisions.
- held 120 hearings around the country; some longer than a day.
- carried out 9,000 regulatory checks on practitioners.
- provided the executive function to the FHSAA on 64 cases.

3.6 The overall number of appeals did not vary significantly from the Business Plan with individual work streams showing a combination of increases and decreases against projection. The capability of the team to be flexible between work areas has maintained good performance figures. The average time taken to issue decisions remained at the high of recent years with the resource needed for cases being in-line with that expected.

3.7 The number of cases before the FHSAA was similar to last year, although some appeals required hearings longer than the norm with associated cost implications. Nonetheless, with work levels yet to reach that envisaged, the Authority did not add to the establishment for this work stream and the full resource allocation was not called upon. The Authority discussed and agreed with the Department of Health that the on going budgetary needs for this work stream was not as originally envisaged and indicative budgets were adjusted accordingly.

3.8 This was the Authority's third year of receiving PCT requests for regulatory checks as to whether practitioners have restrictions placed upon them under the provisions of the Health and Social Care Act 2001. Notifications of decisions by PCTs (e.g. suspensions) continued to increase the number of practitioners subject to such restrictions. However, regulatory checks (e.g. to establish whether a National Disqualification is in force) fell back from a high in the previous year and settled to a steady, but not insignificant level.

3.9 As part of the Authority's human resources strategy, the Authority applied for re-recognition as an Investor in People. Being successful for the third time, the Authority views this as complimentary to the NHS Improving Working Lives initiative, where it was awarded 'Practice Status' last year.

3.10 The following sections provide more information with the annual accounts, with appropriate statements, shown in the appendices.

Paul Burns
Chief Executive

4 Governance

4.1 The Secretary of State previously appointed the Chairman and Non-Executive Directors. The appointment of the Chief Executive, having previously been subject to open competition, continued on the basis of satisfactory performance. The constitution of the Board allows for an executive appointment to it, which had previously utilised until 2001. In recognition of the importance of the human resources issues facing the Authority, the Board invited Lisa Hughes to be a member of the Authority in May 2004, with specific responsibility to the Board for this important area. The membership was:

Alan Crute	Chairman
John Goss	Non Executive Director
Pam Taylor	Non Executive Director
Paul Burns	Chief Executive
Lisa Hughes	Executive Director

4.2 The Chairman is a Non-Executive Vice-Chairman of Mental Health Concern which has contracts to provide some nursing home care financed by the NHS. None of the other Directors hold directorships of companies which are likely to do business with the NHS.

4.3 Details of Directors remuneration is given in note 2.3 to the accounts which are published with this report, the Secretary of State determining the remuneration of the Chairman and Non-Executive Directors.

4.4 The Chairman of the Authority also acts as chairman of the Remuneration Committee, which consists of the Chief Executive and Non-Executive members of the Board, the Chief Executive withdrawing when his own remuneration is under consideration. The Remuneration Committee takes professional advice from an external source.

4.5 The Audit Committee consists of Mrs Taylor (Chairman) and Mr Goss although other members of the Board have attended by invitation.

4.6 The Board has met on six occasions during the year. In the course of each meeting, the Board, amongst other things, monitors progress toward achievement of the Authority's business goals and considers financial reports.

4.7 The Board acknowledges and accepts responsibility for maintaining a sound system of internal control including risk management. The Board and it's committees oversee the corporate governance of the organisation using robust reporting structures to provide the assurance required that the NHS resources, for which it is responsible, are properly and prudently managed.

4.8 As part of financial governance, the Authority moved to resource based accounting in 2001/02. The operating cost statement reflects the Authority's net expenditure. A statement confirming the Board's responsibility in respect of internal financial control appears as part of the Annual Accounts.

4.9 The Authority has a developed an assurance framework, which incorporates the identification, assessment and management of risks on an ongoing basis. An organisation-wide self-assessment against relevant risk management and organisational control standards, so far as they are applicable to a body such as the Authority, has been undertaken with risk awareness being an integral part of the decision making process.

4.10 The Chief Executive is required to sign an annual 'Statement on Internal Control' on behalf of the Authority. This statement is underpinned by the Authority's assurance framework and is shown in the annual accounts.

4.11 The Authority is subject to the jurisdiction of the Health Services Commissioner. However, no investigations were pursued with the Authority by the HSC during the year. Further, there were no complaints received under the Authority's own complaints procedure.

4.12 The Authority's external auditor was the Comptroller and Auditor General. The cost of the Audit Services performed for the year was £10,000, which took account of additional costs associated with closure of the Authority.

4.13 Details of compliance with the Better Payment Practice Code are given in note 2.4 to the accounts.

5 SHA Casework

Pharmaceutical Regulations

5.1 Appeals under the National Health Service (Pharmaceutical Services) Regulations 1992 are determined, so far as the control-of-entry issues are concerned, by the Pharmacy Appeals Committee of the Authority ("the Committee"). The Chief Executive usually determines the remaining appeals, which are few in numbers.

5.2 The Committee, usually consisting of three members, either determines appeals on the papers or defers pending receipt of a report from person(s) appointed to hear oral representations. The Committee, which may not necessarily be constituted with the original membership, will then determine the matter following receipt of the report. It is usual practise for the Chief Executive to chair the Committee, however on occasions when he cannot sit, a member from the Board has taken the chair. Likewise, there are occasions where individuals or members collectively may not sit therefore Mrs Taylor agreed to join the Committee to ensure business continuity. Therefore, during the year the list of people from which a Committee was be established was:

Mr P Bratley	Mr J Goss
Mr P Burns	Mr B Mitchell
Mr A Crute	Mrs P Taylor
Mr R French	

5.3 Notwithstanding the pending changes to the pharmaceutical contract and control of entry regulations, the Authority experienced a similar number of appeals to last year and that forecast (300) in the Authority's business plan. A three-year comparison is shown below:

Year	*Received*	*Determined*
2002/03	224	219
2003/04	317	309
2004/05	298	301

5.4 The Authority's target times for appeals determined were met in over 97% of cases. The average time taken for determinations was broadly in line with recent years, the results unlikely to be noticeably bettered. Appendix 1 shows those achievements in more detail whilst breaking down the total number of cases both by decision and by type.

5.5 The information in Appendix 1 reflects the outcome of appeals as to whether they were dismissed or allowed; however, this does not show whether the application was granted or refused. Following on from the first reporting of this information two years ago, the table below shows the outcome of applications determined on appeal under regulation 8 for relocations and preliminary consent/full applications:

Applications:	*Granted*	*Refused*
Full Applications [Regulation 4(4)]:	37	106
Relocations [Regulation 4(3)(a)]:	46	42
Relocations [other than under 4(3)(a)]:	7	13

5.6 Of course, appeals under regulation 13 against PCT decisions regarding the prejudice test under regulation 12 continued to be received. These continued as previously with the exception to the

test of prejudice to medical services, which required reconsideration following the change from terms of service for doctors to formal contractual obligations.

5.7 The Authority is mindful that the possibility of judicial review remains live. Our last annual report referred to an outstanding application to the court, where permission had been granted, being postponed pending the outcome of other matters between the applicant and the local PCT. Those matters were subject to separate legal proceedings, which are continuing and therefore the Authority agreed to a continuance of the postponement.

