



# **NHS Business Services Authority**

## **ANNUAL REPORT AND ACCOUNTS 2007-08**

**Presented to Parliament pursuant to Schedule 15,  
Section 6 of the National Health Service Act 2006**

**Ordered by the House of Commons to be printed on 7 July 2008**





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# NHS Business Services Authority

## ANNUAL REPORT AND ACCOUNTS 2007-08

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## **Introduction**

We faced the challenges of our second full year of operation with the same drive and commitment towards delivering our mission of service excellence and value for money with which we approached our inaugural year. I have been delighted by the progress we continue to make.

For example, the Capacity Improvement Programme within our Prescription Services introduces a significant change to a long established service. The Programme introduces more efficient advanced technology to the processing of prescription forms and to the payments to pharmacists. By the end of March 2008, 43% of total prescriptions were processed through the new system. Not only will this new technology ensure we are prepared for the ever increasing growth volumes but will also make significant savings to the taxpayer.

There are many other stories of success during 2007-2008 in every facet of the many services we provide which you can read about in this report. Our success is due to the hard work and dedication of the thousands of people who work with the NHS Business Services Authority. I would like to record my personal thanks for their individual contributions.

I am also delighted to report that during 2007-2008 we have continued our intent to become a more responsive and learning organisation by tackling issues such as benchmarking ourselves against other similar organisations, undertaking customer satisfaction surveys and our first staff survey. We will keep investing resources in these areas because it is important to collect and act upon the views of our many stakeholders to become the organisation of choice for the services we provide.

In total, our overall efficiency savings since our inception has been in the order of £20million: proof of better value for the taxpayer. We are, of course, already focussed on the year ahead. I am confident that I will be able to report further success at the end of next year.

**Paul Rich**  
**Chair**  
**NHS Business Services Authority**

## **Our Key Achievements during 2007-2008**

During 2007-2008, we have:

- Improved efficiency and value for money by improvements in services and meeting stringent cost reduction targets, supported by the synergies arising from the merger of five bodies into one.
- Reduced costs and improved operations following the successful migration of Social Care Bursaries from the General Social Care Council.
- Established the appropriate systems and infrastructure to support the introduction of the new NHS Pensions Scheme from 1 April 2008.
- Significantly improved operations within the Pensions Services by ensuring the completeness of contribution income from employing authorities, a major data cleansing exercise and reducing the backlog of work.
- Improved services to customers following changes to the management arrangements of NHS Bursaries.
- Continued to deliver the Capacity Improvement Programme within Prescription Services in accordance with project timescales – by March 2008, 43% of total prescriptions were processed through the CIP system.
- Successfully completed the review of the NHS Injury Benefits scheme at a far lower cost than anticipated. There is now a clearer operating framework for the management of new claims in place.
- Successfully managed the Supply Chain contract with DHL to exceed the expected benefits for year 1 of the agreement.
- Completed our review of the Dental Reference Service to ensure the service continues to deliver the best possible service and value for money. A new management structure was agreed to reflect the change in respective roles and responsibilities.
- Completed the merger of the five predecessor organisations with robust governance and combined management arrangements.

## Who we are

The NHSBSA is a Special Health Authority and we provide a wide range of services to support the NHS frontline and directly to the public, including:

- Payments to pharmacists for prescriptions dispensed in primary care settings
- Provision of management information to NHS bodies on costs and trends in prescribing
- Payments to dentists for work undertaken on NHS contracts
- Provision of management information to NHS bodies on costs of dental care
- Management of the NHS Pension Scheme
- A range of health benefits schemes (Low Income Scheme, Exemption schemes, Pre-payment Certificates)
- Provision of the European Health Insurance Card (EHIC) scheme
- Management of the contract for the delivery of supply chain services to the NHS
- Management of the NHS and Care Bursary Schemes
- Management of the NHS Injury Benefits Scheme
- Provision of the NHS Counter Fraud and Security Management service
- Provision of HR and financial services to over 2,000 staff in separate organisations for which the NHSBSA acts as the legal employer

We aim to offer the best service we can and in the most effective and efficient way possible, ensuring value for money for the Department of Health, the NHS and the taxpayer. This is supported by our vision which is:

*To be the organisation of choice to provide business solutions that deliver service excellence and value for money.*

This vision is supported by the NHSBSA's mission statement which is:

*Supporting the NHS, supplying the NHS, protecting the NHS.*

## How we operate

Since our establishment, each of the merged NHS bodies has operated as a division within the NHSBSA. However, during 2007-2008 we began the process of changing our internal structure to create a more flexible management model which is focussed on the needs of our customers, improving efficiency and maximising opportunities to identify and create synergy savings across all our services.

Our common processes are being grouped together to establish six business streams, each with clear role and focus, as follows:

~ Business Streams of the NHS Business Services Authority ~					
Regulatory Services	Contractor Services	Pension Services	Counter Fraud & Security Management Services	Patient & Public Services	Contract Management Services
Including: - Dental Reference Service	Including: - Prescription Services - Dental Services	Including: - NHS Pensions - Injury Benefits	Including: - Counter Fraud - Security Management	Including: - Social Care Bursaries - EHC - Help with Health Costs	Including: - NHS Supply Chain

To support all these business streams, appropriate expertise is available as support services and as part of best practice frameworks. This includes expertise in areas such as finance, human resources, commercial, information technology, estates, business process improvement and contact centres. During 2007-2008, we developed a new Central Services function which provides support across the NHSBSA for services such as payroll, invoice processing and recruitment.

## What we have done during 2007-2008

### NHS Pensions

We manage the NHS Pension Scheme which provides retirement benefits to around 1.4million members, including NHS employees, family doctors (GPs) and their staff, dentists and employees of other approved organisations in England and Wales. The Scheme receives contributions from employees and employers which in 2007-08 amounted to approximately £6.7bn. Payments of benefits totalled over £4.4bn.

A major consultation to support proposed changes to the NHS Pensions Scheme concluded in 2007-08. The proposals introduced a new scheme for NHS employees joining from 1 April 2008 and modified the rules for those already in the pension scheme. The Department of Health also consulted on changes to ill health retirement benefits. The new scheme was required to be in place by 1 April 2008.

In preparation, detailed work was undertaken throughout the year to prepare for the introduction of the new scheme. Changes in software systems were implemented with our supplier, Xafinity Paymaster to enable a smooth transition to the new and revised regulations.

A communication strategy was implemented to raise awareness about the changes. Our website was redeveloped and presentations and workshops took place at six separate venues across the country during February 2008. Letters were also sent to all pensioners, deferred members and dependants.

NHS Pensions successfully cleared a backlog of late payments and administration cases by the target date of 30 November 2007. In addition, the Pension Service increased the volume of work by 5%, based on April 2006 to January 2007, compared to the same period the previous year. The intake of work rose again by approximately 12% by the end of 2007-08 due to the number of enquiries regarding the new pension scheme and estimate requests.

There has been continuous improvement to financial controls relating to the NHS Pensions Scheme, including an improved year end assurance process. A review of the financial reporting needs arising from the new pension scheme resulted in changes in the level of detail needing to be collected for scheme income and expenditure.

Xafinity Paymaster's contract with NHS Pensions to provide full facilities management services including information systems, technology and estates has been reviewed during the last year. There was also a major programme initiated to upgrade the systems due to the changes to the NHS Pension Scheme. This programme will continue into 2008-09 to implement further changes and to prepare for a choice exercise in 2009 where existing members will have the opportunity of transferring their service to the new member regulations.

## **Dental Services**

2007-2008 was the second full year of local commissioning of NHS dental services by primary care trusts (PCTs) in England and local health bodies (LHBs) in Wales. The core services provided by the NHSBSA dental team during the first year of the new NHS dental contract (payments, form processing and management information) were enhanced in 2007-2008. The portfolio of dental products and services expanded to support staff in PCTs and LHBs to include:

- Contract management
- Clinical services
- Financial management

- Risk management
- Guidance and advice.

Particular emphasis was placed on providing PCTs and LHBs with targeted information to help improve monitoring of existing contracts with providers of NHS dentistry. This should assist in commissioning contracts more effectively. Developments in financial reporting ensured that all health bodies and providers received their first year end (2006-07) dental activity and patient charges reconciliation reports on time and in line with the NHSBSA's statutory obligations.

Throughout the year customer focussed NHS user groups, designed to generate and test new ideas for NHSBSA dental services, provided feedback to help shape a service improvement programme. Useful feedback was also gained from an external NHSBSA customer survey and the dental services website was redesigned.

In December 2007, the DH and Welsh Assembly Government (WAG) sponsored a project to determine the longer term information and business requirements of NHS dentistry. The NHSBSA is now looking at options to build the new dental IT systems and associated business processes for PCTs and LHBs. This will coincide with a review of the two current major outsourced IT and business services contracts which are due to be re-let from January 2010.

In late 2007 a fundamental review of the Dental Reference Service (DRS) was completed and a new working model agreed. The DH and PCTs have endorsed a risk based approach to contract monitoring by DRS. This allows DRS to have clinical input into a NHS dentistry wide risk management system that allows the NHSBSA to clearly report on risks, issues and exceptions.

Dentistry is to be included in the NHS Operating Framework for 2008-09 with specific targets set for improved patient access to NHS dentistry and better value for money. The outputs from the NHSBSA's information and risk management services will be used to help DH and PCTs measure their success in achieving these high profile targets.

### **NHS Counter Fraud and Security Management Service**

The NHS Counter Fraud and Security Management Service (CFSMS) has responsibility for all policy and operational matters relating to the prevention, detection and investigation of fraud and corruption in the DH and NHS and for the management of security in the NHS.

The aim of the Counter Fraud Service (CFS) is to protect the NHS by ensuring that resources for patient care and services are not lost to fraud or corruption, working within a clearly defined professional and ethical framework and winning the support of those who provide or use NHS services.

In 2006-07, 409 cases of potential fraud were detected and investigated with the potential NHS savings amounting to just under £12m. In 2006-07 CFS achieved a 95.4% successful prosecution rate which demonstrates the professionalism of investigations. At the time of going to print, figures for 2007-08 were not available.

CFS continues to work closely with DH and the NHS to develop existing policies and protocols to further prevent and deter fraudulent and corrupt activity. One example of this is fraud proofing the new dental contract – which involves liaising with policy sections across DH and government to ensure that, as far as possible, new initiatives are protected from fraud at the outset.

In 2008-09, CFS will be focusing attention on further raising fraud awareness within the NHS and promoting the NHS Fraud and Corruption Reporting Line – **0800 028 40 60** – aimed at increasing the number of fraud referrals to the organisation.

The aim of the Security Management Service is to deliver a secure environment for NHS staff and patients to ensure the highest possible standard of clinical care.

