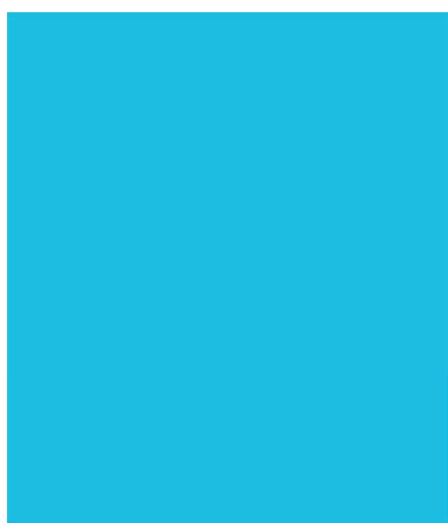


Report and Accounts

1 April to 30 September 2012



**NHS Commissioning Board Authority
(Special Health Authority)**

Report and Accounts 1 April to 30 September 2012

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

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Chair's and Chief Executive's foreword

This report covers the six month period from April 2012 to September 2012 representing the final six months of the NHS Commissioning Board Authority. This was a period of continued and unprecedented change driven by the Health and Social Care Act 2012. During this time, a significant step forward has been taken towards the transformation of the way we care for patients through the on-going development of a new system that is clinically led and focused on improving health outcomes for patients.

The NHS Commissioning Board Authority (Board Authority) was set up as a transitional body to help lay the firm foundations for the creation of this new system. Its role has been to pave the way for the successful creation of the NHS Commissioning Board (Commissioning Board) as an executive non-departmental public body (ENDPB) on 1 October 2012, independent from day-to-day political management and relentlessly focused on improving the health of patients and local communities throughout England. Due to this, the Board Authority is considered to be a going concern and therefore the report has been written in the present tense.

Creating this new system is undoubtedly a significant challenge. It provides us all with a remarkable opportunity to innovate and do things differently by focusing our efforts on outcomes rather than processes to achieve sustainable improvements in health care.

By working with our partners, the Board Authority kick started an ambitious programme of work to put in place robust processes and systems to secure the safe, successful transition to the new system, underpinned by the values and principles of the NHS Constitution.

Rapid and significant progress has been made over the past six months. This is testament to the vision, hard work and determination of the Board Authority and its partners to seize the opportunity we have been given to allow clinical leaders the freedom to both innovate and transform health outcomes in their local communities.

The Board Authority has worked closely with more than 200 emerging clinical commissioning groups (CCGs) to provide guidance and support that now sees them poised on the brink of authorisation.

We have been working with CCG leaders on the establishment of the NHS Commissioning Assembly, a forum that brings together all those leaders with responsibility for NHS commissioning decisions to create a shared leadership and vision for commissioning in England.

Significant work has also gone into planning for the launch of a full leadership development programme for clinical leaders and in the creation of clinical senates and networks across England.

This report marks the end of the opening chapter in the transformation of the NHS. There remains much to do to build on the real progress and change already taking place throughout the country. The

Board Authority's Business Plan outlines in detail what we aim to achieve over the coming months. This will only be possible with the continued support, involvement and commitment of colleagues and partners to truly transform the health outcomes of our patients.

Professor Malcolm Grant, Chair
Executive

Sir David Nicholson, Chief

Overview

The NHS Commissioning Board Special Health Authority (Board Authority) was established in October 2011 under the NHS Act 2006 as an interim body to undertake all the necessary preparatory work for the successful establishment of the NHS Commissioning Board (Commissioning Board) and the new commissioning architecture.

On 1 October 2012, the functions of the Board Authority transferred to the NHS Commissioning Board, which was formally established as an executive non departmental public body (ENDPB) - a new independent organisation with executive powers and exceptional responsibilities.

The Board Authority was held to account for its performance by the Secretary of State for Health against four strategic objectives, relating to:

- transferring power to local organisations;
- establishing the commissioning landscape;
- developing specific commissioning and financial management capabilities; and
- developing excellent relationships.

The Board Authority translated these into four operational objectives and worked to successfully ensure:

- appropriate infrastructure and resources were in place to enable the Commissioning Board to operate successfully upon its establishment as an ENDPB in October 2012;
- the Commissioning Board's role and functions were agreed;
- the design of the Commissioning Board was completed and agreed, including its business model and sub-national structures and how it will discharge its functions; and
- the Commissioning Board's relationships and how it will work with its partners were developed and agreed.

The Board Authority recognised it could not achieve its objectives in isolation and worked with clinicians, managers and a wide range of stakeholders to deliver its aims.

The Board Authority was also committed to openness and transparency. Four board meetings were held between 1 April 2012 and 30 September 2012. These meetings were held in public and live-streamed over the internet. Papers were published on the Board Authority's website in advance of the meeting.

Further information on the Board Authority, including board papers and publications, can be found on: www.england.nhs.uk

Next steps

The Commissioning Board will take on its full powers in April 2013. How it intends to achieve this and ensure that it is focused on getting the best health outcomes for the people of England was set out in its Business Plan published on 1 October 2012.

Equal opportunities and diversity

The Board Authority committed to providing equal opportunities for all staff. Our aim was to ensure that all staff were aware that any form of discrimination against people because of their gender, marital status, race, age, sexual orientation, religion, disability, part-time or fixed-term working, was prohibited within the Board Authority, and to ensure that the Board Authority abided by the statutory regulations regarding human rights and discrimination.

Staff involvement and wellbeing

The Board Authority kept all members of staff informed about organisational, management and policy issues through regular staff briefings.

As all staff other than the executive team were seconded from the Department of Health (DH) or NHS organisations, no sickness absence records were held by the Board Authority.

Personal data incidents

During the period 1st April to 30 September 2012, the Board Authority had no personal data incidents:

- a) there is no relevant audit information of which the Board Authority's auditors are unaware;
and
- b) all possible steps have been taken to ensure that the Board Authority's auditors are aware of any relevant information.

