



Appointments  
Commission

# Annual Report & Accounts 2007-2008





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## **Appointments Commission**

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## ***A message from the Chair***

The Rt Hon Alan Johnson MP  
Secretary of State  
Richmond House  
79 Whitehall  
London SW1A 2NS

Dear Secretary of State

I am writing to account to you for the seventh year of operation of the Appointments Commission and my first full year as Chair.

This has been a very busy year for the Commission. In addition to our appointments workload, we carried out a review, in partnership with our stakeholders, of the work we do for the NHS. In the latter part of the year we welcomed our new Chief Executive, Andrea Sutcliffe.

Under Andrea's leadership we have already begun to implement the review's recommendations, working towards our vision of being the organisation of choice in the recruitment of public appointments.

We continue to strengthen contacts with our stakeholders and this is already leading to constructive partnership working. The Chairs' Conference, which we organised in January with the Department of Health, Monitor, the NHS Confederation and the NHS Institute, was a prime example of this. We were delighted that you were able to be our keynote speaker at the event.

We have also made considerable progress this year in developing our new single equality scheme and I am very grateful to the members of our Equality and Diversity Advisory Group whose advice and support has been invaluable.

At the time of writing, however, the diversity figures for NHS trust boards are a cause for concern. The number of women serving as non-executives has been declining steadily since 2002. It has been especially noticeable this year that an increasing number of non-executive directors are resigning in the run-up to foundation trust status and that a disproportionate number of them are women. The Commission is implementing a number of initiatives to try to halt this decline, but I believe we all have a duty to encourage more women, as well as those from black and minority ethnic communities and people with disabilities, to take advantage of the opportunity to serve their local NHS.

Finally, I would like to thank Susan Atkins, our Interim Chief Executive from March to October 2007, for her outstanding contribution. Susan's remit was to deliver the strategic review and in doing so she laid an excellent foundation for Andrea to build on. Susan was ably supported by Janice Scanlan, our Deputy Chief Executive and Director of Appointments. Janice was Acting Chief Executive in the interim periods before Susan and Andrea were appointed and her contribution to the success of the Commission is immense.

My thanks also go to my fellow Board members, our Commissioners and all the Commission's staff for their professionalism and commitment throughout this year. They make the Commission the success that it is.

I commend this report to you.

**Anne Watts CBE**  
Chair



## Introduction from the Chief Executive

When I joined the Appointments Commission as Chief Executive at the end of November 2007 I had two clear objectives: to improve the way the Commission works and to transform the way in which our stakeholders see us.

I knew I was inheriting a great team. Enthusiastic, dedicated and highly professional, the Board, Commissioners and the Commission's staff are keen to provide an excellent service to our customers. Throughout a year of great change, they have exceeded activity targets for appointments and reappointments by 66%. I am immensely grateful to them all.

I also knew I could count on a clear direction set by Susan Atkins, my predecessor as Chief Executive. In managing our strategic review and conducting extensive consultations with our stakeholders, Susan laid down a set of recommendations which now form the basis of our strategic and business plans. I am very grateful for the outstanding work she did.

The review recommendations can be divided into four key areas:

- *Recruitment, selection and appointment processes*
- *Leadership development*
- *Objective setting and appraisal*
- *The role and accountability of boards and non-executive directors*

We have put in place a plan to implement these recommendations and we made considerable progress against this plan during the last quarter of the year. Achievements include:

- *putting in place a new, more flexible appraisal process;*
- *launching a new, 12 month induction programme;*
- *transferring responsibility for the ongoing training and development of chairs and non-executives to the Strategic Health Authorities, whilst maintaining a guardianship role;*
- *establishing a 'corporate talent pool' of private sector managers interested in non-executive director roles in the NHS as a way of increasing the diversity of potential candidates;*
- *introducing more customer-focused processes, such as planning teleconferences at the start of each recruitment campaign.*

We will maintain this momentum in 2008/09 and ensure our stakeholders are regularly updated on our progress.

During the review, and in my subsequent conversations with them, our stakeholders have been almost unanimous in their desire to see a more flexible, more responsive and more inclusive Commission, one that is prepared to work in partnership with its NHS customers. We have set out a new vision for the business and a new way of working to ensure we can meet these expectations. A programme of training and development for our staff has already been initiated to embed this new culture within the organisation.

The year has seen a further 30 trusts achieve foundation trust status, although the pace of change has been slower than expected. As a result, our work in selecting and appointing non-executives to NHS trusts has been considerably greater than originally anticipated.

The increasing number of foundation trusts is having a profound impact on our business. Currently over two thirds of our funding is guaranteed from the Department of Health to deliver our core NHS work. The remaining income comes from fee-for-service work for Department of Health arm's length bodies and is won competitively from existing foundation trusts and other Government departments. By 2010/2011 this situation may have reversed and we will be competing for around 70% of our income. My priority for the coming financial year will be to ensure that the Commission is in the best possible position to meet this challenge.

We have been steadily winning work from foundation trusts and central Government departments throughout the year and, gratifyingly, much of this has been repeat business. However, we now require a step-change in terms of focus and resources. A marketing plan is already in place and we intend to strengthen and expand our business development activities.

Over the past two years the Commission has undergone profound change, but we now have a new direction for the organisation. I am confident that over the next twelve months we will transform the Commission into a proactive, focused and responsive organisation, which delivers appointments within a fair, rigorous and transparent framework. My team and I are excited by the challenge.

**Andrea Sutcliffe**  
Chief Executive



## The Board and the Commissioners

### The Board of the Appointments Commission as at 31 March 2008

Chair	Anne Watts CBE
Chief Executive	Andrea Sutcliffe (from 26 November 2007)*
Non-executive Director	David Cain
Non-executive Director	Miranda Hughes
Non-executive Director	Bob Nicholls CBE
Non-executive Director	Margaret Scott
Non-executive Director	Mike Taylor CBE TD DL
Director of Appointments	Janice Scanlan
Director of Marketing and Training	Chris Dye
Head of Finance	Lynn Shadford

### Current commissioners:

South West	Penny Bennett
East of England and East Midlands	Gareth Hadley
North East and Yorkshire and the Humber	Miranda Hughes
London	Bob Nicholls
South Central and South East Coast	Margaret Scott
North West and West Midlands	Mike Taylor

\* Susan Atkins was Interim Chief Executive until 31 October 2007

#### Chair - Anne Watts CBE

Anne Watts is Chair of the Independent Panel on Race Equality for the NHS and a member of the School Teachers' Review Body. She is also the employers' representative on the steering group for the Commission for Equality and Human Rights.

A leading figure in diversity, recruitment and workplace development issues, with a strong track record across the private, public and voluntary sectors, Anne has had executive roles relating to diversity and workforce in Business in the Community, HSBC and Natwest Bank. She currently serves on the boards of Greater London Enterprise, Opportunity Now, Race for Opportunity and the Open University and was an Equal Opportunities Commissioner from 1989 to 1995. She currently holds no other Ministerial Appointments. Anne has declared that she has not undertaken any political activity in the last five years.

#### Chief Executive - Andrea Sutcliffe

(from 26 November 2007)

Andrea Sutcliffe brings a wealth of experience to the Appointments Commission with over twenty years in the Health Service and local government. Having graduated from the London School of Economics where she read history, Andrea began work as a finance trainee, qualifying as an accountant in 1990. She subsequently moved into business planning and contracting and then into general management, managing community and acute services for older people, women and children and neurosciences.

Andrea joined the Commission from the National Institute for Health and Clinical Excellence (NICE) where she was Deputy Chief Executive and Planning and Resources Director. Prior to that, she was the Assistant Director for Performance Management and Resources in the Social Services department of the London Borough of Camden.



### **Interim Chief Executive - Susan Atkins**

(1 March – 31 October 2007)

Susan Atkins has had a varied career, qualifying as a solicitor in local government, spending 12 years as a law academic and as a public servant for the past 17 years. A senior civil servant since 1996 in a number of Government Departments, she was the first chief executive of the Independent Police Complaints Commission and has been Deputy and Acting Chief Executive of the Equal Opportunities Commission.

Susan has a long-standing interest and track record in diversity and equality issues and has had a number of key equality posts. As Director of the Women and Equality Unit in the Cabinet Office, she led the development of equality policy across government. She is a non-executive director of the Quality Assurance Agency for Higher Education. On leaving the Commission, Susan took the new role of Service Complaints Commissioner for the Armed Forces.

### **Commissioner for the South West - Penny Bennett**

Penny Bennett became a Commissioner in 2003. She has a professional background as a solicitor in the private sector. She was an NHS non-executive director for the East Gloucestershire NHS Trust (1994–1998) and then its chair (1998–2002). She was then appointed a non-executive director for the Avon, Gloucestershire and Wiltshire Strategic Health Authority and was vice-chair (2002–October 2003).

She is a group board member of the Hanover Housing Association and Chair of the Audit Committee. Penny is also an Independent Member of the Standards Committee for Cotswold District Council. She has declared that she is not politically active.

### **Non-executive Director - David Cain**

David Cain was appointed as a non-executive director and chair of the Audit Committee in April 2007. He is a chartered accountant and is currently a partner in his own consultancy firm, DAP Consulting; he was previously a partner at Deloitte and Touche. He has considerable practical experience in the Health Service, having spent

four years seconded into senior management positions with the acute and general sectors. David also spent five years as vice-chair at Forest Healthcare Trust, one of the largest NHS trusts in North East London. He has declared that he is not politically active.

### **Director of Marketing and Training - Chris Dye**

Chris Dye has worked in either the NHS or the Department of Health for nearly 30 years in a variety of roles. He was initially an NHS accountancy trainee, becoming regional headquarters accountant for the Mersey Regional Health Authority in 1990. Other roles have included hospital manager for a large acute hospital, and patient and public involvement lead for the North West region. At the Commission, Chris has been responsible for training and development of chairs and non-executive directors both regionally and nationally and is now managing the new induction programme.

### **Commissioner for East of England and East Midlands - Gareth Hadley**

Gareth became a Commissioner in April 2007. Between 1999 and 2006, Gareth was HR Director of Her Majesty's Prison Service, HR adviser to the National Offender Management Service, an executive member of the Prison Service Board, and a non-executive director of the sector skills council, Skills for Justice. Prior to that, following an earlier career in London local government, he was Employee Relations Director of British Rail, HR Director for BR's north and west passenger operations, and a non-executive director of a number of BR companies, including its engineering subsidiary British Rail Maintenance Limited, ScotRail, Great Western, and InterCity West Coast. He also chaired the British Transport Police Pension Fund and was the UK representative on the European Union's Comité Paritaire de Chemins de Fer.

As well as his Commissioner duties, Gareth is a consultant specialising in employee relations and HR. He is also a Visiting Fellow of Kingston University, a member of the CIPD Employee Relations Panel and a member of the advisory board of the South West London Academic Network's Institute of Leadership and Management in Health. He has declared that he is not politically active.





**Non-executive Director and Commissioner for the North East and Yorkshire and the Humber - Miranda Hughes**

Miranda Hughes is a chartered psychologist by profession and has held a range of public appointments in the education, health and criminal justice sectors. She holds a current appointment with the Judicial Appointments Commission as an Independent Chair for Judicial Appointments Panels. From April 2001–April 2006 she served as the Chair of the West Yorkshire Probation Board. She was Chair of Connexions West Yorkshire (2001–2003) and a non-executive director with Leeds Health Authority (1996–1999) and Leeds East Primary Care Group (1999–2001). Miranda chaired the Appointments Commission’s Audit Committee until the end of March 2007.

Miranda began her professional career as a lecturer in psychology at the University of Leeds. She moved into the private sector as the Head of Research and Planning with Kidds Advertising and subsequently to KPMG as a management consultant, before establishing her own consultancy company. She has declared that she is not politically active.