Figures released by SMS in November 2007 show that for the second year running, the number of physical assaults against NHS staff in England fell. There were 2,986 fewer assaults on NHS staff in 2006-07 than there were in 2005-06 and 4,676 fewer than in 2004-05. The figures also showed that 869 criminal prosecutions had been brought against people who assaulted NHS staff – a 17 fold increase since 2002-03. The figures for 2007-08 are not available until July 2008.

The figures indicate that measures introduced by SMS to protect staff are taking effect. These include introducing a national syllabus for conflict resolution training designed to help frontline staff prevent and manage violence; establishing the role of local security management specialists to investigate security breaches and implement systems to help protect NHS staff; and prosecuting cases that have not been progressed by the police or the Crown Prosecution Service.

November 2007 also saw the launch of NHS Security Awareness Month – a drive by SMS to explain to staff, professionals and everyone providing NHS services in England that violence and abuse should not be seen as “part of the job”. The aim was to demonstrate that the NHS is committed to tackling violence and to make sure that staff report all incidents of violence and abuse.

SMS will continue to strive for a safer and more secure NHS keeping the pressure on the violent minority and ensuring that NHS staff get the respect they deserve.

### **Patient Services**

The NHSBSA's Patient Services administer a range of national schemes to more than 10 million people. During 2007/08, it successfully issued:

- 4.6 million European Health Insurance Cards

- 3.3 million Tax Credit NHS exemption cards
- 430,000 Low-income scheme NHS exemption certificates
- 472,000 maternity exemption certificates
- 258,000 medical exemption certificates
- 1.2 million Prescription Pre-payment certificates (PPCs).

In response to findings from the Health Select Committee, action has been taken to reduce payment barriers to PPCs, in conjunction with DH. This included introducing a three month PPC option, at a reduced cost and a direct debit option for PPCs, with instalments at under £10. These projects were delivered as planned in July 2007, with 464,000 customers utilising these options in the first seven months of operation.

In line with Health Select Committee recommendations, awareness of services is also raised through regular direct mailings and public posters to all pharmacies, GP surgeries and key stakeholders, leaflet provision in GP surgeries, carrying out and evaluating a national press and radio media campaign, trialling publicity via hospital appointment cards and improving access to PPCs by expanding the availability of direct pharmacy sales.

High service levels were maintained throughout 2007-08, with the team attaining over 50 targets relating to response and clearance times. PPC, maternity and medical certificate accuracy exceeded 99%.

Work was also undertaken to rationalise structures, mailing/ distribution systems and re-contracted printing/ distribution requirements to generate £827,000 savings per annum which will be fully realised from 2008-09. Further cost effective services were delivered through developments in online provision resulting in 60% of EHIC and 37% of PPC applications being made via the internet.

A programme of customer surveys demonstrating high customer satisfaction ratings (typically 90%) across a wide range of indicators was also undertaken.

### **Prescription Processing**

During 2007-08, the NHSBSA processed more than 800 million prescription items, calculating reimbursement and remuneration for dispensing pharmacy contractors in England. The annual payments made on behalf of the NHS now amount to more than £8 billion.

The implementation of the Capacity Improvement Programme (CIP) began in March 2007 with the processing of prescriptions dispensed in pharmacies transferring to the new CIP system over an 18 month period due to end in summer 2008. CIP introduces new technology that considerably reduces the cost of processing. It also means that the NHSBSA now has the capability to receive and automatically process electronic prescribing messages that will be enabled by the Electronic Prescribing Service.

In addition, during 2007-08, we maintained high service delivery standards, undertook a range of activities to improve the value for money provided by the service and processed 6% more prescriptions than in the previous financial year, whilst delivering efficiency savings of £3m.

### **NHS Injury Benefits Scheme**

The administration of the NHS Injury Benefit Scheme (IB) provides an annual allowance for staff who have suffered a permanent loss of earning ability as the result of an illness or injury which is wholly or mainly attributable to their NHS employment.

A decision by the Pensions Ombudsman in 2003 raised the possibility that some Injury Benefits Scheme Regulations had not been correctly applied over a number of years, leading to some people having claims wrongly rejected. Following legal advice and a pilot exercise, NHS Pensions, with approval from DH, embarked on a full review of the IB Scheme administration in 2006. This was followed by a full LEAP (Legal Entitlement Administrative Practice) exercise which started in April 2007 and covered all injury benefit cases.

NHS Pensions scrutinised all 24,000 applications received since the inception of the IB Scheme in 1972, and identified 8,836 cases requiring correction. A public information exercise was undertaken in January 2008 to invite applications from claimants who may have been deterred from previously applying due to the application of incorrect eligibility criteria. Whilst this element of the exercise will continue into the next financial year, the correction of known mal-administered cases is almost complete and the project will formally finish on 31 March 2008.

During 2008-2009, the NHS Injury Benefit Scheme will be subject to a joint review by NHS Employers, DH and NHS trade unions to ensure that the scheme still meets the needs of the modern, 21st century NHS.

### **NHS Student Bursaries**

The NHS Bursary Scheme offers varying degrees of financial support to 93,000 health professional students living and studying in England who are undertaking one of 1,400 NHS commissioned pre-registration training courses at any of 170 approved universities.

The NHSBSA made significant changes to the management of the NHS Bursary Scheme in January 2007 which have resulted in improved services to customers. Responsibility for the bursary budget of £463m was devolved from DH to the 10 strategic health authorities in England in April 2007 and a service level agreement was established between the NHSBSA and DH sponsors for the scheme in February 2008.

Changes to the bursary scheme included the introduction of maternity, paternity and adoption support for students alongside work to modernise the bursary scheme. Real-time checking resulted in increased quality of work.

A customer satisfaction survey amongst students was completed during 2007-2008 and showed high satisfaction ratings.

Key performance indicators have been introduced to help improve service delivery including reducing from 30 working days to 20 working days for bursary applications clearance times and the amount of time students had to wait for a reply to correspondence and emails from 30 working days to 10 working days.

Payment accuracy now exceeds 99% and we have also identified a range of business process improvements and re-engineering options to provide further short and longer term efficiencies savings.

### **Social Work Bursaries**

A social work bursary (SWB) is available to students who are ordinarily resident in England studying on an approved undergraduate course (full or part time), or an approved part-time postgraduate course.

On 1 April 2007, the NHSBSA took over the administration of SWBs from the General Social Care Council and made a number of business process improvements which resulted in efficiency savings and better customer services. A dedicated SWB telephone enquiry line was established to provide increased accessibility to customers. Processing time for applications and correspondence has reduced to 20 days of receipt with correspondence cleared within five working days of receipt through establishing and managing key performance indicators.

More than 13,000 bursary applications, 300 childcare and 135 disabled student allowance forms were processed.

### **Supply Chain Management**

The NHSBSA manages an outsourced service agreement with DHL for the provision of supply chain and logistical services, including procurement and sales to the NHS. The contract will run over 10 years and is expected to offer cumulative savings of around £1bn.

In its first full year of operation, the NHSBSA via its Supply Chain Management Division (SCMD) supported NHS Supply Chain (part of DHL) to exit the transition stage of the agreement, so the focus can move to transforming the business to deliver real benefits to the NHS.

SCMD has monitored service performance to Supply Chain customers during the first year of delivery and will continue to support the intended changes in infrastructure during 2008 to accommodate the expected growth.

Savings of £9m have already been delivered to the NHS, this is ahead of the first year target which also took into account the additional costs of integrating and investing in the new business model. NHS SC is targeted with escalating these savings over the next nine years through a programme of growth and service development.

SCMD is also closely involved with Supply Chain to ensure the continued delivery of a number of essential DH initiatives including emergency and flu pandemic planning, childhood vaccines storage and distribution.

### **Hosted Services**

The NHSBSA provides a range of hosted and managed financial and HR services to a number of DH teams and other health related organisations including Connecting for Health, Care Services, Improvement Partnership and the NHS Graduate Training Scheme. By utilising the expertise available within the NHSBSA in these areas and the economies of scale available, significant value for money savings can be delivered to these bodies.

During 2007-8 the NHSBSA expanded the scope of the services it provides to the various organisations.

## **Measuring Our Performance during 2007-2008**

### **Performance management system**

The NHSBSA has developed a comprehensive performance management system which can be interrogated at various levels and provide specific service level operating performance, project performance and key performance indicators (KPIs).

The system will continue to evolve with the inclusion of customer satisfaction measurements and in 2008-2009, benchmarking outcomes.

### **Performance management reporting**

Performance reports are reviewed regularly across the organisation, including at Leadership Team and Board level, covering a range of service delivery KPIs, project progress, customer satisfaction results and financial performance.

Members of the Board meet regularly with our DH sponsors to discuss performance and ensuring our business continues to deliver their requirements.

### **Service delivery KPIs**

The performance results are shown in Table 1. The results report on a RAG (red-amber-green) basis and demonstrate the average performance throughout 2007-2008.

Overall performance during 2007-08 has been good with most targets either achieved or improved. One specific area of improvement is case administration within pensions which started the financial year as red with a backlog of work to deal with and finishing the last quarter of the year as green with all service targets being achieved.

There remain areas where work is ongoing to address performance. Specifically,

the performance of the contact centre within NHS Pensions which remains a red score and the accuracy of payments within pharmacy which dipped during the last quarter of the last year. Work is well underway to address performance in both areas and significant improvements are expected during 2008-2009.

**Table 1**

			Payments		Case Admin		Information	Contact Centre		SCMD		
			Timeliness	Accuracy	Timeliness	Accuracy	Timeliness	Wait Times	Abandoned Call Rate	Product Availability	goods/orders received on time	OTIF
Contractor Services	Dental	Annual Status	Green	Green	Grey	Grey	Green	Green	Green	Grey	Grey	Grey
		Qtr 4 Status	Green	Green	Grey	Grey	Green	Green	Green	Grey	Grey	Grey
	Pharmacy	Annual Status	Green	Green	Grey	Grey	Green	Green	Green	Grey	Grey	Grey
		Qtr 4 Status	Green	Amber	Grey	Grey	Green	Green	Green	Grey	Grey	Grey
Patient / Public SGU & Patient Services	Annual Status	Green	Green	Green	Green	Grey	Green	Green	Grey	Grey	Grey	
	Qtr 4 Status	Green	Green	Green	Green	Grey	Green	Green	Grey	Grey	Grey	
Pensions Division	Annual Status	Green	Grey	Amber	Amber	Grey	Red	Red	Grey	Grey	Grey	
	Qtr 4 Status	Green	Grey	Green	Green	Grey	Red	Red	Grey	Grey	Grey	
SCMD	Annual Status	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Green	Green	Green	
	Qtr 4 Status	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Green	Green	Green	
Hosted Services	Annual Status	Green	Green	Green	Green	Grey	Grey	Grey	Grey	Grey	Grey	
	Qtr 4 Status	Green	Green	Green	Green	Grey	Grey	Grey	Grey	Grey	Grey	

**Customer satisfaction**

During 2007/08, the NHSBSA undertook structured customer satisfaction surveys with a variety of our stakeholders. These have provided valuable feedback to enable action plans to be created to improve our customers experiences.