5.8 During the year, the Authority received three notifications of applications to the courts for Permission to Judicially Review determinations of the Committee. In a case concerning two competing applicants for a site, the decision to prefer one applicant to another was challenged and permission granted to proceed. In the Authority's view, the matter turned on the weight to be placed on evidence and submissions concerning the extent to which one applicant was likely, or not, to gain control of the proposed site. This being a not uncommon scenario faced by the Committee. The application was determined by the court in March and the application was dismissed with the Authority being awarded costs.

5.9 The second application concerned a decision of the Committee under Regulation 4(4) to grant a pharmacy in a rural area. The application to the court came from the local medical practice, which relied upon two earlier judicial reviews regarding the application of that regulation in rural areas. In refusing permission to proceed, the court recognised the point in earlier judgements that pharmaceutical services provided by doctors was not a relevant factor to be taken into consideration in the present case. The Committee's decision being lawful with no arguable grounds for a review.

5.10 The last application again related to a rural area however the challenge was with regard to the Committee's decision, following an oral hearing, that to grant either of the pharmacy applicants would not prejudice services within the meaning of Regulation 12. The local medical practice seeking to argue prejudice to primary medical services under Part 1 of the Act, which applied since the introduction of the new GP contract in April 2004. This application being received towards the end of the year is awaiting permission to proceed from the court. There is no common thread between these applications and in each instance solicitors to the Authority advised that its position was defensible. The Authority seeks such advice on receipt of pre-action protocol letters, which are received prior to formal applications to the courts.

Disciplinary Appeals

5.11 Appeals under the National Health Service (Service Committees and Tribunal) Regulations 1992 are, so far as appeals against decisions of local Disciplinary Committees are concerned, determined by delegation to an officer, usually the Chief Executive. These are sometimes referred to as the disciplinary regulations.

5.12 Effective from 1 April 2004, the provisions of these regulations no longer applied to the medical profession although there are transitional arrangements in place for those matters that occurred before that date. Given there were no cases in relation to that profession, there was no requirement for the Medical Advisory Committee to meet.

5.13 The Dental Advisory Committee met on two occasions to consider three appeals against the sanction imposed by the local PCT. There were no appeals against PCT determinations regarding breaches to the terms of service for dentists.

5.14 The Authority occasionally receives appeals from pharmaceutical or ophthalmic practitioners against PCT findings that they are in breach of their respect terms of service. Two such appeals were received from a pharmacist against the level of recovery, which were determined and the appeals dismissed.

5.15 In accordance with Regulation 8(7), it is the responsibility of the appropriate Primary Care Trust to send a copy of its determination to the Authority. The Authority is responsible for keeping a record of those breaches notified to it. However, in accordance with the principles of the Data Protection Act, such information is retained only for as long as required, as there is a limit on the time such breaches may be taken into account under the regulations. The information is used in order to determine the correct level of recovery for any future appeals and for enquiries by PCTs of regulatory action against a practitioner.

5.16 The Authority received a letter purporting to appeal a PCT decision. The Authority concluded that there was no PCT decision against which the practitioner could appeal. The practitioner sought permission for a judicial review however, following oral representations by the practitioner, the court refused permission.

5.17 The statistics concerning determinations under this Regulation can be found at Appendix 2.

General Medical Services Regulations (inc. SFA)

5.18 Appeals under the National Health Service (General Medical Services) Regulations 1992, or representations under the Statement of Fees and Allowances (SFA), are usually determined by the Chief Executive. However, effective from 1 April 2004, the provisions of these regulations no longer apply to the medical profession. Although there are transitional arrangements in place for the SFA that relate to matters prior to that date.

5.19 There remained a number of representations under the SFA. The Authority took the view that notional rent cases fell to be regarded as being within the remit of the SFA when the date being assessed was prior to the coming into force of the new GP contract.

5.20 Whilst there remained the usual mix of issues, the Authority received a notable number of representations with regard to the Postgraduate Education Allowance. Practitioners sought to argue that the allowance should be paid beyond 31st March 2004. The Authority viewed the Transitional Order as only permitting claims made after that date as payable where payment is treated as being in 2003/04, or earlier. It was noted that the new GMS Contract included the former PGEA payments and therefore doctors were not disadvantaged.

5.21 The statistics concerning determinations under the SFA can be found at Appendix 3.

GP Registrar Directions

5.22 Determinations are made, on behalf of the Secretary of State, under the "Directions to Strategic Health Authorities concerning GP Registrars", which came into force on 3 November 2003. These replaced the previous 2001 Directions with some changes being backdated to April 2003. The

Chief Executive determined representations against local decisions and, where necessary, on requests for assessments in the first instance, which apply to positions held outside of the NHS.

5.23 The number of requests for first instance assessments of GP Registrar allowances continued as in recent years. However, the number of representations raising disputes as to the allowance assessed locally continued at the high of last year, which followed the coming into force of the 2003 Directions. These Directions introduced the concept of salary protection for GP Registrars entering directly from certain public sector appointments including a non-consultant career grade post. That scenario was rarely disputed.

5.24 The most common area of dispute was with regard to doctors who became a GP Registrar from a training grade post, e.g. S.H.O., that had a protected salary in that post. Given they had not entered the GP Registrar post 'directly' from a post that entitles protection of salary, their representations for protected salary were unsuccessful. The view was taken that the pre-2003 Directions were silent on protection however the 2003 Directions allowed a very specific exemption to the otherwise continuing paragraph and, in doing so, lent itself to be interpreted that no protection was intended other than by way of that specific exemption.

5.25 The statistics concerning determinations under these Directions are shown in Appendix 3.

Vocational Training appeals

5.26 Appeals under the National Health Service (Vocational Training for General Medical Practice) Regulations 1997 (as amended) rest with the Authority. Appeals against decisions of the Joint Committee on Postgraduate Training for General Practice (JCPTGP) not to issue certificates of prescribed or equivalent experience are determined by an Appeal Body. Those decisions of the JCPTGP to refuse to approve, or withdraw approval from, a practitioner as a GP Registrar Trainer are determined by the Chief Executive.

5.27 During the year, the Appeal Body determined five appeals with two practitioners having their experience deemed equivalent. Where the appellant requests an oral hearing, or the Appeal Body considers it necessary, the Appeal Body hears the evidence and did so in determining four appeals. The remaining appeal being determined on the papers. There were no appeals relating to GP Trainers this year.

5.28 The statistics concerning these determinations are shown in Appendix 3.

Sale of medical practices

5.29 The Authority determines applications under Schedule 10 of the NHS Act 1997 as to whether the sale of a medical practice involves goodwill. The Authority only issues the appropriate certificates where satisfied that the transaction or a series of transactions does not involve the giving of valuable consideration in respect of the goodwill of a medical practice. In the event that it is not so satisfied, a certificate is not issued.

5.30 In all cases, the matter related to the open market value of the practice premises. The Authority seeks advice on this from the local District Valuer.

