

Annual Report and Accounts 2018/19



NHS Business Services Authority Annual Report and Accounts 2018/19

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National Health Service Act 2006

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SMARTWALL

GET A JOB WITH THE NHS

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1. Performance report

Our performance report gives an overview of 2018/19. It includes an overview section giving details of our purpose, activities and performance during the year.

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About us

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summary

1.1 Overview

1.1.1 Statement from our Chief Executive



We have succeeded in our target of identifying £1 billion of recurring savings for the NHS through our Pacific Programme.

2018/19 saw the launch of a new three year strategy for the NHS Business Services Authority (NHSBSA), establishing our strategic goals of customer, people, social value, money and growth. In the early part of 2018/19, we also focused on building our Leadership Team to further develop and deliver our strategy.

We have had a number of successes over the last year including adding new services to our business portfolio such as the Electronic Staff Record (ESR), NHS Jobs and Overseas Healthcare Services. NHS Supply Chain services provided by the NHSBSA has transferred to the newly established Supply Chain Co-Ordination Limited (SCCL), who has acted as our agent, over a twelve month transition period during 2018/19.

We have also continued to use our data to improve patient outcomes and help drive savings. Not only that, working across the NHSBSA and with partners, we have succeeded in our target of identifying £1 billion of recurring savings for the NHS through our Pacific Programme.

We also recognise that for many people, doing things online in a way that is tailored to their needs is the new tradition. Our focus on 'digital first' has continued to improve customer experience and realise savings for the wider NHS, whilst also ensuring that we meet the needs of all of our customers with assisted digital options. In line with this we have enhanced the way we communicate with our customers. We have refreshed our digital and social media

communication platforms which has generated increased engagement.

Throughout this annual report you can find more detail about these and the many other positive impacts and successes that we have achieved over the year in our efforts to fulfil our overall purpose of being a 'catalyst for better health' and our vision of becoming 'the business partner of choice for the NHS'.

We have recently reviewed our strategy and launched an updated version for the next three years. This builds on the success of the last twelve months and will help the NHSBSA continue to shape the organisation and deliver even greater benefits into the wider NHS.

As I will be retiring at the end of June 2019, this has been my final complete year as Chief Executive. I think it goes without saying that all of our colleagues have contributed to our achievements and over the year they have demonstrated their commitment to ensuring we deliver our goals. I must say a big thank you to them, both for supporting myself and the Leadership Team and placing the NHSBSA in a strong position ready for the new Chief Executive.

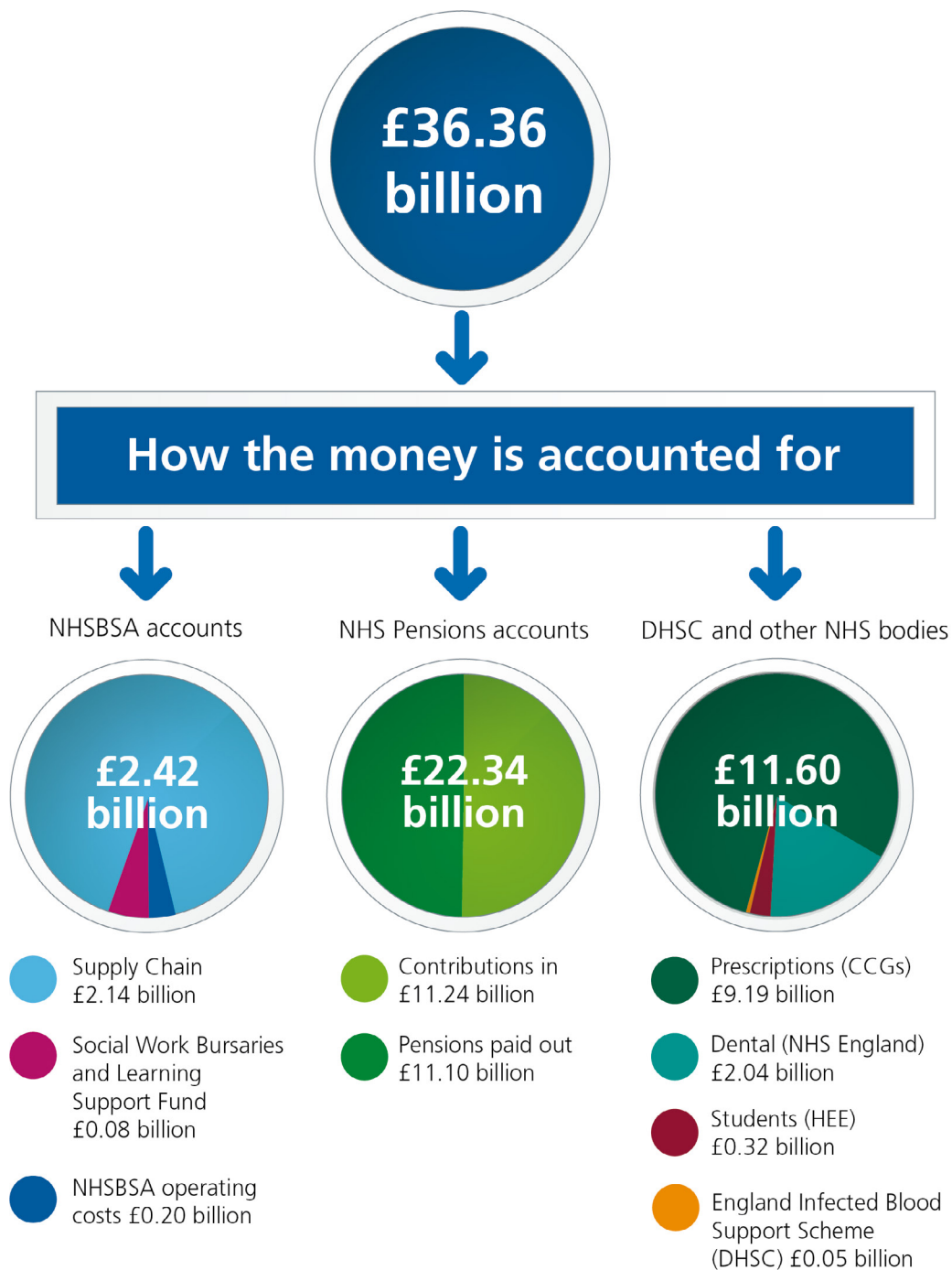
Alistair McDonald
Chief Executive of the NHSBSA (2018/19)

(NOTE: This foreword was written by Alistair McDonald prior to his retirement at the end of June 2019. Andy McKinlay, Executive Director of Finance and Commercial Services, NHSBSA Accounting Officer 1 July 2019 to 31 August 2019. Michael Brodie, Chief Executive, NHSBSA Accounting Officer from 1 September 2019).

1.1.2 About us

The NHSBSA is a Special Health Authority and an Arm’s Length Body (ALB) of the Department of Health and Social Care (DHSC). We provide a range of critical central services to NHS organisations, NHS contractors, patients and the public – a summary of the services we administer can be seen in Figure 2 below, and in the infographic on page 10. The NHSBSA was created in 2006 by bringing together a number of previously separate NHS organisations, and over the years we have taken on additional services as our stakeholders’ needs have evolved. Figure 1 shows the money we administer through our processes and how it is accounted for.

Figure 1: The money flowing through the NHSBSA



In April 2018 we launched a new NHSBSA Strategy 2018-21. This was informed by the arrival of new services such as NHS Jobs and ESR plus the transition of services such as NHS Supply Chain and NHS Protect into new organisations.

Our business services are split into three main operational directorates with each specialising in different customer groups (see Figure 2):

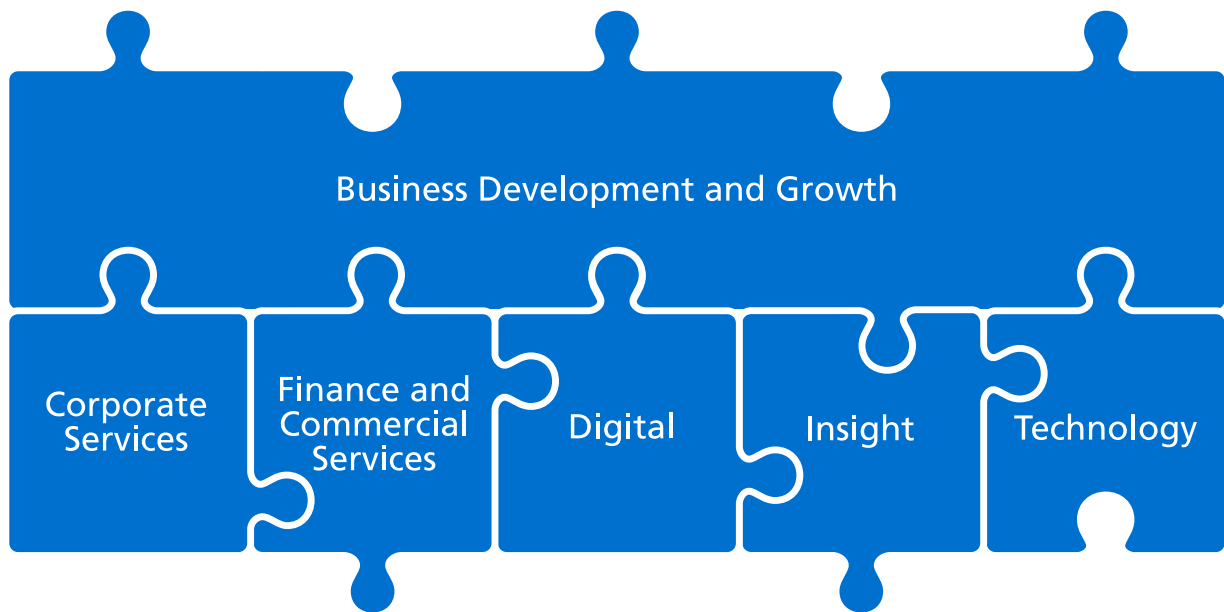
Figure 2: Our structure



- | | | |
|--|--|---|
| <ul style="list-style-type: none"> • NHS Prescription Services • NHS Dental Services • Provider Networks • Scanning Services | <ul style="list-style-type: none"> • NHS Help with Health Costs • Overseas Healthcare Services • European Health Insurance Card (EHIC) • Customer and Contact Services • England Infected Blood Support Scheme • Loss Recovery Services • Student Services • National Supply Disruption Response | <ul style="list-style-type: none"> • NHS Pensions • HR Shared Services • NHS Jobs • Electronic Staff Record (ESR) |
|--|--|---|

Note: NHS Supply Chain services provided by the NHSBSA transferred to the newly established Supply Chain Co-Ordination Limited (SCCL), who acted as our agent, over a twelve month transition period during 2018/19.

Our corporate-based services provide support to all of our operational business services. The creation of our Business Performance, Development and Growth directorate has been especially important in developing a new performance framework for the business as well as a new business report for our Board. It will help to ensure we maximise and take advantage of opportunities to drive and improve the customer experience, and help deliver the national agenda and NHS Long Term Plan working collaboratively across the wider system.



These functions all come together to form the NHSBSA, supporting each other to deliver the best possible service to our customers.

1.1.3 Our key risks and issues

A summary of our key risks and issues is given in the Risk Management section of our Annual Governance Statement in section 2.1.3.

1.1.4 Performance summary

2,453,240 Total Reward Statements and Annual Benefit Statements available for current and former NHS employees to view

£1.166 billion total amount of recurring savings the NHSBSA has delivered for the NHS and its patients

11,000,000 candidates registered to use NHS Jobs enabling **3.9 million applications**

1,170,825 NHS employees accessing the **Electronic Staff Record** portal

Water consumption **reduced by 31.2%** across our estate in 2018/19 (on 2009/10 baseline)

Greenhouse gas emissions **reduced by 67.9%** in 2018/19 (on 2009/10 baseline)

We ranked **88th** out of 445 participating organisations in Stonewalls Workplace Equality Index

Over **£67,500** raised for our corporate charity partner, the British Heart Foundation



Over **66%** of prescriptions sent using the Electronic Prescription Service

Over **200,000** visits to our Help with Health Costs checking tool



Over **1,000,000,000** prescription items processed every year

66% proportion of colleagues who completed the staff survey this year

★★★★★



98,392 responses to our surveys from our customers and stakeholders in 2018/19

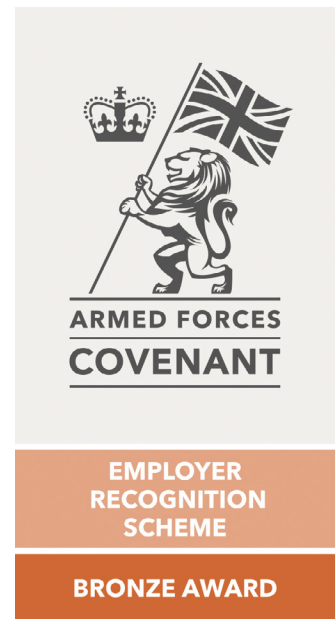


£36 billion the amount of money flowing through our organisation



Our certifications and awards

The following have been awarded or maintained during 2018/19:





North East
Better Health
at Work Award
Continuing Excellence



Working towards our strategic goals

The tables below show the key measures we have used during 2018/19 to assess our progress against our five strategic goals.

 Customer "We make things easy for our customers through the delivery of brilliant basics"	
Description and target	2018/19 performance progress
Net Promoter Score (NPS) is used to measure satisfaction with our services.	
Target: Average NPS of +45 (by March 2020)	Average NPS was +26 in quarter 4 of 2018/19
Target: All NPS ≥ 0 (by March 2021)	13 out of 21 NPS were ≥ 0 in quarter 4 of 2018/19
Net Easy is used to measure how easy it is to use our services.	
Target: All Net Easy scores ≥ 0 (by March 2021)	16 out of 18 Net Easy scores were ≥ 0 in quarter 4 of 2018/19

 People "Our people are enabled to bring their best. We develop our talent with an eye to the future"	
Description and target	2018/19 performance progress
Best Companies Ltd annual employee engagement survey has been used to measure employee engagement for the first time in 2018/19.	
Target: Benchmark NHSBSA employee engagement in 2018/19	We have set a benchmark as a result of our 2018/19 employee engagement survey and actions are in place to build on this
Two days of volunteering leave are available to our colleagues each year.	
Target: 50% of our staff to undertake volunteering activity annually (by March 2021)	19.6% of staff have used volunteering leave during 2018/19
Our charity partner for 2018/19 was the British Heart Foundation.	
Target: £25,000 raised for the British Heart Foundation (by March 2019)	£67,501 raised during 2018/19
Employers Network for Equality & Inclusion (enei) standard has been used to benchmark our approach to diversity and inclusion in 2018/19.	
Target: Employers Network for Equality & Inclusion (enei) Gold standard (by March 2021)	Silver standard award achieved during 2018/19



Social Value

“We collaborate to maximise the return on data to improve health outcomes for patients”

Description and target	2018/19 performance progress
<p>We can use our data and insight to influence and improve the wider healthcare system and society.</p>	
<p>Target: Develop clinically focussed dashboards for commissioners and healthcare professionals to improve health outcomes for patients</p>	<p>Example dashboards developed in 2018/19:</p> <ul style="list-style-type: none"> • Respiratory Prescribing • Safer Management of Controlled Drugs • Mental Health Prescribing
<p>Target: Develop client and commissioner sponsored dashboards to inform and implement policy options</p>	<p>Example dashboards developed in 2018/19:</p> <p>Pharmaceutical:</p> <ul style="list-style-type: none"> • Low Priority Medicines • Over the Counter Products • Evidence Based Interventions <p>Dental:</p> <ul style="list-style-type: none"> • Regional Overview and Contract Activity & Finance • Dental Assurance Framework • Personal Dental Service+
<p>Target: Develop Provider Management activity</p>	<p>Key activity in 2018/19:</p> <p>Pharmaceutical:</p> <ul style="list-style-type: none"> • Medicine Use Reviews and New Medicine Services exercises continued – over 5,000 contractors reviewed since service began • Verification of Quality Payment Scheme gateway criteria continued, with verification for February 2019 declaration being carried out prior to payment for the first time <p>Dental:</p> <ul style="list-style-type: none"> • National contract management service roll out commenced • 28 day re-attendance and Statement of Financial Entitlement business rates exercises continued <p>Ophthalmic:</p> <ul style="list-style-type: none"> • Pilot with two NHS England teams completed, with positive evaluation



Growth

"We deliver new services in a financially sustainable, ethical way"

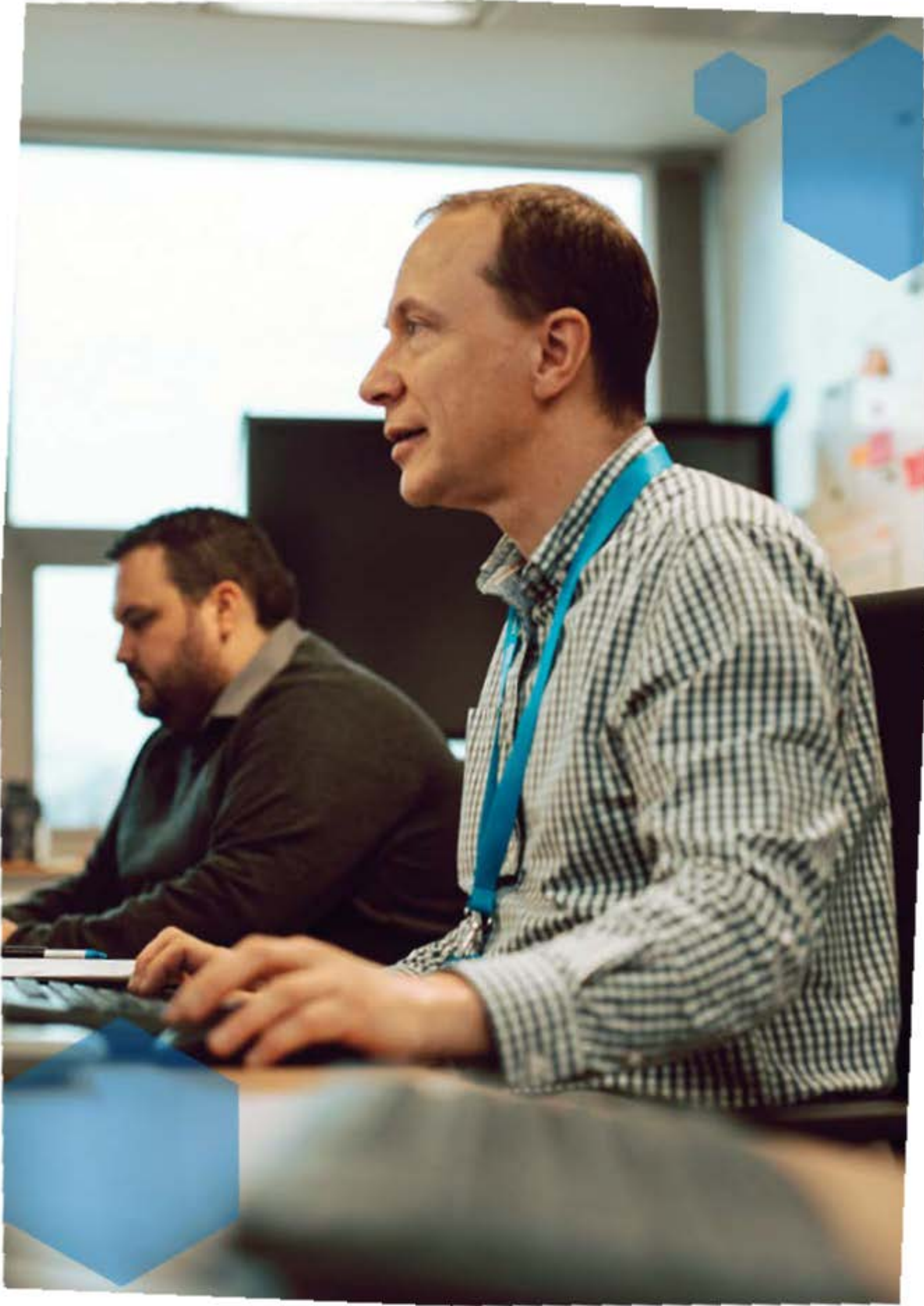
Description and target	2018/19 performance progress
Successful transfer/ launch of new services in a financially sustainable, ethical way.	New services: <ul style="list-style-type: none">• NHS Jobs• Electronic Staff Record (ESR)• Overseas Healthcare Services• Scanning Services contracts retained• Other pop-up services as agreed with our sponsors



Money

"We generate efficiency across the health and social care system"

Description and target	2018/19 performance progress
Our Pacific Programme used insight from our data and specialist expertise to identify a range of initiatives which were then delivered by working with partners across the whole health and care system in new and more collaborative ways.	
Target: To release £1 billion of recurring financial savings for the NHS (by March 2019)	£1.166 billion achieved by end of 2018/19



Our key areas of work

NHS Jobs



On 1 April 2018, responsibility for the NHS Jobs service transferred to the NHSBSA. Over 7,400 organisations use the NHS Jobs service to advertise approximately 400,000 vacancies per year. At the end of 2018/19 there were 11 million candidates registered to use NHS Jobs which enabled the submission of 3.9 million job applications.