The surveys were carried out by an independent specialist company with feedback gathered mainly through structured telephone interviews with randomly selected customers. The results mirror our KPIs but include an overall customer satisfaction result based on customers being asked to consider all aspects of the service they currently receive and rate our services overall on a scale of one to 10.

The results are reported on a RAG basis where a score below 5.9 is red, a score between 6.0 and 7.9 is amber and a score between 8.0 and 10.0 is green. The overall results for 2007-08 are shown in Table 2 and show that for the majority results are green but specific areas for improvement in dental information and pension administration. Work is underway to address the issues highlighted in the surveys. It is hoped the recent improvements in pension performance will be reflected in the next survey results.

**Table 2**

		Payments		Case Admin	Information		Contact Centre	SCMD		Overall
		Timeliness	Accuracy		Timeliness	Accuracy		Deliveries on time	Deliveries accurate and complete	
Contractor Services	Dental	8.7	8.0		7.5	7.5	7.5			6.7
	Pharmacy	8.8	8.0		8.0	7.6	9.1			8.0
Patient / Public SGU & Patient Services		8.5	9.7	8.9		9.7	9.3			8.5
Pensions Division				6.9	7.6	7.8	7.2			6.0
SCMD								8.1	7.9	7.0
Hosted Services		8.0	8.0	8.0	8.7	8.4				8.5

## Our People

The NHSBSA considers it highly important to develop our leadership and management capability and capacity to ensuring effective future leadership. This is particularly important as the organisation experiences a period of significant change through the Capacity Improvement Programme and the review of our existing contractual arrangements.

The past year has seen significant progress in establishing a formal consultation framework for the organisation. All parts of the business now have consultation arrangements in place which allow for the escalation of unresolved local issues to be dealt with by a National Joint Committee and this is operating successfully.

The scale of change within individual business areas has involved lengthy consultation and negotiation with three separate unions to ensure the process is managed effectively and fairly. This will be enhanced further with a new management model, proposed to be introduced in 2008-09, and a refreshed view of workforce planning and development. Work has begun to support the managing directors and their senior teams to establish how this can be planned and implemented successfully.

Our human resources team has been heavily involved in supporting staff affected by the Capacity Improvement Programme throughout the last year. By the end of 2007-08, approximately 20% of the entire staff numbers for the NHSBSA had left the organisation. All outgoing staff participated in a range of outplaced and development activities (including achieving recognised qualifications) designed to support them in the future.

Throughout the year, NHSBSA staff were supported in accessing a variety of learning development activities and qualifications. A national awards event was held in Blackpool in February 2008, attended by Paul Rich, Chair of the NHSBSA, to give employees the opportunity to celebrate their success.

Considerable progress has also been made during the last year in reviewing HR policies and procedures to ensure the harmonisation of all HR policies.

## **Management Commentary**

The NHSBSA was created on 1 October 2005 following a review by the Department of Health of its Arms Length Bodies (ALBs). We began operating on 1 April 2006, when five previously separate NHS organisations merged to form a single special health authority. Those organisations were:

- Dental Practice Board
- NHS Counter Fraud and Security Management Services Authority
- NHS Logistics
- NHS Pensions Agency
- Prescription Pricing Authority.

The NHSBSA Board comprises executive and non-executive members, namely:

- Paul Rich                      Chair of the Board  
and Member of the Remuneration Committee
- Nick Scholte                Chief Executive
- Anne Galbraith            Non Executive Director  
and Member of the Audit & Risk Management Committee
- Michael Harling            Non Executive Director  
and Member of the Remuneration Committee
- David Hulf                  Non Executive Director, Vice Chair  
and Chair of the Audit & Risk Management Committee
- Jeremy Strachan          Non Executive Director  
and Member of the Audit & Risk Management Committee
- David Teale                Non Executive Director  
and Member of the Remuneration Committee
- Alistair McDonald        Chief Operating Officer

- Jim Orr                      Commercial Director
- Mike Siswick              Director of Human Resources
- John Smith                Director of Finance

The Board's declared interests are listed on pages 24 and 25 of this report.

### **Equality and diversity**

The NHSBSA is committed to equality of opportunity for all employees and potential employees. Our aim is to create an environment in which individual differences and the contributions of all employees are recognised and valued and where everyone irrespective of race, gender, disability, sexual orientation, or religion and belief is treated with equity, dignity and respect.

The Equality and Diversity Standing Committee, formed in 2006 with membership from across the NHSBSA, continues to implement the equality and diversity aims and objectives and ensure compliance with legislation.

Equality and Diversity awareness training has been rolled out across the organisation and is included in the induction for new employees.

### **Equality impact assessments**

The NHSBSA has been undertaking equality impact assessments of all policies and procedures across the organisation. These assessments cover all six strands of equality and work is ongoing to prioritise the policy or procedure to be assessed within each business area. Assessments have been ongoing throughout 2007-2008 and recommendations for changes will be published by the end of December 2008.

### **Disability symbol user**

During 2007-2008, the NHSBSA gained the right to use the two tick disability symbol. This is recognition from Jobcentre Plus to employers who have met five commitments regarding recruitment and retention, employment and career development of disabled people.

### **Health and Safety**

Significant improvements in the management of health and safety have been made throughout 2007-2008, including policy development, co-ordination and consultation. Work in these areas will continue during 2008-2009.

Each of our services now has a trained co-ordinator in post whose role is to act as a conduit between the health and safety function and local management to support business services in the effective implementation of health, safety and well being policies. A new occupational health and employee assistance provider will deliver an improved service to managers and represents better value for money.

Training has been provided across the organisation to ensure there are sufficient skilled and competent assessors for Display Screen Equipment (DSE) purposes. Their responsibility is to ensure the organisation complies with legislative requirements and the effective implementation of the corporate DSE safety focus policy.

Eye care vouchers for eye and eye sight tests have been introduced on a phased basis to support cost effective compliance with legislative requirements whilst reducing the cost of eye and eye sight tests and the processing of expense claims.

A National Safety Committee (NSC) with an agreed constitution and process protocols has been formulated and is the main vehicle for consultation and introduction of NHSBSA safety focus policies.

### **Communications**

We recognise the importance of effective internal and external communications. We introduced a number of vehicles to support internal communications during 2007-2008 and will undertake an audit of their effectiveness in 2008-2009.

During 2007-08, we appointed a Head of Corporate Communications who works closely with service based communication leads to ensure consistent and effective communications activity across the organisation. This work will continue into 2008-09 as we develop a new communications strategy with priority areas including developing a consistent identity branding and developing proactive media relations.

### **Complaints**

Like all NHS organisations, the NHSBSA takes complaints seriously and believes in the value of learning from the complaints which are made about our staff and services to make improvements for our customers.

During 2007-08, work was undertaken to co-ordinate the five existing complaints policies in operation across the organisation to consolidate one organisational wide procedure.

Complaints and formal disputes relating to NHS Pensions are dealt with in accordance with Section 50 of the Pensions Act 1995 and the Occupational Pension Schemes (Internal Dispute Resolution Procedures) Regulations 1996. This includes a route of escalation to the Pension Ombudsman for independent review. Therefore, NHS Pensions falls outside the remit of the formal NHS complaints procedure. Under the disputes regulations contained within the Pensions Act, NHS Pensions received 243 disputes during 2007-2008 of which 41 were escalated to the Pensions Ombudsman.

## **Business continuity planning**

Business continuity planning is recognised as an important issue across our services. Each service has maintained existing plans to support continued delivery. During 2007-8, a full review of our existing plans was undertaken and actions agreed to ensure our plans remain appropriate. To support this work, an overall business continuity policy and strategy has been developed and agreed by the Information Governance Steering Group.

## **Principal Risks and Uncertainties**

Effective risk management is a cornerstone of good governance and the NHSBSA's framework of procedures and internal controls contribute to mitigating and controlling the risks the organisation faces. It ensures that risk management is embedded in the way we conduct our activities.

Throughout 2007-2008, the risk management system has become well embedded at service and corporate levels. During 2008/09, we will continue to review and update our systems and processes to ensure continued effectiveness.

A copy of the NHSBSA's current corporate risk register can be found at:  
[www.nhsbsa.nhs.uk/business\\_plan.htm](http://www.nhsbsa.nhs.uk/business_plan.htm)

## **Freedom of Information Act**

As a special health authority the NHSBSA is subject to the requirements of the Freedom of Information Act 2000. This means that all requests for information are responded to within the provisions of the act, typically within 20 working days. During 2007-08, we received 515 FOI requests, all of which were responded to in the 20 working day timeframe.

## **Looking after information**

In the course of our business, we hold and use lots of information about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence the NHSBSA has stringent controls in place to ensure the security of this information.

Our Information Governance Manager has co-ordinated the development of appropriate policies and procedures. He has also led a significant review of all our data transfers to examine each transaction and ensure data is not compromised at any time. We have also appointed a Caldicott Guardian whose remit is to ensure that any person identifiable information we hold is held and used properly. Our Caldicott Guardian is Mike Siswick, who as Director of Human Resources is also a member of the Board.

The NHSBSA is subject to the Data Protection Act 1998 (DPA) and has filed the appropriate notification with the Information Commissioner's Office.

In November 2007, the NHSBSA dealt with a security breach. The breach was highlighted by a pre-payment scheme customer who suspected that his credit card had been used fraudulently. NHS Counter Fraud Services and Police investigations identified a member of staff supplied by a recruitment agency. Procedures have subsequently been reviewed and improved where possible to minimise the likelihood of any recurrence.

### **Estates and buildings**

The Commercial Director has been designated Board champion for property asset management and sustainability.

Last year saw the implementation of the NHSBSA's property and facilities management strategy. Benchmarking reports from work with other similar organisations has produced some encouraging results. We have also had some positive results with property asset management during 2007-2008 and we will be assisting the DH in implementing property asset management across all the Arms Length Bodies.

Our latest estates strategy can be found at:  
[www.nhsbsa.nhs.uk/business\\_plan.htm](http://www.nhsbsa.nhs.uk/business_plan.htm)

### **The Environment**

The NHSBSA has begun to promote awareness of, and engagement in, sustainable development through its business engagement activities. We are starting to work towards the principles of sustainable development in all our activities. The NHSBSA aims to work with local, regional, and national bodies to help build sustainable business relationships. Sustainable development will underpin each of our strategic priorities and informs all elements of business activity. To support this objective, the Commercial Director of the NHSBSA was appointed as the Board level champion for sustainable development during 2007-2008.