2012/13 accounts

The accounts have been prepared and issued by the Board Authority, under directions given by the Secretary of State, with the approval of HM Treasury, in accordance with Schedule 15 (paragraph 6) of the NHS Act 2006. The accounts report the resources that have been used by the Board Authority to deliver its objectives. These annual accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual (FReM) 2011/12.

About the Board Authority

The board

The board of the Board Authority was made up of a non-executive chair, a chief executive, six non-executive directors, and three executive directors:

Chair, Professor Malcolm Grant

Chief Executive, Sir David Nicholson

Non-Executive Director, Lord Victor Adebawale

Non-Executive Director, Margaret Casely-Hayford

Non-Executive Director, Ciaran Devane

Non-Executive Director, Dame Moira Gibb

Non-Executive Director, Naguib Kheraj

Non-Executive Director, Ed Smith

Chief Financial Officer, Paul Baumann

Chief Nursing Officer, Jane Cummings

National Medical Director, Sir Bruce Keogh

The executive team

Since its establishment as a special health authority, the Board Authority completed the recruitment of its executive team which comprised:

Chief Executive, Sir David Nicholson

Chief Financial Officer, Paul Baumann

Chief Nursing Officer, Jane Cummings

Chief Operating Officer and Deputy Chief Executive, Ian Dalton

National Director: Transformation, Jim Easton

National Director: Commissioning Development, Dame Barbara Hakin

National Director for Patients and Information, Tim Kelsey

National Medical Director, Sir Bruce Keogh

National Director: Policy, Bill McCarthy

National Director: Human Resources, Jo-Anne Wass

Our management commentary

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 DH with the approval of HM Treasury.

Our accounts for the period 1st April 2012 to 30th September 2012 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

The NHS Commissioning Board Authority (the Board Authority) was established on 31 October 2011 for the sole purpose of establishing both the NHS Commissioning Board (the Board) and the supporting commissioning architecture as outlined in the NHS Health and Social Care Act 2012. During the period from April 2012 to September 2012, the vast majority of the Board Authority's expenditure related to the reimbursement of seconded staff from DH and a number of NHS organisations.

Financial performance

The DH set stringent financial targets against which we are expected to deliver. For the full year 2012/3 we were required to maintain our expenditure within certain key funding limits:

- revenue expenditure within a limit of £81.7m.

For the period 1 April to 30 September the Board Authority spent £18.2m and the remainder of the funding has transferred to the NHS Commissioning Board.

There were no post balance sheet events to report.

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

Non-NHS trade creditors	Number	Value £000
Total non-NHS trade invoices paid	1000	5337
Total non-NHS trade invoices paid within target	679	3784
Percentage of non-NHS bills paid within target	68%	71%

Auditor

The Comptroller and Auditor General was appointed by statute to audit the Board Authority. The audit fee for the period ended 30 September 2012 of £22,500 is for the audit of these accounts.

Accounting Officer's disclosure to the auditors

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

Principal risks and uncertainty

Effective risk management is a cornerstone of good governance and our framework of procedures and internal controls contribute to mitigating and controlling the risks we face.

Our Annual Governance Statement, included at page 19, provides further details of our risk management strategy and procedures.

Remuneration report

The remuneration of the NHS Commissioning Board Authority's (the Board Authority) national directors, is set by the Remuneration and Terms of Service Committee on behalf of the board in conjunction with the Department of Health (DH). The pay rates are in line with the Very Senior Manager (VSM) pay framework for Arm's Length Bodies (ALBs) and are subject to DH approval. The committee is chaired by the Chair of the board, together with two non-executive directors.

This report for the period ended 30 September 2012 is produced by the board. The Remuneration and Terms of Service Committee met four times during the period 1 April 2012 to 30 September 2012.

The Remuneration and Terms of Service Committee operates within a framework laid down by the DH. Its remit is to determine, on behalf of the Board Authority, the terms of service, remuneration and other benefits of the Chief Executive, national directors and such other posts as are specifically designated by the board to be within their purview, ensuring that relevant employees are fairly rewarded for their individual contributions to the organisation.

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

The Board Authority, with the approval of the DH Remuneration Committee, operates the NHS VSM Pay Framework. This framework also provides access to an approved scheme for performance related payments which are paid in line with DH instructions.

In line with revised DH arrangements, no bonus payments were paid to the executive directors by the Board Authority during the period 1 April 2012 to 30 September 2012.

Appointments

Non-executive directors are appointed by the Secretary of State for a term of either two and a half or four years.

The Chief Executive has a DH contract of employment.

All other national directors will have NHS VSM contracts of employment. There are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements.

Emoluments of board members

The remuneration relating to all directors in post during the period 1 April 2012 to 30 September 2012 is detailed in the tables below. It identifies the salary, other payments and allowances and pension benefits applicable to both executives and non-executives. This information is subject to audit and has been audited by the Board Authority's external auditors.

Non-executive directors

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

Name and title	1 April 2012 – 30 September 2012			Date of appointment	Appointment ends
	Salary in £5k bands	Bonus payments in £5k bands	Benefits in kind (rounded to the nearest £100)		
	£000	£000	£000		
Professor Malcolm Grant Chair	30-35 *	0	0	31 October 2011	30 October 2015
Lord Victor Adebawale Non-Executive Director	0-5	0	0	1 July 2012	31 December 2014
Margaret Casely – Hayford Non-Executive Director	0-5***	0	0	1 July 2012	30 June 2016
Ciaran Devane Non-Executive Director	0-5	0	0	1 January 2012	31 December 2015
Dame Moira Gibb Non-Executive Director	0-5	0	0	1 July 2012	31 December 2014
Mr Naguib Kheraj Non-Executive Director	0**	0	0	1 July 2012	30 June 2016
Ed Smith	10-15	0	0	9 November 2011	8 November 2015

Name and title	1 April 2012 – 30 September 2012			Date of appointment	Appointment ends
	Salary in £5k bands £000	Bonus payments in £5k bands £000	Benefits in kind (rounded to the nearest £100) £000		
Non-Executive Director					

* The Chair of the Board Authority receives no direct remuneration for the appointment, but his employer, University College London (UCL) makes a recharge to the Board Authority for the time Professor Grant devotes to the appointment (limited to the advertised remuneration for the appointment). The Board Authority has accrued £32,500 to be paid to UCL for the period to 30 September 2012.

