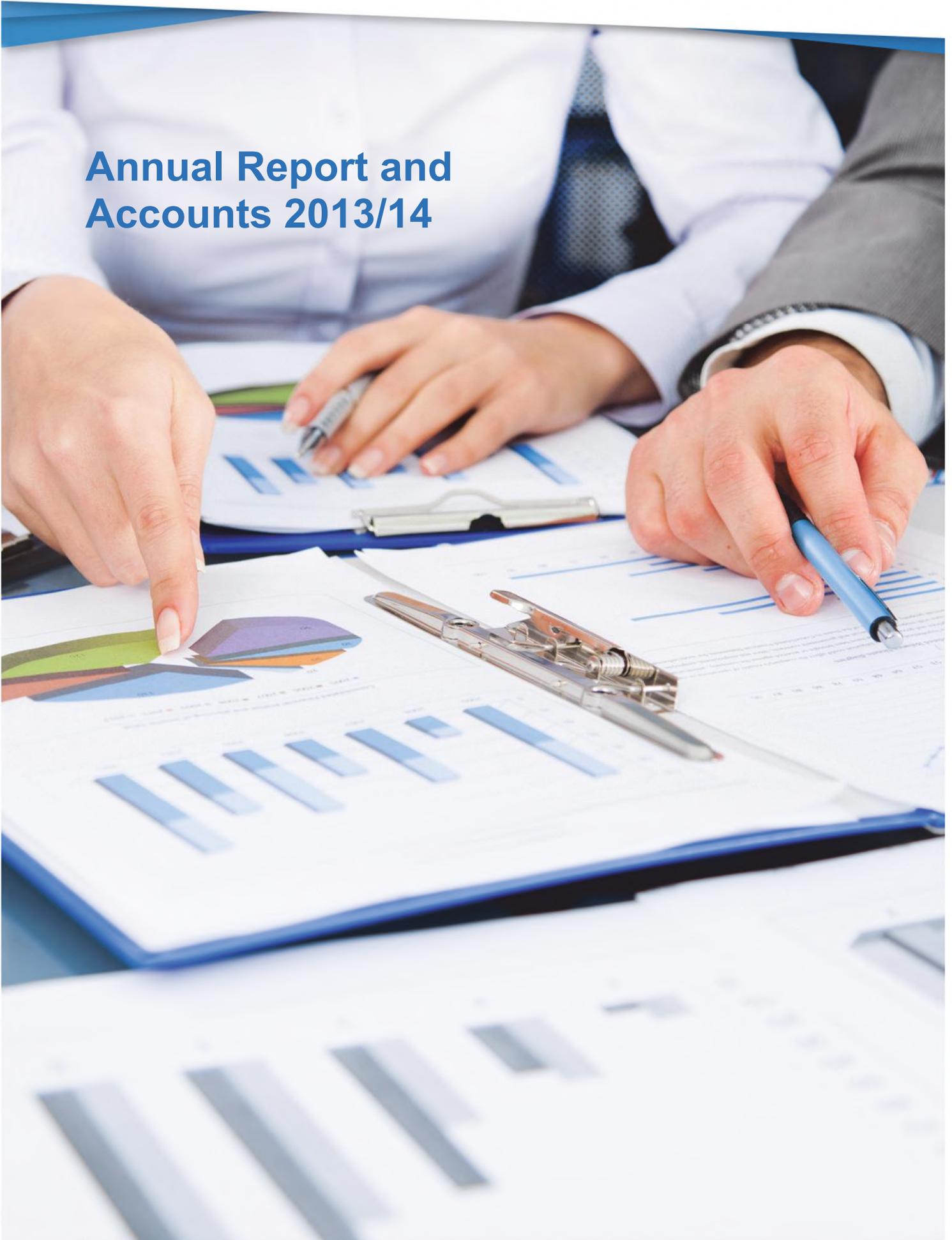


Annual Report and Accounts 2013/14



Annual Report and Accounts 2013-14

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

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1. Chair's Introduction

Welcome to the NHSBSA's Annual Report and Accounts for 2013/14.

I joined the NHSBSA in September 2013, which was midway through another busy year, and as part of my induction I was able to visit our different locations, meet our teams and talk to our people. During this time, I have been struck by the high levels of professionalism and enthusiasm evident across our services.

This positive attitude was supported by the results of our most recent staff survey, which was undertaken during late 2013. These results were very encouraging and demonstrated that our people are proud to be part of the NHSBSA and personally committed to achieving our business objectives. The results also told us that we need to be clearer about our strategic direction and about how our people are able to contribute to it.

The Leadership Team and the Board have spent a significant amount of time during 2013/14 developing a clear strategic direction. This is reflected in our new strategy and business plan, which are both available on the NHSBSA's website and have been shared and discussed across the organisation.

We have agreed some clear and challenging strategic goals which, when delivered successfully, will add significant value to the wider NHS. They will ensure we encourage and contribute substantial savings for our clients and the whole health system. We also intend to deliver service improvements across all those services we are able to directly influence, both for those that use our services and those who fund them.

Like the rest of the NHS, we face many challenges and it is very important that we maintain our focus on our shared vision for the future. However we must do so whilst maintaining our high standards of service delivery for all our existing services and also delivering significant transformation projects, such as the new NHS Pension Scheme which needs to be fully operational in 2015.

We will continue to work closely with all our clients to ensure we support them as much as possible in delivering their requirements and in providing insight from our customer feedback. Our range of clients has increased following the NHS reforms which were implemented during the last year and we are pleased to be working increasingly closely with new clients such as NHS England.

On a personal level, I would like to thank Jeremy Strachan, Mike Harling, David Teale and Anne Galbraith who all left the Board during the last year. They have all made a significant contribution to the development of the NHSBA since its creation in 2006.

From April 2014, we welcome three new non-executive members to the Board. Mark Ellerby, Malcolm Green and Andrew Flanagan have joined the Board. They bring a great deal of experience, knowledge and enthusiasm and I am very much looking forward to working with them.

Finally, I would like to acknowledge the personal contributions of the many people working for, and alongside, the NHSBSA across our wide range of services. Personally, and on behalf of the Board, I would like to thank them for all their hard work and ask them for their continued support in the future.



Silla Maizey
Chair
NHS Business Services Authority

2. Our Strategic Report

2a) Our Organisation

As an Arm's Length body of the Department of Health (DH), the NHSBSA was formed in 2006 as a Special Health Authority (SHA). A number of previously disparate NHS organisations came together into one business: the NHSBSA. This change was implemented in order to provide a single leadership focus for the new entity and to deliver operating efficiencies through synergies and economies of scale. Since 2006, the NHSBSA has delivered a 42% efficiency improvement in these services by: delivering on-going operational improvements, implementing new technology and taking on new business which exploits existing infrastructure. As a result, the NHSBSA has been able to return in excess of £390 million for re-investment in care. This has been achieved while consistently delivering against agreed key performance indicators and absorbing volume growth and normal inflation drivers.

The 2006 core range of business services has been maintained by the NHSBSA and new services have been added as a function of stakeholder need. A summary is shown overleaf (Fig 1).

Good business – Corporate Responsibility case studies

This will be the second year that our Annual Report has included Corporate Responsibility (CR) case studies. We are focussing on simplifying the language we use to talk about CR, using the term 'Good Business' in relation to people, communities and environment.

We see ourselves as an inherently responsible business. It is not an add-on or 'nice-to-have' – it's just what we do. Equally we recognise that some areas require specific focus, which is why we continue to have specific strategies in relation to people, communities and environment and resource efficiency.

We hope that the case studies featured this year, and the more detailed information in the 'Good Business – Corporate Responsibility Report', provides an interesting insight into how we continue to operate in a responsible manner, ensuring that CR is recognised as an enabler of good performance and is helping to make the NHSBSA a great place to work.

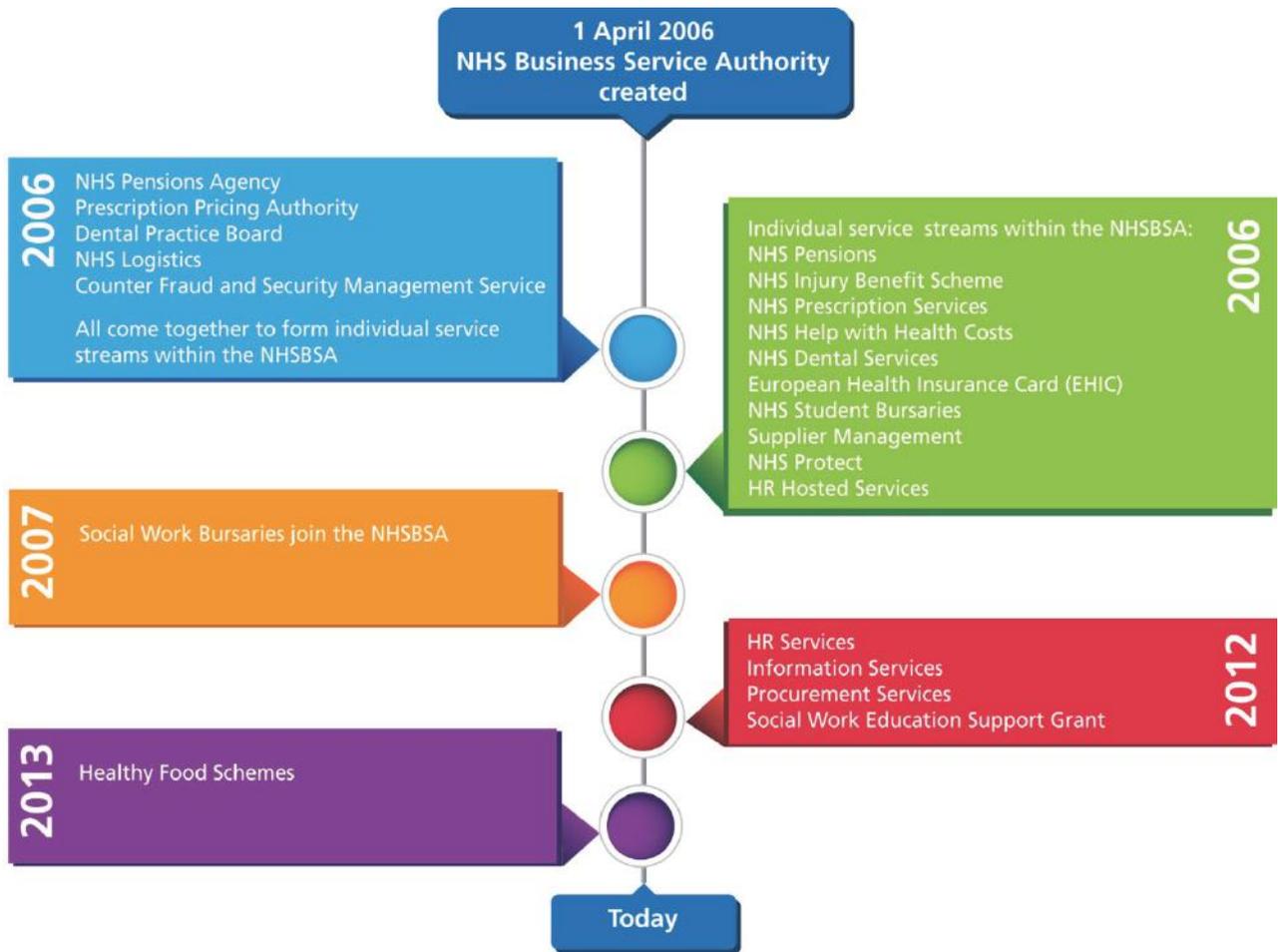
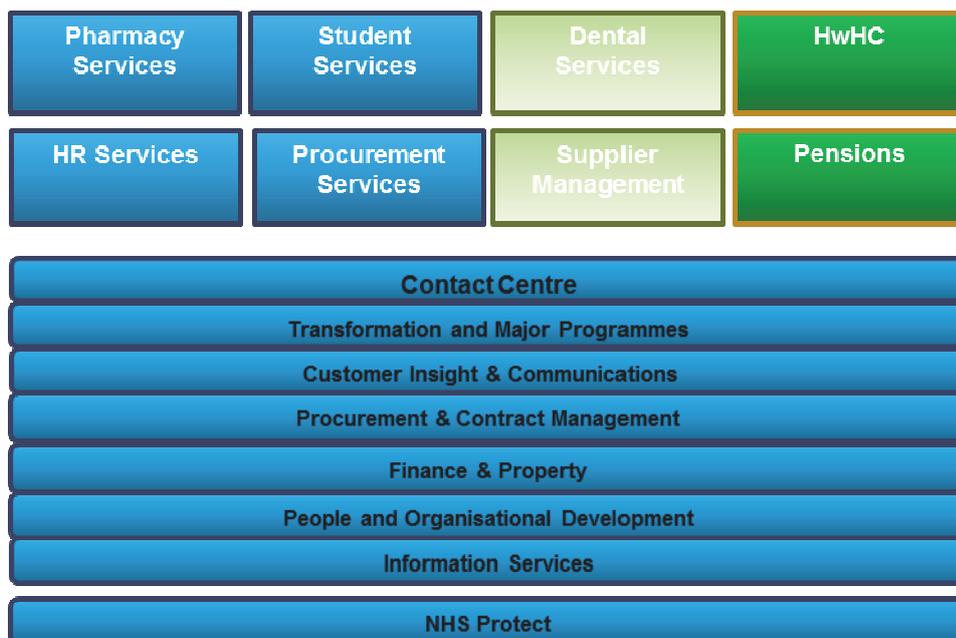


Fig 1: NHSBSA Services

Across all services, day to day delivery is closely coordinated with the implementation of government policy change. Associated business redesign can be complex as the NHSBSA operates a mixed model where in-house provision is integrated with or supplemented by services from third party suppliers. The diagram below shows the current extent of this mixed model (Fig 2).



HwHC = Help with Health Costs

Note: Protect Services (in England and Wales) are provided under a Memorandum of Understanding (MoU) with the DH.

Figure 2: Mixed model delivery

Our Stakeholders

Maintaining effective engagement with all our clients is a key requirement for the NHSBSA.