5.31 The statistics on this matter are shown in Appendix 3.

6 Fitness to Practice

Notifications from PCTs

6.1 As a consequence of the 'fitness to practice regime', the Authority holds the central records for England for regulatory decisions regarding primary care practitioners notified to it by local Primary Care Organisations within the United Kingdom.

6.2 In summary, those notifications and their status at 31 March 2005 are as follows with a breakdown by profession at Appendix 4:

- **Practitioner Suspensions** – 83 notifications were received during the period.
- **Removals from Lists** – 77 notifications were received of which 18 were appealed.
- **Contingent Removals** – 13 notifications were received of which 2 were appealed.
- **Refusals to Include** – 54 notifications were received of which 18 were appealed.
- **Conditional Inclusions** – 52 notifications were received of which 2 were appealed.

6.3 There were 68 suspensions still in force at 31 March 2005. The following table shows the duration of the suspensions by profession and whether they are as a result of PCT or non-NHS investigations.

Table of Primary Care Practitioner suspensions in force at 31 March 2005

	Less 6 months	*6-12 months*	*Over 12 months*
Pending PCT Investigation:			
GP	21	1	1
Dentist	0	0	0
Optician	0	0	0
Pending non-NHS Investigations:			
GP	14	11	13
Dentist	1	2	2
Optician	1	0	1

6.4 The Authority provides the FHSAA's executive function in order that it can discharge its duties. As well as doing so for those appeals referred to earlier, the Authority supported the FHSAA in dealing with applications for extension to suspension [9] and with regard to whether a practitioner should be nationally disqualified [5] from being included in any NHS Primary Care Practitioner list. As a consequence, as at 31 March 2005, there are 17 practitioners against which there is presently a national disqualification. This includes those imposed by the former NHS Tribunal; this information now being held by the Authority.

6.5 The notifications received by the Authority are maintained in order to provide Primary Care Organisations with details on individual practitioners as to whether there has been a national or local restriction upon their practicing in NHS primary care or as to whether they are presently suspended from one of the performers lists. By profession, the Authority received the following number of requests:

- Medical 4,292
- Dental 2,856
- Ophthalmic 1,827
- *Pharmaceutical - commences 1 April 2005.*

7 Oral Hearings

7.1 The Authority values the integrity, professionalism and knowledge that chairmen and members (both lay and professional) bring to the adjudication of appeals. Naturally, there have been a few retirements from the various lists. Whilst the lists of active members have not changed materially during the year, there has been a need under the three-year review procedure to release some members. The Authority has a three-yearly cycle of appointing members to the relevant panel lists and is mindful of the need to ensure members are appointed sufficiently in order to maintain their knowledge and skills.

7.2 Whilst mindful that some tribunals pre-schedule dates and venues to panels, the Authority continued its approach to setting oral hearings on the basis of a known case need. The ability to do so being reliant on the continuing flexibility of panel members, often at shorter notice than preferred, and the securing of a suitable venue. Whilst members remained responsive to requests for attendance at hearings, for which the Authority is grateful, the issue of suitable venues has proved increasingly challenging over recent times.

7.3 The problem of availability of suitable tribunal venues is not unique to this Authority. The wider tribunal environment has varying success with this issue, often dependant on whether the tribunal has its own accommodation for hearings. Where a local hearing is needed, the Authority endeavours to utilise accommodation within the wider NHS. However, the nature of cases varies and the Authority accepts that it is not always proper to use local NHS facilities and therefore has commenced utilising facilities within its own building. The FHSAA also utilises these facilities as well as facilities in London.

7.4 Both for the Authority and the FHSAA, on occasion there is a need to record certain hearings due to the issues or complexity of evidence in order to support the chairman's note taking. The Authority purchased appropriate equipment to facilitate this. Such hearings often require the availability of a clerk, although most do not.

7.5 In June, the Authority held an event for chairmen and members that were to be called upon first to sit as adjudicators under the newly introduced dispute resolution procedures for primary medical care contracts.

7.6 An updated appraisal/assessment model for panel members was piloted and later confirmed to replace that in existence in recent years. This was based on the work of Judicial Studies Board on competences and appraisal.

8 Staff, The NHS Plan and The Equality Statement

Introduction

8.1 The Authority has been taking forward the initiatives set out in the NHS Plan and ensuring that overall strategic aims are worked towards by all members of the Authority from the Board down.

8.2 The Authority values the people who help to maintain its high standards. Given the uncertainties following the Arms Length Body ("ALB") review, the Authority has been fortunate in that Staff were able to put aside their concerns in order to continue their commitment and hard work, which despite trying times has ensured that the Authority has maintained its high standards of appeal decisions.

8.3 Over the past year the Authority has worked in accordance with the issues set out in its HR strategy. In doing so, it has developed further many of the HR initiatives as set out in the NHS Plan, and has adapted these to the type of work the Authority undertakes. These continue to include:

8.3.1 Working Together

8.3.2 Improving Working Lives (IWL)

8.3.3 Developing the Workforce

8.4 The Authority also has in place systems for measuring and monitoring to ensure that the right staff are at the right levels and in the right numbers to achieve the Authority's Business Goals and targets. This is to ensure that appeals are dealt with as efficiently and as effectively as possible, thus ensuring the Authority performs its role in Healthcare provision in the most efficient and cost effective way possible.

8.5 The Authority has been working towards implementing Agenda for Change over the past year, and was successful in achieving assimilation of all posts requiring job evaluation to new Agenda for Change Pay Bands and Terms and Conditions during 2004/5. Those requiring job matching were completed in April 2005. A Knowledge and Skills Framework Outline had been developed for all posts within the Authority.

The situation at present

8.6 The Authority's strategy for Human Resources ensures that the people who work for the Authority are able to make the best possible contribution, individually and collectively, to maintain high standards of decision-making. Over the past year the Authority has achieved re-recognition as an Investor in People.

8.7 As part of the Authority's continued commitment to IWL the Authority has continued its work on the findings of the IWL assessment team, and has completed a review of all the internal HR policies.

8.8 The Authority has conducted a third survey of all staff to seek their views with regard to the Authority, and its working practices. The Authority has faced challenging times over the last year following the announcement by the Department of the results of the ALB. Given this potentially threatening situation the Authority also asked staff, as part of the Staff Survey, for feedback following the ALB review.

8.9 With regards to the Authority and its working practices, the results were extremely positive and in some cases were an improvement on last year's positive results. Top perceptions by staff included that staff feel they are able to speak their minds about the way things are in the Authority and that mangers welcome any ideas they may have, and that their views are listened to. Staff felt that this helped them influence change within the Authority.

8.10 Following the ALB review staff were feeling less positive about this aspect of their working lives. They were feeling unsure as to whether their future employment was secure, but the majority of staff were content with the level of communication regarding this from the Authority. However, all staff indicated that they were disappointed with matters of communication outside the Authority's control.

8.11 The staff survey results were circulated to all staff, and will be acted upon over the next year, with the involvement and consultation of staff.