During 2018/19 a number of system developments were delivered in order to enhance the user experience. Simultaneously, a project team began work to transform NHS Jobs and align it more closely with user needs. Work will continue during 2019/20 to build and pilot the new service.

NHS Electronic Staff Record (ESR)



On 1 April 2018, responsibility for ESR transferred to the NHSBSA. The primary focus for the ESR Programme has been to continue the successful delivery and management of services to the NHS. We continue to provide NHS organisations in England and Wales with a range of tools that facilitate effective workforce management and planning.

During 2018/19 over 1.1 million ESR Portal users have accessed the system to carry out actions such as viewing payslips, requesting leave, completing e-learning or updating personal details.

The ESR solution has started to transform the way NHS employees and employers engage, using a modern digital platform that is available across multiple devices and over both the internet and NHS networks.

NHS Pensions



2018/19 saw initial success in transferring several Pensions Service administrative functions to the NHSBSA and the letting of a new medical services contract. Pensioner administration and payroll was brought back in-house after being outsourced for many years. This now means that all knowledge and expertise is joined up with one clear and easy way to deal with NHS Pensions. The closer visibility and control of the full end-to-end member and pensioner process will provide the foundation for a better customer experience as well as increased effectiveness and improved value for money as future transformation plans are implemented.

This transition, however, resulted in a number of delays to areas of the NHS Pensions Service and an unexpected impact on processing time. A robust recovery plan was put in place across the various teams to restore service back to the required level, with completion planned for 2019/20.

We have continued to work with NHS Digital and the Government Digital Service (GDS) in digitising the Pensions Service, with a focus on giving members and employers increased ownership and understanding of the NHS Pension Scheme.

Electronic Prescription Service (EPS)

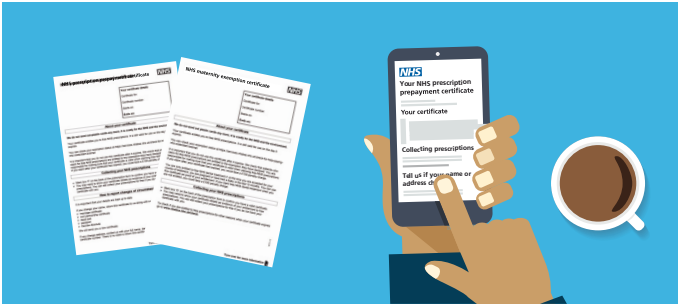


Our work with NHS Digital has continued to increase use of the EPS, providing time savings in practices and pharmacies, utilising a secure, reliable and confidential service for patients and improving the data we capture.

In 2018/19 this resulted in over 66% of all prescriptions being sent electronically, an increase of almost 5% since March 2018 with an accuracy of 99.99% or above throughout the year. This has contributed to savings of around £7 million in total, with operational savings of over £2 million.

This impact has been achieved through working with over 100 Clinical Commissioning Groups (CCGs), Local Pharmaceutical Committees (LPCs) and over 800 practices since work began. The EPS site level support team have built up a knowledge base around EPS and electronic repeat dispensing which allows them to provide detailed and insightful support to users.

Prescription Prepayment and Exemption Certificates



As part of our service improvement programme, digital and paper exemption certificates are replacing plastic cards to generate savings for the NHS and to reduce our impact on the environment.

Tax Credit Exemption Certificates were the first to make the switch to paper back in March 2018 and by the end of 2018/19 has led to a saving of over £140,000. Prescription Pre-payment Certificates and Maternity Exemption Certificates changed from plastic to digital or paper in February 2019, further increasing the financial and environmental benefits. The NHSBSA can expect to see savings of approximately £208k in the coming financial year as a result of this change.

Provider Assurance



The Provider Assurance team delivers a national assurance service that facilitates the effective management of Dental, Ophthalmic and Pharmaceutical Services contracts. We deliver the activity under those contracts on behalf of NHS England and Welsh Health Boards and provide them assurance about the quality and probity of treatment and activity delivered by NHS primary care contractor groups.

In 2018/19 we delivered an annual benefit in excess of £40 million to NHS England and Welsh Health Boards through increased data analytics, monitoring of patient outcomes, and improved controls on claims and financial recoveries.

We piloted a number of services including a contract management service for existing contracts and the new dental contract prototypes which are now being rolled out nationally.

Our Provider Assurance (Pharmaceutical Services) team has enhanced and standardised prepayment verification activity. Support and guidance has also been offered to contractors which resulted in a decrease in inappropriate or incomplete payment claims.

We commenced a Provider Assurance (Ophthalmic Services) pilot in June 2018. This covered two regional teams and included Post Payment Verification activity on General Ophthalmic Service claims. The work is continuing and expanding to other contract management support activities which will be rolled out nationally during 2019/20.

Manage Your Service (MYS)



Our MYS portal is a way for pharmacies to submit their claims for prescriptions online, rather than using the paper-based process. It is currently being tested with over 160 community pharmacies, and is available to many more, enabling us to work with the pharmacists who will be using the application to identify and fix any issues before launching the service fully.

Contractors who are part of the testing now receive all of their 'referred backs' (items that can't be processed because information is missing or requires clarification) through the MYS portal, rather than paper copies in the post. This method is more secure, quicker and efficient.

In 2018/19, our digital flu claim submission form was used by almost half of pharmacies claiming for flu vaccines. This provides a faster, more efficient process to users.

This year we also introduced a Quality Payment Scheme (QPS) declaration on the MYS portal, which offers up-front validation and automated confirmations for users.

Moving forward, a proof of concept has been approved to develop an Application Programming Interface (API), which would enable the MYS application to receive the data required for us to reimburse pharmacists for an advanced service directly from the pharmacy's dispensing system, without the need for them to duplicate the data manually on a claim form.

Scanning Services

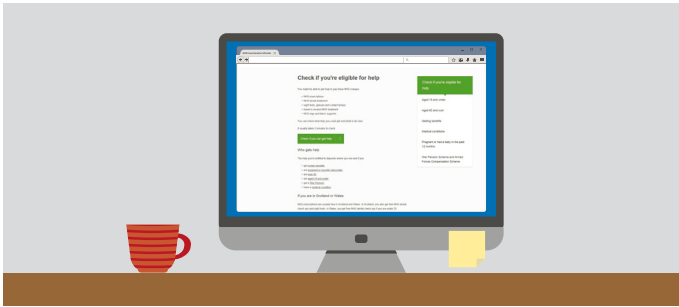


The increasing digitisation of documents through scanning means that patient information is more readily accessible to authorised users, freeing up space in practices where paper records were previously stored and helping to enable improved healthcare provision through better utilisation of that space.

Our Newcastle Scanning Services team moved to a new site during March 2019 that is more fit-for-purpose, providing a huge storage facility alongside sufficient space to grow the service further whilst freeing up space elsewhere within the estate.

During 2018/19 we commenced the delivery of two major contracts, and have received significant interest from a number of other organisations in relation to our scanning and digitisation service.

NHS Help with Health Costs



During 2018/19 we released our Help with Health Costs online checking tool. This enables users to check what financial support is available and has now had over 200,000 user visits.

Overseas Healthcare Services



Our Overseas Healthcare Services allows UK residents to access state provided healthcare in the European Economic Area (EEA) countries and Switzerland. It also allows insured EEA nationals to access the NHS in the UK. At the end of March 2018 we began the work to transition the service from its former provider to the NHSBSA. This has been a phased approach with full transition due for completion by August 2019. Improvements have already been made to the service, including a reduction in call handling times.

Contact Centre Services



Our Contact the NHSBSA project prototyped a number of leading edge technologies to improve how our customers contact us, including the use of Artificial Intelligence (AI) and Machine Learning which received recognition as Best Cloud Project at the Cloud Excellence Awards.

Using the European Health Insurance Card (EHIC) as a pilot, AI was used to answer simple questions and deliver responses to customers, resulting in a 26% reduction in call traffic for the EHIC service. 42% of calls answered using the AI service did not need any intervention from a contact centre operator providing a smooth and efficient process for those customers which enabled staff to focus on more complex cases and calls that required a more personal approach.

Student Services



Throughout 2018/19 we have undertaken work to raise awareness of the Learning Support Fund (LSF) for Nursing, Midwifery and some Allied Health Professionals through increased stakeholder engagement. This supports the government's agenda to ensure students continue to enrol on these courses and secure the future NHS workforce.

Our work included the successful 'LSF on Tour' events, attending welcome weeks at universities and presenting to students and staff. This resulted in a 38% increase in applications after our visits. Additionally, we undertook several speaking opportunities at external conferences and events to increase awareness and encourage applications for LSF.

Loss Recovery Services



In September 2018, to support increased prescription exemption checks, a 'Check before you tick' campaign was launched with NHS England, educating patients on eligibility to free prescriptions and making them aware of the consequences of claiming incorrectly. This communications activity will continue in 2019/20 and will also include dental eligibility. The campaign evaluation has demonstrated some positive changes in patient knowledge and behavioural intention.

Prescription and Dental Checking Services recovered in excess of £30 million during 2018/19 which has helped to return vital funds back to the NHS.

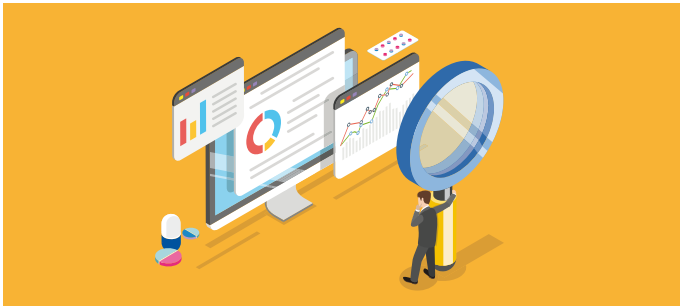
We have continued to work very closely with patients to understand their needs and help organisations to support patients understand exemption entitlement. In October 2018 we launched an online challenge application which patients can use if they feel they should not have received a penalty charge notice. Currently the digital uptake of this service is 44%, with 72% of patients finding the application between 'fairly easy' and 'very easy' to use.

A pilot of Real Time Exemption Checking (RTEC) at pharmacies also went live early in 2019, checking patient eligibility at the point of dispensing. For the purposes of the pilot, the ability to check in real time is against Help With Health Cost exemptions

only at this stage i.e. Maternity and Medical Exemption Certificates, Tax Credit Exemption Certificates, HC2 and Pre-payment certificates. We are now working very closely with the Department of Work and Pensions (DWP) on the creation of an application which would allow the RTEC tool to verify real time against DWP benefits also. The benefits of point of dispensing checking is that patients understand at the time of collecting their medication if they have eligibility to free prescriptions or not and avoid those patients holding a mistaken belief only finding out when they receive a penalty notice.

From January to March 2019, the National Audit Office (NAO) carried out an investigation into the penalty charge notices (PCNs) handed to patients for mis-claiming free NHS dental care and prescription charges. They looked at the facts about PCNs (such as the numbers issued, and the amount paid), as well as the steps the NHSBSA is taking to support those who have trouble understanding the system and/or paying the penalty charge. The investigation focused on: the entitlement to free prescriptions and dental care (Part One); the use of PCNs to recover funds for the NHS and to deter fraud (Part Two); and improving knowledge about eligibility for exemptions (Part Three). The NAO published their findings on 14 May 2019 which was subject to scrutiny by the Public Accounts Committee on 1 July 2019, with NHS England and Improvement, DHSC and NHSBSA attending.

Insight



Our prescription information system, ePACT2 has been available to the wider NHS since June 2017 and we now have over 5,000 users registered to access the system. This is a business intelligence application which allows users to view, analyse and present prescribing data. We have worked with colleagues and clinicians across the NHS to produce data and dashboards to support Medicines Optimisation, the Medicines Value Programme and to improve patient outcomes and patient safety.

This year we have delivered a number of dashboards which include those that monitor respiratory prescribing, controlled drug prescribing and medication safety measures. In the pipeline are dashboards to monitor prescribing for Mental Health, Diabetes and Cardiology.

Work has also been progressing on the dental information system, eDEN, which will be delivered to stakeholders this year. eDEN will be available to NHS England and Wales central teams and commissioners providing a number of key dashboards to enable them to manage and commission NHS dental contracts more effectively. Dashboard content has a focus on delivery and prevention to support the NHS driving improvements in patient outcomes and longer term reductions in reparative treatment. Going forward, eDEN will be rolled out to dentists to provide them with greater data transparency and support greater self-service and management.

Pacific Programme



In 2018/19 we achieved our target of identifying £1 billion of recurring savings for the NHS.

The programme, established in 2013, used insight from our data and specialist expertise to identify a range of initiatives which were then delivered by working with partners across the whole health and care system in new and more collaborative ways.

They included

- NHS Supply Chain (£519 million) – the majority of the savings have been generated through the renegotiation of catalogue prices which have predominantly benefited secondary care providers.
- Dental performance management (£82.2 million) - this is derived from a number of initiatives which involve a review of treatments provided by team clinical advisers.
- Medicines optimisation (£22.7 million) - this includes maximising the proportion of generic prescribing.
- Faecal calprotectin testing (£1.1 million) - further details can be found below on this initiative to accelerate diagnosis of patients with inflammatory bowel disease.

The programme has helped to improve the quality of care and patient wellbeing this year and has had particular impact on:

- enabling more patients at risk of inflammatory bowel disease to receive faster diagnosis in primary care, without the need for unpleasant and invasive hospital-based examinations
- facilitating development of a National Wound Care Strategy Programme, which aims to reduce the incidence of preventable wounding, promote wound healing and reduce morbidity, mortality and the costs associated with wound care (which are estimated to exceed £5 billion each year).

The work that helped to unlock the benefits outlined above has underpinned the introduction of new services to the NHSBSA, such as Loss Recovery, Provider Assurance and Overseas Healthcare. It has also enhanced our reputation as a 'catalyst for better health' and 'the business partner of choice for the NHS'.

NHS Supply Chain



During 2018/19 the Supply Chain Services provided by NHS Supply Chain (operated fully by DHL in 2017/18) transitioned from a prime contractor model to a disaggregated category tower model throughout the year as part of implementation of the Future Operating Model (FOM). In addition at 1 April 2018 NHSBSA engaged the newly established Supply Chain

Co-Ordination Limited (SCCL) to act as our agent through to 31 March 2019. This transition period was used to allow SCCL to put in place the systems and arrangements needed to fully transfer the service by 1 April 2019.

The Master Services Agreement (MSA) with DHL for NHS Supply Chain remained with the NHSBSA through to its expiry, along with the framework contracts (e.g. product buying) and as such all associated transactions continued to be reported in the NHSBSA accounts in 2018/19. These limited remaining functions ended on 31 March 2019, along with the expiry of the MSA itself. From 1 April 2019, accounting for the transactions and balances of the business passed from NHSBSA to SCCL. From the same date, the funding of SCCL's operating costs no longer flowed through NHSBSA, and responsibility for SCCL sits with DHSC.

NHSBSA's involvement in Supply Chain Services beyond 2018/19 is in the delivery of services to SCCL via the Transitional Services Arrangement (TSA). These currently include a selection of chargeable finance, HR and Property services.

Further details are available on the SCCL website: www.sccl.nhs.uk

1.2 Performance analysis

1.2.1 How we measure performance

A range of performance measures are set, measured and monitored throughout the year. These are presented at each Leadership Team meeting and Board meeting and include areas such as:

- strategic goals
- operational KPIs as agreed with our sponsors and clients
- customer satisfaction and complaints
- client engagement
- finance
- delivery of our major change programmes and projects
- people, including staff development, sickness, turnover and health and safety
- environment and resource efficiency.

The Board also carries out a detailed business performance review on a quarterly basis.

The following sections give more details on our performance in key areas during 2018/19.

1.2.2 Financial review

Background

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

Our accounts for 2018/19 have been prepared in accordance with DHSC Group Accounting Manual 2018/19 (GAM) and comply with HM Treasury's Government Financial Reporting Manual 2018/19 (FReM). The accounting policies

contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. They comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers Equity, all with related notes.

The accounts are based on three distinct segments. The first of these relates to bursary payments we make on behalf of the DHSC for social work students, the second to our operating expenditure (which represents our running costs) and the third segment relates to NHS Supply Chain trading.

Financial performance 2018/19

As a Special Health Authority, we receive funding from the DHSC to deliver a range of essential services outlined in our Direction Order.

In 2018/19 the DHSC increased our service portfolio by transferring responsibility to the NHSBSA for provision of ESR, NHS Jobs, Overseas Health Service and the administration of the England Infected Blood Support Scheme. This increased our revenue operating expenditure by £38m and net assets on the Balance Sheet by around £22m. The increase in operating expenditure was funded by an allocation of Programme Revenue DEL from DHSC.

