

Annual Report and Accounts 2014/15

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Section 6 of the National Health Service Act 2006

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1. About us

The NHS Business Services Authority (NHSBSA) is a Special Health Authority and an Arm's Length Body of the Department of Health (DH). We provide a range of critical central services to NHS organisations, NHS contractors, patients and the public (see Figure 1 below). The NHSBSA was created in 2006 by bringing together a number of previously separate NHS organisations. We still deliver the core range of services we started with and have taken on additional services as our stakeholders' needs have evolved. Appendix 1 summarises our services and their key performance indicators (KPIs).



Figure 1: Our services

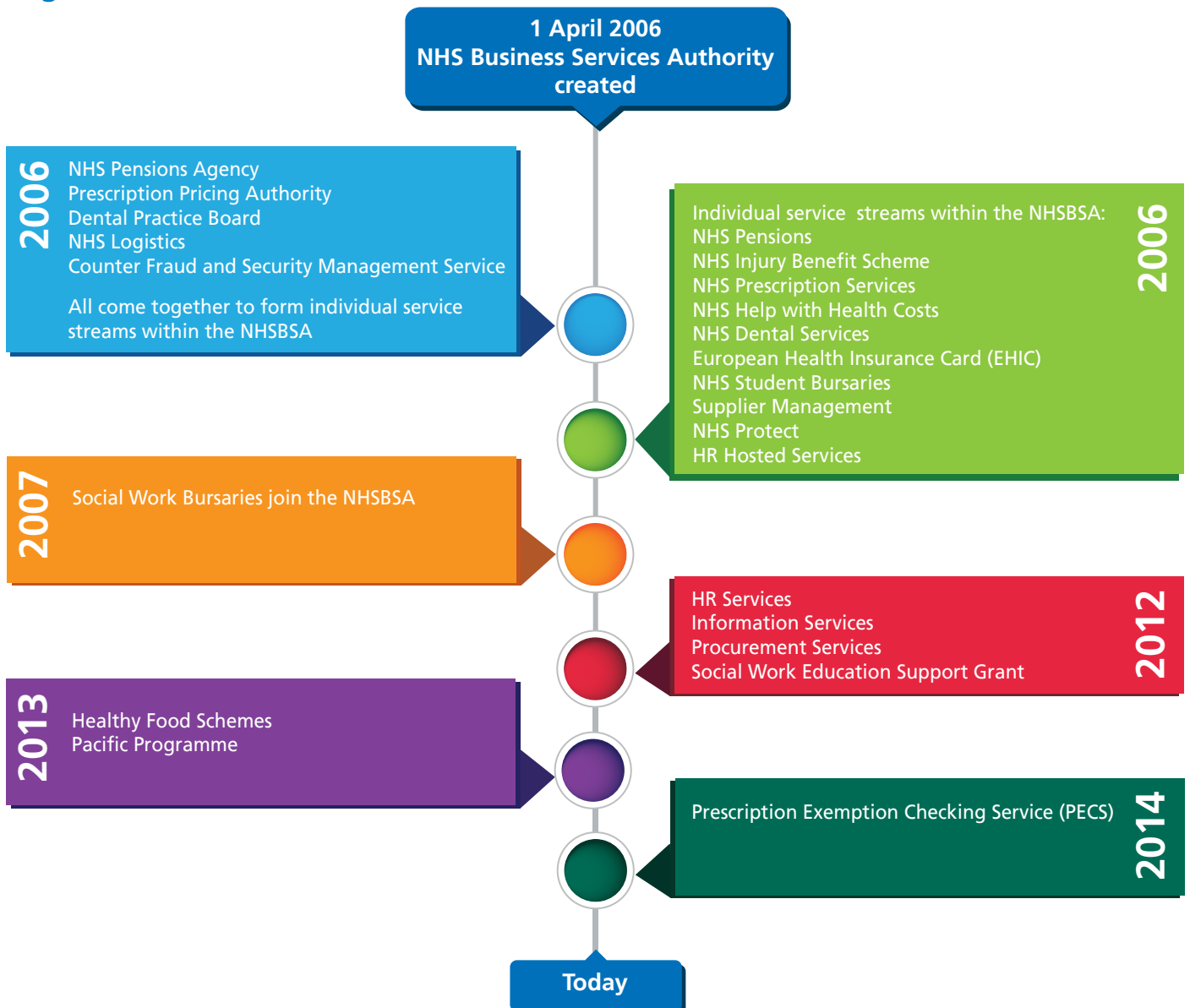


Figure 2: Our vision

Our purpose:

We are a business services organisation. We use insight to deliver improvements that matter

Our goals:

1 We will collaborate to create £1 billion for patients

2 We will reduce our unit costs by 50%

3 We will always improve service and deliver great results for customers

4 We will digitise 80% of customer and supplier interactions

5 We will derive insight from data to drive change

6 We will invest time in our people, and we will recognise them for their commitment, contribution and passion

Our values:

Ambition | Integrity | Innovation | Respect | Teamwork | Quality | Accountability

2. Our key achievements 2014/15



Awarded to:
**NHS Business
Services Authority**



**Better Health
at Work Award**
Silver Award



2.6 million

prescription prepayment certificates distributed in 2014/15



3.5 million

EHIC applications processed each year

44,305,178



FP17 dental claim forms processed in 2014/15

1,441,735

Total Reward Statements made available to active NHS employees this year

£19 million

reduction in our **gross annual operating** costs compared to 2005/06 (in real terms)

75%

proportion of **colleagues** who **completed the staff survey** this year



26%



reduction in water consumption in our buildings since 2009/10

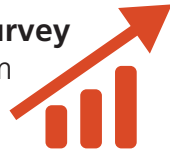
1,055,729,706

prescription items processed in 2014/15



18,877

satisfaction survey responses from customers and stakeholders (July 14 - February 15)



£32 billion

the amount of money that flows through our books every year



30%

the reduction in unit cost for administering the **NHS Tax Credit Exemption Certificate**

we've moved up

116 in **Stonewall's Workplace Equality index** in 2014



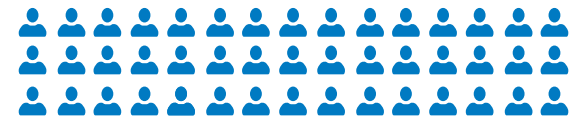
Over **86,000** monthly hits

on our **'Ask Us'** online knowledge base



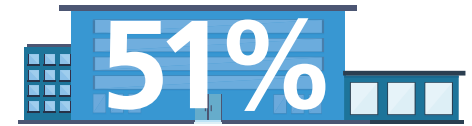
43k

followers on social media sites



44%

the cumulative efficiency improvement we've delivered since 2005/06



reduction in **carbon emissions** from our buildings since 2009/10



our contact centre handled

3,096,617

calls in 2014/15

the **engagement level** of our staff was

81%

in 2014/15



total amount of savings our **Pacific Programme** has realised so far for the NHS and its patients



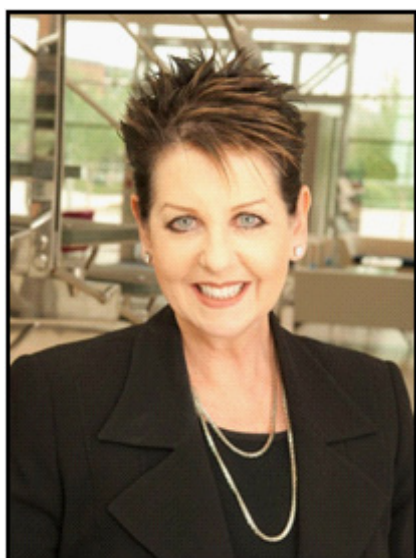
3. Chair's introduction

I'm extremely pleased to present the NHSBSA's Annual Report and Accounts for the 2014/15 financial year. This has been my first full year as Chair of the NHSBSA, and I continue to be impressed by the levels of commitment and enthusiasm shown by people throughout the organisation to deliver our business objectives while challenging the status quo to make improvements. Examples of how our people have played their parts are highlighted throughout this year's report.

At a time of continuing pressure on public sector budgets, we have continued to deliver our services to the high standards expected by our clients and customers. We've also continued our work in identifying efficiencies and improvements in how the £32 billion of health funds which flow through our business each year are administered. It's great to see some of these initiatives now in full flight and delivering for the taxpayer. More details can be seen in the body of this report.

I'm also proud of the way in which we act as a corporate citizen. We're committed to investing in our people, and also in the communities we serve. Our approach continues to be recognised externally with awards and certifications for employee engagement, equality and diversity, wellbeing and environmental performance. Embedding ourselves in the communities in which we live and supporting them is not only important for us as a business, but also the wider health and care system as highlighted in NHS England's NHS Five Year Plan.

Finally I encourage you to also read our updated business strategy and business plan for 2015/16 and beyond. They give details of the ongoing work we're doing to identify the best way of delivering our services in the future, and how we intend to roll this out across our service portfolio.



Silla Maizey
Chair
NHS Business Services Authority



4. Our strategic report

4.1 Our performance against our strategic goals

Our strategic goals are very important to us, and measuring our success against achieving them provides a yardstick for our overall success. We've made significant progress against all of our strategic goals this year. Here are some highlights.

1 We will collaborate to create £1 billion for patients

Our organisation is fairly unique in the services it provides to so many different parts of the NHS. From dental to prescriptions and pensions to students, we touch a wide range of elements that make up our health service.

Recognising that we can have a significant impact on the £32 billion that flows through our books every year, we developed the Pacific Programme in 2013. This became our structured mechanism for the development and delivery of waste reduction, improvement and efficiency initiatives in collaboration with our clients and stakeholders across the wider healthcare system.

To date, Pacific has realised over £130 million of savings for the NHS and its patients, without detriment to the services being delivered. Projects are already in development which have the potential to deliver in the region of a further £250 million in total, while opportunities for savings in excess of £700 million have already been identified.

As part of this, we delivered a communications campaign to educate patients and medical professionals on charge exemption criteria, which will reduce incorrect claims for free prescriptions. Unpaid charges are now recovered through the Prescription Exemption Checking Service (PECS), which also provides a powerful fraud deterrent.

Opportunities for fraud have also been minimised within Student Services, thanks to a new reconciliation process which means students now have to provide evidence of their childcare expenditure to support their Childcare Allowance application. When fully implemented, this service development is projected to realise £3-5 million savings on NHS Bursary expenditure.

By providing clinical investigation reports to NHS England Area Teams and Welsh Government Health Boards, our NHS Dental Services Clinical Services team enabled recovery of £11.5 million of contract activity value. These funds will be re-invested in NHS primary care dental services.

NHSBSA people



Lynne Murray

Assistant Project Business Lead, Pacific Programme

“The key to successfully delivering the savings we have so far has been through building strong relationships and working collaboratively with colleagues, as well as external stakeholders from across the whole system. Our passion, energy and collaborative approach will continue to be the key that unlocks our target £1 billion savings for patients.”

While we're aiming to create £1 billion to return to the NHS from the services we administer, we also need to consider our own costs. All public departments need to contribute to saving money and we have already made significant progress against our strategic goal to deliver a 50% reduction in our unit costs by the end of 2018/19.

NHSBSA people



Chris Dawson

*Client Engagement
Manager, NHS Dental
Services*

‘A recent move in NHS Dental Services to digitise dentists’ pay schedules was delivered seamlessly. It moved us closer to the goal of becoming fully digitised, further improved our customer service and reduced operational costs significantly.’

The drive towards digitising and migrating to paperless systems for our services has delivered real cost improvements in Dental Services and Student Services and a reduction of 20% in unit costs for both services.

We've changed the administration of NHS Tax Credit Exemption Certificates at the request of the DH, so that these are now valid for 6 months rather than 12. This has led to an increased volume of applications received, but we've been able to absorb much of the increase without increasing our fixed costs. This has led to a 30% reduction in the unit cost for this function.

A number of cost savings were delivered during 2014/15 and these have contributed to the progress we are making against this goal:

- A reduction in senior management and support service costs (£0.4 million).
- A reduction in our spend on consultancy and external professional fees (£0.4 million).
- A reduction in our outsourced provider costs (£0.6 million).
- The replacement of existing software with open source alternatives (£0.2 million).
- Further reductions in the cost of our estate (£0.2 million).

In addition to these savings we've also been able to absorb the annual volume growth in prescriptions (5%).

Our customers are important to us. Whether they are patients, pensioners, students, contractors or other NHS bodies, we're committed to delivering the best results possible.

Our clinical team in NHS Dental Services is helping to improve the quality of NHS primary dental care provided to the general public by ensuring standards in dental surgeries are met.

Proactive customer communications have improved, particularly within Student Services. We have introduced status update emails for Practice Placement Expenses claims so that students know when their claim has been received, produced a step by step guide to applying for a bursary through our Bursary Online Support System (BOSS), printed and distributed a Social Work Bursaries booklet and introduced a Twitter account to provide information for students and stakeholders. We're also helping patients to understand whether they should pay for their prescriptions or dental treatment with new guidance that has been rolled out across surgeries and pharmacies in England.

NHSBSA people



Kat Dooney

*Communications Officer,
NHS Pensions*

“We recognise that understanding pensions can be difficult. Working in partnership with the National Pensions Employer group we published the ‘Jargon Buster’ and committed to writing our communications in clear, plain English to ensure that everyone understands their NHS Pension.”

Over 250 external facing documents were reviewed and improved for our members and employers. The Stakeholder Engagement Team was created to improve our services by working with members and employers. They worked with the contact centre to analyse the top 10 reasons for calls and made the information needed by these callers more accessible on our website. An ongoing member and employer survey has been launched so we can act on feedback and make improvements on a regular basis.

We transferred hosting of the NHS Dictionary of Medicines and Devices (dm+d) from the Health and Social Care Information Centre (HSCIC) to our own platform. The content of the web pages was also reviewed in conjunction with HSCIC to provide a better customer experience and easier access to content. We've also made additional and improved reports available through the Information Services Portal (ISP). We reviewed and refreshed the NHS Prescription Services Open Days to ensure that attendees have the best possible experience from their visit, learning as much as possible and achieving their planned objectives. Student Services Stakeholder Events have also been redesigned to include Social Work Bursaries and to provide stakeholders with an opportunity to influence the agenda.

NHSBSA people



Anna Dobson

*Operations Manager,
Contact Centre Services*

“Here at Contact Centre Services, we live and breathe customer service and are always looking for new ways to improve our customer interaction. ‘Ask Us’ allows us to provide a truly exceptional customer journey and diversifies the way our customers get the information they need.”

