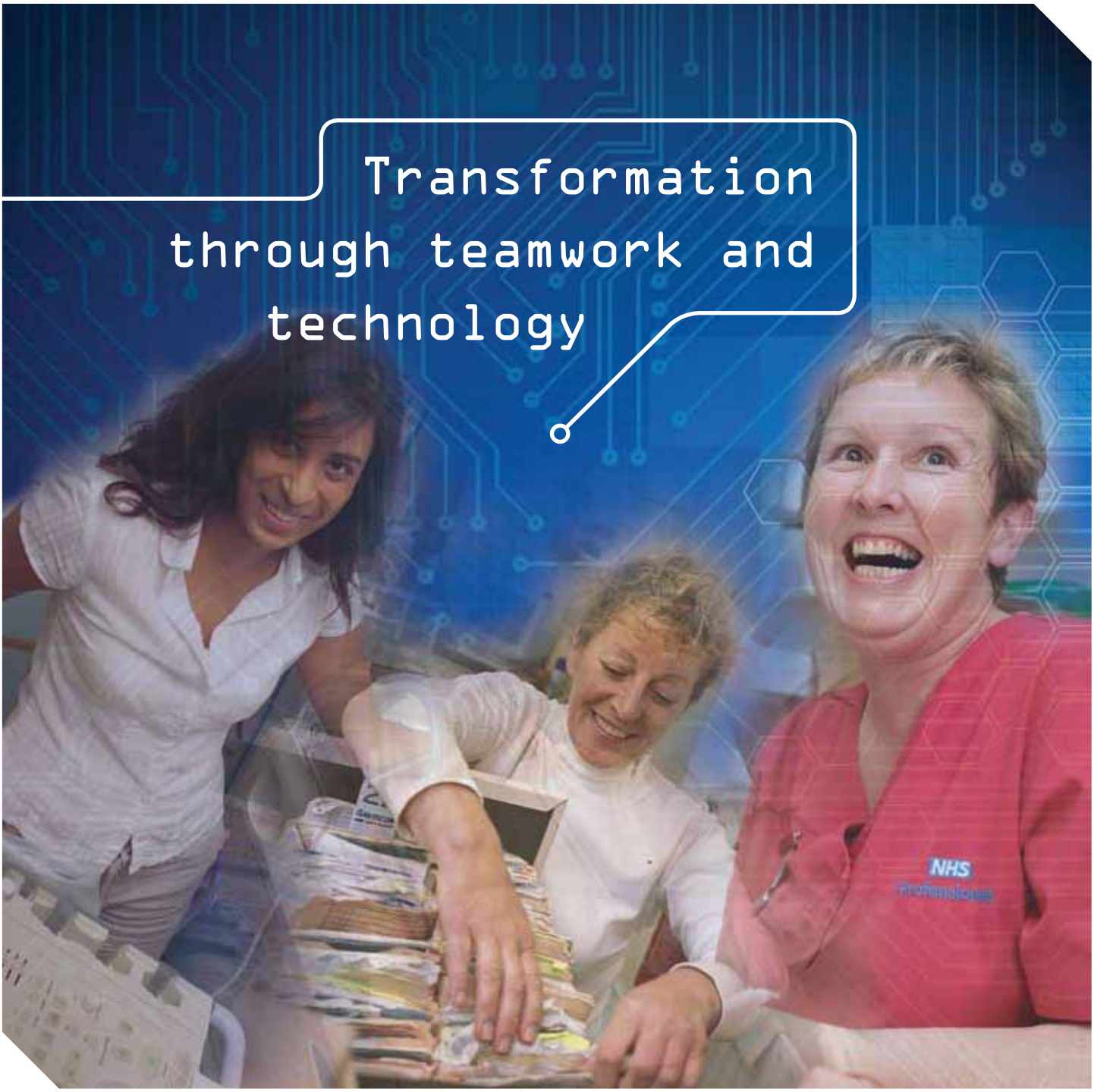
NHS Professionals

ANNUAL REPORT AND ACCOUNTS 2007-2008



Presented to Parliament pursuant to Paragraph 6(3), Section 232, Schedule 15 of the National Health Service Act 2006

Ordered by the House of Commons to be printed 08 July 2008

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Foreword

On behalf of the Board I am pleased to be able to report a year of substantial progress for NHS Professionals.

A major transformation process has been undertaken over the last 12 months which has resulted in a significant improvement in our financial position. Our investment in new technology, systems and processes has produced a much more efficient business model. This combined with increased revenues has helped establish a strong platform for the future.

Events have also led the management team to review and modify the quality control and recruitment processes of the flexible workforce and these have been independently audited to ensure that the organisation meets the NHS Safer Recruitment requirements. The Board takes an active part in monitoring the clinical governance procedures and recognises the important steps that have been achieved in this area during the year.

The Board would like to thank the executive, management and staff for their tremendous hard work during this demanding year of change and I pass on my thanks to my Board colleagues for their support and involvement in this exciting and developing business.

In preparation for meeting the enterprise's growth and organisational objectives some changes have been made to the Board structure to reflect the commercial nature of our activities. This restructure includes a smaller number of Non-Executive Directors along with a wider participation of the Executive Team in Board decisions.

I am pleased to confirm that four of the existing Non-Executive Directors have agreed to serve in the new arrangements and they along with myself have been appointed for a further term. During the coming year we will explore ways to enable client representatives and the wider stakeholders in NHS Professionals to be involved in the Board and governance process.

The changes outlined here and those covered more fully in the Annual Report have created a strong foundation for the organisation to achieve the ambitious goals we have set in the business plan for the next three years.

Richard Martin
Chairman

Foreword

I am very pleased to say that we have made significant progress in all planned areas and have made additional improvements as well.

In our last annual report I outlined a series of transformation initiatives planned for 2007-08. These changes were necessary in order to dramatically improve our financial performance, improve our service levels and consistency, expand the business in terms of new clients and new services, and to establish NHS Professionals as the undisputed leader in Flexible Worker services in the NHS.

I am very pleased to say that we have made significant progress in all planned areas and have made additional improvements as well. During this year we have reduced our recurring deficit by approximately 64% from £15.0m to £5.4m as a result of increased margin (from £14.4m to £18.7m) and reduced expenditure (from £29.4m to £24.1m). We have also improved productivity, measured by cost per shift, by 14.3% over 2006-07 levels and have reduced our capital expenditures.

I now feel we have a commercial/operating model that ensures value-for-money for our Trusts and the taxpayer. We are also positioned to become a better and more important partner to our Trusts and the NHS than ever before.

While we know there is still much work yet to be done, we are very proud of our accomplishments, the pace that we have maintained, our professionalism and the level of enthusiasm and teamwork that has emerged.

I would like to briefly summarise some of our key accomplishments in our year of transformation:

Over the last year demand for Flexible Workers has increased rapidly across almost all of our Trusts and staff groups. This is in response to the increased focus on patient care throughout the NHS, such as the waiting time initiative and infection control. We expect this demand for Flexible Workers to remain strong for the next 1-2 years.

To respond to this increase in demand, we launched a number of high priority initiatives to ensure that we do everything possible to provide the quality staff the NHS needs. For instance, we have conducted a high profile recruitment campaign in national, regional and trade press, established direct links with NHS Jobs to quicken recruitment, launched an incentive scheme for Flexible Workers to encourage them to work more day shifts (an area of key demand) and launched an incentive scheme for our contact centre staff to help drive up fill rates.

The results of these efforts are starting to be realised as we are recruiting more Pure Bank workers than ever before, and over the last year we have filled well over 2.25 million shifts, the most ever in our history.

In order to successfully recruit just under 12,000 Flexible Workers last year, we have had to make major improvements in our processes and systems. For instance, we have improved our recruitment processes so that time-critical efforts (e.g. mandatory training, CRB, OH) run in parallel rather than sequentially, created our e-Learning system to reduce the delay in mandatory training and implemented weekly reporting for each Trust that portrays the pipeline of new recruits.

We have now reduced the time it takes to recruit substantively employed Flexible Workers to 48 hours from the time we receive a completed application. We have also had our processes audited by PASA to ensure that we are abiding by all NHS Safer Recruitment requirements and are prepared to implement the new standards that are being mandated.

There has been a steady programme of enhancements to our IT platform and infrastructure to help deliver improved service and to increase automation. We are close to our vision of a fit-for-purpose, integrated platform that allows:

- *Trusts to book and monitor shifts on-line and have all key management information available when they want it*
- *Flexible Workers to maintain their personal data, indicate availability and to book themselves on appropriate shifts*
- *Agencies to view and fill shifts on-line as appropriate*

- *integration with NHS systems such as ESR and NHS Jobs to capture the value of being part of the NHS.*

I am happy to say that our IT initiatives have gone very well. For instance, approximately 85% of shift demand is now being indicated over our Web interface, and the percentage of Flexible Workers who are booking on-line is rapidly growing. This combined with our other changes has led to a significant improvement in our productivity.

We are currently piloting electronic timesheets which will further enhance and streamline our service and, in addition, we are piloting a Performance Feedback functionality that will allow Trusts to report on good or poor performance at the time of timesheet authorisation. This will provide us with a realistic way of monitoring the quality of our staff.

We have also rolled out our on-line Management Information System to ensure our Trusts have real time data on exactly what is happening with regard to their use of flexible resources. The feedback thus far on the use of this system has again been very positive.

Over the last few months we have successfully launched our e-Learning system to help us ensure that all Flexible Workers have up to date mandatory training. In the future, we plan to roll out additional training modules, such as Drug Administration, to help ensure that our Flexible Workers are the best in the NHS.

During the course of last year, we discovered a failure of part of our Flexible Worker recruitment and file management systems and processes. In particular, it was found that a large percentage of Pure Bank Flexible Workers (those who do not have substantive employment with an NHS Trust) had incomplete documentation.

There were several reasons for these shortcomings in worker documentation. Firstly, NHS Professionals has had a policy of not correcting the documentation of workers who join our Bank through TUPE transfer from a Trust, therefore any shortcomings in the recruiting or document management of the Trusts were perpetuated. Secondly, our processes, while very good and improving, have not been perfect. Finally, while we audit these processes several times each year, our audits have been forward looking (i.e. they have been focused on the processes associated with adding new workers rather than maintaining existing ones) and have therefore not identified historical problems.

Our Flexible Worker recruitment and document management processes underpin all of our services as well as our brand promise of high quality. Therefore, once issues were found in these processes, we quickly began a high priority effort to assess the situation, develop an approach to address the situation rapidly, and then implement the necessary changes. As part of the assessment, we asked PASA to conduct an audit of our existing processes to ensure that we are fully compliant with Safer Recruitment standards and to provide an objective perspective.

We have now completed the audit of our Pure Bank Flexible Worker files and are well along the way of ensuring proper documentation is in place for all Pure Bank workers. As we do this, we are scanning the documents and will manage them on a new Document Management System, which will provide on-line access and enhanced data security. We have also improved our processes to ensure that workers who we recruit or TUPE transfer to us during the implementation of new Trusts are fully documented.

Over the last year we have successfully run a pilot for an improved Administrative & Clerical service and are in the process of rolling this out nationwide. We are also planning to expand our Interim Executive service this coming year. We believe that there are significant benefits we can bring to the NHS by providing cost effective and high quality services and detailed management information for these staff groups.

We have completed our estates rationalisation as well as the associated organisational changes. We now have the organisational structure in place that clarifies roles and responsibilities and provides a platform to improve the quality of our services rapidly. I am particularly pleased with the mix of skills we have within our organisation, which combines commercial expertise, NHS knowledge, deep skills and a passion for excellence. With these changes completed, I intend to allow the organisation to settle in and to focus completely on serving our clients.

We are very optimistic about our future as we believe we are on the right path, we have the right team in place and that Flexible Workers across all staffing groups will continue to be an important part of the NHS. We are pleased with the level of interest from non-client Trusts to come on board and we hope to expand our community of Trusts and Flexible Worker bank this year.

We have much to do however, to achieve a level of performance that will satisfy us and that will establish NHS Professionals as the clear leader of Flexible Worker services in the NHS. We intend to continue our focus on quality and performance, to deliver what we promise and to move at a rapid pace. While we strive for perfection, we do make mistakes. However, we are committed to listening to our Trusts and to learning from our mistakes. For instance, we have established a Client Board and have started Regional User Forums to ensure we understand the changing needs of our Trusts and are moving forward together as partners.

Once again, this past year has been challenging but successful, thanks in large part to the hard work and determination of the NHS Professionals team as well as the patience and support of our Trusts. We are proud of what we have accomplished, excited about our future and committed to striving for perfection in everything that we do.