The NHSBSA has a wide client base, including:

- English Department of Health (dental, pharmacy, information, help with health costs, student, EHIC, commercial, supply chain and hosting services)
- Devolved administrations (dental, pharmacy, help with health cost and supply chain services)
- NHS England (dental, pharmacy, information, HR and procurement service and hosting)
- NHS Trust Development Authority (HR service)
- Health Education England (student services/HR service)
- Leadership Academy via University Hospitals South Manchester (hosting services)
- Health Research Authority (HR service)

NHSBSA operating expenditure is c£100 million. It is the subject of continuous scrutiny and should be viewed alongside the £32 billion which is directly or indirectly transacted through the NHSBSA across the service portfolio. Historical focus has been primarily on the operating expenditure with colleagues in other parts of the healthcare system focusing on the transacted cost. However, this is changing and the NHSBSA is increasingly working in partnership with other bodies to develop improvements and initiatives which will eliminate waste and create new value from the larger £32 billion figure.

We are also continuing to develop our approach to engaging with our customers - the people using our services. Customer satisfaction is included within our Operational Performance and Annual Service Reviews below.

Our Locations

We provide this range of services from locations across the country (Fig 3):



Fig 3: Our locations

2b) Our Strategy and Business Model

Strategic Context

Our Strategy (www.nhsbsa.nhs.uk/3381.aspx) gives details of our strategic context. A number of strategic themes emerge; they highlight the need for us to organise our efforts in a different way in order to deliver more in a system which requires fundamental change.

The key themes are summarised below:

- Ever increasing demand for health resources from a range of demographic factors and an increased prevalence of long term conditions
- £30 billion health funding gap
- Potentially significant increase in NHSBSA direct and indirect customer numbers and volumes of activity as the structure of our population changes – e.g. more pensioners, increased prescribing volumes, increased complexity of prescribing, different health, support and accessibility needs as ethnic diversity increases throughout the population
- Determined focus on health system improvement from senior levels in government
- More complex client base, NHS England and others, where relationships need to be developed which are centred on patients and care
- On-going need for robust financial planning and control in challenging context
- Delivery of recommendations from Commercial Review, complementing existing NHSBSA skills and capabilities by partnering with private sector partners under a number of potential sourcing options.

Our Strategic Vision

The NHSBSA vision has been created in the context of the strategic themes above. Our purpose remains unchanged, our goals are more ambitious, recognising the need for innovation and solutions at-scale, and our values are constant, uniting us as one team. We will transform not only what we deliver, but also how we deliver it, creating a new kind of collaboration across the system which is a pre-requisite for success. Our vision is encapsulated in the graphic below (Fig 4).

Our Vision



Through the outputs of our work, we will continue to build our reputation as '**Trusted to Deliver**'.

Fig 4: NHSBSA Vision

Our Business Model

Our strategic framework is shown below (Fig 5): what we do, how we do it and the means by which we achieve our goals.

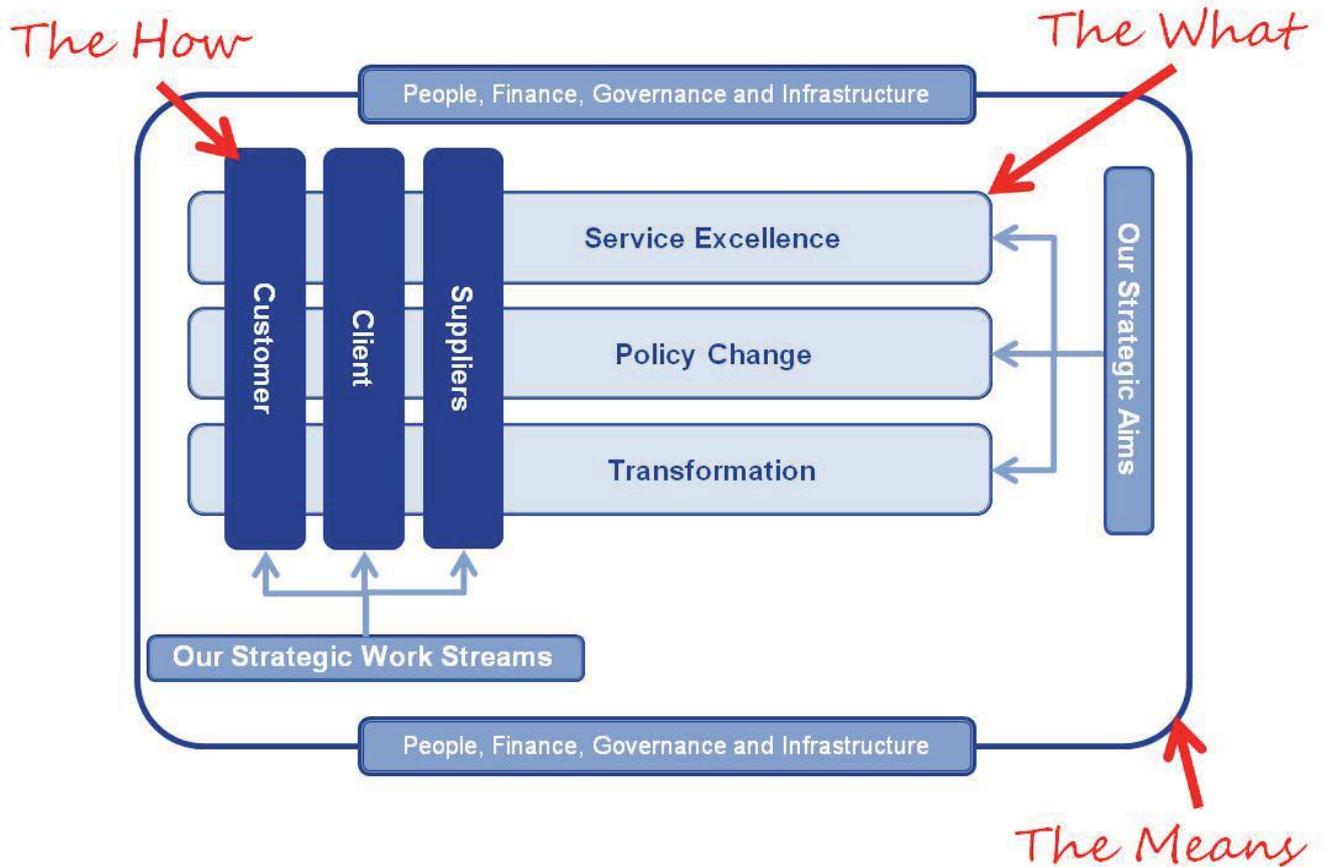


Fig 5: NHSBSA Business Model

Our strategic framework allows us to focus our efforts and to make important connections between on-going activities and new programmes of work. We will continue to use this framework through the period of this strategy.

Further details on our strategy and business plan are available at www.nhsbsa.nhs.uk/3381.aspx

Principal Risks

The Significant Risks and Issues section of Our Annual Governance Statement gives a description of the principal risks we face. These are:

- Pension Service Re-procurement
- IT End of Life
- Concurrent Contract Re-procurement

Business Review, Analysis and Trends

A full review of our business during 2013/14 is included within Operational Performance and Annual Service Reviews. It includes analysis of the development and performance of our business, our position at the end of 2013/14 and trends. Analysis using financial key performance indicators is included. This financial analysis is extended within Our Financial Review. The financial statements contained within this report have been prepared in accordance with the direction given by the Secretary of State for Health under the NHS Act 2006 and in a format instructed by the Department of Health (DH) with the approval of HM Treasury.

Analysis of key performance indicators relating to environmental (including our Sustainability Report), social, community, human rights and employee matters are included with Good business - Our Corporate Responsibility Report.

2c) Our Operational Performance and Annual Service Reviews

i) NHS Prescription Services

Overview of Service

NHS Prescription Services process all the NHS prescriptions in England that are dispensed in primary care (Pharmacy, Dispensing Doctors, Appliances and Personal Administration). We then make reimbursement and remuneration payments to over 11,500 pharmacy and other contractors based on the drugs or medical devices they have dispensed. The information recorded from these prescriptions is then made available to over 25,000 users in the wider healthcare system to enable the NHS and Department of Health (DH) to determine the most cost effective use of drugs.

We process over 1 billion prescription items each year and pay out over £9 billion to contractors as reimbursement for the drugs they dispensed. This equates to well over 4 million prescription items (or put another way £40 million worth) processed each and every working day.

We produce the NHS Drug Tariff for England and Wales. This outlines payment information, fees and allowances and dispensing rules, and is supplied primarily to pharmacists and doctors surgeries on behalf of the DH. Similarly, we provide the NHS Dictionary of Medicines and Devices in partnership with the Health and Social Care Information Centre.

Performance Review 2013/14

- **Gross Error Rate - Absolute Cash Variance (Fig 6a)** – This is a measure of payment accuracy, with all errors added together. Our target Service Level Agreement with the DH is 99.1%. Through a combination of investment in our systems and working with our staff to improve our processes we have surpassed this target at 99.2% (at end of 2013/14). From our starting point of 98.4%, this equates to an improvement of over £75 million in payment accuracy.

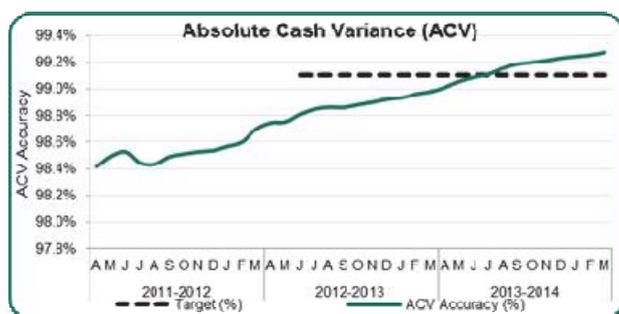


Fig 6a

- **Contractor Payment Accuracy - Net Cash Variance** – This is the measure of how accurate the overall payments we make to contractors are. The target has an upper and lower tolerance, reflecting under and overpayments, the ideal being 100%. The overall result for 2013/14 was 100.01%
- **Pharmacy Early Payment Scheme (Fig 6b)** - A voluntary scheme introduced in 2013 to aid Small and Medium Enterprises (SMEs) with their cash flow by introducing earlier payments. By the end of March 2014, we were enabling over £70 million per month to be made available earlier to these contractors. We were recognised for this work at the Adam Smith Awards 2014, being highly commended in the ‘Best Working Capital Management/Financial Supply Chain/AP/AR Solution’ category.

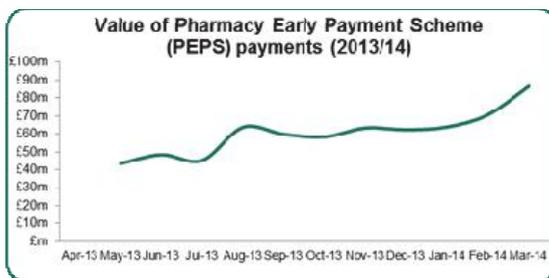


Fig 6b

- **Prescription Volumes** - Volumes continue to rise albeit in 2013/14 at a reduced rate. Annual increases over recent years have all been around 5%. Prescription volumes only increased by 3% in 2013/14, adding approximately 30 million items to our annual intake.
- **Cost per Prescription Item** - Our cost to process each prescription item continued to highlight the efficiencies made within the service. Factoring in the improvements to accuracy and the additional 30 million items, the improvement represents a cost saving of over £1 million.
- **Customer Satisfaction (Table 1)** – Our survey results for 2013/14 continue to show an overall improvement. In response to some of the issues raised we will further invest in our systems to improve the level of detail we give our contractors.

Customer satisfaction - the following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied:

| | Independent Pharmacies | | Multiple Pharmacies | | Appliance Contactors | |
|----------------------|------------------------|---------|---------------------|---------|----------------------|---------|
| | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 |
| Total sample | 250 | 100 | 42 | 20 | 16 | 37 |
| Payment timeliness | 8.5 | 7.8 | 7.9 | 8.1 | 9.5 | 9.4 |
| Overall satisfaction | 6.9 | 6.5 | 7.6 | 6.3 | 8.3 | 8.2 |

Note: 2012 samples for Multiple Pharmacists and Appliance Contractors included branches, 2014 comprised head offices only. There was a significant increase in sample size for Independent Pharmacists in 2013

Table 1 – Pharmacy Contractor Satisfaction Results

Trends and Future Performance

Continued prescription growth and the desire to reduce inefficiencies, further improve accuracy and introduce greater transparency are the key challenges over the coming year.

- Prescription Services are looking at innovative solutions to reduce our dependency on additional estate when dealing with prescription growth, enabling us to continue to absorb the normal annual increase, estimated at around 4 million additional items per month for 2015/16 within our current budget.
- Accuracy will continue to be our main focus, further improving the service we provide to our customers by moving towards account level accuracy.
- We will invest to create greater transparency for our customers, with the introduction of digital schedules with far greater item level detail.

Good business – Corporate Responsibility case studies

Prescriptions Story

During 2013/14, a group of colleagues from across the business formed a team to produce a story which would follow the journey of a typical prescription form. The idea behind the story was to enable staff from across the organisation to understand how their individual roles added value and contributed to the purpose of the NHSBSA.

The initial group developed the story by engaging and networking with as many colleagues as possible to uncover who had the knowledge and skills required to create the story. This encouraged cross-site working whilst gathering wider perspectives and allowing people to contribute and influence how the final product would look, when traditionally they would not have been involved.

The Prescription Story is an interactive animated PC based learning tool which is now being used with both new and existing colleagues and visiting pharmacists.

Everyone who has experienced the story, many of whom have been employed a number of years, commented that they enjoyed it and learnt something new about our business.

Whilst the end result was always important the journey to achieve it challenged the traditional ways of working within the NHSBSA.



ii) Student Services

Overview of Service

There are three key service streams within our Student Services work stream - NHS Student Bursaries, Social Work Bursaries and the Social Work Education Support Grant. Across the three service streams, we administer payments totalling approximately £550 million to around 94,000 students and over 80 Higher Education Institutions.

Our overarching aims include:

- Providing a modern, timely and reliable service for customers;
- Exceeding client expectations through effective and assured service and policy delivery;
- Supporting our staff to have job satisfaction and rewarding careers; and
- Enabling our organisational objectives to be achieved.

a. NHS Student Bursaries

Overview of Service

The NHSBSA is instructed by the Department of Health to administer NHS Bursaries. The schemes set out the rules and administrative arrangements for the payment of NHS Bursaries to students who meet the eligibility requirements and have accepted a place on an eligible course. The NHS Bursary Scheme rules ensure the bursaries are paid fairly and consistently.