It is recognised that sustainable development is everyone's responsibility and successful implementation of national plans will require the commitment and involvement of all managers and employees. During the last year, we developed a robust structure for addressing sustainable development and to implement activities within our action plan. A Property Asset Management Team, a Sustainable Development Steering Group and Sustainable Development Champions have been identified and are in place to take this important issue forward during 2008-9 and beyond.

Price rises in energy and transportation have presented environmental challenges to the organisation as we have absorbed extra costs. Work commenced during 2007-2008 to measure the existing environmental impact of our business processes. Once we have established our carbon impact for each process, we can measure how successful our business improvements have been in reducing our impact on the environment.

## **Welsh Language Scheme**

The NHSBSA has adopted the principle that when conducting public business in Wales, it will treat the English and Welsh languages on a basis of equality. To achieve this aim a Welsh Language Scheme has been prepared in accordance with the requirements of the Welsh Language Act 1993. The purpose of the scheme is to specify the measures the NHSBSA proposes to take in order to give effect to the principle of equality.

## **Looking to the future**

In 2008-2009, the NHSBSA will continue to build upon the successes of last year and our strategy will be revised as necessary to reflect the changing environment. This will be supported by improvements to our services to assist the NHSBSA in achieving its vision of being the organisation of choice to provide business solutions that deliver service excellence and value for money.

The NHSBSA will continue to deliver improved efficiency, service excellence and value for money in all areas of our work. In doing so, many of our existing contracts will be reviewed and managed closely to maximise benefits.

It will continue to be challenging but we are confident that we will continue to deliver financial benefits which can then be re-invested into front line NHS services.

## **Financial Review**

### **Background**

The financial statements for the Authority have been prepared in accordance with the direction given by the Secretary of State for Health under the NHS Act 2006 and in a format instructed by the DH with the approval of HM Treasury.

The NHS Business Services Authority Accounts for 2007/08 comprise a balance sheet, operating cost statement and cash flow statement, all with related notes. The NHSBSA differs from most other Special Health Authorities in that its operating cost statement also includes a summary of the trading account of NHS Supply Chain which is also supported by a full disclosure note reflecting the different nature of supply chain trading to the administration of the rest of the NHSBSA. Likewise the NHSBSA's balance sheet is broken down in the notes to the accounts to highlight the Supply Chain balances.

There were no post balance sheet events to report.

### **Financial performance**

Like all of the Department of Health's Arms Length Bodies, the NHSBSA has been set stringent financial targets against which it is expected to deliver.

For 2007/08 the NHSBSA was required to maintain its expenditure within certain key funding limits

- Revenue expenditure within a limit of £133.926m
- Capital expenditure within a limit of £13.700m
- Total cash spend within a limit of £138.291m.

Each of these statutory targets were successfully achieved.

In addition to the above targets the NHSBSA is required to comply with the Better Payments Practice Code, which requires non NHS trade creditors to be paid within 30 days. Our performance against this target is set out in note 3.3 to the Accounts.

### **Value for Money**

In achieving its financial targets the NHSBSA adopted a variety of strategies for maximising the efficiency of its service delivery. In particular value for money savings were achieved by:

- The phased introduction of the Capacity Improvement Programme within the Prescription Pricing Division, automating many of the previously manual processes
- Productivity increases in all areas of the NHSBSA's operations as a result of a range of business process improvement activities
- Improved contract management and procurement practices
- Additional income from the provision of hosted services and in the NHSBSA's Supply Chain Management activities
- A review of the use of consultants and agency staff
- Continued reductions in back office services through the consolidation of support services.

### **Financial Standing**

The NHSBSA has total fixed assets of £47.980m. Of this, £18.489m relates to land and buildings that it owns, the balance relates to IT systems, software and developments and other plant and equipment.

The organisation has net current assets on its balance sheet of £69.740m, this includes £65.227m relating to the working capital balances of the NHS Supply Chain operation managed by DHL.

### **Future financial targets**

The NHSBSA business plan sets out the agreed strategy for the organisation to continue to deliver against its financial targets. The primary mechanism for so doing will be the completion of the roll out of the Capacity Improvement Programme. Ongoing improvements in contract management and procurement, including a major dental contract re-let, will deliver further savings, as will the implementation of the NHSBSA's new management model as outlined earlier in this report.

### **Pension Costs for Current Staff**

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 1.9 to the financial statements and in the remuneration report page 25.

### **Hosted Services**

The NHSBSA provides a range of hosted financial and HR services to other NHS organisations and Department of Health Teams. The costs that the Authority incurs in providing these services, primarily staff costs, have been included within the Authority's operating expenditure as has the total income contributions received from these organisations to cover these costs. For 2007/08 the income received from hosted and managed services was £1.3m.

The income and expenditure of the organisations to which the NHSBSA provides hosted services, although disbursed by the NHSBSA, is not included in the Authority's 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 2008 of £0.25m is for the audit of both these accounts and the Authority's Agency Accounts. An additional notional fee of £75k relates to the audit of the Pension Scheme Accounts. There was no remuneration paid to the auditors for non-audit work during the year.

### **Accounting Officer's Disclosure to the Auditors**

As far as the Accounting Officer is aware, there is no relevant audit information of which the NHSBSA's 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 the entity's auditors are aware of that information.



David Teale	Chair of Solutions SK (Company wholly owned by Stockport MBC). Chair and Member of Parkway Green Housing Trust (Charitable Trust) Chief Executive of North of England Excellence
Michael Harling	Shareholder in Deutsche Post Partner is also declared as being a shareholder in Deutsche Post. Receives a pension from the Xansa Pension Plan (part of Groupe Steria SCA)

### **Executive Directors**

Nick Scholte Chief Executive	Non-Executive Director of Supporta plc
Mike Siswick Director of Human Resources	Chair of Corporate Governance Committee, NHS Connecting for Health (unremunerated)
John Smith Director of Finance	Nothing Declared
Jim Orr Commercial Director	Nothing Declared
Alistair McDonald Chief Operating Officer	Nothing Declared

### **Remuneration Report**

The remuneration of the Executive Directors is set by the Remuneration and Terms of Service Committee on behalf of the NHSBSA Board. The Committee is chaired by a Non-Executive Director of the Board together with two other Non-Executive Members, one of whom is the Chair of the Authority.

This report for the year ended 31 March 2008 is produced by the Board. The Remuneration and Terms of Service Committee has met on 10 occasions during the period 1 April 2007 to 31 March 2008.

Its remit is to deal with the remuneration, benefits and terms of service of the Chief Executive, Executive Directors and, exceptionally, any post which is equivalent to an Executive Director post and determined by the Remuneration Committee on the recommendation of the Chief Executive to be outside NHS (Agenda for Change) Pay Bands 1-9.

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

The NHSBSA, with the approval of the Department of Health Pay and Performance Oversight Committee migrated to the Very Senior Managers pay framework with effect from 1 September 2007 and salaries were adjusted to reflect that migration. The Very Senior Managers pay framework also provides potential access to an approved bonus scheme and payments under this scheme will be considered in line with Departmental instruction. No such payments were made during the 2007/08 financial year.

### **Appointments**

Non-executive Directors are appointed by the Secretary of State for a term of either three or four years. Executive Directors have standard NHS Very Senior Manager contracts of employment. There are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements.

### **Emoluments of Board Members**

The remuneration relating to all Directors in post in 2007-08 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both Executives and Non Executives. This information is subject to audit.

### **Non-executive Directors**

The following table sets out details of payments made and appointment term details for the Chairman and Non Executive Members:

Name and Title	2007-08			2006-07			Date of Appointment	Appointment Ends
	Salary in £5k bands	2007-08 Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	2006-07 Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)		
	£000	£000	£000	£000	£000	£000		
P Rich Chairman	60-65	0	0	55-60	0	0	1 Nov 2005	31 Oct 2009
M Harling Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005	30 Nov 2008
D Teale Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005	30 Nov 2008
D Hulf Non Executive Director	10-15	0	0	10-15	0	0	1 Dec 2005	30 Nov 2009
J Strachan Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005	30 Nov 2008
A Galbraith Non Executive Director	5-10	0	0	5-10	0	0	1 Apr 2006	31 Mar 2009

### **Chief Executive and Senior Managers**

The following table sets out details of payments made and contract term details for the Chief Executive and other Senior Managers. All benefits in kind related to the provision of a lease car:

Name and Title	2007-08			2006-07			Date of Contract Commencing	Contract Ends
	Salary in £5k bands	2007-08 Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	2006-07 Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)		
	£000	£000	£000	£000	£000	£000		
N Scholte Chief Executive	145-150	0	8.6	145-145	0	8.6	1 Feb 2006	Permanent Contract (6 months notice)
M Siswick Director of HR	85-90	0	2.9	85-90	0	2.9	1 Feb 2006	Permanent Contract (Retires 30/09/08)
W J Smith Director of Finance	100-105	0	3.4	100-105	0	3.4	1 Feb 2006	Permanent Contract (6 months notice)
J Orr Commercial Director	115-120	0	0	85-90*	0	0	3 Jul 2006	Permanent Contract (6 months notice)
A McDonald Chief Operating Officer	100-105	0	3.5	100-105	0	5.4	1 May 2006	Permanent Contract (6 months notice)

\* part year only

## Pension Benefits

The table below sets out the pension benefits of the Chief Executive and Senior Managers of the NHSBSA:

Name and Title	Real Increase in pension at age 60 (bands of £2,500)	Real Increase in pension lump sum at aged 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2008 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2008 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2008	Cash Equivalent Transfer Value at 31 March 2007	Real Increase in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
N Scholte Chief Executive	0 – 2.5	5 – 7.5	35 - 40	105 - 110	502	458	23	0
M Siswick Director of HR	0 – 2.5	2.5 – 5	10 - 15	40 – 45	n/a	n/a	n/a	0
W J Smith Director of Finance	0 – 2.5	2.5 – 5	40 – 45	125 –130	674	629	21	0
J Orr Commercial Director	20 – 22.5	60 – 62.5	20 – 25	60 – 65	374	17	249	0
A McDonald Chief Operating Officer	0 – 2.5	2.5 – 5	35 – 40	105–110	502	459	23	0

As Non-Executive Directors do not receive pensionable remuneration, there are no entries in respect of pensions for Non-executive Directors.

## Cash Equivalent Transfer Value

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**  
**27 June 2008**

## **STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES**

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

The Accounting Officer for the DH has appointed the Chief Executive of the NHSBSA as the Accounting Officer, with responsibility for preparing the Authority's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Board and Accounting Officer are 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 had been followed and disclosed and explained any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation

The Chief Executive's 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 the Accounting Officers' Memorandum issued by the DH.