Within NHS Help with Health Costs, we processed an increased volume of more complex applications while delivering the best accuracy results seen across the service for 12 years, with over 400,000 applications processed at an accuracy rate of 97.72%. Customers applying for EHCs have benefited from our work with the Government Digital Service, Passport Office, HM Revenue and Customs (HMRC) and the Department of Work and Pensions (DWP) to tackle misleading third party websites. We collaborated further with the DWP's Overseas Healthcare Team to share knowledge and best practice, and a working group is now planned to help identify and make improvements to current processes.

4 We will digitise 80% of customer and supplier interactions

Our goal of digitising our interactions makes good business sense – making our processes simpler, clearer and faster for our customers will improve our reputation, reduce our costs and fits with the overall government strategy of 'digital by default'. We've already started making significant progress against this goal. Dentists now make purely online transactions for their pensions process and we now provide their monthly pay statements, schedules and reports in an electronic form only, moving away from paper versions.

NHSBSA people



Sam Peterson

Senior Learning and Organisation Development Business Partner

Implementing our new Learning Management System across the NHSBSA and our shared services organisations has transformed the way our people access learning and manage performance. By developing our own digital learning, we have been able to deliver huge cost savings and timely interventions, demonstrate compliance and at the same time improve the quality of the learning experience our people have.

NHS Prescription Services contractors are benefiting from online payment schedules, which are now available to pharmacy and appliance contractors, with further detail to become available to them in the next financial year. This will provide more transparency on contractor activity and payments, while also reducing the number of Freedom of Information requests we receive for pharmacy-specific data. We're also innovating with new WebEx sessions so our contractors can view interactive presentations on how we conduct prescription processing.

Our customer contact centre is continuing to make improvements to voice recognition tools. These will increase the volume of successful self-service transactions by our customers, reducing the volume of calls handled by operators. Our 'Ask Us' service was launched in March 2014 and now has over 3,500 articles and 86,833 hits in February 2015 alone. This digital service also allows our customers to self-serve, 24 hours a day, drastically reducing calls to our contact centre.

In NHS Pensions we have launched a new system, 'Compendia', which will help us to administer the new 2015 Scheme. We're continuing to deliver Total Reward Statements through an online portal, with a total of 1,441,735 individual statements made available to active employees.

We're digitising for our people too, launching our new corporate intranet and electronic Learning Management System (LMS) in June 2014. We've also launched the self-service element of the Electronic Staff Record (ESR) system, meaning our people and their managers can take control of their staff records and cutting

paper processes for them and HR. Both the LMS and ESR are providing benefits not only to our organisation, but also to our HR Service clients.

5 We will derive insight from data to drive change

The data we gather from our services is vast, and we have recognised the need to harness this data and to learn from it. Getting more value and insight from the information we collect can drive meaningful change throughout the health service.

Our new Data Governance Framework has been launched which will deliver high quality information for our clients and customers. Coupled with our new Data Analysis Learning Lab (DALL), the framework will enable us to effectively identify and implement new insights into business processes and services. The DALL brings all our data together in one place rather than accessing different systems directly, providing a powerful environment for analysis. One initiative DALL is working on is to help investigate the extent of fraud when a foreign patient uses a UK EHIC to claim free healthcare in their home country.

Where our data analysis shows that dentists are underperforming against their contract, we're recovering payments already made to these providers. To help with this in the future we're developing a centralised system for identifying and dealing with underperforming contracts. We've also been analysing payments to dentists for maternity and paternity leave and are challenging individual payments that are inflated. Information about dental contractors who hadn't yet switched to our digital processes was analysed to determine what characteristics they had in common, and to understand what the barriers were to them switching to online processes.

Student Services data is informing how our processes can be digitised to enable a modern, responsive service for customers in the future. For example, it has shown us that students are unaware of the status of their claims until they've been received for scanning, so we're preparing to redesign the process for students claiming Practice Placement Expenses.

In NHS Pensions, management information for both complaints and quality assurance checking is analysed regularly to identify root causes and implement preventative measures. For example, new calculators and new/revised checklists are providing consistency and improved benefits processing accuracy. The Pensions Stakeholder Engagement Team also monitors trends through the contact centre and 'Ask Us' to identify the strengths and weaknesses of our information and communications.

NHSBSA people



Nadine Morrisroe

*Customer Insight and
Research Officer*

“In Customer Insight, we're always seeking the opinions of our customers. Analysing what they tell us informs how we're doing as a business and helps us identify current issues for our service areas.”

NHSBSA people



Peter Brazell

*Project Management Office
Manager*

‘Leadership Means provided me with great self-awareness as well as offering some useful techniques on how to manage and influence different people. It has proven to be really valuable in my day to day job where I adapt my style to motivate my team or when collaborating with colleagues.’

In striving towards all of our strategic goals, we recognise that nothing can be achieved without our most valuable resource – our people. Equipping our people with the skills that they need and the support that they deserve has been an important theme throughout the last financial year.

Our annual staff survey is helping us to understand our people’s needs so their views can inform decision-making in the future. Our Learning Management System (LMS) has given online access to learning and development opportunities and was accessed by 99% of our people since its launch this year. It’s helping us to move learning into a digital environment, so that our people see digital services as a part of their everyday working experience.

The ‘Leadership Means...’ development programme has supported over 80% of our managers in learning more about themselves and the things that are likely to motivate their people and colleagues. 96% of those who completed the programme felt that it provided them with the opportunity to share ideas with colleagues from across the organisation, fostering greater collaboration and joined up working. Over 90% felt the programme increased their willingness to adapt their style to achieve outcomes and to undertake difficult conversations to improve performance.

Our Learning and Organisational Development (L&OD) Business Partners have been working to support improved engagement throughout the

organisation, resulting in a 5% increase in people feeling proud to be a part of the NHSBSA.

There has also been an increased focus on engagement in many of our service areas. Our Prescription Services work stream was nominated for the ‘Project of the Year Award (Public Sector)’ at the national Employee Engagement Awards. They were highly commended for their efforts while Matthew Graham, Type 1 Team Member in Newcastle, walked away with the ‘Unsung Hero of the Year Award’.

Our Valuing Individual Performance (VIP) scheme has been recognising good work by our people throughout the organisation with nominations for awards coming from across our service and functional areas. All nominees receive a certificate and the submissions are reviewed by a panel (including the Chief Executive) to determine what level of additional recognition each nominee will be awarded.

NHSBSA people



Matthew Graham

*Type 1 Team Member, NHS
Prescription Services*

‘Prescription Services makes engagement a top priority: our success at the Employee Engagement Awards only highlights this. It’s a service that puts its people first, and now we have the recognition to prove it.’

4.2 Our financial review

Background

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

Our accounts for 2014/15 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

The accounts are based upon two distinct segments. The first of these segments relates to bursary payments we make on behalf of the DH for Social Work students, and the second segment of our accounts relates to our operating expenditure, which represents our running costs.

Financial performance 2014/15

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

In 2014/15 the NHSBSA was set a range of financial and operational service delivery targets. In financial terms we are able to report that we successfully achieved all statutory funding targets as outlined in Table 1 below.

Table 1: Statutory financial target performance 2014/15

Funding stream	Limit £m	Actual £m	Achieved
Net operating expenditure (non ring-fenced revenue departmental spending limit)	105.9	105.6	✓
Capital charges (ring-fenced revenue departmental spending limit)	8.4	1.2	✓
Capital expenditure limit	26.0	21.4	✓

In addition to the above, we are required to report our compliance with the Better Payments Practice Code, which requires at least 95% of non-NHS trade creditor invoices to be paid within 30 days or agreed terms. Our performance against this target was 95.5% for 2014/15, as detailed in Table 2 below.

Table 2: Better Payments Practice Code performance 2014/15

	Number	Value £m
Total non-NHS trade invoices paid	12,296	81.141
Total non-NHS trade invoices paid within target	11,737	73.001
Percentage of non-NHS trade invoices paid within target	95.5%	90%

Reducing our costs

In cash terms, our gross annual operating (running) costs are around £19 million lower in 2014/15 than they were in 2005/06.

In real terms, adjusting for inflation and volume transaction growth, our gross operating costs have reduced by £87 million compared to 2005/06, which is a reduction of 44%.

These savings have been delivered by transforming the management, infrastructure and business processes within the organisation, and rationalising our estate to make it the most cost effective in the health Arm's Length Body (ALBs) sector.

Future financial targets – the challenge

The financial challenge facing the ALBs is outlined in the Spending Review 2013, June 2013. The document requires the DH to secure a 10% real terms reduction in administration costs across the ALB sector by 2015/16.

Negotiations with each ALB were undertaken during autumn 2014 to discuss the scope for each body to deliver their share of the overall target. The DH recognised that the NHSBSA has:

- A strong track record of delivering cash releasing efficiencies, having delivered a cumulative efficiency improvement of £470m (44%) since 2005/06, equating to 5% p.a.
- A challenging scope for future efficiency gain. 30% of our business is already outsourced, demand-led growth averages 5% p.a. and our estate is already the most cost effective in the ALB sector.

After taking these factors into consideration the DH has confirmed that our revenue Departmental Expenditure Limit (DEL) will reduce by 2% in 2015/16 to £101.5 million. After allowing for inflation (pay and non-pay), and growth in volumes, this translates into an efficiency requirement of 5% for 2015/16. To facilitate the delivery of this level of savings, we used a £4.4 million transition fund to support a range of restructuring exercises to reduce head count and secure a lower cost base for 2015/16 and beyond.

Hosted services

We provide a range of hosted financial, procurement and HR services to other NHS organisations and DH teams. The costs that we incur in providing these services (primarily staff costs) have been included within our operating expenditure, as have the total income contributions received from these organisations to cover costs. For 2014/15 the income received from hosted and managed services was £5.5 million.

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

Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2015 of £0.085 million is for the audit of these accounts. An additional notional fee of £0.09 million relates to the audit of the Pension Scheme Accounts.

Accounting Officer's disclosure to the auditors

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

4.3 Corporate Responsibility

Good Business – Corporate Responsibility

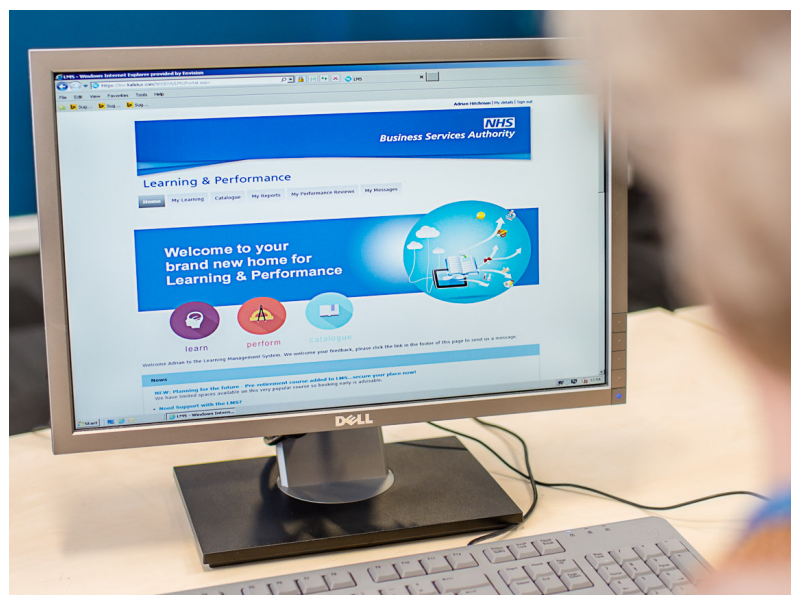
Corporate Responsibility is simply 'Good Business'. During 2014/15 we have ensured our approach to people, communities and the environment are joined up and link to our strategic objectives and the challenges faced by the health and care system as a whole. Further details of our Corporate Responsibility performance is available in our Safety, Health and Environment (SHE) Annual Report and Equality Strategy Annual Report Year 3 published on our website – www.nhsbsa.nhs.uk

Staff development – During 2014/15 we moved our approach to developing our people to match our changing business strategy. The 'Leadership Means...' development programme was completed by over 300 people, helping them to develop their understanding of our strategy and how they have and can continue to play their parts in its delivery.

We launched our Learning Management System (LMS) in June 2014 with subsequent launches across NHS England and Trust Development Authority in September and October respectively, as part of our shared service learning provision. There are over 200 eLearning lessons available to users ranging from leadership development to software training. The system is cloud based and can be accessed at any time through any internet enabled device giving users access to learning solutions and career development that suits their needs. Substantial cost savings have already been identified through the reduction of classroom training time and it is helping our people embrace a more digital working environment, in line with our future strategy.

Equality and diversity – Key achievements in 2014/15 included receiving the Silver Award from the Employers Network on Equality and Inclusion in recognition of our achievements in working inclusively with our workforce and challenging discrimination. We participated in Stonewall's Workplace Equality Index for the second year, and were delighted to move up 116 places, from 310th place, to 194th.

Our Equality and Diversity Committee continued to oversee progress against the Equality Strategy and Action Plan, and launched a new Equality and Diversity Policy. Our Staff Diversity Network, which represents all protected characteristics, has grown significantly and helps us to develop an inclusive workplace culture. A programme of awareness raising covered events including Lesbian, Gay, Bisexual and Transgender History Month, NHS Equality, Diversity & Human Rights Week, Gypsy, Roma & Traveller History Month, Black History Month, World AIDS Day, and religious celebrations such as Ramadan and Diwali. As part of our community engagement work, we attended the Newcastle Pride festival to raise awareness of our services and began supporting Project Choice, an internship programme which equips young people with learning disabilities, difficulties, autism and/or physical disabilities with social and work based skills.



Work has continued to support our aim to employ a workforce which is representative of the diverse population we serve. We have maintained accreditation from the Disability Equality 'Two Ticks' scheme for our commitment to job applicants and staff with a disability, and we



Our Staff Diversity Network

provide a Guaranteed Interview Scheme for job applicants with a disability. We have support measures in place through relevant policies and our Occupational Health Service to ensure the continuing employment of staff who have become disabled. Through our appraisal procedure and by monitoring our promotion statistics, we ensure that there are no barriers to the training, career development and promotion of employees with disabilities.

We analyse our workforce and recruitment statistics and continue to work to address the gender balance (Table 3 below) across our management structures.

Table 3: Employee data¹

	Female	Male	Total (31 March 2015)
Directors	1	8	9
Senior managers	14	30	44
Employees	1594	1162	2756

¹Based on headcount, not full-time equivalent

Safety, Health and Environment (SHE) management – A combined SHE team was established at the start of 2014, combining the previously separate Health and Safety and Environment functions to enable a more efficient and effective approach. Key achievements during the year include the launch of online learning modules on our LMS including a Corporate SHE Induction and a Display Screen Equipment (DSE) Module, the launch of a risk-based audit and coaching schedule and the review of our operational policies and procedures re-launched on our new SHE intranet page. We also maintained our ISO 14001 Environmental Management System and Carbon Trust Standard certifications.