Our operating income increased by £5m in 2018/19. This was due to an increase in recoveries from prescription exemption checks, and the administration costs of the Pre-Payment Certificate (PPC) service being funded from the

revenue generated by the service, thus reducing our Revenue DEL requirement. The approach to funding the PPC service is part of our financial strategy to move away from reliance on Revenue DEL from the DHSC to a model where the commissioner or user of the service funds the cost of service delivery.

The accounts for 2018/19 financial year include NHS Supply Chain for the final time. The operational and reporting responsibility for this service transferred from the NHSBSA to Supply Chain Co-ordination Limited (SCCL) with effect from 1 April 2019. This will remove around £2 billion of income and expenditure from the NHSBSA's accounts and around £178 million of net assets from the Balance Sheet.

Table 1 summarises our performance, excluding supply chain, against the financial targets set by DHSC. We are able to report that we successfully achieved all of the targets.

NHS Supply Chain Overview

2018/19 saw the transition from a prime contractor model to the new disaggregated model in order to enable an ambition to realise savings of £2.4 billion for the NHS in the Financial Year 2022/23. As part of this, whilst the legacy agreement wound down the new providers commenced delivery of the category tower, logistics and IT services. Subsequent to letting new capital procurement contracts in July 2018 a review of the contractual position was undertaken to assess the accounting treatment applied. It was found that NHS Supply Chain obtains title over products bought, is able to set the price to the customer and obtains the risks and rewards from that point onwards so operates as principal rather than agent.

The change in the contractual position for

capital and maintenance items brought all of the income and expenditure from 1 July 2018 into the NHSBSA's Statement of Consolidated Net Expenditure and brings the assets and liabilities onto the Statement of Financial Position. Prior to 1 July 2018 only the net income arising from these services was included.

Performance

With the change in accounting treatment NHS Supply Chain recognises the maintenance and capital business units for the first time within Sales and Cost of Sales. For the 9 months to 31 March 2019 this contributed additional sales of £210m across the 2 business units (£161m Capital, £49m Maintenance) and a year end increase in assets and liabilities of £255m and £166m respectively. In addition, £70m of inventory is included in relation to stockpiling ahead of a potential EU exit.

As Trusts became accustomed to the new operating model and prepared for the new funding arrangements from 1 April 2019 a number of key factors impacted performance this year which resulted in an overall trading loss in Supply Chain Services of £52m (as per note 2.1 of the Accounts):

- Pensions provision relating to the TUPE of staff transferred to the outsourced providers or the newly formed management function SCCL at different intervals during the year (£9m).
- Higher initial costs due to the dual running of service providers during the transition to the new operating model (£23m).
- Operating costs of SCCL (£16m).
- The change in accounting treatment of NHS Supply Chain recognising the maintenance and capital business units for the first time within Sales and Cost of Sales including adjustments for IFRS15 relating to capital and maintenance sales (£4m).

Table 1: Financial target performance 2018/19			
Funding stream	Limit £m	Actual £m	Achieved
Administration Revenue DEL			
Non Ring-Fenced	76.0	73.1	✓
Ring-Fenced	15.2	13.5	✓
Programme Revenue DEL			
Non Ring-Fenced	32.4	27.3	✓
Ring-Fenced	11.0	10.4	✓
Capital expenditure	21.7	20.2	✓

Note: DEL - Departmental Expenditure Limits.

We are required to report our performance against the Better Payments Practice Code, which requires non-NHS trade creditors to be paid within 30 days or agreed terms. Our performance against this target for 2018/19 is detailed in Table 2 below.

NHS Supply Chain is entitled to agree extended payment terms with suppliers as defined in the

Master Services Agreement. Supply Chain paid 62% of invoices by number and 56% by value within these payment terms. The table shows NHS Supply Chain's performance with reference to the 30-day target in the Better Payments Practice Code for comparison purposes only, as this target does not apply to them.

Table 2: Better Payments Practice Code performance 2018/19	NHSBSA (excluding NHS Supply Chain)		NHS Supply Chain only	
	Number	Value £m	Number	Value £m
Total non-NHS trade invoices paid	11,996	188.9	2,422,581	1,840.0
Total non-NHS trade invoices paid within target	10,234	157.5	852,820	578.2
Percentage of non-NHS trade invoices paid within target	85%	83%	35%	31%
Percentage of non-NHS trade invoices paid within Master Services Agreement	N/A	N/A	62%	56%

Future financial targets – the challenge

In response to the HM Treasury Comprehensive Spending Review (CSR) 2015 the NHSBSA agreed a financial plan to 2019/20 with the DHSC. The latest spending review (SR19) will set public sector funding allocations for 2020/21. In support of this we have provided the DHSC with a forecast of our funding requirement for 2020/21. A further spending review (SR20) will set indicative funding requirements for the 5 year period following this.

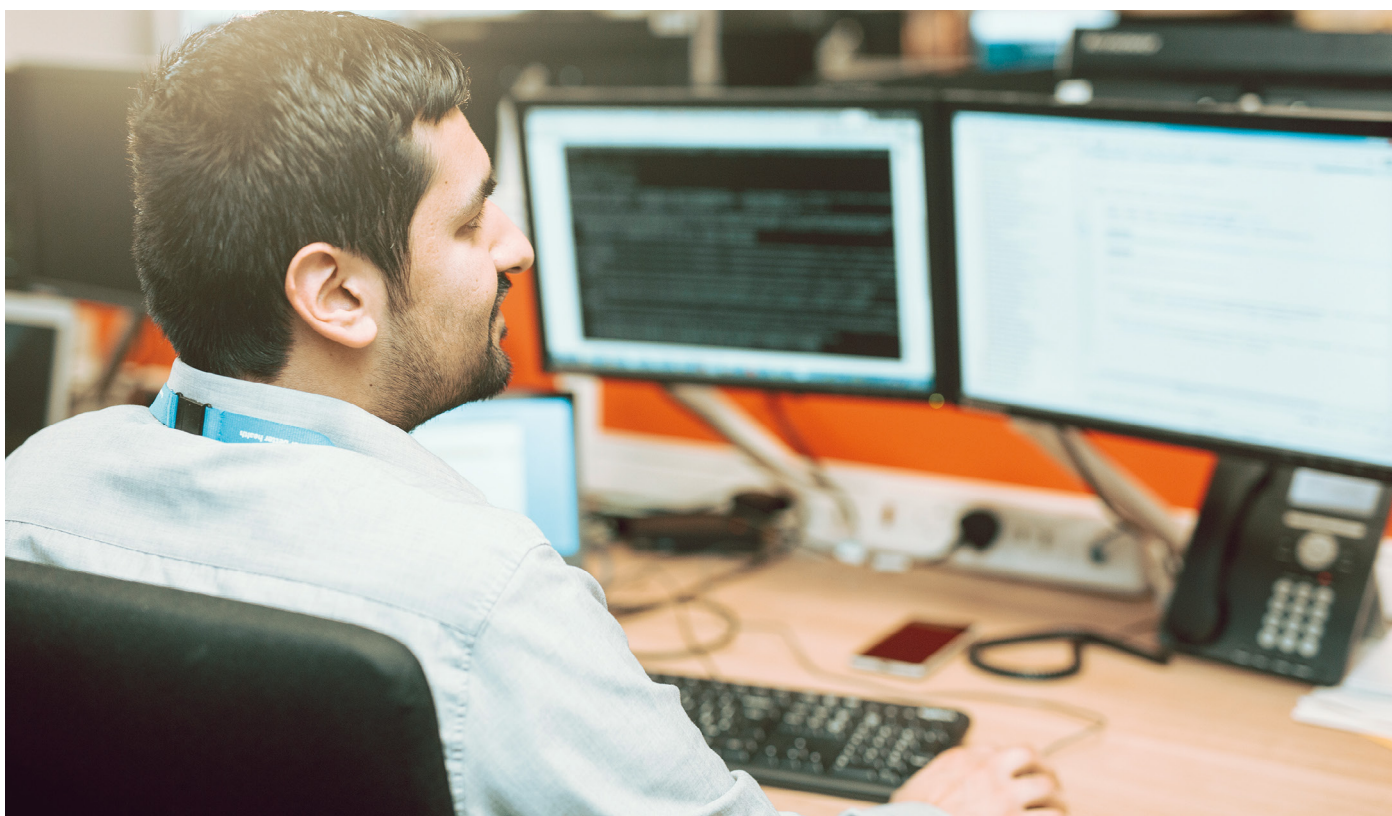
In meeting the CSR targets to 2019/20 we have already reduced our DHSC funding requirement by £36 million due to service efficiencies, growth in contributing services and moving to a 'Commissioner Pays' model for Pension and PPC services. This is aligned to our finance strategy which aims to diversify our funding thus reducing our reliance on DHSC central grant in aid. A proposal has been put to the DHSC that by 2020/21, up to a further £50m of expenditure could be met by this model.

To achieve financial balance in 2019/20 and 2020/21 the NHSBSA plans to deliver a further £6.7 million in recurrent total cost savings/margin gain. The plan is based on some key principles:

- continuous cost improvements in our existing services by the implementation of digital solutions and other efficiency programmes
- delivery of economies of scale and efficiency in the new services we take on
- growing our services resulting in improved operational efficiency and increased margin generation
- alternative funding streams to support the services we provide.

Table 3 below summarises the funding we require in 2019/20 and 2020/21 to meet our recurring revenue expenditure:

2018/19 £m (actual)	Table 3: NHSBSA Recurring Revenue Funding Requirements to 2020/21	2019/20 £m	2020/21 £m
93.88	Revenue DEL Baseline	102.34	55.93
59.94	Commissioner Pays	64.90	112.85
3.41	Trading Income	3.25	3.78
10.49	Other Income	15.25	12.06
167.72	Total Revenue Funding Requirement	185.74	184.62



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.

Hosted services

We provide a range of hosted financial, payroll and HR services to other NHS organisations and DHSC teams. The costs that we incur in providing these services (primarily staff costs) have been included within our operating expenditure, as has the total income contributions received from these organisations to cover costs. For 2018/19 the income received from hosted and managed services was £3.2 million.

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

Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2019 of £0.26m million is for the audit of these accounts. An additional notional fee of £0.1 million relates to the audit of the NHS Pension Scheme accounts.

PORTFOLIO

We Achieved

Done

Outcomes -
-Plan Outcome *

Analysis

Funnel

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TOOLS
- MSBROWS
- COOK
- APPLICATION
- SERVICE



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74.2

1.2.3 Corporate Responsibility

Background

Corporate responsibility is about ensuring that we make a positive impact on society by delivering our services. It's about people, communities and our environment and is at the heart of what we do and how we do it. At the start of 2018/19 we launched our new Business Strategy, with strategic goals focused on our people, our customers and the difference we make to the wider health and care agenda.

Along with our organisational goals, we also recognise that some areas require specific focus (Figure 3). Our subject-specific Committees and Staff Networks continue to drive these agendas

forward and ensure appropriate oversight and engagement across the organisation.

Full details, including action plans and annual reports, are available in the Corporate Responsibility section of our website: www.nhsbsa.nhs.uk/what-we-do/corporateresponsibility.

We also ensure robust arrangements are in place around social, human rights, anti-corruption and anti-bribery matters. This includes training for our staff, standards of business conduct policies and whistleblowing processes. Human rights and labour standards are also addressed in our procurement processes.

Figure 3: Specific corporate responsibility strategies



Health and safety

During 2018/19 the NHSBSA had three cases which needed to be reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR). This number of reportable events is very low for a business of our type and size, when compared to published HSE figures. We believe that this is a result of our proactive approach to health and safety, ensuring all of our people are involved, supported and understand their role in how we look after ourselves and those around us.

We have delivered all of the actions set out in our 2018/19 Health and Safety Action Plan. Our Safety, Health and Environment (SHE) Team has worked closely with our Estates Team throughout the year ensuring safety considerations are factored into its activities. This has included working collaboratively on our estate strategy programme with key elements including the acquisition and fit-out of new buildings, and a move to agile working practices across the estate including hot-desking and home working arrangements.

Our SHE Team and Local Security Management Specialist have also worked closely with our research team during the year to create and embed policies and practices to ensure their personal safety when carrying out research activity with service users. This included working with the Suzy Lamplugh Trust who provided face-to-face training and guidance on the most appropriate approach for the NHSBSA.

Other areas of focus have included a review and update of our first aid arrangements across our estate, an end-to-end review of our Control of Substances Hazardous to Health (COSHH) process, the launch of driving for work training material and the review and re-launch of our SHE Induction material.

Environment (including HM Treasury Sustainability Report)

Each year the NHSBSA sets its own environmental targets and an action plan aligned to its key impacts and the Greening Government Commitments (GGC). A full data set can be seen in Appendix 1 – Sustainability Report. A summary of our progress against our targets is shown in Table 4 below.

Table 4: Environment and resource efficiency targets (Note: Targets - by the end of 2019/20, on 2009/10 baseline)	
Target	2018/19 performance
65% reduction in greenhouse gas emissions	67.9%
23% reduction in water consumption	31.2%
35% reduction in waste generated	41.6%
Less than 10% of waste to landfill	5.3%
25% reduction in office paper use	40.7%

*Further details can be found in Appendix 1 - Sustainability Report

During 2018/19 we have successfully maintained our ISO 14001:2015 certification for our business-wide Environmental Management System.

Sustainable procurement

We have continued to measure ourselves against the requirements of the government's Flexible Framework - Sustainable Procurement benchmarking tool. We are continuing to operate at Level 3 and have an action plan in place to maintain and further consolidate these practices during 2019/20.

We have risk-assessed our key contracts which has provided us with a framework to engage with suppliers and ensure our people have the specific knowledge and skills linked to the contracts they manage. Examples include the rollout of new SHE Induction material containing elements of sustainable procurement and work continuing with our facilities management suppliers to maintain our ISO 14001:2015 certification.

We ensure all procurement activity is fully assessed, and requirements are embedded into contracts. As a minimum, Government Buying Standards (GBS) are embedded in relevant contracts, with further requirements being assessed around broader environmental, social and economic value.

Biodiversity

During 2018/19 work has continued to maintain grounds in alignment with local biodiversity plans at our two main sites with green spaces. We continue to maintain a bee hive at our head office and we have also planted Stella Cherry Trees to improve the landscape and support biodiversity.

We have continued to support education programmes with staff and local community groups and this year we have organised several employee volunteering days aimed at improving our local environment. For example, we have worked with Groundworks to create a carbon capture garden in Newcastle and have completed a number of beach cleans nationally to help reduce the amount beach litter entering our seas.

Waste reduction, recycling and reducing single use plastics

During 2018/19 we have continued to digitise our processes, rolled-out education and engagement campaigns with our people in relation to waste reduction and segregation practices and have worked with our own people and our suppliers to eliminate single-use plastics (SUP) from our operations.

We have continued to support the roll-out of the Electronic Prescription Service (EPS) and now process over 66% of prescriptions digitally - further reducing our paper and cardboard waste streams.

We have continued to reduce the amount of plastic cards we issue as proof of exemption from NHS charges. In early 2018 we removed plastic cards for Tax Credit Exemption and replaced these with a paper certificate. We have also removed plastic cards for Prescription Pre-payment Certificates and Maternity Exemption Certificates by introducing digital and paper certificate options in February 2019. This is expected to reduce the number of plastic cards distributed by 7.5 million each year, reducing our impact on the environment and generating financial savings for the NHS.

The NHSBSA also won Efficiency Savings Project of the Year at the Public Sector Paperless Awards 2018. The winning project was recognised by the judges for digitising dental patient form processing (FP17 forms). This work has almost eliminated the need for paper in dental claims with around 96% of claims now made online. In the past, every NHS dentist would submit paper dental claim forms, resulting in approximately 44 million claim forms every year.

Throughout the year we have engaged with our employees on waste management and recycling, using national awareness days to maximise our impact. We have simplified our approach to recycling by focusing on four key waste streams to increase the quality of our recyclables and will continue to monitor segregation rates across our office portfolio.

We are supporting the Government's commitment to eliminate SUPs from central government estate offices. We have completed an initial baseline survey to identify where SUPs are used and have developed an action plan to eliminate their use by January 2020. Our on-site cafés are our biggest source of SUPs and we have started to work alongside our internal colleagues and facilities management supplier to reduce the amount of plastic used. Great progress has already been made, eliminating the use of plastic cutlery and significantly reducing the use of plastic food packaging across our sites by introducing a range of reusable or biodegradable alternatives.

Wellbeing, Inclusion and Community Investment

Our Wellbeing and Diversity & Inclusion Strategies are an integral part of our wider People Strategy, as we aspire to be an employer of choice, which can recruit and retain the most talented of individuals, and create a great, inclusive place to work. We recognise that the wellbeing and inclusion of our people directly relates to our organisational performance and the delivery of our strategic goals, and that we have a broader societal impact in the way we behave as an organisation.

We provide several Wellbeing and Community Investment programmes to support our people to be physically, mentally and emotionally well so that they can be their best at work, and enable our people to give something back to society, creating a positive impact not only on social value but also on their own wellbeing. Our Diversity and Inclusion Strategy outlines our plans for diversity and inclusion and is supported by our equality objectives which explain how we are working towards achieving our vision.

The Wellbeing and Inclusion Committee, which is chaired by the Chief Executive in his role as



Representatives from the Diversity & Inclusion and Wellbeing Networks at the Employee Engagement awards at Twickenham Stadium

Executive Champion for Wellbeing and Inclusion, oversee progress of the strategies and provide assurance to the Board on their delivery. The Wellbeing and Inclusion employee networks support the delivery of the strategies at local level, and facilitate engagement with a wide range of colleagues on this agenda. These networks are critical to engaging with colleagues, ensuring they have an opportunity to influence our interventions and continually build on our previous successes. There are four employee networks specifically focusing on:

- diversity and inclusion (Diversity and Inclusion Network)
- domestic abuse (Domestic Abuse Support Network)
- mental health (Mental Health First Aid Network)
- wellbeing and community (Wellbeing Network).

In 2018/19 we carried out our annual Health Needs Assessment staff survey and from this as well as input from our employee networks, an annual programme of wellbeing awareness campaigns was delivered to provide information to colleagues around reducing the risk of ill health. We increased our focus on mental health support for colleagues, with our Chief Executive signing the 'Time to Change' Employer Pledge to

demonstrate our commitment, and developing an action plan to ensure our employees facing mental health issues feel supported. We also expanded a number of ongoing wellbeing initiatives, including our:

- annual flu vaccination programme
- regular onsite health checks for over 40s
- local offerings including yoga, running clubs and weight management support
- provision of Mental Health First Aid
- Cycle to Work Scheme.

Our approach continued to be recognised during 2018/19, maintaining our Continuing Excellence Level Award from Better Health at Work, and work is underway to support our aim to achieve the ‘Ambassadorial’ Level Award.