There are two sets of rules, one for students who started their course before 1 September 2012 and one for those who started on or after that date.

The schemes cover bursary awards for:

- Tuition Fee Contributions;
- Maintenance Award (and associated allowances);
- Disabled Students Allowance;
- Practice Placement Expenses, and
- Other Allowances

NHS Student Bursaries processes approximately 80,000 applications per annum for healthcare students at over 80 Higher Education Institutions (HEIs). In respect of

medical and dental students, NHS Student Bursaries also pays tuition fees to HEIs. The total financial value of NHS Student Bursaries activity, including tuition fees, is around £450 million. The funding paid to students and HEIs is accountable to Health Education England which is responsible for management of the associated education commissioning activity through contracts with the HEIs.

Performance Review 2013/14

- **Payments and accuracy** – Overall we have delivered on average 99% timely payments to customers throughout the year with an accuracy of over 99%.
- **Annual Forecast of Applications (Fig 7a)** – Each year we forecast the number and timing of applications received to enable resource planning and budget setting. We have achieved our target of application processing within a 5% tolerance of this forecast.

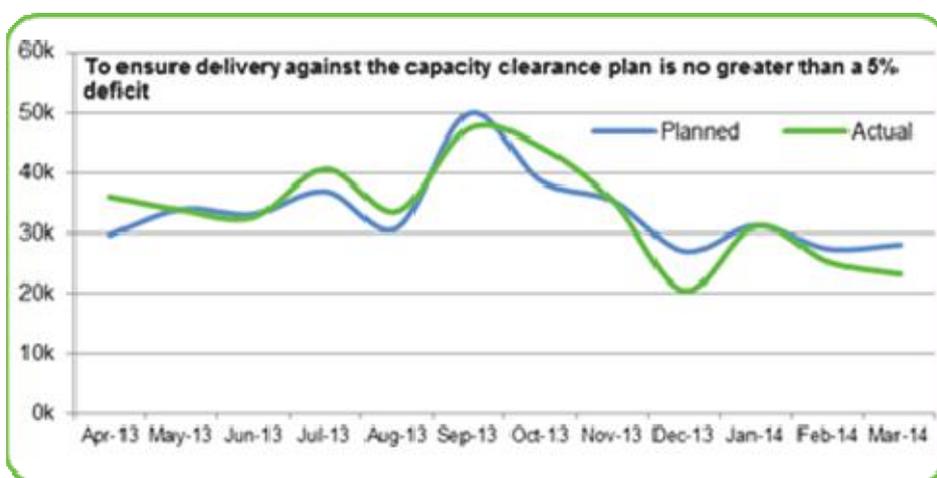


Fig 7a

- **Customer Satisfaction (Table 2)** – Our customer satisfaction survey results for 2013 have shown a reduction compared to 2012. The 2013 research was however conducted after the introduction of significant system, policy and procedure changes. We have since implemented several service improvement measures as a result and expect to see an increase in customer satisfaction in the 2014 survey results.

Customer Satisfaction - The following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied:

| | Satisfaction Rating 2013/14 | Satisfaction Rating 2012/13 | Trend |
|--|-----------------------------|-----------------------------|-------|
| Total Sample | 258 | 100 | |
| Application form user friendly, clear and easy to complete | 7.3 | 7.7 | ▼ |
| Award notification - timeliness | 6.7 | 8.0 | ▼ |
| Communications and updates | 6.9 | 8.2 | ▼ |
| Contact Centre query resolution | 7.5 | 9.1 | ▼ |
| Overall satisfaction with service | 7.4 | 8.4 | ▼ |

Note: There was a significant increase in sample size in 2013/14 and a change in methodology from telephone interviews to an online survey.

Table 2 – Student Bursaries Customer Satisfaction Results

b. Social Work Bursaries and Social Work Education Support Grant

Overview of Service

The NHSBSA is instructed by the Department of Health (DH) to administer Social Work Bursaries and the Social Work Education Support Grant (bursaries/ grants for social work students). Accountability for these two service streams is directly to the DH.

The scheme covers bursary awards for:

- Tuition Fee Contributions;
- Basic Grant (and associated allowances);
- Disabled Students' Allowances;
- Placement Travel Allowance, and
- Other Allowances.

Social Work Education Support Grant is paid to HEIs to fund social work placements and a contribution to the costs of involving service users and careers in the development and delivery of social work education programmes.

Social Work Bursaries processes approximately 14,000 applications and tuition fee invoices per annum for social work students at over 80 HEIs. The total financial value of Social Work Bursaries activity is around £72 million per annum and Social Work Education Support Grant around £28 million per annum.

Performance Review 2013/14

- **Payments and accuracy (Fig 8a)** – Overall we have delivered on average 99% timely payments to customers throughout the year with an accuracy of over 99%.

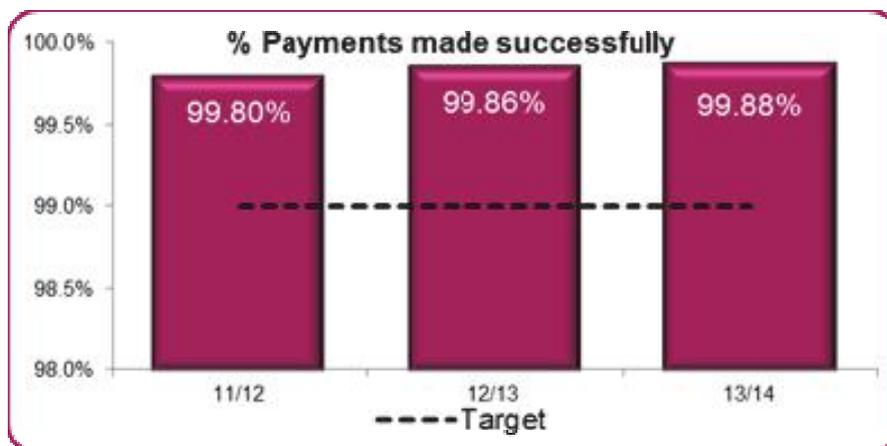


Fig 8a

- **Applications** – We have processed all applications within the 20 day target, meeting the DH target.
- **Customer Satisfaction** (Table 3) – Our customer satisfaction survey results show a small increase in positive ratings for 2013/14. The main area of feedback was in relation to customer expectations for an online application process. This will be developed via the Strategic Technology Solutions initiative.

Customer Satisfaction - The following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied:

| | Satisfaction Rating 2013/14 | Satisfaction Rating 2012/13 | Trend |
|--|-----------------------------|-----------------------------|-------|
| Total sample | 419 | 117 | |
| Application form user friendly, clear and easy to complete | 8.6 | 8.2 | ▲ |
| Award notification - timeliness | 8.1 | 8.2 | ▼ |
| Communication and updates | 7.5 | 7.2 | ▲ |
| Contact Centre query resolution | 8.6 | 8.5 | ▲ |
| Overall satisfaction with service | 8.6 | 8.5 | ▲ |

Note: There was a significant increase in sample size in 2013/14.

Table 3 – Social Work Bursaries Customer Satisfaction Results

Trends and Future Performance (Student Services)

Providing a modern, reliable and efficient service to our customers and clients is our key aim, and we have an extensive operational and strategic change programme to deliver over the forthcoming years.

- Student Services is launching a Strategic Technology Solutions initiative that aims to deliver a modern, transparent and user-friendly system for our customers and clients. Primarily, this focuses on replacing the current paper-based application process for Social Work Bursaries, however will explore a single, integrated system that covers all service areas and reduces our revenue costs.
- We have an ambitious Fraud, Error and Debt Strategy that aims to identify, reduce and deter fraud, improve accuracy and ultimately reduce debt. This strategy is pivotal to ensuring we continue to demonstrate due regard for taxpayers' money and prevent fraudulent practices.
- We will continue to actively seek and act on customer and client feedback to ensure we continue to improve our services.

iii) NHS Dental Services

Overview of Service

NHS Dental Services provide a range of services. These include paying around 10,000 dental contractors each month throughout England and Wales, equating to around £2.2 billion a year. These monies are paid against NHS dental contracts which are commissioned by NHS England through their Area Teams. We support commissioners in the provision of information and risk management services to ensure these contracts are delivering value for money for the NHS and appropriate outcomes for patients.

To enable us to provide contract performance information and analyse the potential risks to both patient care and value for money, we process over 43 million activity forms sent in by dental practices for every patient they treat under the NHS. These forms are also used to calculate the patient charges collected by the practice, which are then deducted from their monthly payment. As part of this process we check the eligibility of patients claiming free or reduced cost dental treatment. We currently carry out over 2 million checks a year and follow up 11,000 patients a month who come back as unconfirmed against the benefit under which they have claimed exemption. We then recover NHS dental charges from those patients who should have paid, which equated to £3.4 million in 2013/14.

NHS dentists are entitled to be members of the NHS pension scheme and dental contractors receive additional payments for business rates, taking on foundation dentists and maternity/paternity/sickness pay. These are all processed by NHS Dental Services against their monthly payment. Net pensionable earnings figures declared by dental contractors for each dentist working on their contracts are subject to an annual reconciliation exercise, carried out by NHS Dental Services. There are approximately 25,000 dentists working on NHS dental contracts across England and Wales.

The vast majority of our processes are automated with 92% of dentists' activity data received electronically. The processing related and associated IT services have been outsourced for many years and are currently provided by Capita. The services we have retained in-house are provided by our team of twelve clinicians located throughout the country and a team of nine staff based in Eastbourne. These services include the provision of clinical risk assessments for contracts flagged at risk of providing poor value for money or inappropriate care to NHS patients and the provision of support to Department of Health, NHS England and Welsh Government in the development of dental policy and potential new contractual arrangement for dentists.

Performance Review 2013/14

- Payment Accuracy (Fig 9a)** – There is a 99.9% target in place for payment accuracy due to the majority of payments being automated. A system issue materialised following a change made to pension contribution calculations that caused a drop in accuracy for the September payment to 93%. Otherwise the 99.9% payment accuracy level has been maintained.

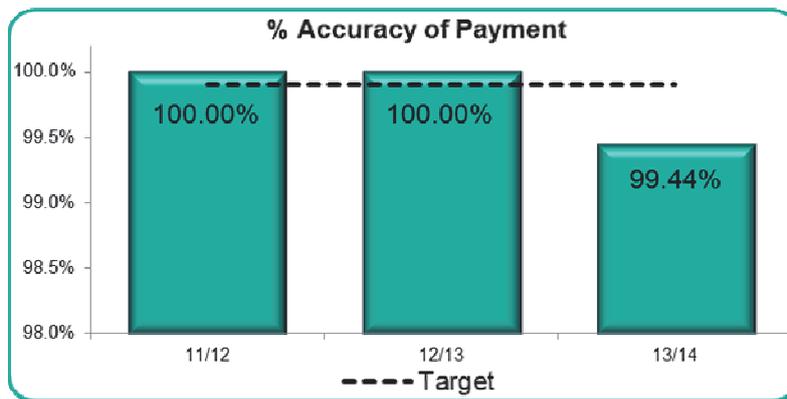


Fig 9a

- Dental Treatment Activity Reports on First Available Schedule** – This is the measure of how timely our processing is for dental treatment data received from dental practices. We processed this data during 2013/14 within an average of 2 working days resulting in 99.9% of activity data being processed on the first available monthly schedule. Volumes remain fairly steady at 43 million activity reports received every year.
- Patient Charges Recovered (Fig 9b)** – We have significantly increased the amount of benefit eligibility checking we carried out in 2013/14. This has resulted in a rise in the amount of patient charges recovered for the NHS from £1 million in 2011/12, £2.2 million in 2012/13 to £3.4 million in 2013/14.



Fig 9b

- **Customer Satisfaction (Tables 4a & 4b)** – Overall customer satisfaction remained at similar levels to 2012/13 results for NHS commissioners (Area Teams/Health Boards) but our satisfaction levels from dentists (Provider/Performers) have declined slightly. Effective action plans will be put in place to address areas for improvement such as access and usability of the portal and customer contact arrangements.

Customer Satisfaction - The following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied:

| | Dental Providers/Performers | | Trend |
|----------------------------|-----------------------------|---------|-------|
| | 2013/14 | 2012/13 | |
| Total sample | 430 | 125 | |
| FP17 payments - timeliness | 8.4 | 8.9 | ▼ |
| FP17 payments - accuracy | 8.1 | 9.0 | ▼ |
| Overall satisfaction | 7.2 | 8.2 | ▼ |

Note: There was a significant increase in sample size in 2013/14 and a change in methodology from telephone interviews to an online survey.

Table 4a – Dental Provider/Performer Satisfaction Results

| | Area Teams/Health Boards | | Trend |
|----------------------|--------------------------|---------|-------|
| | 2013/14 | 2012/13 | |
| Total sample | 130 | 100 | |
| Overall satisfaction | 7.7 | 7.6 | ▲ |

Note: There was a change in methodology from telephone interviews to an online survey.

Table 4b – Dental Area team/Health Board Satisfaction Results

Trends and Future Performance

There are a range of initiatives to improve the performance of Dental Services either underway or in the planning stage. They include the following:

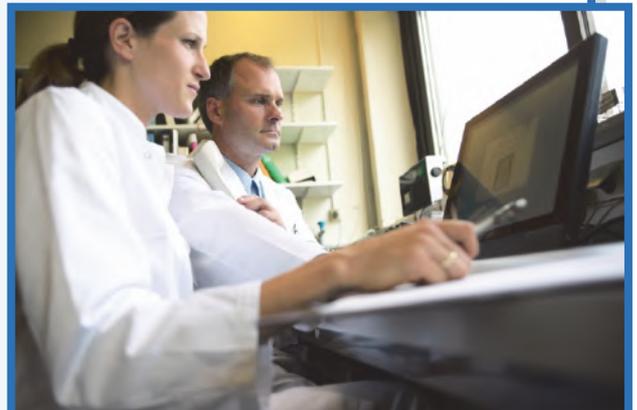
- Dental Services transformation programme which is delivering new IT solutions under the Capita contract. These will improve timeliness of processing and deliver self-service options to dentists. Self-service will deliver greater transparency and remove manual overheads for both the NHS and Dental Services.
- Improve the outcomes achieved by the clinical services team by increasing their efficiency through the better utilisation of technology solutions and Capita support.
- Increase further the level of benefit eligibility checking of patient's claiming free or reduced cost dental treatment. This will increase further the return of funds to the NHS for reinvestment.
- Improve partnership working with the NHS on all elements of the NHS dental contract to achieve a better value contractual arrangement for the NHS and improved outcomes for patients.