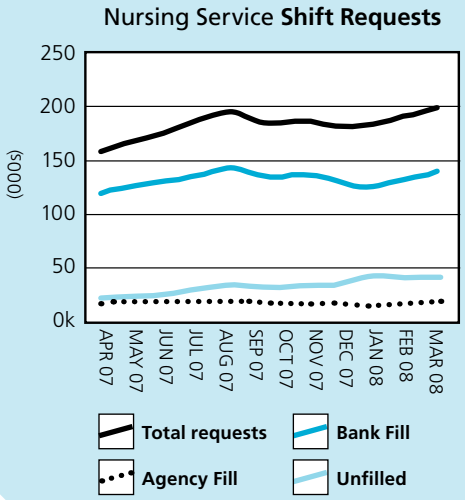
John Faraguna
Chief Executive

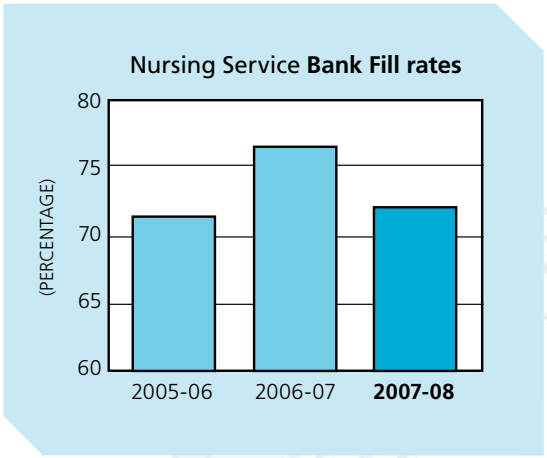
...I am particularly pleased with the mix of skills we have within our organisation, which combines commercial expertise, NHS knowledge, deep skills and a **passion for excellence**

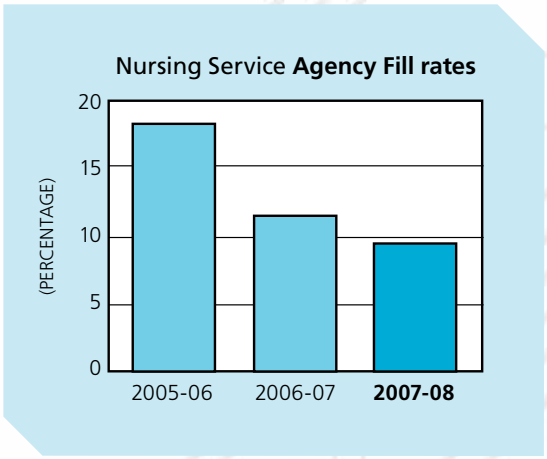
The year in brief

BOOKING SERVICE PERFORMANCE

Despite seeing demand and shift requests rise significantly over the last year, fill rates have remained high.







RECRUITMENT PERFORMANCE

We have successfully recruited just under 12,000 Flexible Workers to our bank over the last year.

Total number of **Flexible Workers** recruited: **11,963**

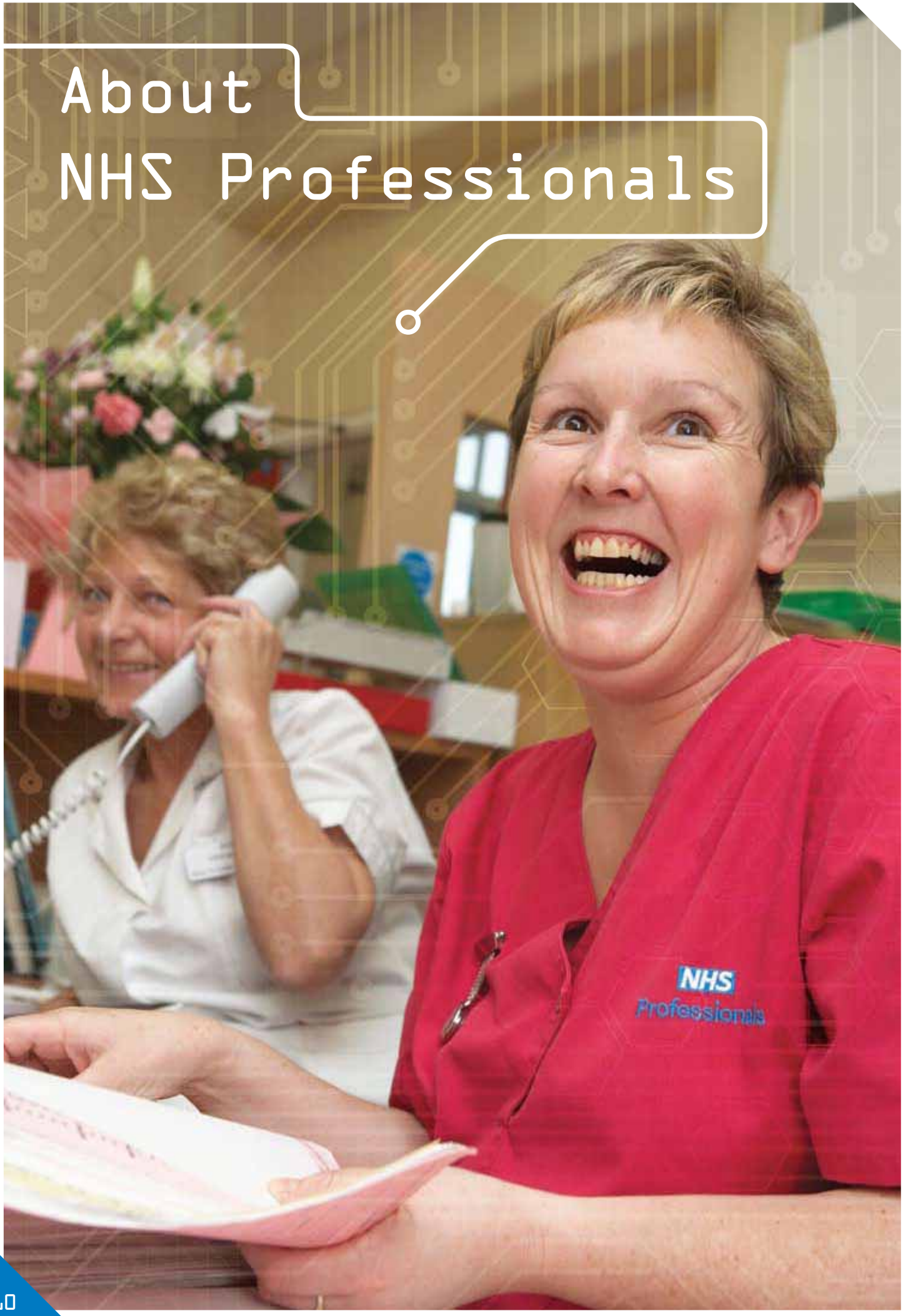
Total current **bank size**: **45,616**

CLINICAL GOVERNANCE

Over the last year the number of clinical complaints has remained very low.

Our compliance against the Safer Recruitment Standards has increased to an average of 95.5%.

About NHS Professionals



WHO WE ARE

NHS Professionals is an initiative that provides a co-ordinated approach to temporary and flexible staffing in the NHS. Working in partnership with NHS organisations, we provide Nurses, Midwives, Care Support Workers, Hospital Doctors, Allied Health Professionals, Interim Executives and Administration and Clerical Staff with the opportunity to work flexibly.

We were formed as a Special Health Authority (SpHA) in January 2004 and commenced operations in April 2004. Prior to this NHS Professionals was created as a set of national service standards, which were then adopted by a number of local Trusts.

These local models then merged to become a SpHA following the Flook Ramsden report and Gershon Review, which called for a co-ordinated approach through a single organisation.

We are now the leading provider of Flexible Workers' managed services to the NHS.

SERVICES

We enable staff to work flexibly in the NHS and provide Trusts with a value for money staffing service which is committed to improving patient care.

In summary, our service comprises of:

Employee Relations

We manage all performance, disciplinary and grievance issues. An HR helpline is available to support Flexible Workers and Managers.

Recruitment

We are responsible for the recruitment of all multi-post and bank-only Flexible Workers. The recruitment of all Flexible Workers is increasingly delivered on-line and Trusts benefit from having direct contact with our Recruitment Team.

We provide:

- *Workforce information analysis to support recruitment planning*
- *Recruitment marketing activities to establish and maintain a pool of Flexible Workers of the right profile and number to meet Trusts' requirements*
- *Recruitment of Flexible Workers to the standards recommended in the latest Safer Recruitment guidelines*
- *Assessment of the knowledge of Flexible Workers, who do not hold substantive posts, and assignment of appropriate Classification Codes.*

NHS Professionals provides initial and refresher mandatory training for all bank only Flexible Workers

Learning and Development

We are responsible for the statutory and mandatory training for all bank only Flexible Workers.

We provide:

- *Initial and refresher mandatory training for all bank only Flexible Workers*
- *Additional training, if specified by the Trust, for specific assignment types. NHS Professionals will record attendance and ensure compliance with the requirements*
- *Monitoring of the completion of mandatory and any other training specified by Trusts*
- *Access to on-line learning resources including on-line induction and CPD/ life-long learning resources*
- *A Learning and Development helpline for Flexible Workers.*

Clinical Governance

Our Clinical Governance function covers the following:

- *An assurance that Flexible Workers are recruited by NHS Professionals to agreed Clinical Governance standards*
- *An assurance that all names of Flexible Workers recruited by NHS Professionals, and all agency workers booked through NHS Professionals, are checked against the unsuitable workers' list*
- *Assessment of the knowledge of Flexible Workers as well as the assignment of appropriate Classification Codes*
- *The handling of complaints and clinical incidents involving our Flexible Workers, which are investigated in partnership with the Trust and managed appropriately*
- *Flexible Workers are provided with access to on-line clinical resources*
- *Support to the Trust in the event of a Major Incident.*

Booking Service

We manage both bank and agency booking transactions on behalf of the Trust.

Our booking service is based around a technology base that enables Trusts, Agencies and Flexible Workers to access the service via the web.

The increase in the use of web as a communication channel for Trusts, Agencies and Flexible Workers has improved efficiency and enabled our Contact Centre Teams to spend more time proactively contacting Flexible Workers to ensure the highest possible levels of shift fill are delivered for Trusts. In turn, this offers Trusts a better service and a lower service charge.

Customer Relations

Customer Relations activities provide Trusts with direct access to our key functions as well as a dedicated account management resource.

We provide:

- *Support from a Business/Service Manager based within the locality, who is available to deal with issues relating to service performance via the telephone or in person*
- *Monthly service review meetings, which focus on performance feedback and service development opportunities*
- *Quarterly and annual performance review meetings, which are held to review performance against efficiency levels*

Management Information

We provide a comprehensive set of management reports available through our unique and secure on-line system, which allows Trusts to monitor expenditure across Trusts by ward and staff type.

Finance

We manage the Flexible Worker bank and interface with agency-provided workers on behalf of Trusts. A full payroll service is provided and each client invoiced for the services provided based on agreed shifts filled and authorised timesheets. Invoices are raised through NHS Shared Business Services to client organisations. Agency timesheets are verified and audit checks performed.

Finance and accounting services are provided in respect of checking and verifying agency charges.

We also manage the cash payment process, on behalf of our clients, to commercial agencies which includes the validation of invoices through cross-referencing data from our booking system, query resolution and payment of invoices.

SITES

Following the consolidation of our estates we now operate from one main site - our National Service Centre (NSC) in Watford - with a smaller satellite office in Wakefield. Our Customer Relations teams are normally based on the premises of a client Trust.

Our NSC now provides the booking and recruitment service for all aspects of our operations. From our Wakefield site we provide our Learning and Development, Finance and Marketing & Communications services.

The booking service is based around a technology base that enables Trusts, Agencies and Flexible Workers to access the service via the web.

Change in the market

AN INCREASE IN DEMAND

The last year has seen a marked increase in demand for Flexible Workers - service reconfiguration, the 18-week wait time initiative and the increasing involvement of the private sector are creating a growing demand for more flexible, creative workforce solutions from NHS organisations.

WHY?

A new report by Professor James Buchan, commissioned by the Royal College of Nurses, *Nursing Futures, Future Nurses* supports the view that demand for Flexible Workers is likely to remain strong for the foreseeable future.

He states: "The effectiveness of policies to improve NHS productivity through developing different working methods, introducing more nurses in advanced roles and increasing the numbers of assistant practitioners and health care assistants will be influenced by the actual number of nurses available to work in the NHS."