Diversity and Inclusion Network members with Chief Executive Alistair McDonald and Chief Technology Officer Nick O'Reilly celebrating the fantastic news of being a Stonewall top 100 Employer

As part of our approach to wellbeing and social value, we have corporate fundraising and volunteering programmes for colleagues which contribute directly to delivery of the NHSBSA Strategy and Values, and meet our corporate targets in these areas. In 2018/19 the NHSBSA entered into our first corporate partnership with a charity, the British Heart Foundation, whose purpose and values align closely to those of the NHSBSA. We set a target of £25,000 to support their valuable research, and our colleagues smashed this, raising over £67,000 through a

wide variety of different fundraising events and activities including our NHS at 70 celebrations, Christmas markets, raffles, bake sales, and sponsored sports events. Colleagues donated an amazing 1,822 bags of unwanted clothes and other items to British Heart Foundation shops, for them to sell. In addition to this, colleagues at each site also fundraised for smaller charities in their local communities.

We also encourage all colleagues to volunteer in their local community and offer all staff two days of paid volunteering leave per year, as we know that enabling our people to give something back to society creates a positive impact not only on social value but also on their own wellbeing. A specific volunteering target was included as part of the NHSBSA Strategy 2018/21 for 50% of our staff to undertake volunteering activity by the end of 2021. At the end of 2018/19, 19.6% of colleagues had volunteered so we are well on our way to meeting our target. Staff undertook many different types of volunteering, from helping in British Heart Foundation shops as part of our corporate partnership, to physical activities helping decorate, garden or build community premises, to providing their business skills and knowledge to charities or community groups without that specialist resource.

We have also had a successful year with our Diversity and Inclusion programmes. In January 2019 we received the fantastic news that the NHSBSA had made it into Stonewall's Top 100 Employers list in their annual Workplace Equality Index, at 88th place, out of a record 445 participating organisations. This was the sixth year that we had taken part in the Index and Table 5 below shows the significant progress we have made each year.

In July 2018 we were awarded a ‘Silver Standard Employer’ Award from the Employers Network for Equality and Inclusion (enei) in recognition

of the progress we have made in embedding diversity and inclusion. We are now working towards the target we have set ourselves in the NHSBSA Strategy of achieving 'Gold Standard Employer' status by 2021. In January 2019 we were also 'Highly Commended' in the 'Diversity and Inclusion' category of the UK and Europe Employee Engagement Awards. This award is presented to organisations that use diversity and inclusion initiatives to better engage staff, improve day-to-day productivity and create a better working environment for all.



Diversity and Inclusion Network member Lee Cawley hosting a stall at the Sparkle weekend.

Table 5: Stonewall Workplace Equality Index positions	
Year	Position
2014	310
2015	194
2016	152
2017	124
2018	113
2019	88

Our Diversity and Inclusion Network help us to develop an inclusive culture where colleagues feel comfortable to be themselves at work. In 2018/19, the Network delivered a programme of awareness raising campaigns and events on a wide range of diversity topics and coordinated the NHSBSA's involvement in various community events including many Pride festivals local to our sites, and Sparkle Weekend, a festival for the Trans community in Manchester. Attending community events such as these are important to attract diverse job applicants and to promote our public services to our diverse customers.

We are passionate about creating opportunities for people and this year launched our 'Pathways to Work' programme which is aimed at

encouraging people from marginalised groups to engage with us for recruitment or learning opportunities. We have started this work focussing on two groups; people with disabilities and people leaving the Armed Forces. We have worked with several charities and organisations to engage with people from these communities and make our organisation more accessible to them, including expanding the provision of work experience and placements for people from these groups. In November 2018 we hosted an event with representatives from the three Armed Forces and the Ministry of Defence, where our Chief Executive signed the NHS Step into Health pledge and the Armed Forces Covenant. We also received the Bronze Award from the Employer Recognition Scheme, run by the Ministry of Defence, in recognition of our work so far.

In addition, we have undertaken partnership working with Globalbridge (a North East based company focussed on matching school students to future careers), holding a number of events in schools and hosting placements.

Michael Brodie

Chief Executive
 NHS Business Services Authority
 7 January 2020

2. Accountability report

CONTACT THE NHS

The accountability report summarises our corporate governance arrangements and contributes to our accountability to Parliament.

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Annual
Governance
Statement

Page 61
Remuneration
and staff
report

Page 77
Parliamentary,
accountability
and audit report

2.1 Corporate governance report

2.1.1 Directors' report

Composition of Board, directorships and significant interests - A list of executive and non-executive directors and a declaration of their interests is shown in Section 2.1.3 Annual Governance Statement Table 6. No company directorships or significant interests were held by the Board members which may conflict with their management responsibilities.

Personal data related incidents - The NHSBSA has not had any security incidents classified as Level 2 serious untoward incidents by the DHSC categorisation framework in 2018/19 and requiring formal reporting to the Information Commissioner's Office (ICO).

Communications, Engagement and Consultation - We regularly communicate and engage with our people through a number of communications channels. Our weekly staff newsletter, The Loop, features stories about key business updates, staff achievements and charity events and has been through a refresh in early 2019.

Our corporate intranet, The Hub, is a central information portal for our colleagues. It provides news, information and updates about all of our service areas along with updates from Board meetings, key diary dates and interactive discussion boards on a variety of topics. Our Chief Executive also writes a monthly blog, which continues to receive positive feedback from staff.

In 2018 we started a programme of on-going communications and engagement to embed our new business strategy and values right through the organisation. In early 2019 we started

delivery of 'Leadership Strategy Events' where leaders in the organisation are brought together to understand the part they have to play in the success of our strategy and actively participate in working with our Leadership Team to plan for the future.

The engagement, motivation and satisfaction levels of our people are critical in the success of our business as part of our People strategic goal and we measure these through our annual staff survey. For 2018/19 we took a new approach and worked with Best Companies Ltd to set ourselves a benchmark against which we will work across the organisation to improve engagement levels and achieve Best Companies Ltd accreditation. Action planning workshops are taking place with staff across the organisation to work towards our aspiration of being a great, inclusive place to work. We will then put in place an ongoing programme of internal communications and engagement activity which will help us achieve 'ones to watch' status in 2019/20.

There are times when we want to informally consult with our people and test new ideas out. This is undertaken using a variety of methods including team meetings, subject specific workshops, online forums, etc.

Formal consultation with trade unions is undertaken at the National Joint Committee when broad matters of common interest are negotiated and discussed. Other committees and groups also meet to discuss specific issues, for example health and safety, and diversity and inclusion.

2.1.2 Statement of Accounting Officer's responsibilities

The Principal Accounting Officer for the DHSC has appointed the NHSBSA Chief Executive as the NHSBSA Accounting Officer.

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

Under the National Health Service Act 2006 and directions made there under by the Secretary of State with the approval of Treasury, we are required to prepare a statement of accounts for each financial year in the form, and on the basis, determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NHSBSA and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year.

As Accounting Officer, I have responsibility for ensuring the preparation of our accounts and transmission to the Comptroller and Auditor General.

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular 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, as set out in the FReM, have been followed and disclosed and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation.

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

As Accounting Officer I can confirm that:

- as far as I am aware, there is no relevant audit information of which the NHSBSA's auditors are unaware
- I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSBSA's auditors are aware of that information
- the Annual Report and Accounts as a whole is fair, balanced and understandable
- I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

2.1.3 Annual Governance Statement

Introduction

The Accounting Officer for the NHSBSA is required to provide assurances about the stewardship of the organisation. These assurances are provided in this Governance Statement, in line with HM Treasury guidance.

The Accounting Officer for the NHSBSA is Michael Brodie, NHSBSA Chief Executive.

Alistair McDonald retired as Chief Executive and Accounting Officer of the NHSBSA at the end of June 2019. Andy McKinlay, Executive Director of Finance and Commercial Services, was NHSBSA Accounting Officer from 1 July 2019 to 31 August 2019, and Michael Brodie was appointed as Chief Executive and NHSBSA Accounting Officer from 1 September 2019. A thorough handover process was undertaken to provide appropriate assurances on the governance of the NHSBSA over the reporting period at each point of transition.

Scope of responsibilities

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

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

The purpose of the Governance Framework

The NHSBSA operates an integrated governance framework. This framework comprises the systems and processes by which the NHSBSA leads, directs and controls its functions and accounts to, and engages with, the DHSC and the wider NHS community. The NHSBSA takes its responsibilities seriously, striving to be a good corporate citizen. In aiming to embed this, the corporate governance framework is underpinned by the culture, values and behaviours adopted across the NHSBSA.

A significant element of the framework is the system of internal control, which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

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

The governance framework and system of internal control have been in place for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts.

NHSBSA Governance Framework

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

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

The Director of Corporate Services and Corporate Secretary is responsible for ensuring that all decisions made are legal and comply with the NHSBSA Corporate Governance Framework. The NHSBSA complies with the HM Treasury Corporate Governance Code where it applies to us.

NHSBSA Board

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

- Audit and Risk Management Committee.
- Remuneration and Nominations Committee.

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

Board membership and responsibilities

Membership of the Board is currently made up of a non-executive Chair, five non-executive directors, Chief Executive and three executive directors, one of which is a finance director. The key roles and responsibilities of the Board are:

- to set and oversee the strategic direction of the NHSBSA
- continued appraisal of the financial and operational performance of the NHSBSA
- to discharge its duties of regulation and control
- to receive reports and updates from the Standing Committees
- to approve and adopt the Annual Report and Accounts.

The Board has met eight times up to the end of March 2019 and is responsible for approving the business plan and budget in advance of the financial year. Subsequent reporting is based

on an exception principle ensuring that the Board focuses on key issues and utilises its time effectively.

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

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

- performance against the identified key performance indicators and strategic goals
- the current financial position
- people related issues
- customer satisfaction and complaints
- client engagement
- progress against key change projects
- corporate risks and issues.

The data presented to the Board is produced and quality assured by the NHSBSA Information Services Team adopting the six dimensions of data quality approach.

The NHSBSA's Senior DHSC Sponsor is also invited to Board meetings to ensure members of the Board, in particular non-executive directors, are able to get an understanding of the key stakeholders' views.

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

Table 6 shows the number of meetings attended by Board members during the financial year and also highlights their declared business interests.

Table 6: Board members

Board member	Meetings attended	Register of interests
 <p>Non-executive Chair: Silla Maizey</p>	8 of 8	Non-executive director, Network Rail Director, Saffron Solutions Ltd Non-executive director, John Menzies plc. Non-executive director, Crown Commercial Service Company Secretary, Saffron Solutions Ltd (until 15 September 2018)
 <p>Non-executive: Debra Bailey</p>	8 of 8	Chief Information Officer, Telefonica UK (from 11 March 2019)
 <p>Non-executive, Chair of Remuneration and Nominations Committee, Senior Independent Director: Mark Ellerby</p>	7 of 8	Director and Trustee, Dementia Forward Non-executive director, Leeds Teaching Hospitals NHS Trust (until 1 November 2018)
 <p>Non-executive, Chair of Audit and Risk Management Committee: Andrew Flanagan</p>	8 of 8	Member of Advisory Board, NHS NEL Commissioning Support Unit (CSU) Non-executive director, Criminal Injuries Compensation Authority Commissioner, Civil Service Commission (until 7 July 2018)
 <p>Non-executive: Tim Nolan</p>	8 of 8	Partner, LORW Ltd Management Consultancy Director, LORW Investments Ltd Member of Patient & Carer Group (PCAG), Royal Marsden NHS Foundation Trust (from 11 December 2018) Non-Executive Director, Supply Chain Co-ordination Limited (SCCL) (until 24 November 2018)

	<p>Non-executive: Karen Seth</p>	<p>7 of 8</p>	<p>HR Director, Funeralcare, Life Planning and Legal Services, Co-op</p> <p>Trustee, Newcastle Law Centre (until 1 June 2018)</p>
	<p>Chief Executive: Alistair McDonald (until 30 June 2019)</p>	<p>8 of 8</p>	<p>Nothing declared</p>
	<p>Director of Corporate Services and Corporate Secretary: Mark Dibble</p>	<p>8 of 8</p>	<p>Nothing declared</p>
	<p>Executive Director of Finance and Commercial Services: Andy McKinlay</p>	<p>8 of 8</p>	<p>Nothing declared</p>
	<p>Executive Director of Strategy, Business Development and Growth: Allison Newell</p>	<p>7 of 8</p>	<p>Nothing declared</p>

NHSBSA Board review of effectiveness

The NHSBSA Board is required to consider its own effectiveness on a regular basis.

The NHSBSA undertakes such a review annually.

The Board engaged an independent and experienced assessor to undertake the review for 2018/19. The process included an online survey and follow-up one-to-one interview with each member and regular attendee. This level of review is undertaken every three years, with online reviews being undertaken in the other years. The results of the review indicated that the NHSBSA Board was strong, with a common vision with a good range of experience and skills. Discussions were viewed as open and honest with a good level of challenge between members. Areas highlighted for consideration included ensuring a strategic focus is maintained and discussions focus on business-critical activities, and the potential for change when the new Chief Executive is appointed in 2019. The recommendations were accepted by the Board and actions taken forward.

During 2018/19, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the NHSBSA has:

- achieved its financial targets
- delivered against the majority of its agreed key performance indicators, and ensured that any performance issues have been addressed through appropriate recovery plans (see page 17 - NHS Pensions)
- continued to operate its assurance process through the assurance map process
- maintained its robust performance reporting mechanism using a dashboard style approach
- maintained its risk management procedures using dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas
- maintained an effective, risk-based internal audit programme, ensuring internal audit recommendations are addressed appropriately.

Audit and Risk Management Committee

The Committee is chaired by a non-executive director and has met six times during 2018/19. Membership of this Committee is made up of three non-executive directors including the Chair, one of whom is required to have recent and relevant financial experience. Andrew Flanagan provides this experience and also chairs the Committee. There is also a requirement for regular attendance from the Director of Finance

and Commercial Services and representatives from both internal and external audit. The Chief Executive and Accounting Officer also attends the meeting, including specifically to discuss the assurance processes which support the production of the Annual Report and Accounts. Other staff are invited to attend meetings as appropriate (Table 7).

Table 7: Audit and Risk Management Committee	Meetings attended
Non-executive directors:	
Andrew Flanagan (Chair of Committee)	6 of 6
Debra Bailey	4 of 6
Tim Nolan	6 of 6
Executive directors:	
Alistair McDonald (Chief Executive)	5 of 6
Mark Dibble (Director of Corporate Services and Corporate Secretary)	6 of 6
Andy McKinlay (Director of Finance and Commercial)	4 of 6

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the NHSBSA's governance and assurance arrangements, including the governance framework, risk management, controls and related assurances. Updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An

annual report is submitted to the Board which summarises the work undertaken by the Committee during the previous year. In addition, the Committee receives an annual review of the NHSBSA Risk Management Framework. This was most recently undertaken in June 2018 and concluded that the framework was effective and fit-for-purpose.

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

- monitoring financial governance and reviewing the draft financial statements
- reviewing the effectiveness of internal controls
- monitoring the effectiveness of risk management controls
- monitoring the effectiveness of fraud and security management
- seeking assurance regarding the control environment
- reviewing the effectiveness of internal audit arrangements.

These standing items are complemented by a series of risk-based presentations on 'Areas of Focus' providing an opportunity for members to seek more detailed assurance from senior leaders (see Assurance Arrangements).

Audit and Risk Management Committee review of effectiveness

The Committee reviewed its effectiveness using an online survey sent to each member and regular attendee. Overall, the results were positive and confirmed effectiveness. Some minor areas were highlighted for consideration. These included ensuring the continued focus on ensuring appropriate training and updates on best practice are provided to members.



Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a standing committee of the Board and comprises three non-executive directors, one of whom chairs the Committee. The Chief Executive and/or other executive directors attend these meetings on an 'as required' basis (Table 8).

Table 8: Remuneration and Nominations Committee	Meetings attended
Non-executive directors:	
Mark Ellerby (Chair of Committee)	3 of 3
Silla Maizey (Chair of Board)	3 of 3
Karen Seth	3 of 3
Executive directors (specific meetings/ items):	
Alistair McDonald (Chief Executive)	3 of 3
Mark Dibble (Director of Corporate Services and Corporate Secretary)	3 of 3

The key responsibilities of the Remuneration and Nominations Committee are to:

- determine the terms of service, remuneration and other benefits of the executive team and any other relevant employees, in accordance with the NHS Executive and Senior Managers Pay Framework and other relevant guidance issued by DHSC
- monitor systems to evaluate the performance of relevant employees
- oversee contractual arrangements for relevant employees
- nominate candidates for appointment as officer members of the Board
- monitor succession planning arrangements
- support the process operated by the DHSC for the appointment (or proposed re-appointment) of the Chair or non-executive members of the Board.

The Chair of the Committee provides updates to the Board following each meeting and confirmed minutes are shared at subsequent Board meetings. The Committee also reviews and approves the Remuneration Report of the Annual Report to ensure its accuracy.

Remuneration and Nominations Committee review of effectiveness

The Committee reviewed its effectiveness during 2018/19 using a survey sent to each member and regular attendee. Overall, the results were positive and confirmed effectiveness. Some minor areas were highlighted for consideration including mechanisms by which Committee members could be kept up to date on policy changes that impacted on their areas of responsibility and how that could be shared.

Terms of Reference

The full terms of reference for both of these Committees can be found in the NHSBSA's Corporate Governance Framework which is published on the NHSBSA website:

www.nhsbsa.nhs.uk/our-policies/governance-framework

NHSBSA sponsorship arrangements

The NHSBSA manages a complex range of business activities on behalf of the DHSC. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream.

A clear ongoing accountability framework is in operation, which includes formal reviews with Senior Sponsors. This is consolidated through a formal framework agreement between the NHSBSA and DHSC. Strategic, policy and operational issues are reviewed alongside the corporate risk register, assurance arrangements and the latest financial position at review meetings. Additionally, regular scheduled meetings are held with the individual service sponsors.

NHSBSA management

Other than those matters reserved for the Board, responsibility for the day-to-day management of the NHSBSA is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team as shown in Figure 4.

Figure 4: NHSBSA Leadership Team



Note: Only the Chief Executive and Executive Directors are members of the Board.

Key governance systems

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

- Risk management.
- Assurance.
- Managing information.

The Audit and Risk Management Committee regularly reviews these areas to ensure that they remain robust and effective. This enables the Committee to provide assurances to the Board that appropriate risk identification and management processes are taking place across the organisation.

Risk management

Risk appetite – Risk appetite can be defined as the amount of risk that an organisation is willing to seek or accept in the pursuit of its long term objectives. The NHSBSA Board reviewed and agreed the organisation's Risk Appetite Statement in February 2019, setting appetite levels for key areas. The NHSBSA's aim is to seek to terminate, treat, tolerate or transfer risks as appropriate to ensure that it meets its objectives.

Process – The NHSBSA Risk Management Framework comprises:

- Risk management policy.
- Risk management methodology.
- Risk and issue register.