**Non-executive Director and Commissioner for London - Bob Nicholls CBE**

Bob Nicholls has been deputy chair of the board since September 2007. He has 35 years’ experience in the NHS, working as a manager at hospital, district and regional levels. He is a Fellow and past president of the Institute of Healthcare Management and was awarded the CBE for services to healthcare in 1995. From 1988 to 1993 he was Chief Executive of Oxford Regional Health Authority and from 1993 to 1996 the Executive Director of the London Implementation Group and a member of the NHS Executive.

Since April 1996, Bob has been an independent health sector consultant, both in the UK and overseas. He was a consultant adviser to the British Council and, until 2003, was the senior non-executive director of Nestor Healthcare plc. From 2003 to 2005 he was Chair of the National Clinical Assessment Authority.

Bob served as a lay member of the General Medical Council from 1996 until 2005, serving as Chairman of the Preliminary Proceedings Committee and as a member of the Standards and Fitness to Practice Committees. He continues as a member of the Clinical Education Committee of Oxford Medical School. He has declared that he is not politically active.

**Deputy Chief Executive and Director of Appointments - Janice Scanlan**

Janice Scanlan has had a long career as a civil servant, serving in a number of Departments, including the Inland Revenue and the Benefits Agency. Janice moved to the Department of Health in 1982, where she served in a number of roles including IT and information management and ministerial briefing. Latterly, she had responsibility for the recruitment of lay members to health boards and ran the first ever national recruitment campaign for public bodies.

Janice was instrumental in the establishment of the Commission, which she joined at its inception in 2001. She is an expert in public appointments, particularly in the legislation surrounding them, and is experienced in dealing with departmental and ministerial priorities. She was Acting Chief Executive of the Commission in the period before Andrea Sutcliffe joined.

**Non-executive Director and Commissioner for South Central and South East Coast - Margaret Scott**

Margaret Scott was appointed as non-executive director and Commissioner in April 2007. Before joining the NHS she worked in the IT industry. She was Chair of Hampshire Ambulance Service, Portsmouth Healthcare NHS Trust and East Hampshire Primary Care Trust between 1996 and 2006. She is currently Chair of Drum Housing Association and a chair and vice-chair of Governors of schools in both the maintained and independent sectors. Margaret has declared that she is not politically active.



**Head of Finance - Lynn Shadford**

Lynn Shadford qualified as an accountant in a large firm of chartered accountants and then spent time in their audit and exam training departments. She has worked in the NHS for over 10 years with experience within the local FHSA, Health Authority and Primary Care Trust, before joining the Appointments Commission in 2002.

**Non-executive Director and Commissioner for the North West and West Midlands - Mike Taylor CBE TD DL**

Mike Taylor became a Commissioner in 2001. He was Vice-chair of the Commission until March 2007, is a former Audit Committee chair and chairs the National Training Board.

Mike had a management career with Shell in the UK and overseas from 1969 to 1991. He was: Chief Executive

of the Management Charter Initiative, then National Assessor and Chief External Verifier for Investors in People (IIP) until 2001; Chairman of the National Artillery Association until 2003; Chairman of the Council of Reserve Forces and Cadet Associations (and thus a member of the Land Command Board and its Audit Committee) until 2004 and Vice-chair of West Cheshire College until 2004.

He is currently: Chair of Chester Aid to the Homeless (CATH); Honorary Colonel Commandant of the Royal Regiment of Artillery and Deputy Lieutenant of the County of Cheshire. He has declared that he is not politically active.

**Register of Interests**

The Commission maintains a Register of Interests which is available for public inspection. To view the Register please phone 0870 240 3801 or e-mail [info@appointments.org.uk](mailto:info@appointments.org.uk)



*The staff of the Appointments Commission*



## About the Commission

### Our vision:

**To be the first choice in the recruitment of public appointments**

#### We will do this by:

- *providing a high quality, customer-focused and professional service;*
- *operating fair, rigorous and transparent recruitment; and*
- *promoting the importance of good governance to improve public services.*

### Who we are

The Appointments Commission is the independent organisation responsible on behalf of ministers for appointing chairs and non-executives to Strategic Health Authorities, primary care trusts, NHS trusts and the Department of Health's arm's length bodies. We also provide non-executive recruitment services for foundation trusts and to the boards of public bodies across central Government.

### What we do

- We manage the recruitment, selection and appointment of chairs and non-executive directors.
- We provide year-long induction training for chairs and non-executives, ensuring the best possible start for new appointees.
- We act as the 'guardian' of the appraisal process, setting minimum standards and providing guidance and advice.
- We promote good governance through advice, guidance and policy development.
- Our regionally based Commissioners are available to provide support and advice to the chairs in their area.

### How we work

Our aim is to provide all our customers with an excellent standard of service. The way we work is:

- **Inclusive:** *we engage with our customers (trusts, applicants and sponsor departments) throughout the recruitment process to meet their needs effectively and efficiently.*
- **Responsive:** *we listen to and act on our customers' feedback.*
- **Proactive:** *we work with boards to keep their needs under review, actively seek out and encourage talent from a diverse range of potential applicants and ensure that all those appointed to public office are equipped and supported to succeed.*
- **Professional:** *we focus on quality and on upholding public sector values and set and support high standards of governance for NHS boards.*
- **Expert:** *we make the best use of our expertise and knowledge to provide a high-quality, flexible service to our customers.*
- **Responsible:** *we act as the guardian of standards and processes for appraisal, training and development of non-executives.*
- **Accountable:** *we provide our customers with excellent value for money and are accountable to ministers, Parliament and OCPA for the effective and efficient use of public money.*



## Accountability

### ... to the Secretary of State and Parliament

We are accountable to the Secretary of State for Health and through him to Parliament, for the delivery of our objectives and for the money we spend.

We recognise that MPs have a legitimate interest in the people who run their local NHS and we keep them informed about vacancies and new appointments to boards in their constituencies. To improve our information to MPs further, we will be introducing a Parliamentary Bulletin during the course of 2008/09.

### ... to the Commissioner for Public Appointments

The Commission is regulated by and works closely with the Commissioner for Public Appointments and her office (OCPA). We ensure that all public appointments are made according to the OCPA Code. This code sets out the principles that underpin the way in which all public appointments should be made. We are audited regularly by OCPA (twice every three years) to ensure compliance with the code.

### ... to our stakeholders

The service we provide affects many organisations within the NHS and the wider health community. We are committed to working more closely with all our stakeholders, including joint projects and initiatives and to keeping them better informed about our work through our quarterly newsletter, 'Bulletin'. We are also adopting a more customer-focused, responsive and flexible way of working to meet the expectations of today's NHS.

### ... to the public

Most appointments are made by the Board's Health and Social Care Appointments Committee (HSCAC), which is made up of the Chair, Chief Executive and six Commissioners who have local responsibilities across regions of England. Commissioners who sit on the Committee are appointed by the Secretary of State for Health and four of them also currently sit as non-executives on the Commission's board. The Committee has no involvement in appointments to foundation trusts and other Government departments.

Because of the nature of its work, HSCAC does not hold meetings in public. To compensate for this, two of OCPA's central panel of independent observers are invited to attend all Committee meetings on an alternate basis. This means

that there is always an independent observer when appointment decisions are made. The observers have provided a valuable source of advice and expertise.

The Commission holds public board meetings. Minutes of these meetings are available on our website at [appointments.org.uk](http://appointments.org.uk). We also present this Annual Report at an Annual General Meeting which is open to the public.

## Strategic objectives

The key objectives for the Appointments Commission from 2008 to 2011 are:

- To provide a flexible, customer-focused service within a fair, transparent and rigorous framework that delivers the best possible people for public appointments;
- To add value to the public sector through promotion of good governance, including the delivery of effective induction programmes and support for policy development;
- To market our services proactively in the health sector and across other Government departments and to look for other business development opportunities;
- To promote public appointment opportunities and to strengthen the candidate pool, ensuring applications from diverse backgrounds;
- To develop our people in providing a professional service and enable them to enjoy fulfilling and rewarding roles;
- To ensure that the organisation is fit for purpose, delivers value for money and is responsive to change.



The Commission launched its new-look quarterly newsletter during the year

# Review of the Year

## Appointments

### Highlights at a glance

- **468 appointments made to local NHS bodies**
- **177 appointments made to Department of Health national bodies**
- **Over 8,000 applications received**

### Appointments

After the NHS reconfiguration of 2006/07, which saw the Commission make more than 2,200 appointments, 2007/08 was expected to be a relatively quiet year. As a result of the reconfiguration and the continuing movement of NHS trusts to NHS foundation trust status, it was expected that as few as 227 new appointments and 112 reappointments would be made to local NHS organisations. In fact, 468 new appointments were

made during the year – over 100% more than anticipated. This increase is largely attributable to factors outside the Commission’s control – in particular, a significant number of appointments were deferred from the 2006 primary care trust reconfiguration exercise, and the progress of NHS trusts to NHS foundation trust status has been slower than anticipated. In some cases trusts also required changes to their non-executive board members in the run-up to achieving foundation trust status.

It was not only in the area of local NHS appointments that the Commission saw an increase in planned activity – there was also a 69% increase in the number of new appointments required for the Department of Health’s national arm’s length bodies, from 105 to 177.

The detailed analysis of the Commission’s appointments activity is shown in the table below.

Total appointments during the year			
	Appointments	Reappointments	Short-term Appointments
Local NHS bodies	468	80	53
DH national bodies	177	120	0
Total	645	200	53

***“The Appointments Commission consistently supplies a helpful service which has led to an improved calibre of candidates for our non-executive vacancies and a higher level of customer responsiveness in recent campaigns.”***

*Graham Parr, Chair of Calderstones NHS Trust*

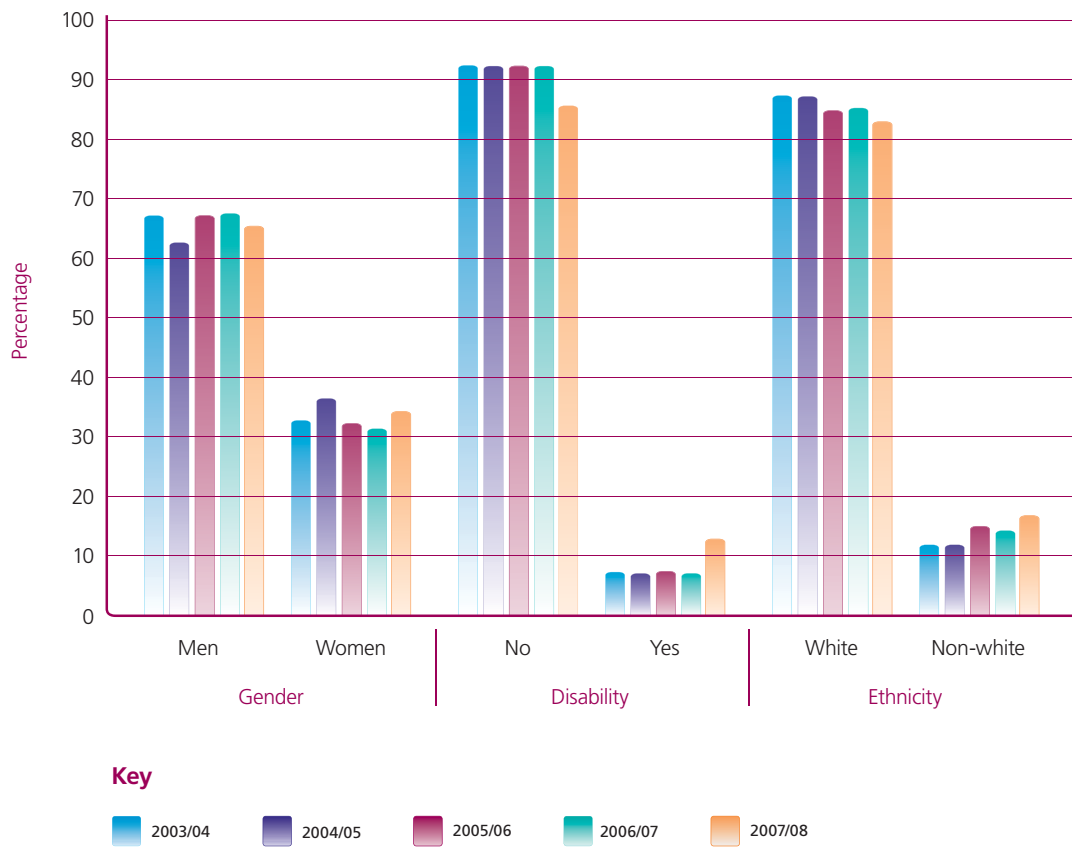


## Recruitment

The Commission received over 8,000 applications during the year. The chart below details the percentage of applications received over the last five years, analysed by gender, disability and ethnicity.