Good Business – Corporate responsibility case studies

Dental Services E-enabled portal

We are continuing to roll out e-enabled applications to our customers which have environmental benefits for the wider NHS.

As part of the dental contract system support (DCSS) managed IT infrastructure (MITI) contract, we now host an online dental portal that provides a self-service route for statement of financial entitlement (SFE) and end of year statements for dentists. This has led to a reduction in the volume of printed reports produced saving money and paper usage.



iv) NHS Pensions

Overview of Service

NHS Pensions administers the NHS Pension Scheme, which is an unfunded occupational Scheme backed by the Exchequer. The Scheme currently provides defined benefit pensions based on final salary or career average arrangements for GPs, General Dental Practitioners and NHS staff.

The Scheme currently has 2.7 million members in total, made up of 1.4 million active contributing members, 650,000 members with deferred benefits and 700,000 pensioners receiving a payment. In 2013/14 we made Pension Payments totalling £9.2 billion.

The Scheme receives contributions from employees and employers and is governed by the following set of Pensions specific regulations:

- The NHS Pensions Scheme Regulations 1995 and 2008 as amended
- The NHS (Compensation for Premature Retirement) Regulations 2002 consolidated
- The Pensions Increase Act 1971
- NHS AVC Regulations
- NHS Gratuitous Expectations Regulations

Elements of the service are currently delivered in partnership with a third party supplier, Equinity Paymaster.

Performance Review 2013/14

The changing NHS environment and new legislative changes have been the specific challenges for 2013/14. This scale of change will be intensified in 2014/15.

- **Pension Auto-enrolment** - Impact of additional administrative work associated with 126,000 new joiner uploads and subsequent increased activity around error correction, refund of contributions, and Cash Equivalent Transfer Value calculations for re-joiners.
- **Annual Allowance** - Tax relief reduction from £255,000 to £50,000. Estimated impact (as quoted by Government Actuary's Department) was assumed to be 8,000 members, actual impact resulted in the distribution of 28,000 member Pension saving statements for 2011/12 and 2012/13 tax years (predominantly High Earners).

- **Lifetime Allowance** - Reduction from £1.5 million to £1.25 million. Due to varying legislation changes in particular to HMRC tax changes we have observed a 24% (2,488 members) increase in GPs retirement awards for 2013/14.
- **Implementation of NHS Reforms** – This saw the closure of over 150 Primary Care Trusts and the creation of 211 Clinical Commissioning Groups (CCGs) and 27 NHS England Area Teams on 1 April 2013. NHS Pensions have been working closely with the Department of Health to ensure all active members are moved to the correct new organisations and any outstanding data issues resolved. Shared Business Services have recently been commissioned to work with us to close off the remainder of issues.
- **Achievement of KPI Performance** - Across all measurement areas for timeliness, accuracy, contribution receipts and data quality.
- **Data quality improvement initiative** – This was successfully introduced. Inaccurate or incomplete records which are not fit for purpose were returned to the employer at source for correction and resubmission. This has resulted in significant improvements in data quality.
- **Data Record Accuracy** – This enabled a successful valuation to be undertaken as a result of data records reflecting completeness of 97.6%.
- **Increased contributions Year 3** – Delivery of the final year of a 3 year review of Pension contribution increases.
- **Fixed Protection 2014** – This meant members with fixed protection can fix their lifetime allowance at £1.5 million. All applications were completed by 6 April 2014.
- **Customer Satisfaction (Table 5)** - The overall satisfaction rating for NHS Pension Scheme members has decreased since 2012. Overall satisfaction is consistent for Pension Employers. Potential causes for the decline could include an enhanced result in 2011/12 from members receiving detailed Choice Statements, and the pending delivery of Total Reward Statements. Customer contact arrangements and improvements to information requests and provision are possible areas to be considered for Employers.

Customer Satisfaction - The following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied:

| | Pension Members | | Pension Employers | |
|----------------------|-----------------|---------|-------------------|---------|
| | 2013/14 | 2012/13 | 2013/14 | 2012/13 |
| Total sample | 484 | 100 | 1155 | 1028 |
| Overall satisfaction | 7.3 | 8.2 | 7.0 | 7.2 |

Note: there was a change in methodology from telephone interviews to an online survey for Pension Members and a significant increase in sample size. The Pension Employers online methodology was consistent with 2012.

Table 5 – Pension Members and Employer Satisfaction Results

Trends and Future Performance

Legislation change implementation (non-Hutton Review) and preparation for delivery of the 2015 Scheme (Hutton Review) effective from 1 April 2015 will dominate our performance focus for 2014/15 to ensure successful delivery. Other priorities include:

- Contract re-let procurement activities in readiness for appointing a future supplier of NHS Pension services from July 2016.
- Workforce planning for potential increase in service demand from members seeking more information about the 2015 Scheme, queries on Total Reward Statements (TRS), and impact of legislation change will prove challenging. This is an area where there is potential for the analytics tool to support and provide management information on demographics to enable effective planning.
- Due to tax legislation changes, plans are in place to deal with increased volumes of General Practitioner and Dentist estimates and retirement applications.
- Phase 2 Annual Allowance implementation where tax relief change from £50,000 to £40,000; estimated impact of 38,000 members who will require a Pensions Savings Statement. This is where the member is allowed a maximum growth in the value of their pension within one tax year of up to £50,000 before becoming liable for paying tax on any growth above that amount. The tolerance will change to £40,000 for the 2014/15 statements.
- Same Sex Marriage Legislation requires us to update all Scheme literature and forms to reflect “spouse”. Membership will be backdated to 6 April 1988 in line with civil partners.

- Independent Scheme Access and New Fair Deal to introduce extended access to the NHS Pension Scheme to eligible independent providers (IP) of clinical services and their qualifying employees with effect from 1 April 2014. Expected impact is an increase of 33,000 NHS Pension Scheme members.
- Administration charges and interest will be introduced for NHS Pension Scheme employers who pay their scheme contributions late with effect from 1 April 2014.
- Total Reward Statements (TRS) will be delivered to 1.4 million scheme members from August 2014 in 3 geographical tranches. A Total Reward Statement is a personalised summary that shows employees their full employment package including basic pay, allowances and pension benefits (for NHS Pension Scheme members). Some NHS organisations also provide other benefits that can be included in the statement. Total Reward Statements will be provided annually to most NHS employees, and will be accessible online.
- Preparation and readiness to demonstrate compliance assurance of NHS Regulations and legislation to the newly formed “Pensions Board”, who will begin meetings in shadow form from June 2014. It is a legal requirement under the Public Pensions Act 2013 to have a Pensions Board. It is made up of employer and member representatives and assists the Scheme Manager (the Secretary of State) in assuring compliance.
- The Pension Regulator requires demonstration of performance and compliance assurance in line with The Pensions Regulator Code of Practice from April 2015.
- Continuation of our anti-fraud work, identifying trends and creating action plans via our fraud forum and the National Fraud Initiative (NFI) data matching exercise.

v) European Health Insurance Card

Overview of Service

The European Health Insurance Card (EHIC) enables people from within the European Economic Area (EEA) to get help with state healthcare costs while visiting other European countries. Eligibility for an EHIC is based on residency and we deal with around 4 million applications per year from UK residents. There are currently 26 million EHIC cards in circulation (this figure reflects the fact that some applications are from family units which result in multiple cards being issued from a single application).

EHICs last for 5 years, and customers can apply over the phone (using a Voice Automation system, or through a contact centre agent), on-line or by post.

The Department for Work and Pensions (DWP) provide the downstream processing of payments to travellers for costs incurred abroad and are also responsible for settlements between EEA member states.

Performance Review 2013/14

- **Clearance and Quality (Fig 10a)** – In overall terms it has been a strong year for key performance indicators and clearance targets, with the March figure being due to a one day delay in card issuing with no impact on our customers. The implementation of a workforce planning system and the ability to flex staff resources to meet changing work demand has contributed greatly towards the positive results.



Fig 10a

- **Volume 2013/2014 (Fig 10b)** – There was increased volume in expected applications during the first two quarters of the year, resulting from media publicity during this period. This increased volume was absorbed within our current resource and a 100% clearance rate was maintained.

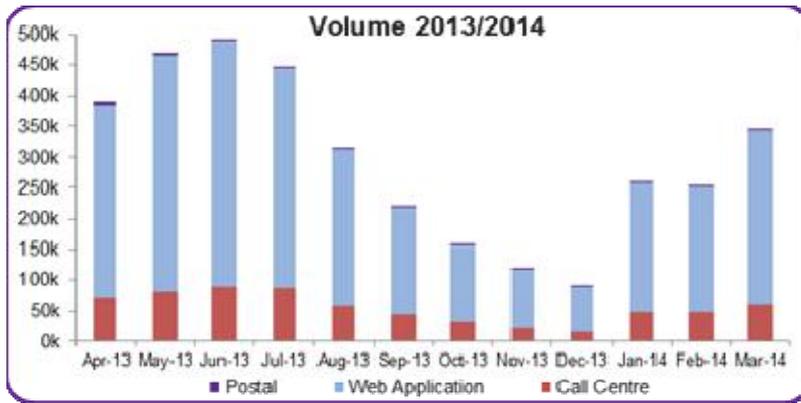


Fig 10b

- **Application Volumes** – Although there was an initial increase in application volume during the early part of the year, the total of applications received across 2013/2014 was consistent with the previous year volumes. 2011/2012 saw increased volume due to the expiry of 5 year certificates issued in 2006/2007.
- **Copycat Websites** – We are working closely with the Cabinet Office Government Digital Service (GDS) who is providing search engine providers with clear information about government services so they can identify and take action against copycat websites that charge for the service. Evidence is still being gathered on the extent of the problem. Senior officials from the Cabinet Office have now met with search engine providers and have already had success with removing misleading adverts. We are continuing to work with GDS to highlight where these copycat sites appear or reappear to prevent customers from being misled into using unofficial charging websites.
- **Customer Satisfaction (Table 6)** – The overall satisfaction rating for EHIC remains very high and ratings are consistent with 2012.

Customer Satisfaction - The following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied.

| | Satisfaction rating 2013/14* | Satisfaction rating 2012/13* | Trend |
|--|------------------------------|------------------------------|------------|
| Total sample | 387 | 100 | |
| Application process overall | 9.0 | - | n/a |
| Length of time to receive notification | 9.6 | 9.4 | ▲ |
| Overall satisfaction | 9.0 | 9.0 | |

Note: There was a change in methodology from telephone interviews to an online survey in 2013/14 and a significant increase in sample size.

Table 6 – EHIC Customer Satisfaction Results

Trends and Future Performance

As well as the focus on business as usual to deliver service excellence, we will be working to explore the following opportunities:

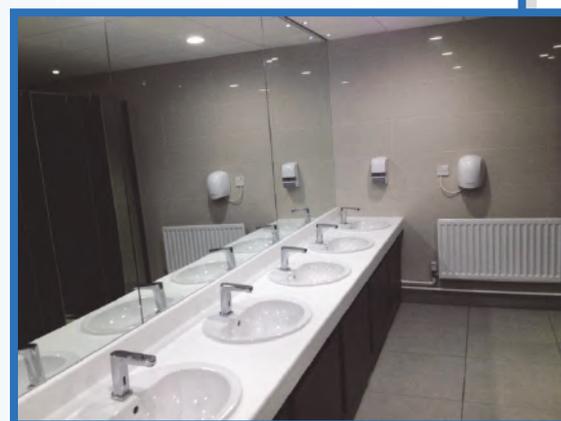
- Continue to work with various stakeholders to further improve the service. Our work with the EEA Healthcare Programme board will help us inform future decisions.
- Continue to include consideration of fraud and error in the implementation or change of future processes and systems.
- Continue to work with Department of Work and Pensions to enhance our data sharing arrangements.
- Continue to explore efficiency saving and income generation opportunities to decrease operating expenditure.

Good business – Corporate Responsibility case studies

Property and Facilities Management energy and water schemes

As part of the ongoing refurbishment of our Bridge House property, we have installed an energy efficient heating and cooling system. Three large gas fired boilers and associated ancillary pumps have been decommissioned and replaced with a smaller storage cylinder that is sized correctly for demand. This means that we no longer heat water unnecessarily and have reduced our carbon emissions as a result.

In addition to this large scale project, refurbishment projects carried out at Ridgway House and Stella House have all been completed using water and energy efficient measures such as automatic taps and energy-efficient lighting systems.



vi) NHS Help with Help Costs

Overview of Service

Patient Services administer the NHS Help with Health Costs range of services for the UK in partnership with Customer Contact Services. Over 5 million applications and 1 million calls were received in 2013/14 for the following services:

Low Income Scheme (LIS) – Where customers require help with their health costs, and they are not exempt from charges by any other means, they can apply for help through the NHS LIS. Customers complete an HC1 application form with details of their income and outgoings, and an income-based assessment is carried out to calculate their ability to pay for NHS charges. Patient Services administer the LIS for England, Scotland and Wales.

Prescription Prepayment Certificates (PPC) – The PPC enables people, who are not otherwise exempt, to save money on NHS prescription costs in England. Customers have the option to buy a 3 or 12 month certificate by a variety of application routes with different payment options.

Medical and Maternity Exemption Certificates – The Medical Exemption Scheme (MES) enables customers with certain life-long medical conditions access to free prescriptions. The Maternity Exemption Scheme enables pregnant women or those who have given birth within the previous 12 months access to free prescriptions. Customers apply initially through a healthcare professional who then passes the details to Patient Services to complete the process.

Tax Credit Exemption (TC) – The Tax Credit Exemption Certificate is issued by the NHSBSA to customers in the UK who are on Working and/or Child Tax Credit and meet certain income thresholds. NHS Tax Credit exemption certificates entitle the holder to full help with health costs on production of their certificate. Eligibility for an NHS Tax Credit exemption certificate is determined by HMRC.