He cites three key areas of concern:

1. *Fiscal uncertainty. Following a period of workforce growth, NHS Trusts are now implementing recruitment freezes and, in some areas, nurses are being made redundant. This has resulted in an overall drop in the number of nurses employed in the NHS between 2005 and 2006 and a rise in demand for temporary staff as Trusts shift to utilising a contingent workforce model.*
2. *An aging UK nursing population.*
3. *NHS policies (Agenda for Change and Modernising Nursing Careers) and their impact on:*
   a. *The 'pipeline' for newly registered nurses*
   b. *The number of experienced nurses able to manage delivery of care and supervision of other nurses, practitioner and care assistants.*

Buchan continues: "If there was active involvement by policy makers to adjust retirement policies to encourage more older nurses to remain in employment, the registered nursing workforce could grow significantly from its current levels; alternatively, if policy makers allow intakes to pre-registration education to remain low and/or allow wastage rates to increase whilst also avoiding any return to active international recruitment, it appears almost inevitable that the nursing workforce will decline in terms of 10-20% in whole time equivalent contribution over the next ten years."

These factors in the development of the labour market mean that NHS organisations will find it increasingly difficult to plan their workforce effectively.

WE UNDERSTAND THE MARKET

The last year has seen us launch a programme of extensive market research to gain understanding of this important sector of the NHS workforce. Using qualitative data sourced from around 3,000 individuals in each market research campaign, we have begun to identify what motivates people to seek flexible working arrangements.

Change in the market

From this research we can say that motivations vary between the different staff groups; from younger nursing staff wishing to gain a variety of experience at the start of their career through to older staff wishing to reduce the number of hours they work in the lead up to retirement.

There are other staff groups motivated by the need/desire to earn additional money as well as those who want to maintain their career while balancing the demands of caring for young children or older families.

Using this information, together with market knowledge of local health economies we have been able to target our recruitment campaigns appropriately and ensure it has a regular flow of new applicants.

WE ARE RESPONSIVE TO CHANGES IN THE MARKET

As a response to changes in the market we have, over the last year, undertaken a number of extensive recruitment campaigns:

Registered Nurse Campaign

This campaign focused on our ability to provide access to a flexible work environment in which staff could earn extra money, experience working in other clinical areas and take control of their shift patterns – for example:

"I get to experience A&E nursing"

"We joined the bank and said goodbye to our overdraft"

"I get to choose when I work. She gets help with her homework"

"I joined the bank. Now I have a job that's as flexible as I am"

Care Support Worker Campaign

Our focus on recruiting Care Support Workers centred on attracting new staff into the NHS by targeting individuals currently working in the community or in private nursing homes.

"NHS Professionals – A great career move whatever your background"

The recruitment campaigns have been conducted via various media, including national, trade, lifestyle and regional press, on-line and radio as well as links to NHS Jobs.

All applicants were directed to a dedicated page on our website from where they were able to apply on-line for the role that interested them. This enabled us to track interest resulting from each campaign and assess which channels were most effective.

Our campaigns haven't just focused on short term flexible work but also on the idea of interim working, possibly across a group of Trusts.

This has encouraged a new group of people to apply who previously may not have considered flexible working because of the uncertainly that this brings. Results from the latest campaigns show its success with over 2,800 people registering their interest to join in the first eight weeks.

In response to changes in the market we have also:

- *Introduced new processes to deliver a quicker service whilst maintaining robust recruitment standards*
- *Introduced incentive schemes for both our Flexible Workers and Service Centre Staff.*

Looking to the future

Message from John Faraguna (CEO)

"As we discuss in this Annual Report, the past year has been a very challenging yet successful year. During the year we have made the difficult decisions that were necessary to rapidly improve our financial performance and service quality, and we have executed our transformation programme as well as I could have hoped for. Most importantly, we have created a team that is working for a common goal, is passionate about what it does, and is confident in its abilities to change and improve at a pace that is impressive by even private company standards.

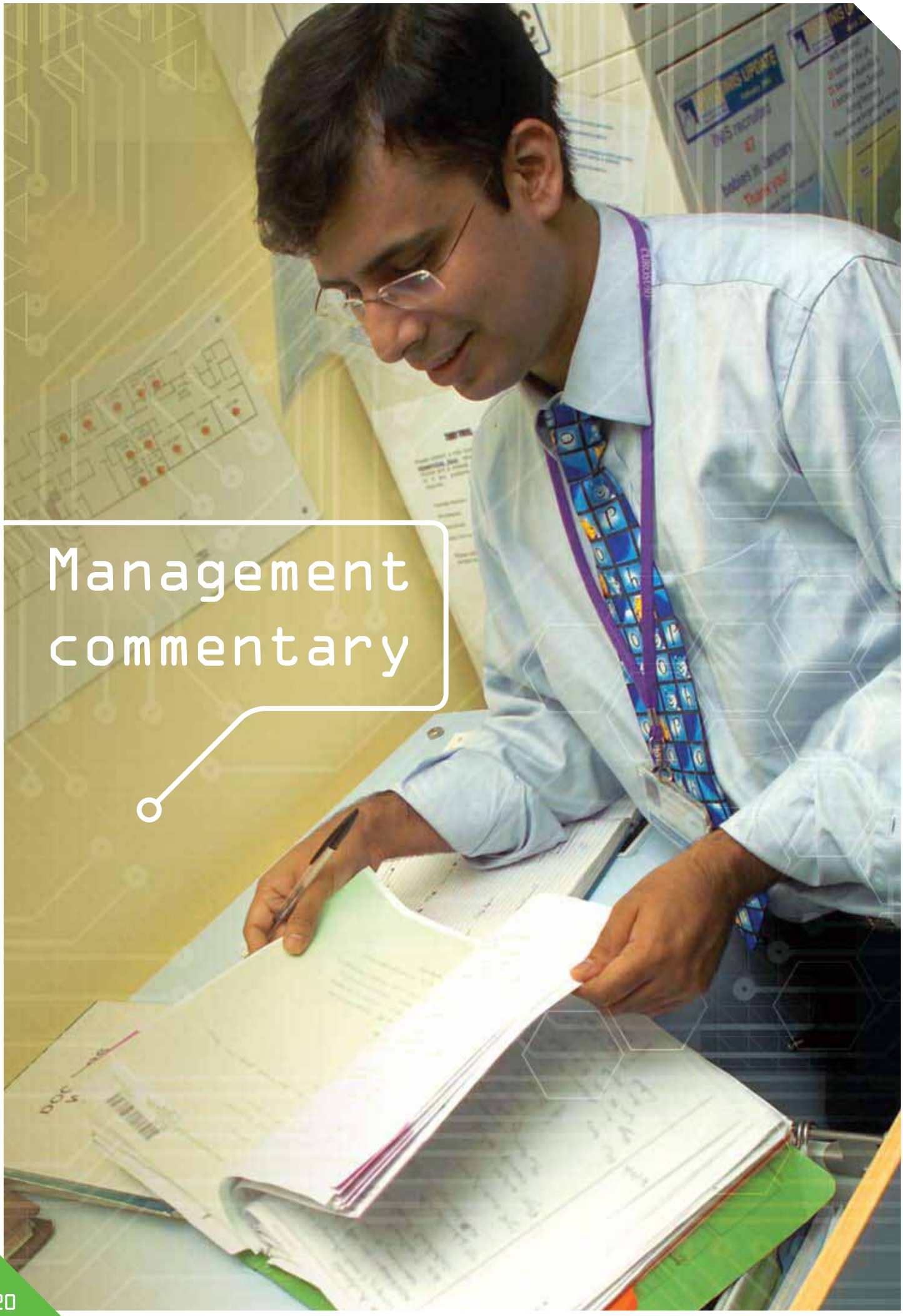
As a result of all of our hard work and bold decision making, I believe that we have set NHS Professionals on a course that will lead to much greater success in the future. Our improvement in financial performance speaks for itself. I believe that most of our clients would support the view that we are a better, more responsive partner than ever before. Equally important, I believe that the perception of us is becoming one of a market and thought leader, always with the best interests of the NHS and its patients as our chief priority.

Are we perfect? Absolutely not, but I believe we are much more honest about our strengths and weaknesses and are much better able to fix the things that need fixing. The way that we addressed the shortcomings in our Flexible Worker files is a perfect example of how we will continue to work with our client Trusts in the future - honest, quick to act, and delivering what we promise.

Are we satisfied? Absolutely not, but I believe we have a roadmap that will yield further improvements in our service quality, an expanded array of services, growth in our business and improved financial performance. For instance:

- *We will continue to invest in technology where automation provides a better, more economical service. For example, we are in the process of going live with on-line timesheets and are piloting SMS technology for rapid communication with our Flexible Workers.*
- *We will continue to invest in our staff. This is and will continue to be a people-based business, and we have no intentions of reducing our personalised service. We have instituted and will continue to invest in a developmental training programme for our call centre and Client Relations personnel to help provide them with essential skills and to move them along in their careers.*
- *We will continue to invest in our bank of Flexible Workers through our targeted recruitment campaigns, e-learning and through our focus on Clinical Governance to ensure we have the right people, with the right skills, when and where we need them. The investment in our Flexible Worker document management system, for example, will pay dividends for years to come in helping assure that our workers are properly qualified.*
- *We will continue to invest in our client Trusts by providing them with the right level of onsite, call centre and technological support that their unique situations require. We are also piloting a number of unique solutions for Trusts to help them address shortages in supply of particular skills.*

In summary, we our proud of how much we have accomplished in such a short time, but we are not satisfied. We want to do a better job, create more value, and become better, more important partners to the NHS. We have lofty ambitions but I am confident that we have the team in place and the proper support to succeed."



Management commentary

Our year of transformation

This section of our annual report will document how each area of our operation has performed over the last year - and in particular how technology has played its role in our year of transformation.

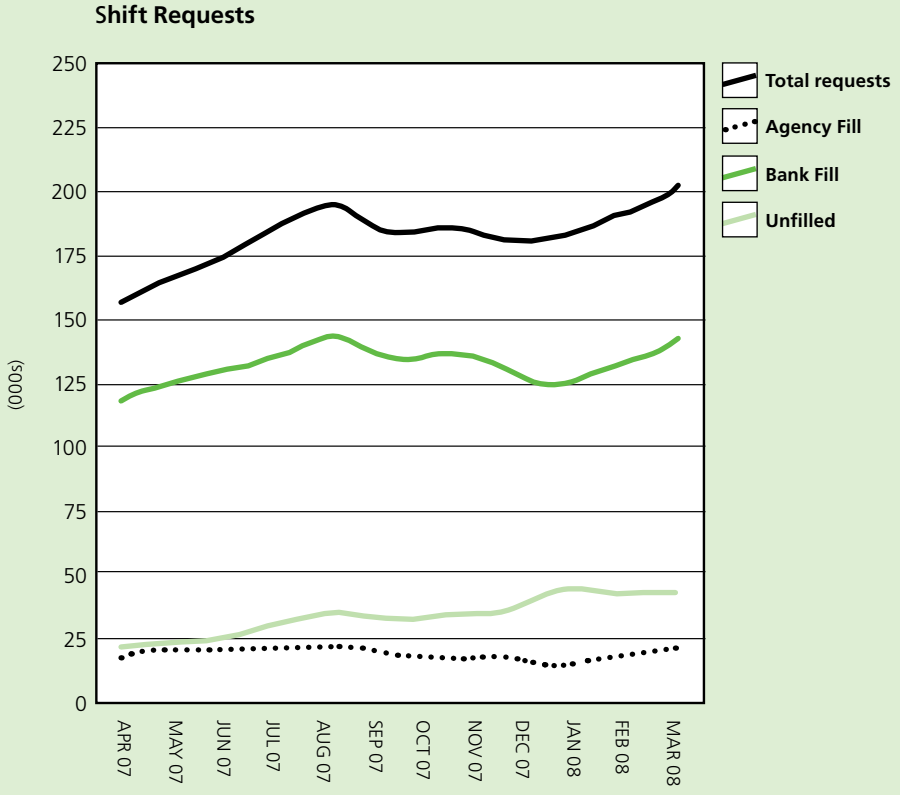
OUR BOOKING SERVICE AND FILL RATE PERFORMANCE

Over the last year we have seen demand for Flexible Workers increase by as much as 28% (month on month) across our Trusts and staff groups. The Shift Requests chart (to the right) shows how we have seen shift requests steadily climb in 2007-08 from 159,000 in April 07 to a peak of over 200,000 in March 08.

We have responded effectively to this rise in demand as is also seen in the chart.

As a result, we have recorded our largest ever number of nursing shifts filled - in March we filled nearly 175,000 shifts and the monthly average over 2007 has been over 150,000 shifts filled. Our doctors' service also achieved a record number of hours in the first three months of 2008 at over 43,000 hours.

Despite this increase in demand we have successfully maintained a fill rate over the year of 72.39%. We have seen agency fill rates decline over last year (down to 9.42% in 2007-08 from 12% in 2006-07) reflecting this change in the marketplace and the difficulties that all participants are having in remaining responsive to these conditions.