The proportion of applications received from people from the black and minority ethnic (BME) communities has been increasing steadily and now stands at nearly 17%. However, whilst there has been a modest improvement in the proportion of applications from women this year, they still account for less than 35% of the total received.

**Analysis of applications received over a five-year period**



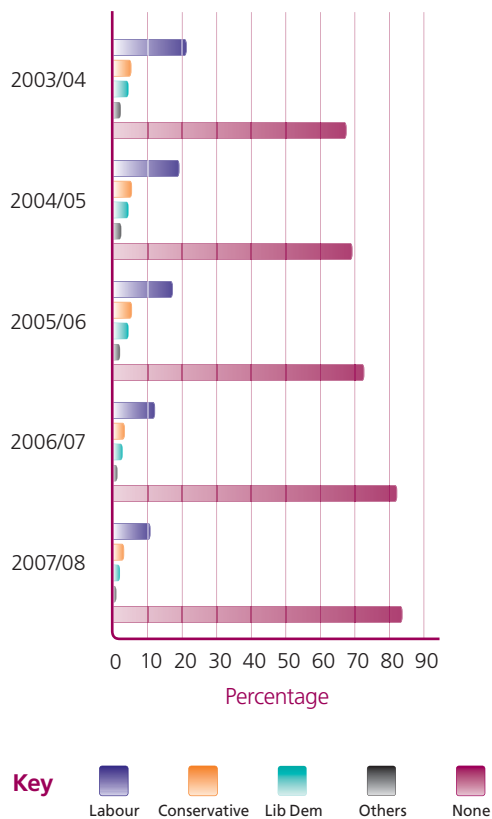


### Political activity

Part of the original case for creating the Appointments Commission was to take public appointments out of the political arena. All candidates for public appointments are required to declare any political activity in the previous five years, but this information is removed from the application form before it is considered by the selection panel.

The majority of candidates appointed are not politically active and this group has increased from 68% to 83% since 2002. We do everything we can to ensure that there is no political influence at work in non-executive appointments to trust boards. However, there is a consistently higher number of politically active appointees declaring an affiliation to Labour than to the Conservatives or Liberal Democrats - although this gap has narrowed in the last two years. We will therefore be commissioning a review during 2008/09 to examine this in more detail.

#### Political activity declared by appointees over a five-year period



An example of our newly developed advertising campaign

### Advertising strategy

At the end of 2006/07 we introduced our 'Shared Leadership' advertising strategy for local NHS appointments, which we continued throughout 2007/08. Under this banner, we moved from placing single advertisements mainly in the local press to periodic, composite, high-profile advertisements in the national press. This approach has proved to be highly successful in improving the quality of candidates, not only for current vacancies but also for the future. It has allowed us to create a pool of over 11,000 potential candidates with a strong interest in public appointments. It has also been cost-effective in allowing us to be more creative in our approach to recruitment, while at the same time reducing our annual advertising spend.

On occasion, however, this approach has not allowed us to be as responsive to our clients as we would have liked. As the strategy relied on periodic advertising, there were delays in advertising some posts to fit in with the advertising schedule. As a result we are developing a more flexible and entertaining promotional strategy around the punning theme of 'Strictly Boardroom'. Monthly advertising using this new theme will be introduced in June 2008.



***“The last appointment we made was handled with flair and intelligence. Both interviewers and interviewees praised the Commission for the sensitive and constructive way it approached the task – and we secured an excellent NED!”***

*Bryan Stoten, Chair of Warwickshire Primary Care Trust*

### Customer focus

One of the key themes of the strategic review we carried out this year was a need to ensure that our service delivery was more customer focused in the future. The Appointments Team has already implemented a number of measures to address this and more are planned for 2008/09.

The most tangible difference is the introduction of an initial conference call to launch recruitment campaigns. Everyone engaged in the campaign is involved so that they start working as a team with a shared understanding of the requirement, approach and key issues.

Another measure is the establishment of the NHS Client Services Team who will act as account managers for our NHS clients. The team is small but growing, not least as a result of their success in attracting foundation trust clients. In 2008/09 more of our NHS clients will start to benefit from this new approach.

Other measures we plan to implement include an annual customer satisfaction survey, an upgrade of our IT systems and a reduction in the time taken between advertising a role and making an appointment.

### Complaints

We are always willing to acknowledge any shortcomings in our complaints processes and are committed to learning from experience and revising procedures where necessary. To reinforce our customer focus, we introduced a new system for complaints handling in the middle of the year, with a designated complaints manager being appointed.

The Commission received 21 complaints during the year, which represented 0.25% of applications received. This compared with 63 complaints in 2006/07, accounting for 0.35% of applications.

Eight of the 21 complaints were upheld wholly or in part, compared with six in the previous year. Four complaints were referred to the Office of the Commissioner for Public Appointments (OCPA), compared to one in the previous

year. Of these four complaints, one was not upheld and an outcome is still awaited on the remaining three.

Where issues are upheld, we identify the corrective action to be taken and ensure that procedures are changed if necessary.

*A candidate with disabilities applied for a non-executive post under the Interview Access Scheme (IAS), but was not selected for interview. The letter explaining why he had not been selected compared his skills with those of other candidates, whereas IAS candidates should only be judged on whether or not they meet the criteria for the post. If they do, they should then automatically be offered an interview.*

*As a result of this complaint, our feedback letters to unsuccessful candidates have been amended and staff have received further training about the Interview Access Scheme.*

Issues of ‘merit’ (12) and ‘openness and transparency’ (6) continue to provoke the most complaints. Those about ‘merit’ were mainly from applicants disappointed at either the shortlisting or interview stages, while those relating to ‘openness and transparency’ generally concerned criticisms of the appointments process, or the information pack, adverts or selection criteria.

A high level of appointments activity in the first half of the year resulted in a larger than usual number of complaints awaiting resolution. Consequently, only 43% of complainants received a full reply within our 20-day deadline, compared with 71% in the previous year. The appointment of a dedicated complaints manager halfway through the year helped to improve complaints handling and the new single monitoring system will ensure that complainants receive a full response within 20 working days or, if this is not possible, an explanation of why their complaint is taking longer to resolve.





## Equality and diversity

### Highlights at a glance

- **New Equality and Diversity Advisory Group established**
- **Corporate talent pool launched**

We are committed to ensuring that all sections of society have the opportunity to be considered for the appointments we make. As well as being fair, we believe that the quality of those appointed will improve if we are able to draw from the widest possible pool of talent available; boards function better if they are in touch with the communities they serve and are able to look at issues from a range of different perspectives.

Ministers have set the Commission a range of targets covering the appointment of women, people from black and minority ethnic (BME) communities and disabled people. One set of targets is in place for appointments to local NHS boards and, reflecting the particular challenges posed by appointing to the Department of Health's national bodies, a different set of targets has been identified.

There has been a slight decrease in the number of people appointed from BME communities compared with the position at 1 April 2007, when 12.2% of those appointed were from those communities. Appointments to Department of Health national bodies tend to call for specialist candidates, which narrows the field of possible applicants. Nevertheless we do our utmost to ensure these candidates are as diverse as possible.

#### People from black and minority ethnic communities in post at 31 March 2008

	Government Target %	% of those appointed
<b>LOCAL NHS APPOINTMENTS</b>		
Chairs	8	8.3
All posts	At least 10	11.9
<b>APPOINTMENTS TO NATIONAL DH BODIES</b>		
Chairs	8	3.6
All posts	At least 10	10.2

The number of people with disabilities appointed to national bodies has increased to 2.6% compared with 2.1% in the previous year. The situation on local appointments has, however, deteriorated with a drop in representation (from 5.7% in April 2007).

#### People with disabilities in post at 31 March 2008

	Government Target %	% of those appointed
<b>LOCAL NHS APPOINTMENTS</b>		
Chairs	4	3.7
All posts	6	4.7
<b>APPOINTMENTS TO NATIONAL DH BODIES</b>		
Chairs	2	0
All posts	4	2.6

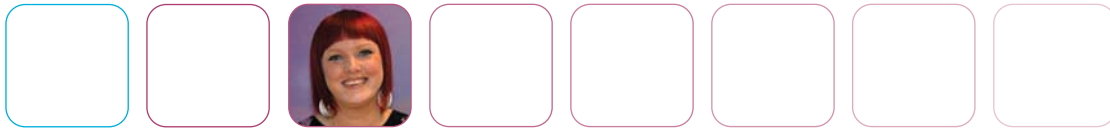
In 2004/05 the Commission undertook a data validation exercise, as a result of which the proportion of people appointed who declared that they were disabled rose to 7.9% from 4% the previous year. It is felt that the higher figure is more likely to be the true figure as people are more likely to declare a disability after they have successfully negotiated the selection process than before. We will consider undertaking a similar exercise later in 2008 to ensure that the picture we have is as accurate as possible.

The area that continues to cause most concern is the appointment of women. While there is some good news in that the number of women appointed to Department of Health national bodies exceeded the 40% target for the first time (from 39.5% in April 2007 to 40.5%), the proportion of women appointed to local NHS posts has fallen from 47% in April 2002 to the current level of 35.7%. The proportion of women appointed has dropped by nearly 3% in the last year alone.

#### Women in post at 31 March 2008

	Government Target %	% of those appointed
<b>LOCAL NHS APPOINTMENTS</b>		
Chairs	44	31.7
All posts	50	35.7
<b>APPOINTMENTS TO NATIONAL DH BODIES</b>		
Chairs	30	22.9
All posts	40	40.5

This area was identified as a priority in the 2007/08 Business Plan and remains a priority in our Business Plan for 2008/09. We have put a number of initiatives in place to address this problem, the effects of which have yet to be reflected in the figures.



While the age profile of all candidates appointed varies from year to year, it has not changed significantly over time. The majority of all those appointed are still in the 50 to 59 age group.

Age profile of those in post at 31 March 2008		
Age	% Chairs	% All posts
<30	0	0.3
30 - 39	1	5.1
40 - 49	12.8	22.8
50 - 59	37.9	41.7
60 - 69	45.7	28.2
>70	2.6	1.9

### Equality and Diversity Advisory Group

This year has seen the formation of a single Equality and Diversity Advisory Group. The Group's membership is drawn entirely from volunteers, selected on the basis of their experience as well as geography and the type of organisation they represent. Together they bring differing perspectives on diversity and a wealth of experience, and we are grateful for their expertise and commitment.

The group met for the first time in November 2007. One of their first actions was to appoint an independent consultant to lead the development of a Single Equality Scheme for the Commission. The new scheme will set out how we will meet our obligations under equality legislation over the next three years and how we will ensure that diversity on boards is improved. The scheme will be in place by July 2008 and will contain a detailed action plan for the Commission aimed at tackling equality and diversity issues.

Another initiative by the Group has been to recommend the introduction of a new style of quarterly diversity report for the Appointments Commission's Board, which provides a more detailed assessment of the current position.