8.12 The Authority understands that staff will work best when they can strike a healthy balance between work and other aspects of their life outside work. The Authority continues to work with staff to develop a range of working arrangements that balance the needs of the service with the needs of staff and has reviewed a number of its HR policies following staff consultation. The Authority has tried to ensure that staff with childcare responsibilities are usually able to amend their working hours in line with child care obligations and some staff, who do suitable work within the Authority, are often able to work from home, sometimes on a regular basis, to help them to balance their work and personal commitments. The success of this was supported by the results of the Staff Survey where one of the top five perceptions was that all Staff felt that the Authority provides adequate facilities and flexibility for them to fit work in around their family life.

8.13 The Authority has dedicated appropriate resources to the concept of Improving Working Lives ensuring that one member of the Authority's staff is a trained Validator for IWL Practice Plus.

8.14 In line with the concept of "life long learning" which has been embraced by the Authority over the past few years, the Authority has tried to provide personal and professional development and training opportunities that are accessible and open to all staff irrespective of their working patterns. There are a number of Authority staff who have undertaken or are still undertaking personal development which includes studying for degrees, improving their interpersonal skills, or improving their language skills. One member of staff has this year successfully completed a degree course with the Open University.

8.15 The Authority has a consistently low sickness rate and was 1% for 2004/5, this compares more than favourably with the rest of the NHS nationally and turnover has generally been low over the past few years but due to uncertainties surrounding the ALB review turnover has increased by 7% to 25%. Given the restrictions on recruitment imposed on the Authority during the ALB reconfiguration, the end of the year saw vacancies, or imminent vacancies, which unless filed promptly, are likely to have a negative impact on output and morale. During 2004/5 the Authority has a record of zero disciplinary profiles, zero complaints profiles, a record of zero accidents in the workplace and no recorded incidences of violence, bullying or Harassment in the workplace.

8.16 An organisational structure is shown at Appendix 5.

Equality and Diversity

8.17 The Authority is committed to providing equality of opportunity for all employees and is committed to the principles of Equality and Diversity. It is also committed to the application of employment practices, policies and procedures which positively value diversity and which aim to ensure that all employees and potential employees receive fair, equitable and consistent treatments. It is intended that no one should receive less favourable treatment or be subject to direct or indirect discrimination for any reason or on any grounds.

8.18 In accordance with the Authority's Race Equality Scheme a system of monitoring and information gathering has been implemented ensuring that the Authority is able to monitor and assess its progress in selecting, developing and retaining staff who reflect the community within which it is situated. The Board adopts the published findings following this.

8.19 Training and development of staff is regularly monitored and reviewed as part of the Authority's procedures and findings of the staff survey with regard to this are acted upon. In accordance with best employment practice, disabled applicants for all job opportunities are guaranteed a job interview.

8.20 The Authority is of the view that all staff have the right to work in an environment within which they are treated with respect. In line with this the Authority has this year reviewed its Bullying and Harassment policy. The Authority continues to monitor incidents of such and act accordingly. The Authority has yet not received any reports of such incidents from staff. This is monitored annually. To assist staff in their job roles and to help them become more comfortable with dealing with conflict, they have this year undergone Conflict Management Training.

The Future

8.21 Whilst the future direction rests with the NHS Litigation Authority, this Authority trusts that the wider NHS Human Resource Strategy, which includes those matters in the NHS Plan such as Agenda for Change and I.W.L. that have been so strategically important in underpinning the success of the Authority in recent years, will be taken forward. The Authority is mindful that the external benchmark of Investors In People, embraced before the NHS initiatives were rolled out, has played an immeasurable part in the development of such a small Authority.

APPENDIX 1

Pharmacy Appeals 1/4/04 to 31/3/05

		Cases completed							
Case type	*Cases received*	*Upheld*		*Dismissed*			*With-drawn*	*Not Valid*	*Total de-termined*
		Site Visit /Oral Hearing	*Without Oral Hearing*	*With Site Visit/Oral Hearing*	*Without Oral Hearing*	*Summary*			
Rurality	4	2	0	0	4	0	0	1	7
Doctors Dispensing	5	2	2	0	1	0	0	0	5
Pharmacy (prejudice)	11	0	2	1	2	1	0	2	8
Pharmacy (necessary/ desirable Rural)	14	0	5	0	5	0	0	4	14
Others (Rural)	0	0	0	0	0	0	0	0	0
Full Applications (includes relocations other than minor)	144	16	13	24	71	7	7	8	146
Appliance Applications	1	0	0	0	1	0	0	0	1
Oxygen Applications	1	0	0	0	0	0	0	0	0
Minor Relocations	82	14	6	6	48	2	7	3	86
Others (Non Rural)	8	0	1	0	1	0	0	4	6
Schedule 2 – Premises and Hours	20	1	4	6	5	0	3	1	20
Removal from List	8	0	4	0	3	0	2	0	9
TOTALS									
2004/05	**298**	**35**	**37**	**37**	**141**	**10**	**19**	**23**	**302**
2003/04	**317**	**44**	**38**	**46**	**127**	**15**	**18**	**21**	**309**
Average time taken for 2004/05 (weeks) *(2003/2004 in italics)*		23*(22)*	12*(10)*	22*(22)*	11*(10)*	3*(2)*			
% of cases in target time for 2004/05 *(2003/04 in italics)*		100*(87)*	100*(100)*	92*(96)*	98*(100)*	78*(100)*			

APPENDIX 2

APPEALS RE: BREACHES OF TERMS OF SERVICE

	Appeals received (breach and sanction)		*Breach determinations (excluding withdrawals and summary dismissals)*	
	04/05	*03/04*	*04/05*	*03/04*
Disciplinary (all professions)	10	10	0	4
Average time taken to issue decision on breach				18 weeks
% of breach decisions in target for year (26 weeks)				100%
Medical	2	2	0	2
Average time taken to issue decision on breach				20 weeks
% of breach decisions in target for year (26 weeks)				100%
Dental	6	8	0	2
Average time taken to issue decision on breach				18 weeks
% of breach decisions in target for year (26 weeks)				100%
Pharmaceutical	2	0	0	0
Average time taken to issue decision on breach				
% of breach decisions in target for year (26 weeks)				
Ophthalmic	0	0	0	0
Average time taken to issue decision on breach				
% of breach decisions in target for year (26 weeks)				

APPENDIX 3

OTHER WORKSTREAMS

	Cases received		*Cases completed*	
	04/05	*03/04*	*04/05*	*03/04*
SFA	42	36	47	30
Average time taken			12 weeks	9 weeks
% in target (15 or 26 weeks)			98%	100%
GP REGISTRAR DIRECTIONS	175	164	172	171
Average time taken			4 weeks	4 weeks
% in target (4 or 15 weeks)			100%	100%
OLD GMS	0	10	0	10
Average time taken				9 weeks
% in target (15 weeks)				90%
(GMS) SALE OF GP PREMISES	2	2	2	3
Average time taken			7 weeks	12 weeks
% in target (26 weeks)			100%	100%
NEW GMS/PMS	44		30	
Average time taken			18 weeks	
% in target (15 or 26 weeks)			100%	
VOCATIONAL TRAINING APPEALS	6	7	7	8
Average time taken			11 weeks	18 weeks
% in target (26 weeks)			100%	87%
VOCATIONAL TRAINING COMPLAINTS	0	4	0	4
Average time taken				9 weeks
% in target (15 weeks)				100%