** Naguib Kheraj has waived his entitlement to remuneration for his appointment.

*** Margaret Casely-Hayford receives no direct remuneration for the appointment but her employer, John Lewis Partnership, will be making a recharge to the Board Authority for the time she devotes to the appointment (limited to the advertised remuneration for the appointment).

Chief Executive and national directors

The following table sets out details of payments made and contract term details for the Chief Executive and national directors, as appropriate. All benefits in kind relate to the provision of a lease car.

Report and Accounts of the NHS Commissioning Board Authority April to Sept 2012

Name	Title	Salary in £5k bands	Benefits in kind £k	Notes
Sir David Nicholson	Chief Executive	40-45	0	Remains on secondment from the Department of Health (DH). Recharged for 40% of his time until April 2013 as he is also NHS Chief Executive.
Ian Dalton*	Chief Operating Officer/Deputy Chief Executive	40-45	0	Remains on assignment from North East SHA for 40% of his time. Salary recharged by North East SHA.
Professor Sir Bruce Keogh	National Medical Director	35-40	0	Remains on secondment from the DH for 40% of his time until April 2013 because he is also the NHS Medical Director. His substantive employer is University College London Hospitals NHS Foundation Trust. Salary recharge accrued in 2012/13.
Paul Taylor	Interim Director of Finance	15-20	0	Role as Interim Director of Finance with the Board Authority ceased on 13 th May 2012. On secondment from the West Midlands SHA (WMSHA) and recharged from West Midlands SHA for period 1 April 2012 to 14 th May 2012. Services provided via a contract for service between WMSHA and Taylor Moore Associates Limited.
Paul Baumann	Chief Financial Officer	60-65	0	Role commenced with the Board Authority on 14 th May 2012. Currently on assignment from London SHA for 80% of his time. Proportionate salary recharged from London SHA.
Dame Barbara Hakin	National Director: Commissioning Development	80-85	0	Remains on assignment from East Midlands SHA (EMSHA) for 80% of her time. Proportionate salary recharged from EMSHA.
Bill McCarthy	National Director: Policy	90-95	1	Remains on assignment for all of his time from Yorkshire and the Humber SHA (Y&HSHA). Salary recharged by Y&HSHA.
Jim Easton**	National Director: Transformation	80-85	0	Remains on assignment from South Central SHA for 80% of his time. Salary recharge accrued in 2012/13.
Tim Kelsey	National Director for Patients and Information	40-45	0	Role commenced with the Board Authority on 2 nd July 2012.
Jo-Anne Wass	National Director: Human Resources	40-45	0	On secondment from DH for 40% of her time until 31 st May 2012. Since 1 st June 2012 40% of her time is recharged to the DH as she continues as Chief of Staff.
Jane Cummings	Chief Nursing Officer	40-45	0	On assignment from the North West SHA for 60% of her time until 31 st May 2012 and 100% from 1 st June 2012 to

Name	Title	Salary in £5k bands	Benefits in kind £k	Notes
				30 th September 2012. Salary recharged by North West SHA.

*Ian Dalton left the Trust 30 April 2013

**Jim Easton left the Trust 31 January 2013

For 2012/13 there is a requirement for all public sector bodies to disclose the ratio of top to median staff pay as part of the Remuneration Report. The disclosure should include the banded total remuneration of the highest paid director, the median total remuneration of the staff and the pay multiple (ratio) between the two.

In 2012/13 the Board Authority staff were employed on a secondment basis. Many staff were seconded on a part-time basis and some national directors worked on a part-time basis for the Board Authority. It is therefore felt that it would not be appropriate to include this disclosure for 2012/13.

Pension benefits

The Chief Executive and National Directors (with the exception of Paul Taylor) are members of either the Civil Service or NHS pension schemes.

The figures included in the table below are prior year (2011-12) and are the full year pension benefits for each employee rather than the amount attributable to their NHS CBA role. This is because the information is not available for this accounting period end. The disclosure of the 2012-13 figures will take place in the accounts prepared for the period ended 31st March 2013.

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 31st March 2012 (bands of £5000)	Lump sum at age 60 related to accrued pension at 31st March 2012 (bands of £5000)	Cash Equivalent Transfer Value at March 2012	Cash Equivalent Transfer Value at March 2011	Real Increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
Sir David Nicholson Chief Executive	0-2.5	N/A	105-110	N/A	1,875	1,761	-40
Ian Dalton Chief Operating Officer/Deputy Chief Executive	2.5-5	7.5-10	15-20	50-55	293	213	74
Professor Sir Bruce Keogh National Medical Director	0-2.5	0-2.5	75-80	225-230	1645	1524	74
Paul Taylor Interim Director of Finance	Not a current member of the NHS Pension Scheme						
Paul Baumann Chief Financial Officer	2.5-5	7.5-10	10-15	35-40	276	143	133
Dame Barbara Hakin National Director: Commissioning Development	0-2.5	7.5-10	70-75	215-220	1,665	1,578	61

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 31st March 2012 (bands of £5000)	Lump sum at age 60 related to accrued pension at 31st March 2012 (bands of £5000)	Cash Equivalent Transfer Value at March 2012	Cash Equivalent Transfer Value at March 2011	Real Increase in Cash Equivalent Transfer Value
Bill McCarthy National Director: Policy	0-2.5	0-2.5	60-65	185-190	1,055	899	90
Jim Easton National Director: Transformation	0-2.5	2.5-5.0	40-45	130-135	728	597	70
Tim Kelsey National Director: Patients and Information	Appointed to NHSCB on 2nd July 2012						
Jo-Anne Wass National Director: Human Resources	0-2.5	0-2.5	40-45	120-125	623	499	108
Jane Cummings Chief Nursing Officer	0-2.5	5-7.5	50-55	160-165	965	807	133

Notes:

1. Tim Kelsey was employed 2nd July 2012. Commenced employment during accounting period having previously worked for the Cabinet Office
2. Figures are from documents already in the public domain.