Performance Review 2013/14

- **KPIs** – All Key Performance Indicator targets for 2013/2014 were surpassed.
- **Quality Initiatives** – The success of quality initiatives involving all staff across Patient Services has improved the accuracy of decisions to customers.
- **Clearance Targets** – Targets for all NHS Help with Help Costs were also attained.
- **Workforce Planning** – Increased use of Workforce Planning team resource and the ability to transfer staff resources to meet work demand has contributed greatly towards the success of Help with Health Costs Services in 2013/14 in

exceeding KPIs. Progression of staff through successive grades has also proved popular and helped enable multi skilling.

- **Customer Satisfaction** (Tables 7a & 7b) – Overall satisfaction with Medical, Maternity and PPC is very high. Ratings for the Low Income Scheme are lower although this is impacted by those who do not receive full help. Possible areas for consideration are around improving the application form and process.

Customer Satisfaction - The following were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied:

| | Medical | Maternity |
|--|---------|-----------|
| Total Sample | 144 | 113 |
| Application process overall | 8.9 | 9.0 |
| Length of time to receive notification/certificate | 9.2 | 8.9 |
| Overall satisfaction | 8.7 | 8.9 |

Note: 2013/14 was the first time that Maternity and Medical customers have been researched.

Table 7a – Help with Health Costs Customer Satisfaction Results

| | Low Income | | PPC | |
|--|------------|------|------|------|
| | 2013 | 2012 | 2013 | 2012 |
| Total Sample | 521 | 100 | 387 | 100 |
| Application process overall | 7.8 | n/a | 9.2 | n/a |
| Length of time to receive notification/certificate | 7.5 | 8.7 | 8.7 | 9.0 |
| Overall satisfaction | 7.7 | 8.3 | 9.0 | 9.5 |

Note: there was a change in methodology from telephone interviews to a postal survey for Low Income and online survey for PPC.

Table 7b – Help with Health Costs Customer Satisfaction Results

Trends and Future Performance

As well as the continued focus on business as usual to deliver service excellence Patient Services will be working to explore the following opportunities.

- The expansion of self service options including Voice Automation for the PPC service and the “Ask us” knowledge base.
- Continue to work with key suppliers to explore efficiency and income generation.
- Continue to support quality initiatives that have been very successful in 2013/2014.

- Increasing the use of Customer Insight to enable customer led enhancements to services.
- Further embed our anti-fraud initiatives, training staff on detecting and reporting fraud and working with our internal fraud specialists to investigate cases.

vii) Supplier Management

Overview of Service

Supplier Management manage complex contracts on behalf of the Department of Health (DH) and Public Health England (PHE). We aim to ensure that each contract under management delivers the outcomes required of the client and ultimately the customer of the services being provided. We also add value to our clients and customers by constantly seeking to drive service performance and value for money forward, throughout the whole lifecycle of the contract.

Supplier Management has in excess of £4 billion of contracts (flow-through of transactions) currently under management, with an annual combined contract value of £229 million (contractor earnings). For each of the contracts we create a comprehensive data set that enables key measures and metrics to be produced to support and shape how we manage performance and intervene when necessary to ensure service aspirations are met. There are currently over 130 measures used across the contracts. Contracts under management are:

NHS Supply Chain

Operated by DHL, NHS Supply Chain provides the sourcing, compliant procurement and delivery of healthcare products within 11 defined product category areas. NHS Supply Chain has over 1,000 NHS customers and provides access to a catalogue range in excess of 600,000 items. The services are provided by NHS Supply Chain under a Master Services Agreement (MSA) between DHL Exel Supply Chain and the NHSBSA. Annual sales are circa £2.3 billion and an annual contract value of circa £185 million

Referred to collectively as 'Critical Services', contracts under management are:

Pandemic Influenza Preparedness Programme (PIPP)

We manage all the supply chain contracts relating to the Programme. This covers three different providers operating services from more than 15 different locations across England. The services are for the storage and distribution of a range of products in the event of a flu pandemic or a mass casualty incident. The Programme value is in excess of £740 million, and combined annual contract value of £12 million.

Emergency Medicines Buffer Stocks (EMBS)

The EMBS has been established to ensure that the UK supply of essential medicines is robust. We provide stock management services across 25 suppliers and 36 different

locations throughout England. The stock value is £600 million and a combined annual contract value of £20 million.

UK Childhood Immunisation Programme

This is a UK wide programme delivering vaccines to over 9,000 GP surgeries and hospitals. The Programme value is £500 million. We also manage the contract for the demand capture and information system for the Programme referred to as IMMFORM. The combined annual contract value is £6.3 million.

Healthy Food Schemes

At the request of DH, Supplier Management began to manage all the contracts for services related to the Healthy Food Schemes in September 2013. The services cover Healthy Start (the issue and reimbursement of vouchers and vitamins) the Nursery Milk Scheme (the provision of 1/3 pint of milk each day to approved childcare locations), and the Schools Fruit and Vegetables Scheme (the provision for each child of primary school age of one portion of fruit or vegetable each school day). The combined value of the Healthy Food Scheme is £200 million. The combined annual contract value is circa £6 million.

Performance Review 2013/14

- NHS Supply Chain** – NHS Supply Chain’s contractual KPIs for service performance (delivery on time and in full – OTIF) and debtor/creditor management were above the minimum target levels for the year. OTIF performance fell below the minimum target level on two occasions (Fig 11a). The first occasion was due to service disruption during the transition of products and services to a new national distribution facility at Rugby. The service was restored after changes to the transition plan following intervention by Supplier Management. The second occasion was due to a key supplier failure (Covidien). NHS Supply Chain and Supplier Management worked closely with the supplier to restore service.

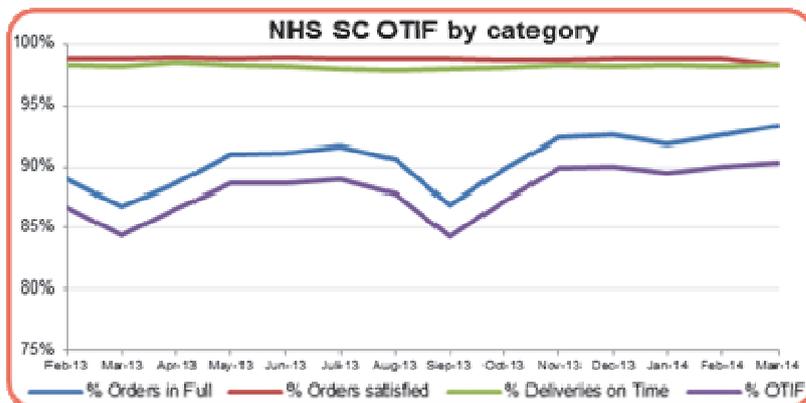


Fig 11a

The MSA with DHL Exel Supply Chain is for 10 years with an extension option of up to 5 years. The 10 year term ends in September 2016. Supplier Management was asked by the DH to complete an options appraisal. Following the publication of the Procurement Development Strategy (Better Procurement, Better Value, Better Care) by the DH in August 2013, Supplier Management were asked by the DH to include the options appraisal process in the programme to support the DH in the delivery of cash releasing savings from NHS Supply Chain contract. Supplier Management provided extensive support to the DH on both these work areas. The support will be ongoing during 2014/2015.

- **Healthy Food Schemes** – A new team within the Critical Services area has been established to manage the contracts under the Scheme. Primary activities so far include supporting the DH to establish new contracts for the issue and reimbursement elements of the Healthy Start Schemes and conclusion of the NHS Supply Chain procurement activity for the supply of vitamin tablets and drops.
- **Pandemic Influenza Preparedness Programme (PIPP)** – Supplier Management has developed procurement strategies to reduce the overall cost of the Programme. The strategies cover the extension (where possible) of product expiration dates and the reduction of products required to be stockpiled through a just in case and just in time approach. Combined, the strategies have to date saved the DH in excess of £35 million.

Trends and Future Performance

Supplier Management will aim to increase the number of contracts under management and continue to drive value from existing contracts for our clients and customers. Key activities will include:

- Supporting the DH deliver savings through NHS Supply Chain.
- Supporting all activity relating to the potential extension of the NHS Supply Chain contract.
- Completion of the PIPP procurement cycle - total procurement savings target is £50 million.
- Support the procurement of a new Nursery Milk provider.

viii) HR Services

Overview of Service

The NHSBSA provides a range of Human Resources (HR) and Learning and Organisational Development (L&OD) services to a number of external organisations including NHS England, Health Education England, NHS Trust Development Authority and the Health Research Authority.

Service provision varies across the organisations but includes areas such as recruitment, HR and OD Business Partnering, HR and L&OD advice, job design and evaluation and maintenance and administration of employee records.

Our staff are based in six locations across the country, with transactional and L&OD services being provided from Newcastle and HR Business Partnering and Advisory services being based in Newcastle, Leeds, Manchester, London, Cambridge and Newbury.

Performance Review 2013/14

- **NHS Transition** – We supported the transition of circa 6,000 staff from over 160 Primary Care Trusts, Strategic Health Authorities and others into three new Arm's Length Bodies (ALBs).
- **Growth** – We created and developed a HR Shared Service provision to around 8,500 employees in only three months, delivering all essential requirements on day one.
- **LEAN Process Review** – We reviewed operational processes to identify and eliminate waste and streamline activity, increasing use of technology and reducing paper.
- **Transformation of Services** – As a result of the process review activity we have developed improved systems, designed to provide better data and insight into how and why the service is accessed and highlight any areas where communications can be targeted.

Trends and Future Performance

Continued organisational change is expected in the customer base as they redesign their service and organisational models to meet future demands and financial challenges.

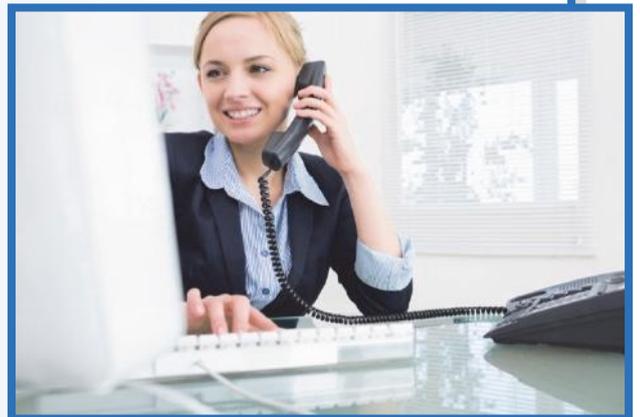
- HR Services are looking at innovative solutions to improve our e-capability, encouraging increased self-service and access to information remotely.

- We will review our operating model to ensure it is fit for purpose and flexible enough to support a changing NHS landscape.
- We will improve use of technology to give greater remote access for our staff to enable them better to support the customer.
- We will continue to transform the way we deliver our services, providing greater transparency for the customer, enabling improved monitoring of KPIs and demonstration of value for money.

Good Business – Corporate responsibility case studies

HR materials and postage

The increased use of our HR service by clients saw a noticeable increase in the amount of paper being printed, posted, actioned and filed. Our HR team realised that this was not only an ineffective use of their time, but also an unnecessary use of paper, printing materials and postage cost.



To overcome this problem, the team have created shared drives with agreed indexes, saving electronic copies accessible by the whole team, and using electronic systems for communication.

During 2013/14 these actions have saved over 150,000 pieces of paper, around 50,000 envelopes and around 70 toner cartridges, equating to a financial saving of over £40,000.

ix) Procurement Services

Overview of Service

The Procurement Services team is part of the NHSBSA Commercial Directorate and was created in April 2013 to provide a dedicated service to NHS England to meet its strategic procurement needs.

We manage up to 100 procurement projects at any one time and handle in excess of 100 queries each month across all areas of NHS England. These projects typically impact the availability, accessibility and quality of patient care and, owing to the nature of these projects, many receive media attention. Examples include: patient access to 7 day NHS services; improving access to psychological therapies for children and young people; setting up a clinical waste contract for use across the GP and pharmacy communities; and creating a framework for commissioning support services which, at the time of writing, is a live procurement being advertised through the Official Journal of the European Union, with a total value of £3-5 billion.

Customer Satisfaction 2013/14

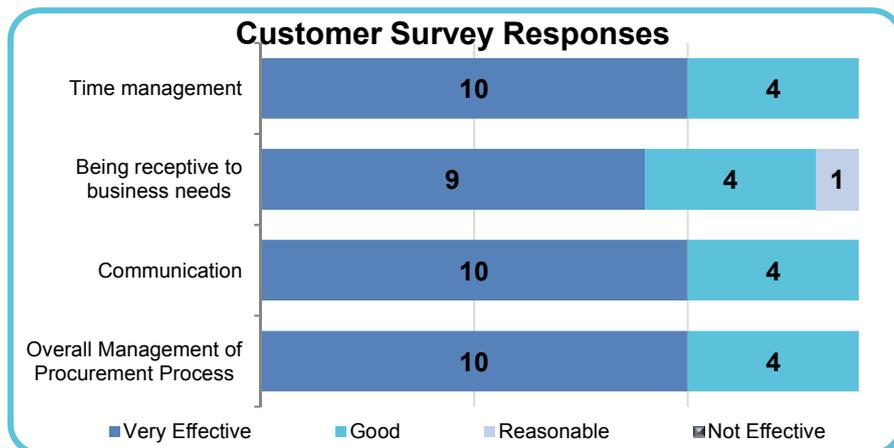


Fig 12a

Performance Review 2013/14

- **Team Development** - Over the course of the last year, the team has grown to 20 staff drawn from a diverse range of commercial backgrounds. The team is located in Leeds and Newcastle and its services and products are becoming increasingly embedded across NHS England.
- **Customer Satisfaction (Fig 12a)** – Satisfaction with our service remains consistently high with 93% of respondents rating our service as good or very effective.

Trends and Future Performance

- Our areas of activity across NHS England continue to grow as we support our client to achieve their business priorities. We have plans in place to increase our service offering across our customer base.
- Delivery of financial benefits is a major objective for NHS England and this will be a key area of focus for our team.
- At NHS England's request we are discussing extending our services to cover new areas of responsibility.

Good Business – corporate responsibility case studies

Fraud awareness

As an NHS organisation, the NHSBSA takes fraud seriously. We employ local counter fraud specialists (LCFSs) to help address fraud issues across our services. Part of their role is to provide information and guidance to our staff on how they can protect themselves in their lives outside of work through drop-in sessions, intranet articles, poster campaigns etc.



An example during 2013/14 has been making staff aware of 'crash for cash' scams, where criminal gangs across the UK fake or deliberately cause thousands of 'accidents' every year – just to submit fraudulent insurance claims.