Health and Safety performance – During 2014/15 the NHSBSA had four RIDDOR reportable accidents. This compares with an expected eight for our business sector (Health and Safety Executive). No obvious trends were established between injury types or business areas and all RIDDOR reports were due to the over seven days absence from work reporting criteria.

Environment (including HM Treasury Sustainability Report) – Each year the NHSBSA sets its own environmental targets and an action plan aligned to its key impacts and the Greening Government Commitments (GGC). A full data set can be seen in Appendix 2 – Sustainability Report. A summary of our progress against our targets is shown in Table 4 below.

2014/15 targets	2014/15 performance	Commentary
60% reduction in CO ₂ e emissions from energy use in our buildings	51%	Although we have reduced kilowatt hours (kWh) of electricity and gas used in our buildings compared to 2013/14, the increased CO ₂ e conversion factor used to calculate our performance against this target has resulted in a lower than expected performance. It should be noted that we have more than halved our emissions from energy use in our buildings since 2009/10.
35% reduction in water consumption in our buildings	26%	Leaks in some of our buildings have resulted in a lower than expected performance. It should be noted that we have reduced our water usage by more than a quarter since 2009/10.
23% reduction in CO ₂ e emissions from business travel	27%	The impact of our revised travel policy ensuring the use of lower-carbon travel options has helped further improve our performance.
55% reduction in office waste arising	58%	Our strategic goal to digitise our operations has helped us to reduce office waste.

Table 4 Environment and resource efficiency targets (note: targets based on 2009/10 baseline)

Sustainable procurement – We continued to work with the DH on the roll-out of the supplier self-assessment tool CAESER, enabling reporting of compliance with Government Buying Standards, corporate policies, sustainability performance etc. We are also ensuring compliance with the Public Services (Social Value) Act 2012, engaging with key stakeholders and including marked criteria in our procurement process.

We have continued our work with NHS Supply Chain. Details of annual performance in this area can be viewed within the NHS Supply Chain Annual Sustainability Report found at <http://www.supplychain.nhs.uk/about-us/sustainability/>

Biodiversity – During 2014/15 work has continued at our two main sites with green spaces. This includes the planting of key plant species, the introduction of a bee hive, and education programmes with staff and local community groups.

Wellbeing – We have continued to follow the criteria set out by the Better Health at Work Awards, and achieved the Silver Level during 2014/15 in recognition of the support, campaigns and guidance provided to staff. The SHE and HR teams have also been working closely together on our approach to mental health issues, training champions on mental health wellbeing and continuing to provide an independent employee assistance programme.



Beekeeping at Stella House



Staff volunteering in Wakefield

Community investment – We have focused on helping our teams engage with local communities in relation to significant health and care issues. This has been focused partnering with local groups and charities aligned to regional health issues using business-sponsored volunteering days, fundraising and awareness raising. Table 5 shows measures related to our progress.

	2010/11	2011/12	2012/13	2013/14	2014/15
Staff signed up to payroll charity donation schemes	178	177	166	187	231
Staff volunteer days	N/A	N/A	85	103	104

Table 5: Community investment measures

Trends and future performance – Good Business Strategies and Action Plans, including those for Equality and Diversity, Health and Safety, Environment and Resource Efficiency, Wellbeing and Community Investment, are published on our website – www.nhsbsa.nhs.uk

Nick Scholte
 Chief Executive
 NHS Business Services Authority
 12 June 2015



Cheque presentation to St Oswald's Hospice



5. Directors report

Our directors

Directorships and significant interests

A list of executive and non-executive directors and a declaration of their interests is shown in Section 7 Our Annual Governance Statement Table 1. No company directorships or significant interests were held by the Board members which may conflict with their management responsibilities.

Audit information

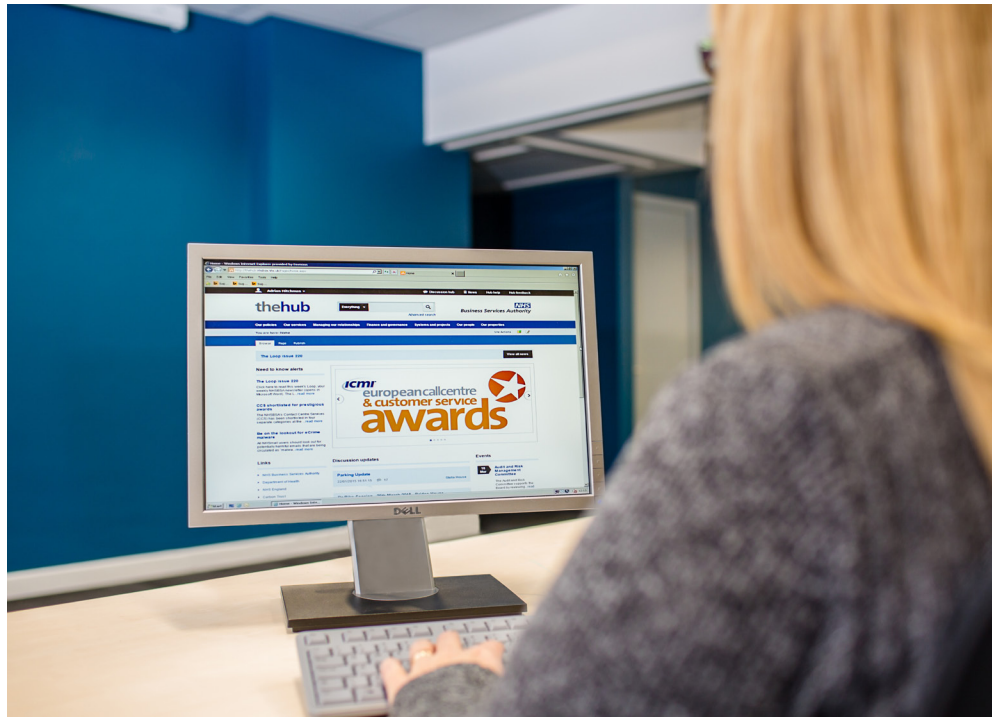
So far as our directors are aware, there is no relevant audit information of which the auditor is unaware, and they have taken all steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The NHSBSA did not pay any remuneration to its auditors for non-audit work during 2014/15.

Our employment practices

Consulting and providing information

We communicate with our people regularly, providing them with information and news through our weekly internal newsletter, The Loop. Our upgraded corporate intranet, The Hub, launched in June 2014 and for the first time we now have a one central intranet accessible to all of our colleagues. Our new intranet features employee profiles and provides new search facilities and discussion areas as well as news that's featured in The Loop. Our internal news includes information and updates from all of our service areas, functions and locations, updates from Board meetings, latest business news, and articles about what our colleagues are doing both inside and outside work. Our bi-monthly 'Notes from...'



publication provides a personal update from a member of the Leadership Team on their area of responsibility and corporate issues.

Our organisation's strategy is rolled out organisation-wide through face to face team presentations. Our strategic goals and organisational values are reflected in our individual colleagues' key objectives as part of their ORO (Ongoing Review and Objectives) performance appraisal process. This process includes regular formal review meetings and more informal one-to-one meetings taking place throughout the year.

Consultation is undertaken using a variety of methods including team meetings, subject specific workshops, online forums, etc. Formal consultation with trade unions is undertaken

at the National Joint Committee when broad matters of common interest are negotiated and discussed. Other committees and groups also meet to discuss specific issues, such as health and safety, and equality and diversity.

We measure the engagement, motivation and satisfaction levels of our people through our annual staff survey. The 2015 survey shows that the overall engagement score has remained steady at 81% from the previous survey year, which is very encouraging as we start to enter a period of organisational change.



Employee sickness

We have an absence management policy covering the whole organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme. Based on returns to the end of March 2015, our overall level of short term sickness absence (seven days or less) for 2014/15 was 0.81% (2013/14 – 0.75%) and long term was 2.32% (2013/14 – 2.02%), totalling 3.13% for the year. This is an improvement on the total reported in 2012/13 (3.35%) but slightly poorer than 2013/14 (2.77%).

Disability equality

Full details of our policies related to the employment of disabled people are given in Section 4 Our strategic report.

Personal data related incidents

A full summary of personal data related incidents is included in Section 7 Our Annual Governance Statement Table 4.

Finance

A statement is made in Section 7 Our Annual Governance Statement on compliance with cost allocation and charging requirements set out in HM Treasury guidance.

Pension liabilities

Details of treatment of pension liabilities are included in Section 11 Notes to the accounts.

Events and future developments

Details of events affecting the NHSBSA, after the reporting date, are included in Section 11 Notes to the accounts.

Full details of future developments in our business is given in our Business Plan and Strategy available on our website – www.nhsbsa.nhs.uk

Nick Scholte
Chief Executive
NHS Business Services Authority
12 June 2015



6. Our remuneration report

The remuneration of the NHSBSA executive directors is set by the Remuneration and Terms of Service Committee on behalf of the NHSBSA Board, subject to approval by the Department of Health (DH). The Committee is chaired by a non-executive director. The NHSBSA Chair also attends.

This report for the year ended 31 March 2015 is produced by the Board. The Remuneration and Terms of Service Committee met on two occasions during the period 1 April 2014 to 31 March 2015.

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

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

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

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

With the approval of the DH Remuneration Committee, we operate the NHS Very Senior Manager (VSM) pay framework. This framework also provides access to an approved scheme for performance related payments which are paid in line with DH guidance following formal approval by the DH.

Appointments

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

Emoluments of Board members

The remuneration relating to all directors in post during 2014/15 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives.

Non-executive directors

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

Subject to audit

Name and title	2014-15						2013-14						Date of appointment/ re-appointment	Appointment ends
	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
S Maizey Chair	60-65	0	0	0	0	60-65	35-40	0	0	0	0	35-40	9 Sep 2013	8 Sep 2017
M Ellerby Non-executive director and Chair of Remuneration and Terms of Service Committee	5-10	0	0	0	0	5-10	n/a	n/a	n/a	n/a	n/a	n/a	1 Apr 2014	31 Mar 2017
D Hulf Non-executive director and Chair of the Audit and Risk Management Committee	10-15	0	0	0	0	10-15	10-15	0	0	0	0	10-15	1 Dec 2005 reappointed 1 Dec 2009	30 Nov 2015
A Flanagan Non-executive director	5-10	0	0	0	0	5-10	n/a	n/a	n/a	n/a	n/a	n/a	1 Apr 2014	31 Mar 2017
M Green Non-executive director	5-10	0	0	0	0	5-10	n/a	n/a	n/a	n/a	n/a	n/a	1 Apr 2014	31 Mar 2017

Table 1: Non-executive director remuneration

Senior manager remuneration

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

Subject to audit

Name and title	2014-15						2013-14						Date contract commenced	Contract ends
	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Compensation for loss of office (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)		
	£000	£000 ²	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
N Scholte Chief Executive	150-155	4.8	0	0	17.5-20.0	175-180	150-155	5.0	0	0	32.5-35.0	190-195	1 Feb 2006	Permanent contract (6 months' notice)
A McDonald Director of Service Delivery	115-120	5.0	0-5	0	2.5-5.0	125-130	115-120	5.0	0	0	117.5-120.0	240-245	1 May 2006	Permanent contract (6 months' notice)
P McGahon Director of Finance and Corporate Services	115-120	5.0	0	0	45.0-47.5	165-170	70-75	3.3	0	0	22.5-25.0	100-105	5 Aug 2013	Permanent contract (6 months' notice)
S Pink Director of Change and Commercial Delivery	130-135	5.0	0-5	0	30.0-32.5	170-175	130-135	5.0	0	0	40.0-42.5	175-180	30 Apr 2012	Permanent contract (6 months' notice)
R Barker Director of People and Organisational Development (until 31 Dec 2014)	85-90 ¹	3.8	0	110-115 ³	0	200-205	120-125	5.0	0 - 5	0	0	130-135	29 Sep 2008	Contract ended 31 Dec 2014

¹ part year (full year equivalent: 115-120)

² all taxable expense payments relate to the provision of a lease car or transport allowance

³ Included in Note 3.4 to the accounts 'Exit Costs'

Note: There were no long term performance payments or bonuses during the year.

Table 2: Senior manager remuneration

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce (Table 3).

The banded remuneration of the highest paid director in the NHSBSA in the financial year 2014/15 was £150,000 – £155,000 (2013-14: £150,000 – £155,000). This was 8.8 times (2013/14: 8.8) the median remuneration of the workforce, which was £17,425 (2013/14: £17,425).

In 2014/15 there were no employees (2013/14: 0) who received remuneration in excess of the highest paid director.

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

	<i>Subject to audit</i>	
	2014/15	2013/14
Band of highest paid director's total remuneration (£'000)	150-155	150-155
Median total (£)	17,425	17,425
Remuneration ratio	8.8	8.8

Table 3: Remuneration balance



Pension benefits

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

Subject to audit

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2015 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2015 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2015	Cash Equivalent Transfer Value at 31 March 2014	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
N Scholte Chief Executive	0-2.5	2.5-5	60-65	185-190	1,297	1,210	27
A McDonald Director of Service Delivery	0-2.5	0-2.5	50-55	155-160	1,023	965	16
P McGahon Director of Finance and Corporate Services	0-2.5	5-7.5	35-40	115-120	691	619	27
S Pink Director of Change and Commercial Delivery	0-2.5	0 ¹	15-20	0 ¹	186	160	11
R Barker Director of People and Organisational Development (until 31 Dec 2014)	n/a ²	n/a	n/a	n/a	n/a	n/a	n/a

Table 4: Pension benefits

¹ No lump sum is disclosed for S Pink as he is a member of the 2008 Section of the NHS Pension Scheme where there is no set minimum lump sum

² R Barker is not an active member of the NHS Pension Scheme

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

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Nick Scholte
Chief Executive
NHS Business Services Authority
12 June 2015



7. Our Annual Governance Statement

Introduction

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

The Accounting Officer for the NHSBSA is Nick Scholte, Chief Executive.

Scope of responsibilities

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

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

The purpose of the Governance Framework

The governance structure has been strengthened over a period of time to deliver an integrated governance framework. This framework comprises the systems and processes by which the NHSBSA leads, directs and controls its functions and accounts to, and engages with, the Department of Health (DH) and the wider NHS community. The NHSBSA takes its responsibilities seriously, striving to be a good corporate citizen. In aiming to embed this, the corporate governance framework is underpinned by the culture, values and behaviours adopted across the NHSBSA.