As non-executive directors do not receive pensionable remuneration, there are no entries in respect of pensions for non-executive directors.

Cash Equivalent Transfer Value (CETV)

The right hand side of the above table shows the staff member's cash equivalent transfer value accrued at the beginning and end of the reporting period and the increase in cash equivalent transfer value 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 pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A cash equivalent transfer value is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the staff member's accrued benefits and any contingent spouse's pension payable from the scheme. A cash equivalent transfer value 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 benefits accrued in their 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 cash equivalent transfer value figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the National Health Service Pension Scheme /Principal Civil Service Pension Scheme arrangements and for which, the Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. 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.

Cash equivalent transfer values are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, as advised by the actuary to the Principal Civil Service Pension Scheme.

The real increase in the value of the CETV

This takes account of the increase in accrued pension due to inflation and contributions paid by the officer and are calculated using common market valuation factors for the start and end of the period.

Sir David Nicholson

Chief Executive

NHS Commissioning Board Authority

22 May 2013

**Financial Statements
6 months to 30 September 2012**

Statement of accounting officer's responsibilities

The Accounting Officer for the DH has appointed the Chief Executive of the NHS Commissioning Board Authority (the Board Authority) as the Accounting Officer. As Chief Executive and 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 NHS Act 2006 and directions made thereunder by the Secretary of State with the approval of Treasury, we are required to prepare a statement of accounts for each financial year in the form, and on the basis, determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of our state of affairs at the year end and of its net resource outturn, recognised gains and losses and cash flows for the financial year. As Accounting Officer, I have responsibility for ensuring the preparation of our accounts and the transmission of them to the Comptroller and Auditor General.

In preparing the accounts, I am required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclosed and explained any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, given that the NHS Commissioning Board will be the successor body to the Board Authority.

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

Governance statement

Scope of responsibilities

The NHS Commissioning Board Authority (the Board Authority) is a special health authority which has been established from 31 October 2011 to 30th September 2012 for the sole purpose of establishing the NHS Commissioning Board and the supporting commissioning architecture outlined in the NHS Health and Social Care Act 2012. The Board Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. In discharging this responsibility the Board Authority is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring that a sound system of internal control is maintained throughout the year and that appropriate arrangements are in place for the management of risk.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the Board Authority is directed and controlled, and the activities through which it accounts to, and engages with, the DH and the wider NHS community.

A significant element of this framework is the system of risk assurance, 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 rather than absolute assurance of effectiveness.

The system of internal risk assurance is based on an on-going process designed to:

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

The system of internal risk assurance was introduced for the start date of the Board Authority on 31 October 2011 and was fully established by the end of March 2012.

From 1st April 2012 the system of internal risk assurance was fully embedded into the Board Authority's processes with regular reports to the Executive Management Team on the status of all risks and the plans to mitigate them. The Programme Management Office was fully active during this period and provided regular updates to the Board.

Our governance framework

The Board Authority operates within a governance framework that incorporates the following areas:

- Statutory Instruments and Directions which describe and govern our core operations, processes and structure;
- matters determined by the Board Authority's board which ensure that the organisation has appropriate decision-making process in place, including:
 - the protocol for meetings and reporting;
 - the delegation of decision-making powers, not reserved for the board, to committees, chief executive and executive directors;
 - the Standing Financial Instructions; and
 - the establishment of standing committees.
 - other management information which supports effective governance and operation; and
- the Board Authority complies with the requirements of the Corporate Governance Code in so far as they relate to public bodies, although its corporate governance is developing as the organisation develops.

Our board

Our board is responsible for ensuring that the governance framework is designed appropriately and operates effectively. The board comprises a non-executive chair, six other non-executive directors (four of which commenced during 2012-13), chief executive and three executive directors. The Chair and Chief Executive were appointed from the start of the Board Authority on 31 October 2011. Other directors were appointed during 2011/12 and 2012/13. The table below shows the number of meetings attended by board members during the 2011/12 financial year and also highlights their declared business interests.

The Board met 4 times during the accounting period 1st April 2012 to 30th September 2012 for the purposes of carrying out the business of the Board. Board papers were fully documented and made available via the Board Authority's website. Videos of the public Board meetings have been made available via the website and can be accessed on YouTube.

Three standing sub-committees have been established to support the Board and their minutes are noted by the Board at the subsequent Board meeting. Whilst the Audit Committee did not formally meet during this accounting period, substantive issues of internal control were regularly discussed by the Audit Committee chair and important issues discussed directly at the full Board meetings

Board members (in post at start of year unless specified):

Board composition	Meetings attended	Register of interests where Potential Conflicts of Interest might occur
<p>Chair: Professor Malcolm Grant</p> <p>Non-Executive Directors:</p> <p>Ed Smith</p> <p>Ciaran Devane</p> <p>Lord Victor Adebawale (appointed 1st July 2012)</p> <p>Margaret Casely-Hayford (appointed 1st July 2012)</p> <p>Dame Moira Gibb (appointed 1st July 2012)</p> <p>Naguib Kheraj (appointed 1st July 2012)</p>	<p>3 out of 4</p> <p>4 out of 4</p> <p>4 out of 4</p> <p>2 out of 2</p> <p>0 out of 2</p> <p>2 out of 2</p> <p>2 out of 2</p>	<p>President and Provost, UCL Board Member, UCL Partners Board Member, HEFCE</p> <p>Pro Chancellor and Chair of Council, University of Birmingham</p> <p>Chief Executive, Macmillan Cancer Support</p> <p>Chief Executive Officer and Company Secretary, Turning Point</p> <p>Director, British Retail Consortium Secretary to a number of companies which are part of the John Lewis Partnership</p> <p>Non-Executive Director , UK Statistics Authority Chair, Social Work Reform Board</p> <p>Employee of Barclays Bank Member of Investment Committee of Wellcome Trust Brother is GP Sister-in-law is Interim Director of the National Clinical Assessment Service</p>
<p>Chief Executive: Sir David Nicholson</p>	<p>4 out of 4</p>	<p>NHS Chief Executive Honorary Fellow, The Royal College of General Practitioners Honorary Fellow, The Royal College of Physicians Honorary Colonel, 306 Hospital Support Medical Regiment Senior Fellow, University of Birmingham, Health Service Management Wife is Chief Executive, Birmingham Children's Hospital</p>
<p>Executive Directors: Sir Bruce Keogh: National Medical Director</p>	<p>2 out of 4</p>	<p>Fellow Royal College of Surgeons in England, previous Member of Council Fellow Royal College of Surgeons of Edinburgh, King James IV Professor Honorary Fellow Royal College of Surgeons in Ireland Honorary Fellow American College of Surgeons Honorary Fellow Royal College of Anaesthetists Honorary Fellow Royal College of General Practitioners Honorary Member and past Secretary General, European Association for Cardio-Thoracic Surgery Member and past president, Society for Cardio-Thoracic Surgery in Great Britain and Ireland Honorary Member, British Society of Interventional Radiology</p>