These are applied consistently across the NHSBSA, with risks and issues being escalated up the hierarchy as dictated by our policy. These tiers consist of:

- Services / Corporate Teams – Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Head of Service.
- Project / Programme – Risks are reviewed and managed by Project Managers as part of the project governance process. Significant risks and issues are escalated to the Programme Manager and Portfolio Board.
- Corporate – Each quarter the Leadership Team review the top-level Corporate Risk Register. This review is informed by collated versions of team and project risk registers, and a paper produced by the NHSBSA Risk Management Group. The Leadership Team is also free to identify further risks and issues at this meeting.
- Audit and Risk Management Committee – The Committee receives updates on the work undertaken in the area of risk and issue management. The Committee also receives a copy of the Corporate Risk Register, and 'Areas of Focus' presentations on specific risk / issue areas. This process enables the Committee to provide assurances to the Board that appropriate risk management processes are in place and risk mitigation is taking place.

Significant risks and issues

In a dynamic and complex business environment significant risks can always be encountered.

Significant risks and issues managed and closed in year

General Data Protection Regulation (GDPR)

The introduction of GDPR created risks for any organisation handling relevant data, including the possibility of legal breaches and significant fines. The NHSBSA delivered its GDPR project, ensuring alignment across the organisation with the requirements of the regulations.

Data Sharing and Analytics

Through working closely with other ALBs and key stakeholders, risks around the duplication of NHSBSA work across the health and care system has been reduced e.g. strategic collaboration meetings between the leadership of NHSBSA, NHS Digital and NHS Counter Fraud Authority take place on a regular basis. Further key relationships with other ALBs are expected to be developed during 2019/20. Each proposal to share data is worked through with each partner organisation to assess the purpose and associated requirements. A data sharing agreement is signed between both parties, prior to any data flowing.

Use of Electronic Prescription Service (EPS)

The ongoing delivery of EPS, which in turn is helping the organisation improve its prescription service and reduce costs, has taken a substantial step forward with the commencement of the EPS Phase 4 pilot. This will add significant user improvements and is the start of EPS as a default position when visiting an enabled GP. This, along with a more collaborative approach to EPS ownership with NHS Digital, has addressed the risk of reduced system utilisation.

Payment to NHS pensioners

Previous long standing contractual arrangements to run the NHS Pensions Administration and Payroll Service ended in July 2018. The NHS Pension Re-procurement Programme transitioned the services to new insourced and specialist supplier arrangements during 2018/19.

NHS Supply Chain transition

NHS Supply Chain services has transferred from the NHSBSA to Supply Chain Coordination Limited (SCCL) over a 12 month period between 1 April 2018 and 31 March 2019. The Leadership Team and Board closely monitored and supported the work of SCCL over this period to aid the facilitation of this transition – the key driver being to ensure a smooth transition of NHS Supply Chain services was achieved, and any risks to service delivery and other operational objectives were managed.

Previously DHL operated NHS Supply Chain services on an open book basis as part of the Master Services Agreement (MSA) on behalf of NHSBSA via an MOU with DHSC. From July 2018 NHSBSA assumed accountability for supply chain capital and maintenance functions. During the process of bringing the capital and maintenance transactions into the NHSBSA accounts extensive work was required to improve the quality of the underlying financial information which in part has led to delays.

NHSBSA have worked closely with SCCL Finance to support the completion of this work in pursuit of a satisfactory audit position. Ahead of SCCL 2019/20 accounts production the SCCL finance team continue to enhance and refine the underlying processes as identified as part of this exercise.

Current risks / issues

IT Infrastructure and Sourcing (ITIS)

Programme

The ITIS Programme, created to deliver the replacement of the organisation's outsourced IT arrangements, has continued to progress throughout 2018/19. Key milestones achieved have included the award and subsequent engagement with suppliers for a) networks, b) telephony and c) managed infrastructure, as well as significant progress to bring back in-house key service and management elements. The risk of not delivering the programme to agreed timescales continues to be monitored by the Leadership Team, with ITIS being included as a standing agenda item at the Audit and Risk Management Committee. Key mitigations include internal programme governance and oversight by the Infrastructure and Projects Authority (IPA).

Information security

The volumes and sensitivity of data we hold means the Leadership Team and Board have purposefully continued to closely monitor the organisation's approach to information and cyber security. Ongoing benchmarking against best practice standards and ongoing scrutiny by our Audit and Risk Management Committee ensures the risk is managed as threats continue to evolve on a day-by-day basis. Improvements are also being made through our IT and digitisation programmes, and the implementation of a new Information Security Management System (ISMS) aligned to the requirements of ISO27001, with external certification planned for 2019/20.

Funding

The organisation continues to monitor its funding requirements, aligned to service pressures, service improvements and new services either transferred into or developed by the NHSBSA. This includes

monitoring the transition to a commissioner pays model and any impact this may have on our finances. Any risk to our financial position is being mitigated by our close working relationship DHSC, and the ongoing development and delivery of our financial plan.

System Re-Organisation

The NHSBSA Strategy recognises and supports the redesign and changes described in the NHS Long Term Plan and wider system. The NHSBSA Strategy outlines the roles that we will continue to play to ensure we deliver our essential services and solutions. In addition it details the capabilities and services that we will develop to support and/or help deliver the Long Term Plan and improve the population's health and experience. We know it will require collaboration and strong relationships between multiple organisations and at all levels within and across the health and care system. The NHSBSA Leadership Team will continue to work closely together and collaborate across the system to ensure our services and solutions meet customer and commissioner expectation and that we maximise synergies and opportunities in all we do.

Suitability of Directions

One of the NHSBSA's strategic goals is to collaborate to maximise the return on data to improve health outcomes. The delivery of this goal is dependent upon an appropriate governance framework and directions aligned to this aspiration, specifically in relation to data and analytics. The NHSBSA continues to work with the DHSC to assess its directions to ensure this goal is supported moving forward.

NHS Pension Changes

The NHSBSA are continuing to monitor developments in relation to the recent ruling in the Court of Appeal on the transitional

arrangements within the firefighter and judicial pension schemes, and the potential for changes to the NHS Pension scheme. This could result in a significant increase in Pension Service administration work and associated costs.

Brexit - Serious Shortage Protocols

One of the measures introduced to prepare for a 'no-deal' Brexit was the passing of legislation to allow the use of 'Serious Shortage Protocols'(SSPs) in the event of a serious shortage of medicines. The NHSBSA has identified a risk that the quality of prescribing data could be impacted, in the event of large-scale use of SSPs. This risk will continue to be monitored, and mitigation actions agreed as appropriate, as Brexit negotiations continue in 2019/20.

Penalty charge notices in healthcare

The outcome of the NAO: Investigation into penalty charge notices in healthcare, and subsequent Public Accounts Committee (PAC), may be that the NHSBSA makes changes to the way Eligibility Services operate. Any operational changes required will be agreed with DHSC and NHS England and Improvement, and actions identified to address any operational impacts.

Assurance arrangements

The NHSBSA uses an assurance map approach, using the best practice three lines of defence model, to identify the sources of assurance in place over each of the key functions and services we deliver. The three lines of defence represent:

- first line: management control and reporting
- second line: functional oversight and governance systems
- third line: independent review and regulatory oversight.

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

The Audit and Risk Management Committee review, at least annually, the process in place around assurance mapping. The Leadership Team members are responsible for ensuring their maps are up to date for their areas of responsibility.

The Audit and Risk Management Committee has continued a programme of 'Areas of Focus' exercises to assure itself on behalf of the Board regarding the robustness of controls. During 2018/19 exercises were carried out in the following areas:

- IT Infrastructure and Sourcing Programme (ITIS) - (standing agenda item for 2018/19)
- General Data Protection Regulation (GDPR)
- Business Continuity
- New Business – Identification, Evaluation and On-boarding.

The Committee has gained an increased awareness over the assurances in place for each of the areas reviewed. The assurance provided by these reports constitute the key report highlights from the committee during 2018/19.

Third party assurance

The NHSBSA provides services to the wider health system including making dental, prescription and student bursary payments on behalf of our clients. Also, the NHSBSA took on responsibility for the NHS Electronic Staff Record (ESR) service at the start of 2018/19. In order to give users of

the services greater assurance about the quality of the NHSBSA's infrastructure, management engage auditors to review the controls and deliver an independent third party opinion of their design and operating effectiveness, resulting in the production of ISAE 3000/3402 reports.

For 2018/19 the ISAE 3402 reports for prescription and dental payments, and the ISAE 3000 report for ESR, were unqualified. The ISAE 3402 report for student bursary payments demonstrated effective controls were in place for the majority of the process. However, testing identified that four individual staff members had not had their IT access changed as described in the service area's procedures when moving internally or leaving the organisation, leading to a qualified report. Once identified, a subsequent review confirmed that compensatory controls were in place to minimise the risk of inappropriate system access. Also, a lessons learnt exercise has been undertaken to ensure controls operate effectively moving forward.

Managing information

During 2018/19 the NHSBSA has maintained its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Data Security & Protection Toolkit (DSPT) - previously the Information Governance Toolkit. The DSPT return is based on the National Data Guardian's ten data security standards which were issued to all non-executive directors in July 2017. Our return was submitted at the end of March 2019 which confirmed we were compliant with all the mandatory requirements. Frequent compliance updates are provided to the NHSBSA Audit and Risk Management Committee and NHSBSA Board.



478 security incidents were raised during 2018/19. Upon investigation and risk assessment (based on the set DSPT criteria), none of these security incidents required onward reporting to either NHS Digital, DHSC nor the Information Commissioners Office (ICO).

In the course of the NHSBSA's business, information is held and used about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence stringent controls are in place to ensure the security of this information. Issues relating to information security within the NHSBSA are coordinated by the Business Information Security Group (BISG) which is chaired by the Executive Director of Corporate Services who holds the position of Senior Information Risk Owner (SIRO). The remit of the SIRO is to take ownership of the NHSBSA's information risk policy, act as advocate for information risk to the Board and provide written advice to the Accounting Officer on the content of the Annual Governance Statement with regard to information risk.

Data protection and freedom of information

As a Special Health Authority, the NHSBSA is subject to the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act (DPA) 2018. Appropriate notifications have been filed with the ICO. This means that all subject access requests are responded to within the provisions of the Act, typically within 40 calendar days prior to 25 May 2018, and within a calendar month thereafter.

During 2018/19 we have dealt with 648 DPA requests, 422 more than the previous year. All but 30 were responded to within the required timeframe.

The NHSBSA is also subject to the requirements of the Freedom of Information Act (FOI) 2000. This means that all requests for information are responded to within the provisions of the Act, typically within 20 working days.

During 2018/19 we have dealt with 415 FOI requests, 47 less than the previous year. All but 16 were responded to within the required timeframe.

The requests that missed the deadline were due to a combination of factors including business areas not correctly identifying the communication as a DPA or FOI request. The Information Governance Team is working with these business areas to make the identified improvements. Changes introduced by GDPR also had an effect with the tightening of the timeframe for handling DPA requests. The removal of the £10 handling fee and the increased awareness of information rights may have also influenced the large increase in DPA requests we experienced.

As a public sector information holder, the NHSBSA complies with the cost allocation and charging requirements set out in HM Treasury and

the ICO guidance. The NHSBSA can confirm that for 2018/19 no charges were made for access to information under the Freedom of Information Act or DPA requests made under the provisions of the Data Protection legislation.

Whistleblowing

The NHSBSA has appropriate, effective whistleblowing arrangements in place i.e. policy and procedure. The overall effectiveness of these arrangements is reviewed by the Audit and Risk Management Committee on an annual basis. This includes having an identified non-executive director with specific accountability for these arrangements. This role is held by Tim Nolan.

Health inequalities

The Health and Social Care Act 2012 created a legal responsibility for the Secretary of State for Health to have regard for the need to reduce health inequalities. As a Special Health Authority, the NHSBSA supports the Secretary of State in delivering these functions so far as our functions allow. We believe that our most significant contribution to reducing health inequalities can be delivered through our ability to provide accurate information and insight to our NHS commissioning colleagues.

Handling complaints

At the NHSBSA we pride ourselves on the level of service that we provide to our customers and other service users. We aim to resolve all complaints fairly and promptly in accordance with our defined policy.

During 2018/19 we have maintained our approach to handling complaints, learning lessons about our services, putting things right when things have gone wrong and apologising

when we have let anyone down.

The total number of formal complaints resolved during 2018/19 was 1,179 of which 116 (9.8%) were found to be justified. This compares to a total of 725 in 2017/18 of which 100 (13.8%) were found to be justified.

The NHSBSA delivered a planned increase in Prescription Exemption Checking (PEC) during the past year and have issued more Penalty Charge Notices (PCNs) where no valid exemption record could be found. Dental Exemption Checking (DEC) volumes have remained at the same level. There has been a slight increase in the overall number of complaints as a result of higher volumes of PCNs being issued, however overall complaint levels remain low. The percentage of complaints received against the number of PCNs issued for 2018/19 was 0.24% for PEC and 0.25% for DEC. Many queries are also resolved informally through our contact centre and the online challenge tool we have introduced this year. Also, as part of the NAO investigation into PCNs, as described on page 22, the Parliamentary and Health Service Ombudsman stated that they generally did not find failings in complaints about healthcare PCNs because the NHSBSA acts properly, and in accordance with the regulations.

Details of formal complaints relating to the NHS Pension Scheme are available in the NHS Pension Scheme Annual Accounts – at www.nhsbsa.nhs.uk/nhs-pension-schemeaccounts.

Sources of assurance

Audit and Risk Management Committee

One of the key sources of assurance provision for the NHSBSA's Board is from the Audit and Risk Management Committee, whose key responsibilities are described in the Audit and Risk Management Committee section. The Committee meets these responsibilities by receiving regular reports on a range of audit and assurance topics.

The following is a list of the key reports:

- Risk Management updates – setting out and assessing the major risks and issues that we face along with progress and impact of mitigation actions.
- Annual Risk Management report – outlining how our risk management arrangements have continued to operate during the year and how they have been reviewed and strengthened.
- Assurance Map review – annual review of the assurance mapping arrangements in place across the business.
- Areas of Focus presentations – focusing on high-risk areas, or other topics highlighted, for example, through internal audits, assurance maps, etc.
- Internal Audit progress report – regular progress reports on the work undertaken by Internal Audit against the agreed plan.
- External Audit reports – regular progress reports on the work undertaken by External Audit.
- Internal / External Audit recommendations tracker – updates on progress made across the NHSBSA implementing audit recommendations.

- Fraud / Local Security Management annual reports – reports detailing the work undertaken during the year mapped against the agreed work plans.
- Whistleblowing update report – updates on whistleblowing activity across the business each year.
- Third Party Assurance reports – the outcome of the third party assurance engagements undertaken to review the control environment covering prescription, dental and student bursary payments, and ESR. The outcome of these engagements is shared with clients, as appropriate, to provide third party assurance for the services we provide on their behalf.

Other sources of assurance

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

- Risk Management Process – see Risk Management section.
- Performance Management Framework – reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance.
- Wellbeing and Inclusion Committee – controls are in place to ensure that all of our obligations under equality, diversity and human rights legislation are adhered to. The Wellbeing and Inclusion Committee, which is chaired by the Chief Executive, monitors performance against our Diversity and Inclusion Strategy and achievement of our equality objectives. It also oversees the

delivery of our wellbeing and community investment goals.

- Statutory Function Register – a register which details the current Statutory Instruments, Directions and other applicable agreements is maintained to ensure correct arrangements are in place, and the NHSBSA is legally compliant in discharging its duties.
- NHS Pension Scheme – as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- National Joint Safety, Health and Environment (SHE) Committee – controls are in place to ensure that we comply with relevant health and safety, and environmental law and good practice. The National Joint SHE Committee, which is chaired by the Executive Director of Corporate Services, monitors performance against our Health and Safety Strategy and Action Plan, and Environment and Resource Efficiency Strategy and Action Plan.

Accounting Officer's review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with my annual opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

The Head of Internal Audit's opinion was that, based on the work completed to date, there is moderate assurance given to the Accounting Officer that the NHSBSA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2018/19.

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

- The work of the Audit and Risk Management Committee which informs the Board about the outcome of its activities through submission of its minutes and its annual report to the Board.
- The findings of both the external and the internal audit reviews. The Audit and Risk Management Committee oversees progress towards the implementation of all such recommendations.
- The work of the Fraud Specialists is to prevent, deter, investigate and report fraud activity. The Audit and Risk Management Committee receives the annual work plan and annual report of the Fraud Specialists and provides updates to the Board as appropriate.

Significant governance issues

There were no significant issues raised during 2018/19.

Conclusion

My review confirms that the NHSBSA has a system of governance that supports the achievement of its policies, aims and objectives and that continuous improvement is ongoing.

2.2 Remuneration and staff report

2.2.1 Remuneration report

The remuneration of the NHSBSA executive directors is set by the Remuneration and Nominations Committee on behalf of the NHSBSA Board, subject to approval by the DHSC. The Committee is chaired by a non-executive director. The NHSBSA Chair also attends.

This report for the year ended 31 March 2019 is produced by the Board. The Remuneration and Nominations Committee met on three occasions during the period 1 April 2018 to 31 March 2019.

The Remuneration and Nominations Committee operates within a framework laid down by the DHSC, and taking into account the recommendations of the Senior Salaries Review Body. Its remit is to determine, on behalf of the NHSBSA, the Terms of Service, remuneration and other benefits of the Chief Executive, executive directors and such other posts that are specifically designated by the Board to be within their purview, with the intention that relevant employees are fairly rewarded for their individual contributions to the organisation. This includes setting the terms for the recruitment of any new executive directors within the DHSC framework.

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

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

The remuneration of executive directors is reviewed at least annually by the Remuneration and Nominations Committee, taking account of NHS national awards, central DHSC directions or guidance and other relevant factors. The remuneration for the tenure of non-executive directors is determined by the Secretary of State for Health.

With the approval of the DHSC Remuneration Committee, we operate the NHS Executive and Senior Managers (ESM) pay framework.

Appointments

Non-executive directors are appointed to the NHSBSA Board by the Secretary of State for a fixed period of time. Executive directors have NHSBSA contracts of employment, in which there are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements and normal pay provisions.



Emoluments of Board members

The remuneration of all directors in post during 2018/19 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives.