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

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

The governance framework and system of internal control have been in place in the NHSBSA for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts.

NHSBSA Governance Framework

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

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

The Corporate Secretary is responsible for ensuring that all decisions made are legal and comply with the NHSBSA's Corporate Governance Framework and the Corporate Governance Code.

NHSBSA Board

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

- Audit and Risk Management Committee.
- Remuneration and Terms of Service Committee.

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

All powers of the NHSBSA that have not been retained as reserved for the Board or otherwise delegated to a standing committee are exercised on behalf of the Board by the Chief Executive, unless otherwise specified in the NHSBSA's Standing Financial Instructions or Scheme of Delegation. The Chair is primarily responsible for leading the Board and ensuring its effectiveness with the Chief Executive responsible for day-to-day management. The documents which describe how the NHSBSA operates are included in the Corporate Governance Framework. This framework includes the Standing Financial Instructions and Scheme of Delegation which details which decisions the Board has reserved for itself and those which it has delegated and to whom.

Board membership and responsibilities

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

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

The Board meets eight times during the financial year and is responsible for approving the business plan and budget in advance of the financial year. Subsequent reporting is based on an exception principle ensuring that the Board focuses on key issues and utilises its time effectively.

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

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

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

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

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

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

Table 1 shows the number of meetings attended by Board members during the 2014/15 financial year and also highlights their declared business interests.

Board member	Meetings attended	Register of interests
 <p>Non-executive Chair: Silla Maizey</p>	8 out of 8	<p>Chair and non-executive director Trustee, British Airways Retirement Plan</p> <p>Director and Company Secretary, Saffron Solutions Ltd</p> <p>Non-executive director, John Menzies plc.</p>
 <p>Non-executive, Chair of Remuneration and Terms of Service Committee: Mark Ellerby</p>	8 out of 8	<p>Independent industry advisor, Advent International</p> <p>Non-executive director, Leeds Teaching Hospitals NHS Trust</p> <p>Non-executive director Trustee, Dementia Forward</p>
 <p>Non-executive: Andrew Flanagan</p>	8 out of 8	<p>Commissioner, Civil Service Commission</p> <p>Member of Advisory Board, NHS NELCSU</p> <p>Non-executive director, CIPFA Business Services Ltd</p> <p>Non-executive director, Criminal Injuries Compensation Authority</p>
 <p>Non-executive: Malcolm Green</p>	8 out of 8	<p>Non-executive director, Thrive Homes</p>
 <p>Non-executive, Chair of Audit and Risk Management Committee, Senior Independent Director: David Hulf</p>	8 out of 8	<p>Non-executive director and Chair of Audit and Risk Committee, NS&I</p>

Board member	Meetings attended	Register of interests
 <p>Chief Executive: Nick Scholte</p>	8 out of 8	Nothing declared
 <p>Director of Service Delivery: Alistair McDonald (Operations Director until 24 November 2014)</p>	8 out of 8	Nothing declared
 <p>Director of Finance and Corporate Services: Patrick McGahon (Director of Finance until 24 November 2014)</p>	8 out of 8	Nothing declared
 <p>Director of Change and Commercial Delivery: Steven Pink (Commercial Director until 24 November 2014)</p>	8 out of 8	Nothing declared
<p>Director of People and Organisational Development: Roberta Barker (Final meeting 17 September 2014 – role removed from Board following reorganisation)</p>	3 out of 4	Trustee, Richmondshire Leisure Trust

Table 1: Board members

NHSBSA Board review of effectiveness

The NHSBSA Board is required to consider its own effectiveness on a regular basis. The Board reviewed its effectiveness during January 2015 using an online survey. Results indicated strengths around well supported effective meetings with a culture of discussion and debate, and collective and individual member effectiveness. Areas of focus highlighted include further development of stakeholder relationships including client and customer feedback, further use of group and individual effectiveness evaluations and succession planning, and executive directors offering more input outside their direct areas of responsibility.

During 2014/15, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the NHSBSA has:

- achieved its financial targets
- consistently delivered against its agreed key performance indicators
- continued to strengthen its assurance process through the assurance map process, now extended to our key suppliers
- maintained its robust performance reporting mechanism using a dashboard style approach
- maintained its risk management procedures using dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas
- maintained an effective, risk-based internal audit programme, ensuring internal audit recommendations are addressed appropriately.

The Board's two standing committees are described below.

Audit and Risk Management Committee

The Committee is chaired by a non-executive director and meets no less than six times a year. Membership of this Committee is made up of three non-executive directors (including the Chair), one of whom is required to have recent and relevant financial experience. David Hulf provides this experience and also chairs the Committee. There is also a requirement for regular attendance from the finance director and representatives from both internal and external audit. Nick Scholte, Chief Executive and Accounting Officer, is invited to attend at least one meeting during the year to discuss the assurance processes which support the production of the Annual Report and Accounts. Other staff are invited to attend meetings as appropriate (Table 2).

Audit and Risk Management Committee	Meetings attended
Non-executive directors:	
David Hulf (Chair of Committee)	6 out of 6
Andrew Flanagan	6 out of 6
Malcolm Green	6 out of 6
Executive directors:	
Patrick McGahon (Director of Finance and Corporate Services)	6 out of 6
Executive directors (Specific items):	
Nick Scholte (Chief Executive)	3 out of 6
Alistair McDonald (Director of Service Delivery)	3 out of 6
Steven Pink (Director of Change and Commercial Delivery)	3 out of 6

Table 2: Audit and Risk Management Committee

Our DH Senior Programme Manager, Nigel Zaman, has also attended 3 out of 6 Committee meetings during 2014/15.

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the NHSBSA's governance and assurance arrangements, including the governance framework, risk management, controls and related assurances. Verbal updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An annual report is submitted to the Board following the completion of the Annual Accounts process which summarises the work undertaken by the Committee during the previous year. In addition, the Board receives an annual review of the NHSBSA Risk Management Framework. This was most recently undertaken in June 2014 and concluded that the framework was effective and fit-for-purpose.

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

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

These standing items are complimented by a series of risk-based, deep dive exercises, providing further assurance in key areas (see Assurance Arrangements).

The Committee has reviewed the Accounting Policies and the Annual Report and Accounts which includes the Annual Governance Statement as required by HM Treasury’s Managing Public Money Annex 3.1. The Committee is satisfied that the Annual Report appropriately covers the key requirements of disclosure, such as Board governance, risk and assurance, and overall compliance with the UK Corporate Governance Code (where applicable to public sector organisations). The Committee in particular has reviewed with management the basis of areas of judgment within the Accounts and sought explanations for any key changes during the year. Areas of particular focus were as follows:

- Revaluations - revaluation of buildings performed this year
- Depreciation - related to software
- Losses and special payments - in relation to NHS Pensions
- Impairments - treatments of impairments to properties.

The NHSBSA accounts for a loan facility to NHS Supply Chain. The terms of the loan (repayment plans, value, etc.) are set by the DH. The financial details of the loan are shown in 4.3 - Financial Assets in section 11 - Notes to the accounts.

Audit and Risk Management Committee review of effectiveness

The Committee reviewed its effectiveness during January 2015 using an online survey. Results were very positive across the majority of questions and indicated an effective Committee. Key areas of strength were the activity within risk and assurance, internal control, the Annual Report and Accounts and audit arrangements. Areas discussed for development were the scope for improving reports to the committee and the use of assurance maps.

Remuneration and Terms of Service Committee

The Remuneration and Terms of Service Committee is a standing committee of the Board and comprises two non-executive directors, one of whom chairs the Committee. The Chief Executive and/or other executive directors attend these meetings on an ‘as required’ basis. The Committee is chaired by a non-executive director (Table 3).

Remuneration and Terms of Service Committee	Meetings attended
Non-executive directors:	
Mark Ellerby (Chair of Committee)	2 out of 2
Silla Maizey (Chair of the Board)	2 out of 2
Executive directors (Specific items):	
Nick Scholte (Chief Executive)	2 out of 2

Table 3: Remuneration and Terms of Service Committee

The key responsibilities of the Remuneration and Terms of Service Committee are to:

- determine the terms of service, remuneration and other benefits of the executive team and any other relevant employees
- monitor systems to evaluate the performance of relevant employees
- oversee contractual arrangements for relevant employees

- nominate candidates for appointment as officer members of the Board
- monitor succession planning arrangements.

The Chair of the Committee provides verbal updates to the Board following each meeting and confirmed minutes are shared at subsequent Board meetings. The Committee produces an annual report for the Board which summarises the work undertaken during the previous year.

Remuneration and Terms of Service Committee review of effectiveness

Due to the changing membership of the Committee and a limited number of meetings in 2014/15, the Committee did not undertake a formal review of its effectiveness. However the Committee were satisfied that they had fulfilled their terms of reference for the year. They also agreed to undertake a formal review of effectiveness in 2015/16.

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

NHSBSA sponsorship arrangements

The NHSBSA manages a complex range of business activities on behalf of the DH. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream. A clear ongoing accountability framework is in operation, which includes formal reviews with Senior Sponsors. This is consolidated through a formal framework agreement between the NHSBSA and DH. Strategic, policy and operational issues are reviewed alongside the corporate risk register, assurance arrangements and the latest financial position. Additionally, regular scheduled meetings are held with the individual service sponsors.

External auditors

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



NHSBSA management

Other than those matters reserved for the Board, responsibility for the day-to-day management of the NHSBSA is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team of executive directors responsible for the areas shown below (Figure 1).

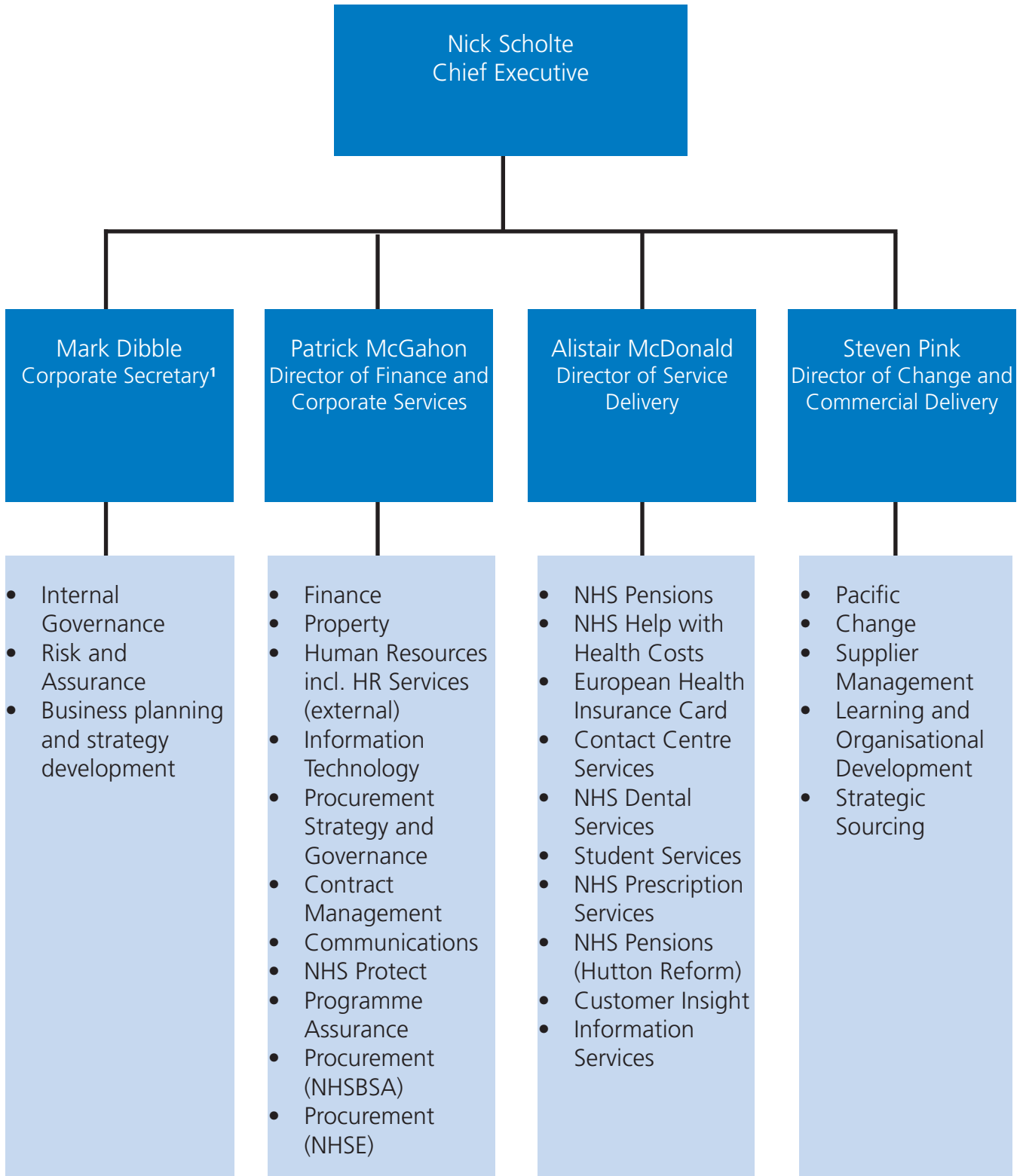


Figure 1: NHSBSA Leadership Team (¹ Not a member of the Board)

Key governance systems

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

- Risk management
- Assurance
- Managing information.

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

Risk management

Risk appetite – Risk appetite can be defined as an organisation’s unique attitude towards risk taking, which in turn dictates the amount of risk that it considers acceptable. The NHSBSA’s aim is to ensure that its overall level of risk is balanced, sustainable and appropriate. The NHSBSA’s risk appetite dictates that all risks classified as extreme, within our control, are mitigated until the residual risk rating falls to high, moderate or low. All risks are mitigated to an acceptable level.

Process – The NHSBSA Risk Management Framework comprises:

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

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

- Operational / Corporate Teams – Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Head of Service.
- Project / Programme – Risks are reviewed and managed by Project Managers as part of the project governance process. Significant risks and issues are escalated to the Programme Manager and Change Team and these are also reported to the Leadership Team on a monthly basis.
- Corporate – Each quarter the Leadership Team review the top-level Corporate Risk Register. This review is informed by a summary paper on risks and issues across the NHSBSA created by the Corporate Governance Team in collaboration with the Operational / Corporate Heads and Change Team managers (Risk Group). The Leadership Team is also free to identify further risks and issues at this meeting.