APPENDIX 4

NOTIFICATIONS FROM PCTS TO THE FHSAA (SHA) APPEALS TO THE FHSAA

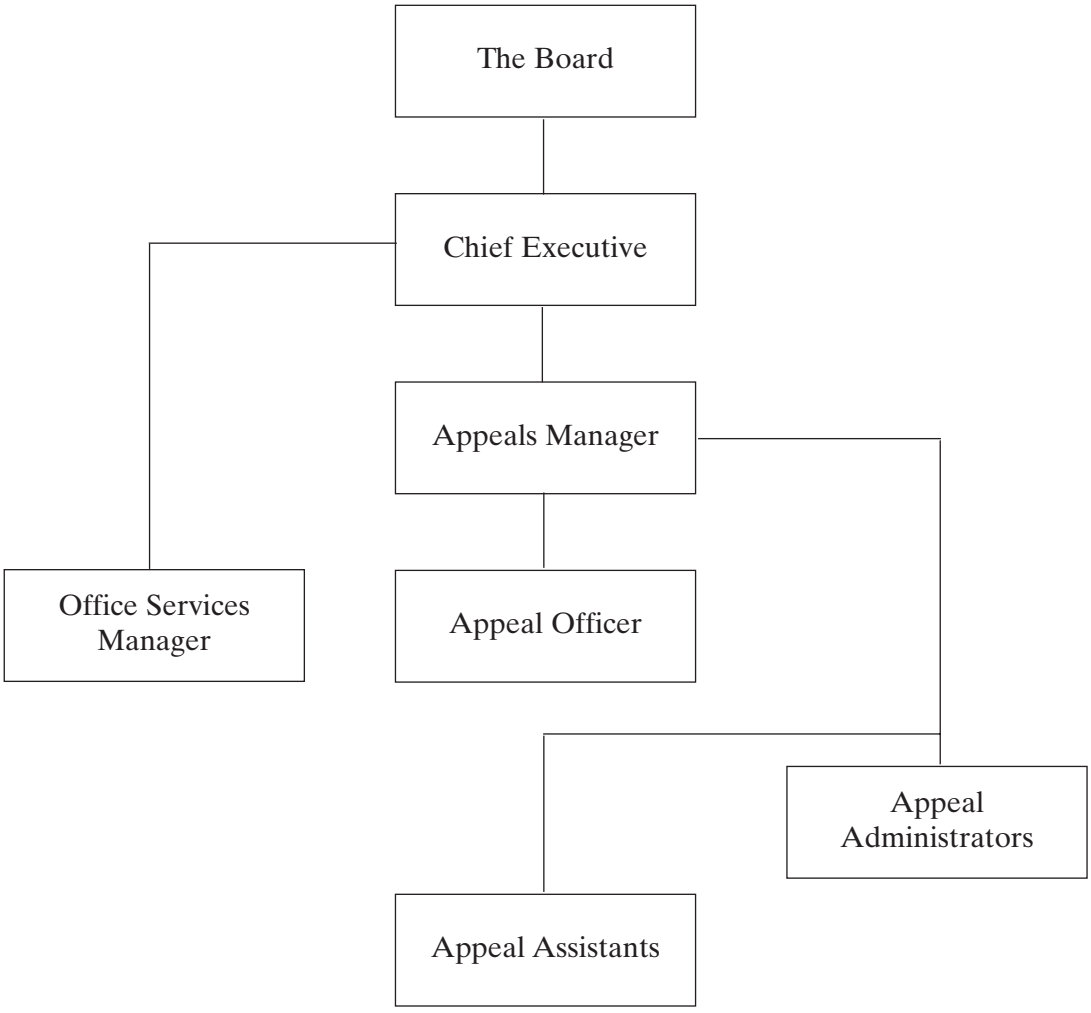
Profession	*Criterion*	*Notifications*	*Appeals*	*Allowed*	*Outstanding*	*In force*
Dental	Suspensions	8				5
	Removals	11	6	0	2	
	Contingent Removals	0	0	0	0	
	Refusals to include	7	4	0	0	
	Conditional Inclusions	21	1	1	0	
Medical	Suspensions	73				61
	Removals	66	12	2	8	
	Contingent Removals	12	2	0	0	
	Refusals to include	30	11	3	2	
	Practice Vacancy		1	0	0	
	Conditional Inclusions	29	1	2	0	
Ophthalmic	Suspensions	2				2
	Removals	0	0	0	0	
	Contingent Removals	1	0	0	0	
	Refusals to include	17	3	11	3	
	Conditional Inclusions	2	0	0	0	
Pharmaceutical	Suspensions	0				0
	Removals	0	0	0	0	
	Contingent Removals	0	0	0	0	
	Refusals to include	0	0	0	0	
	Conditional Inclusions	0	0	0	0	

21 – Review of earlier decision

APPENDIX 5

FAMILY HEALTH SERVICES APPEAL AUTHORITY (SPECIAL HEALTH AUTHORITY)

ORGANISATIONAL STRUCTURE



Foreword

The accounts for the year ended 31 March 2005 have been prepared in accordance with the direction given by the Secretary of State in accordance with section 98(2) of the NHS Act 1977 (as amended) and in a format as instructed by the Department of Health with the approval of Treasury.

The Family Health Services Appeal Authority was established on 1 April 1995 as a Special Health Authority under section 11 of the National Health Act 1977. By Order of the Secretary of State for Health, the name Family Health Services Appeal Authority was changed to Family Health Services Appeal Authority (Special Health Authority) with effect from 24 November 2001.

On 22 July 2004 the Secretary of State for Health announced in a written statement to the House of Commons, that the number of NHS bodies that work at 'arm's length' from the Department of Health would be reduced. A report, ***Reconfiguring the Department of Health's Arm's Length Bodies***, was published which detailed the bodies that would merge, be abolished or see their functions transferred.

On 30 November 2004, the Secretary of State published ***An Implementation Framework for Reconfiguring the Department of Health's Arm's Length Bodies***, setting out the principles, processes and timescales by which the change programme would be implemented. This resulted in the dissolution of the Family Health Services Appeal Authority (SHA) as a separate body at 31 March 2005, with the transfer of its functions, assets and liabilities into the NHS Litigation Authority with effect from 1 April 2005. The Annual Accounts have, therefore, been prepared on behalf of the Family Health Services Appeal Authority (SHA) by the NHS Litigation Authority.

The statutory duties of the Family Health Services Appeal Authority (SHA) are to perform on behalf of the Secretary of State, certain of his appellate and other functions, in connection with decisions and functions of Primary Care Trusts. In addition, effective from the change of name in 2001, the Authority provides the executive function to the Family Health Services Appeal Authority – a separate tribunal. The specific core functions and the Authority's performance against targets are given in the Annual Report.

Financial Performance

The Authority, in line with other NHS bodies, moved to resource based accounting. Expenditure is measured against a Resource Limit set by the Department of Health. The Authority had a statutory duty to contain expenditure within the Resource Limit and to achieve "Operating Financial Balance"; this requirement has shown an underspend of £44,000 for the year 2004/2005.