### Other activity

We have increased our promotional activity aimed at attracting new women non-executives. We have placed advertisements in *Women* (International Women's Month Magazine), *Mela Magazine*, *Yorkshire International Business Convention Magazine* and *Black History 365* (newspaper of Black History Month). We have also been working with our advertising agency to produce new graphics for adverts which may make them more appealing to women.

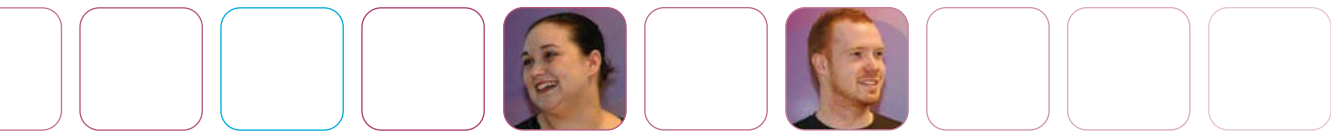
We also contributed to a reception held by Harriet Harman, Minister for Women and Equality, to encourage more black and minority ethnic business women to consider roles in public service.

### Encouraging board diversity

*'Race for Health' is a programme sponsored by the Department of Health which enables primary care trusts to make the Health Service in their areas fairer for black and minority ethnic communities. The Appointments Commission is working with Manchester Primary Care Trust on a 'Board Membership Diversity Programme', which aims to encourage people from BME communities and those with disabilities to apply for non-executive directorships within their local NHS. Interested individuals attend three workshops to learn more about the PCT, the role of non-executives and how to apply. Encouragingly, there have already been four applications for non-executive vacancies from the first group to complete these workshops.*

### Membership of the Equality and Diversity Advisory Group

Riaz Ahmad OBE	Chair, Oldham Primary Care Trust
Gideon Ben-Tovim	Chair, Liverpool Primary Care Trust
Paulene Collins	Non-executive Director, University Hospital of North Staffordshire NHS Trust
Tony Durrant	Non-executive Director, Stockport Primary Care Trust
Marie Gabriel	Chair, Newham Primary Care Trust
Michelle Howard	Chair, Swindon Primary Care Trust
Emily Lam	Non-executive Director, Central and Eastern Cheshire Primary Care Trust
Stephanie Morgan	Non-executive Director, Surrey and Sussex Healthcare NHS Trust
Vijay Sharma	Non-executive Director, East Midlands Strategic Health Authority
Jagtar Singh OBE	Non-executive Director, East of England Ambulance Trust
Danielle Walker Palmour	Non-executive Director, North Yorkshire and York Primary Care Trust
Mary Whyham MBE	Chair, North West Ambulance Service NHS Trust



## Using corporate talent

In an innovative public/private partnership, the Commission has teamed up with BT and some of the UK's best known companies in a bid to encourage greater diversity among NHS boards.

A pilot project launched in July approached major companies asking them to consider NHS non-executive directorships as a way of developing talented managers within their organisation. Working in an entirely different environment and at board level gives the manager valuable experience. Both the individual and their employer gain in terms of new skills, but are also able to give something back to their local community.

In return, the NHS gets the benefit of management experience and skills and, importantly, a much younger

and more diverse choice of non-executive directors.

Each candidate goes through the usual rigorous and competitive selection procedure for any NHS non-executive post which may arise in their area and there is no guarantee of success.

Nevertheless, since the start of the project, 24 companies have joined the scheme and some 170 managers have expressed interest in applying for non-executive director roles. The companies include some of the UK's biggest names, such as Microsoft, Royal Mail, Sainsbury's, HBOS, O2, the Guardian Media Group and the BBC.

Of the 12 people appointed so far from this project, eight are women.



**Penny McCulloch**  
**Head of Regulatory**  
**Trading Unit, BT**  
**Group Finance.**  
**Non-executive**  
**Director and Chair**  
**of the Audit Committee:**  
**Dartford & Gravesham**  
**NHS Trust**

*Penny (left) with members of the nursing staff at Darent Valley Hospital*

*"Like most people, my view of the NHS was shaped by my experiences as a patient. It seemed highly inefficient and never structured around the needs of the patient. Being on the other side of the fence makes you see things very differently; now I understand some of pressures the NHS is under."*

*For senior BT manager Penny McCulloch, volunteering for the pilot project has been a real eye opener. Last summer she applied for a post as a non-executive on the board of her local NHS trust and, after a rigorous selection process, was appointed to the Board in November. Four months into the role she is full of admiration for the trust and its staff and thrilled to be a part of it.*

*"In a large company like BT, and especially in a finance role, you can sometimes feel very remote from the*

*actual end-user, but at the hospital trust we're dealing with issues directly affecting patients.*

*"It's fascinating to see the workings of a completely different sector, the different constraints they have to operate under and the number of things they do differently to private business. I'm learning things that I can bring back and apply at BT while offering the trust experience from my work at BT."*

*A Chartered Accountant and Chartered Tax Advisor, Penny's expertise is already benefiting the trust. "We are applying for foundation trust status and that requires a much more private sector way of looking at the business."*

*How does the working mother of two young children manage the extra time commitment? "I probably spend around two to three days a month on trust business and I couldn't do it without BT's support. The company allows me to take days off when the trust Board meets. Other meetings are in my own time in the evenings and I prepare for the meetings in my own time too."*

*But the extra effort is worth it for Penny: "I've lived in Kent all my life and the decisions the trust Board takes affect my family and my local community. I feel a real sense of ownership in this role and I'm enjoying every minute of it."*



## Training and development

### Highlights at a glance

- **2,500 local training places organised**
- **1,000 national training places organised**
- **Training handed over to Strategic Health Authorities**
- **New induction programme developed**

Throughout 2007/2008, we employed eight training staff across the country to work on national induction events and to facilitate ongoing training locally. This local presence ensured a close link with the Strategic Health Authorities and the individual organisations in each area.

Team members were based in Leeds, Nottingham, Manchester, Birmingham, Essex, Kent and Cornwall to ensure that events could be organised as locally as possible.

At the start of the year, the emphasis was on the training of the newly appointed chairs and non-executives of the London primary care trusts. Six events were held between April and July with approximately 120 attendees.

During the year, almost 2,500 training places were organised for the local NHS, covering such topics as audit chair skills, chairing skills, ambulance awareness, strategic thinking, commissioning, mental health and a range of finance skills and knowledge events.

Additionally, approximately 1,000 national training events were booked. These were mostly residential induction events for newly appointed chairs and non-executives. On average, around 40 delegates attended each non-executive event, whilst the chair events were much smaller with about seven delegates each.

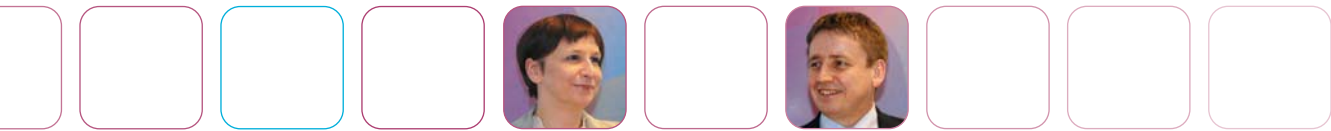
This residential programme is extremely popular as it allows delegates the time to network with colleagues from across the country, to share experiences and to build informal networks for the future. Over 90% of delegates completing an evaluation form rated the events as either 'good', 'very good' or 'excellent'.

## Impact of the Strategic Review

Training was one of the key areas under consideration as part of the strategic review. The results of the survey of chairs and non-executives, and feedback from individual stakeholders, made it clear that although the induction events we organise are held in high regard, the responsibility for all other ongoing training for chairs and non-executive directors should transfer to individual Strategic Health Authorities.

Of the Commission's eight training staff, three transferred under TUPE to local NHS employers to help organise training locally, two were appointed to manage the new induction programme in Leeds and three were due to be made redundant early in the next financial year.





## New induction programme

Work began at the start of 2008 to organise a new induction process to commence on 1 April 2008.

We continue to work closely with the Strategic Health Authorities and representatives of the local NHS to ensure that our new induction process complements the other training which chairs and non-executives will receive.

A new National Training Group has been established to oversee the development of induction programmes and training modules. Membership of the Group is drawn from each Strategic Health Authority area and will include representatives of the Strategic Health Authorities; acute, mental health and ambulance trusts; primary care trusts, foundation trusts, Monitor and the NHS Institute. The Group is chaired by Mike Taylor, Commissioner for the North West and West Midlands.

### The best possible start

#### On appointment

Appointees are sent relevant reading material including information on NHS structures, financial regimes, a glossary of terms and any other available and appropriate information.

#### On taking up the post

Appointees receive an induction pack setting out what is expected of them and what they should expect by way of support and induction locally.

#### After three months

Appointees attend a two-day residential course which will include presentations on key topics and interactive working sessions. Networking opportunities with non-executives from other types of organisations and from different parts of the country are a part of the course.

#### Ongoing development

Appointees are offered a number of online training modules which can be tailored to their own specific interests, skills and experience. Training will include more complex governance issues, advanced finance and the most recent structural/strategic issues affecting the NHS.

#### First anniversary

Appointees attend a final one-day course (preferably with as many of the same people from the first residential course as possible). This will include feedback from delegates on how their roles are developing and a review of the induction process and will offer learning opportunities on recent high profile topics.

## Events

In January the Commission hosted its annual Chairs' Conference in London. The event focused on the role of chairs and what makes an effective board and was attended by around 380 delegates. The keynote speaker was Secretary of State Alan Johnson and other speakers included the Department of Health's Mark Britnell, Nigel Edwards of the NHS Confederation, Bernard Crump from the NHS Institute and Bill Moyes, Executive Chairman of Monitor.



*Secretary of State Alan Johnson was the keynote speaker at the 2008 Chairs' Conference*

The conference was organised in partnership with the Department of Health, the NHS Confederation, Monitor and the NHS Institute.

In March, the Commission worked in partnership with the NHS Alliance to organise a conference for primary care trust non-executive directors – the first since reorganisation. More than 160 delegates attended the event at the Oval Cricket Ground conference centre. We were fortunate to have strong speakers from both national organisations and individual primary care trusts who were able to share knowledge and examples of good practice with the audience.

### Staff training and development

A number of training courses were held for Commission employees during the year. These included a one-day session on commercial awareness, and sessions on understanding the importance of risk management and appraisal best practice. Six staff also undertook ECDL (European Computer Driving Licence) training to improve their expertise in MS Office.

We also conducted a staff survey for the first time in two years. The survey covered a number of issues such as internal communications, office environment, equality and diversity, training and development and overall job satisfaction. The results were reasonably positive, but an action plan has been put in place to address certain issues which were highlighted. Now that a benchmark has been established, this survey will be repeated each year.



## Strategic review

### Adding value to a 21st century Health Service – a review of the NHS public appointments process

A major feature of this reporting year was the strategic review we undertook of our public appointments work for the NHS. The aim of the review was to ensure that appointments were fit for purpose and met OCPA's requirement for best practice.

Throughout the review we worked closely with our stakeholders, canvassing their views on how we could improve the services we offer to our NHS customers. In total we consulted over 50 individual stakeholders from across the NHS: Strategic Health Authorities, primary care trusts, acute trusts, mental health trusts, arm's length bodies and representative groups. The project was overseen by a Review Steering Group, with membership drawn from the Department of Health and stakeholder representatives.

We adopted a dual-track approach to the review. We commissioned research to provide an evidential basis for the final report and set up short-term working groups to examine key areas in detail and make recommendations.