- **Audit and Risk Management Committee** – Following the quarterly review of the Corporate Risk Register by the Leadership Team, the Committee receives an update on the work undertaken in the area of risk and issue management. The Committee also receives a copy of the Corporate Risk Register. This process enables the Committee to provide assurances to the Board that appropriate risk management processes are in place and risk mitigation is taking place.

Significant risks and issues

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

Significant risks and issues managed and closed in year

New NHS Pension Scheme (Hutton review)

Mitigation details: Successful delivery of the new Pension Scheme project.

Funding of Pacific Team

Mitigation details: Agreement on the funding arrangements for our Pacific Team responsible for identifying system-wide savings.

Current risks

Resource to deliver change programme

The revised NHSBSA strategy and accompanying workload related to the proposed change programme has created a risk that sufficient resources are not available to deliver our plan. Work is ongoing to develop a suitable prioritisation and resource planning approach, and is being monitored closely by the Leadership Team and Audit and Risk Management Committee.

Funding availability for 2015/16

The continued pressure on public spending and increased demand for NHS services has influenced this key risk and the ongoing close management throughout the year. Ongoing financial management and service efficiency initiatives by Heads of Service, supported by the Finance Team and a strong monitoring regime, has enabled the NHSBSA to continue to deliver its services within its financial means. For 2015/16, a service efficiency and cost reduction programme in combination with ongoing discussions with our sponsors are the key mitigation measures in place to enable ongoing service delivery.

Information security

Although the organisation has not suffered any major issues in this area, the volumes and sensitivity of data we hold means the Leadership Team and Board have purposefully continued to monitor closely the organisation's approach to information and cyber security. Ongoing benchmarking against best practice standards, and ongoing scrutiny by our Audit and Risk Management Committee, ensures the risk is managed as threats continue to evolve on a day-by-day basis.

IT end of life

As existing NHSBSA software and hardware is becoming unsupported and/or contracts and licences are expiring, a risk has arisen around applications becoming unusable and/or difficult to fix in the event of a failure. This may result in service delivery failures. This risk has remained throughout the year, and continues to be addressed by our risk-based IT plan, addressing identified priorities in an organised manner.

Guaranteed Minimum Pension (GMP) requirements

Changes in HMRC reporting of GMP data and a transfer of responsibility for calculation work post-2016 may have a major resource impact on the organisation. Ongoing monitoring of the situation, along with further work to calculate and address operational impacts continues.

NHS Supply Chain – securing national savings target

The current contractual arrangement with our supplier could result in not achieving the NHS savings target. Mitigation activity continues around stakeholder engagement, and the introduction of a price-checking system to ensure continued downward pressure on prices.

Current issues

Dental Contract Support Services Transformation

Some contract milestones in relation to the transformation of the dental service have not been met. This is currently being managed through a revised transformation plan with agreed revised dates, and close monitoring by our Leadership Team. There has been no adverse impact on our customers.

Assurance arrangements

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

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

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

A schedule of two reviews of the overarching assurance map each year, by the Leadership Team and Audit and Risk Management Committee, has been implemented to ensure that the NHSBSA is accurately represented and that areas of concern are being addressed. This provides challenge to the business and oversight of the process in terms of the assurances highlighted.



The Audit and Risk Management Committee has continued to embed a programme of deep dive exercises to assure itself on behalf of the Board regarding the robustness of the assurance maps and supporting evidence for each business area. During 2014/15 deep dive exercises were carried out in the following areas:

- Information Governance – data transfers
- Cyber security
- Change programme governance
- Concurrent major procurement management
- Pensions Regulatory Framework
- Supplier Management systems
- IT end of life.

The Committee has gained an increased awareness over the assurances in place for each of the areas reviewed.

Third party assurance

The NHSBSA provides services to the wider NHS including making dental, prescription and student bursary payments on behalf of Clinical Commissioning Groups (CCGs), Area Teams and Welsh Audit Commission. To provide third party assurance over the controls in place for these payments the NHSBSA engage PwC to undertake an audit exercise in each area. This results in the production of ISAE3402 reports on the control design and tests of operating effectiveness of the controls in place during the financial year, all of which have an unqualified opinion for 2014/15.



Managing information

During 2014/15 the NHSBSA has continued to improve its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Information Governance Toolkit. Using this toolkit, the NHSBSA's rating for 2014/15 is an overall 'satisfactory' rating.

The NHSBSA has not had any security incidents classified as serious untoward incidents by the DH. However, using the DH categorisation framework, there were five incidents classed as minor to report for the year to date. These were not level 2 or above, and so they are not required to be formally reported to DH (Table 4).

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	5
V	Other	0
	Total number of incidents	5

Table 4: Information incidents

In the course of the NHSBSA's business, information is held and used about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence stringent controls are in place to ensure the security of this information.

Issues relating to information governance within the NHSBSA are coordinated by the Information Governance and Security Group which is chaired by the Director of Service Delivery who holds the position of both Caldicott Guardian and Senior Information Risk Owner (SIRO). The remit of the Caldicott Guardian is to ensure that any person identifiable information is held and used properly. The remit of the SIRO is to take ownership of the NHSBSA's information risk policy, act as advocate for information risk to the Board and provide written advice to the Accounting Officer on the content of the Annual Governance Statement with regard to information risk.



Data protection and freedom of information

As a Special Health Authority, the NHSBSA is subject to the requirements of the Data Protection Act (DPA) 1998 and the appropriate notifications have been filed with the Information Commissioner's Office. This means that all subject access requests are responded to within the provisions of the Act, typically within 40 calendar days.

During 2014/15, we dealt with 323 DPA requests. All but 6 were responded to within the required timeframe. The numbers of requests have increased by 25% when compared to the previous year.

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

During 2014/15, we dealt with 556 FOI requests. All but 5 were responded to within the required timeframe. The numbers of requests have increased by 3% when compared to the previous year.

As a public sector information holder, the NHSBSA complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. The NHSBSA can confirm that no charges were made for access to information during 2014/15.

Health inequalities

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

Handling complaints

The NHSBSA takes complaints seriously and believes in the value of learning from the complaints which are made about its staff and services to make improvements for customers.

During 2014/15, we have maintained our approach to handling complaints, learning lessons about our services and the way in which we respond to our customers. During the year we continued with our Benefits Eligibility Checking Services (BECS) within Dental Services and introduced the Prescription Exemption Checking Service (PECS). Due to the high volume of checks carried out across these services, we have experienced a corresponding increase in complaints. We have attempted to deal with each complaint appropriately, learning any lessons and improving the services wherever possible.

The total number of formal complaints resolved during 2014/15 was 241 of which 50 (20.75%) were found to be justified. This compares with a total of 135 in 2013/14 of which 66 (48.89%) were found to be justified.

Sources of assurance

Audit and Risk Management Committee

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

- Quarterly Risk Management Updates – setting out and assessing the major risks and issues that we face, aligned with key areas of focus set out in the Business Plan and Strategy 2014-19. These reports detail the movements in risks and issues between reporting periods and identify emerging risks and issues, and actions which have been taken or are planned to mitigate them.
- Annual Risk Management Report – outlining how our risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened.
- Assurance Map Review – two reviews of the overarching NHSBSA Assurance Map each year.
- Assurance Map Deep Dives – individual business area assurance maps are reviewed as part of a programme of deep dive exercises to consider the control environment in operation throughout the NHSBSA.
- Internal Audit Workplan – regular progress reports on the work undertaken by Internal Audit against the agreed workplan.
- Internal/External Audit Recommendations Tracker – quarterly updates on progress made across the NHSBSA implementing audit recommendations.
- Local Counter Fraud Specialist (LCFS) / Local Security Management Specialist (LSMS) Annual Reports – reports detailing the work undertaken during the year mapped against the agreed workplans.
- Whistleblowing Update Report – two updates on whistleblowing activity across the business each year.
- Third Party Assurance Reports – the outcome of the third party assurance engagements undertaken by PwC to review the control environment covering prescription, dental and student bursary payments. The outcome of these engagements is shared with clients, as appropriate, to provide third party assurance for the payments we make on their behalf.

Other sources of assurance

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

- **Risk Management Process** – see Risk Management section.
- **Enhanced Performance Management Framework** – reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance.
- **Information Governance and Security Group (IGSG)** – all information risks are reviewed by the IGSG on a regular basis. The group is also responsible for ensuring that the NHSBSA complies with information governance and security best practice and performs a self-assessment against a nationally developed toolkit.
- **Equality and Diversity Committee** – controls are in place to ensure that all of our obligations under equality, diversity and human rights legislation are adhered to. The Equality and Diversity Committee, which is chaired by the executive director equality champion, monitors performance against our Equality Strategy and achievement of our equality objectives.
- **Statutory Function Discharge Review** – a full review is undertaken at least annually to ensure correct arrangements are in place, and legally compliant. The process would identify any irregularities, and is in line with the recommendations of the Harris Review.
- **NHS Pension Scheme** – as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- **Corporate Responsibility** – controls are in place ensuring the delivery of our Corporate Responsibility targets and legislative requirements, specifically around environment and resource efficiency, health and safety, wellbeing and community investment. The NHSBSA is also required to deliver against the Greening Government Commitments, requiring regular performance updates provided to the DH, and subsequently central government.

Accounting Officer's review of effectiveness

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

The Head of Internal Audit's opinion was that, based on the work completed to date, there is moderate assurance given to the Accounting Officer that the NHSBSA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2014/15.

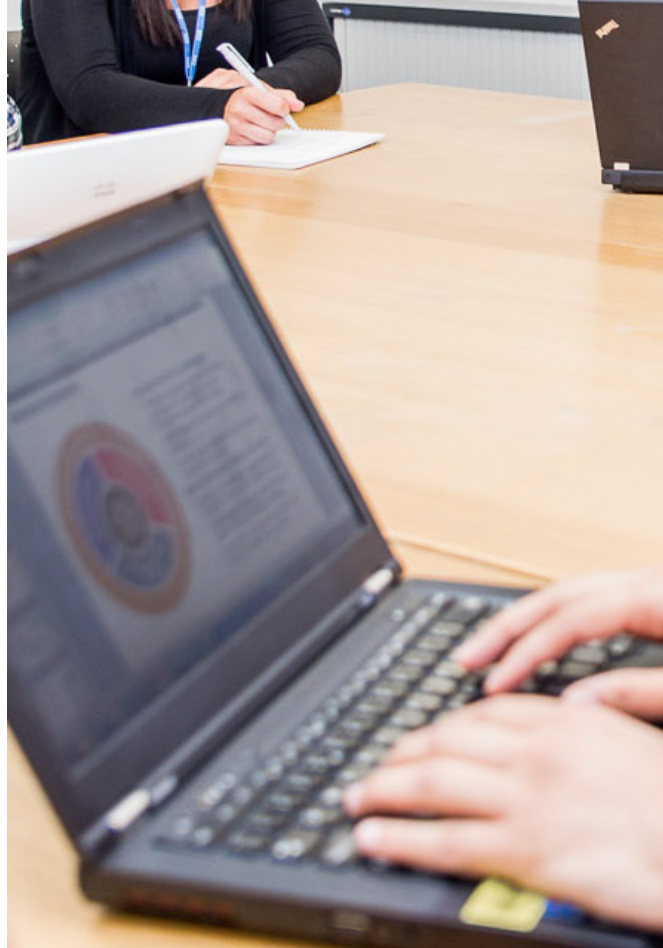
The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the NHSBSA achieving its principal objectives have been reviewed. My review is informed by:

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

A plan to ensure continuous improvement of the assurance system is in place and the Audit and Risk Management Committee continues to monitor improvements in the overall corporate assurance framework.

Significant governance issues

There were no significant issues raised during 2014/15. However, we have identified a small number of areas where processes that govern the relationship between the DH and NHSBSA should be better defined.



Conclusion

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

Nick Scholte
Chief Executive
NHS Business Services Authority
12 June 2015





8. Statement of Accounting Officer's responsibilities

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

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

In preparing the accounts, I am required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclosed and explained any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation.

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

Appendix 1 - Our Key Performance Indicators (KPIs)

Contact Centre Services			
KPI domain	KPI name	Target	2014-15
Service delivery	% Calls answered in 20 seconds	70.00%	74.65%
Customer care	% Abandoned calls	5.00%	2.29%

NHS Dental Services			
KPI domain	KPI name	Target	2014-15
Service delivery	Payment transfers in accordance with prescribed dates (All)	100.00%	100.00%
	% Activity reports on first available schedule	99.90%	99.99%
	Reporting in accordance with publication timetable	100.00%	98.79%
	Non-confirmed eligibility checks	187,000	187,065
	% of PCOs on target to have a minimum of 2,000 questionnaires sent to patients by the end of 2014/15	100.00%	100.00%
	% Clinical advisor cases completed within 3 months (England)	90.00%	98.64%
	Carry out no fewer than 330 routine assessments by end March 2015 (England)	330	331
	Carry out no fewer than 50 Clinical Adviser reports by end March 2015 (Wales)	50	59
	Carry out no fewer than 20 routine orthodontic performance assessments by end March 2015 (Wales)	20	20
Quality of service	Accuracy of payment - sample based on data	99.90%	100.00%
	Accuracy of data capture	99.90%	100.00%
	Accuracy of published dental reports	100.00%	100.00%
Customer care	Issue initial response to customer complaints within 3 working days	100.00%	100.00%
	Issue final response to customer complaints within 10 working days	100.00%	100.00%
	% Calls answered in 20 seconds	70.00%	71.95%
	% Abandoned calls	5.00%	1.62%
	% Emails cleared within 2 working days	100.00%	83.70%

Information Services

KPI domain	KPI name	Target	2014-15
Service delivery	Customer information reports and systems published within target	100.00%	100.00%
	Parliamentary Questions (PQs) answered within deadline	100.00%	100.00%
	Freedom of Information (FOI) requests provided within 20 working days of receipt	100.00%	99.35%
	Subject Access Requests (SARs) provided within 40 calendar days of receipt	100.00%	100.00%
	Information Systems (ISP and Actuate) available to external stakeholders	99.50%	99.61%
	Information Systems (ePACT) available to external stakeholders	99.50%	97.84%
	Management Information (MI) reports published within target deadlines	100.00%	100.00%
Quality of service	Prescription processing information accuracy	98.50%	98.82%

Low Income Scheme (LIS)

KPI domain	KPI name	Target	2014-15
Service delivery	% Claim applications processed within 15 day target	99.00%	99.96%
	% Days to process good cause cases within target	99.00%	100.00%
	% Days to process review cases within target	97.50%	100.00%
	% Refunds processed within 5 days	99.00%	99.93%
Quality of service	% Accuracy of processed applications	97.00%	97.72%
	% Accuracy of refunds	97.00%	98.84%