The aim is to ensure our staff are kept up-to-date on the ever-evolving types of fraud being committed to reduce their chances of falling prey to such scams. It is also hoped that a general awareness of fraud issues at home also helps our staff spot fraud at work, helping to reduce the cost of fraud to the NHS.

x) Information Services

Overview of Service

Information Services provides routine and specialist information to a variety of stakeholders, including commissioners and providers of NHS services and national agencies.

We aim to provide effective delivery of information products, enabling colleagues within the NHS and beyond to make effective decisions in delivering value for money services to patients and taxpayers. We are advancing our provision of insight for the business and our clients while we continuously look for opportunities to improve the quality and value of the data that we hold.

Performance Review 2013/14

- **Pharmacy, Dental and Prescribing Reporting** - We continue to work closely with NHS England to develop reports to support pharmacy and dental contract management and prescribing monitoring, providing important information to over 40,000 customers.
- **NHS Reforms** – Delivery of changes to systems, processes and information products to reflect the revised NHS structure and providing support to the new organisations as they bed into their new roles.
- **Enhanced Information Services** – The project to modernise the prescription information services continues to be a huge success and we have constantly delivered improvements throughout the year. The final release will be delivered during April. The dental risk management work has been developed further with a significant programme of work having been completed to identify risky behaviours and high risk contracts. This has been complemented by a new Dental Assurance Framework report that links directly into NHS England policy.
- **Specialist Services** – Information Services have worked closely with clients and both internal and external customers to provide insight to key projects e.g. Dental Contract Pilots, EHIC modelling, Benefit Eligibility Checks.
- **Customer Satisfaction (Table 8)** – Our latest customer survey conducted at the beginning of 2014 shows an overall improvement in customer satisfaction. We continue to engage with our customers to understand how best to improve their experience.

Customer Satisfaction

| | Information Services | | Trend |
|----------------------|----------------------|---------|-------|
| | 2013/14 | 2012/13 | |
| Total sample | 458 | 108 | |
| Overall satisfaction | 7.8 | 7.4 | ▲ |

Note: there was a change in methodology from telephone interviews to an online survey and a significant increase in sample size.

Table 8 – Information Services Customer Satisfaction Results

Trends and Future Performance

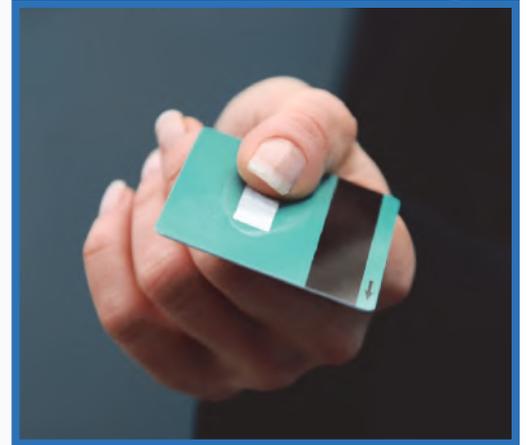
- **Better quality information** - This will be achieved by placing analytics at the heart of our business and utilising the value of the data we hold.
- **Data sharing** - Connecting the data in ways that reveal new insight, the NHSBSA has an opportunity to improve healthcare outcomes by supporting evidence-based decision-making, and effective policy decisions.
- **Transformation** – We are investing in new hardware and software to be able to provide our customers with valuable insight. A Data Analytics Learning Lab (DALL) is being created and a pilot is due to commence at the beginning of 2014/15.
- **Data Governance Framework** – Increased focus will be placed on information standards and data quality across the NHSBSA and being more consistent in how we produce information and govern our data.
- **Deliver improved intelligence at the right time, with measureable impact.** This will include:
 - Expanding information services to external customers across all NHSBSA business streams. We are working with Student Services and NHS Supply Chain to help develop benchmarking for external customers.
 - Engaging further with customers to understand information needs.
 - Using data to deliver more strategic insight.
 - Using data more effectively to safeguard funds and improve the quality of services.
 - Finding ways to enhance our data to provide more effective information products.
 - Supporting the wider government transparency agenda with high quality, reliable datasets.

- Having a better understanding of our operations to improve efficiency and accuracy and reduce the risk of fraud, error and debt.

Good business – Corporate Responsibility case studies

Using IT solutions to reduce electricity and paper usage

This year we have continued to use IT technology to reduce our environmental impact. We have reduced the number of printers, copiers and other office electronic equipment by upgrading to Multi-Function Devices (MFDs) that consume less electricity and are card activated. This has reduced the amount of wasted paper from unnecessary printing and copying. In addition, our P Counter software allows us to review printing activity by business area, enabling us to focus on high-use areas.



xi) NHS Protect

Overview of Service

NHS Protect leads on work to protect NHS staff, patients and resources. It provides support, guidance and direction to the NHS, enabling effective prevention, disruption and enforcement action to take place against criminals and criminal activity. It also manages improved criminal intelligence and information flows across the health service.

There are many types of crime that could affect the NHS, including:

- Violence against NHS staff and patients
- Criminal damage and theft of NHS property, assets and resources
- Economic crime – fraud; bribery; corruption; unlawful action

NHS Protect seeks to prevent crime within the NHS by targeting and co-ordinating work effectively, building in anti-crime measures at all stages of national and local policy development, and reflecting wider government initiatives where appropriate. NHS Protect sets standards for tackling crime across NHS funded services, and seeks to use an evaluation model to assess the effectiveness of prevention activity and improve future proactive work.

NHS Protect strategic aims

There is a need to continuously improve anti-crime provision to safeguard the NHS for the future. In order to ensure this continuous improvement, NHS Protect has five strategic aims:

- To provide **national leadership** for all NHS anti-crime work by applying an approach that is strategic, co-ordinated, intelligence-led and evidence based.
- To **work in partnership** with the Department of Health, commissioners and providers, as well as our key stakeholders, such as the police, the Crown Prosecution Service, local authorities and professional organisations to coordinate the delivery of our work and to take action against those who commit offences against the NHS.
- To lead, within a clear professional and ethical framework, **investigations** into serious, organised and/or complex financial irregularities and losses which give rise to suspicions of fraud, bribery or corruption.
- To **establish a safe and secure environment** that has systems and policies in place to: protect NHS staff from violence, harassment and abuse; safeguard NHS property and assets from theft, misappropriation or criminal damage; and protect resources from fraud, bribery and corruption.

- To **quality assure** the delivery of anti-crime work with stakeholders to ensure that the highest standards are consistently applied.

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Significant work has been undertaken in order to ensure that appropriate anti-crime arrangements are in place for commissioners in the reformed NHS. This has included undertaking work to develop standards for NHS commissioners that set out requirements in respect of their anti-fraud arrangements. These standards have been approved by NHS England's Audit Committee and will apply to all commissioning bodies. In addition, NHS Protect has:

- Investigated over £8 million worth of fraud allegations
- Issued 19 security management alerts in relation to individuals posing a potential threat to NHS staff
- Developed, considered, reviewed and disseminated 332 intelligence packages in accordance with established intelligence model criteria and governance procedures
- Rolled out a new quality assurance programme for both security management and anti-fraud work
- Trained and accredited a total of 95 NHS Local Counter Fraud and Security Management Specialists.

Trends and Future Performance

Based on the strategic assessment of crime risk within the NHS, and the consideration of an appropriate threat response plan, NHS Protect has established strategic priority areas on which it will have a particular focus for 2014-15:

- Violence against NHS staff
- Payroll fraud
- Theft

These priorities will require the immediate development of a cohesive and developed action plan with input and involvement from all parts of the business. For each of these strategic priority areas, NHS Protect has sought to establish programme aims for 2014/15 which are designed to contribute to the mitigation and resolution of the key crime threats facing the NHS.

2d) Good Business – Our Corporate Responsibility Report

Introduction

Corporate Responsibility is simply ‘Good Business’. It is about ensuring that we make a **positive impact** on society by delivering our services. It encompasses our approach to aligning **social** and **environmental** responsibility to **economic** goals and value-for-money.

Community Investment (CI)

Overview

We have a strong, long standing culture of community investment at the NHSBSA which includes supporting staff to contribute to charitable fundraising and staff volunteering. In addition to our responsibility for our own staff, we have a moral obligation to support our local communities.

Performance Review 2013/14

- **Charities** - Local Positive Action Groups have partnered with nominated charities throughout the year.
- **Pennies from Heaven (Table 9a)** - We have continued the Pennies from Heaven scheme through our payroll system, enabling staff to automatically donate the pennies from their wage to charity each month (see table below). We have continued to support the NSPCC in 2013/14.
- **Volunteering (Table 9a)** - Detailed guidance has been produced and rolled-out to support teams through the process of volunteering (two days per year offered to staff). Volunteering days have increased due to an increase in awareness and structured opportunities (see table below).

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---|---------|---------|---------|---------|
| Staff signed up to Pennies from Heaven scheme | 178 | 177 | 166 | 187 |
| Staff volunteer days | N/A | N/A | 85 | 103 |

Table 9a: Community Investment measures

Good business – Corporate Responsibility case studies

Community Investment

During 2013/14, staff volunteering and charitable support has continued to increase. Teams across the NHSBSA have been using volunteering opportunities to enhance team building, develop individuals' skills, understand health issues, and help support local communities.

Examples include:

- Customer Contact Services team raising money for North East Children's Society and the Tiny Lives Trust for premature babies, and helping to re-establish community green spaces
- Patient Services supporting the Gateshead Food Bank and helping maintain community green spaces
- Wakefield office raising funds for Wakefield Hospice and Macmillan Cancer Support
- Production and Operations Support Team (Technology Solutions) raising funds and shop donations for St Oswald's Hospice, Newcastle, raising over £12,000 since 2006
- Fleetwood office holding events to raise money for their nominated charities, Brian House Hospice and Easterleigh Animal Sanctuary.



A host of other charities have been supported over the year including the Breast Cancer 'Wear It Pink' campaign, Sport Relief and Children in Need.

Trends and Future Performance

In 2014/15 we will launch our new Community Investment Strategy that is directly aligned to our Business Strategy and health issues faced by our communities. We will continue to support our staff to become involved in CI and provide support and direction to projects that have a positive health outcome for our local communities.

Equality and Diversity

Overview

Our Equality Strategy outlines our plans for equality and diversity over the four year period from December 2011-2015. The Strategy reflects our legislative requirements under the Equality Act (2010) and Public Sector Equality Duty (2011), and sets out our commitment to taking equality, diversity and human rights into account in everything we do.

The Equality Strategy is supported by our Equality Objectives within the Action Plan, which explain how we are working towards achieving our vision. Progress against the Equality Strategy is monitored by the Equality and Diversity Committee, reported to the Board, and published annually on our website, in addition to our equality information, which is also reported to the Board every six months.

Performance Review 2013/14

The NHSBSA **Equality Strategy Annual Report Year 2 2013/14** summarises the significant progress that the NHSBSA has made in the second year of our Equality Strategy, includes our most recent equality information, and details of progress against our targets. It is published on our website www.nhsbsa.nhs.uk/3540.aspx

- **NHS Equality and Diversity Partner** - The NHSBSA were selected by NHS Employers as an 'NHS Equality and Diversity Partner' organisation for 2013/14 following our application to the programme, one of only twenty NHS organisations to be selected. The Partners were chosen in recognition of the significant commitment made by those organisations to embed equality, diversity and human rights into core business, and were assessed against set criteria.
- **Equality and Diversity training** - Significant activity has been undertaken on Equality and Diversity Training, including delivering a new workshop for managers which has been reinforced with Equality and Diversity also being included in a new leadership programme. The workshop for managers has been adapted for all staff and delivery has started.
- **Staff Diversity Network** - The Staff Diversity Network has raised staff awareness of key equality and diversity issues, including promoting several diversity events throughout the year such as NHS Equality, Diversity and Human Rights Week, Ramadan, Black History Month, and Lesbian, Gay, Bisexual and Transgender History Month.
- **Stonewall** - Our work with Stonewall as part of their Diversity Champions programme, including participation for the first time in their Workplace Equality Index.

- **Data collation and business design** - Activity on starting to improve the equality data we get from our customers so we can better understand their different needs. The integration of our Equality Analysis Procedure with our business change processes, to ensure that equality issues are considered at the initial stages of business or policy change projects.
- **Accessibility** - Customers with different accessibility requirements continue to be supported to access the services we provide. We use Language Line to provide translation services for customers for whom English is not their first language. BT TypeTalk and Sign It can be used by customers with hearing or speech impairments and we offer a form completion service for customers who need additional help.
- **Recruitment** - Our recruitment processes continue to reflect best practice with regard to equality, and we have maintained our annual accreditation for the Disability Equality 'Two Ticks' Award by JobCentre Plus. We continue to monitor recruitment data to inform our areas of focus, e.g. gender balance within the workforce (Table 9b).

| <i>NOTE: AS OF END OF 2013/14</i> | Male | Female |
|-----------------------------------|-------------|---------------|
| Total Employees | 1140 | 1545 |
| Senior Managers (SCS & above) | 34 | 15 |
| Directors | 4 | 1 |

Table 9b: Gender of our staff at the end of 2013/14

- **Buildings** - We have continued to further improve the accessibility of our buildings, to ensure that there are no barriers to access.

Further employee analysis is included within our Directors Report.

Trends and Future Performance

Following a second successful year of the Equality Strategy, with the majority of the actions now complete, a new Action Plan for Years 3 and 4 of the Equality Strategy is being developed with new actions being set in consultation with leads from across the organisation, which will be published on our website.

Good business – Corporate Responsibility case studies

Celebrating LGBT History Month 2014

In February 2014, our Staff Diversity Network co-ordinated our support for national LGBT (Lesbian, Gay, Bisexual & Transgender) History Month, which takes place every year. It celebrates the lives and achievements of the LGBT community, and is intended to raise awareness of, and combat prejudice against, what can often be an otherwise invisible minority.

The Staff Diversity Network worked with the Equality and Diversity Manager, and with Stonewall (the NHSBSA is a Stonewall Diversity Champion organisation), to develop promotional materials for the event, organise information displays at each site with leaflets, postcards and stickers for staff to take away, gathered information for staff about the arts, cultural and educational events happening locally in each area for LGBT History Month, published articles in the staff newsletter and on the intranet each week during the month, each focusing on a different aspect of LGBT equality, and ran a quiz to raise awareness amongst staff.