As discussed in the foreword we expect the general trend in increased demand to continue. We will now move on to discuss the recruitment campaigns and activities we have put in place to ensure we are able to meet this need.

...it was important for us to recruit significantly larger numbers of bank-only staff to the bank - as they are able to work more shifts than multi-post holders...

OUR RECRUITMENT SERVICE

In this year of market change it has been important to maintain a high level of recruitment to ensure we have the right staff able to work at the right time. In 2007-08 we have recruited nearly 12,000 Flexible Workers, bringing our bank total in March 08 to over 45,000.

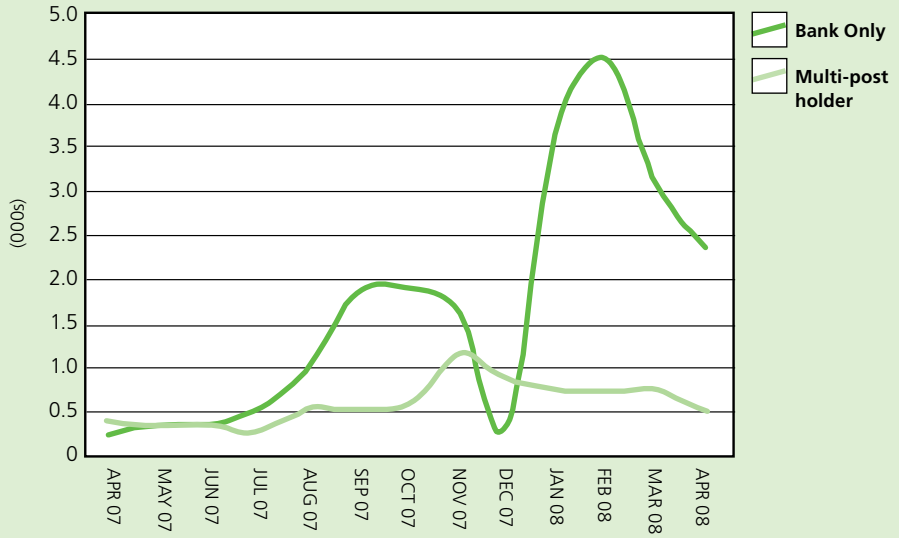
To meet the increased demand for our services it was important for us to recruit significantly larger numbers of bank-only staff to the bank - as they are able to work more shifts than multi-post holders (staff who already work substantively for a Trust).

In order to do this we launched a number of high profile campaigns to recruit both Care Support Workers and Registered Nurses – these are discussed in more detail in the 'Change in the Market' section.

These campaigns took place from January through to March 08 and were very successful – the success can be seen in the graph above where we can see the marked increase in number of applications received in those months.

We will also see the rewards of these campaigns far into the new financial year.

Applications Received



CLINICAL GOVERNANCE

Over the last year we continued to achieve the aims of the Clinical Governance Strategy 2005/08 through initiatives supporting Trusts and PCTs. Our Clinical Governance Committee, which is also a sub-committee of the Board (including all Non-Executive Directors), monitors our performance in the delivery of this agenda.

Knowledge Assessment

We have strengthened the quality, efficiency and cost effectiveness of our selection process by developing a written knowledge assessment framework, which also enables the processing of nurse applicants in large numbers.

We have done this by developing assessment papers for those assignment areas with the highest volumes - including Mental Health Nursing, Paediatric and ITU nursing and Midwifery – which are then marked by external assessors.

This ensures that staff working through our service have the appropriate skills and knowledge to deliver high quality care.

We also plan to expand this framework to include other assignment areas and we are currently working to obtain RCN accreditation.

Complaint and Incident Management

Over the last year the number of clinical complaints has remained very low (three per 10,000 shifts, in 2007-08) and, in addition, we have created a clear and consistent approach to managing all aspects of complaints and incidents. We have also created a 'Remedial Action Framework' to address the performance shortfalls of Flexible Workers in relation to their skills or conduct by using a range of tools based on self or clinical area assessment.

Management Information (Staff Performance)

In 2007-08 we have created on-line management information reports to provide Trusts with updates on the performance of the flexible staff they use. The daily reports show details of the nature of complaints, their investigation status and outcomes.

Influenza Pandemic Business Continuity Plan

Our Influenza Pandemic Business Continuity Plan was finalised by our organisation's Taskforce in September 2007. This is reviewed quarterly to reflect changes in organisational structure and processes and is updated following advice and guidance from the Department of Health.

MANAGEMENT OF RISK AND DATA RELATED INCIDENTS

NHS Professionals has adopted an Assurance Framework approach to the management of risk and follow a process similar to many other NHS organisations.

Further information on our statement and actions to manage risk can be found on pages 41-42 of this report.

We can report that in 2007-08 or in any previous years there have been no personal data related incidents within NHS Professionals that have been formally reported to the Information Commissioner's Office.

Over the last year there has been one centrally protected personal data related incident. This was identified following an investigation by NHS Counter Fraud and Security Management Services. It was agreed that the breach was not considered significant, and in light of the thorough disciplinary investigation carried out by NHS Professionals, no further action was required.

Summary of other protected personal data related incidents in 2007-08

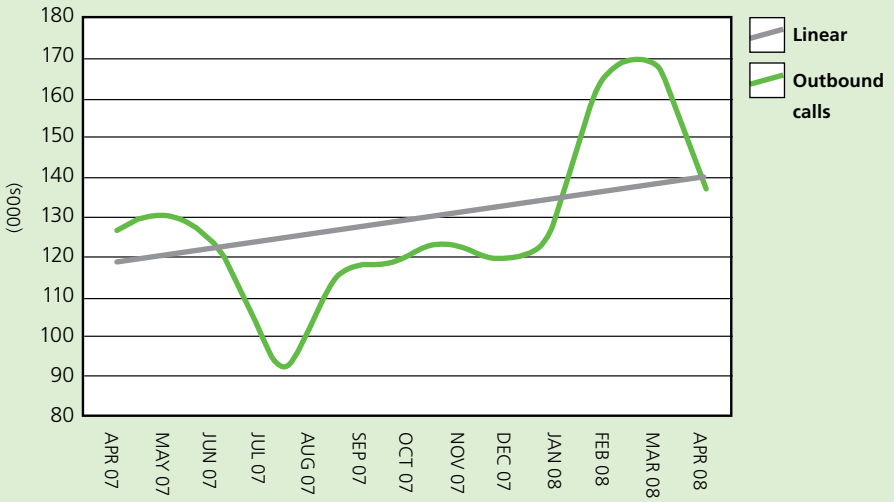
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	**0**
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	**0**
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	**0**
IV	Unauthorised disclosure	**0**
V	Other	**1**

IT ENHANCEMENTS

Our extensive programme of IT enhancements over the last year has been a major factor in enabling us to be more responsive to the market. We have implemented a number of projects that have increased our efficiency. This major investment has not only made it simpler for staff and Trusts to interact with us but has also allowed us to focus more on filling the hard-to-fill areas. Our outbound calling patterns seen above show this in a simple way, charting how over the last year an increased move to web usage for certain aspects of our operation has enabled the contact centre to increase outbound calling for harder to fill shifts.

Increased use of IT has enabled us to increase outbound calling



Booking System Enhancements

Over the last year we've made a number of enhancements to our web-based booking system that enables Flexible Workers and Trust staff to book shifts with us.

These have not only enabled us to become more efficient but have also brought benefits to our Flexible Workers and ward managers alike.

The enhancements have allowed us to standardise our processes – which means that Flexible Workers will benefit from better access and security as well as a single location for accessing the system.

Trust staff also benefit from the new system through better Management Information reporting, better security and access, more robust processes, better quality data and options.

On-line Substantive Staff Verification System

In the last year we have also made significant strides towards implementing a new on-line substantive verification system, which allows nominated individuals within a Trust to authorise the recruitment of substantive Trust staff to the NHS Professionals' bank.
The system has been designed to speed up the application process for Trust staff and gives our Trusts the control to influence who is applying and working on their wards.

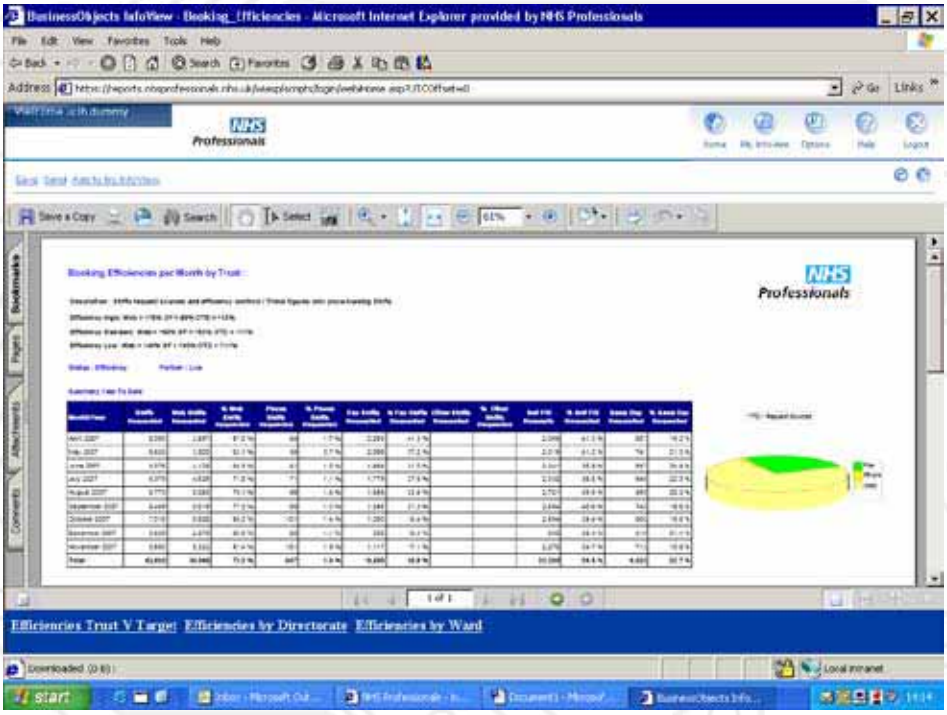
It has also made the process simpler and ensures we comply with counter fraud and data protection requirements.

We will be rolling out this new process nationally in the coming year.

...early evidence is indicating that Trusts have found the new system valuable when workforce planning.

Web-based Management Information System

NHS Professionals has created a unique secure web-based management information system, which will provide our Trusts with timely and accurate management information to ensure that they can plan effectively.



This unique system has a number of benefits, which include:

- *Users being able to access reports from any PC that has internet access*
- *Access to real time data*
- *An easy to read format*
- *An easy to use layout and functionality*
- *A customisable content and appearance*
- *Reports that can be downloaded in a variety of formats.*

Early evidence is indicating that Trusts have found the new system valuable when workforce planning.

...our Managed Learning Environment will enable us to meet our unique challenge of providing an individual Learning and Development service to a diverse workforce - ensuring the right skills at the right time and in the right place.

GROUNDBREAKING DEVELOPMENTS IN TRAINING

We have developed an exclusive and unique range of self directed learning for our staff over the last year.

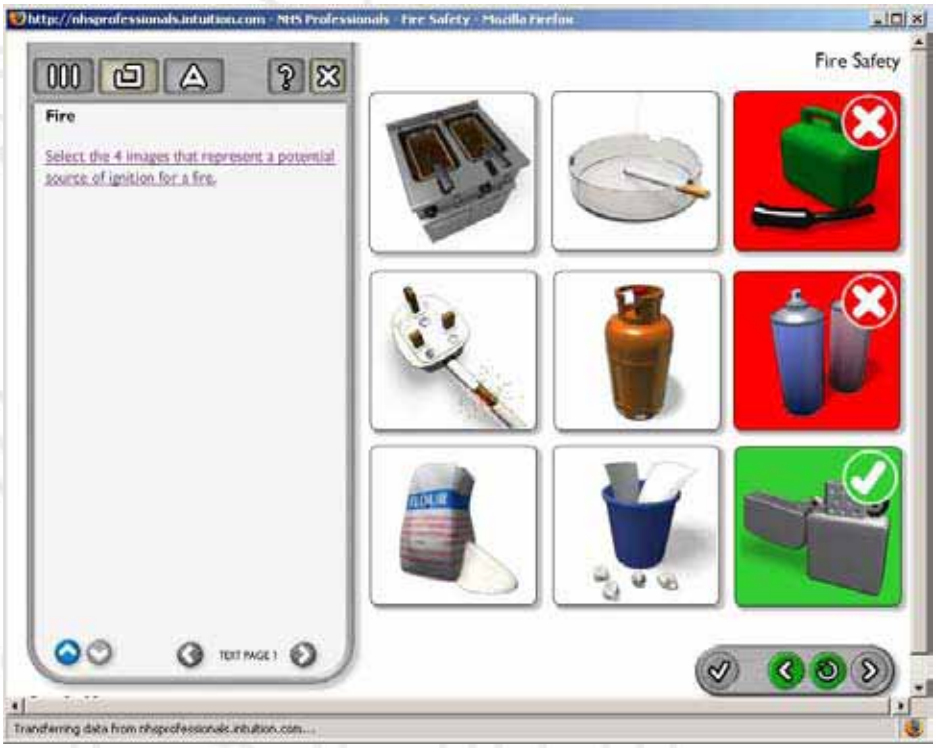
A new Learning and Development site has been designed to give our Flexible Workers a fully interactive on-line learning experience.