Prescription prepayment certificates (PPCs) and maternity, medical and Tax Credit exemption certificates

KPI domain	KPI name	Target	2014-15
Service delivery	% PPC, Matex and Medex applications processed within 3 days	99.00%	100.00%
	% Monthly Tax Credit updates processed within SLA	99.00%	100.00%
Quality of service	% Accuracy of processed PPC, Matex and Medex applications	97.00%	98.45%

Procurement Services

KPI domain	KPI name	Target	2014-15
Service delivery	Projects delivered to Cabinet Office lean sourcing standard	100%	100%
Quality of service	Projects delivered to quality standards (average monthly feedback rating)	7	8.44

Prescription Exemption Checking Service (PECS)

KPI domain	KPI name	Target	2014-15
Service delivery	% Penalty Charge Notice (PCN) letters sent against plan	100.00%	89.57%
	% Surcharge letters sent against system generated surcharge	100.00%	100.00%
	% Making payments	7.50%	24.57%
Quality of service	% Accuracy of PECS patient data capture	97.50%	97.73%
Customer care	% Calls answered within 20 seconds	70.00%	66.50%
	% Calls abandoned	5.00%	3.85%
	% Emails answered within 2 days	100.00%	90.85%
	% Letters cleared within 5 days	100.00%	100.00%

NHS Prescription Services

KPI domain	KPI name	Target	2014-15
Service delivery	Successful payments and file transfers	100.00%	100.00%
	% Drug Tariff electronic and paper published within agreed target / schedule	100.00%	100.00%
	Prescription search requests completed within agreed target	90.00%	99.81%
	Health benefits requests completed to target	99.00%	99.71%
	Batch retrieval requests within agreed target	85.00%	93.26%
Quality of service	% Accuracy of prescription processing affecting payment only	98.50%	99.06%
	Net cash variance	99.8% - 100.2%	100.00%
	Absolute cash variance	99.10%	99.39%
	% Accuracy of drug database (CDR and MDR) team workload	99.90%	99.98%
	% Accuracy of Drug Tariff team workload	99.90%	99.99%
	% Accuracy of Organisational Database	99.60%	99.87%
Customer care	% NHS Dictionary of Medicines and Devices (dm+d) enquiries resolved within 10 working days	98.00%	100.00%

European Health Insurance Card (EHIC)

KPI domain	KPI name	Target	2014-15
Service delivery	% EHIC applications processed and distributed within target	99.00%	94.03%
Quality of service	% Accuracy of processed applications	97.00%	98.91%
Customer care	% Calls answered in 20 seconds	70.00%	82.15%
	% Abandoned calls	5.00%	1.32%

NHS Pensions

KPI domain	KPI name	Target	2014-15
Service delivery	Awards - 99.5% by 1 calendar month following due date	99.50%	99.71%
	Sub awards - 98% by 1 calendar month following due date	98.00%	98.74%
	Child Allowance - 98.5% by 1 calendar month following due date	98.50%	100.00%
	Death Gratuity - 99% by 1 calendar month following due date	99.00%	100.00%
	Widowers Pension - 97% by 1 calendar month following due date	97.00%	100.00%
	Transfer Value Out - Payment 99.7% within 6 calendar months	99.70%	99.97%
	Refunds - 99.95% by 1 calendar month following date of receipt of application	99.95%	100.00%
	5-Yr Rejoiner - Cash Equivalent Transfer Value - within 3 calendar months	99.00%	99.95%
	Pensions on Divorce Cash Equivalent Transfer Value - 95% within 3 calendar months	95.00%	99.50%
	Transfer Value In - Estimate 98% within 2 calendar months	98.00%	99.81%
	Transfer Value Out - Estimate 95% within 3 calendar months	95.00%	99.49%
	Practitioner Estimate - 97.5% within 40 working days	97.50%	94.16%
	Officer Estimate - 95% within 40 working days	95.00%	99.60%
	Pensions Contributions - Directions - by 19th (reported 1 month in arrears)	95.00%	98.48%
	Pensions Contributions - GP Practices - by 19th (reported 1 month in arrears)	95.00%	97.47%
	Pensions Contributions - Main Employers - by 19th (reported 1 month in arrears)	98.00%	99.23%
	Pensions Contributions - GP and Dental Staff - by 19th (reported 1 month in arrears)	95.00%	98.04%
	Pensions Contributions - Clinical Commissioning Groups (CCGs) and Clinical Support Groups (CSGs) - by 19th (reported 1 month in arrears)	98.00%	99.71%
	Pensions Contributions - New Fair Deal - by 19th	95.00%	93.40%
	Pensions Contributions - Independent Providers - by 19th	95.00%	98.98%
	Performance of EP - Payment issued for printing in voucher cases in 3 working days	100.00%	100.00%
	Performance of EP - BACS automatic notifications paid within 7 working days	100.00%	100.00%
Payments to Pensioners (Paymaster Contract)	100.00%	100.00%	
Quality of service	Pensions Accuracy (Case Administration and Payments) - pre-release errors	98.50%	98.88%
	Performance of EP - All Pensions calculations - accuracy	99.90%	100.00%

NHS Student Bursaries (SB)

KPI domain	KPI name	Target	2014-15
Service delivery	% Initial payments to new students within target	100.00%	100.00%
	% Subsequent payments to continuing students within target	100.00%	100.00%
	To ensure delivery against the monthly capacity clearance plan is no greater than a 5% deficit	-5.00%	2.13%
	% Disabled Student Allowance applications processed within target	100.00%	100.00%
	% Practice Placement Expenses paid within target	100.00%	100.00%
	% Tuition invoices paid within target	100.00%	100.00%
	% Bursary amendments following withdrawal/suspension processed within target	100.00%	100.00%
	% Payments to resumers within target	100.00%	100.00%
	% Accounts updated within target following change of circumstance	100.00%	100.00%
	% Authorised extensions paid within target	100.00%	100.00%
Quality of service	% Absolute Cash Variance (post-payment financial accuracy)	99.00%	98.73%
Customer care	% Calls answered within 20 seconds	70.00%	78.93%
	% Calls abandoned	5.00%	1.20%
	% Informal complaints resolved within 10 working days	99.00%	99.52%
	% Formal complaints (Stage 1) resolved within 25 working days	99.00%	100.00%
	% Formal complaints (Stage 2) resolved within 15 working days	99.00%	94.12%
Budget	To ensure overpayment financial values, as a result of withdrawals, does not exceed 1% of the bursary expenditure	1.00%	0.80%

SWB Education Support Grants (ESG)

KPI domain	KPI name	Target	2014-15
Service delivery	% Payments made to Higher Education Institutions (HEIs) within target	99.00%	100.00%
Quality of service	% Net Cash Variance (NCV) payment to HEIs	99% - 101%	100.00%
Customer care	% HEI correspondence responded to within 5 working days	100.00%	100.00%
	% Complaints responded to within 10 working days	99.00%	n/a

Social Work Bursaries (SWB)			
KPI domain	KPI name	Target	2014-15
Service delivery	% Applications processed within target	99.00%	100.00%
	% Payments made to new students within target	99.00%	99.88%
	% Disabled Student Allowance applications processed within target	99.00%	100.00%
	% Invoices processed within 20 working days	99.00%	100.00%
Quality of service	% Accuracy of processed applications	97.50%	99.81%
	% NCV of processed applications	99%-101%	100.00%
	% SWB staff completed annual fraud awareness training	100.00%	100.00%
Customer care	% Calls answered within 20 seconds	70.00%	72.12%
	% Calls abandoned	3.00%	1.73%
	% Informal complaints resolved within 10 working days	99.00%	100.00%
	% Enquiries responded to within 10 working days	99.00%	100.00%
Budget	% Money owed due to change of circumstances	1.00%	0.57%

Note: NHS Protect services are provided under a Memorandum of Understanding (MOU) with DH. A separate NHS Protect Annual Report is available on the NHS Protect section of the NHSBSA website.

Appendix 2 – Sustainability report

Table 1: Greenhouse gas emissions

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Non-financial Indicators (t CO₂e)*						
Gross emissions Scope 1** (direct)	1.7k	1.3k	1.0k	1.1k	0.5k	0.9k
Gross emissions Scope 2*** (indirect)	5.4k	5.1k	4.7k	3.9k	2.7k	2.6k
Gross emissions Scope 3**** (indirect – business travel)	0.8k	0.8k	0.8k	0.7k	0.6k	0.6k
TOTAL	7.9k	7.2k	6.5k	5.7k	3.8k	4.1k
Building CO ₂ e per FTE	2.91	2.69	2.65	1.55	1.37	1.44
Business travel CO ₂ e per FTE	0.18	0.21	0.27	0.20	0.19	0.16
Related energy consumption (kWh)						
Gas	8.4m	6.0m	4.6m	5.6m	2.5m	2.4m
Electricity: Grid	11m	10.1m	9.4m	8.4m	6.1m	5.9m
Gas Oil	N/A	N/A	N/A	0.2m	N/A	N/A
Self-generated energy (kWh)						
PV	N/A	N/A	N/A	65k	65k	35k
Financial indicators*****						
Expenditure on energy	£1.2m	£1.1m	£1.1m	£1.0m	£0.8m	£0.7m
Expenditure on carbon reduction commitment	N/A	<£2k	<£2k	£66k	£63k	£46k
Expenditure on official business travel	£1.1m	£1.1m	£1.0m	£1.1m	£1.3m	£1.0m
TOTAL	£2.3m	£2.2m	£2.1m	£2.2m	£2.2m	£1.7m

Notes: * emissions accounting includes all Scope 1 and 2 emissions along with separately identified Scope 3 emissions related to official business travel. Details of carbon accounting within the NHSBSA, in support of HM Treasury Guidance, can be requested from d.jukes@nhs.net. Greening Government carbon conversion factors have been used.

Scope 1**: gas used in buildings (Approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering), gas oil, fugitive emissions from air conditioning units in buildings we own and/or control, transport emissions from vehicles we own or on finance lease (<1% has been estimated for March 2015 due to the reporting deadline).

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

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

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

Performance commentary including measures

There has been a notable increase in Scope 1 emissions due to a large loss of air conditioning refrigerant from one of our buildings, however both Scope 2 and 3 emissions (electricity usage and business travel) have continued to reduce. Gas and electricity usage has continued to fall due to ongoing operational improvements.

Controllable impacts commentary

Our main impacts are from the operation of our offices (electricity and gas), and to a lesser extent our business travel, having offices spread around England with managers line managing staff at multiple sites.

Overview of influenced impacts

Our key influential impacts are related to our supply chain. Further details of our approach can be seen in section 4.3 - Corporate Responsibility.

Table 2: Waste

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Non-financial Indicators (tonnes)*						
Landfilled	504	466	261	161	189	193
Recycled / reused / composted (non-prescription / dental form waste)	634	471	322	516	309	201
ICT waste recycled externally	2	0	16	36	2	3
Recycled / reused / composted (prescription / dental form waste)	200	586	114	350	302	137
Incinerated/ energy from waste	26	23	50	17	94	87
TOTAL	1366	1546	763	1080	896	621
Office waste per FTE	0.46	0.39	0.29	0.28	0.24	0.19
Financial Indicators **						
Landfilled	-	-	-	£26.7k	£27.6k	£28.1k
Recycled / reused / composted (non-prescription / dental form waste)	-	-	-	£31.0k	£18.5k	£18.7k
Recycled / reused / composted (prescription / dental form waste)	-	-	-	-	£31.6k	£29.0k
ICT waste recycled externally	-	-	-	-	0	0
Incinerated / energy from waste	-	-	-	£2.6k	£14.3k	£15.1k
TOTAL	£36k	£36k	£39k	£60k	£92k	£91k

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

** minor estimates included aligned to non-financial estimates listed here, and due to some data reporting issues for 2009/10. All waste costs are included together up to 2012/13 due to level of reporting possible, with 2012/13 data split. Prescription / dental form and non-prescription / dental form recycling costs have been combined. ICT waste costs are included within managed service contract costs so have not been included here.

Performance commentary including measures

During 2014/15, we continued to achieve our office waste reduction level in line with our target. During small scale refurbishment projects we have continued to ensure wastes are recycled and reused through local charities.

Controllable impacts commentary

Our key controllable impact is the production of office waste. Teams across the business are increasingly moving from paper-based systems to paperless methods of administration and the adoption of card activated printing accounts.

Overview of influenced impacts

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

Table 3: Finite resource consumption

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Non-financial Indicators (m³)*						
Water from office estate	25.9k	24.2k	24.5k	24.9k	17.4k	18.7k
Water from non-office estate	0.2k	0.3k	0.3k	0.2k	0.3k	0.5k
TOTAL	26.2k	24.5k	24.8k	25.1k	17.7k	19.2k
Water - m ³ per FTE (office estate)	10.34	9.99	10.99	9.58	7.09	7.46
Paper - reams of A4**	48k	48k	34k	29k	26k	35k
Paper - reams per FTE	16	16	12	11	10	14
Financial Indicators ***						
Mains water supply and treatment	£93.3k	£96.7k	£83.7k	£90.2k	£74.0k	£86.2k

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

** paper (reams): reams of A4 reported here refer to office paper purchased by the NHSBSA directly. It does not include paper purchased on our behalf e.g. leaflets, scheme documents etc. linked to our outsourced services.

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

Performance commentary including measures

During 2014/15 we failed to meet our internal target for water reduction. This has been due to leaks at a number of our premises. The paper usage figure has increased. This is due to greater accuracy in the data acquired from our suppliers.

Controllable impacts commentary

Our key controllable impact is water use in our buildings. As a result of our estate rationalisation programme we have made significant reductions in water consumption based on our 2009/10 baseline. We continue to monitor office paper usage through printer software and our strategy to digitise our services should deliver further reductions.

Overview of influenced impacts

Our key influential impacts are related to our supply chain. Further details of our approach can be seen in section 4.3 - Corporate Responsibility.

No. of office buildings with water m³ per FTE (2014/15)

<4 (best practice)	>4 and <6 (good practice)	>6 (poor practice)
0	2	8

Benchmarking our estate

Under the requirements of the Climate Change Act 2008, Government is required to lay before Parliament each year a report on the efficiency and sustainability of its central civil estate for the previous financial year. This report includes specific data related to our performance and also measures our performance against that of other Government organisations and also the private sector. We use this information to help us identify areas of good practice and areas for improvement. Full details can be found at

www.civilservice.gov.uk.