## **STATEMENT ON INTERNAL CONTROL**

### **Scope of responsibility**

As Accounting Officer and Chief Executive of the Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's policies, aims and objectives. I am also personally responsible for safeguarding the Authority's assets, public funds and information as set out in the Accounting Officer Memorandum.

The NHS Business Services Authority (NHSBSA) manages five diverse NHS business activities on behalf of the Department of Health (DH), and accountability arrangements with the DH comprise an overall Authority sponsor and specialist sponsors linking with the service streams.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and
- Manage risks efficiently, effectively and economically

### **Capacity to handle risk**

The Board considers how to manage and mitigate corporate risks and those of the individual business streams. The Audit and Risk Management Committee (ARC) and the Head of Internal Audit and Risk Management support the Board in this. Internal control and risk management processes comprise:

- Approval of the Authority's strategy and business plans by both the Authority and the DH
- Authority standards, policies and processes for core business activities
- Clearly defined organisation structures and delegated authorities appropriate to the NHSBSA's business
- Regular management review processes

## **The risk and control framework**

The Board sets its objectives systematically through corporate strategy and business planning, and identifies the key risks to delivery of the plan. The Leadership Team monitors and manages delivery of the business plan regularly. An enhancement during planning for 2008/09 has been the inclusion of an extended leadership team in strategic business planning.

Since establishment, the Authority has worked to harmonise risk management and controls where appropriate. These arrangements include:

- A corporate risk management strategy
- A corporate risk register, through which the Board monitors progress with the management of its principal strategic risks
- The Leadership Team maintains a risk register combining strategic risks and the most important operating risks
- Business streams maintain risk registers that are reviewed regularly by the Leadership Team
- The ARC actively monitors developments in risk management
  - the Head of Internal Audit and Risk Management reports on activity in this area as a standing item on the Committee's agenda
  - the corporate risk register is considered regularly by the Committee
  - a management assurance framework, which maps out the policies and procedures through which the Authority's risks are managed, is updated quarterly for review by the ARC
- The Leadership Team monitors the delivery of service objectives closely through a suite of critical KPIs in the form of a balanced scorecard. This is a key reason why we have invested heavily in the development of performance management systems across all areas of our business

The NHSBSA's business streams have well established internal controls appropriate to the delivery of their services, and these have remained in place during the year.

Our harmonised internal audit service is delivering an effective service uniformly across all of the NHSBSA. The Head of Internal Audit provides me with an opinion on the overall arrangements for internal control and on the controls reviewed as part of the internal audit programme.

The Authority recognises that its assets include information, which it needs to maintain accurately and handle securely. An Information Governance Steering Group (IGSG) was established and has met regularly during 2007/08 to provide assurance to the Accounting Officer.

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

### **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:

- I have clear performance management arrangements in place with directors at Leadership Team level. They in turn have developed arrangements for managing their responsibilities – a balance between empowering experienced teams with detailed business knowledge whilst maintaining clear accountabilities for delivery of agreed objectives.
- Business stream managers have provided me with letters of representation to underpin management and accountability arrangements to the effect that:
  - Internal controls have remained in place during the year
  - Financial information reported to the Authority is to the best of their knowledge correct
  - There is no material information of which they are aware that we have not also been made aware of
- Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control also provide me with assurance through management accountability and performance management arrangements
- The ARC has informed the Board about the outcome of its activities through submission of its minutes and its annual report to the Board.
- As weaknesses emerge or are identified by audit reviews, action plans are put in place to address them. The ARC oversees progress with these plans.

The Head of Internal Audit opinion for 2007/08 is '**significant assurance**<sup>1</sup>'. The internal audit projects undertaken have not identified any critical control issues that have had an impact on the delivery of services.

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<sup>1</sup> There is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

During 2007/08 we reviewed our arrangements for handling data securely. The IGSG drew up an initial improvement plan and the highlights of progress made include:

- All transfers of information into, out of and within the NHSBSA have been identified and subject to risk assessment – significant assurance has been gained from this exercise
- A much improved information governance return has been filed with the Department of Health for 2007/08
- Policies, strategies and procedures have been reviewed and strengthened

Whilst robust arrangements are now generally in place, our review has highlighted a number of areas where controls need further strengthening. These are for the most part in areas where third parties transport or process data on behalf of our business streams. Work is under way to strengthen our contracts with third parties to ensure this important element is given due emphasis.

Another area where we have identified the need to improve our arrangements is business continuity planning. Our service streams all have plans to recover from significant interruptions to services, but we have identified that they are in need of updating and testing. We also need to strengthen corporate monitoring of arrangements, and this work is currently under way.

In November 2007, the NHSBSA dealt with a security breach. The breach was highlighted by a pre-payment scheme customer who suspected that his credit card had been used fraudulently. NHS Counter Fraud Services and Police investigations identified a member of staff supplied by a recruitment agency. Procedures have subsequently been reviewed and improved where possible to minimise the likelihood of any recurrence.

My report last year noted a number of control issues identified by management, internal audit and the NAO. These issues related to student bursaries data quality, injury benefit award process errors and the integrity of pension information held. I am satisfied that, during the year, management arrangements have been strengthened in all of these areas and no significant control issues remain.

My review has confirmed that a framework of internal control and assurance has remained in place at the NHSBSA for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts. During 2007/08, no significant control issues have had a material impact on the delivery of services. I am pleased to report that the DH continues to be satisfied with our performance and progress following a recent accountability meeting – the Authority has met all significant business objectives and further strengthened its overall control environment.

In summary, the review of effectiveness above has given me significant assurance that the NHSBSA managed risk to deliver its principal objectives during 2007/08.

**Nick Scholte**  
**Chief Executive**  
**NHS Business Services Authority**

**27 June 2008**

## **THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the NHS Business Services Authority (NHSBSA) for the year ended 31 March 2008 under the National Health Service Act 2006. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Chief Executive and auditor**

The Chief Executive, as Accounting Officer, is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the National Health Service Act 2006 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications

for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of the Treasury, of the state of the Authority's affairs as at 31 March 2008, and of its net resource outturn, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of the Treasury; and
- the information given within the annual report which includes the Management Commentary, Financial Review and unaudited part of the Remuneration Report is consistent with the financial statements.

**Audit Opinion on Regularity**

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

My report on these Financial Statements is at page 40.

T J Burr  
Comptroller and Auditor General

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

2 July 2008

# **NHS Business Services Authority Administration Account 2007-08**

## **Report by the Comptroller and Auditor General to the Houses of Parliament**

### **Introduction**

1. The NHS Pensions Agency Special Health Authority became responsible for making grants to students under the NHS Bursary Scheme in England on 1 April 2004. The Agency became part of the NHS Business Services Authority (NHSBSA) from 1 April 2006. The 2007-08 NHSBSA Administration Account includes the costs of administering the NHS Student Bursary Scheme. Some £461.7 million was paid to students under the NHS Bursary scheme to cover study costs and living expenses and support for dependent relatives. Bursaries are usually paid for a period of between 1 and 6 years.

### **Audit Opinion 2006-07**

2. I limited the scope of my opinion on the 2006-07 account because I was unable to confirm that NHSBSA had maintained proper accounting records for certain bursary payments and because I had not received all the information and explanations I required for my audit. Specifically, the evidence made available by NHSBSA to support amounts recorded in the account for bursary payments totalling £460 million was limited to a significant degree. In particular I was unable to establish whether the documentation had not been obtained, whether the documentation had been obtained but copies had not been retained on file, or whether the documentation had been mislaid during the intervening period.
3. When this issue was first identified in 2005-06 the Agency performed an extensive audit of all case files. This covered 115,400 award decisions made between 1999-2000 and 2005-06 and identified the type of missing documents which included forms of identity, evidence of income and proof of lone parent status. This exercise and the results of follow up action to obtain the missing documentation for awards still in payment in 2006-07 indicated that the potential overpayment in respect of 2006-07 for previous years' awards was £7.3m – a significant figure in the context of total payments. Further review in 2006-07 indicated that missing documentation remained an ongoing issue. Management reported that in January 2007 missing documentation rates remained at a level of 2.5%.

### **Action taken to address this Scope limitation**

4. The Student Grants Unit has taken further steps to strengthen internal controls to ensure that all appropriate evidence to support award decisions is seen and retained. This includes Quality Assurance checks that were previously carried out retrospectively now being carried out in advance of payment, to avoid erroneous payments.

5. In addition to this a 'back audit' has continued to address the issue of missing documentation related to individual awards still in payment. This exercise has determined the missing documentation associated with each award and has provided the means for monitoring documents requested and received, thereby confirming when all necessary documentation has been obtained to validate the awards in payment. As at 31 March 2008 missing documentation is understood to impact on 0.06% of cases representing a value of £274,078 across the total live caseload.

### **Conclusion**

9. In the light of my staff's validation of the 'back audit' and the results of our testing of 2007-08 Bursary Payments I am satisfied that the NHSBSA have provided sufficient evidence to support student bursary payments. On this basis I have provided an unqualified opinion on the accounts for 2007-08.

T J Burr  
Comptroller and Auditor General

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

2 July 2008

### Operating Cost Statement for the year ended 31 March 2008

	Notes	2007-08 £000	2006-07 £000
Programme costs	3.1	663,841	599,730
Operating income	5	(474,371)	(7,456)
<b>Net operating cost before interest</b>		<b>189,470</b>	592,274
<b>Interest payable</b>		<b>0</b>	0
<b>Net operating cost</b>		<b>189,470</b>	592,274
<b>(Surplus)/Deficit from Supply Chain trading activity</b>	2	<b>0</b>	(2,688)
<b>Net resource outturn</b>	4.1	<b>189,470</b>	589,586

All income and expenditure is derived from continuing operations

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

		2007-08 £000	2006-07 £000
Unrealised surplus/(deficit) on the revaluation of fixed assets	13.4	0	0
Unrealised surplus/(deficit) on the indexation of fixed assets	13.4	1,359	3,597
Receipt of Donated Assets		0	0
Fixed asset impairment losses	13.4	0	0
Prior Period Adjustment		0	0
<b>Recognised gains and (losses) for the financial year</b>		<b>1,359</b>	3,597

The notes at pages 45 to 72 form part of these accounts.