Through what we call our on-line Managed Learning Environment (MLE) Flexible Workers will be able to complete:

- *Mandatory training e-learning modules on Health and Safety, Fire Safety, Moving and Handling, Infection Control and Basic Life Support.*
- *Personal and professional training.*

Our Managed Learning Environment will enable us to meet our unique challenge of providing an individual Learning and Development service to a diverse workforce - ensuring the right skills at the right time and in the right place.

Importantly, this initiative is linked to our booking system which ensures that only Flexible Workers who have up-to-date mandatory training can book assignments.



ADMINISTRATIVE AND CLERICAL SERVICE

Between December 2007 and March 2008 we successfully piloted a new service model of our Administrative and Clerical (A&C) service. This helped us to shape the new service using effective on-line delivery systems and work is now underway to roll out this service to our client Trusts.

We carried out this review due to a considerable growth in demand for the service as Trusts seek to improve the flexibility, quality and value of their support teams.

A key feature of our new service is the use of standard role profiles which ensure we have a consistent way to describe, recruit and place our Flexible Workers.

Trusts are now able to use our on-line booking system to place Flexible Workers using this system, reducing the time to taken to manually sift CVs. Our on-line system also allows them to track the progress of shifts and review management information to help control expenditure.

Our overall financial performance for 2007-08 has demonstrated a significant improvement on the previous year and continues a trend of improvement

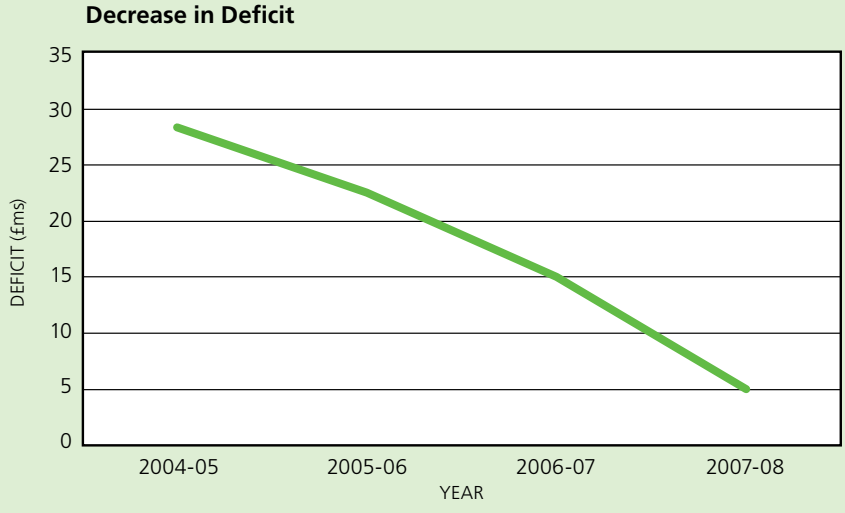
FINANCIAL PERFORMANCE

Our overall financial performance for 2007-08 has demonstrated a significant improvement on the previous year, as illustrated below.

NHS Professionals I&E 2004-05 to 2007-08

	2004-05 £000	2005-06 £000	2006-07 £000	2007-08 £000
Gross Margin	8,198	11,217	14,406	18,740
Total Recurring Expense	37,111	33,651	29,406	24,133
Total Recurring Deficit	(28,913)	(22,434)	(15,000)	(5,393)
Total Non-recurring Cost	1,354	839	4,333	10,986
Total Deficit	(30,267)	(23,273)	(19,333)	(16,378)

The recurring deficit has reduced from £15m to £5.4m and total recurrent expenditure has reduced from £29.4m to £24.1m since 2006-07. The margin generated from business has also increased from £14.4m to £18.7m.



We have operated within our statutory Grant in Aid limits set for both Revenue and Capital expenditure as well as achieving the Better Payment Practice requirements and return on capital targets.

The Department of Health funding in the accounting statements is formulated on a cash accounting basis and therefore shows a different picture from that reported through the year which reflects performance against the Department of Health agreed resource limit. The reconciliation between the two figures is shown in the table opposite.

In summary the accounting statements show an overspend of £2,328k against the Revenue Grant in Aid of £14,050k which represents the cash drawdown to cover revenue spend for the year. However this excludes £1.9m non-cash items of depreciation and capital charges, £750k of cash refunded to the Department of Health and cash spent on capital items.
The available resource limit from the Department of Health was £18.6m and therefore the position against this limit was an under spend of £2.2m. A proportion of this under spend relates to slippage on expenditure of £1.2m. An agreement was reached with the Department of Health to use flexibilities in 2008-09.

Over/under spend against Revenue Grant in Aid			
	Financing from DoH £000	Net operating cost £000	(Over)/Under spend £000
DOH Funding	**18,600**	**(16,378)**	**2,222**
Less: Year end flexibility as agreed	(1,200)		
Net DOH Funding	**17,400**	**(16,378)**	**1,022**
Less: Non-cash funding	(2,248)		
Less: Transfer re sale of assets	(379)		
Less: Cash repaid to DoH	(750)		
Add: Net Capital funding	27		
Financing per Annual Accounts	**14,050**	**(16,378)**	**(2,328)**

We have utilised £11m non-recurrent funding which is included in the above figures. This funding has been used in the transformation of the business structure. As a part of this process the Finance Team has been centralised in order to streamline financial procedures and reporting.

Capital cash spend, at £673k for the year, was under spent by £27k against the total capital funding available.

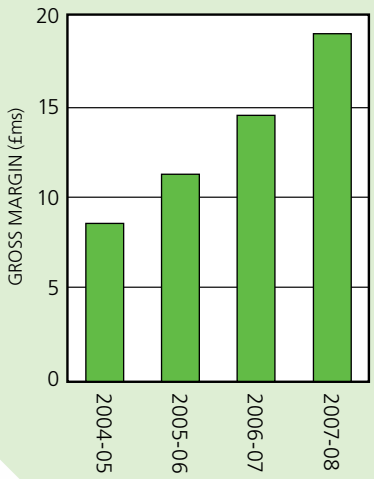
Finally the improved position is reflected in the Balance Sheet at the end of the year which shows an improved management of Working Capital and Cash flow.

The following three Key Performance Indicators (KPI) demonstrate this improvement:

Gross Margin

For 2007-08 our Gross Margin has increased by £4.3m.

Gross Margin



Operating expenditure

Operating expenses monitors the running costs of our organisation and excludes direct staff costs from nursing staff and other groups.

Benefits from our restructuring programmes and improvement in operational efficiencies have continued to be realised over the course of 2007-08 and our corporate staff costs have fallen by £6.7m whilst our total recurrent expenditure reduced from £29.4m to £24.1m.

Management of Debtors

In addition, we have also made significant progress in our management of working capital and in particular over the control of outstanding debt, having maintained debtor days at a year end level of 35 days. Trade Debtors increased by £4m from the position at the end of March 2007 to stand at £26m at the end of the financial year. However, despite this, aged debt recovery has improved.

STATUTORY BACKGROUND

Our accounts for the 12 months ended 31 March 2008 have been prepared in accordance with the direction given by the Secretary of State in accordance with section 232 (schedule 15 paragraph 3) of the NHS Act 2006 and in the format as instructed by the Department of Health with the approval of Treasury.

Our organisation was established on 1 January 2004 as a Special Health Authority to become operational on 1 April 2004. Founding legislation includes the National Health Act 1977 c49 and Statutory Instruments 2003 No. 3059 and 2004 No. 648. We are required to produce an annual report on our activities and finances to the Secretary of State for Health.

We are funded through charges to customers within the NHS that recover the purchase cost of acquiring nurses' and doctors' services plus an amount to contribute to the operating costs of our organisation. We also receive a contribution from the Department of Health to cover the remainder of our net operating costs.

DISABILITY EQUALITY SCHEME

Amendments to the Disability Discrimination Act 1995, which came into force on 4th December 2006, require all NHS Authorities to actively promote disability equality and to produce a Disability Equality Scheme.

The Act makes it unlawful to discriminate against disabled people, or people who have had a disability, in several areas including employment, access to goods and services, education and transport.

We believe NHS Professionals is in a unique position to promote Disability Equality in the NHS through our staff, partnership working with NHS Trusts and leverage with suppliers. We are committed to promoting disability equality for internal and external customers, within our working practices and through the services that we purchase during the normal course of our duties.

Our scheme (published on 4th December 2006) ensures that we are compliant with the requirements of legislation by enabling NHS Professionals to take action to identify and address attitudinal, institutional and physical barriers that disadvantage disabled people in accessing employment and services.

RACE EQUALITY SCHEME

We fully acknowledge our role in helping the NHS to attract, retain, develop and nurture Black and Minority Ethnic (BME) medical, nursing and other staff and we have a national diversity campaign in place to ensure that the opportunities we offer are publicised to all BME sections of the community.

Through our Race Equality Scheme we aim to ensure:

- *Equal treatment of all regardless of race, colour, culture, ethnic or national origin,*
- *That understanding racial and cultural differences becomes a reality in the delivery of our service and treatment of staff,*
- *Staff have the necessary skills, understanding and support to deal professionally with people from diverse backgrounds and are protected from racial abuse,*
- *Existing and future policies and procedures do not have an adverse impact on the promotion of race equality.*

This scheme has been in place since 2005 and is reviewed annually.

EQUAL OPPORTUNITY POLICY

It is our policy to treat all corporate employees and Flexible Worker job applicants fairly and equally regardless of their sex, sexual orientation, marital status, race, colour, nationality, ethnic or national origin, religion, age or disability. In addition, we will ensure that no requirement or condition will be imposed without justification which could disadvantage individuals on any of the above grounds, or on the grounds of trade union membership.

Our policy has been developed in partnership with staff side organisations and the Race Equality Steering Group. It applies to recruitment and selection, terms and conditions of employment, including pay, promotion, training and transfer, and every other aspect of employment.

In addition, we will regularly review our procedures and selection criteria to ensure that individuals are selected, promoted and otherwise treated according to their relevant individual abilities and merits. We aim to build a diverse workforce that reflects the NHS and the wider community in which we operate.

We are committed to the implementation of this policy and to a programme of action to ensure that our policy is, and continues to be, fully effective.

Our Directors and Managers, with support from the Human Resources department, ensure that the policy is implemented and deal with any potential unlawful discrimination.

ORGANISATIONAL REMEDIES

Complaints and Incidents Policy

We are committed to providing a high quality service to patients, service providers and the professional healthcare staff that we provide. Our Complaints and Incidents Policy is the main way in which we 'remedy' or restore a wronged party, due to the nature of our services.

We recognise that when things go wrong it is important not only to put them right but also to do so in a way that we learn from what occurred in order to prevent it happening again.

In addition, our policy for handling complaints and incidents has been developed, as far as is practicable, in line with best practice in the NHS.

The principle behind our policy is that we will be open and honest with complainants, our customers and those involved in and affected by incidents that occur. When things go wrong we will apologise, explain what has happened and what we have done to prevent the same thing happening again.

Where we deem that we have acted correctly a full explanation of the matter will be given and where we are not able to be entirely open – for example to maintain patient confidentiality – then this will be explained.

All dissatisfaction with our services should, wherever possible, be addressed immediately with the intention of resolving the matter to the complainant's satisfaction.

This policy fits within our overall Clinical Governance Strategy.

BETTER PAYMENT PRACTICE CODE

We aim to pay our non NHS Trade Creditors in accordance with the Better Payment Practice Code. The target is to pay 95% of non NHS Trade Creditors within 30 days of receipt of goods or a valid invoice (whichever is the later), unless other payment terms have been agreed with the supplier.

Of the total relevant bills in 2007/08, 99% by number, representing 97% by value, were paid within the target. Details can be found in note 2.4 to the Accounts.