Board composition	Meetings attended	Register of interests where Potential Conflicts of Interest might occur
Paul Taylor, Interim Director of Finance (until 14 th May 2012)	1 out of 1	Honorary Member, Faculty of Medical Management and Leadership Council, British Heart Foundation Director, Taylor Moore Associates Limited Director, Provex Solutions Limited Associate Director, Provex Consultancy Limited
Jane Cummings, Chief Nursing Officer	4 out of 4	None
Paul Baumann, Chief Financial Officer (from 14 th May 2012)	3 out of 3	None
Directors Dame Barbara Hakin, National Director, Commissioning Development	4 out of 4	Family member is employee of PWC
Bill McCarthy, National Director, Policy	4 out of 4	Member of Council of University of York Board of Hull York Medical School Wife is employed by Refugee Council and occasionally receives remuneration from the NHS as an ante-natal teacher Daughter has summer job with TPP, a supplier of computer services to the NHS
Jim Easton, National Director, Transformation	3 out of 4	Undertakes occasional paid speaking engagements on subject of healthcare leadership
Ian Dalton, Chief Operating Officer/Deputy Chief Executive	4 out of 4	None
Tim Kelsey, National Director for Patients and Information (appointed 2 nd July 2012)	2 out of 2	Trustee, Nuffield Trust Minority shareholding in Dr Foster LLP which is being transferred into the legal ownership of a blind trust which is instructed to sell the interest. This Trust is administered independently by Clarke Willmott Trust Corporation
Jo-Anne Wass, National Director, Human Resources	4 out of 4	Husband is working on IMAS assignment at the NHS CB and is an employee of NHS East Midlands

The Chief Executive and national directors have been appointed as designate Chief Executive and national directors of the NHS Commissioning Board which was established on 1st October 2012.

The full statements of “Declarations of Interest” of all the national directors are available on the Commissioning Board Authority’s website (www.england.nhs.uk)

Standing committees

To help facilitate the effective discharge of its responsibilities, the Board Authority has three standing committees.

Audit and Risk Management Committee

The Audit and Risk Management Committee is constituted as a non-executive committee of the Board Authority's board and consists of three non-executive members, with attendance from the Chief Financial Officer, both internal and external audit and other officers as appropriate.

The committee did not meet formally during the existence of the Commissioning Board Authority . It has met, since these statements were prepared, to review the accounts and recommend them to the board. External and internal auditors continue to liaise directly with the audit chair.

The committee is responsible for providing the board with an independent and objective view of the adequacy and effectiveness of the Board Authority's assurance framework, including the framework of governance, risks (excluding clinical risks), controls and related assurances.

Remuneration and Terms of Service Committee

The Remuneration and Terms of Service Committee is a non-executive committee of the Board Authority's board and comprises the chair and two non-executive members.

The committee is responsible for determining the terms of service, remuneration and other benefits, as laid down by the DH framework, for the Chief Executive, executive directors and other posts designated by the board as within their purview. It is also responsible for ensuring that effective systems are in place and are being properly administered to monitor and evaluate the performance of relevant employees and advising and overseeing contractual arrangements for relevant employees.

Committee meetings are formally recorded and the minutes are reported to the board.

The committee also produces an annual report which is submitted to the board.

Remuneration and Terms of Service Committee	Meetings attended
<p>Members Malcolm Grant Ed Smith Ciaran Devane</p>	<p>3 out of 4 3 out of 4 4 out of 4</p>

Finance and Procurement Controls Committee

The Finance and Procurement Controls Committee is a devolved sub-committee of the board comprising of the chief executive, a number of national directors, and the chair of the Audit Committee.

The committee is responsible for approving applications for spending in accordance with the Government's Efficiency Controls, and to determine when DH and Cabinet Office approvals are required for expenditure.

Committee meetings are formally recorded and the minutes are reported to the board. The committee was formally established on 13 April 2012.

The full terms of reference for all of these committees can be found in the Board Authority's Ways of Working (including standing orders).

Performance of the board and its committees

Management of the organisation

Other than those matters reserved for the board as set out in the Corporate Governance Framework, responsibility for the management of the organisation is delegated to the Chief Executive who is the Accounting Officer. The Chief Executive is supported by a leadership team of executive and national directors as described above.

Our sponsorship arrangements

The Board Authority manages a complex range of activities. Accountability arrangements with the DH comprise an overall senior departmental sponsor, with individual sponsors providing policy direction for each core service stream. A clear accountability framework is in place, which includes formal reviews with senior sponsors. Strategic, policy and operational issues are reviewed alongside the corporate risk register and the latest financial position. Additionally, regular scheduled meetings are held with individual service sponsors.