Certificate and report of the Comptroller and Auditor General

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2015 under the National Health Service Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of NHS Business Services Authority's affairs as at 31 March 2015 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006; and
- the information given in the strategic report, the directors report and the governance statement sections of the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 17 June 2015

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

NHS Business Services Authority

**Main administration accounts 2014-15
Month 12**

Account of NHS Business Services Authority 2014-15

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Notes	2014-15 £000	2013-14 £000
Staff Costs	3.4	78,785	72,402
Non-Staff costs	3.2	134,029	152,866
Less income	3.1	(106,366)	(115,745)
Net operating costs for the financial year		106,448	109,523
Net (gain)/loss on transfers by absorption	3.8	0	1,001
Total Net Expenditure		106,448	110,524
Other Comprehensive Net Expenditure			
Net (gain) on revaluation of property, plant & equipment		(1,595)	0
Adjustment for notional costs		(90)	(90)
Total comprehensive net expenditure for the year		104,763	110,434

The notes on pages 76 to 100 form part of these accounts.

Account of NHS Business Services Authority 2014-15

Statement of Financial Position at 31 March 2015

	Notes	31 March 2015 £000	31 March 2014 £000
Non Current Assets			
Property, Plant & Equipment	4.2	32,913	31,201
Intangible Assets	4.1	45,442	38,182
Other Financial Assets	4.3	172,581	349,747
Total non-current assets		250,936	419,130
Current Assets			
Trade and other receivables	4.4	14,936	12,980
Cash and cash equivalents	4.5	26,835	24,881
Total current assets		41,771	37,861
Total Assets		292,707	456,991
Current Liabilities			
Trade and other payables	4.6	37,882	25,744
Borrowings	4.6.1	7	0
Provisions for liabilities and charges	4.7	176	558
Total current liabilities		38,065	26,302
Net current assets/liabilities		3,706	11,559
Total assets less current liabilities		254,642	430,689
Non-current liabilities			
Provisions for liabilities and charges	4.7	609	620
Total non-current liabilities		609	620
Total Assets Less Liabilities:		254,033	430,069
Taxpayers' Equity			
General Fund		249,177	426,808
Revaluation Reserve		4,856	3,261
Total Taxpayers' Equity:		254,033	430,069

The notes on pages 76 to 100 form part of these accounts.

Nick Scholte
Chief Executive
12 June 2015

Account of NHS Business Services Authority 2014-15

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2015**

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2014	426,808	3,261	430,069
Changes in taxpayers' equity for 2014-15			
Total net expenditure for the year	(106,448)	0	(106,448)
Net gain on revaluation of property, plant and equipment	0	1,595	1,595
Non-cash charges – notional costs	90	0	90
Total recognised income and expense for 2014-15	(106,358)	1,595	(104,763)
Net Parliamentary Funding	(71,273)	0	(71,273)
Balance at 31 March 2015	249,177	4,856	254,033

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2013	409,717	3,261	412,978
Changes in taxpayers' equity for 2013-14			
Total net expenditure for the year	(110,524)	0	(110,524)
Non-cash charges – notional costs	90	0	90
Total recognised income and expense for 2013-14	(110,434)	0	(110,434)
Net Parliamentary Funding	127,525	0	127,525
Balance at 31 March 2014	426,808	3,261	430,069

The notes on pages 76 to 100 form part of these accounts.

Account of NHS Business Services Authority 2014-15

Statement of Cash Flows for the year ended 31 March 2015

	Notes	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net operating costs		(106,448)	(109,523)
Other cashflow adjustments	5.3	(3,382)	985
Movement in Working Capital	5.1	10,182	(5,137)
Provisions utilised	4.7	(231)	(2,432)
Net cash (outflow) from operating activities		<u>(99,879)</u>	<u>(116,107)</u>
Cash flows from investing activities			
Interest received	3.1	4,553	3,841
Purchase of property, plant and equipment	4.2	(5,593)	(6,481)
Purchase of intangible assets	4.1	(15,865)	(14,247)
Proceeds from disposal of property, plant and equipment		4	1,501
Proceeds from disposal of financial assets	4.3	190,000	0
Net cash inflow/(outflow) from investing activities		<u>173,099</u>	<u>(15,386)</u>
Cash flows from financing activities			
Net Parliamentary Funding	5.4	(71,273)	127,525
Net Cash transferred under absorption accounting		0	(1,001)
Net financing		<u>(71,273)</u>	<u>126,524</u>
Net increase/(decrease) in cash and cash equivalents		1,947	(4,969)
Cash and cash equivalents at 31 March 2014	5.2	24,881	29,850
Cash and cash equivalents at 31 March 2015	5.2	<u>26,828</u>	<u>24,881</u>

The notes on pages 76 to 100 form part of these accounts.

Account of NHS Business Services Authority 2014-15

Notes to the Accounts

1. Accounting Policies

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

1.1 Accounting Conventions

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

Acquisitions and Discontinued Operations

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

Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE/SOCNI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS20 and similarly give rise to income and expenditure entries.

For transfers of assets and liabilities from those NHS bodies that closed on 1 April 2013, Treasury has agreed that a modified absorption approach should be applied. For these transactions only, gains and losses are recognised in reserves rather than the SOCNE/SOCNI.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Account of NHS Business Services Authority 2014-15

1. Accounting Policies (continued)

1.2 Income

Income is accounted for applying the accruals convention. Income is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured.

The main source of funding of the Special Health Authority is Parliamentary Funding from the Department of Health within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

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

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

1.3 Taxation

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

1.4 Property, Plant & Equipment

(a) Capitalisation

All assets falling into the following categories are capitalised:

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

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

(b) Valuation

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

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

Specialised buildings – depreciated replacement cost

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

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

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

Account of NHS Business Services Authority 2014-15

1. Accounting Policies (continued)

1.5 Intangible Assets

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

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

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

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

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

1.6 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the SoCNE to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.7 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Account of NHS Business Services Authority 2014-15

1. Accounting Policies (continued)

1.8 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

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

1.9 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.10 Research and Development

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

Account of NHS Business Services Authority 2014-15

1. Accounting Policies (continued)

1.11 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Authority as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Authority's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The Authority as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Authority's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Authority's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.12 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rates of -1.50%, -1.05% and 2.20% for cash flows due in 0-5 years, 5-10 years and over 10 years respectively (2013/14: -1.90%, -0.65% and 2.20%) in real terms. In the case of early retirement costs the rate is 1.30% (2013/14: 1.80%).

1.13 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

Account of NHS Business Services Authority 2014-15

1. Accounting Policies (continued)

Loans and receivables

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the Authority assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

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

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2014-15. The application of the Standards as revised would not have a material impact on the accounts for 2014-15, had they been applied in that year:

IFRS 9 Financial Instruments - subject to consultation

IFRS 13 Fair Value Measurement - adopted in the 2015-16 FReM

IFRS 15 Revenue from Contracts with Customers

Account of NHS Business Services Authority 2014-15

2.1 Operating segments

The Authority's activities are considered to fall within two segments: the payment of Social Work Bursaries and Education Support Grant (ESG), and the Authority's operating expenditure relating to the provision of services to the wider NHS.

Details of the income and expenditure and assets and liabilities of the segments are shown below. The segments' shares of assets and liabilities are disclosed in more detail within the relevant notes to the accounts.

	Bursaries		Service Provision		Total	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Statement of Comprehensive Net Expenditure						
Income	(81,208)	(98,523)	(25,158)	(17,222)	(106,366)	(115,745)
Expenditure	81,208	98,523	131,606	126,745	212,814	225,268
Net Operating Costs	<u>0</u>	<u>0</u>	<u>106,448</u>	<u>109,523</u>	<u>106,448</u>	<u>109,523</u>
Statement of Financial Position						
Assets	8,689	8,175	284,018	448,816	292,707	456,991
Liabilities	(5,902)	(5,388)	(32,772)	(21,534)	(38,674)	(26,922)
Assets less Liabilities	<u>2,787</u>	<u>2,787</u>	<u>251,246</u>	<u>427,282</u>	<u>254,033</u>	<u>430,069</u>

Account of NHS Business Services Authority 2014-15

3.1 Operating income

	2014-15 £000	2013-14 £000
Department of Health (DH) invoiced funding	5,272	3,303
Services to other DH Group Bodies	6,139	3,394
Services provided to UK Devolved Administrations and Crown Dependencies	2,516	2,367
Supply Chain interest charges	4,553	3,841
Social Work Bursary and ESG funding from the Department of Health	81,208	98,523
Other income	6,678	4,317
Total Operating income	106,366	115,745

3.2 Non-Staff costs

	2014-15 £000	2013-14 £000
The expenses of the authority were as follows:		
Non-executive members' remuneration	108	120
Rentals under operating leases	2,204	2,532
Establishment expenses	10,566	10,985
Transport	649	657
Premises	7,419	7,108
External contractors	26,945	22,520
Non-cash: Depreciation	5,253	4,008
Amortisation	8,135	9,116
Impairments & reversals PPE	693	0
(Profit)/loss on disposal of fixed assets	(4)	(1)
Change in carrying value of Financial Assets (Note 4.3)	(12,834)	(6,116)
	1,243	7,007
Auditors' remuneration - audit fees	85	95
Legal & Professional fees	3,488	3,168
Other costs	114	151
Social Work Bursaries and ESG	81,208	98,523
Total non-staff costs	134,029	152,866

Legal & Professional fees includes the notional fee for the audit of the NHS Pension Scheme accounts of £90k (2013-14 £90k)

Account of NHS Business Services Authority 2014-15

3.3 Operating leases

Authority as lessee

	2014-15 £000	2013-14 £000
Payments recognised as an expense		
Minimum lease payments	<u>2,204</u>	<u>2,532</u>
	2,204	2,532
Total future minimum lease payments		
Payable:		
Within one year	1,286	1,911
Later than one year and not later than five years	2,711	3,123
Later than five years	6,027	6,667
Total	<u>10,024</u>	<u>11,701</u>

3.4 Staff numbers and related costs

Executive members and staff costs:

	Total 2014-15 £000	Permanently employed £000	Other £000	Total 2013-14 £000
Salaries and wages	65,351	60,718	4,633	62,928
Social security costs	4,272	4,272	0	4,211
Employer contributions to NHS Pensions	6,627	6,627	0	6,286
Other pension costs	697	697	0	707
Termination costs	4,292	4,292	0	705
Total	<u>81,239</u>	<u>76,606</u>	<u>4,633</u>	<u>74,837</u>
Capitalised staff costs	(2,454)			(2,435)
	<u>78,785</u>			<u>72,402</u>

The average number of persons employed during the year was :

	Total Number	Permanently employed Number	Other Number	2013-14 Number
Total	<u>2,562</u>	<u>2,458</u>	<u>104</u>	<u>2,485</u>

The whole time equivalent number of staff whose cost was capitalised was 40 (2013-14: 40)

Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2013-14 £Nil).

Account of NHS Business Services Authority 2014-15

3.4 Staff numbers and related costs (cont)

Exit Costs

	Number of other departures agreed	Cost of other departures agreed £000
2014-15		
<£10,000	5	36
£10,000 - £25,000	9	143
£25,000 - £50,000	30	1,120
£50,000 - £100,000	22	1,590
£100,000 - £150,000	7	863
£150,000 - £200,000	1	186
>£200,000	2	550
Total number of exit packages by type	<u>76</u>	<u>4,488</u>

There were no compulsory redundancies during the year and no special payments were made.

	Agreements Number	Total value of agreements £000
Voluntary redundancies inc early retirement	76	4,341
Mutually agreed resignations	0	-
Early retirements in the efficiency of services	0	-
Contractual payments in lieu of notice	5	147
Exit payments	0	-
Non-contractual payments	0	-
	<u>81</u>	<u>4,488</u>

	Number of other departures agreed	Cost of other departures agreed £000
2013-14		
<£10,000	0	-
£10,000 - £25,000	3	57
£25,000 - £50,000	2	84
£50,000 - £100,000	5	314
£100,000 - £150,000	4	534
£150,000 - £200,000	2	362
>£200,000	0	-
Total number of exit packages by type	<u>16</u>	<u>1,351</u>

There were no compulsory redundancies during the year and no special payments were made.

	Agreements Number	Total value of agreements £000
Voluntary redundancies inc early retirement	7	322
Mutually agreed resignations	0	-
Early retirements in the efficiency of services	9	915
Contractual payments in lieu of notice	5	114
Exit payments	0	-
Non-contractual payments	0	-
	<u>21</u>	<u>1,351</u>

Account of NHS Business Services Authority 2014-15

3.5 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.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015 is based on valuation data as at 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

c) Scheme provisions

The NHS Pension Scheme provides defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. The Consumer Price Index (CPI) replaced the Retail Prices Index (RPI) for this purpose from 2011-12.

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 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 employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

d) Civil Service Pension Scheme

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

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

No payments were made under the legislation during the year (2013-14 - £5,825).

3.7 Other gains and losses

	2014-15	2013-14
	£000	£000
Profit on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	4	1
(Loss) on disposal of plant and equipment	0	0
Total	<u>4</u>	<u>1</u>

3.8 Net (gain)/loss on transfers by absorption

The responsibility for accounting for NHS Student Bursaries transferred last year to Health Education England on whose behalf the NHSBSA administers the NHS Bursary Scheme.

The following assets and liabilities held at 1 April 2013 were transferred to Health Education England under absorption accounting as part of the process:

	2014-15	2013-14
	£000	£000
Other receivables	0	9,520
Provision for impairment of receivables	0	(4,763)
Prepayments and accrued income	0	121
Cash and Cash equivalents	0	4,998
Other payables	0	(1,018)
Accruals and deferred income	0	(7,857)
	<u>0</u>	<u>1,001</u>

The loss of £1,001k resulting from the transfer was recognised in the SOCNE, and was disclosed separately from operating costs.