AUDIT SERVICES

Our organisation uses three separate bodies for the audit of our services:

- *Our accounts have been audited by the Comptroller and Auditor General, via the National Audit Office, in accordance with the National Health Service Act 2006 and per the Special Health Authority Directions at a cost of £70,000. The audit certificate can be found on pages 45 and 46 of the Annual Report.*
- *KPMG were appointed through a tender process for the 2007/08 internal audit service. A programme of work was agreed in advance of the year with the audit committee, focusing on key systems and governance arrangements to improve efficiency and effectiveness. The internal auditors provide assurance via regular reporting to the Board on the adequacy of systems and processes.*
- *Central Eastern Audit Services (CEAC) were appointed via tender for the 2007/08 Local Counter Fraud Service (LCFS). This is a compulsory requirement of NHS Bodies and serves to link up with NHS Trust Audit teams to minimise fraud by education of staff, making staff and bank workers aware of fraud and joint working with other NHS Bodies to maximise effectiveness and resources.*

All three bodies regularly attend and report at the Audit Committee, whose membership comprised the following Non Executive Directors:

John Flook
John King*
Fiona Eldridge
Susan Hobbs
Nilesh Goshwami**

In addition, the Chief Executive and Director of Finance also regularly attend.

AUDIT ASSURANCE STATEMENT

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

** left 31 December 2007*

*** joined Audit Committee 01 January 2008*

DIRECTORS' INTERESTS

On 1st January 2008, at the end of a number of our Non-Executives' terms, the statutory composition of our Board was reviewed. This meant that, with fewer core members, existing Non-Executive Directors would assume roles in additional NHS Professionals Committees.

Name	Directorships (including non-executive) and partnerships in private companies or PLCs	Ownership or part-ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Significant shareholdings in organisations likely or possibly seeking to do business with the NHS	Details of any position of authority in any body, including a charity or voluntary body, in the field of health and social care	Details of any connection with a voluntary or other body contracting for NHS services	Details of fees received from public bodies or other organisations
Non-Executive Members of the Board						
Richard Martin	Director – Integrated International Payroll Ltd (iipay Ltd) Director and Chairman Ochre House Ltd Recruitment Group	Shareholder in Integrated International Payroll Ltd (iipay Ltd)	Shareholder in Integrated International Payroll Ltd (iipay Ltd)	Trustee – Turning Point Social Enterprise	Turning Point	None
Fiona Eldridge	Teaching Personnel Holdings Ltd (Non Executive Chairman); Teaching Personnel Ltd (Non- Executive Chairman) The Coaching and Communication Centre Ltd (Director)	Ownership of The Coaching and Communication Centre Ltd	Sole shareholder of The Coaching and Communication Centre Ltd	None	None	None
Nilesh Goswami	Director – Urbanselect Ltd Chair – 345 Preschools Ltd Director – UKTEN Director – Meridian Clinical and Meridian IP	Meridian Clinical and Meridian IP Sole trader providing consultancy services to NHS organisations	Meridian Clinical and Meridian IP	Chair – 345 Preschools Ltd	None	The majority of my earned income as a self employed consultant comes from NHS and NHS related organisations. All fees are project specific.
John Flook	Director – John Flook Coaching and Consulting Ltd	Director – Cardea Group of Consultants Ltd Director – John Flook Coaching and Consulting Ltd	Material minority equity stake in Cardea. Sole shareholder in John Flook Coaching and Consultancy Ltd.	Non Executive Director Darlington PCT.	Occasional adviser to Commercial sector organisations seeking business with the NHS.	The majority of my income as a self employed policy advisor, business coach and consultant comes from NHS and NHS related organisations.

Name	Directorships (including non-executive) and partnerships in private companies or PLCs	Ownership or part-ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS	Significant shareholdings in organisations likely or possibly seeking to do business with the NHS	Details of any position of authority in any body, including a charity or voluntary body, in the field of health and social care	Details of any connection with a voluntary or other body contracting for NHS services	Details of fees received from public bodies or other organisations
Susan Hobbs	None	None	None	Trustee Primrose Foundation, Plymouth Chair Cerebra, Carmarthen Chair Designate St Loyes Foundation, Exeter	None	I have a contract with the GMC as a 'Visitor' for the Education Committee on the QAMBE programme. This is remunerated at a daily rate plus expenses
Maggie Lee	Director of Seams Right Ltd Director of Lime Hill Search Ltd	Lime Hill Search Ltd	Lime Hill Search Ltd	Governor of University of Westminster	None	None
Executive Team Members						
Andy Leary	None	None	None	None	None	None
Anne O'Brien	None	None	None	None	None	None
Anne Challinor	None	None	None	None	None	None
Christopher Day	None	None	None	None	None	None
Janet Martin	None	None	None	None	None	None
John Faraguna	None	None	None	None	None	None
Stephen Dangerfield	Director – Taxabal Ltd Director – SFSC Ltd	None	None	None	None	None

This table shows the interests of Non-Executive Directors and the Executive Team Members who were in post at 31 March 2008. Directors who left during the year are not shown. A full register of interests is available to view on request.

PENSION LIABILITY

A detailed explanation of how Pension Liabilities are treated in the Accounts of the organisation can be found in note 1.8 under Accounting Policies on pages 52 and 53 of the annual accounts and also under the Remuneration Report within this annual report document.

MEMBERSHIP OF THE REMUNERATION AND TERMS OF SERVICE COMMITTEE

From 1 April 2007 to 01 December 2007 our Remuneration Committee consisted of the following Non-Executive Directors:

Richard Martin	Chairman (Chair of the Committee)
Carol Varlaam	Non-Executive Director
John King	Non-Executive Director

Following the re-composition of our Board on 01 January 2008 the Remuneration Committee consists of (from 01 January to 31 March 2008):

Richard Martin	Chairman (Chair of the Committee)
Sue Hobbs	Non-Executive Director
John Flook	Non-Executive Director
Fiona Eldridge	Non-Executive Director
Nilesh Goswami	Non-Executive Director

POLICY FOR REMUNERATION

Remuneration for all employees excluding the executive is in compliance with Agenda for Change or very senior managers pay framework. Executive remuneration is dealt with through the Remuneration Committee.

METHOD OF REMUNERATION FOR SENIOR MANAGERS

The method of remuneration for senior managers is based on two factors; job assessments and benchmarking of the roles. With regards to job assessments, each role is scoped to assess the full range of job responsibilities involved.

In addition, internal and external benchmarking is completed to allow comparisons to take place.

Full details on the duration of contracts and notice periods, by executive role, can be seen in the table opposite.

Executive Team Members					
	Role	Start in Current Role	Notice	Nature/Expiry	Continuous Service Starts
John Faraguna	Chief Executive	08 May 2007	N/a *(on secondment from Steria)*	Interim	08 May 2007
Jeffrey Lynch *(left 31 January 2008)*	Director of HR, Marketing & Communications	17 May 2004	3 months	Permanent	07 September 1987
Richard McMahon *(left 31 August 2007)*	Director of Clinical Governance	23 August 2004	3 months	Permanent	30 June 1980
Paul Roche *(left 01 July 2007)*	Managing Director	02 August 2004	6 months	Permanent	02 August 2004
Andy Leary	Director of Finance	04 September 2006	3 months	Permanent	02 September 1981
Volker Kellermann	Interim Director of Business Development & Commercial Services	01 January 2008	3 months	Interim	28 November 2005
Anne Challinor	Director of Client Relations	01 July 2007	3 months	Permanent	09 August 2004
Christopher Day	Director of Marketing & Communications	01 November 2007	3 months	Permanent	21 June 1999
Janet Martin	Associate Director of Human Resources	29 November 2007	3 months	Permanent	06 September 1973
Stephen Dangerfield	Interim Director of Operations	11 June 2007	N/a *(on secondment from Steria)*	Interim	11 June 2007
Lynn Betts *(left 16 November 2007)*	Interim Director of Clinical Governance	13 August 2007	N/a *(independent consultant from Exec Bank)*	Interim	13 August 2007
Anne O'Brien	Director of Clinical Governance	21 January 2008	N/a *(on secondment NHS Clinical Governance Support Team)*	Permanent employment commenced 01 April 2008	20 January 1988

Remuneration Report

The tables below confirm the salary and other remuneration paid to the senior managers of NHS Professionals during financial year 2007-08. Payments have been made in line with the remuneration policy outlined on page 34. Tables a. and b. are subject to audit.

SALARY AND PENSION ENTITLEMENT OF SENIOR MANAGERS **a. Remuneration**	2007-08			2006-07		
	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)
Name and title	£000	£000	£00	£000	£000	£00
Executive Team Members						
Jeffrey Lynch (Director of HR, Marketing and Communications) *left 31 January 2008*	85-90	160-165	0	100-105	0	0
Richard McMahon (Director of Clinical Governance) *left 31 August 2007*	45-50	0-5	0	95-100	0	0
Paul Roche (Managing Director) *left 01 July 2007*	60-65	90-95	0	135-140	0	0
Andy Leary (Director of Finance)	115-120	10-15	11	60-65	0	6
Volker Kellermann* (Interim Director of Business Development & Commercial Services)	25-30	0	0	0	0	0
Anne Challinor* (Director of Client Relations)	65-70	0-5	0	0	0	0
Christopher Day* (Director of Marketing & Communications)	30-35	0-5	0	0	0	0
Janet Martin* (Associate Director of Human Resources) started 29 November 2007	20-25	0-5	0	0	0	0
Amounts paid to third party organisations						
The costs shown below for Stephen Dangerfield, Lynn Betts and Anne O'Brien are the amounts paid by NHS Professionals to external organisations for their services.						
Stephen Dangerfield (Interim Director of Operations) started 11 June 2007	Total cost: £240-250k (2006-07 £nil)					
Lynn Betts (Interim Director of Clinical Governance) started 13 August 2007 *left 16 November 2007*	Total cost: £40-45k (2006-07 £nil)					
Anne O'Brien (Director of Clinical Governance) started 21 January 2008	Total cost: £15-20K (2006-07 £nil)					
Please note the amount shown below for John Faraguna reflects the **total cost** payable by the Department of Health on behalf of NHS Professionals. No breakdown of this amount is available						
John Faraguna (Chief Executive) started 08 May 2007	Total cost: £400-410k (2006-07 £nil)					

** Although these individuals were members of NHS Professionals, they were not members of the Executive Team for the full year.*

SALARY AND PENSION ENTITLEMENT OF SENIOR MANAGERS **a. Remuneration**	2007-08			2006-07		
	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)	Salary in £5k bands	Other remuner. in £5k bands	Benefits in kind (rounded to the nearest £00)
	£000	£000	£00	£000	£000	£00
Non Executive Members of the Board *						
Richard Martin (Chairman)	50-55	0	0	50-55	0	0
Richard Bromberg (left 31 December 2007)	5-10	0	0	5-10	0	0
Fiona Eldridge	5-10	0	0	5-10	0	0
John Flook	10-15	0	0	10-15	0	0
Sue Hobbs	5-10	0	0	5-10	0	0
John King (left 31 December 2007)	5-10	0	0	5-10	0	0
Anthony McKeever (left 31 December 2007)	5-10	0	0	0-5	0	0
Carol Varlaam (left 31 December 2007)	5-10	0	0	5-10	0	0
Nilesh Goswami	5-10	0	0	5-10	0	0
Maggie Lee	5-10	0	0	5-10	0	0

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

SALARY AND PENSION ENTITLEMENT OF SENIOR MANAGERS

b. Pension Benefits

	2007-08						
	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at aged 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5000)	Cash Equivalent Transfer Value at 31 March 2008	Real increase in Cash Equivalent Transfer Value	Employers' contribution to stakeholder pension
Name and title	£000	£000	£000	£000	£000	£000	£000
Jeffrey Lynch (Director of HR, Marketing and Communications) *left 31 January 2008*	N/A	N/A	25-30	75-80	367	12	0
Richard McMahon (Director of Clinical Governance) *left 31 August 2007*	N/A	N/A	30-35	100-105	496	14	0
Paul Roche (Managing Director) *left 01 July 2007*	N/A	N/A	0-5	10-15	55	1	0
Andy Leary (Director of Finance)	2.5 - 5	7.5-10	35-40	110-115	514	19	0
Volker Kellermann (Interim Director of Business Development & Commercial Services)	0-2.5	0-2.5	0-5	5-10	38	N/A	0
Anne Challinor (Director of Client Relations)	0-2.5	2.5-5	5-10	25-30	158	N/A	0
Christopher Day (Director of Marketing & Communications)	0-2.5	0-2.5	5-10	20-25	92	N/A	0
Janet Martin (Associate Director of Human Resources)	2.5-5	7.5-10	30-35	90-95	539	N/A	0

CASH EQUIVALENT TRANSFER VALUE

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

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

REAL INCREASE IN CETV

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

Signed:

Chief Executive and Accounting Officer
Date: 19 June 2008

Statement of Accounting Officer's Responsibilities

Under the National Health Service Act 2006, the Secretary of State with the approval of HM Treasury has directed the NHS Professionals Special Health Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NHS Professionals and of its income and expenditure, total 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 with the approval of HM Treasury, 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 Accounting Officer of the Department of Health has designated the Chief Executive as Accounting Officer of NHS Professionals. 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 NHS Professionals' assets, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

1. SCOPE OF RESPONSIBILITY

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

I am accountable to Parliament and the Secretary of State for Health. I am also directly accountable to the Chairman of the Special Health Authority who is responsible for agreeing my personal objectives and appraising performance against them on an annual basis.