Elements of the governance, assurance risk and control framework

The Board Authority has been a time limited organisation. At the end of the year there were very few substantive members of staff. The vast majority of staff who worked for the Board Authority have been seconded from the Department of Health, Strategic Health Authorities (SHAs), Primary Care Trusts (PCTs) and NHS trusts. It operates its own bank account and keeps separate books, but is assisted in doing this by the NHS Business Services Authority (NHS BSA). Much reliance on systems of internal control derives from using NHS BSA systems, together with the Board Authority's internal budgetary and management control systems. During the previous financial year (2011/12) the internal control systems were developing, and so the approach to risk and assurance was embodied in the programme management approach which drives the Board Authority forward capturing risks, mitigations, and checkpoints. This system of programme management underpins the work of the Board Authority and is constantly reviewed and updated.

This risk management approach continued during this accounting period, and was led by the national Director of Policy's team. Reviews of milestones, risks and action plans were undertaken formally monthly and reported regularly to the Executive Management Team and quarterly to the Board.

Risk

During 2011/12 a risk register was developed and has since been regularly reviewed by both the board and the Board Authority's directors.

The leadership team owns the risk register which highlights the key risks to the Board Authority as a whole and reviews this register on a quarterly basis.

This process of risk management and review continued during this accounting period.

Audit and Risk Management Committee assurance

The Audit and Risk Management Committee met for the first time on 30th November 2012. The external and internal auditors have had access to the Audit Committee chair before that date and the board has maintained oversight of relevant audit and risk matters to date.

Regular meetings were held during the accounting period between senior finance staff and members of the internal and external audit teams. The Chair of Audit Committee was regularly briefed on aspects of the internal control environment and met with the Director of Finance on a number of occasions.

Complaints

We take complaints seriously and believe in the value of learning from the complaints which are made about our staff and services to make improvements for our customers.

No complaints were received during the first six months of 2012-13 about the Board Authority.

Review of effectiveness

The Board Authority was established on 31 October 2011 and is a relatively small organisation mostly staffed by secondees from the NHS and DH. The systems of internal control are of a scale that are appropriate to an organisation at this stage of its development.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the risk based internal audit work. Additionally the Chief Financial Officer has assured me that there is a generally sound system of internal control, designed to meet the Board Authority's objectives, and that controls are generally being applied consistently.

Executive directors and national directors within the Board Authority who have responsibility for the development and maintenance of the system of internal control within their service area,

provide me with assurance that internal controls have remained in place during the year; financial information for their service area is to the best of their knowledge correct and there is no material information of which they are aware that I have not also been made aware of and reflected as necessary in the financial statements and their disclosures.

Conclusion

While recognising the developmental and time limited nature of the Board Authority, I have not identified any significant governance issues during the six months of the Board Authority's operation in 2012/13 and my review confirms that the Board Authority has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Sir David Nicholson

Chief Executive

NHS Commissioning Board Authority

22 May 2013

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Audit Certificate

NHS COMMISSIONING BOARD AUTHORITY

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

I certify that I have audited the financial statements of the NHS Commissioning Board Authority for the period ended 30 September 2012 under the National Health Service Act 2006. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the NHS Commissioning Board Authority and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the NHS Commissioning Board Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Commissioning Board Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

the financial statements give a true and fair view of the state of the NHS Commissioning Board Authority 's affairs as at 30 September 2012 and of its net expenditure for the period then ended; and

the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and directions issued thereunder by the Secretary of State.

Opinion on other matters

In my opinion:

the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State's directions issued under the National Health Service Act 2006; and

the information given in the Management Commentary included within the Annual Report, for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or

I have not received all of the information and explanations I require for my audit; or

the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

Without qualifying my opinion, I draw attention to the disclosures made in note 1.9 to the financial statements. On 30 September 2012, the NHS Commissioning Board Authority was abolished and its functions were transferred to the NHS Commissioning Board. As the functions previously provided by the NHS Commissioning Board Authority will continue to be provided using the same assets by another public sector entity, it remains appropriate for the financial statements of the NHS Commissioning Board Authority in respect of the period to 30 September 2012 to be prepared on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Date 31 May 2013

Statement of comprehensive net expenditure for the period ended 30 September 2012

	Notes	Period to 30 Sept 2012	2011/12
		£000	£000
Staff costs	3.3	7,820	2,493
Non-staff costs	3.1	10,403	1,897
Less income	3.2	(10)	0
Net operating costs for the financial period		18,213	4,390
Total comprehensive net expenditure for the period		18,213	4,390

Statement of Financial Position at 30 September 2012

	Notes	30 September 2012 £000	31 March 2012 £000
Non Current Assets			
Property, Plant & Equipment	4.1	<u>390</u>	<u>0</u>
Total non-current assets		<u>390</u>	<u>0</u>
Current Assets			
Trade and other receivables	4.2	6	7
Cash and cash equivalents	4.4	<u>6,125</u>	<u>3,720</u>
Total current assets		<u>6,131</u>	<u>3,727</u>
Current Liabilities			
Trade and other payables	4.3	<u>(12,624)</u>	<u>(3,117)</u>
Total current liabilities		<u>(12,624)</u>	<u>(3,117)</u>
Non-current assets plus/less net current assets/liabilities		<u>(6,103)</u>	<u>610</u>
Assets Less Liabilities:		<u>(6,103)</u>	<u>610</u>
Taxpayers' Equity			
General Fund		(6,103)	610
Total Taxpayers' Equity:		<u>(6,103)</u>	<u>610</u>

The notes on pages 38 to 56 form part of these accounts.

The financial statements on pages 34 to 37 were approved by the Board Authority's board on 28th February 2013 and signed on its behalf by

Chief Executive:

Date: 22 May 2013

Statement of Changes in Taxpayers' Equity

For the period ended 30 September 2012

	General Fund £000	Total Reserves £000
Balance at 31 March 2012	610	610
Prior period adjustment	0	0
Restated balance at 1 April 2012	<u>610</u>	<u>610</u>
Changes in taxpayers' equity for 2012-13		
Net operating cost for the year	<u>(18,213)</u>	<u>(18,213)</u>
Total recognised income and expense for 2012-13	<u>(18,213)</u>	<u>(18,213)</u>
Net Parliamentary funding	11,500	11,500
Balance at 30 September 2012	<u>(6,103)</u>	<u>(6,103)</u>

A negative fund has arisen because expenditure has been accounted for (via accruals) for which the cash has not yet been drawn down. Cash is only drawn down as required.