Non-executive directors

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

Subject to audit

Name and title		2018/19						2017/18						Date of appointment/re-appointment	Appointment ends		
		Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)				
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
S Maizey	Chair	60-65	4.5	0	0	0	65-70	7.6	0	0	0	70-75	0	0	70-75	9 Sep 2013 9 Sep 2017	8 Sep 2017 8 Sep 2020
M Ellerby	Non-executive director, Senior Independent Director and Chair of Remuneration and Nominations Committee	5-10	1.6	0	0	0	5-10	1.8	0	0	0	5-10	0	0	5-10	1 Apr 2014 1 Apr 2017 1 Apr 2018	31 Mar 2017 31 Mar 2018 31 Mar 2021
A Flanagan	Non-executive director and Chair of Audit and Risk Management Committee	10-15	3.5	0	0	0	15-20	3.8	0	0	0	15-20	0	0	15-20	1 Apr 2014 1 Apr 2017	31 Mar 2017 31 Mar 2020
K Seth	Non-executive director	5-10	0	0	0	0	5-10	0	0	0	0	0-5	0	0	0-5	15 Sep 2017	14 Sep 2020

D Bailey Non-executive director	0 ²	4.9	0	0	0	0	0	4.2	0 ²	0-5	0	0	0	0-5	1 Jun 2016 1 Jun 2019	31 May 2019 31 May 2022
T Nolan Non-executive director	5-10	5.5	0	0	0	0	0	3.8	5-10	10-15	0	0	0	10-15	1 Apr 2017	31 Mar 2020
M Green Non-executive director (until 31 Mar 2017) Co-opted member of audit committee (until 31 Jul 2017)	-	-	-	-	-	-	-	2.5	0.5	-	-	-	-	10-15	1 April 2014	31 Mar 2017

¹ part year (full year equivalent: £5-10k) / ² does not draw a salary

Senior manager remuneration

The following table sets out details of payments made and appointment term details for the Chief Executive and senior managers

Subject to audit

Table 10: Senior manager remuneration														
Name and title	2018/19						2017/18						Date of appointment/re appointment	Appointment ends
	Salary (bands of (£5,000) £000 ¹	Expense payments (taxable) total to nearest £100 £000 ¹	Performance pay and bonuses (bands of £5000) £000	Long term performance pay and bonuses (bands of £5000) £000	All pension-related benefits (bands of £2,500) of £000	TOTAL (bands of £5,000) £000	Salary (bands of (£5,000) £000 ¹	Expense payments (taxable) total to nearest £100 £000 ¹	Performance pay and bonuses (bands of £5000) £000	Long term performance pay and bonuses (bands of £5000) £000	All pension-related benefits (bands of £2,500) of £000	TOTAL (bands of £5,000) £000		
A McDonald Chief Executive	165-170	0	5-10	0	72.5-75	245-250	160-165 ²	0	0	382.5-385 ³	545-550	1 May 2006	30 Jun 2019	
M Dibble Director of Corporate Services and Corporate Secretary	110-115	0	0	0	62.5-65	170-175	60-65 ⁴	0	0	27.5-30	90-95	1 Sep 2017	Permanent contract (6 months' notice)	
A Newell Director of Strategy, Business Development and Growth	125-130 ⁵	0	0	0	27.5-30	155-160	-	-	-	-	-	16 Apr 2018	Permanent contract (6 months' notice)	
A McKinlay Director of Finance and Commercial Services	110-115 ⁶	2.1	0	0	22.5-25	140-145	-	-	-	-	-	9 Apr 2018	Permanent contract (6 months' notice)	

N Scholte Chief Executive (until 7 May 2017)	-	-	-	-	-	0.9	0	0	2.5-5	20-25	1 Feb 2006	7 May 2017
P McGahon Director of Finance and Commercial (from Sep until 31 Mar 2018). Director of Finance and Corporate Services (until 31 Aug 2017)	-	-	-	-	-	0	0	0	17.5- 20	140- 145	5 Aug 2013	31 Mar 2018
S Pink Director of Change and Commercial Delivery (until 31 Oct 2017)	-	-	-	-	-	0	0	0	37.5- 40	195- 200	30 Apr 2012	31 Oct 2017

¹all taxable expense payments relate to the provision of a lease car. Transport allowance was previously included in the expenses column - this is now included under 'salary'. / ²part year (full year equivalent: £165-170k) / ³increase due to the impact on pension entitlement (in 1995 Scheme) arising from the salary increase on taking on the role of Chief Executive along with 37 years' service / ⁴part year (full year equivalent: £105-110k) / ⁵part year (full year equivalent: £125-130k) / ⁶part year (full year equivalent: £110-115k) / ⁷part year (full year equivalent £155 – 160k) / ⁸part year (full year equivalent £135 – 140k), includes four months' pay in lieu of notice of £46k and redundancy of £33k.

Fair pay disclosure *Subject to audit*

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce, often referred to as the 'fair pay disclosure' (Table 11).

The banded remuneration of the highest paid director in the NHSBSA in the financial year 2018/19 was £175,000 - £180,000 (2017/18: £160,000 - £165,000). This was 9.5 times (2017/18: 8.9) the median remuneration of

the workforce, which was £18,702 (2017/18: £18,157). The range of staff remuneration was £15,000-£20,000 to £175,000-£180,000.

In 2018/19 no employees received remuneration in excess of the highest paid director. This was also the case in 2017/18.

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

Subject to audit

Table 11: Fair pay disclosure	2018/19	2017/18
Band of highest paid director's total remuneration (£000)	175-180	160-165
Median total (£)	18,702	18,157
Remuneration ratio	9.5	8.9

Pension benefits

The table below sets out the pension benefits of the Chief Executive and senior managers of the NHSBSA:

Subject to audit

Table 12: Pension benefits of senior managers							
Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2019 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2019 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2019	Cash Equivalent Transfer Value at 31 March 2018	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
A McDonald Chief Executive	2.5-5	12.5-15	75-80	230-235	1,817	1,524	223
M Dibble Director of Corporate Services and Corporate Secretary	2.5-5	2.5-5	35-40	85-90	677	534	113
A Newell Director of Strategy, Business Development and Growth	0-2.5	0	0-2.5	0	35	0	17
A McKinlay Director of Finance and Commercial Services	0-2.5	0	0-2.5	0	21	0	5

There are no entries in respect of pensions for non-executive directors as they don't receive pensionable remuneration.

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.

2.2.2 Staff report

Staff numbers and costs

Table 13 gives details of staff numbers and costs.

Subject to audit

Table 13: Staff numbers and related costs - Executive members and staff costs				
	Total 2018/19 £000	Permanently employed £000	Other £000	Total 2017/18 £000
Salaries and wages	74,099	67,496	6,603	69,231
Social security costs	5,959	5,959	0	5,636
Employer contributions to NHS Pensions	7,586	7,586	0	7,267
Other pensions costs	451	451	0	536
Termination costs	3,126	3,126	0	6,135
Apprenticeship levy	362	362	0	343
Total	91,583	84,980	6,603	89,148
Capitalised staff costs	(1,699)	-	-	(1,559)
	89,884	-	-	87,589

The average number of persons employed during the year was:

Subject to audit

Table 14: Average numbers of persons employed			
Total	Permanently employed	Other	2017/18
2,688	2,617	71	2,635

The whole time equivalent number of staff whose cost was capitalised was 24 (2017/18: 25).

Ill-health retirements

Three members of staff retired due to ill health during 2018/19 at a cost of £214,684, borne by the NHS Pension Scheme.

Gender balance

Table 15 below provides details of the number of staff by gender at director, senior manager and other employee levels.

During 2018/19 the NHSBSA published its annual Gender Pay Gap Report. The report fulfilled not only our reporting requirements, but sets out what we are doing to address the gender pay gap in our organisation and explains the range of actions we are undertaking to reduce this. We are committed to creating a diverse and inclusive culture which supports the fair treatment and reward of all our colleagues, irrespective of gender, and our pay framework is based on the principles of fairness, transparency and consistency.

Table 15: Employee data (based on head count, not full-time equivalent)			
	Female	Male	Total (31 March 2019)
Directors	2	8	10
Senior managers (band 8c and above)	16	26	42
Total employees	1,782	1,173	2,955

Employee sickness

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

All figures calculated by Full Time Equivalent (FTE)

Table 16: NHS sickness absence figures				
Figures converted by DHSC to best estimates of required data items			Statistics published by NHS Digital from ESR data warehouse	
Average FTE 2018	Adjusted FTE days lost to Cabinet Office definitions	Average sick days per FTE	FTE days available	FTE days recorded sickness absence
2,875	20,366	7.1	1,049,268	33,038

Source: NHS Digital - Sickness Absence and Publication - based on data from the ESR Data Warehouse. Period covered: January to December 2018

NHS sickness absence figures notes:

Data items: The NHS Electronic Staff Record (ESR) does not hold details of the planned working/non-working days for employees so days lost and days available are reported based upon a 365-day year. For the Annual Report and Accounts the following figures are used:

The number of FTE-days available has been taken directly from ESR. This has been converted to average FTE 2018 in the first column by dividing by 365.

The number of FTE-days lost to sickness absence has been taken directly from ESR. The adjusted FTE days lost has been calculated by multiplying by 225/365 to give the Cabinet Office measure.

The average number of sick days per FTE has been estimated by dividing the estimated number of FTE days sick by the average FTE.

Supporting disabled people

We recognise that we need diverse talent and that people with disabilities bring many different talents and assets to our business. In an era of technology and application development having neuro-diverse colleagues who have different ways of working contributes enormously to our creativity as an organisation.

We are accredited as a Level 2 – Disability Confident Employer organisation under the government’s Disability Confident Scheme, and are working towards achieving Level 3 – Leader status. During 2018/19 we signed the NHS Learning Disability Employment pledge supporting the employment of more people with learning disabilities.

We are passionate about creating opportunities for disabled people and this year launched our ‘Pathways to Work’ programme which is aimed at encouraging people from marginalised groups

(including people with disabilities) to engage with us for recruitment or learning opportunities. This has involved making our recruitment processes more accessible and inclusive from the outset, in addition to already providing a Guaranteed Interview Scheme and making adjustments to our recruitment processes. We also expanded the provision of work experience and placements for people with disabilities. During 2018/19 we worked with several charities and education providers to offer work experience and placements, and also successfully recruited several employees with a wide range of different needs.

Our focus is not only on initiatives that break down barriers to recruitment and progression for disabled people, but also on the health and wellbeing of our colleagues. We take a holistic approach to staff wellbeing, with our interventions aimed at reducing the risk of ill health and ensuring that staff with or who develop a disability are supported at work. We have a wide range of wellbeing initiatives and strategies to do so including supportive policies and services such as our Occupational Health Service, Employee Assistance Programme, Wellbeing Network and Mental Health First Aid Network. Through our appraisal process and by monitoring our recruitment and promotion statistics, we ensure that there are no barriers to the training, career development and promotion of employees with disabilities.

Supporting and engaging with our people

We support and invest in our people in a range of ways:

- Diversity and Inclusion – We are committed to equality, diversity and inclusion. Our Wellbeing and Inclusion Committee oversee the delivery of our Diversity and Inclusion Strategy and we publish details of our

progress on our website:

www.nhsbsa.nhs.uk/our-policies/diversity-and-inclusion

- Consultation and Trade Unions – We are committed to working in partnership and have a structure in place which supports this. Joint Consultation Committees operate locally at divisional or directorate level and an overarching National Joint Committee meets quarterly.
- Health and Safety – We have a dedicated Safety, Health and Environment (SHE) Team, management system and we consult with our people through our National Joint Health and Safety Committee. Our Health and Safety Strategy and Annual Report are published on our website at: www.nhsbsa.nhs.uk/what-we-do/corporate-responsibility
- Staff development - We are committed to maximising the performance and potential of all of our people and we ensure development opportunities are open and accessible to all.

We have recently introduced a Virtual Learning Resource Centre, which enables our people to access learning on a vast range of topics to support their personal development.

We have continued to integrate our appraisal process with an emphasis on identifying and growing our talent. This is supported by the introduction of our approach to managing internal talent through effective initiatives.

Our approach to engagement creates an environment in which everyone can thrive and operate at their best, enabling the best colleague experience.

Expenditure on consultancy and temporary staff

The total consultancy expenditure incurred on the provision of operating services was £0 (2017/18 – £0). The total contingent labour expenditure incurred on the provision of operating services was £4.9 million (2017/18 – £3.7 million). The increase reflects additional temporary resource to implement our digital transformation of services and a revised infrastructure for our IT services.

Off-payroll engagements

Table 17 below summarises our off-payroll appointments.

Table 17: Off-payroll appointments	
For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months	
Number of existing engagements as of 31st March 2019	25
	Of which...
Number that have existed for less than one year at time of reporting	20
Number that have existed for between one and two years at time of reporting	3
Number that have existed for between two and three years at time of reporting	2
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0
For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months	
Number of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019	30
	Of which...
Number assessed as caught by IR35	9
Number assessed as not caught by IR35	21
Number engaged directly (via PSC contracted to Authority) and are on the Authority payroll	0
Number of engagement reassessed for consistency / assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0
For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019	
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	0
Total number of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year	10

All of the appointments have been subject to a risk based assessment regarding the payment of correct tax.

Exit packages

These tables report the number and value of exit packages agreed in the year. The expense associated with these departures may have been recognised in part or in full in a previous period. The Remuneration Report includes disclosure of exit payments payable to individuals named in that report.

Subject to audit

Table 18: Staff numbers and related costs – Exit costs						
2018/19	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Cost of compulsory redundancies £000	Cost of other departures agreed £000	Total cost of exit packages £000
<£10,000	5	2	7	34	13	48
£10,000-£25,000	12	8	20	181	148	329
£25,000-£50,000	11	14	25	421	459	880
£50,000-£100,000	8	8	16	566	566	1,132
£100,000-£150,000	2	0	2	226	0	226
£150,000-£200,000	0	1	1	0	152	152
>£200,000	0	0	0	0	0	0
Total number of exit packages by type	38	33	71	1,429	1,338	2,767

There were no special payments made during the year.

Subject to audit

Table 18a: Other departures excluding compulsory redundancy		
2018/19	Number of agreements	Total value of agreements £000
Voluntary redundancies incl. early retirement	33	1,282
Mutually agreed resignations	0	0
Early retirements in the efficiency of services	0	0
Contractual payments in lieu of notice	19	56
Exit payments	0	0
Non-contractual payments	0	0
Total	52	1,338

Table 19: Staff numbers and related costs – Exit costs						
2017/18	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Cost of compulsory redundancies £000	Cost of other departures agreed £000	Total cost of exit packages £000
<£10,000	1	2	3	7	6	13
£10,000-£25,000	2	4	6	37	66	103
£25,000-£50,000	2	11	13	69	427	497
£50,000-£100,000	10	2	12	731	143	874
£100,000-£150,000	2	0	2	233	0	233
£150,000-£200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type	17	19	36	1,077	643	1,720

There were no special payments made during the year.

Table 19a: Other departures excluding compulsory redundancy		
2017/18	Number of agreements	Total value of agreements £000
Voluntary redundancies incl. early retirement	19	618
Mutually agreed resignations	0	0
Early retirements in the efficiency of services	0	0
Contractual payments in lieu of notice	4	25
Exit payments	0	0
Non-contractual payments	0	0
Total	23	643

The growth in exit packages compared to the previous year from 36 to 71 (£1.0m increase) is a result of restructures across a number of corporate services, efficiencies from increased utilisation of the Electronic Prescription Service (EPS) and insourcing within Pensions Services and Dental Services.

2.2.3 Trade union facility time

The following information relates to the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017.

Table 20: Relevant union officials

Number of employees who were relevant union officials during 2018/19	Full-time equivalent employee number
23	21.77

Table 21: Percentage of time spent on facility time during 2018/19

Percentage of time	Number of employees
0%	3
1-50%	20
51%-99%	0
100%	0

Table 22: Percentage of pay bill spent on facility time during 2018/19

Total cost of facility time	£48,915
Total pay bill	£81,491,953
Percentage of the total pay bill spent on facility time	0.06%

Table 23: Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	
Hours on paid time	1,408.75
Total paid facility time hours	3,051.71
(Total hours spent on paid trade union activities ÷ total paid facility time hours) x 100	46.16%

2.3 Parliamentary, accountability and audit report

2.3.1 Regularity of expenditure

Details of losses and special payments are included in Table 24 below. The value of the losses decreased between 2017/18 and 2018/19 as the insourcing of the NHS Pension Scheme into the NHSBSA resulted in process changes that placed greater scrutiny on debt written off. The value of special payments remained consistent although the number increased as a result of low value late payment of pension interest charges.

Subject to audit

Table 24: Losses and special payments				
Losses	2018/19		2017/18	
	No. of cases	£000	No. of cases	£000
'Cash' losses	0	0	0	0
Stores losses	84	562	70	740
Fruitless payments	0	0	0	0
Claims waived or abandoned	126	156	315	504
Losses total	210	718	385	1,244
Special payments	169	113	97	157

Note: A "fruitless payment" is a payment for which liability ought not to have been incurred, or where the demand for the goods or services in question could have been cancelled in time to avoid liability.

2.3.2 Fees and charges

The NHSBSA does not have any income from fees and charges. (Subject to audit).

2.3.3 Remote contingent liabilities

The Authority has signed an Assured Guarantee Agreement relating to a distribution centre used by NHS Supply Chain. This agreement indemnifies the landlord should the logistics service provider be unable to fulfil its commitments under the lease. The service provider is not expected to default on the lease. Should they do so, then the Authority would be liable for the annual rent of £870k for the period of default. This agreement ends when the lease on the premises ends on 30 September 2026.

2.3.4 Long term expenditure trends

The NHSBSA operates a programme of schemes as determined by the DHSC with funding allocated based on the portfolio of work they are expected to deliver in a particular financial year. As such, long term expenditure trends are not

applicable as the NHSBSA has no control over the projects they deliver in a given year.

2.3.5 Accounting Officer's disclosure to the auditors

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

2.3.6 External auditors

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

Michael Brodie

Chief Executive
NHS Business Services Authority
7 January 2020

Appendix 1 Sustainability report

CO₂

Climate
change

Industry

Energy
saving

Emis

Busi



Table 1: Greenhouse gas emissions

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19
Non-financial Indicators (t CO₂e)*										
Gross emissions Scope 1** (direct)	1.6k	1.2k	0.9k	1.1k	0.5k	0.6k	0.4k	0.5k	0.3k	0.4k
Gross emissions Scope 2*** (indirect)	4.4k	4.0k	3.8k	3.9k	2.6k	2.5k	2.4k	2.2k	1.7k	1.3k
Gross emissions Scope 3**** (indirect – business travel)	0.6k	0.6k	0.5k	0.6k	0.6k	0.5k	0.5k	0.4k	0.4k	0.4k
TOTAL	6.6k	5.8k	5.2k	5.6k	3.7k	3.6k	3.3k	3.1k	2.4k	2.1k
Building CO ₂ e per FTE	2.10	2.14	2.08	1.97	1.17	1.04	0.98	0.92	0.86	0.67
Business travel CO ₂ e per FTE	0.12	0.13	0.13	0.14	0.09	0.13	0.12	0.11	0.11	0.16
Related energy consumption (kWh)										
Gas	8.2m	5.9m	4.5m	5.4m	2.5m	2.1m	1.8m	1.8m	1.7m	1.5m
Electricity: Grid	10.6m	9.8m	9.2m	8.1m	5.9m	5.5m	5.2m	5.3m	5.0m	4.7m
Gas Oil	N/A	N/A	N/A	0.2m	N/A	N/A	N/A	N/A	N/A	N/A
Self-generated energy (kWh)										
PV	N/A	N/A	N/A	65k	65k	35k	31k	48k	53k	60k
Financial indicators*****										
Expenditure on energy	£1.2m	£1.1m	£1.1m	£1.0m	£0.8m	£0.7m	£0.7m	£0.7m	£0.7m	£0.7m
Expenditure on carbon reduction commitment	N/A	<£2k	<£2k	£66k	£63k	£46k	£3k	£44k	£41k	£35k
Expenditure on official business travel	£1.1m	£1.1m	£1.0m	£1.1m	£1.3m	£1.0m	£0.9m	£0.9m	£1.2m	£1.0m
TOTAL	£2.3m	£2.2m	£2.1m	£2.1m	£2.1m	£1.7m	£1.6m	£1.6m	£1.9m	£1.7m

Notes: * emissions accounting includes all Scope 1 and 2 emissions along with separately identified Scope 3 emissions related to official business travel. Details of carbon accounting within the NHSBSA, in support of HM Treasury Guidance, are available on request. Greening Government carbon conversion factors have been used.