Health and Safety

Overview

Our Health and Safety Strategy outlines our plans for the delivery of health and safety over the period from 2013-2015. The Strategy reflects our legislative requirements, ensuring all staff work in a safe and healthy environment.

Performance Review 2013/14

During this period the team has proactively advised, supported and assisted teams to ensure staff are safe at work.

- **Reportable Incidents** - The NHSBSA has achieved zero RIDDOR (Reporting Injuries, Diseases and Dangerous Occurrences Regulations) reportable workplace accidents, occupational diseases and specified dangerous occurrences (near misses) during 2013/14. These are events that are reportable

to the Health and Safety Executive (HSE). The NHSBSA accident/event rate remains below the national average in comparison to similar businesses.

- **Health and Safety Training** - Over 165 days of training has been delivered in the last year internally to our staff by the Safety, Health and Environment Team on Health and Safety topics. This is a significant increase (287%) on 2013/13. The new management programme being rolled-out to all managers (Leadership Means) has also included a Health and Safety element.
- **Defibrillators** - We have installed defibrillator machines in all premises business wide and facilitated training to over 250 members of staff. The provision of these lifesaving units have been endorsed by the British Heart Foundation and Resuscitation Council and are widely used in both the public and private sectors where a person has suffered cardiac arrest.
- **Working Parties** - Working parties were established during this period to address high risk activities including transportation and goods movement.
- **Building Audits** - All authority buildings have been audited with action plans being developed in partnership with local managers.

Trends and Future Performance

As part of a review of the NHSBSA Corporate Governance structure, the Health and Safety Team and Environment Team were brought together to form a new integrated Safety, Health and Environment (SHE) Team in early 2014.

2014/15 will see the review and resetting of our Health and Safety Strategy, aligned to the updated NHSBSA Strategy, focused on updating and streamlining our systems, and educating and coaching staff across the Authority.

People, Learning and Organisational Development

Overview

We implement a range of learning and organisational development interventions to support improved organisational performance and effective change management, including services to NHS England, Health Education England and the NHS Trust Development Authority since April 2013

Performance Review 2013/14

- **Leadership Development** - One of our highlights from last year has been the launch of the Leadership Means... development programme, which was written and designed based upon previous staff engagement survey results. The main aims of the programme are to:
 - Drive behavioural change to support high performance
 - Raise self-awareness to promote more effective relationships
 - Embed learning across the organisation

Approximately 420 people will have been through the process by the time it's complete. Feedback collected from delegates has been very positive.

- **Supporting the Business** - Our Business Partners and Advisers provided advice and guidance around learning and development, and the implementation/design/delivery and evaluation of bespoke and organisation-wide initiatives both for the NHSBSA and shared service clients, such as coaching skills, business writing skills, recruitment and selection training for our external clients and we have worked with leaders across the NHSBSA to support improvements in employee engagement, in addition to providing one to one performance and executive coaching to promote personal development. We have implemented a talent management programme pilot in partnership with the Department of Health and other Arm's Length Bodies to improve the pipeline of future leaders in the NHS.
- **Shared Services** - We have supported the development of, and have co-written in many parts, the organisation development strategies and learning and development policies, and have played a major role in the implementation of these strategies for our shared service clients. Key pieces of work have included:
 - The design, development and co-delivery of a values workshop for the NHS Trust Development Authority. This was an organisation-wide initiative co-facilitated with members of their executive team with a purpose of developing

an organisation values framework to underpin and drive the NHS constitutional values.

- The design and delivery of psychometric training across Health Education England to support the development of new teams coming together and the management of their relationships and team dynamic.
- The development of a learning and organisation development prospectus for NHS England.

A sizable and business-critical project has been the procurement of a learning management system (LMS) which will be used by the NHSBSA, NHS England and the Trust Development Authority. This will transform the way we manage staff development, performance and talent. This new system will deliver many cost savings and will allow us to manage the scale of demand without the need for significant resource investment.

- **Sickness absence** - We have an absence management policy covering the whole of the organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme. Based on returns to the end of March 2013, our overall level of short term sickness absence (seven days or less) for 2013/14 was 0.75% (2012/13 - 0.88%) and long term was 2.02% (2012/13 - 2.47%), totalling 2.77% for the year. This represents an ongoing improvement on the total reported in 2011/12 – 3.52%, and 2012/13 – 3.35%.

Trends and Future Performance

In 2014-15 we will:

- Continue to evolve the *Leadership Means...* programme to promote excellence in leadership and management.
- Develop our approach to talent management to create and maintain effective succession routes for our current and future critical roles.
- Provide support to the organisation's major transformation programmes to ensure effective organisation design and having the right capabilities to deliver high performance in the future.
- Implement the Learning Management System across three Arm's Length Bodies (6,500 users) to improve access to low cost effective learning interventions and improve the efficiency and effectiveness of administration.
- We expect the demands on our shared service to increase and for this to be reflected in a new and revised service level agreement.

Good business – Corporate Responsibility case studies

Sport Relief

On 21 March 2014 we supported Sport Relief, using our Newcastle contact centre to take calls for the national event. Staff from across the NHSBSA volunteered their time to take calls throughout the evening, taking over 1,700 successful donations which totalled £54,668. Sport Relief raises funds to support disadvantaged people across the UK and internationally.



The success of our Sport Relief event is another brilliant example of everyone pulling together to achieve one goal. One of the organising team, Alison O'Brien (Customer Contact Services Operations Manager), said, *"We're incredibly grateful to everyone who volunteered on the night or who helped with planning and preparation. Without the help of staff from across both the NHSBSA and Capita, we wouldn't have been able to support this fantastic cause"*.

Helen Elliott (Customer Contact Services Team Manager) volunteered on the night and said, *"An amazing experience – had so much fun doing something worthwhile. We were buzzing all weekend and can't wait for next year to do it again!"*

Environment and Resource Efficiency (Including HM Treasury Sustainability Report)

Overview

We have continued to set and monitor corporate targets linked to our material issues (see Performance Review below), and the requirements set out in central government's Greening Government Commitments.

During 2013/14 we continued to maintain our ISO 14001 and Carbon Trust Standard accreditations. We were also highly commended, being placed in the top three for Public Sector Sustainability Reporting in 2012/13, at the Building Public Trust Awards, awarded jointly by PwC and the National Audit Office.

The NHSBSA Good Business – Corporate Responsibility Annual Report 2013/14 gives further details of our performance over the year. It is published on our website at www.nhsbsa.nhs.uk/2989.aspx

Performance Review 2013/14

- Governance** - Our Corporate Secretary is the Senior Responsible Officer for this agenda ensuring progress is reported and monitored at Leadership Team and Board level. Specific actions are agreed by each of our other directors and their management teams linked directly to their areas of responsibility, monitored as part of their regular performance review regimes. Our ISO 14001 Environmental Management System, Carbon Trust Standard certification and Internal Audit provision assure our published information. As a minimum, our report complies with the guidelines laid down by HM Treasury in Public Sector Annual Reports: Sustainability Reporting Guidance.
- Summary of Performance and Future Targets (Table 9c)**

The following table (Table 9c) summarises our targets and performance up to the end of 2013/14.

| 2013/14 Targets | 2013/14 Performance | 2014/15 Target |
|--|---------------------|----------------|
| 40% reduction in CO2e emissions from energy use in our buildings | 54% | 60% |
| 26% reduction in water consumption in our buildings | 32% | 35% |
| 22% reduction in CO2e emissions from business travel | 18% | 23% |
| 49% reduction in office waste arising | 49% | 55% |

Notes: Targets are based upon a 2009/10 baseline.

Table 9c: NHSBSA Environment Targets

• **Table 9d: Greenhouse Gas Emissions**

| | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|------------------------------------|--|--------------|--------------|--------------|--------------|--------------|
| Non-Financial Indicators (t CO2e)* | Gross emissions Scope 1** (direct) | 1.7k | 1.3k | 1.0k | 1.1k | 0.5k |
| | Gross emissions Scope 2*** (indirect) | 5.4k | 5.1k | 4.7k | 3.9k | 2.7k |
| | Gross emissions Scope 3**** (indirect – business travel) | 0.8k | 0.8k | 0.8k | 0.7k | 0.6k |
| | TOTAL | 7.9k | 7.2k | 6.5k | 5.7k | 3.8k |
| | Building CO2e per FTE | 2.91 | 2.69 | 2.65 | 1.55 | 1.37 |
| | Business travel CO2e per FTE | 0.18 | 0.21 | 0.27 | 0.20 | 0.08 |
| Related Energy Consumption (KWh) | Gas | 8.4m | 6.0m | 4.6m | 5.6m | 2.5m |
| | Electricity: Grid | 11m | 10.1m | 9.4m | 8.4m | 6.1m |
| | Gas Oil | N/A | N/A | N/A | 0.2m | N/A |
| Self-Generated Energy (kWh) | PV | N/A | N/A | N/A | 65k | 65k |
| Financial Indicators***** | Expenditure on Energy | £1.2m | £1.1m | £1.1m | £1.0m | £0.8m |
| | Expenditure on Carbon Reduction Commitment | N/A | <£2k | <£2k | £66k | £63k |
| | Expenditure on official business travel | £1.1m | £1.1m | £1.0m | £1.1m | £1.3m |
| | TOTAL | £2.3m | £2.2m | £2.1m | £2.2m | £2.2m |

Performance Commentary Including Measures

Both absolute and per FTE emissions from energy use in our buildings continue to reduce significantly year-on-year. This is due to continued estate rationalisation and efficiency projects. Business travel emissions per FTE peaked during 2011/12 as a consequence of business reorganisation activity. This has now declined as this management model has become business as usual.

Controllable Impacts Commentary

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

Overview of Influenced Impacts

Our key influential impacts are related to our supply chain. We are currently reviewing our supplier engagement strategy as described in Sustainable Procurement below and have taken part in the Central Government CAESAR exercise to work with our suppliers. Our key impact is via our outsourced NHS Supply Chain Contract, also described below.

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

*Scope 1**: gas used in buildings (Approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering), gas oil, fugitive emissions from air conditioning units in buildings we own and/or control, transport emissions from vehicles we own or on finance lease (<1% has been estimated for March 2013 due to the reporting deadline).*

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

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

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

• **Table 9e: Waste**

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

Performance Commentary Including Measures

During 2013/14 we achieved an office waste reduction level of 49% on our 2009/10 baseline ('office waste' is used for our internal target, and excludes external prescriptions and dental forms we receive. Prescriptions etc. are included within the data table above). Due to a rigorous audit on waste data during 2013/14, we have amended our waste target to reflect the revised figures which continues to show a reduction. In addition, waste that was previously recorded as 'recycled' has now been assigned as 'incinerated with energy recovery'.

Prior to 2011/12 dental form waste was recorded as 'non-prescription/dental form waste'. This is now recorded as 'prescription/dental form waste'.

Controllable Impacts Commentary

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

Overview of Influenced Impacts

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

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

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

- **Sustainable Construction** - We have continued to implement our estate rationalisation project in line with the Government Property Unit requirements. In addition to the reduction of our property footprint, we have refurbished our existing buildings to accommodate our staff whilst ensuring that environmental improvements are undertaken as a matter of course. Projects implemented this year include:
 - Continuation of the Bridge House refurbishment project including the removal of inefficient gas boiler systems and installation of energy efficient lighting systems.
 - Installation of curtain walling at Hesketh House resulting in a reduction of heat conduction from the façade.
 - Other small scale refurbishment projects (which include Government Buying Standard specifications).

All works carried out by our construction partners are now subject to our internal Environmental Management System audits. These concentrate on the potential impacts and controls applied to building works, another of our key CSR risks, including the operation of Site Waste Management Plans.

• Table 9f: Waste – Construction

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|--------------------------|------------|------------|------------|-------------|---------------|
| Non-hazardous (tonnes) | N/A | N/A | N/A | 56.2 | 1192.0 |
| Hazardous (tonnes) | N/A | N/A | 2.3 | 16.0 | 22.0 |
| % diverted from landfill | N/A | N/A | 0 | 78% | 92.2% |
| TOTAL | N/A | N/A | 2.3 | 72.2 | 1214.0 |

• **Table 9g: Finite Resource Consumption**

| | | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---------------------------------|--|--------------|--------------|--------------|--------------|--------------|
| Non-Financial Indicators (m3) * | Water from office estate | 25.9k | 24.2k | 24.5k | 24.9k | 17.4k |
| | Water from non-office estate | <0.2 | <0.3k | <0.3k | <0.2k | <0.3k |
| | TOTAL | 26.2k | 24.5k | 24.8k | 25.1k | 17.7k |
| | Water - m ³ per FTE (office estate) | 10.34 | 9.99 | 10.99 | 9.58 | 7.09 |
| | Paper - reams of A4** | 48k | 48k | 34k | 29k | 26K |
| | Paper -Reams per FTE | 16 | 16 | 12 | 11 | 10 |
| Financial Indicators*** | Mains Water Supply and Treatment | £93.3k | £96.7k | £83.7k | £90.2k | £74.0k |

Performance Commentary Including Measures

During 2013/14 we exceeded our internal water reduction target for our buildings (32% reduction achieved) on our 2009/10 baseline.

Controllable Impacts Commentary

Our key controllable impact is water use in our buildings. As a result of our estate rationalisation programme we have made significant reductions in water consumption based on our 2009/10 baseline. In addition to this, following a rigorous monitoring and measurement exercise at Stella House, a number of operational inefficiencies have been rectified leading to further reductions. With the introduction of card activated printers, we have seen a reduction in office paper usage as print jobs are now only produced when collected directly from the printing area.

Overview of Influenced Impacts

Our key influential impacts are related to our supply chain. We are currently reviewing our supplier engagement strategy as described in Sustainable Procurement below and have taken part in the Central Government CAESAR exercise to work with our suppliers. Our key impact is via our outsourced NHS Supply Chain Contract, also described below.

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

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

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

| No. of office buildings with water m³ per FTE (2013/14) | | |
|---|---------------------------|--------------------|
| <4 (best practice) | >4 and <6 (good practice) | >6 (poor practice) |
| 0 | 3 | 7 |

- **Benchmarking Our Estate** - Under the requirements of the Climate Change Act 2008, Government is required to lay before Parliament each year a report on the efficiency and sustainability of its central civil estate for the previous financial

year. This report includes specific data related to our performance and also measures our performance against that of other Government organisations and also the private sector. We use this information to help us identify areas of good practice and areas for improvement. Full details can be found at www.civilservice.gov.uk.