There is no going concern or liquidity risk as the cash funding for this expenditure has been approved and drawn down in October 2012.

Statement of Cash Flows for the period ended 30 September 2012

	Notes	Period to 30 Sept 2012	2011-12
		£000	£000
Cash flows from operating activities			
Net operating costs		(18,213)	(4,390)
Other cash flow adjustments		22	0
Movement in Working Capital	5.1	<u>9,508</u>	<u>3,110</u>
Net cash (outflow) from operating activities		<u>(8,683)</u>	<u>(1,280)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4.1	<u>(412)</u>	<u>0</u>
Net cash inflow/(outflow) from investing activities		<u>(412)</u>	<u>0</u>
Cash flows from financing activities			
Net Parliamentary funding		<u>11,500</u>	<u>5,000</u>
Net financing		<u>11,500</u>	<u>5,000</u>
Net increase/(decrease) in cash and cash equivalents		2,405	3,720
Cash and cash equivalents at the beginning of the period	4.4	3,720	0
Cash and cash equivalents at the end of the period	4.4	<u>6,125</u>	<u>3,720</u>

The notes on pages 38 to 56 form part of these accounts.

Notes to the accounts

1. Accounting policies

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

1.1 Accounting conventions

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

Acquisitions and discontinued operations

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Board 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.

Accounting for staff costs and remuneration

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

As set out in the Remuneration Report, the Chief Executive and directors costs charged to the Board Authority are based on the time spent working for the Board Authority.

1.2 Income and funding

The main source of funding for the Board Authority is a Parliamentary grant from the DH. The Board Authority is required to maintain expenditure within this allocation. The DH also approves a cash limit for the period. The Board Authority is required to draw down cash in accordance with this limit. Cash drawn down is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

1.3 Taxation

The Board 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 Cash and cash equivalents

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

1.5 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 Board Authority not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

1.6 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS pensions scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices

and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

1.7 Provisions

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

1.8 Financial instruments

Financial assets

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

Financial assets are initially recognised at fair value

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any

impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

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

Loans and receivables

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the Statement of Financial Position date, the Board Authority assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

1.9 Going Concern

The Board Authority was set up as a transitional body with the closing balance sheet transferred to the successor body, the NHS Commissioning Board. The accounts have therefore been prepared on a going concern basis.

1.10 Property, Plant & Equipment

(a) Capitalisation

Property, Plant & Equipment is capitalised if it is capable of being used for more than one year and,

- 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
- forms part of the initial setting-up cost of a new building, irrespective of their individual or collective cost.

(b) Valuation

The Board Authority had no assets in the land & buildings category during the accounting period. Until 31 March 2008, fixtures and equipment in the NHS were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets will be written off over their remaining useful

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

1.11 Intangible Assets

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.

1.12 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 Statement of Comprehensive Net Expenditure. 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 Statement of Comprehensive Net Expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

2.1 Revenue Resource Limit

	Period to 30 Sept 2012
	£000
Net operating costs for the financial year	18,213
Revenue Resource Limit *	18,213
Under/(over) spend against Revenue Resource Limit	<u>0</u>

*This is the amount of resource allocated by the Department of Health

The NHS Commissioning Board Authority and the NHS Commissioning Board received one allocation for the 2012-13 financial year.

The revenue resource limit for the NHS Commissioning Board Authority has been matched against expenditure incurred and the remainder of the resource limit has been carried forward to the NHS Commissioning Board.

2.2 Capital Resource Limit

	Period to 30 Sept 2012
	£000
Gross Capital Expenditure	412
Capital Resource Limit *	412
Under/(over) spend against Capital Resource Limit	<u>0</u>

*This is the amount of resource allocated by the Department of Health

The NHS Commissioning Board Authority and the NHS Commissioning Board received one allocation for the 2012-13 financial year.

The capital resource limit for the NHS Commissioning Board Authority has been matched against expenditure incurred and the remainder of the resource limit has been carried forward to the NHS Commissioning Board.

2.3 Under/ (Over)spend against cash limit

	Period to 30 Sept 2012
	£000
Total Charge to Cash Limit *	11,500
Cash Limit	11,500
Under/(over) spend against Cash Limit	<u>0</u>

* This is the amount of cash drawn from the Department of Health.

The NHS Commissioning Board Authority and NHS Commissioning Board received one cash allocation for the 2012-13 financial year. The cash resource limit for the NHS Commissioning Board Authority has been matched to expenditure incurred. The remaining cash limit will be transferred to the NHS Commissioning Board.

3.1 Non-Staff costs

	Period to 30 Sept 2012	2011-12
	£000	£000
The expenses of the authority were as follows:		
Non-executive members' remuneration	54	41
Establishment expenses	624	229
Premises and fixed plant	1,337	898
External contractors	0	0
Non-cash: Depreciation	<u>22</u>	<u>0</u>
	22	0
Auditors' remuneration: Audit fees	23	32
Legal & Professional Fees	8,343	697
Total non-staff costs	<u>10,403</u>	<u>1,897</u>

3.2 Operating Income

	Period to 30 Sept 2012	2011-12
	£000	£000
Other income	10	0
Total Operating income	10	0

3.3 Staff numbers and related costs**Executive members and staff costs:**

	Period to 30Sept 2012 Total	Permanently employed	Other
	£000	£000	£000
Salaries and wages	7,675	598	7,077
Social security costs	64	64	0
Employer contributions to NHS Pensions	81	81	0
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Termination Benefits	0	0	0
Total	7,820	743	7,077

Other Salaries and Wages costs relate to the cost (including social security and pension costs) of employees seconded from other NHS organisations and the Department of Health.

The average number of persons employed during the year was :

	Total	Permanently employed	Other
	Number	Number	Number
Total	208	34	174

The amount spent on staff benefits during the year totalled £Nil

3.4 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme (NHSPS). Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, 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's assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Commissioning Board Authority of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

Details of the benefits payable under the NHSPS can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and an IAS26 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme liabilities. Up to 31 March 2009, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2009, employees' contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) IAS 26 Accounting valuation

In accordance with IAS 26, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

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

The valuation of the Scheme liability as at 31 March 2009 is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 with summary global member and accounting data.