## Balance Sheet as at 31 March 2008

	Notes	31 March 2008 £000	31 March 2007 £000
<b>Fixed assets:</b>			
Intangible assets	6.1	1,723	5,281
Tangible assets	6.2	46,257	35,066
		<u>47,980</u>	<u>40,347</u>
<b>Debtors: amounts falling due after more than one year</b>	8	1,321	1,180
<b>Current assets:</b>			
Stocks	7	50,148	38,849
Debtors	8	84,389	93,403
Cash at bank and in hand	9	40,120	16,497
		<u>174,657</u>	<u>148,749</u>
<b>Creditors: amounts falling due within one year</b>	10.1	(104,917)	(82,309)
		<u>69,740</u>	<u>66,440</u>
<b>Net current assets/(liabilities)</b>		<u>69,740</u>	<u>66,440</u>
<b>Total assets less current liabilities</b>		<u>119,041</u>	<u>107,967</u>
<b>Creditors: amounts falling due after more than one year</b>	10.2	(237)	(274)
<b>Provisions for liabilities and charges</b>	11	(2,638)	(3,475)
		<u>116,166</u>	<u>104,218</u>
<b>Taxpayers' equity</b>			
General Fund	13.1	43,612	33,016
I & E reserve	13.2	64,384	64,384
Capital reserve	13.3	0	0
Revaluation reserve	13.4	8,170	6,818
		<u>116,166</u>	<u>104,218</u>

*The notes at pages 45 to 72 form part of these accounts.*

**Nick Scholte**  
**Chief Executive and Accounting Officer**  
**27 June 2008**

## Cash Flow Statement for the year ended 31 March 2008

		2007-08	2006-07
	Notes	£000	£000
<b>Net cash (outflow) from operating activities</b>	14	<b>(160,219)</b>	(571,249)
<b>Servicing of finance</b>			
Interest paid		0	0
Interest elements of finance leases		0	0
<b>Net cash (outflow) from servicing finance</b>		<b>0</b>	0
<b>Capital expenditure and financial investment:</b>			
(Payments) to acquire intangible fixed assets		<b>(186)</b>	(3,188)
(Payments) to acquire tangible fixed assets		<b>(12,682)</b>	(8,321)
Receipts from disposal of intangible fixed assets		0	0
Receipts from disposal of tangible fixed assets		<b>(178)</b>	37,440
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(13,046)</b>	25,931
<b>Net cash (outflow) before financing</b>		<b>(173,265)</b>	(545,318)
<b>Financing</b>			
Net Parliamentary funding	13.1, 13.3	<b>197,064</b>	561,439
Capital element of finance leases		0	0
Donations		0	0
<b>Increase/(decrease) in cash in the period</b>	9	<b>23,799</b>	16,121

*The notes at pages 45 to 72 form part of these accounts.*

## **Notes to the Accounts**

### **1 Accounting policies**

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting Conventions**

This account is prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

#### **Acquisitions and Discontinued Operations**

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

#### **1.2 Income**

Income is accounted for applying the accruals convention. The main source of funding for the non-trading divisions of the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1 and 2 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 within the non-trading divisions is income which relates directly to the operating activities of these divisions 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 main source of funding for the Supply Chain trading division of the Authority is income from sales to NHS customers. Additional income comes from similar sales to non-NHS customers.

### **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 Capital charges**

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2007-08 was 3.5% (2006-07 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

### **1.5 Fixed Assets**

#### **a. Capitalisation**

All assets falling into the following categories are capitalised:

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

## **b. Valuation**

### **Intangible Fixed Assets**

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

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

### **Tangible Fixed Assets**

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

#### **i Land and buildings (including dwellings)**

Valuations are carried out by the District Valuer of HM Revenue and Customs government department at five yearly intervals in accordance with FRS 15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

To meet the underlying objectives established by the Department of Health the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

- specialised operational assets have been valued on a replacement rather than modern substitute basis;
  - no adjustment has been made to the cost figures of operational assets in respect of dilapidations; and
  - additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.
- ii Operational equipment, other than IT equipment which is considered to have nil inflation, is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.
  - iii Assets in the course of construction are valued at current cost, using the index as for land and buildings. These assets include any existing land or buildings under the control of a contractor.
  - iv Subsequent revaluations to donated fixed assets are taken to the donated asset reserve.
  - v All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

### **c. Depreciation and Amortisation**

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii Land and assets in the course of construction are not depreciated.
- iv Buildings are depreciated evenly on their revalued amount over the assessed remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

- v Each equipment asset is depreciated evenly over the expected useful life:

	Years
Plant and machinery	5-15
Furniture and fittings	7-10
Transport equipment	7
Information technology	5

## **1.6 Donated Fixed Assets**

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

## **1.7 Stocks and work in progress**

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

## **1.8 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 in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 19 is compiled directly from the losses and compensations register which is prepared on a cash basis.

## 1.9 Pension costs

### NHS Pension Scheme

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

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

#### a) Full actuarial (funding) valuation

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

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

#### b) FRS17 Accounting valuation

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

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

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

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

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

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

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

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

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

## **Scheme provisions from 1 April 2008**

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

### **Principal Civil Service Pension Scheme**

Some past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). 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 PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the Authority recognises the contributions payable for the year.

#### **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 Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation should be calculated on the same basis as used for depreciation i.e. on a quarterly basis.

#### **1.11 Foreign exchange**

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

#### **1.12 Leases**

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

### 1.13 Provisions

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

## 2. Supply Chain Trading

The trading nature of NHS Supply Chain activity is such that it cannot be disclosed in full in the Authority's Operating Cost Statement and its standard associated notes. This note provides the equivalent level of detail relating to Supply Chain only.

From 1 October 2006 the previously in-house service was outsourced to an external provider. Under the outsourcing arrangement, all trading related administration expenditure is met by the service provider and is funded from the trading surplus. All non-trading income and expenditure relating to the Supply Chain Management Division is now included in the Authority's Operating Cost Statement.

### 2.1 Surplus/(deficit) from Supply Chain Trading Activity

	Notes	2007-08 £000	2006-07 £000
<b>Gross income</b>			
Sales to NHS Customers		<b>845,639</b>	785,949
Sales to Non-NHS Customers		<b>33,909</b>	23,344
Fees and other income		<b>0</b>	3,212
		<b>879,548</b>	812,505
<b>Cost of sales and administration</b>			
Cost of Sales		<b>787,078</b>	731,586
Administration	2.2	<b>92,470</b>	78,231
		<b>879,548</b>	809,817
<b>Net trading surplus for the period</b>		<b>0</b>	2,688

## 2.2 Supply Chain administration expenditure

	Notes	2007-08 £000	2006-07 £000
Non-executive members' remuneration		0	0
Other salaries and wages	2.3	0	17,485
Establishment expenses		0	0
Transport		0	8,914
Maintenance		0	470
External contractors: Main service provider contract		<b>92,470</b>	38,800
Distribution centre contract		0	2,964
Capital: Depreciation and amortisation	6.1, 6.2	0	591
Impairments	6.1, 6.2	0	0
Capital charges interest		0	4,744
(Profit)/loss on disposal	6.4	0	(1,986)
Capital charges		0	3,349
Auditor's remuneration: Audit Fees		0	0
Other Fees		0	0
Other finance costs: Change in the discount rate	11	0	0
Unwinding of discount	11	0	101
Redundancies		0	0
Miscellaneous		0	6,148
		<b>92,470</b>	<b>78,231</b>

## 2.3 Supply Chain staff numbers and related costs

Under the outsourcing arrangement that began on 1 October 2006, all trading related staff transferred to the service provider. The comparative figure of £17,485k represents the cost of staff up to 30 September 2006.

### 3.1 Authority programme expenditure

	Notes	£000	2007-08 £000	2006-07 £000
Non-executive members' remuneration			113	112
Other salaries and wages	3.2		74,673	75,825
Supplies and services – general			0	4
Establishment expenses			10,354	11,384
Transport and moveable plant			940	942
Premises and fixed plant			16,599	14,280
External contractors			18,912	21,571
Capital: Depreciation and amortisation	6.1, 6.2	6,566		5,152
Impairments	6.1, 6.2	0		0
Capital charges interest		2,921		1,222
(Profit)/loss on disposal	6.4	214		100
			<b>9,701</b>	6,474
Other finance costs – unwinding of discount	11		0	291
– change in discount rate	11		0	0
Auditor's remuneration: Audit Fees			250	250
Auditor's remuneration: Other Fees			0	0
Redundancies			8,509	1,681
Miscellaneous			6,281	6,683
NHS Bursary Scheme			461,679	460,233
Social Work Bursaries*			55,830	0
			<b>663,841</b>	599,730

\* The Authority took over the payment and administration of Social Work Bursaries (SWB) from the General Social Care Council (GSCC) on 1 April 2007.

**Miscellaneous** expenditure includes the following significant amounts:

	2007-08 £000	2006-07 £000
Professional fees	4,373	4,288
Notional fee for the audit of the Pension Scheme accounts	75	67
	<b>4,448</b>	4,355

### 3.2 Staff numbers and related costs

	2007-08 Total £000	Permanently employed staff £000	Other £000	2006-07 £000
Salaries and wages	62,737	58,567	4,170	64,446
Social security costs	4,592	4,592	0	4,466
Employer contributions to NHSPA	6,314	6,314	0	6,123
Other pension costs	1,030	1,030	0	790
	<b>74,673</b>	<b>70,503</b>	<b>4,170</b>	<b>75,825</b>

The SpHA cost of redundancies and early retirements as a result of reorganisation was £8,509k (2006-07 £1,681k)

The average number of employees during the year was:

	Total Number	Permanently employed staff Number	Other Number	2006-07 Number
Total	<b>2,818</b>	2,681	137	2,985

#### Expenditure on staff benefits

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

#### Retirements due to ill-health

During 2007-08 there were 3 early retirements from the Special Health Authority on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £326,791.

### 3.3 Better Payment Practice Code – measure of compliance

	Number	£000
Total non NHS bills paid 2007-08	1,397,435	862,776
Total non NHS bills paid within target	261,206	248,874
Percentage of non NHS bills paid within target	<u>18.7%</u>	<u>28.8%</u>
<b>Supply Chain performance</b>		
Total non NHS bills paid 2007-08	1,374,101	786,096
Total non NHS bills paid within target	239,179	174,172
Percentage of non NHS bills paid within target	<u>17.4%</u>	<u>22.2%</u>
<b>Other divisions performance</b>		
Total non NHS bills paid 2007-08	23,334	76,680
Total non NHS bills paid within target	22,027	74,702
Percentage of non NHS bills paid within target	<u>94.4%</u>	<u>97.4%</u>
Total NHS bills paid 2007-08	298	4,915
Total NHS bills paid within target	274	4,896
Percentage of NHS bills paid within target	<u>91.9%</u>	<u>99.6%</u>
<b>Supply Chain performance</b>		
Total NHS bills paid 2007-08	0	0
Total NHS bills paid within target	0	0
Percentage of NHS bills paid within target	<u>100.0%</u>	<u>100.0%</u>
<b>Other divisions performance</b>		
Total NHS bills paid 2007-08	298	4,915
Total NHS bills paid within target	274	4,896
Percentage of NHS bills paid within target	<u>91.9%</u>	<u>99.6%</u>

NHS Supply Chain performance is disclosed with reference to the 30 day target in the Better Payment Code of Practice. This is consistent with the rest of the NHS Business Service Authority and with prior year comparatives however NHS Supply Chain is entitled to agree extended payment terms with suppliers. NHS Supply Chain compliance with contractually agreed payment terms is higher than against this 30 day target and is within the creditor day performance criteria defined in the Master Services Agreement.