All the research was carried out by independent research companies and included:

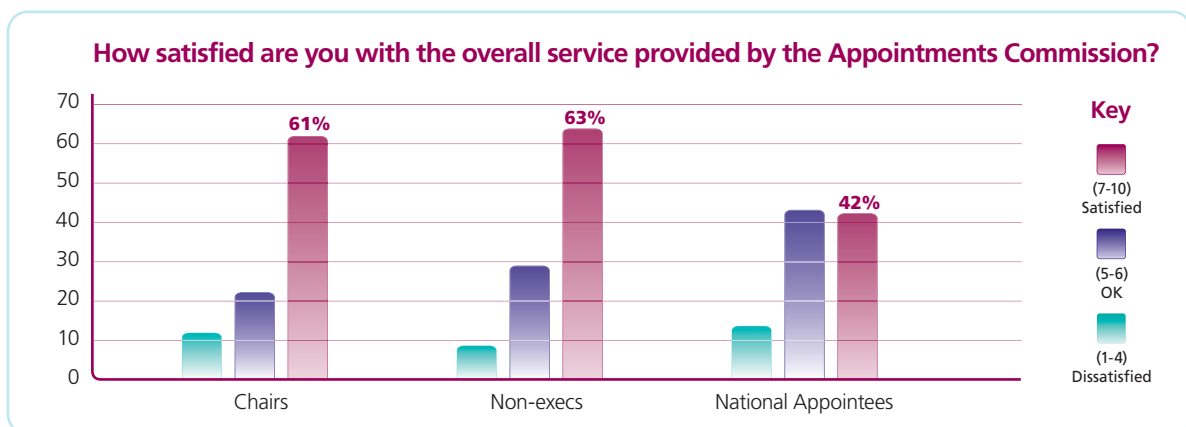
- An online survey of the views of the chairs and non-executives of all NHS trusts, primary care trusts and ambulance trusts and the appointees to national bodies on our service and performance. The response rates were: chairs 44%, non-executives 42%, national bodies 27%.
- An online survey of the views of independent assessors on our service and performance. The response rate was 60%.

- A qualitative telephone survey of 25 randomly selected, unsuccessful applicants.
- Qualitative telephone interviews with 15 randomly selected chief executives from primary care trusts, NHS trusts and foundation trusts.
- An evaluation of our use of assessment centres during the 2006 recruitment campaign for chairs of Strategic Health Authorities and primary care trusts.
- A review of the effectiveness of different advertising campaigns (local, national and targeted).
- An analysis into the diversity of successful and unsuccessful candidates, using the sample from the latest primary care trust recruitment round.

In addition, our Chair and Interim Chief Executive conducted in-depth, one-to-one interviews with a number of stakeholders.

The research findings and the conclusions of the working groups highlighted a number of issues which we needed to address. These can be grouped under four main headings:

- 1 Recruitment, selection and appointment processes
- 2 Leadership development
- 3 Objective setting and appraisal
- 4 The role and accountability of boards and non-executive directors



An online survey sought views on the Commission's performance



## Key recommendations of the review

### Recruitment, selection and appointment processes

- The Commission to adopt a more customer-focused, responsive and flexible way of working to meet customer expectations.
- The Commission to take a leading role in encouraging and promoting diversity in public appointments and in the NHS in particular.
- The Commission to improve due diligence by taking all reasonable steps to ensure those recommended are suitable for public appointment.
- The Commission to explore mechanisms to improve the predictive validity of selection services with the aim of appointing high performing non-executives for the benefit of the NHS and its patients.
- The Commission to streamline and strengthen processes to minimise bureaucracy and improve response times.
- The Commission to harness the power of information systems to improve the efficiency of the service offered to applicants and customers.

### Leadership development

- The Commission to pass responsibility for managing ongoing training and development to Strategic Health Authorities.
- The Commission to retain a strategic role: setting the agenda for training and development; monitoring standards and performance and ensuring the role of the non-executive is fully reflected in the leadership agenda.
- The Commission to continue to provide induction training as part of its 'duty of care' to those it appoints, but to develop this in partnership with the Strategic Health Authorities and others to increase its effectiveness.
- The Commission to introduce a talent management programme for non-executives and to develop recommendations for succession planning.
- As part of its induction service, the Commission to develop ways to enable and encourage non-executives to network and share good practice, both online and face to face.
- Consideration to be given to the need to provide training and support for non-executives of national bodies.

### Objective setting and appraisal

- The Commission to introduce a more flexible appraisal system which gives greater local autonomy to trusts.
- The Commission to act as a 'guardian' of the process and to set minimum performance frameworks and standards.

- The Commission to develop a reappointment recommendation template which is supported by organisational development and personal appraisal.

### The role and accountability of boards and non-executive directors

- More clarity is needed on the roles, responsibilities and accountabilities of trust boards and non-executives.
- The Commission to work in partnership with other bodies to develop a definitive guide to what is expected of chairs and non-executives.
- The Commission to assist the development of a stronger decision-making framework as part of the Darzi Review.
- Working in partnership, the Commission should explore ideas for increasing democratic engagement in public appointments.
- The Commission should develop a 'fast track' termination process for use when appropriate, e.g. when the timetable for an NHS foundation trust application requires prompt action or when urgent action is needed to restore public confidence.
- The Commission should seek a change in legislation to give it powers to suspend individuals.

### The implementation plan

These recommendations have formed the basis of developments in our 2008/09 business plan. The Review Steering Group has agreed to continue its oversight role into implementation and the Commission makes regular progress reports to this group.

A number of key recommendations from the review were implemented for 1 April 2008. These include:

- The introduction of a revised and enhanced induction programme for chairs and non-executive directors. The programme will run throughout an appointee's first year in office and will include a mixture of residential courses and online training modules.
- A new, more flexible appraisal system which recognises that chairs and non-executives should be free to put in place appraisal processes that meet their needs. The Commission's role will be to set minimum standards and to support the appraisal process by providing guidance, tools and examples of best practice.
- Responsibility for ongoing training and development of chairs and non-executives was passed to the ten Strategic Health Authorities, with the Commission retaining a strategic role.
- Pre-appointment teleconferences were introduced to get a clearer understanding of chairs' requirements and to ensure they are kept informed throughout the appointment process.



## Working with other clients

### Central Government contracts

The Central Government Team has continued to work with a range of clients in other Government departments.

For the Home Office the Commission has managed recruitment campaigns for the Migration Advisory Committee (chair and members), the National DNA Database Ethics Group (chair and members and repeat business), the Technical Advisory Board (members), the Advisory Council on the Misuse of Drugs (chair and

members - three campaigns), and the Security Industry Authority (non-executive directors).

For the Ministry of Defence the Commission managed campaigns to recruit to the Nuclear Research Advisory Group and the Service Complaints Panel, and one campaign to recruit two non-executive directors to the Revenue and Customs Prosecution Office.

***“Each campaign has been well organised, resulting in a successful outcome within budget and delivered on time. All the Appointments Commission staff I dealt with were extremely professional and always able to provide friendly support and sound advice.”***

*Eric Downham, Home Office Forensic Science Regulation Unit*

### Specialist recruitment for ACMD

*The Advisory Council on the Misuse of Drugs (ACMD) is an independent expert body that advises government on drug-related issues in the UK. The Council has over 30 members and there is a statutory requirement that this membership should include representatives of the medical, dentistry, veterinary, pharmacy and chemistry professions, as well as the pharmaceutical industry and people who have experience of social problems connected with the misuse of drugs. When the Home Office needed to recruit a designate chair and nine new members for the Council, it approached the Appointments Commission for help.*

#### Complex brief

*This was a complex brief requiring recruitment in specialist areas. The first campaign in September used widespread advertising in specialist publications and resulted in the appointment of six members. However, candidates were not found with a suitable level of expertise in the chemical sciences and the pharmaceutical industry. Within a week over Christmas the*

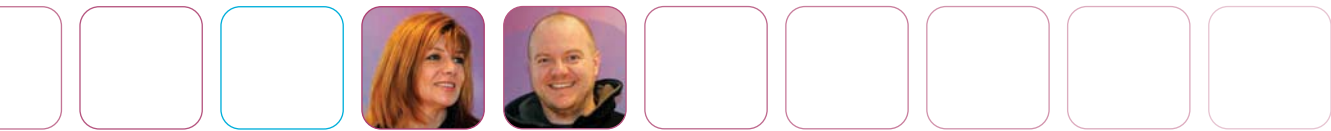
*Commission planned and ran a recruitment campaign. Because of the exceptionally tight timescale we had to be flexible - for example, interviews were conducted by telephone to avoid delays. A candidate was appointed, enabling the Committee to remain quorate.*

*However, the Council still could not find a suitable member with appropriate expertise in chemistry. A further campaign by the Commission produced such good quality candidates that the Council was able to recruit not one member, but two.*

#### Expert advice

*The Home Office thanked the Commission for its “friendly and professional service” and the “high level of expert advice” we had provided. “It was most welcome that the staff took the time to understand our particular and sometimes complex needs and were able to advise accordingly,” a spokesman said. “With their invaluable input we have successfully recruited high calibre individuals to the posts in a timely manner.”*





## Working with other clients

### Foundation trusts

This year we have worked with a number of foundation trusts across the country as recruitment advisors for chairs and non-executives. Our clients include Oxleas, Sheffield Teaching Hospitals, Dorset HealthCare, Sherwood Forest Hospitals and County Durham and Darlington. We are particularly pleased at the level of repeat business we have received from a number of trusts.

We have also worked with a number of aspirant foundation trusts to help them strengthen their boards – in particular identifying candidates with the appropriate financial and commercial skills. We have recruited designate non-executive directors for trusts including Cambridgeshire and Peterborough Mental Health Partnership NHS Trust, Somerset Partnership NHS and Social Care Trust and Northamptonshire Healthcare NHS Trust.

***“The Appointments Commission should be the first point of call for any foundation trust looking to appoint non-executive directors.”***

*David Mellish, Chair, Oxleas NHS Foundation Trust*

### Helping the transition for Norfolk and Waveney

*When Norfolk and Waveney Mental Health Partnership NHS Trust knew their authorisation as a foundation trust was imminent, they approached the Appointments Commission for help in recruiting designate non-executive directors so that they could “hit the ground running”. The trust already had a shadow Board of Governors and a Nominations Committee which had agreed a job description, remuneration and a person specification.*

*The challenge for the Commission was to find two non-executive directors very quickly. Our service included proactively contacting people with relevant skills, both from local businesses and our own database of 11,000 individuals, and ensuring a process and tight timescales were adhered to. We also helped the Governors in their selection by professionally assessing the candidates for a long list and ensuring*

*clear selection documentation and guidance was available.*

#### **Confidence in the process**

*“This was a really busy time for us”, said Trust Chair Maggie Wheeler, “and knowing that we had experts working for us really helped. At interview all the candidates commented on how easy it had been to apply and our governors, who were new to NHS appointments, had confidence in the process.”*

*The recruitment campaign resulted in dozens of enquiries, 32 applicants and a shortlist of six, five of whom were deemed ‘appointable’. The Trust was authorised on 1 February and two non-executives were appointed from 1 March. As Maggie Wheeler said: “a pretty good result!”*



## Remuneration report

The Appointments Commission is required to prepare a report containing information about the remuneration of senior managers, who are defined as those who have authority for directing or controlling the major activities of the Commission. For the Appointments Commission this group comprises the Chair, non-executive directors, executive board members and Commissioners.

### Remuneration policy

The Chair, non-executives and Commissioners are remunerated at an annual rate that is set by the Department of Health. In addition, payment is occasionally made to Commissioners for their participation in work that is additional to the work expected and remunerated within the annual rate. In the details of remuneration shown overleaf this additional work is reported in the 'other remuneration' column.

The Chief Executive's remuneration is reviewed by the Remuneration Committee each year. The Interim Chief Executive was on secondment from the Home Office and her remuneration was the recharge to the Commission of her salary. Other executive board members are on rates set within the pay frameworks for NHS Very Senior Managers and Civil Service senior managers and also under the terms of the 'Agenda for Change' scheme.