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

Scheme provisions prior to 31 March 2008

The Scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum normally equivalent to three years pension is payable on retirement.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

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

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

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

Scheme provisions from 1 April 2008

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

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. As such, the NHS Commissioning Board is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3% to 12%.

Employers also match employee contributions up to 3% of pensionable pay.

From 1 April 2012, most members of the various PCSPS arrangements have paid extra contributions towards their pensions.

4.1 Property, Plant & Equipment

	Information technology	Total
	£000	£000
Cost or Valuation at 1 April 2012	0	0
Additions - purchased	412	412
Gross cost at 30 September 2012	412	412
Accumulated depreciation at 1 April 2012	0	0
Charged during the year	22	22
Accumulated depreciation at 30 September 2012	22	22
Net book value at 31 March 2012	0	0
Net book value at 30 September 2012	390	390

4.2 Receivables

	30 September 2012 £000	31 March 2012 £000
Other receivables	<u>6</u>	<u>7</u>
Trade and other receivables	<u>6</u>	<u>7</u>

4.3 Trade payables and other current liabilities

	30 September 2012 £000	31 March 2012 £000
Trade payables revenue	0	666
Accruals and deferred income	<u>12,624</u>	<u>2,451</u>
Trade and other payables	<u>12,624</u>	<u>3,117</u>

4.4 Cash and Cash equivalents

	2012-13 £000	2011-12 £000
Balance at 1 April	3,720	0
Net change in the year	<u>2,405</u>	<u>3,720</u>
Balance at 30 September	<u>6,125</u>	<u>3,720</u>

Comprising:

	30 September 2012 £000	31 March 2012 £000
Held with the Government Banking Service	6,125	3,720
Commercial banks and cash in hand	0	0
Current investments	<u>0</u>	<u>0</u>
Cash and Cash equivalents as in Statement of financial position	6,125	3,720
Bank overdraft	<u>0</u>	<u>0</u>
Cash and cash equivalents as in Statement of cash flows	<u>6,125</u>	<u>3,720</u>

4.5 Events after the reporting period

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

This annual report and accounts has been authorised for issue on the date the accounts were certified by the Comptroller and Auditor General.

5.1 Movements in working capital

	Period to 30 Sept 2012 £000	2011-2012 £000
(Increase)/decrease in receivables within 1 year	1	(7)
Increase/(decrease) in payables within 1 year	9,507	3,117
Total	9,508	3,110

5.2 Analysis of changes in net cash or equivalents

	As at 1 April 2012 £000	Cash flows £000	As at 30 September 2012 £000
GBS cash at bank	3,720	2,405	6,125
Commercial cash at bank and in hand	0	0	0
Bank overdraft	0	0	0
Total	3,720	2,405	6,125

6. Related party transactions

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

7. Financial instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have

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

Currency risk

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

Interest rate risk

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

Credit risk

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

Liquidity risk

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

7.1 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Trade receivables	0	0	0	0
Other receivables	0	6	0	6
Cash at bank and in hand	0	6,125	0	6,125
Other financial assets	0	0	0	0
Total at 30 September 2012	0	6,131	0	6,131

7.2 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000	£000	£000
Trade Payables	0	0	0
Other payables	0	0	0
Borrowings	0	0	0
Other financial liabilities	0	12,624	12,624
Total at 30 September 2012	0	12,624	12,624

7.3 Maturity of financial liabilities

	30 September 2012 £000	31 March 2012 £000
In one year or less	12,624	3,117
In more than one year but not more than five years	0	0
In more than five years	0	0
Total	12,624	3,117

7.4 Fair values

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

8. Intra-government balances

	Receivables amounts falling due within one year £000	Receivables amounts falling due after more than one year £000	Payables amounts falling due within one year £000	Payables amounts falling due after more than one year £000
Balances with other central government bodies	6	0	3,147	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	72	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	9,405	0
At 30 September 2012	6	0	12,624	0

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

The Board Authority has not adopted any IFRS's, amendments or interpretations early.

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

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRS's, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period.

The following have not been adopted early by the Board Authority:

- IFRS 7 Financial Instruments: disclosures amendment to allow for better comparisons between financial statements. The effective date is for accounting periods beginning on or after 1 January 2013.
- IFRS 9 Financial Instruments: new standard intended to replace IAS39. The effective date is for accounting periods beginning on, or after 1 January 2015.
- IFRS 13 Fair Value Measurement IFRS 13 applies when other IFRS's require or permit fair value measurements. The new requirements are effective for accounting periods beginning on, or after 1 January 2013.
- IAS 1 Presentation of Financial Statements Amendment to the existing standard to improve disclosures to users of the accounts. The effective date is for accounting periods beginning on, or after 1 June 2012.
- IAS 19 Employee Benefits: the amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits. The new requirements are effective for accounting periods beginning on or after 1 January 2013.
- IAS 32 Offsetting Financial Assets and Financial Liabilities amendments to clarify the application of offsetting requirements. The amendments are effective for accounting periods beginning on, or after 1 January 2014.

None of these new or amended standards and interpretations are likely to be applicable or are anticipated to have future material impact on the financial statements of the Board Authority.

10. Other financial commitments

The Board Authority has entered into a number of contracts. The most significant is a contract with NHS Shared Business Services for the provision of an accounting system and services. The contract commenced on 29 March 2012 for a period of six years with a break clause after four years. The total cost of the contract for the initial four years is £64.1m. There is a remaining commitment of £59.3m. The Board Authority has also entered into a one year contract with PricewaterhouseCoopers for provision of external support for CCG authorisation. The cost of the contract is £3m. The NHS Commissioning Board will take over contractual liability when it comes into existence in October 2012.

	2012/13
	£000
Amount payable within one year	22,110
Amount payable after one year but within five years	38,450
Amount payable after five years	0
Total	<u>60,560</u>



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