The Authority receives a Resource and Cash Allocation based on the projected number of Appeals both to itself and the Family Health Services Appeal Authority. During the year these projections are adjusted in the light of actual expenditure. The Resource and Cash Allocation was reduced accordingly.

The Authority reported net operating costs of £956,000 against a target of £1,000,000.

Board Members

There was one new member appointed to the Board during the year. The membership was:

Alan Crute	*Chairman*
Paul Burns	*Chief Executive*
Lisa Hughes	*Executive Director (from 18 May 2004)*
John Goss	*Non-Executive Director*
Pam Taylor	*Non-Executive Director*

Equal Opportunities

The Authority aimed to ensure that no present or future members of staff or applicants for appointment received less favourable facilities or treatment on grounds of sex, marriage, disability, race, colour, nationality, ethnic origin, religious belief, dependants or age, or were placed at a disadvantage by imposed conditions or requirements.

Better Payment Practice Code

The Authority is required to pay its non-NHS trade creditors in accordance with the Better Payment Practice Code.

The target is to pay non-NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever was the later) unless other payment terms had been agreed with the supplier. Of total relevant bills, 97.6% of bills, representing 98.2% by value were paid within target (2003/04; 98.1% of bills, representing 98.9% by value).

Name of Auditor

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 1977 as amended by the Government Resources and Accounts 2000 (audit of Health Service Bodies) Order 2003 No 1324. The Audit Certificate is on pages 29 to 30.

Paul Burns
Chief Executive, Accounting Officer

13 July 2005

Statement of the Board's and Chief Executives Responsibilities

Under the National Health Service Act 1977 and directions made there under by the Secretary of State with the approval of Treasury, the Family Health Services Appeal Authority (SHA) is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Family Health Services Appeal Authority (SHA) state of affairs at the year and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

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

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards have been followed and disclosure and explain any material departures in the financial statements; and

- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Family Health Services Appeal Authority (SHA) will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including Responsibility for the property and regularity of the public funds and assets vested In the Family Health Services Appeal Authority (SHA), and the keeping of proper records, are set out in the Accounting Officers Memorandum issued by the Department of Health.

Statement on Internal Control 2004/05

Family Health Services Appeal Authority (SHA)

1. Scope of responsibility

As Accounting Officer for the relevant period and until the abolition of the Family Health Services Appeal Authority (SHA) on 31 March 2005, I have responsibility, together with the Board, for maintaining a sound system of internal control that supported the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and assets as set out in the Accounting Officer Memorandum.

The Authority relied upon the guidance issued by the Department of Health and the Treasury on the system of internal control, and the Authority, in turn, sought to comply with all such requirements placed upon it. In doing so, the Board have identified key risk areas for the organisation, which I ensured were monitored on a regular basis and through to the Risk Management Team. As required by an agreed Accountability Framework, I personally met with the Authority's sponsoring department, appraising departmental officers of such risks.

The Audit Committee, as a formally constituted sub-committee of the Board, provided independent assurance on all aspects of governance and controls. This included internal and external audit, and other such sources as appropriate.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could 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 Family Health Services Appeal Authority (SHA) for the year ended 31 March 2005 and accorded with Department of Health and Treasury guidance.

3. Capacity to handle risk

The Board and its Sub-Committee, along with the Risk Management Team, led the Authority's commitment to implementing a robust system of internal control and risk management through continuous monitoring and review. This included assigning financial and other such resources where deemed necessary to manage and improve systems and to receive any, and all, assurances regarding the thoroughness and effectiveness of the systems. The Authority is committed to ensuring that risk management was a pivotal part of induction training and that employees are appropriately informed of developments in the Authority's approach to risk management. In this regard, all employees of the Authority are responsible for identifying areas of risk and bringing them to the attention of management.

The Risk Management Team reviewed the risk register to identify and promulgate lessons learnt from past incidents.

4. The risk and control framework

An organisational framework brought the risk management activities into a structured approach to ensure the identification of all risks. The Authority's Risk Management Strategy is co-ordinated by the Risk Management Team, reporting significant matters of concern to the Board.

Other than those referred to the Board, decisions regarding the management of risk rest with the Risk Management Team. The Risk Management Team reported to the Board all matters of risk, which may have adversely affected the Authority's operational ability, where it had been unable to control, eliminate or reduce to an acceptable and cost effective level. Where an immediate risk was confirmed or incident occurred, management acted in accordance with internal protocol. Where the Authority undertook new activities, the risk associated with that activity was assessed and reported to the Risk Management Team.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed by the work of the internal auditors, by comments made by the external auditors, and other such external assurance. I also place reliance on the managers within the organisation, who have responsibility for the development and maintenance of the system of internal control and the Assurance Framework.

The Board, Risk Management Team and Audit Committee advise me on the implications of the result of my review of the effectiveness of the system of internal control and a plan to ensure continuous improvement of the system was in place.

The Board of the Authority are instrumental in leading and co-ordinating the development of the controls assurance framework within the Authority. This included the development of the systematic review for the monitoring of performance indicators for the reduction of risk.

The Audit Committee ensured the effective implementation of the controls assurance programme across the Authority by monitoring compliance against the standards and ensuring on-going assessment and action planning.

The Risk Management Team, which has day-to-day responsibility for internal control, has sought to; improve the Authority's awareness of risk and the ability to manage it; co-ordinate the identification and analysis of risks which might have affected the Authority, its staff, assets and property; oversee the implementation of controls assurance within the Authority and assess progress against action plans; ensure that risk management policies are formulated and submitted for approval to the Board; co-ordinate procedures for risk elimination, reduction, transfer and retention; co-ordinate implementation of risk management policies and procedures; monitor the success of the Authority's risk management policies and procedures, and ensure that risk

management policies and procedures are reviewed in line with business developments, changes in risks and legal requirements.

Internal Audit's principal objective is to review and appraise the adequacy, reliability and effectiveness of the internal controls established by management to achieve the Authority's objectives, by; ensuring the economical and efficient use of resources; ensuring compliance with established policies, procedures, laws and regulations; safeguarding the Authority's assets and interests from losses of all kinds, and ensuring the integrity and reliability of information and data. In this regard, Internal Audit are responsible for the verification of the organisational controls statements, including verifying the structure adopted, the assessments and the action plans, and by providing the annual assurance statement and on-going verification of the assurance statements.

Paul Burns
Accounting Officer

13 July 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 31 to 46 under the National Health Service Act 1977. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 34 to 37.

Respective responsibilities of the Chief Executive and Auditor

As described on page 25 the Chief Executive is responsible for the preparation of the financial statements in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury thereunder and for ensuring the regularity of financial transactions. The Chief Executive is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and directions made by the Secretary of State for Health with the approval of the Treasury thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 26 to 28 reflects the Authority's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that

the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Family Health Services Appeals Authority (SHA) at 31 March 2005 and of the net resource outturn, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State for Health with the approval of the Treasury; and

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

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

July 2005

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

Operating Cost Statement

for the year ended 31 March 2005

	Notes	**2004-05 £000**	2003-04 £000
Programme costs	2.1	**1,047**	955
Operating income	4	**(91)**	(85)
Net operating cost		**956**	870
Net resource outturn	3.1	**956**	870

Statement of Recognised Gains and Losses

for the year ended 31 March 2005

There were no recognised gains or losses.