### Appointment terms

The Chair, non-executives and Commissioners are appointed for fixed terms - details of their appointment terms are given below.

For the Chair, non-executive directors and Commissioners there is no provision for compensation for early termination and no formal notice period.

Andrea Sutcliffe, the Chief Executive, has a permanent contract, requiring six months' notice. Susan Atkins, the Interim Chief Executive from March to October 2007, was on a short-term secondment from the Home Office and consequently the Commission was not liable for early termination.

Other executive board members are on standard terms and conditions requiring three months' notice.

Appointment terms			
	From	To	Term length
Ms A Watts	1/04/07	31/03/11	4 years
Mr M Taylor	1/04/07	31/03/09	2 years
Mrs P Bennett	1/04/07	31/03/10	3 years
Mr G Hadley	30/04/07	29/04/11	4 years
Dr M Hughes	1/04/07	29/04/10	3 years, 1 month
Mrs M Scott	1/04/07	31/03/11	4 years
Mr R Nicholls	1/04/07	31/03/10	3 years
Mr D Cain	1/04/07	31/03/10	3 years



### Remuneration Committee

The Remuneration Committee comprises the Chair and three non-executive directors who determine the remuneration of the Chief Executive.

The following tables show the remuneration and pension benefits for the year ended 31 March 2008 and are subject to audit.

### Remuneration for the year ended 31 March 2008

Due to the Commission's change of legal status at 30 September 2006, the last audited accounting period was for the six months to 31 March 2007, and so comparatives shown are for a six-month period only.

Except for Mr Dye, none of these people received benefits in kind in the period. Mr Dye had a lease car for the period for which the benefit is calculated as £3.6k. No other non-cash remunerations were paid, and no performance-related payments were made.

#### Board and Commissioners' remuneration

Name and title	Year ended 31/3/08		Six months to 31/3/07	
	Salary in £5k bands £000	Other remun in £5k bands £000	Salary in £5k bands £000	Other remun in £5k bands £000
Ms A Watts (Chair 2007/08, Non-Executive & Chair designate Jan-March 2007) (a)	45 - 50	0	0 - 5	0
Ms P Bennett (Commissioner 2007/08; Non-Executive & Commissioner 2006/07)	30 - 35	0 - 5	10 - 15	0 - 5
Dr M Hughes (Commissioner 2007/08; Non-Executive from 30 April 2007; Non-Executive & Commissioner 2006/07)	30 - 35	0 - 5	10 - 15	0 - 5
Mr R Nicholls (Non-Executive & Commissioner 2007/08; Commissioner 2006/07)	30 - 35	0 - 5	10 - 15	0 - 5
Mr M Taylor (Non-Executive & Commissioner)	30 - 35	0	10 - 15	0 - 5
Mr D Cain (Non-Executive) (b)	10 - 15	0	nil	nil
Mr G Hadley (Commissioner) (c)	25 - 30	0	nil	nil
Mrs M Scott (Non-Executive & Commissioner) (b)	30 - 35	0	nil	nil
Ms A Sutcliffe (Chief Executive) (d)	40 - 45	10 - 15	nil	nil
Dr S Atkins (Interim Chief Executive) (e)	60 - 65	0	5 - 10	0
Mr C Dye (Director of Marketing and Training)	60 - 65	0	30 - 35	0
Mrs J Scanlan (Director of Appointments)	85 - 90	0	35 - 40	0
Ms L Shadford (Finance Manager)	45 - 50	0	20 - 25	0
Mrs R Whitlam (Director of Corporate Affairs) (f)	10 - 15	25 - 30	25 - 30	0

- a) Appointed from 1 January 2007  
 b) Appointed from 1 April 2007  
 c) Appointed from 30 April 2007

- d) From 26 November 2007  
 e) Until 31 October 2007  
 f) Until 31 May 2007



## Pension benefits

The Chair, non-executive directors and Commissioners are non-executive members and as such their remuneration is not pensionable.

Details for executive staff are shown below; these figures are for the full year unless stated otherwise:

	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 2008 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5,000)	Cash equivalent transfer value at 31 March 2008	Cash equivalent transfer value at 31 March 2007	Real increase in cash equivalent transfer value (full year)	Employer's contribution to growth in cash equivalent transfer value
Name and title	£000	£000	£000	£000	£000	£000	£000	£000
Ms A Sutcliffe (a)	0 - 2.5	0 - 2.5	10 - 15	30 - 35	137	116	18	4.2
Mrs J Scanlan (b)	0 - 2.5	0 - 2.5	0 - 5	0 - 5	11	0	11	8.0
Mr C Dye	(0 - 2.5)	(0 - 5)	20 - 25	60 - 65	282	282	(8)	-
Ms L Shadford	0 - 2.5	2.5 - 5	5 - 10	25 - 30	116	99	14	10.1

a) Ms Sutcliffe joined the Commission from another NHS organisation on 26 November 2007 and had previously been a member of the NHS pension scheme.

Susan Atkins, the Interim Chief Executive, was on secondment from the Home Office and no details of her pension are available.

b) Mrs Scanlan was seconded to the Commission from the Department of Health in 2001 and was a member of the Civil Service pension scheme. She joined the NHS scheme when she transferred to the Commission in July 2007.

**Andrea Sutcliffe**  
Chief Executive

24 June 2008



## Management commentary

The accounts for the year ended 31 March 2008 have been prepared in accordance with the direction given by the Secretary of State in accordance with Section 22(2) schedule 4 of the Health Act 2006 dated 14 June 2007 and in a format as instructed by the Department of Health with the approval of the Treasury.

### Background

The NHS Appointments Commission was established as a Special Health Authority in 2001 with the purpose of making appointments of chairs and non-executives to the boards of NHS trusts and Health Authorities in England, and any other duties as directed by the Secretary of State. The Health Act 2006 abolished the NHS Appointments Commission with effect from 1 October 2006 and replaced it with a new non-departmental public body called the Appointments Commission. As a consequence, the new Appointments Commission's first accounting period was the six months to 31 March 2007. The new Commission has greater freedoms which allow it to undertake all the same work as previously, but to extend its remit to other Government departments.

Since 2002 the Commission has also provided a programme of training and development for chairs and non-executives, which has been funded by a charge to every participating organisation. With the completion of the Commission's strategic review, it was agreed that the Commission would retain responsibility for the induction of new appointees for their first year and then ongoing training would be the responsibility of the Strategic Health Authorities.

Induction training will be funded by a charge for each new appointee to a local NHS post.

### Review of activities

During the period the Commission had a total expenditure of £5.2 million. The largest area of expenditure was the £3.5 million that was spent in order to make appointments to NHS organisations. This work was funded by the Commission's resource allocation of £3.7 million, leading to an underspend of £212k.

In addition, £721k was spent on training activities, funded by the training subscription and £905k was spent on making appointments to national bodies, funded by the bodies concerned.

An analysis of the Commission's net operating costs, split between its main areas of work, can be found in note 23. As the comparative figures for activity in the audited accounts only cover a six-month period, Appendix A shows an unaudited

comparison between 2007/08 and the two sets of accounts for 2006/07 combined.

The Commission's London base was closed in April 2007 and the final member of staff based there was made redundant in May, although associated costs were provided in the previous year. As a result of the closure of the London office, costs associated with staff and premises have been lower this year.

As a result of the reorganisation of training activities, three staff were transferred to their relevant local Strategic Health Authorities and three other staff were in the process of being made redundant at the year end. The costs of these redundancies are accrued in these accounts.

For 2008/09 the Department of Health has given the Commission a revenue allocation of £4,115k and a capital allocation of £500k.

### Health and safety

The Commission is committed to adhering to the Health and Safety at Work Act 1974 and other related requirements to ensure that staff and clients enjoy the benefits of a safe environment. There were no reportable incidents at work during the year and no days lost due to injury at work.

### Employee involvement

The Commission has established clear communications with its employees, including formal consultation when necessary. Internal communication is maintained by team briefings and regular updates.

### Sustainable development

The Commission has developed its first Sustainable Development Action Plan. A staff committee has been formed to develop this further and to consider environmental issues relevant to the Commission's activities.

### Other information

Details of the members of the Commission's board and senior management during the year, together with details of their remuneration, can be found in the remuneration report on pages 22 to 24. Details of the pension scheme can be found in note 1.7 to the accounts.

The Commission is not aware of any incidents during the year related to loss or unauthorised disclosure of protected personal data.



The Commission's performance under the Better Payments Code can be found in note 2.3 to the accounts. These figures are disappointing as they fall below the expected standards. The financial agency that we use has been experiencing delays in payments during the year and we are working closely with them to resolve these issues.

**Auditors**

The accounts have been audited by the Comptroller and Auditor General in accordance with the Health Act 2006. The audit certificate is on pages 30 to 31. The cost of the audit was £22,000. No remuneration has been paid to the auditors for non-audit work.

So far as I am aware there is no relevant information of which the Appointments Commission's external auditors are unaware. I have also taken steps to make myself aware of any information relevant to the audit and to ensure that the auditors have been informed accordingly.

**Andrea Sutcliffe**  
Chief Executive

24 June 2008



## Statement of Accounting Officer's responsibilities

Under the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of Treasury, the Appointments Commission is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Appointments Commission and of its net operating costs, recognised gains and losses, and cash flows for the financial year.

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

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

- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a 'going concern' basis.

The Secretary of State has appointed the Chief Executive as Accounting Officer of the Appointments Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Non-Departmental Public Bodies Accounting Officer's Memorandum published by the Department of Health.



# Statement on internal control - year ended 31 March 2008

## 1. Scope of responsibility

Since taking up my post as Chief Executive in November 2007, as Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and assets, including information, for which I am personally responsible. This is in accordance with the responsibilities assigned to me in the Accounting Officer's Memorandum and in *Managing Public Money* and in accordance with guidance issued concerning information governance. This role was undertaken by the Interim Chief Executive, Susan Atkins, until October 2007.

I have a dual accountability both to the Board of the Commission and also to Parliament for the performance of the Commission's functions, meeting its statutory duties and for the stewardship of resources provided to the Commission. The Commission works closely with its sponsor branch at the Department of Health and there are arrangements in place for regular performance monitoring and review.

This statement is made in respect of a period for part of which my predecessor was Accounting Officer. In making this statement of internal control I have reviewed the documentation for the whole of the relevant period, including internal audit reports, and consulted external auditors.

## 2. The purpose of the system of internal control

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

The system of internal control has been in place in the Appointments Commission for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

## 3. Capacity to handle risk

As the Chief Executive and Accounting Officer I am ultimately accountable for all risks of the Commission and responsible for taking the lead in the risk management process and having in place effective systems of risk management and internal control.

The risk register is reviewed and updated on a regular basis by the Chief Executive and senior team. It is reviewed at each Audit Committee meeting. Progress on all high level risks is reported to each board meeting, or more frequently if required. The risk register is available for all staff to view.

The core business of the Commission is making public appointments. It has standardised procedures designed to make appointments in an open and transparent way and to manage the risk associated with the process. Procedures are regularly updated in the light of suggested improvements, problems or complaints arising, or as the result of audit recommendations.

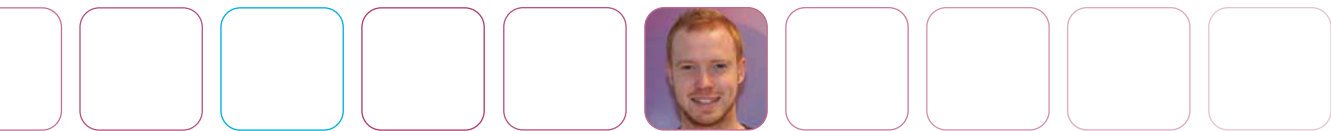
## 4. The risk and control framework

As Chief Executive I have ultimate responsibility for risk management in the Commission and ensure that the Commission has in place effective systems of risk management and internal control.