#### **The Late Payment of Commercial Debts (Interest) Act 1998**

No interest was paid under the legislation and no compensation payments were made.

#### 4.1 Reconciliation of net operating cost to net resource outturn

	2007-08 £000	2006-07 £000
Net operating cost	189,470	592,274
(Surplus)/Deficit from SCMD trading activity	<u>0</u>	<u>(2,688)</u>
<b>Net resource outturn</b>	<b>189,470</b>	<b>589,586</b>
<b>Revenue resource limit</b>	<b>189,756</b>	<b>589,802</b>
<b>(Over)/under spend against revenue resource limit</b>	<b><u>286</u></b>	<b><u>216</u></b>

#### 4.2 Reconciliation of gross capital expenditure to capital resource limit

	2007-08 £000	2006-07 £000
Gross capital expenditure	12,868	11,307
NBV of assets disposed	(36)	(35,554)
(Loss) on disposal of donated assets	0	0
Capital grants	0	0
Donations	<u>0</u>	<u>0</u>
Net capital resource outturn	<b>12,832</b>	<b>(24,247)</b>
Capital resource limit	<b>13,700</b>	<b>(20,366)</b>
<b>(Over)/under spend against limit</b>	<b><u>868</u></b>	<b><u>3,881</u></b>

### 5 Operating income

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

	Appropriated in aid £000	Not Appropriated in aid £000	Total £000	2006-07 £000
Programme income:				
Fees & charges to external customers	7,862	0	7,862	3,230
Income received from Scottish Parliament	773	0	773	1,030
Income received from National Assembly for Wales	655	0	655	798
Income received from Northern Ireland Assembly	0	0	0	0
Income received from other Departments, etc	217	478	695	696
Other	0	464,386*	464,386	1,702
<b>Total</b>	<b><u>9,507</u></b>	<b><u>464,864</u></b>	<b><u>474,371</u></b>	<b><u>7,456</u></b>

\* From 1 April 2007 the Student Bursary funding regime changed. The NHSBSA is now required to invoice Strategic Health Authorities to cover expenditure rather than receive Parliamentary funding as in previous years.

## 6.1 Intangible fixed assets

	Software licences	Licences and trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000
Gross cost at 31 March 2007	4,445	0	0	3,110	7,555
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions – purchased	98	0	0	88	186
Additions – donated	0	0	0	0	0
Reclassification	0	0	0	(2,915)	(2,915)
Disposals	0	0	0	0	0
<b>Gross cost at 31 March 2008</b>	<b>4,543</b>	<b>0</b>	<b>0</b>	<b>283</b>	<b>4,826</b>
Accumulated amortisation at 31 March 2007	2,229	0	0	45	2,274
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Other revaluations	0	0	0	0	0
Charged during the year	798	0	0	31	829
Reclassification	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated amortisation at 31 March 2008</b>	<b>3,027</b>	<b>0</b>	<b>0</b>	<b>76</b>	<b>3,103</b>
Net book value:					
Purchased at 31 March 2007	2,216	0	0	3,065	5,281
Donated at 31 March 2007	0	0	0	0	0
Total at 31 March 2007	2,216	0	0	3,065	5,281
<b>Net book value:</b>					
<b>Purchased at 31 March 2008</b>	<b>1,516</b>	<b>0</b>	<b>0</b>	<b>207</b>	<b>1,723</b>
<b>Donated at 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total at 31 March 2008</b>	<b>1,516</b>	<b>0</b>	<b>0</b>	<b>207</b>	<b>1,723</b>
Net book value at 31 March 2007					
Supply Chain	0	0	0	0	0
Other Divisions	2,216	0	0	3,065	5,281
	2,216	0	0	3,065	5,281
<b>Net book value at 31 March 2008</b>					
Supply Chain	0	0	0	0	0
Other Divisions	1,516	0	0	207	1,723
	1,516	0	0	207	1,723

## 6.2 Tangible fixed assets

	Land	Buildings exc dwellings	Dwellings	Assets under constr. + poa	Plant and machinery	Transport equipment	Information technology	Furniture & fitting	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 31 March 2007	5,006	12,676	0	0	2,584	867	33,297	2,625	57,055
Additions – purchased	0	48	0	0	500	0	12,134	0	12,682
Additions – donated	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassification	0	0	0	8	0	0	2,907	0	2,915
Indexation	271	1,041	0	0	41	21	0	56	1,430
Other in year revaluations	0	0	0	0	0	0	0	0	0
Disposals	0	(69)	0	0	0	(124)	0	(12)	(205)
<b>Gross cost at 31 March 2008</b>	<b>5,277</b>	<b>13,696</b>	<b>0</b>	<b>8</b>	<b>3,125</b>	<b>764</b>	<b>48,338</b>	<b>2,669</b>	<b>73,877</b>
Accumulated depreciation at 31 March 2007		0	0		2,227	468	18,025	1,269	21,989
Charged during the year		541	0		108	91	4,796	200	5,736
Impairments		0	0		0	0	0	0	0
Reclassification		0	0		0	0	0	0	0
Indexation		0	0		31	11	0	22	64
Other in year revaluation		0	0		0	0	0	0	0
Disposals		(57)	0		0	(103)	0	(9)	(169)
<b>Accumulated depreciation at 31 March 2008</b>		<b>484</b>	<b>0</b>		<b>2,366</b>	<b>467</b>	<b>22,821</b>	<b>1,482</b>	<b>27,620</b>
Net book value:									
Purchased at 31 March 2007	5,006	12,676	0	0	357	399	15,272	1,356	35,066
Donated at 31 March 2007	0	0	0	0	0	0	0	0	0
Total at 31 March 2007	5,006	12,676	0	0	357	399	15,272	1,356	35,066
<b>Net book value:</b>									
<b>Purchased at 31 March 2008</b>	<b>5,277</b>	<b>13,212</b>	<b>0</b>	<b>8</b>	<b>759</b>	<b>297</b>	<b>25,517</b>	<b>1,187</b>	<b>46,257</b>
<b>Donated at 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total at 31 March 2008</b>	<b>5,277</b>	<b>13,212</b>	<b>0</b>	<b>8</b>	<b>759</b>	<b>297</b>	<b>25,517</b>	<b>1,187</b>	<b>46,257</b>
Net book value at 31 March 2007									
Supply Chain	0	0	0	0	0	0	0	0	0
Other Divisions	5,006	12,676	0	0	357	399	15,272	1,356	35,066
	5,006	12,676	0	0	357	399	15,272	1,356	35,066
<b>Net book value at 31 March 2008</b>									
Supply Chain	0	0	0	0	0	0	0	0	0
Other Divisions	5,277	13,212	0	8	759	297	25,517	1,187	46,257
	5,277	13,212	0	8	759	297	25,517	1,187	46,257

The Authority held no assets under finance leases or hire purchase contracts during the year.

### 6.3 Net Book Value of land and buildings

The net book value of land, buildings and dwellings as at 31 March 2008 comprises:

	<b>31 March 2008 £000</b>	31 March 2007 £000
Freehold	<b>18,172</b>	17,253
Long leasehold	<b>29</b>	33
Short leasehold	<b>288</b>	396
	<b>18,489</b>	17,682

### 6.4 Profit/(loss) on disposal of fixed assets

	<b>2007-08 £000</b>	2006-07 £000
Profit on disposal of intangible fixed assets	<b>0</b>	0
(Loss) on disposal of intangible fixed assets	<b>0</b>	(90)
Profit on disposal of land and buildings	<b>0</b>	1,966
(Loss) on disposal of land and buildings	<b>(212)</b>	(143)
Profit on disposal of plant and equipment	<b>0</b>	391
(Loss) on disposal of plant and equipment	<b>(2)</b>	(238)
	<b>(214)</b>	1,886

**Profit/(loss) was split as follows:**

	<b>2007-08 £000</b>	2006-07 £000
Supply Chain	<b>0</b>	1,986
Other Divisions	<b>(214)</b>	(100)
	<b>(214)</b>	1,886

## 7 Stocks and work in progress

	2007-08 £000	2006-07 £000
Raw materials and consumables	0	0
Work in progress	0	0
Finished processed goods	50,148	38,849
	<u>50,148</u>	<u>38,849</u>

Stocks were split as follows:

	2007-08 £000	2006-07 £000
Supply Chain	50,148	38,849
Other Divisions	0	0
	<u>50,148</u>	<u>38,849</u>

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## 8 Debtors

### 8.1 Amounts falling due within one year

	2007-08 £000	2006-07 £000
NHS debtors	58,259	63,724
Provision for irrecoverable debts	(4,630)	(4,263)
Prepayments	10,074	13,978
Accrued income	2,014	2,121
Capital debtors	0	0
Other debtors	18,672	17,843
	<u>84,389</u>	<u>93,403</u>

2006-07 figures have been restated to incorporate Social Work Bursary balances transferred from the General Social Care Council. The restatement increases 'Prepayments' by £10,152k and 'Other debtors' by £435k, a total increase of £10,587k.

## 8.2 Amounts falling due after more than one year

	£000	£000
NHS debtors	0	0
Prepayments	0	0
Accrued income	0	0
Capital debtors	0	0
Other debtors	1,321	1,180
	<u>1,321</u>	<u>1,180</u>
<b>Total debtors</b>	<u><b>85,710</b></u>	<u><b>94,583</b></u>

Debtors were split as follows:

	2007-08	2006-07
	£000	£000
Supply Chain	65,344	72,828
Other Divisions	20,366	21,755
	<u>85,710</u>	<u>94,583</u>

All Supply Chain debtors fall due within one year.