The notes at pages 34 to 46 form part of this account.

Balance Sheet

as at 31 March 2005

	Notes	**31 March 2005 £000**	31 March 2004 £000
Fixed assets:			
Tangible assets	5	**7**	10
		7	10
Current assets			
Debtors	6	**8**	9
Cash at bank and in hand	7	**81**	1
		89	10
Creditors: amounts falling due within one year	8	**(62)**	(29)
Net current assets/(liabilities)		**27**	(19)
Total assets less current liabilities		**34**	(9)
Taxpayers' equity			
General Fund	11	**34**	(9)
		34	(9)

Paul Burns
Accounting Officer

13 July 2005

The notes at pages 34 to 46 form part of this account.

Cash Flow Statement

for the year ended 31 March 2005

	Notes	**2004-05 £000**	2003-04 £000
Net cash (outflow) from operating activities	12	**(919)**	(815)
Capital expenditure and financial investment:			
(Payments) to acquire tangible fixed assets		**(1)**	(10)
Net cash inflow/(outflow) from investing activities		**(1)**	(10)
Net cash (outflow) before financing		**(920)**	(825)
Financing			
Net Parliamentary funding	11	**1,000**	783
(Decrease) in cash in the period	7	**80**	(42)

The notes at pages 34 to 46 form part of this account.

Notes to the Accounts

1 Accounting policies

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 *Accounting Conventions*

This account is prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and stocks where material, at their value to the business by reference to their current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

1.2 Going Concern

As discussed in the Foreword, on 22 July 2004, the Secretary of State for Health announced that the number of NHS bodies that work at 'arm's length' from the Department of Health would be reduced. On 30 November 2004, the Secretary of State announced the dissolution of the Family Health Services Appeal Authority (SHA) as a separate body at 31 March 2005, with the transfer of its functions into the NHS Litigation Authority with effect from 1 April 2005. Accordingly, the assets, liabilities, contractual obligations and staff of the Family Health Services Appeal Authority (SHA) were transferred from 1 April 2005 to the NHS Litigation Authority. The Accounting Officer of the Family Health Services Appeal Authority (SHA) therefore considers that it is appropriate to prepare the 2004-05 financial statements on a going concern basis.

1.3 Income

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

Operating income is income, which relates directly to the operating activities of the authority. It principally comprises fees and charges for services provided on a full-cost basis to external customers and all Strategic Health Authorities, Trusts and PCTs in England. It includes both income appropriated-in-aid and income to the Consolidated Fund, which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity, which is to be delivered in the following financial year, that income is deferred.

1.4 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.

1.5 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2004-2005 was 3.5% (2003-04; 3.5%) on all assets

less liabilities, except for cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.6 Fixed Assets

a. Capitalisation

All assets falling into the following categories are capitalised:

i. Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

ii. Tangible assets which are capable of being used for more than one year, and they:

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

b. Valuation

Tangible Fixed Assets

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

c. Depreciation and Amortisation

Each equipment asset is depreciated evenly over the expected useful life:

Information technology – 3 years

1.7 *Stocks and work in progress*

The Authority does not recognise stocks and work in progress.

1.8 *Losses and special payments*

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

Notes to the Accounts

continued

1 Accounting policies continued

1.9 *Pension costs*

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the Special Health Authority to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contributions payable in 2004-05 was £36,860 (2003-04; £19,932).

The Scheme is subject to a full valuation by the Government Actuary, every four years which is followed by a review of the employer contribution rates. The last valuation took place as at 31 March 2003 and has yet to be finalised. The last published valuation covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff, 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004-05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%.

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

Early payments of a pension with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional

pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme the full amount of the liability for the additional costs is charged to the Operating Cost Statement account at the time the Authority commits itself to the retirement, regardless of the method of payment.

A death gratuity of twice final years pensionable pay for death in service, and five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

1.10 *Leases*

Rentals under operating leases are charged on a straight-line basis over the terms of the lease.

1.11 *Provisions and Contingent Liabilities*

The Authority considers legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. In 2003-04 there were no obligations that required a provision to be made.

1.12 *Liquid Resources*

Cash balances in the accounts are comprised of cash held in PGO account, petty cash balance and amounts held on the franking machine

Notes to the Accounts

continued

2.1 Authority programme expenditure

	Notes	£000	**2004-05 £000**	2003-04 £000
Non-executive members' remuneration			**23**	23
Other salaries and wages	2.2		**385**	342
Establishment expenses			**200**	176
Premises and fixed plant			**166**	159
External contractors			**253**	239
Capital: Depreciation and amortisation	5	**4**		**0**
Capital charges interest		**(1)**		**1**
			3	1
Auditor's remuneration: Audit Fees			**10**	8
Other operating expenses			**7**	7
			1,047	955

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

2.2 Staff numbers and related costs

	2004-05 £000	**Permanently employed staff £000**	**Other £000**	2003-04 £000
Salaries and wages	**320**	**317**	**3**	298
Social security costs	**28**	**28**	**0**	24
Employer contributions to NHSPA	**37**	**37**	**0**	20
	385	**382**	**3**	342

The average number of employees in the year was 12.

	Total Number	**Permanently employed staff Number**	**Other Number**	2003-04 Number
Total	**12.5**	**10**	**2.5**	12.5

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £nil, (2003-04: £nil,).

Retirements due to ill-health

During 2004-05 there were no early retirements from the Special Health Authority on the grounds of ill-health.

2.3 Salary and pension entitlement of senior managers

a. Remuneration

Name and title	**2004-05 Salary in £5k bands £000**	2003-04 Salary in £5k bands £000
P Burns, *Chief Executive*	**65-70k**	65-70k
L Hughes, *Executive Director*	**Consent withheld**	
A Crute, *Chairman*	**10-15k**	10-15k
J Goss, *Non Executive member*	**5-10k**	5-10k
P Taylor, *Non Executive member*	**5-10k**	5-10k

b. Pension benefits

Name and title	Real increase in pension and related lump sum at age 60 (Bands of £2.5k) £000	Total accrued pension at age 60 at 31 March 2005 and related lump sum (Bands of £5k) £000	Cash Equivalent Transfer value at 31 March 2005 £000	Cash Equivalent Transfer value at 31 March 2004 £000	Real increase in cash Equivalent Transfer Value £000
	NHSPA has failed to provide the above figures by 13 July 2005 for disclosure				
P Burns, *Chief Executive*					
L Hughes, *Executive Director*	Consent withheld				

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

Cash Equivalent Transfer Value

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

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

Notes to the Accounts

continued

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.