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

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

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

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

Performance commentary including measures

Scope 1 emissions have slightly increased due to increased fleet travel; however we have seen a reduction in scope 1 emissions attributed to gas usage. We have continued to reduce our electricity usage which is reflected in scope 2 emissions reducing. Scope 3 emissions relating to business travel have reduced as we continue to improve our smarter working practices and technology infrastructure e.g. video conferencing and collaborative IT systems.

Controllable impacts commentary

Our main impacts are from the operation of our offices (electricity and gas), and to a lesser extent our business travel; having offices, customers, clients and sponsors spread around the UK.

Overview of influenced impacts

Our key influential impacts are related to our supply chain.

Table 2: Waste

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19
Non-financial Indicators (tonnes)*										
Landfilled	492	459	254	154	183	182	182	89	62	59
Recycled / reused / composted (non-prescription / dental form waste)**	592	457	299	499	208	199	177	207	183	314
ICT waste recycled externally	2	0	16	36	2	3	0	15	15	15
Recycled / reused / composted (prescription / dental form waste)***	200	586	114	350	175	137	125	1009	798	613
Recycled / reused / composted (prescriptions stored offsite by third party)***	575	575	575	575	200	599	596	0	0	0
Incinerated / energy from waste	26	23	50	17	98	87	75	88	103	115
TOTAL	1887	2100	1308	1631	866	1207	1155	1408	1161	1116
Office waste per FTE	0.48	0.41	0.30	0.34	0.21	0.19	0.18	0.16	0.14	0.18
Financial Indicators ****										
Landfilled	-	-	-	£26.7k	£5.0k	£3.1k	£3.1k	£4.7k	£9.5k	£9.8k
Recycled / reused / composted (non-prescription / dental form waste)	-	-	-	£31.0k	£18.5k	£18.7k	£16.2k	£24.1k	£31.7k	£40.4k
Recycled / reused / composted (prescription / dental form waste)***	-	-	-	-	£31.6k	£29.0k	£22.5k	£8.3k	-£44.8k	-£34.7k
ICT waste recycled externally	-	-	-	-	0	0	0	0	0	0
Incinerated / energy from waste	-	-	-	£2.6k	£14.3k	£15.1k	£14.0k	£14.9k	£82.1k	£87.5k
TOTAL	£36k	£36k	£39k	£60k	£69k	£66k	£56k	£52k	£79k	£103k

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

*** Recycled / reused / composted (non-prescription / dental form waste): approx. 1% has been estimated due to a short period of contract transition for confidential waste recycling during 2016/17.*

**** Recycled prescriptions: We have used estimates between 2009/10 and 2013/14 as data was not available. Costs for this third party service were for storage and records management and a specific value for recycling was not made available. Since 2017/18, the NHSBSA started to receive a rebate for prescription waste which is included in the financial indicators. Waste costs have been estimated for 2017/18 as these were not made available by the third party contractor. Waste from external scanning contracts in 2018/19 has been excluded from the NHSBSA data as this waste is being processed on behalf of a third party, and therefore is not deemed as our waste.*

***** minor estimates included aligned to non-financial estimates listed here, and due to some data reporting issues for 2009/10. All waste costs are included together up to 2012/13 due to level of reporting possible, with 2012/13 data split. ICT waste costs are included within managed service contract costs so have not been included here. Waste financials for 2018/19 has been divided between waste incinerated and waste recycled, based on the waste tonnage for each waste category.*

Performance commentary including measures

Through the rollout of the Electronic Prescription Service (EPS) we have seen a significant reduction in paper waste.

Controllable impacts commentary

Our key controllable impact is the production of office waste. Our strategy to digitise our services and move away from paper-based processes supports on going reduction in office waste produced. We have also continued to engage with staff on waste reduction and segregation.

Overview of influenced impacts

Our key influential impact is related to the use of prescriptions. The roll out of the EPS is reducing large numbers of paper prescriptions being printed and transported to our premises to be scanned, stored and then recycled. We are continuing to promote the further take-up of EPS. We are also working with our suppliers to reduce waste in our supply chain.

Table 3: Finite resource consumption

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19
Non-financial Indicators (m³)*										
Water from office estate	25.0k	23.0k	23.4k	20.4k	19.1k	17.4k	18.0k	18.3k	19.7k	16.9k
Water from non-office estate	0.01k	0.2k	0.3k	0.1k	0.2k	0.2k	0.2k	0.2k	0.2k	0.3k
TOTAL	25.0k	23.2k	23.7k	20.5k	19.3k	17.6k	18.2k	18.5k	19.9k	17.2k
Water - m ³ per FTE (office estate)	9.39	11.07	11.96	11.97	10.80	10.27	10.65	9.79	9.69	10.50
Paper - reams of A4**	43k	43k	32k	25k	24k	26k	26k	28k	27k	26k
Paper - reams per FTE	18	19	15	12	10	11	11	11	10	9
Financial Indicators ***										
Mains water supply and treatment	£93.3k	£96.7k	£83.7k	£90.2k	£74.0k	£86.2k	£75.1k	£88.7k	£89.5k	£79.2k

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

** paper (reams): reams of A4 reported here refer to office paper purchased by the NHSBSA directly. It does not include paper purchased on our behalf e.g. leaflets, scheme documents etc. linked to our outsourced services. Data for Q4 2017/18 and March 2019 has been estimated due to an issue with the report provided by the third party supplier.

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

Performance commentary including measures

We have significantly reduced our water consumption since 2009/10 through estate rationalisation and improved controls across our buildings. Our Estates team continue to monitor usage site-by-site and look at operational improvements where appropriate.

Controllable impacts commentary

Our key controllable impact is water use in our buildings. We continue to monitor office paper and our strategy to digitise our services should deliver further reductions.

Overview of influenced impacts

Our key influential impacts are related to our supply chain. We are also working with our suppliers to reduce resource consumption in our supply chain.

Certificate and report of the Comptroller and Auditor General



The Certificate And Report Of The Comptroller And Auditor General To The Houses Of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2019 under the National Health Service Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of NHS Business Services Authority's affairs as at 31 March 2019 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the NHS Business Services Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these

requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NHS Business Services Authority's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NHS Business Services Authority's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my

responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Health Services Act 2006;
- in the light of the knowledge and understanding of the NHS Business Services Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies Date: 13 January 2020
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements and notes to the accounts



Account of NHS Business Services Authority 2018-19

Statement of Comprehensive Net Expenditure for the year ended 31 March 2019

	Notes	2018-19 £000	2017-18 £000
Income from sale of goods and services (contracts)	2.2	2,087,797	1,748,256
Other operating income	3.1	159,389	141,774
Total operating income		2,247,186	1,890,030
Staff Costs	3.4	89,884	87,589
Purchase of goods and services	2.2	1,912,774	1,570,785
Other operating expenditure	3.2	421,197	320,933
Total operating expenditure		2,423,855	1,979,307
Net operating expenditure		176,669	89,277
Net (gain)/loss on transfers by absorption	3.5	(22,346)	2,684
Total Net Expenditure		154,323	91,961
Other Comprehensive Net Expenditure		0	0
Total comprehensive net expenditure for the year		154,323	91,961

The notes on pages 92 to 113 form part of these accounts.

Account of NHS Business Services Authority 2018-19

Statement of Financial Position at 31 March 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Non Current Assets			
Property, Plant & Equipment	4.2	50,025	32,485
Intangible Assets	4.1	49,844	32,446
Other Financial Assets	4.3	0	92,955
Total non-current assets		99,869	157,886
Current Assets			
Inventories	4.4	187,392	81,723
Trade and other receivables	4.5	408,122	178,482
Cash and cash equivalents	4.6	94,792	89,543
Total current assets		690,306	349,748
Total Assets		790,175	507,634
Current Liabilities			
Trade and other payables	4.7	419,680	208,579
Provisions for liabilities and charges	4.8	15,301	3,066
Total current liabilities		434,981	211,645
Net current assets/liabilities		255,325	138,103
Total assets less current liabilities		355,194	295,989
Non-current liabilities			
Provisions for liabilities and charges	4.8	601	603
Total non-current liabilities		601	603
Total Assets Less Liabilities:		354,593	295,386
Taxpayers' Equity			
General Fund		349,737	290,530
Revaluation Reserve		4,856	4,856
Total Taxpayers' Equity:		354,593	295,386

The notes on pages 92 to 113 form part of these accounts.

Michael Brodie
Chief Executive
7 January 2020

Account of NHS Business Services Authority 2018-19

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2019

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2018	290,530	4,856	295,386
Changes in taxpayers' equity for 2018-19			
Total net expenditure for the year	(154,323)	0	(154,323)
Non-cash charges – notional costs	95	0	95
Total recognised income and expense for 2018-19	(154,228)	0	(154,228)
Net Parliamentary Funding	213,435	0	213,435
Balance at 31 March 2019	349,737	4,856	354,593

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2017	295,550	4,856	300,406
Changes in taxpayers' equity for 2017-18			
Total net expenditure for the year	(91,961)	0	(91,961)
Non-cash charges – notional costs	95	0	95
Total recognised income and expense for 2017-18	(91,866)	0	(91,866)
Net Parliamentary Funding	86,846	0	86,846
Balance at 31 March 2018	290,530	4,856	295,386

The notes on pages 92 to 113 form part of these accounts.

Account of NHS Business Services Authority 2018-19

Statement of Cash Flows for the year ended 31 March 2019

	Notes	2018-19 £000	2017-18 £000
Cash flows from operating activities			
Net operating expenditure		(176,669)	(89,277)
Other cash flow adjustments	5.3	40,665	17,649
Movement in working capital	5.1	(125,926)	33,669
Provisions utilised	4.8	(1,553)	(866)
Net cash (outflow) from operating activities		(263,483)	(38,825)
Cash flows from investing activities			
Purchase of property, plant and equipment	4.2	(27,408)	(6,142)
Purchase of intangible assets	4.1	(15,320)	(7,328)
Proceeds from disposal of property, plant and equipment		3,025	0
Proceeds from disposal of intangible assets		0	0
Proceeds from disposal of financial assets	4.3	95,000	0
Net cash inflow/(outflow) from investing activities		55,297	(13,470)
Cash flows from financing activities			
Net Parliamentary Funding		213,435	86,846
Net financing		213,435	86,846
Net increase/(decrease) in cash and cash equivalents		5,249	34,551
Cash and cash equivalents at 31 March 2018	5.2	89,543	54,992
Cash and cash equivalents at 31 March 2019	5.2	94,792	89,543

The notes on pages 92 to 113 form part of these accounts.

Account of NHS Business Services Authority 2018-19

Notes to the Accounts

1. Accounting Policies

As directed by the Secretary of State for Health, the following financial statements have been prepared in accordance with the DHSC Group Accounting Manual 2018-19 (GAM) issued by the Department of Health and Social Care, and comply with HM Treasury's Government Financial Reporting Manual 2018-19 (FRoM). The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Transfer of Functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the DHSC group are outside the scope of IFRS 3 *Business Combinations*. Where functions transfer between two public bodies, the GAM requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which they took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Net Expenditure (SOCNE), and is disclosed separately from operating costs.

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 & Expenditure

1.2.1 Income

The transition to IFRS 15 has been completed in accordance with paragraph C3 (b) of the Standard, applying the Standard retrospectively recognising the cumulative effects at the date of initial application. There was no cumulative impact for the Authority arising from this retrospective recognition.

In the adoption of IFRS 15 a number of practical expedients offered in the Standard have been employed. These are as follows;

- As per paragraph 121 of the Standard, NHSBSA will not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less,
- NHSBSA is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.
- The FRoM has mandated the exercise of the practical expedient offered in C7(a) of the Standard that requires NHSBSA to reflect the aggregate effect of all contracts modified before the date of initial application.

Income in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation.

The main source of funding of the Authority is Parliamentary Funding from the Department of Health and Social Care, 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 charges for services provided on a full-cost basis to external customers, as well as public repayment work. 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, with additional income from similar sales to non-NHS customers. From 1st July 2018 sales include capital equipment and maintenance contracts relating to capital equipment; prior to this date only the management fees relating to such sales were included. Income from maintenance contracts is recognised over the length of the each contract,

The funding of Social Work Bursary payments, the Education Support Grant and the Learning Support Fund comes from the DHSC Policy Team. This income is treated as operating income.

Account of NHS Business Services Authority 2018-19

1. Accounting Policies (continued)

1.2.2 Expenditure

Operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.2.3 Grants Payable

Where grant funding is not intended to be directly related to activity undertaken by a grant recipient in a specific period, NHSBSA recognises the expenditure in the period in which the grant is paid. All other grants are accounted for on an accruals basis.

1.3 Taxation

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

1.4 Property, Plant & Equipment

(a) Capitalisation

All assets falling into the following categories are capitalised:

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

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

(b) Valuation

Land and buildings used for the Authority's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. The latest revaluation was carried out by an independent RICS qualified valuer from the DVS Valuation Office Agency as at 31 March 2015. Fair values are determined as follows:

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

Specialised buildings – depreciated replacement cost

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

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

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

Account of NHS Business Services Authority 2018-19

1. Accounting Policies (continued)

1.5 Intangible Assets

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

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

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

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

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

1.6 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. 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 SoCNE to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.7 Inventories

Inventories are valued at the lower of cost and estimated net realisable value using a weighted average cost formula.

1.8 Cash and cash equivalents

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

Account of NHS Business Services Authority 2018-19

1. Accounting Policies (continued)

1.9 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).

1.10 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

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

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

1.11 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 SoCNE on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

Account of NHS Business Services Authority 2018-19

1. Accounting Policies (continued)

1.12 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.

1.13 Provisions

Provisions are recognised when NHSBSA has a present legal or constructive obligation as a result of a past event, it is probable that NHSBSA will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, and the effect of the time value of money is significant, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of positive 0.29% (2017-18: positive 0.10%) in real terms. All general provisions are subject to four separate discount rates according to the expected timing of cashflows from the Statement of Financial Position date:

- A nominal short-term rate of 0.76% (2017-18: negative 2.42% in real terms) for inflation adjusted expected cash flows up to and including 5 years from Statement of Financial Position date.
- A nominal medium-term rate of 1.14% (2017-18: negative 1.85% in real terms) for inflation adjusted expected cash flows over 5 years up to and including 10 years from the Statement of Financial Position date.
- A nominal long-term rate of 1.99% (2017-18: negative 1.56% in real terms) for inflation adjusted expected cash flows over 10 years and up to and including 40 years from the Statement of Financial Position date.
- A nominal very long-term rate of 1.99% (2017-18: negative 1.56% in real terms) for inflation adjusted expected cash flows exceeding 40 years from the Statement of Financial Position date.

All 2018-19 percentages are expressed in nominal terms with 2017-18 being the last financial year that HM Treasury provided real general provision discount rates.

1.14 Financial Instruments

Financial assets

Financial assets are recognised when NHSBSA becomes party to the contractual provision of the financial instrument 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 when the asset has been transferred and NHSBSA has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

All of NHSBSA's financial assets are measured at amortised cost, as they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

Account of NHS Business Services Authority 2018-19

1. Accounting Policies (continued)

Impairment

For all financial assets measured at amortised cost, and any lease receivables and contract assets, NHSBSA recognises a loss allowance representing expected credit losses on the financial instrument.

NHSBSA adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition (stage 2), and otherwise at an amount equal to 12-month expected credit losses (stage 1).

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. NHSBSA therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and NHSBSA does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

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 extinguished – that is, the obligation has been discharged or cancelled or has expired.

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

All of NHSBSA's financial liabilities are classified as 'at amortised cost'. After initial recognition, the 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 (amortised cost) of the financial liability.

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

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2018-19. These standards are still subject to HM Treasury FReM adoption, with IFRS 16 being for implementation in 2020-21, and the government implementation date for IFRS 17 still subject to HM Treasury consideration.

- IFRS 16 *Leases* – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRS 17 *Insurance Contracts* – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRIC 23 *Uncertainty over Income Tax Treatments* – Application required for accounting periods beginning on or after 1 January 2019.

Application of these standards is not expected to have a material impact on future financial statements, with the exception of IFRS 16. The Authority currently has commitments under operating leases of £9.5m, which IFRS 16 will require to be recognised in the statement of financial position as right of use assets with corresponding lease liabilities.

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2.1 Operating segments

The Authority's activities are considered to fall within three segments: Supply Chain trading, Student Support via the payment of Social Work Bursaries, Education Support Grant (ESG) and the Learning Support Fund (LSF), and the Authority's 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.

	Notes	Supply Chain		Student Support		Service Provision		Intra-segment Adjustments		Total	
		2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Statement of Comprehensive Net Expenditure											
Income from sale of goods and services	2.2	(2,087,797)	(1,748,256)	0	0	0	0	0	0	(2,087,797)	(1,748,256)
Other operating income	3.1	0	0	(82,313)	(76,221)	(77,076)	(72,058)	0	6,505	(159,389)	(141,774)
Total operating income		(2,087,797)	(1,748,256)	(82,313)	(76,221)	(77,076)	(72,058)	0	6,505	(2,247,186)	(1,890,030)
Staff costs	3.4	0	0	0	0	89,884	87,589	0	0	89,884	87,589
Purchase of goods and services	2.2	1,912,774	1,570,785	0	0	0	0	0	0	1,912,774	1,570,785
Other operating expenditure	3.2	227,273	177,396	82,313	76,221	111,611	73,821	0	(6,505)	421,197	320,933
Total operating expenditure		2,140,047	1,748,181	82,313	76,221	201,495	161,410	0	(6,505)	2,423,855	1,979,307
Net Operating Expenditure/(Income)		52,250	(75)	0	0	124,419	89,352	0	0	176,669	89,277
Statement of Financial Position											
Assets		645,831	295,659	11,685	16,768	202,795	195,207	(70,136)	0	790,175	507,634
Liabilities		(463,231)	(172,145)	(8,899)	(13,982)	(33,588)	(26,121)	70,136	0	(435,582)	(212,248)
Assets less Liabilities		182,600	123,514	2,786	2,786	169,207	169,086	0	0	354,593	295,386

2.2 Supply Chain

	2018/19 £000	2017/18 £000
Income from sale of goods and services	2,087,797	1,748,256
Purchase of goods and services	1,912,774	1,570,785
Gross operating income	<u>175,023</u>	<u>177,471</u>
Operating costs	227,273	177,396
Net operating income/(expenditure)	<u>(52,250)</u>	<u>75</u>

Under the new category tower contracts, from 1st July 2018 control over the capital and maintenance trading elements of the service passed from the outsourced provider back to NHSBSA. All related working capital balances are included in the NHSBSA's Statement of Financial Position from this date, and all related trading from this date is included in the NHSBSA's Statement of Comprehensive Net Expenditure. Prior to 1st July 2018 only the net income arising from these services was included.