On behalf of the Board the Audit Committee reviews the establishment and maintenance of an effective system of internal control and risk management. The Committee reviews the adequacy of all risk and control-related disclosure statements, together with any accompanying Internal Audit statements, prior to endorsement by the Board.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer contributions and payments into the Scheme are in accordance with Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in regulations.





The senior team is responsible for ensuring that risk assessment is a continuous and regular process within the Commission. Managers are also responsible for developing both their own and their staff members' awareness of, and response to, risk.

Staff are familiar with all relevant Commission policies and procedures designed to minimise risk. If staff members see a risk or problem, they are expected to take responsibility for dealing with the issue or reporting it to the appropriate person. Staff training on risk awareness has been provided during the year.

Risks are identified in a variety of ways, including by general and ongoing review of operations, evaluation of new opportunities and developments, and by assessment of complaints and incidents. When items are added to the risk register their relative likelihood and potential impact are reassessed. These assessments are then reviewed by the senior team on at least a monthly basis and more frequently if appropriate. The risk register is a standing item on every senior team meeting agenda. Risks are also reassessed in conjunction with the preparation of the annual business plan.

Each identified risk has a response formulated in order to minimise/mitigate the risk. The risk register also identifies assurances that are available to give evidence that controls are in place and operating effectively.

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall

arrangements for gaining assurance and on the controls reviewed as part of the internal audit work. Senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

There have been no significant internal control issues at the Commission during the year.

My review is also informed by reports made by external auditors and by the reviews and reports from the Office of the Commissioner for Public Appointments and their auditors. In addition, the Commission's complaints procedure ensures that I am aware of particular issues that may be arising and that need acting upon.

The Audit Committee on behalf of the Board maintains an overview of the risk register and of the overall progress that is being made in improving internal controls.

As the Commission is a relatively small organisation, I have a high degree of contact with staff and am aware through such informal systems, as well as via the formal reporting structures, of particular issues that may be arising. Due to the size of the Commission, reaction to events and changes to internal controls can be made without delay when necessary.

**Andrea Sutcliffe**  
Chief Executive

24 June 2008



# ***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 Appointments Commission for the year ended 31 March 2008 under the Health Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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 Board, Chief Executive and auditor**

The Board, and the Chief Executive as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the Approval of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Accounting Officer's Responsibilities. My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I report to you whether in my opinion the information, which comprises the Introduction from the Chief Executive, the Board and the Commissioners, Review of the Year, the unaudited part of the Remuneration Report and the Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Appointments Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.


I review whether the Statement on Internal Control reflects the Appointments Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Appointments Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Appointments Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free



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

### Opinions

In my opinion:

- *the financial statements give a true and fair view, in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of the Appointments Commission's affairs as at 31 March 2008 and of its net operating cost, recognised gains and losses and cash flows for the year then ended;*
- *the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and*
- *information, which comprises the Introduction from the Chief Executive, the Board and the Commissioners, Review of the Year, the unaudited part of the Remuneration Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.*

### Opinion on regularity

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

### Report

I have no observations to make on these financial statements.

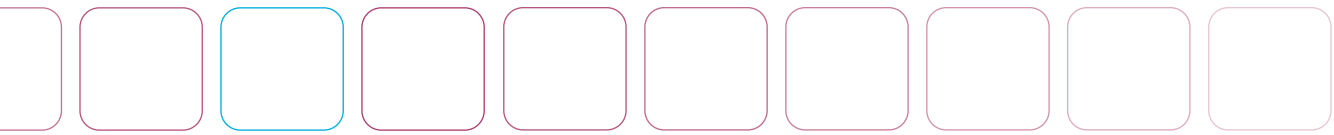
### T J Burr

Comptroller and Auditor General

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

27 June 2008







# **Financial statements**

## **2007-2008**

## Operating cost statement for the year ended 31 March 2008

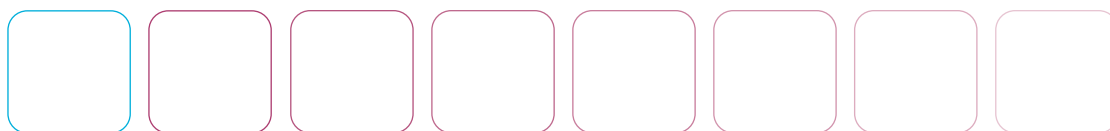
	Notes	31 March 2008 £000	Six months to 31 March 2007 £000
Programme costs	2.1	5,160	3,383
Operating income	4	(1,627)	(778)
<b>Net operating cost before interest</b>		<b>3,533</b>	<b>2,605</b>
Interest payable		0	0
<b>Net operating cost</b>		<b>3,533</b>	<b>2,605</b>
<b>Net resource outturn</b>	3.1	<b>3,533</b>	<b>2,605</b>

All income and expenditure is derived from continuing operations.

## Statement of recognised gains and losses for the year ended 31 March 2008

	Notes	31 March 2008 £000	Six months to 31 March 2007 £000
Unrealised surplus/(deficit) on the indexation of fixed assets	12.2	2	2
<b>Recognised gains and (losses) for the financial year</b>		<b>2</b>	<b>2</b>

The notes at pages 38 to 52 form part of these accounts.



## Balance sheet as at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
<b>Fixed assets:</b>			
Intangible assets	5.1	0	0
Tangible assets	5.2	92	58
		<u>92</u>	<u>58</u>
<b>Current assets:</b>			
Stocks	6	0	0
Debtors	7	736	1,212
Cash at bank and in hand	8	132	8
		<u>868</u>	<u>1,220</u>
<b>Creditors: amounts falling due within one year</b>	9.1	<b>(947)</b>	(782)
<b>Net current assets/(liabilities)</b>		<b>(79)</b>	438
<b>Total assets less current liabilities</b>		<b>13</b>	496
<b>Creditors: amounts falling due after more than one year</b>		<b>0</b>	0
<b>Provisions for liabilities and charges</b>	10	<b>(80)</b>	(304)
		<u>(67)</u>	<u>192</u>
<b>Taxpayers' equity</b>			
General Fund	12.1	(80)	180
Revaluation reserve	12.2	13	12
		<u>(67)</u>	<u>192</u>

The financial statements on pages 35 to 52 were approved by the Audit Committee under delegation from the Board on 24 June 2008 and signed by the Accounting Officer.

Signed:

Date: 24 June 2008

Andrea Sutcliffe  
Accounting Officer



## Cash flow statement for the year ended 31 March 2008

	Notes	31 March 2008 £000	Six months to 31 March 2007 £000
<b>Net cash (outflow) from operating activities</b>	13	<b>(3,102)</b>	(3,089)
<b>Servicing of finance</b>			
Interest paid		0	0
<b>Net cash (outflow) from servicing finance</b>		<u>0</u>	<u>0</u>
<b>Capital expenditure and financial investment:</b>			
(Payments) to acquire fixed assets		(44)	0
Receipts from disposal of fixed assets		0	0
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(44)</u>	<u>0</u>
<b>Net cash (outflow) before financing</b>		<u>(3,146)</u>	<u>(3,089)</u>
<b>Financing</b>			
Net Parliamentary funding	12.1	3,270	3,080
<b>Increase/(decrease) in cash in the period</b>	8	<u>124</u>	<u>(9)</u>

The notes at pages 38 to 52 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 issued by HM Treasury. The particular accounting policies adopted by the Commission are described below. They have been consistently applied 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 tangible fixed assets, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

#### 1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Commission is Parliamentary grant from the Department of Health 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 Commission. It principally comprises fees and charges for services provided to external customers. These include appointment campaigns run for external bodies and charges to NHS organisations to support the Commission's development programme for non-executives. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

#### 1.3 Taxation

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

#### 1.4 Capital charges

The treatment of fixed assets in the accounts is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the period was 3.5% (2006-07 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General (OPG), where the charge is nil.

#### 1.5 Fixed assets

##### a. Capitalisation

All assets falling into the following categories are capitalised:

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

##### b. Valuation

###### Intangible fixed assets

Intangible fixed assets held for operational use are valued at historical cost. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

###### Tangible fixed assets

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

- i Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

ii All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

**c. Depreciation and amortisation**

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii Each equipment asset is depreciated evenly over the expected useful life:

	Years
Furniture and fittings	10
Information technology	5

**1.6 Losses and special payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Health Service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled. Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Commission not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 18 is compiled directly from the losses and compensations register which is prepared on a cash basis.

**1.7 Pension costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk). The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities.

Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five-year valuation cycle), and an FRS17 accounting valuation every year. An outline of these follows:

**a. Full actuarial (funding) valuation**

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

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

**b. FRS17 Accounting valuation**

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

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

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



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

### **Scheme provisions as at 31 March 2008**

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice their 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 Commission 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](http://www.pensions.nhsbsa.nhs.uk).

### **Civil Service Pension Schemes**

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

The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The Scheme is accounted for as a defined contribution scheme and the cost of the Scheme is equal to the contributions payable to the Scheme for the accounting period. A full actuarial valuation is carried out every four years; the most recent was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2007-08, employers' contributions were payable to the PCSPS at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to revaluation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme.

### **1.8 Provisions**

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

### **1.9 Operating leases**

Rentals under operating leases are charged to the operating cost statement over the term of the lease.

## 2. Expenditure

### 2.1 Commission's programme expenditure

	Notes	£000	31 March 2008 £000	Six months to 31 March 2007 £000
Commissioner and non-executive remuneration			<b>248</b>	97
Other salaries and wages	2.2		<b>1,964</b>	1,556
Supplies and services - general			<b>1</b>	3
Establishment expenses			<b>351</b>	136
Premises and fixed plant			<b>219</b>	196
External contractors			<b>866</b>	369
Training programme			<b>119</b>	122
Capital: Depreciation	5.1, 5.2	<b>12</b>		51
Impairments		<b>0</b>		52
Capital charges interest		<b>2</b>		6
			<b>14</b>	
Auditors' remuneration: Audit fees *			<b>22</b>	15
Advertising of vacancies			<b>1,024</b>	535
Costs of interviews			<b>250</b>	237
Provision for bad debts			<b>82</b>	0
Miscellaneous			<b>0</b>	8
			<b>5,160</b>	<b>3,383</b>

\* The Commission did not make any payments to Auditors for non-audit work.

Details of the total expenditure split between the Commission's three main areas of work can be found in note 23.



## 2.2 Staff numbers and related costs

	31 March 2008 Total £000	Permanently employed staff £000	Other £000	Six months to 31 March 2007 £000
Salaries and wages	1,355	1,355	0	687
Social security costs	129	129	0	67
Employer contributions to NHSPA	147	147	0	78
Staff seconded from Dept of Health	96	0	96	245
Redundancy costs	140	140	0	449
Agency staff	97	0	97	30
	<b>1,964</b>	<b>1,771</b>	<b>193</b>	<b>1,556</b>

The costs for seconded staff are the total amounts invoiced by the Department of Health which include salary and employer's costs (pension and national insurance). Redundancy costs are for three training staff as a result of the reorganisation of responsibility for training. In the prior period the redundancy costs were for eight members of staff who were made redundant or took early retirement when the London office was closed.

The average number of employees during the year was:

	Total number	Permanently employed staff number	Other number	Six months to 31 March 2007 number
Total	<b>46</b>	<b>41</b>	<b>5</b>	<b>58</b>

### Retirements due to ill health

During the period there were no early retirements from the Commission on the grounds of ill health.

## 2.3 Better Payment Practice Code - measure of compliance

	number	£000
Total bills paid in year to 31 March 2008	2,363	3,227
Total bills paid within target	964	779
Percentage of bills paid within target	40.8%	24.1%

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998 legislation.

### 3. Financing

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

	31 March 2008 £000	Six months to 31 March 2007 £000
Net operating cost	<b>3,533</b>	2,605
Financing received from Department of Health	<b>3,745</b>	2,615
(Over)/underspend against revenue resource limit	<b>212</b>	10

Details of net operating costs split between the Commission's three areas of work can be found in note 23.