I meet regularly with colleagues from the Department of Health to discuss operational and financial performance and risk using the Business Plan to monitor progress against agreed objectives. In addition regular meetings are held with the Department of Health, sponsor of NHS Professionals, to ensure there is an awareness and involvement in the direction of the Authority.

As Chief Executive, I take personal responsibility for risk management at Board level. These responsibilities are delegated to the Director of Finance for financial and business issues and to the Director of Clinical Governance for corporate governance, clinical and facilities issues.

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 departmental 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. Our system of internal control has been in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. CAPACITY TO HANDLE RISK

We developed our committee structure to reflect management responsibilities. Financial, operational and corporate governance risks are reported to the Audit Committee and clinical and facilities (health and safety fire, security) risks are reported to the Clinical Governance Committee. The Audit Committee and the Clinical Governance Committee are chaired by Non-Executive Directors and to ensure consistency both Non Executive Chairs are on the two committees. Both Committees are supported by the Director lead who also report on risk related matters at the Board meeting. The Audit Committee also has a corporate governance role in assuring that each sub committee has an adequate process in place for the assessment and management of risk.

In addition to these groups a development committee has been established which will meet to review business cases for approval over executive limits and monitor all major projects that are agreed by the Board to ensure public expenditure is being used efficiently and effectively in line with our overall objectives. During the period of transformational change this committee has not met.

All committees report directly to the Board and minutes of meetings are sent to all Board members to ensure a top down approach to risk management. We operate from a centralised operational base in Watford which offers a full range of Flexible Workers services. A satellite office in Wakefield provides essential back office functions.

Each Directorate is responsible for its own risk register and manages risk within the agreed Assurance Framework. Principle risks and assurances on control are reported to the Board.

4. THE RISK AND CONTROL FRAMEWORK

We have formally adopted a Risk Management Policy and a Risk Management Strategy. Regular risk assessments are carried out during the year on our activities and performance against recognised external standards. These are consolidated within an overall risk register and monitored at executive level, at the Audit Committee, and at our board on a quarterly basis, to ensure risk is minimised and mitigated against. Our objectives, Business Plan and major Business Cases are also reviewed in this process to determine all organisational risks are considered.

Statement on internal control 2007/08

The Risk Management Strategy describes the overall risk accountability arrangements including the levels of tolerance.
The Risk Management Policy details the specific responsibilities of the Board, Committees, Directors and other members of staff.

Our Board have adopted the Assurance Framework approach to the management of risk and have agreed to follow a process similar to other NHS organisations. A number of discussions have taken place at the Board and its sub committees to refine this process and its applicability to our organisation. Risks are structured in a way that matches the main business objectives of the organisation. Principle risks are scored and reported to the Board with details on assurance and action plans to resolve any outstanding issues.

We are a member of the Risk Pool Scheme for Trusts operated by the NHS Litigation Authority. We are not required to meet the standards of or join the Clinical Negligence Scheme for Trusts.

Our Director of Clinical Goverance is responsible for all risk matters and a review of all risk areas has also been set up under her leadership. CEAC, our Local Security Management Specialists as required under the Directions to NHS Bodies on Security Management Measures (2004), completed further assessment work during the year which followed on from their 06/07 review of our security arrangements at all sites in line with national guidance and best practice.

Risk management and health and safety are also features of the job descriptions of staff that have responsibility at a national level. Additionally, each site has a trained Institute of Safety and Health representative.

All staff are given basic risk management awareness training as part of their induction into the organisation.

We have introduced a new process for ensuring compliance with information governance requirements. Our Board have approved an information governance policy and an assurance audit conducted by our new internal audit provider West Yorkshire Audit Consortia is currently in progress to assess compliance against requirements.

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 the scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in regulations.

The Head of IT has fulfilled the role of operational lead for information governance and he has reviewed all material held on our main data repository and reviewed access to this. New controls have been introduced to prevent personally attributable data being inadvertently accessed. Data held on all lap top computers has been reviewed and policies tightened on data security and encryption. Progress is also being made in removing paper records and a new electronic scanning process introduced for Flexible Worker files.

During the course of last year, we discovered a failure of part of our Flexible Worker recruitment and file management systems and processes. In particular, it was found that a large percentage of Pure Bank Flexible Workers (those who do not have substantive employment with an NHS Trust) had incomplete documentation.

There were several reasons for these shortcomings in worker documentation. Firstly, NHS Professionals has had a policy of not correcting the documentation of workers who join our Bank through TUPE transfer from a Trust, therefore any shortcomings in the recruiting or document management of the Trusts were perpetuated. Secondly, our processes, while very good and improving, have not been perfect.

Finally, while we audit these processes several times each year, our audits have been forward looking (i.e. they have been focused on the processes associated with adding new workers rather than maintaining existing ones) and have therefore not identified historical problems.

Our Flexible Worker recruitment and document management processes underpin all of our services as well as our brand promise of high quality. Therefore, once issues were found in these processes, we quickly began a high priority effort to assess the situation, develop an approach to address the situation rapidly, and then implement the necessary changes. As part of the assessment, we asked PASA to conduct an audit of our existing processes to ensure that we are fully compliant with Safer Recruitment standards and to provide an objective perspective.

We have now completed the audit of our Pure Bank Flexible Worker files and are well along the way of ensuring proper documentation is in place for all Pure Bank workers. As we do this, we are scanning the documents and will manage them on a new Document Management System, which will provide on-line access and enhanced data security. We have also improved our processes to ensure that workers that TUPE transfer to us during the implementation of new Trusts are fully documented. Finally, we are ready to implement the new employment check standards announced earlier by NHS Employers.

5. REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Our Head of Internal Audit provides me with an opinion on our ability to place reliance on the Assurance Framework and on the controls reviewed as part of their internal audit work programme. Executive Directors have responsibility for developing and maintaining systems of internal control within their areas of responsibility. The various component parts of the Assurance Framework itself provide me with evidence that risks faced by the organisation are being managed and that the principal objectives are constantly reviewed and assessed.

My review is also informed by the findings of the National Audit Office, as our External Auditors, including the improvement observations from last year's audit that have been fully taken on board and are being implemented.

Our Audit Committee and Clinical Governance Committee meet on a regular basis and the minutes are reported to the full Board for formal approval, ensuring a channel for the reporting of risks and contributing to the overall process of ensuring that an effective system of internal control is maintained.

A series of actions were described in the Statement on Internal Control for 2006/07, which have been addressed as follows:

- *Enhancement of the reporting framework that encompasses Board level reporting against strategic risks and a wider reporting hierarchy for other risks. As described above the Board see a high level principle risk schedule from which assurance can be gained. Below this are Directorate risk register which cover the business and other risks identified as relevant to that Directorate.*
- *Roll out of Web Based booking nationally was achieved in December 2007 and has now been fully operational for a number of months.*
- *Web based timesheets with in-built password security and an improved audit trail has been developed and will be trialled early in 2008/09. Counter Fraud have already indicated this development will enhance the existing control systems in place.*
- *An IT Steering Committee to allow effective monitoring of progress on IT matters was established as part of the remit of the development committee. However there have been no major developments proposed which would require this committee's support and so it has not met. One case for IT enhancements which would normally have been considered by this committee was discussed and agreed at the full Board meeting.*
- *The financial transaction processing carried out by the National Finance Centre was migrated to NHS Shared Business Services on 1st April 2007 which has allowed for even greater standardisation of processes and improved adherence to the National Framework. NHS Shared Business Services have provided a SAS70 report providing assurance over the standard processing carried out during 2007/08. An assurance has also been provided over the enhanced services provided specifically for NHS Professionals.*

The Head of Internal Audit has provided a limited assurance statement in respect of the overall Internal Controls, however he has recognised improvements from 2006-07. In addition I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Audit Committee, the Clinical Governance Committee and the Board.

6. AREAS FOR FURTHER DEVELOPMENT

The component parts of the NHS Professionals Assurance Framework have been in place now for two full financial years. However, there are a number of areas that have been identified through the Management Team and via Internal Audit work that require development during 2008/09 and for which we have an action plan:

- *Web based timesheets will be trialled early in 2008/09 and will be rolled out to Trusts on a phased basis during the year.*
- *Development of E-Procurement which will utilise the functionality of the existing Oracle Financials system to provide a more streamlined purchase ordering process with built-in password and financial limit controls.*
- *Further development of information technology to improve the efficiency of business operation.*
- *Further outsourcing of back office functions will be explored*
- *The Board Assurance framework will be further developed*
- *Governance in general will be reviewed by the new lead Director and opportunity to improve processes will be taken.*
- *Centralisation of the Financial Management function commenced in November 2007 and a process of review and standardisation is now underway. This process will lead to more robust and steamlined reporting in 2008/09.*

Signed:

Chief Executive and Accounting Officer
Date: 19 June 2008

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

I certify that I have audited the financial statements of the NHS Professionals Special Health Authority for the year ended 31 March 2008 under the National Health Service Act 2006. These comprise the Income and Expenditure Statement and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service 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 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 National Health Service 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 management commentary and the unaudited part of the remuneration report, 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 NHS Professionals 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 NHS Professionals' 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 NHS Professionals' 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 Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to NHS Professionals' 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 National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of NHS Professionals' affairs as at 31 March 2008 and of the income and expenditure, total recognised gains and losses and cashflows 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 National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and*
- *information, which comprises the management commentary and the unaudited part of the remuneration report, 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
SWIW 9SS

Date: 26 June 2008

Income and Expenditure Statement for the year ended 31 March 2008

		2007-08	2006-07
	Notes	£000	£000
Operating income	3	239,878	235,711
Operating expenditure	2.2	(256,256)	(255,045)
Net operating cost for the financial year	**2.1**	**(16,378)**	**(19,334)**

All income and expenditure is derived from continuing operations.
The net operating cost for the year was financed by the Department of Health as per note 2.1.
The notes at pages 50 to 63 form part of this account.

Statement of Total Recognised Gains and Losses for the year ended 31 March 2008

		2007-08	2006-07
	Notes	£000	£000
Surplus/(deficit) for the financial year		(16,378)	(19,334)
Unrealised surplus/(deficit) on the indexation of fixed assets	11.2	69	4
Total recognised gains and losses for the financial year		**(16,309)**	**(19,330)**

The notes at pages 50 to 63 form part of this account.

Balance Sheet as at 31 March 2008

		31 March 2008	31 March 2007
	Notes	£000	£000
Fixed assets:			
Intangible assets	4.1	603	507
Tangible assets	4.2	2,720	3,640
		3,323	4,147
Current assets			
Debtors	6	45,644	35,088
Cash at bank and in hand	7	1,201	6,080
		46,845	41,168
Creditors: amounts falling due within one year	8.1	(22,424)	(16,875)
Net current assets/(liabilities)		24,421	24,293
Total assets less current liabilities		27,744	28,440
Provisions for liabilities and charges	9	(1,736)	(740)
		26,008	**27,700**
Taxpayers' equity			
General Fund	11.1	22,999	23,973
Revaluation reserve	11.2	89	20
Capital Reserve	11.4	2,920	3,707
		26,008	**27,700**

The notes at pages 50 to 63 form part of this account.

Signed:

Chief Executive and Accounting Officer

Date: 19 June 2008

Cash Flow Statement for the year ended 31 March 2008

		2007-08	2006-07
	Notes	£000	£000
Net cash (outflow) from operating activities	12	(19,407)	(13,984)
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		(604)	(775)
(Payments) to acquire tangible fixed assets		(78)	(201)
Receipts from disposal of tangible assets		487	25
Net cash inflow/(outflow) from investing activities		(195)	(951)
Net cash (outflow) before financing		**(19,602)**	**(14,935)**
Financing			
Revenue Grant in Aid		14,050	20,024
Capital Grant in Aid	11.4	673	976
Increase/(decrease) in cash in the period	**7**	**(4,879)**	**6,065**

The notes at pages 50 to 63 form part of this account.

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 Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, 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.

Acquisitions and Discontinued Operations

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

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1 within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received. Capital funding is credited to the capital reserve and released to the Income & Expenditure Statement in line with the associated expenditure.

Operating income is income which relates directly to the operating activities of the authority. It principally comprises fees and charges to other NHS bodies for the provision of flexible health professionals, but it also includes other income such as that from investments and from other health bodies. It includes both income appropriated-in-aid and income to the Consolidated Fund which HM Treasury has agreed should be treated as miscellaneous income. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

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

Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2007-08 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.