2.4 Better Payment Practice Code – measure of compliance

	Number	**£000**
Total bills paid 2004-05	**899**	**559**
Total bills paid within target	**877**	**549**
Percentage of bills paid within target	**97.6%**	**98.2%**

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

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

3.1 Reconciliation of net operating cost to net resource outturn

	2004-05 £000	2003-04 £000
Net operating cost	**956**	870
Net resource outturn	**956**	870
Revenue resource limit	**1,000**	870
(Over)/under spend against limit revenue resource limit	**44**	0

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2004-05 £000	2003-04 £000
Gross capital expenditure	**1**	10
Net capital resource outturn	**1**	10
Capital resource limit	**1**	10
(Over)/underspend against limit	**0**	0

4 Operating income

Operating income analysed by classification and activity, is as follows:

	Not Appropriated in aid £000	**Total £000**	2003-04 £000
Programme income:			
Other	**91**	**91**	85
Total	**91**	**91**	85

5 Tangible fixed assets

	Information Technology **£000**	Total **£000**
Cost or Valuation at 31 March 2004	**24**	**24**
Additions - purchased	**1**	**1**
Gross cost at 31 March 2005	**25**	**25**
Accumulated depreciation at 31 March 2004	**14**	**14**
Provided during the year	**4**	**4**
Accumulated depreciation at 31 March 2005	**18**	**18**
Net book value: at 31 March 2004	10	**10**
Net book value:		
Purchased at 31 March 2005	**7**	**7**
Total at 31 March 2005	**7**	**7**

No assets were held under finance leases or hire purchase agreements.

6 Debtors

	31 March 2005 £000	31 March 2004 £000
NHS debtors	**0**	1
Prepayments	**3**	4
Other debtors	**5**	4
	8	9

Notes to the Accounts

continued

7 Analysis of changes in cash

	At 31 March 2004 £000	**Change during the year £000**	**At 31 March 2005 £000**
Cash at OPG	1	**80**	**81**

8 Creditors:

Amounts falling due within one year

	31 March 2005 £000	31 March 2004 £000
NHS creditors	**19**	3
Other creditors	**0**	16
Accruals	**43**	10
	62	29

9 Provisions for liabilities and charges

There were no provisions in the year ending 31 March 2005 (2003-04: £Nil).

10 Movements in working capital other than cash

	2004-05 £000	2003-04 £000
(Decrease) in debtors	**(1)**	(50)
(Increase) in creditors	**(33)**	(4)
	(34)	(54)

11 Movements on reserves

General Fund

	2004-05 £000	2003-04 £000
Balance at 31 March 2004	**(9)**	77
Net operating costs for the year	**(956)**	(870)
Net Parliamentary funding	**1,000**	783
Non-cash items: Capital charge interest	**(1)**	1
Balance at 31 March 2005	**34**	(9)

12 Reconciliation of operating costs to operating cash flows

		2004-05	2003-04
		£000	£000
Net operating cost before interest for the year		**956**	870
Adjust for non-cash transactions	2.1	**(3)**	(1)
Adjust for movements in working capital other than cash	10	**(34)**	(54)
Net cash outflow from operating activities		**919**	815

13 Contingent liabilities

At 31 March 2004 there was one application for Permission for Judicial Review of a decision of the Authority which was granted by the courts prior to the end of the year and remains to be heard. In the event that the application is successful, any costs to the Authority will be included in the year in which the matter is finally determined. As at 31 March 2005 the application and one other remained outstanding as it had been agreed to stay proceedings pending the outcome of other matters. (2003-04: £nil).

14 Capital commitments

At 31 March 2005 the value of contracted capital commitments was £nil. (2003-04: £nil)

15 Commitments under operating leases

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

	2004-05	2003-04
	£000	£000
Hire of plant and machinery	**9**	10
Other operating leases	**39**	77
	48	87

Commitments under non-cancellable operating leases:

		£000	£000
Land and buildings			
Operating leases which expire:	within 1 year	**39**	0
	between 1 and 5 years	**0**	77
	after 5 years	**0**	0
		39	77
Other leases			
Operating leases which expire:	within 1 year	**0**	0
	between 1 and 5 years	**9**	10
	after 5 years	**0**	0
		9	10

Notes to the Accounts

continued

16 Other commitments

The Authority has no other commitments.

17 Losses and special payments

There were no losses or special payments in 2004-2005.

18 Related parties

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

The Department of Health is regarded as a controlling related party. During the year the Authority has had a significant number of material transactions with the Department in relation to receiving the funding granted under the resource accounting process and with other entities for which the Department is regarded as the parent Department, i.e.:

All Strategic Health Authorities and Primary Care Trusts in England re training of staff on regulatory matters. Income received in year amounted to £31,000 with outstanding debtors of £400.

The Family Health Services Appeal Authority (SHA) has an agreement with Harrogate and District Foundation Trust to provide Finance and Human Resources Functions. The outstanding creditor was £13,780. The Internal Audit function is provided by North Yorkshire Audit Services.

During the year none of the Authority Board Members or members of the key management staff or other related parties has undertaken any material transactions with any Strategic Health Authorities or Primary Care Trusts.

19 Post balance Sheet Events

As discussed in the Foreword and note 1, the Secretary of State announced that the Family Health Services Appeal Authority (SHA) would be dissolved as a separate body at 31 March 2005, with the transfer of its functions into the NHS Litigation Authority with effect from 1 April 2005.

20 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the Family Health Services Appeal Authority (SHA) is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Special Health Authority has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Authority in undertaking its activities.

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

Liquidity risk

The Special Health Authority's net operating costs are financed from resources voted annually by Parliament. The Special Health Authority largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Family Health Services Appeal Authority (SHA) is not, therefore, exposed to significant liquidity risks.

Interest-rate risk

All the Authority's net operating costs and financial liabilities carry nil rates of interest. The Family Health Services Appeal Authority (SHA) is not, therefore, exposed to significant interest-rate risk.

Fair values

A comparison, by category, of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2005 is as follows:

	Book value £000	Fair value £000	Basis of fair valuation
Financial assets:			
Cash	81	81	Book value is fair value
Total	81	81	

21 Intra-government balances

	Debtors Amounts Falling due Within one Year £000	Creditors Amounts Falling due Within one Year £000
Balances with other central Government bodies	5	10
Balances with NHS Trusts	0	14
Balances with bodies external to government	3	38
At 31 March 2005	**8**	**62**
Balances with other central Government bodies	4	8
Balances with NHS Trusts	0	3
Balances with bodies external to government	5	18
At 31 March 2004	**9**	**29**

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
180920 07/05 065536

Published by TSO (The Stationery Office) and available from:

Online
www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Fax orders 0870 600 5533
Order through the Parliamentary Hotline *Lo-call* 0845 7 023474
Email book.orders@tso.co.uk
Textphone 0870 240 3701

TSO Shops
123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
0121 236 9696 Fax 0121 236 9699
9-21 Princess Street, Manchester M60 8AS
0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
18-19 High Street, Cardiff CF10 1PT
029 2039 5548 Fax 029 2038 4347
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/General enquiries 020 7219 3890
Fax orders 020 7219 3866

TSO Accredited Agents
(see Yellow Pages)

and through good booksellers

ISBN 0-10-293475-4

9 780102 934755