#### 3.2 Reconciliation of gross capital expenditure to capital funding received

	31 March 2008 £000	Six months to 31 March 2007 £000
Gross capital expenditure	<b>44</b>	0
NBV of assets disposed	<b>0</b>	0
Net capital resource outturn	<b>44</b>	0
Capital resource limit	<b>50</b>	0
(Over)/underspend against limit	<b>6</b>	0

### 4. Operating income

Operating income analysed by classification and activity is as follows:

	Appropriated in aid £000	Not Appropriated in aid £000	31 March 2008 £000	Six months to 31 March 2007 £000
Programme income:				
Fees & charges to external customers	0	0	0	0
Income received from Scottish Parliament	0	0	0	0
Income received from National Assembly for Wales	0	0	0	0
Income received from Northern Ireland Assembly	0	0	0	0
Income received from other Departments, etc.	1,627	0	1,627	778
Other	0	0	0	0
<b>Total</b>	<b>1,627</b>	<b>0</b>	<b>1,627</b>	<b>778</b>



## 5. Fixed assets

### 5.1 Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 31 March 2007	19	19
<b>Gross cost at 31 March 2008</b>	<b>19</b>	<b>19</b>
Accumulated amortisation at 31 March 2007	19	19
<b>Accumulated amortisation at 31 March 2008</b>	<b>19</b>	<b>19</b>
Net book value:		
Total at 31 March 2007	0	0
<b>Net book value:</b>		
<b>Total at 31 March 2008</b>	<b>0</b>	<b>0</b>

### 5.2 Tangible fixed assets

	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 31 March 2007	369	116	485
Additions - purchased	19	25	44
Indexation	0	3	3
<b>Gross cost at 31 March 2008</b>	<b>388</b>	<b>144</b>	<b>532</b>
Accumulated depreciation at 31 March 2007	369	58	427
Charged during the period	0	12	12
Indexation	0	1	1
<b>Accumulated depreciation at 31 March 2008</b>	<b>369</b>	<b>71</b>	<b>440</b>
Net book value:			
Purchased at 31 March 2007	0	58	58
Total at 31 March 2007	0	58	58
<b>Net book value:</b>			
<b>Purchased at 31 March 2008</b>	<b>19</b>	<b>73</b>	<b>92</b>
<b>Total at 31 March 2008</b>	<b>19</b>	<b>73</b>	<b>92</b>

There are no assets held under finance leases or hire purchase contracts (31 March 2007: none) and there has been no depreciation charged in either period for such assets.



## 6. Stocks and work-in-progress

Due to the nature of its business the Commission does not have stocks or work-in-progress.

## 7. Debtors

### 7.1 Amounts falling due within one year

	31 March 2008 £000	31 March 2007 £000
Trade debtors	648	1,019
Prepayments	0	37
Accrued income	138	156
Capital debtors	0	0
Other debtors	32	0
	<u>818</u>	<u>1,212</u>
Provision for bad debts	(82)	0
	<u>736</u>	<u>1,212</u>

### 7.2 Amounts falling due after more than one year

NHS debtors	0	0
Prepayments	0	0
Accrued income	0	0
Capital debtors	0	0
Other debtors	0	0
	<u>0</u>	<u>0</u>
<b>Total debtors</b>	<u>736</u>	<u>1,212</u>

The accrued income relates to national campaigns carried out by the Commission which are in progress at the year end. They are recharged to clients upon completion.

## 8. Analysis of changes in cash

	At 31 March 2007 £000	Change during the year £000	At 31 March 2008 £000
Cash at OPG	8	124	132
Cash at commercial banks and in hand	0	0	0
	<u>8</u>	<u>124</u>	<u>132</u>



## 9. Creditors

### 9.1 Amounts falling due within one year

	31 March 2008 £000	31 March 2007 £000
Overdrafts	0	0
Trade creditors	314	124
Capital creditors	0	0
Tax and social security	68	0
VAT	0	66
Accruals and deferred income	565	592
	<u>947</u>	<u>782</u>

Deferred income of £195k (31 March 2007: £354k) relates to amounts collected specifically for the training programme, but which are required to fund activities planned to occur in the following period.

### 9.2 Amounts falling due after more than one year

There are no amounts falling due after more than one year (31 March 2007: none).

### 9.3 Finance lease obligations

There are no obligations under finance leases (31 March 2007: none).

## 10. Provisions for liabilities and charges

	Legal £000	Other £000	Total £000
At 31 March 2007	42	262	304
Arising during the year	40	0	40
Utilised during the year	(32)	(215)	(247)
Reversed unused	(10)	(7)	(17)
Change in the discount rate	0	0	0
Unwinding of discount	0	0	0
<b>At 31 March 2008</b>	<b>40</b>	<b>40</b>	<b>80</b>
<b>Expected timing of cash flows:</b>			
Within 1 year	40	0	<b>40</b>
1-5 years	0	40	<b>40</b>
Over 5 years	0	0	<b>0</b>

Provisions relate to the ongoing legal cases and regular decoration work required on office premises under the terms of the lease. The legal provision is based on likely costs of current cases. Under the terms of the lease of the Commission's office, regular redecoration is required and consequently a sum is provided during each year of the lease towards this cost.

## 11. Movements in working capital other than cash

	31 March 2008 £000	Six months to 31 March 2007 £000
Increase/(decrease) in debtors	<b>(476)</b>	731
(Increase)/decrease in creditors	<b>(165)</b>	126
	<b>(641)</b>	<b>857</b>



## 12. Movements on reserves

### 12.1 General fund

	31 March 2008 £000	31 March 2007 £000
Balance at 31 March 2007	180	(303)
Net operating costs for the year	(3,533)	(2,605)
Net Parliamentary funding	3,270	3,080
Transfer of realised profits/losses from revaluation reserve	1	2
Non-cash items: capital charge interest	2	6
<b>Balance at 31 March 2008</b>	<b>(80)</b>	180

### 12.2 Revaluation reserve

	£000	£000
Balance at 31 March 2007	12	12
Indexation of fixed assets	2	2
Transfer to general fund of realised elements of revaluation reserve	(1)	(2)
<b>Balance at 31 March 2008</b>	<b>13</b>	12

## 13. Reconciliation of operating costs to operating cash flows

		31 March 2008 £000	Six months 31 March 2007 £000
Net operating cost before interest for the year		3,533	2,605
Adjust for non-cash transactions	2.1	(14)	(109)
Adjust for movements in working capital other than cash	11	(641)	857
(Increase)/decrease in provisions	10	224	(264)
<b>Net cash outflow from operating activities</b>		<b>3,102</b>	3,089





## 19. Related parties

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

The Department of Health is regarded as a controlling related party. During the year the Commission has had the following material transactions with the Department:

At the start of the year, six of the Commission's staff were seconded from the Department of Health. The employment costs of these staff were recharged to the Commission. At the end of June one of these staff returned to the Department and four transferred to the Commission's employment. At 31 March 2008 one person remained on secondment. The costs charged to the Commission by the Department of Health during the year for these seconded staff totalled £96k (six months to 31 March 2007: £245k, eight staff).

The Commission has carried out recruitment campaigns for national bodies on behalf of the Department of Health and other DH bodies during the year. The costs associated with these campaigns are recharged upon completion of the campaign and totalled £641k for the year (six months to 31 March 2007: £418k). Work-in-progress and uninvoiced at the period end totalled £138k (31 March 2007: £156k).

## 20. Post balance sheet events

None as of the date of authorisation of the accounts (31 March 2007: none).

## 21. Financial instruments

FRS13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way the Commission is financed, it is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Commission has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Commission in undertaking its activities.

As allowed by FRS13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

### Liquidity risk

The Commission's net operating costs are financed from resources voted annually by Parliament and it is not, therefore, exposed to significant liquidity risks.

### Interest-rate risk

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

### Foreign currency risk

The Commission has no foreign currency income or expenditure.

### Fair values

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

## 22. Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
<b>31 March 2008</b>				
Balances with other central government bodies	220	0	125	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts	516	0	290	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	532	0
<b>At 31 March 2008</b>	<b>736</b>	<b>0</b>	<b>947</b>	<b>0</b>
<b>31 March 2007</b>				
Balances with other central government bodies	606	0	169	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts	568	0	355	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	38	0	258	0
<b>At 31 March 2007</b>	<b>1,212</b>	<b>0</b>	<b>782</b>	<b>0</b>



## 23. Analysis of the Appointments Commission's activities

The Commission carries out work which is funded in a variety of ways and the following details explain the funding of the three main areas of the Commission's activities.

The activities included under 'NHS Appointments' comprise the work the Commission carries out in order to make appointments to NHS Trusts, Primary Care Trusts and Strategic Health Authorities. These are funded by the resource allocation from the Department of Health.

Training and development work is funded by the subscription paid by NHS organisations. As this income is received for specific purposes, then any amounts intended to fund activities to be delivered in the next financial period are deferred into that period.

National campaigns are carried out in order to make appointments to national NHS bodies and other Government Departments and are funded by charges to those organisations.

### 2007/08

	NHS Appointments £000	Training & Development £000	National Campaigns £000	Total £000
Expenditure	3,534	721	905	5,160
Operating income	(1)	(721)	(905)	(1,627)
Net operating cost	<u>3,533</u>	<u>0</u>	<u>0</u>	<u>3,533</u>
Resource limit	3,745	0	0	3,745
(Over)/underspend	<u>212</u>	<u>0</u>	<u>0</u>	<u>212</u>

### Six months to 31 March 2007

	NHS Appointments £000	Training & Development £000	National Campaigns £000	Total £000
Expenditure	2,607	318	458	3,383
Operating income	(2)	(318)	(458)	(778)
Net operating cost	<u>2,605</u>	<u>0</u>	<u>0</u>	<u>2,605</u>
Resource limit	2,615	0	0	2,615
(Over)/underspend	<u>10</u>	<u>0</u>	<u>0</u>	<u>10</u>



# Appendix 1

## Financial summary for 2007/08 compared to 2006/07

Due to a change in legal status, the Commission had two separate sets of accounts in 2006/07, each covering six months. The following table compares the accounts for 2007/08 with the combined accounts for 2006/07. It is provided for information only and does not form part of the audited accounts.

### Summary

	2007/08 Total £000	6 months to 30 Sept 2006 £000	6 months to 31 March 2007 £000	2006/07 Total £000
<b>Funding/Income</b>				
Department of Health allocation	3,745	2,585	2,615	5,200
Other income	1,627	551	778	1,329
Sub-total	<u>5,372</u>	<u>3,136</u>	<u>3,393</u>	<u>6,529</u>
<b>Expenditure</b>				
NHS local appointments	3,534	2,593	2,607	5,200
National appointments	905	340	458	798
Training activities	721	203	318	521
	<u>5,160</u>	<u>3,136</u>	<u>3,383</u>	<u>6,519</u>
<b>Outturn</b>	<u>212</u>	<u>0</u>	<u>10</u>	<u>10</u>
<b>Analysis of expenditure</b>				
Commissioners and non-executives' remuneration	248	111	97	208
Other salaries and wages	1,964	1,043	1,556	2,599
Supplies and services - general	1	3	3	6
Establishment expenses	351	220	136	356
Premises and fixed plant	219	266	196	462
External contractors	866	413	369	782
Training programme	119	17	122	139
Capital: Depreciation and amortisation	12	50	51	101
Impairments	0	0	52	52
Capital charges interest	2	0	6	6
Audit fees	22	15	15	30
Advertising of vacancies	1,024	687	535	1,222
Costs of interviews	250	269	237	506
Provision for bad debt	82	0	0	0
Miscellaneous	0	42	8	50
	<u>5,160</u>	<u>3,136</u>	<u>3,383</u>	<u>6,519</u>



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