## 9 Analysis of changes in cash

	At 31 March 2007	Change during the year	At 31 March 2008
	£000	£000	£000
Cash at OPG	16,240	23,875	40,115
Cash at commercial banks and in hand	(24)	(76)	(100)
	<u>16,216</u>	<u>23,799</u>	<u>40,015</u>
Cash at bank and in hand	16,497	23,623	40,120
Overdrafts	(281)	176	(105)
	<u>16,216</u>	<u>23,799</u>	<u>40,015</u>

Cash movements were split as follows:

	At 31 March 2007	Change during the year	At 31 March 2008
	£000	£000	£000
Supply Chain	16,063	20,540	36,603
Other Divisions	153	3,259	3,412
	<u>16,216</u>	<u>23,799</u>	<u>40,015</u>

## 10 Creditors:

### 10.1 Amounts falling due within one year

	2007-08	2006-07
	£000	£000
Overdrafts	105	280
NHS creditors	1,397	1,398
Capital creditors	308	25
Tax	2	3
Social Security	5	12
Other creditors	65,757	60,897
Accruals	34,561	17,911
Deferred income	2,782	1,783
	<b>104,917</b>	<b>82,309</b>

2006-07 figures have been restated to incorporate Social Work Bursary balances transferred from the General Social Care Council. The restatement increases 'Other creditors' by £4,903k and 'Accruals' by £2,937k, a total increase of £7,840k.

**Creditors** were split as follows:

	2007-08	2006-07
	£000	£000
Supply Chain	86,868	63,373
Other Divisions	18,049	18,936
	<b>104,917</b>	<b>82,309</b>

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

	£000	£000
NHS creditors	0	13
Capital creditors	0	0
Tax	0	0
Social Security	0	0
Other creditors	0	0
Accruals	0	0
Deferred income	237	261
	<b>237</b>	<b>274</b>

**Creditors** were split as follows:

	2007-08	2006-07
	£000	£000
Supply Chain	0	0
Other Divisions	237	274
	<b>237</b>	<b>274</b>

## 11 Provisions for liabilities and charges

	Pensions for former staff	Legal claims	Other	Total
	£000	£000	£000	£000
At 31 March 2007	2,986	197	292	3,475
Arising during the year	<b>2,252</b>	<b>52</b>	<b>114</b>	<b>2,418</b>
Utilised during the year	<b>(1,905)</b>	<b>(67)</b>	<b>(77)</b>	<b>(2,049)</b>
Reversed unused	<b>(1,203)</b>	<b>(3)</b>	<b>0</b>	<b>(1,206)</b>
Change in the discount rate	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unwinding of discount	0	0	0	0
<b>At 31 March 2008</b>	<b>2,130</b>	<b>179</b>	<b>329</b>	<b>2,638</b>

### Expected timing of cash flows:

Within 1 year	146	179	90	<b>415</b>
1-5 years	496	0	239	<b>735</b>
Over 5 years	1,488	0	0	<b>1,488</b>

Provisions were split as follows:

	2007-08	2006-07
	£000	£000
Supply Chain	<b>179</b>	1,647
Other Divisions	<b>2,459</b>	1,828
	<b>2,638</b>	3,475

## 12 Movements in working capital other than cash

	2007-08	2006-07
	£000	£000
Increase/(decrease) in stocks	<b>11,299</b>	(2,990)
Increase/(decrease) in debtors	<b>(8,873)</b>	5,128
(Increase)/decrease in creditors	<b>(22,745)</b>	(29,087)
	<b>(20,319)</b>	(26,949)

## 13 Movements on reserves

### 13.1 General Fund

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	33,016	22,534
Net operating costs for the year	(189,470)	(592,274)
Net Parliamentary funding	197,064	598,696
Transfer of realised profits/losses from revaluation reserve	6	24
Non-cash items: Capital charge interest	2,921	1,222
Notional costs	75	67
<b>Balance at 31 March 2008</b>	<b>43,612</b>	<b>30,269</b>
SWB balances transferred from GSCC		2,747
Revised 31 March 2007 balance		33,016

### 13.2 I&E reserve

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	64,384	61,696
Net surplus for the year	0	2,688
Transfer of realised profits/losses from revaluation reserve	0	0
<b>Balance at 31 March 2008</b>	<b>64,384</b>	<b>64,384</b>

### 13.3 Capital reserve

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	0	25,996
Net Parliamentary funding	0	(37,257)
Depreciation of fixed assets	0	(591)
Profit/(Loss) on sale of fixed assets	0	1,986
Transfer of realised profits/losses from revaluation reserve	0	9,866
<b>As at 31 March 2008</b>	<b>0</b>	<b>0</b>

### 13.4 Revaluation reserve

	2007-08 £000	2006-07 £000
Balance at 31 March 2007	6,818	13,111
Impairments	0	0
Indexation of fixed assets	1,359	3,597
Revaluation of fixed assets	0	0
Transfer to general fund/capital reserve of realised elements	(7)	(9,890)
<b>Balance at 31 March 2008</b>	<b>8,170</b>	<b>6,818</b>

## 14 Reconciliation of operating costs to operating cash flows

		2007-08 £000	2006-07 £000
Net operating cost before interest for the year		189,470	592,274
SCMD operating surplus for the year	2.1	0	(2,688)
Adjust for non-cash transactions	3.1	(9,769)	(6,541)
Adjust for movements in working capital other than cash	12	(20,319)	(26,949)
(Increase)/decrease in provisions	11	837	15,153
Transfer from donated asset reserve		0	0
<b>Net cash outflow from operating activities</b>		<b>160,219</b>	<b>571,249</b>

## 15 Contingent liabilities

At 31 March 2008, there were no known contingent liabilities (2006-07: £nil).

## 16 Capital commitments

At 31 March 2008 the value of contracted capital commitments was £nil (2006-07: £nil).

## 17 Commitments under operating leases

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

	2007-08 £000	2006-07 £000
Hire of plant and machinery	0	8
Other operating leases	3,454	3,729
	<b>3,454</b>	<b>3,737</b>

Commitments under non-cancellable operating leases:

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	£000	£000
<b>Land and buildings</b>		
Operating leases which expire: within 1 year	350	276
between 1 and 5 years	2,580	1,294
after 5 years	0	686
	<b>2,930</b>	<b>2,256</b>
<b>Other leases</b>		
Operating leases which expire: within 1 year	38	11
between 1 and 5 years	14	47
after 5 years	0	0
	<b>52</b>	<b>58</b>

## **18 Other commitments**

The Pensions Division of the Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out services totalling £74.8m over 9 years as at 31 March 2008. (2007: £83.7m).

On 1 January 2003 the Dental Services Division entered into two seven year contracts, one with IBM UK Ltd for computing services and one with R R Donnelly Ltd (formerly Astron Document Management Ltd) for data capture services. The computing services contract involves payments of £31.9 million over the seven years and is subject to increases in line with inflation. The data capture contract involves payments of £7.8 million over seven years and adjustments are dependent on the volumes processed. Both contracts have arrangements within them whereby after 4 years or more, on giving formal notice, the Dental Practice Division can make termination payments to terminate the contracts.

On 1 February 2006 the contract with R R Donnelly Ltd was extended and 96 staff transferred under the TUPE arrangements. The extension involves payments of £17.8 million in the period to 31 December 2009.

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## **19 Losses and special payments**

There were 13,157 cases of losses and special payments (Prior year: 11,969 cases) totalling £2,065,672 (Prior year £1,837,193) approved during 2007-08.

Note: the total costs included in this note are on a cash basis and will not reconcile to the amounts included in the accounts which are prepared on an accruals basis.

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## **20 Related parties**

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

The Department of Health is regarded as a controlling related party. During the year the Authority has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

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## **21 Post balance sheet events**

There have been no adjusting or non-adjusting post balance sheet events.

The Annual Report and Accounts has been authorised for issue on 30 June 2008 by the NHSBSA Chief Executive and Accounting Officer.

## **22 Financial instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the Special Health Authority is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Special Health Authority has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Strategic Health Authority in undertaking its activities.

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

### **Liquidity risk**

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

### **Interest-rate risk**

100% of the Authority's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The NHS Business Services Authority is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Authority's financial assets and liabilities:

## Financial assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non interest bearing
					Weighted average interest rate	Weighted average period for which fixed years	
	£000	£000	£000	£000	%		
At 31 March 2008							
Sterling	<b>41,441</b>	<b>0</b>	<b>0</b>	<b>41,441</b>			
Other	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
Gross financial assets	<b>41,441</b>	<b>0</b>	<b>0</b>	<b>41,441</b>			
At 31 March 2007							
Sterling	17,677	0	0	17,677			
Other	0	0	0	0			
Gross financial assets	17,677	0	0	17,677			

## Financial liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non interest bearing
					Weighted average interest rate	Weighted average period for which fixed years	
	£000	£000	£000	£000	%		
At 31 March 2008							
Sterling	<b>2,980</b>	<b>0</b>	<b>2,980</b>	<b>0</b>	<b>2.20%</b>		
Other	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
Gross financial assets	<b>2,980</b>	<b>0</b>	<b>2,980</b>	<b>0</b>			
At 31 March 2007							
Sterling	4,029	0	4,029	0	2.20%		
Other	0	0	0	0			
Gross financial assets	4,029	0	4,029	0			

## Foreign currency risk

The Authority has negligible foreign currency income or expenditure.

## Fair values

A comparison, by category, of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2008 is as follows:

	<b>Book value £000</b>	<b>Fair value £000</b>	<b>Basis of fair valuation</b>
<b>Financial assets:</b>			
Cash	<b>40,120</b>	<b>40,120</b>	
Debtors over 1 year	<b>1,321</b>	<b>1,321</b>	
Total	<b>41,441</b>	<b>41,441</b>	
<b>Financial liabilities:</b>			
Overdraft	<b>105</b>	<b>105</b>	
Creditors over 1 year:			
Early retirements	<b>237</b>	<b>237</b>	note a
Finance leases	<b>0</b>	<b>0</b>	note b
Provisions under contract	<b>2,638</b>	<b>2,638</b>	note c
Loans	<b>0</b>	<b>0</b>	
Total	<b>2,980</b>	<b>2,980</b>	

Notes:

(a) Fair value is not significantly different from book value since interest of 9% is paid on early retirement creditors.

(b) To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.

(c) Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted at the Treasury rate of 2.2% in real terms.

## 23 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	14,488	–	235	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	47,618	–	48	–
Balances with public corporations and trading funds	207	–	2	–
Balances with bodies external to government	22,076	1,321	103,861	237
<b>At 31 March 2008</b>	<b>84,389</b>	<b>1,321</b>	<b>104,146</b>	<b>237</b>
Balances with other central government bodies	10,092	–	1,290	13
Balances with local authorities	4	–	–	–
Balances with NHS Trusts	54,530	–	354	–
Balances with public corporations and trading funds	25	–	–	–
Balances with bodies external to government	28,752	1,180	80,384	261
At 31 March 2007	93,403	1,180	82,028	274

2006-07 figures have been restated to incorporate Social Work Bursary balances transferred from the General Social Care Council. The restatement increases 'Debtors: Amounts falling due within one year' by £10,587k and 'Creditors: Amounts falling due within one year' by £7,839k.





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