Account of NHS Business Services Authority 2014-15

4.1 Intangible assets

4.1.1 Intangible assets 2014-15

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2014	2,260	77,943	16,449	96,652
Additions - purchased	2,082	1,080	12,703	15,865
Reclassifications	0	9,740	(10,210)	(470)
Disposals	(496)	(3,277)	0	(3,773)
Gross cost at 31 March 2015	3,846	85,486	18,942	108,274
Amortisation				
Accumulated amortisation at 1 April 2014	878	57,592	0	58,470
Charged during the year	333	7,802	0	8,135
Disposals	(496)	(3,277)	0	(3,773)
Accumulated amortisation at 31 March 2015	715	62,117	0	62,832
Net book value at 31 March 2014	1,382	20,351	16,449	38,182
Net book value at 31 March 2015	3,131	23,369	18,942	45,442

4.1.2 Intangible assets 2013-14

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2013	1,049	72,429	9,144	82,622
Additions - purchased	1,200	1,062	11,985	14,247
Reclassifications	11	4,452	(4,680)	(217)
Disposals	0	0	0	0
Gross cost at 31 March 2014	2,260	77,943	16,449	96,652
Amortisation:				
Accumulated amortisation at 1 April 2013	802	48,552	0	49,354
Charged during the year	76	9,040	0	9,116
Disposals	0	0	0	0
Accumulated amortisation at 31 March 2014	878	57,592	0	58,470
Net book value at 31 March 2013	247	23,877	9,144	33,268
Net book value at 31 March 2014	1,382	20,351	16,449	38,182

Bursaries had no Intangible assets during the accounting period (2013-14 - £Nil)

Account of NHS Business Services Authority 2014-15

4.2 Property, Plant and Equipment

4.2.1 Property, Plant and Equipment 2014/15

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2014	3,734	20,523	2,517	49	34,427	7,842	69,092
Additions - purchased	0	3,737	0	0	1,054	802	5,593
Reclassifications	0	58	0	0	412	0	470
Disposals	0	(1,602)	0	(14)	(1,290)	(1,490)	(4,396)
Revaluation	1,200	395	0	0	0	0	1,595
Gross cost at 31 March 2015	4,934	23,111	2,517	35	34,603	7,154	72,354
Depreciation							
Accumulated depreciation at 1 April 2014	0	5,274	2,158	49	27,169	3,241	37,891
Reclassifications	0	0	0	0	0	0	0
Disposals	0	(1,602)	0	(14)	(1,290)	(1,490)	(4,396)
Impairments	0	693	0	0	0	0	693
Charged during the year	0	1,359	94	0	2,439	1,361	5,253
Accumulated depreciation at 31 March 2015	0	5,724	2,252	35	28,318	3,112	39,441
Net book value at 31 March 2014	3,734	15,249	359	0	7,258	4,601	31,201
Net book value at 31 March 2015	4,934	17,387	265	0	6,285	4,042	32,913

4.2.2 Property, Plant and Equipment 2013/14

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2013	5,184	17,730	2,350	96	32,748	6,514	64,622
Additions - purchased	0	3,524	140	0	1,489	1,328	6,481
Reclassifications	0	0	27	0	190	0	217
Disposals	(1,450)	(731)	0	(47)	0	0	(2,228)
Revaluation	0	0	0	0	0	0	0
Gross cost at 31 March 2014	3,734	20,523	2,517	49	34,427	7,842	69,092
Depreciation							
Accumulated depreciation at 1 April 2013	0	5,286	2,083	96	24,948	2,198	34,611
Reclassifications	0	0	0	0	0	0	0
Disposals	0	(681)	0	(47)	0	0	(728)
Impairments	0	0	0	0	0	0	0
Charged during the year	0	669	75	0	2,221	1,043	4,008
Accumulated depreciation at 31 March 2014	0	5,274	2,158	49	27,169	3,241	37,891
Net book value at 31 March 2013	5,184	12,444	267	0	7,800	4,316	30,011
Net book value at 31 March 2014	3,734	15,249	359	0	7,258	4,601	31,201

Bursaries had no Property, Plant and Equipment during the accounting period (2013-14 - £Nil)

Account of NHS Business Services Authority 2014-15

4.2 Property, Plant and Equipment (continued)

4.2.3 Land and Buildings

The net book value of land and buildings comprises:

	31 March 2015	31 March 2014
	£000	£000
Freehold	14,095	12,598
Long leasehold	8,226	6,385
Short leasehold	0	0
Total	22,321	18,983

4.2.4 Economic Lives of Non-current Assets

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

4.2.5 Impairments

a) Impairments charged in the year to the Statement of Comprehensive Net Expenditure

	2014-15		2013-14	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Impairments arose from:				
Enhancement expenditure written off on revaluation	693	0	0	0
Total	693	0	0	0

b) Impairments charged in the year to the revaluation reserve

	2014-15		2013-14	
	Property, plant and equipment £000	Intangible assets £000	Property, plant & equipment £000	Intangible assets £000
Charged to the revaluation reserve:	0	0	0	0

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4.3 Financial Assets

4.3.1 Financial assets 2014-15

	Supply Chain Working Capital £000
Value at 1 April 2014	349,747
Additions	0
Disposals	(190,000)
Changes in carrying value	12,834
Value at 31 March 2015	<u>172,581</u>

4.3.2 Financial assets 2013-14

	Supply Chain Working Capital £000
Value at 1 April 2013	343,631
Additions	0
Changes in carrying value	6,116
Value at 31 March 2014	<u>349,747</u>

The above assets represent the working capital loaned to the outsourced provider to run the NHS Supply Chain service.

The assets are classified as 'loans and receivables' (Note 9) and carried at amortised cost, calculated using the effective interest method. Changes in carrying value during the year are taken to operating costs (Note 3.2).

The working capital is due to be repaid to NHSBSA on or before the end of the outsourced arrangement on 30 September 2016. The total amount now due is £175,632k (2014 - £365,632k) and the carrying value has been calculated on the assumption that the whole amount will be repaid on 30 September 2016. Any change in assumption around the repayment date would result in an increase in the carrying value up to a maximum of £175,632k. The reduction in the total amount due since 31 March 2014 reflects the £190m repaid during the year. A further loan of £40m was made in April 2015 which will increase the final repayment amount to £215,632k.

The working capital is split into two elements; consumables and capital, which are interest bearing and non-interest bearing respectively. The carrying value of the two elements at 31st March 2015 was: Consumables £80,632k (2014 - £65,632k) and Capital £91,949k (2014 - £284,115k). The further loan of £40m will take the final repayable Consumables and Capital balances to £100,632k and £115,000k respectively.

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4.4 Receivables

	31 March 2015	Current 31 March 2014
	£000	£000
Trade receivables - revenue	4,330	2,014
Provision for impairment of receivables	(842)	(1,016)
Prepayments and accrued income	7,413	8,641
Other receivables	4,035	3,341
Trade and other receivables	<u>14,936</u>	<u>12,980</u>
Segmental split		
Service Provision	9,099	7,870
Bursaries	5,837	5,110
	<u>14,936</u>	<u>12,980</u>

There are no non-current receivables (2014 - Nil)

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4.5 Cash and Cash equivalents

	2014-15 £000	2013-14 £000
Balance at 1 April	24,881	29,850
Net change in the year	<u>1,954</u>	<u>(4,969)</u>
Balance at 31 March	<u>26,835</u>	<u>24,881</u>

Comprising:

	31 March 2015 £000	31 March 2014 £000
Held with the Government Banking Service	26,834	24,871
Commercial banks and cash in hand	<u>1</u>	<u>10</u>
Cash and Cash equivalents as in Statement of financial position	26,835	24,881
Bank overdraft	<u>(7)</u>	<u>0</u>
Cash and Cash equivalents	<u>26,828</u>	<u>24,881</u>

Segmental split

Service Provision	23,976	21,816
Bursaries	<u>2,852</u>	<u>3,065</u>
	<u>26,828</u>	<u>24,881</u>

4.6 Trade and other payables

	Current	
	31 March 2015 £000	31 March 2014 £000
Trade payables revenue	3,026	1,601
Tax and social security	0	1
Accruals and deferred income	21,175	20,384
Other payables	<u>13,681</u>	<u>3,758</u>
Trade and other payables	<u>37,882</u>	<u>25,744</u>

Segmental split

Service Provision	31,980	20,356
Bursaries	<u>5,902</u>	<u>5,388</u>
	<u>37,882</u>	<u>25,744</u>

4.6.1 Borrowings

	Current	
	31 March 2015 £000	31 March 2014 £000
Bank Overdraft	<u>7</u>	<u>0</u>
Total	<u>7</u>	<u>0</u>

There are no non-current trade and other payables (2014 - Nil)

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4.7 Provisions for liabilities and charges

	Current	
	31 March 2015	31 March 2014
	£000	£000
Pensions relating to other staff	12	12
Legal claims	85	92
Leasehold property decommissioning	79	454
Total	176	558

	Non-current	
	31 March 2015	31 March 2014
	£000	£000
Pensions relating to other staff	3	12
Legal claims	33	35
Leasehold property decommissioning	573	573
Total	609	620

All provisions relate to the **Service Provision** segment.

	Pensions relating to other staff £000	Legal claims £000	Leasehold Property Decommissioning £000	Total £000
At 1 April 2013	50	139	5,692	5,881
Arising during the year	0	40	0	40
Utilised during the year	(26)	(52)	(2,354)	(2,432)
Reversed unused	0	0	(2,311)	(2,311)
At 1 April 2014	24	127	1,027	1,178
Arising during the year	0	33	0	33
Utilised during the year	(9)	(42)	(180)	(231)
Reversed unused	0	0	(195)	(195)
At 31 March 2015	15	118	652	785

Expected timing of cash-flows:				
Within one year	12	85	79	176
Later than one year and not later than five years	3	6	573	582
Later than five years	0	27	0	27

Contingencies at 31 March 2015

At 31 March 2015, there were no known contingent assets or liabilities (2014: £nil).

Account of NHS Business Services Authority 2014-15

4.8 Events after the reporting period

Non-adjusting events after the reporting period: The Authority made a further working capital loan of £40m to Supply Chain in April 2015. This increased the loan total to £215,632k - see note 4.3.

There have been no adjusting events after the reporting period.

The Accounts were authorised for issue on 17 June 2015 by the NHS BSA Chief Executive and Accounting Officer.

4.9 Capital commitments

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

	31 March 2015	31 March 2014
	£000	£000
Property, plant and equipment	2,311	1,455
Intangible assets	5,261	13,118
Total	7,572	14,573

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5.1 Movements in working capital

	2014-15 £000	2013-14 £000
(Increase)/decrease in receivables within 1 year	(1,956)	3,167
(Increase)/decrease in receivables after 1 year	0	1,489
Increase/(decrease) in payables within 1 year	12,138	(9,793)
Total	10,182	(5,137)

5.2 Analysis of changes in net debt

	As at 1 April 2013 £000	Cash flows £000	As at 1 April 2014 £000	Cash flows £000	As at 31 March 2015 £000
GBS cash at bank	29,808	(4,937)	24,871	1,963	26,834
Commercial cash at bank and in hand	42	(32)	10	(9)	1
Bank overdraft	0	0	0	(7)	(7)
Total	29,850	(4,969)	24,881	1,947	26,828

5.3 Other cashflow adjustments

	2014-15 £000	2013-14 £000
Depreciation	5,253	4,008
Amortisation	8,135	9,116
Impairments and reversals	693	0
(Profit)/Loss on disposal of assets	(4)	(1)
Change in carrying value of Financial Assets	(12,834)	(6,116)
Notional Costs	90	90
Interest Received	(4,553)	(3,841)
Provisions - Arising in Year	33	40
Provisions - Reversed unused	(195)	(2,311)
Total	(3,382)	985

5.4 Net Parliamentary Funding

As a result of the £190m loan repayment received from Supply Chain during 2014/15, the Authority made a net repayment of Parliamentary Funding of £71.3m.

Account of NHS Business Services Authority 2014-15

6. Losses and special payments

	2014-15		2013-14	
	No of cases	£000	No of cases	£000
Losses				
'Cash' losses	0	0	0	0
Stores losses	0	0	0	0
Fruitless payments	0	0	79	7
Claims waived or abandoned	161	257	361	550
	161	257	440	557
Special Payments	96	441	100	213

7. Related Party Transactions

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

The Department of Health is regarded as a related party. During the year the Authority had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department including NHS England, Public Health England, Health Education England and NHS Trusts and Foundation Trusts.

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

8. Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out Pensions and IT services totalling £11.453m over 1 years 4 months as at 31 March 2015. (2014: £20.033m). £8.588m (2014: £8.578m) of this commitment is payable within one year.

The Authority has entered into a non-cancellable contract for the provision of contracted out Dental and IT infrastructure services totalling £23.690m (2014: £35.578m - restated - previously included a 3 year extension to which the Authority is not committed) over the remaining 1 years and 9 months as at 31 March 2015. £11.991m (2014: £11.888m) of this commitment is payable within one year.

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9. Financial Instruments

Financial risk management

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

Currency risk

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

Interest rate risk

Most of the Authority's financial assets and financial liabilities carry nil or fixed rates of interest, and the one asset with a variable rate is linked to LIBOR. The Authority is not, therefore, exposed to significant interest-rate risk.

Credit Risk

Because the majority of the Authority's income comes from funds voted by Parliament and from other NHS bodies the Authority has low exposure to credit risk. The credit risk associated with Supply Chain working capital is assessed as low due to the controls and governance in place to manage the risk.

Liquidity Risk

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

9.1 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Trade receivables	0	2,014	0	2,014
Other receivables	0	2,325	0	2,325
Cash at bank and in hand	0	24,881	0	24,881
Other financial assets	0	353,841	0	353,841
Total at 31 March 2014	0	383,061	0	383,061
Trade receivables	0	4,330	0	4,330
Other receivables	0	3,193	0	3,193
Cash at bank and in hand	0	26,835	0	26,835
Other financial assets	0	175,723	0	175,723
Total at 31 March 2015	0	210,081	0	210,081

9.2 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000	£000	£000
Trade Payables	0	1,601	1,601
Other payables	0	3,759	3,759
Other financial liabilities	0	21,096	21,096
Total at 31 March 2014	0	26,456	26,456
Trade Payables	0	3,026	3,026
Other payables	0	13,681	13,681
Borrowings	0	7	7
Other financial liabilities	0	21,784	21,784
Total at 31 March 2015	0	38,498	38,498

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9 Financial Instruments (continued)

9.3 Maturity of financial liabilities

	31 March 2015	31 March 2014
	£000	£000
In one year or less	37,925	25,883
In more than one year but not more than five years	573	573
In more than five years	0	0
Total	<u>38,498</u>	<u>26,456</u>

9.4 Fair values

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

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10. Intra-government balances

	Receivables amounts falling due within one year £000	Receivables amounts falling due after more than one year £000	Payables amounts falling due within one year £000	Payables amounts falling due after more than one year £000
Balances with other central government bodies	1,912	0	2	0
Balances with local authorities	0	0	0	0
Balances with NHS bodies inside the departmental group	5,118	0	53	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	7,906	0	37,827	0
At 31 March 2015	<u>14,936</u>	<u>0</u>	<u>37,882</u>	<u>0</u>
Balances with other central government bodies	4,037	0	798	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	37	0	20	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	8,906	0	24,926	0
At 31 March 2014	<u>12,980</u>	<u>0</u>	<u>25,744</u>	<u>0</u>

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