1.4 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.

iv) Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b. Valuation

Intangible Fixed Assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. 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 (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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) Assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any existing land or buildings under the control of a contractor.

iii) Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.

iv) 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) Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

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

Furniture and fittings	10 years
Information technology	5 years

1.5 Donated Fixed Assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement. Similarly, any impairment on donated assets charged to the Operating Cost Statement is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the General Fund.

1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work in progress comprises goods in intermediate stages of production.

1.7 Losses and special payments

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

1.8 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period. The total employer contributions payable in 2007-08 was £6,843,000 (2006-07 £7,740,000), of which Corporate was £1,118,000 (2006-07 £1,628,000).

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a 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 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 Trust 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.

1.9 Research and Development

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

1.10 Leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives or primary lease term. Rentals under operating leases are charged on a straight line basis over the terms of the lease.

1.11 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 3.5% in real terms.

2.1 Reconciliation of net operating cost to financing received from the Department of Health

	2007-08 £000	2006-07 £000
Net operating cost for the financial year	(16,378)	(19,334)
Financing received from the Department of Health	14,050	20,024
(Over)/Underspend against financing received from the Department of Health	(2,328)	690

Included within net operating costs for the financial year is £1.9m of capital cost. The remaining £0.5m overspend has been funded through working capital management.

For more detailed explanation refer to pages 28 and 29

2.2 Operating expenditure

	Notes	£000	2007-08 £000	2006-07 £000
Non-executive members' remuneration			122	125
Other salaries and wages	2.3		235,872	240,574
Supplies and services - general			491	1,218
Establishment expenses			4,045	4,513
Transport and moveable plant			98	271
Premises and fixed plant			4,617	4,491
External contractors			5,351	696
Capital: Depreciation and amortisation	4.1, 4.2	1,011		1,129
Capital charges interest		811		832
(Profit)/Loss on disposal	4.4	86		(6)
			1,908	1,955
Auditor's remuneration: Audit Fees			70	75
Redundancies and retirement			3,010	886
Miscellaneous			672	241
			256,256	**255,045**

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

Redundancies and early retirement includes £2,015k in respect of redundancies and £919k in respect of early retirements not due to ill health incurred as a result of the business re-organisation.

2.3 Staff numbers and related costs

	2007-08 Total	Permanently Employed Staff	Other	2006-07 Total
	£000	£000	£000	£000
Salaries and wages	215,023	12,669	202,354	219,210
Social security costs	14,006	858	13,148	13,624
Employer contributions to NHS Pensions Scheme	6,843	1,037	5,806	7,740
	235,872	14,564	221,308	240,574

The average number of employees during the year was:

	Total	Permanently Employed Staff	Other	2006-07
	Number	Number	Number	Number
Total	8,079	327	7,752	8,645

Expenditure on staff benefits
The amount spent on staff benefits during the year totalled £nil (2006-07: £nil).

Retirements due to ill-health
During 2007-08 there were 5 cases of retirements from NHS Professionals on the grounds of ill-health at an additional cost of £76k (2006-07: Nil). This information was supplied by NHS Pensions Scheme.

2.4 Better Payment Practice Code - measure of compliance

	Number	£000
Total non NHS bills paid 2007-08	42,473	47,354
Total non NHS bills paid within target	42,277	45,889
Percentage of non NHS bills paid within target	**99.5%**	**96.9%**
Total NHS bills paid 2007-08	827	1,857
Total NHS bills paid within target	774	1,844
Percentage of NHS bills paid within target	**93.6%**	**99.3%**

3. Operating Income

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

	Not Appropriated in aid £000	Total £000	2006-07 £000
Programme income:			
Fees & charges to external customers	111	111	41
Income received from other Departments, etc	238,820	238,820	234,873
Income released from capital reserve	947	947	797
Total	**239,878**	**239,878**	**235,711**

4.1 Intangible fixed assets

	Software Licences £000	Total £000
Gross cost at 31 March 2007	652	652
Additions - purchased	240	240
Gross cost at 31 March 2008	**892**	**892**
Accumulated amortisation at 31 March 2007	145	145
Provided during the year	144	144
Accumulated amortisation at 31 March 2008	**289**	**289**
Net book value: Purchased at 31 March 2007	507	507
Net book value: Purchased at 31 March 2008	**603**	**603**

4.2 Tangible fixed assets

	Information Technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 31 March 2007	4,073	2,016	6,089
Additions - purchased	410	10	420
Indexation	0	130	130
Disposals	(380)	(958)	(1,338)
Gross cost at 31 March 2008	**4,103**	**1,198**	**5,301**
Accumulated depreciation at 31 March 2007	1,851	598	2,449
Provided during the year	654	213	867
Indexation	0	30	30
Disposals	(248)	(517)	(765)
Accumulated depreciation at 31 March 2008	**2,257**	**324**	**2,581**
Net book value: Purchased at 31 March 2007	2,222	1,418	3,640
Net book value: Purchased at 31 March 2008	**1,846**	**874**	**2,720**

4.3 Net Book Value of land and buildings

The net book value of land and buildings at the balance sheet date was £nil (31 March 2007: £nil)

4.4 Profit/loss on disposal of fixed assets

	2007-08 £000	2006-07 £000
Profit/(Loss) on disposal of plant and equipment	(86)	6
	(86)	6

5 Stocks and work in progress

The net book value of stocks and work-in-progress at the balance sheet date was £nil (31 March 2007: £nil)

6 Debtors

6.1 Amounts falling due within one year

	31 March 2008 £000	31 March 2007 £000
NHS debtors	25,619	22,035
Prepayments	4,541	1,615
Accrued income	14,462	10,907
Other debtors	1,022	531
	45,644	**35,088**

6.2 Amounts falling due after more than one year

Debtors falling due after more than one year at the balance sheet date was £nil (31 March 2007: £nil)

7. Analysis of changes in cash

	At 31 March 2007 £000	Change during the year £000	At 31 March 2008 £000
Cash at OPG	6,076	(4,878)	1,198
Cash at commercial banks and in hand	4	(1)	3
	6,080	**(4,879)**	**1,201**

8 Creditors

8.1 Amounts falling due within one year

	31 March 2008 £000	31 March 2007 £000
NHS creditors	582	387
Capital creditors	389	410
Tax and social security	0	(1)
Other creditors	4,470	1,653
Accruals	16,781	13,950
Deferred income	202	476
	22,424	**16,875**

8.2 Amounts falling due after more than one year

Creditors falling due after more than one year at the balance sheet date was £nil (31 March 2007: £nil)

8.3 Finance lease obligations

NHS Professionals has not entered into any finance lease obligations (2006-07: £nil)

9 Provisions for liabilities and charges

	Other £000	Total £000
At 31 March 2007	740	740
Arising during the year	1,572	1,572
Utilised during the year	(110)	(110)
Reversed unused	(466)	(466)
At 31 March 2008	**1,736**	**1,736**
Expected timing of cash flows:		
Within 1 year	1,736	1,736

£nil is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the Special Health Authority.

Provisions at 31 March 2008 are for dilapidations (£85k), work to clear a pensions backlog (£91k), CRB checks for Flexible Workers (£84k), redundancy costs (£441k), restructuring (£150k), Sheffield rent (£870k), outstanding legal claims (£8k) and Agenda for Change backpay (£7k).

10 Movements in working capital other than cash

	2007-08 £000	2006-07 £000
Increase/(decrease) in debtors	10,556	(14,092)
(Increase)/decrease in creditors	(5,570)	9,827
	4,986	**(4,265)**

11 Movement on reserves

11.1 General fund

	31 March 2008 £000	31 March 2007 £000
Balance at 31 March 2007	23,973	22,451
Net Operating Costs for the Year	(16,378)	(19,334)
Net Parliamentary Funding	14,050	20,024
Non-cash items: Capital charge interest	811	832
Capital Reserve disposals	543	0
Closing Balance at 31 March 2008	**22,999**	**23,973**

11.2 Revaluation reserve

	31 March 2008 £000	31 March 2007 £000
Balance at 31 March 2007	20	16
Indexation of fixed asset	99	21
Realised Depreciation	(30)	(17)
Closing Balance at 31 March 2008	**89**	**20**

11.3 Donated asset reserve

Donated asset reserve at the balance sheet date was £nil (31 March 2007: £nil)

11.4 Capital reserve

	31 March 2008 £000	31 March 2007 £000
Balance at 31 March 2007	3,707	3,461
Capital Grant in Aid	673	976
Indexation	30	67
Disposals	(543)	0
Depreciation	(947)	(797)
Closing Balance at 31 March 2008	**2,920**	**3,707**

12 Reconciliation of operating costs to operating cash flows

	Notes	2007-08 £000	2006-07 £000
Net operating cost before interest for the year		16,378	19,334
Adjust for non-cash transactions	2.2	(1,908)	(1,955)
Adjust for capital depreciation recognised in income	11.4	947	797
Adjust for movements in working capital other than cash	10	4,986	(4,265)
(Increase)/decrease in provisions	9	(996)	73
Net cash outflow from operating activities		**19,407**	**13,984**

13 Contingent liabilities

At 31 March 2008, there were no contingent liabilities (31 March 2007: £150k)

14 Capital commitments

There were no contracted capital commitments at 31 March 2008 (31 March 2007: £21k)

15 Commitments under operating leases

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

		2007-08 £000	2006-07 £000
Hire of plant and machinery		23	54
Other operating leases		1,693	2,366
		1,716	**2,420**
Land and buildings			
Operating leases which expire:	within 1 year	20	278
	between 1 and 5 years	0	25
	after 5 years	982	1,326
		1,002	**1,629**
Other leases			
Operating leases which expire:	within 1 year	4	8
	between 1 and 5 years	10	10
	after 5 years	0	0
		14	**18**

16 Other commitments

At 31 March 2008 the value of other financial commitments (which are not operating leases) was £15,634k. These relate to the provision of IT management services (£385k - 12 month contract), network line rentals (£23k - 3 month contract), payroll systems (£32k - 3 month contract), rental of office space (£45k - 12 month contract) and provision of transaction processing services (£15,149k - 5 year contract). The value as at 31 March 2007 was £19,288k.

17 Losses and special payments

There were 8 cases (2006-07 1 case) of losses and special payments totalling £3,394,272 (2006-07 £12,617) paid during 2007-08 including 2 cases exceeding £250,000 as follows:

- Settlement of contract due to change in IT strategy following business reorganisation £293,750.
- Prepayment of the NHS Shared Business Services 2008-09 contract including 3% discount, as approved by the Treasury, £3,078,528.

18 Related parties

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

The Department of Health is regarded as a controlling related party. During the year the Authority/Board has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, i.e. sales and services to other Health Authorities, Primary Care Trusts and NHS Trusts during the year were valued at £240 million which represented trading with 170 individual organisations.

Purchase of goods and services from other Health Authorities, Primary Care Trusts and NHS Trusts during the year were valued at £1.8 million, which represented trading with 68 individual organisations.

Purchase of goods and services from NHS Shared Business Services during the year were valued at £6.3 million.

During the year, none of the Authority's members or members of the key managament staff or other related parties has undertaken any material transactions with the Authority.

19 Post balance sheet events

NHS Professionals' financial statements are laid before the Houses of Parliament by the Secretary of State for Health. FRS 21 requires NHS Professionals to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by NHS Professionals' management to the Secretary of State for Health.

The financial statements were authorised for issue by the Accounting Officer on 19 June 2008

20 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, NHS Professionals is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. NHS Professionals 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 NHS Professionals in undertaking its activities.

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

Liquidity Risk

NHS Professionals net operating costs are financed from resources voted annually by Parliament. NHS Professionals largely finances its capital expenditure from funds made available from Government under an agreed capital Grant In Aid limit. NHS Professionals is not, therefore, exposed to significant liquidity risks.

Interest rate risk

100% of the Authority's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. NHS Professionals is not, therefore, exposed to significant interest rate risk

Foreign currency risk

NHS Professionals has negligible foreign currency income.

Fair values

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

21 Intra-government balances

	Debtors: Amounts falling due within one year £000	Creditors Amounts falling due within one year £000
Balances with other central government bodies	1,000	21
Balances with local authorities	0	1
Balances with NHS Trusts	40,086	1,417
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	4,558	20,985
At 31 March 2008	**45,644**	**22,424**

	Debtors: Amounts falling due within one year £000	Creditors: Amounts falling due within one year £000
Balances with other central government bodies	456	0
Balances with local authorities	0	0
Balances with NHS Trusts	32,924	1,772
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	1,708	15,103
At 31 March 2007	**35,088**	**16,875**

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