The above trading figures for 2018-19 therefore reflect 9 months gross capital and maintenance sales and purchases and 3 months net income.

Supply Chain operating costs include £16.3m payable to Supply Chain Co-ordination Limited to cover their running costs in managing the service.

Account of NHS Business Services Authority 2018-19

3.1 Other operating income

	2018-19 £000	2017-18 £000
Department of Health and Social Care (DHSC) invoiced funding	315	403
Services to other DHSC Group Bodies	26,549	16,811
Services provided to UK Devolved Administrations and Crown Dependencies	4,386	2,600
NHS Pension Scheme administration recharge	37,563	37,534
Social Work Bursary and ESG funding from DHSC	71,385	73,779
LSF funding from DHSC	10,928	2,442
Other income	8,263	8,205
Total Operating income	159,389	141,774

3.2 Other operating expenditure (Non-Staff)

	2018-19 £000	2017-18 £000
Non-executive members' remuneration	108	115
Rentals under operating leases	1,872	1,589
Establishment expenses	12,503	10,806
Transport	411	393
Premises	10,601	8,808
External contractors	273,869	199,516
Non-cash: Depreciation	8,042	5,623
Amortisation	20,692	11,667
(Profit)/loss on disposal of PPE	70	140
(Profit)/loss on disposal of intangible fixed assets	25	0
Change in carrying value of Financial Assets	(2,045)	(1,006)
Notional fee for the audit of the NHS Pension Scheme accounts	95	95
	26,879	16,519
Auditors' remuneration - audit fees	260	140
Legal & Professional fees	12,306	6,751
Other costs	75	75
Social Work Bursaries and ESG	71,385	73,779
LSF	10,928	2,442
Total non-staff costs	421,197	320,933

External contractors includes £224,504k relating to **Supply Chain** (2017-18 £170,891k)

Account of NHS Business Services Authority 2018-19

3.3 Operating leases

Authority as lessee

	2018-19 £000	2017-18 £000
Payments recognised as an expense		
Minimum lease payments	1,872	1,589
	<u>1,872</u>	<u>1,589</u>
Total future minimum lease payments		
Payable:		
Within one year		1,499
Later than one year and not later than five years		3,814
Later than five years		4,109
Total		<u>9,422</u>

3.4 Staff costs

Executive members and staff costs:

	2018-19 £000	2017-18 £000
Salaries and wages	74,099	69,231
Social security costs	5,959	5,636
Employer contributions to NHS Pensions	7,586	7,267
Other pension costs	451	536
Apprenticeship levy	362	343
Termination costs	3,126	6,135
Total	<u>91,583</u>	<u>89,148</u>
Capitalised staff costs	(1,699)	(1,559)
	<u>89,884</u>	<u>87,589</u>

Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2018-19 £Nil).

3.5 Net Loss on transfers by absorption

The Authority took over the Electronic Staff Record (ESR) and NHS Jobs functions from DHSC on 1st April 2018.

Last year, the Authority's NHS Protect function was transferred to the NHS Counter Fraud Authority (NHSCFA) (a newly created Special Health Authority) on 1st November 2017.

The following assets and liabilities were transferred to/from the Authority on these dates:

	2018-19 £000	2017-18 £000
Property, Plant & Equipment at Net Book Value	(1,269)	1,935
Intangible Assets at Net Book Value	(22,795)	1,687
Trade and Other Receivables	(399)	106
Trade and Other Payables	2,117	(1,044)
(Gain)/Loss on net assets transferred	<u>(22,346)</u>	<u>2,684</u>

Account of NHS Business Services Authority 2018-19

3.6 Pension costs

Most past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The Department of Health and Social Care have recently laid Scheme Regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

b) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2019, is based on valuation data as 31 March 2018, updated to 31 March 2019 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

Civil Service Pension Scheme

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

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4.1 Intangible assets

4.1.1 Intangible assets 2018-19

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2018	6,182	80,072	10,485	96,739
Additions - purchased	1,490	5,640	8,190	15,320
Reclassifications	0	8,966	(8,966)	0
Disposals	(54)	0	0	(54)
Transferred from DHSC	0	203,416	0	203,416
Gross cost at 31 March 2019	7,618	298,094	9,709	315,421
Amortisation				
Accumulated amortisation at 1 April 2018	3,670	60,623	0	64,293
Charged during the year	1,677	19,015	0	20,692
Disposals	(29)	0	0	(29)
Transferred from DHSC	0	180,621	0	180,621
Accumulated amortisation at 31 March 2019	5,318	260,259	0	265,577
Net book value at 31 March 2018	2,512	19,449	10,485	32,446
Net book value at 31 March 2019	2,300	37,835	9,709	49,844

4.1.2 Intangible assets 2017-18

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2017	7,352	80,554	4,569	92,475
Additions - purchased	387	487	6,454	7,328
Reclassifications	0	538	(538)	0
Disposals	0	(233)	0	(233)
Transferred to NHSCFA	(1,557)	(1,274)	0	(2,831)
Gross cost at 31 March 2018	6,182	80,072	10,485	96,739
Amortisation:				
Accumulated amortisation at 1 April 2017	2,103	51,900	0	54,003
Charged during the year	2,281	9,386	0	11,667
Disposals	0	(233)	0	(233)
Transferred to NHSCFA	(714)	(430)	0	(1,144)
Accumulated amortisation at 31 March 2018	3,670	60,623	0	64,293
Net book value at 31 March 2017	5,249	28,654	4,569	38,472
Net book value at 31 March 2018	2,512	19,449	10,485	32,446

Supply Chain and **Bursaries** had no Intangible assets during the accounting period (2018-19 - £Nil)

Account of NHS Business Services Authority 2018-19

4.2 Property, Plant and Equipment

4.2.1 Property, Plant and Equipment 2018/19

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2018	4,934	23,603	271	11	23,516	8,327	60,662
Additions - purchased	0	2,191	19,214	0	1,538	4,465	27,408
Reclassifications	0	0	0	0	0	0	0
Disposals	0	0	0	0	(33)	(3,391)	(3,424)
Transferred from DHSC	0	0	0	0	15,156	0	15,156
Gross cost at 31 March 2019	4,934	25,794	19,485	11	40,177	9,401	99,802
Depreciation							
Accumulated depreciation at 1 April 2018	0	8,082	238	11	14,901	4,945	28,177
Reclassifications	0	0	0	0	0	0	0
Disposals	0	0	0	0	(13)	(316)	(329)
Charged during the year	0	1,273	2,524	0	2,946	1,299	8,042
Transferred from DHSC	0	0	0	0	13,887	0	13,887
Accumulated depreciation at 31 March 2019	0	9,355	2,762	11	31,721	5,928	49,777
Net book value at 31 March 2018	4,934	15,521	33	0	8,615	3,382	32,485
Net book value at 31 March 2019	4,934	16,439	16,723	0	8,456	3,473	50,025
Segmental split							
Supply Chain	0	0	16,685	0	0	0	16,685
Service Provision	4,934	16,439	38	0	8,456	3,473	33,340
Bursaries	0	0	0	0	0	0	0
4,934	16,439	16,723	0	8,456	3,473	50,025	

4.2.2 Property, Plant and Equipment 2017/18

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2017	4,934	24,563	321	11	21,818	6,887	58,534
Additions - purchased	0	1,035	0	0	2,943	2,164	6,142
Reclassifications	0	219	0	0	143	(362)	0
Disposals	0	(200)	0	0	(189)	(39)	(428)
Transfer to NHSCFA	0	(2,014)	(50)	0	(1,199)	(323)	(3,586)
Gross cost at 31 March 2018	4,934	23,603	271	11	23,516	8,327	60,662
Depreciation							
Accumulated depreciation at 1 April 2017	0	7,497	224	11	12,797	3,964	24,493
Reclassifications	0	88	0	0	83	(171)	0
Disposals	0	(83)	0	0	(189)	(16)	(288)
Charged during the year	0	1,432	60	0	2,781	1,350	5,623
Transfer to NHSCFA	0	(852)	(46)	0	(571)	(182)	(1,651)
Accumulated depreciation at 31 March 2018	0	8,082	238	11	14,901	4,945	28,177
Net book value at 31 March 2017	4,934	17,066	97	0	9,021	2,923	34,041
Net book value at 31 March 2018	4,934	15,521	33	0	8,615	3,382	32,485
Segmental split							
Supply Chain	0	0	0	0	0	0	0
Service Provision	4,934	15,521	33	0	8,615	3,382	32,485
Bursaries	0	0	0	0	0	0	0
4,934	15,521	33	0	8,615	3,382	32,485	

Account of NHS Business Services Authority 2018-19

4.2 Property, Plant and Equipment (continued)

4.2.3 Economic Lives of Non-current Assets

	Min Life Years	Max Life Years
Intangible assets		
Software licences	1	5
Information technology	5	10
Property, Plant and Equipment		
Buildings excl. dwellings	3	65
Plant & machinery	5	10
Transport equipment	5	7
Information technology	5	8
Furniture & fittings	5	10

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4.3 Financial Assets

	Supply Chain Working Capital 2018-19 £000	Supply Chain Working Capital 2017-18 £000
Value at 1 April	92,955	91,949
Additions	0	0
Disposals	(95,000)	0
Changes in carrying value	2,045	1,006
Value at 31 March	0	92,955

The above asset represented the working capital loaned to the outsourced provider to run the NHS Supply Chain capital service.

The asset was carried at amortised cost (Note 9), calculated using the effective interest method. Changes in carrying value during the year were taken to operating expenditure (Note 3.2).

The loan arrangement ended on 1st July 2018 when the new category tower contracts for capital went live. Under the new category tower contracts, NHSBSA are now acting as principal for all Supply Chain capital trading, and all capital sales and purchases are reported gross. The working capital relating to the capital service was transferred to NHSBSA at this point which constituted the repayment of the loan. The transfer comprised cash and other assets and liabilities with a net value of £95,000k.

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4.4 Inventories

	31 March 2019	31 March 2018
	£000	£000
Opening balance	81,723	79,156
Additions	2,018,443	1,573,352
Cost of sales	<u>(1,912,774)</u>	<u>(1,570,785)</u>
Closing balance	<u>187,392</u>	<u>81,723</u>

All inventories relate to **Supply Chain** goods held for resale

4.5 Receivables

	31 March 2019	31 March 2018
	£000	Current Represented £000
Trade receivables	271,781	127,803
Accrued income	49,789	26,374
Expected credit loss allowance - receivables	(1,546)	(1,242)
Finance lease receivables	2,711	0
Contract assets	53,155	0
Prepayments	17,661	7,188
Other receivables	14,571	18,359
Trade and other receivables	<u>408,122</u>	<u>178,482</u>
Segmental split		
Supply Chain	373,148	157,428
Service Provision	30,375	17,476
Bursaries	4,599	3,578
	<u>408,122</u>	<u>178,482</u>

Contract assets comprise costs incurred to fulfil contracts which will be recovered when the income from these contracts is recognised in the next financial year.

Prepayments and accrued income are now disclosed separately having previously been disclosed together under one heading.

There are no non-current receivables (2018 - Nil)

Account of NHS Business Services Authority 2018-19

4.6 Cash and Cash equivalents

	2018-19 £000	2017-18 £000
Balance at 1 April	89,543	54,992
Net change in the year	5,249	34,551
Balance at 31 March	<u>94,792</u>	<u>89,543</u>

Comprising:

	31 March 2019 £000	31 March 2018 £000
Held with the Government Banking Service	94,791	89,542
Commercial banks and cash in hand	1	1
Cash and Cash equivalents as in Statement of financial position	<u>94,792</u>	<u>89,543</u>
Bank overdraft	0	0
Cash and Cash equivalents	<u>94,792</u>	<u>89,543</u>

Segmental split

Supply Chain	68,606	56,508
Service Provision	19,100	19,845
Bursaries	7,086	13,190
	<u>94,792</u>	<u>89,543</u>

4.7 Trade and other payables

	Current 31 March 2019 £000	31 March 2018 Restated £000
Trade payables	139,766	91,722
Tax and social security	12	13
Contract liabilities	75,083	0
Deferred income	10,425	7,558
Accruals	187,081	102,090
Other payables	7,313	7,196
Trade and other payables	<u>419,680</u>	<u>208,579</u>

Segmental split

Supply Chain	380,826	172,145
Service Provision	32,898	25,429
Bursaries	5,956	11,005
	<u>419,680</u>	<u>208,579</u>

Contract liabilities reflect the income receivable on contracts which will be recognised in the next financial year.

A balance of £53,578k relating to invoices yet to be approved for payment which was included in Other payables in last year's accounts has now been recategorised as Accruals.

Accruals and deferred income are now disclosed separately having previously been disclosed together under one heading.

There are no non-current trade and other payables (2018 - Nil)

Account of NHS Business Services Authority 2018-19

4.8 Provisions for liabilities and charges

	Current	
	31 March 2019	31 March 2018
	£000	£000
Pensions relating to other staff	9,000	0
Legal claims	89	89
Other	6,212	2,977
Total	15,301	3,066

	Non-current	
	31 March 2019	31 March 2018
	£000	£000
Pensions relating to other staff	0	0
Legal claims	28	30
Other	573	573
Total	601	603

Segmental split

	31 March 2019	31 March 2018
	£000	£000
Supply Chain	12,269	0
Service Provision	690	692
Bursaries	2,943	2,977
Total	15,902	3,669

	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 April 2017	1	120	3,284	3,405
Arising during the year	0	0	2,459	2,459
Utilised during the year	(1)	(1)	(864)	(866)
Reversed unused	0	0	(1,329)	(1,329)
At 1 April 2018	0	119	3,550	3,669
Arising during the year	9,000	0	5,995	14,995
Utilised during the year	0	(2)	(1,551)	(1,553)
Reversed unused	0	0	(1,209)	(1,209)
At 31 March 2019	9,000	117	6,785	15,902

Expected timing of cash-flows:

Within one year	9,000	89	6,212	15,301
Later than one year and not later than five years	0	6	573	579
Later than five years	0	22	0	22

Other provisions at 31 March 2019 relate to Leasehold Property Decommissioning, based on professional valuations (£3,842k), and Social Work Bursary tuition fee entitlement (£2,943k).

Contingencies at 31 March 2019

At 31 March 2019, there were no known contingent assets or liabilities (March 2018: £nil).

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4.9 Events after the reporting period

On 1st April 2019, NHS Supply Chain functions were transferred to Supply Chain Coordination Limited, a wholly owned subsidiary of DHSC.

The Accounts were authorised for issue on 13 January 2020 by the NHS BSA Chief Executive and Accounting Officer.

Alistair McDonald retired as Chief Executive and Accounting Officer on 30 June 2019. Andy McKinlay, Executive Director of Finance and Commercial Services, held the role of Accounting Officer from 1 July 2019 to 31 August 2019, and Michael Brodie was appointed Chief Executive and Accounting Officer from 1 September 2019.

4.10 Capital commitments

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

	31 March 2019	31 March 2018
	£000	£000
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

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5.1 Movements in working capital

	2018-19 £000	2017-18 £000
(Increase)/decrease in receivables within 1 year	(229,640)	200
(Increase)/decrease in inventories	(105,669)	(2,567)
Increase/(decrease) in payables within 1 year	211,101	35,098
(Increase)/decrease in receivables arising from absorption transfers	399	(106)
(Increase)/decrease in payables arising from absorption transfers	(2,117)	1,044
Total	(125,926)	33,669

5.2 Analysis of changes in net debt

	As at 1 April 2017 £000	Cash flows £000	As at 1 April 2018 £000	Cash flows £000	As at 31 March 2019 £000
GBS cash at bank	54,991	34,551	89,542	5,249	94,791
Commercial cash at bank and in hand	1	0	1	0	1
Total	54,992	34,551	89,543	5,249	94,792

5.3 Other cash flow adjustments

	2018-19 £000	2017-18 £000
Depreciation	8,042	5,623
Amortisation	20,692	11,667
(Profit)/Loss on disposal of assets	95	140
Change in carrying value of Financial Assets	(2,045)	(1,006)
Notional Costs	95	95
Provisions - Arising in Year	14,995	2,459
Provisions - Reversed unused	(1,209)	(1,329)
Total	40,665	17,649

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6. Losses and special payments

Losses and special payments are now disclosed in the main body of the Annual Report on page 77.

7. Related Party Transactions

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

The Department of Health and Social Care 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 NHS England, Public Health England, Health Education England and NHS Trusts and Foundation Trusts.

During the year none of the Department of Health and Social Care Ministers, Authority board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with NHSBSA. Compensation paid to directors has been disclosed in the Remuneration Report.

8. Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out Pensions, ESR and IT services, due as follows:

	31 March 2019	31 March 2018
	£000	£000
In one year or less	30,574	13,716
In more than one year but not more than five years	15,282	7,479
In more than five years	0	0
Total	<u>45,856</u>	<u>21,195</u>

Account of NHS Business Services Authority 2018-19

9. Financial Instruments

Financial risk management

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

Currency risk

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

Interest rate risk

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.

Liquidity Risk

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

9.1 Financial Assets

	At 'fair value through profit and loss'	At 'amortised cost'	At 'fair value through other comprehensive income'	Total
	£000	£000	£000	£000
Trade receivables	0	127,803	0	127,803
Other receivables	0	17,117	0	17,117
Cash at bank and in hand	0	89,543	0	89,543
Other financial assets	0	119,329	0	119,329
Total at 31 March 2018	0	353,792	0	353,792
Trade receivables	0	271,781	0	271,781
Other receivables	0	65,525	0	65,525
Cash at bank and in hand	0	94,792	0	94,792
Other financial assets	0	0	0	0
Total at 31 March 2019	0	432,098	0	432,098

9.2 Financial Liabilities

	At 'fair value through profit and loss'	At 'amortised cost'	Total
	£000	£000	£000
Trade Payables	0	91,722	91,722
Other payables	0	60,787	60,787
Borrowings	0	0	0
Other financial liabilities	0	43,655	43,655
Total at 31 March 2018	0	196,164	196,164
Trade Payables	0	139,766	139,766
Other payables	0	7,325	7,325
Borrowings	0	0	0
Other financial liabilities	0	193,866	193,866
Total at 31 March 2019	0	340,957	340,957

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9 Financial Instruments (continued)

9.3 Maturity of financial liabilities

	31 March 2019	31 March 2018
	£000	£000
In one year or less	340,384	195,591
In more than one year but not more than five years	573	573
In more than five years	0	0
Total	340,957	196,164