- **Biodiversity and Natural Environment** – We are keen to make the most of the green spaces that we have and always look for opportunities to protect, improve and promote local biodiversity across our property portfolio. In 2013/14, we have continued to expand on the projects that were undertaken during 2012/13 by ensuring that biodiversity considerations are embedded into regular maintenance activities and construction projects. This has included wildflower planting by volunteers, management of our freshwater lagoon and hawthorn hedgerow planting at Stella House, and the creation of a green space at Hesketh House, ensuring design requirements on biodiversity are included such as mature tree preservation, and measures to support birds and insects.
- **Sustainable Procurement**- We have continued to work with our key suppliers to ensure sustainable procurement practices are embedded as business-as-usual. As part of the Department of Health (DH) family approach, we have engaged with our key suppliers to undertake a self-assessment using the government-approved CAESER tool. This will create a baseline of performance. We will be working with suppliers, moving forward, using the results of this assessment to ensure continuous improvement.
We have continued our work with NHS Supply Chain – Details of annual performance in this area can be viewed within the NHS Supply Chain Annual Sustainability Report - <http://www.supplychain.nhs.uk/about-us/sustainability/>
As part of an overall review of our procurement process our Commercial Team, in partnership with colleagues throughout the business, have assessed our sustainable procurement process and procedures, updating and improving where possible, to continue to ensure sustainability issues are considered embedded within relevant procure projects. Further details and examples of specific work undertaken with our suppliers can be found in our NHSBSA Good Business – Corporate Responsibility Annual Report 2013/14. It is published on our website www.nhsbsa.nhs.uk

Good business – Corporate Responsibility case studies

Curtain wall façade refurbishment at Hesketh House

Our Property Department has been making radical changes to improve the working environment at Hesketh House by carrying out major repairs to the building façade. This has helped to improve heat loss and gains from the building and create additional green space within the courtyard area. From the beginning of the project, we worked in partnership with our principal contractors IHP to ensure that energy schemes and biodiversity initiatives were incorporated into the design specification. This included:

- use of solar glazing to reduce solar gain and reduce heat loss from the building fabric
- installation of 'species' specific wire matrix over the courtyard area to prevent access of larger predatory species and allowing wild birds to thrive

replanting of herbaceous borders with insect friendly plants such as lavender and rosemary.



Trends and Future Performance

During 2014/15, as well as continuing with our operational efficiency targets (see above) our key areas of focus will be:

- Sustainable Procurement – Using the results of CAESER self-assessments to work with our suppliers to drive continuous improvement.
- E-enabled Services - Reducing further reliance on paper-based processes.
- Sustainable Transport – Both reducing the impact of business travel and helping our staff use in their own lives.

The NHSBSA Environment and Resource Efficiency Strategy and Action Plan gives further details of our future plans and targets - www.nhsbsa.nhs.uk/2989.aspx

Wellbeing

Overview

Our Wellbeing Strategy outlines our direction of travel and action plan for the delivery for the period 2013-2015. The Strategy reflects the criteria set out by the Better Health at Work Awards, ran in partnership between the NHS, public health departments and the TUC.

Performance Review 2013/14

- **Supporting our teams** - During 2013/2014 planned guidance and support was created and delivered to all Team Heads and their Positive Action Groups. These groups coordinate local wellbeing events and activities for their teams. Specific Health Advocate Training, provided by the Better Health at Work Awards, was provided for area leads. This support enabled the successful roll-out of the Strategy and Action Plan across the business.
- **Roll out of campaigns**- Following an annual wellbeing staff survey, an annual timetable of Wellbeing campaigns was created addressing key areas highlighted in the results. These focused on fitness; wellbeing, stress and work-life balance, and woman's and men's health issues. Campaigns were coordinated by the Safety, Health and Environment Team, and supported and rolled-out locally by the Positive Action Groups.
- **Awards** - A bronze Better Health at Work Award was presented to us in March 2014 linked to the Wellbeing Strategy and Action Plan roll-out, and the campaigns and initiatives undertaken by teams during 2013/14. In order to achieve this award the business had to follow a set framework. Compliance was then subject to verification onsite by external auditors. This process provides a continual improvement plan for the following year, which we will be implementing during 2014/15 with the aim of achieving silver accreditation.

The NHSBSA was also presented with the bronze level NHS Sport and Physical Activity Challenge accreditation by Sir David Nicholson, former NHS England Chief Executive. We are the first national NHS body to achieve the accreditation. For more information, visit www.sportandphysicalactivity.co.uk. We also received a Public Health Responsibility Deal certificate of partnership from the DH, in recognition of the work we have undertaken on health and wellbeing across the business. This is reviewed annually, following the provision of information about our activities in this area.

- **Employee Assistance Programme** - We have continued to maintain and promote our Employee Assistance Programme. This provides staff with a free, confidential, 24 hour telephone counselling and information service. It provides expert help for issues such as bereavement, financial concerns, relationship problems, depression, bullying and stress.

Trends and Future Performance

The Safety, Health and Environment Team, in partnership with the People & Organisational Development Team, are now working on further developing the Wellbeing Strategy and Action Plan for 2014/15, as part of the 'Good Business' – Corporate Responsibility Strategy. As with last year, a Health and Wellbeing staff survey has been completed, helping to inform the themes and initiatives across the year. The aim, as documented within our Wellbeing Strategy, is to achieve the silver Better Health at Work Award during 2014/15.

Nick Scholte

Chief Executive

NHS Business Services Authority

12th June 2014

3. Our Financial Review

Background

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

Our accounts for 2013/14 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

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

Financial Performance

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

In 2013/14 the NHSBSA was set a range of financial and operational service delivery targets. In financial terms we are able to report that we successfully achieved all statutory funding targets as outlined in Table 1 below.

| Table 1 : Statutory Financial Target Performance 2013/14 | | | |
|--|---------------------|----------------------|-----------------|
| Funding Stream | Limit £m | Actual £m | Achieved |
| Net Operating Expenditure (Non Ring-Fenced Revenue Departmental Expenditure Limit) | 107.4 | 107.2 | ✓ |
| Capital Charges (Ring-Fenced Revenue Departmental Expenditure Limit) | 9.5 | 7.0 | ✓ |
| Capital Expenditure Limit | 23.1 | 19.2 | ✓ |

We are also able to confirm that there were no events after the reporting period.

In addition to the above, we are required to report our performance against the Better Payments Practice Code, which requires non NHS trade creditors to be paid within 30 days or agreed terms. Our performance against this target for 2013/14 is detailed in Table 2 below.

| Table 2 : Better Payment Practice Code – Performance 2013/14 | Number | Value £m |
|---|---------------|-----------------|
| Total non-NHS Trade Invoices paid | 12,938 | 82.073 |
| Total non-NHS Trade Invoices paid within target | 12,187 | 74.822 |
| Percentage of non-NHS Trade Invoices paid within target | 94.2% | 91.2% |

We will be implementing measures to improve our performance in 2014/15 so that at least 95% of our invoices are paid within target.

Delivering best value and value for money

Within the NHS Constitution (March 2013), Principle 7 states:

‘The NHS is committed to providing best value for taxpayers’ money and the most effective, fair and sustainable use of finite resources’.

Best value and value for money are integral to our vision and purpose, in delivery of the business services we provide to the NHS, to ensure that the maximum level of resources can be dedicated to frontline patient care.

Currently, £32 billion of public funds flows through the organisation. We recognise that by using our service knowledge and insight there is an opportunity to:

- identify, design and implement, or support, initiatives to reduce the cost associated with the systems in which the NHSBSA takes part; and
- at the same time, seek to improve, or at least maintain, the patient experience resulting from these systems.

The Pacific Programme has been established with the aim of implementing significant changes to remove waste from the end to end systems in which the NHSBSA plays a part. We will work closely with stakeholders from across these systems to deliver a first wave of opportunities that have the potential to achieve over £130 million of savings, starting during the 2014/15 financial year. This first wave will create a foundation for subsequent proposals that will deliver savings of many hundreds of millions of pounds.

In delivering Pacific, the NHSBSA will enhance the value it delivers to the NHS, building upon the organisation’s core purpose, “To deliver business solutions which enable colleagues in the wider NHS to focus on patient care”.

Our overall operating costs – real term reduction

In cash terms, our gross annual operating (running) costs are around £18 million lower in 2013/14 than they were in 2005/06.

In real terms, adjusting for inflation and volume transaction growth, our gross operating costs have reduced by £83 million compared to 2005/06, which is a reduction of 42%.

How we have delivered best value and value for money

We have adopted a clear strategy to secure best value and improved value for money focusing on efficiency linked to improved quality in business service provision. Figure 1 outlines our approach and includes examples of the improvements we have delivered.

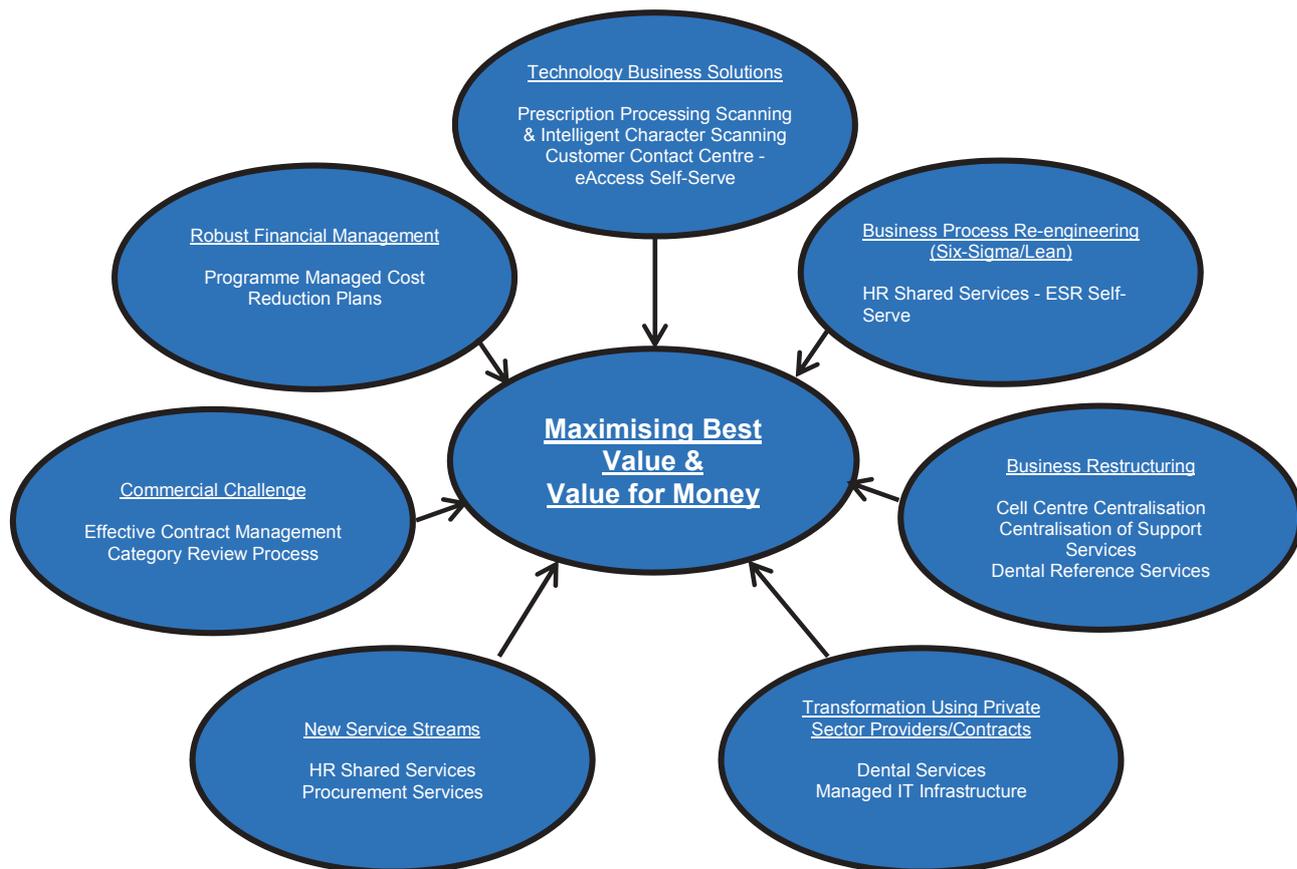


Fig 1: Maximising Best Value for Money

Future financial targets – the challenge

The budget for 2014/15 has been prepared against a backdrop of unprecedented financial pressure within the NHS.

The national financial context is very challenging, with NHS England estimating a funding gap of £30 billion by 2020/21 in their report ‘A Call to Action’, July 2013.

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

Negotiations with each ALB were undertaken during autumn 2013 to discuss the scope for each body to deliver their share of the overall target. The DH recognised that the NHSBSA has:

- A strong track record of delivering cash releasing efficiencies - having delivered a cumulative £390 million (42%) in efficiency improvement since 2005/06, equating to 6% p.a. by transforming the management, infrastructure and business processes within the organisation
- A challenging scope for future efficiency gain – 30% of our business is already outsourced, demand-led growth averages 5% p.a. and our estate is already the most cost effective in the ALB sector

After taking these factors into consideration the DH has confirmed that our Revenue Departmental Expenditure Limit (DEL) will reduce by 2% in 2014/15 to £103.6 million. After allowing for inflation (pay and non-pay), and growth in volumes, this translates into an efficiency requirement of 5% for 2014/15.

Pension Costs for Current Staff

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 3.6 to the financial statements and in the Remuneration Report.

Hosted Services

We provide a range of hosted financial, commercial and HR services to other NHS organisations and DH teams. The costs that we incur in providing these services, primarily staff costs have been included within our operating expenditure, as has the total income contributions received from these organisations to cover costs. For 2013/14 the income received from hosted and managed services was £3.4 million.

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

Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2014 of £0.095 million is for the audit of these accounts. An additional notional fee of £0.09 million relates to the audit of the Pension Scheme Accounts.

Accounting Officer's Disclosure to the Auditors

As far as the Accounting Officer is aware, there is no relevant audit information of

which our auditors are unaware and the Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that our auditors are aware of that information.

Nick Scholte

Chief Executive

NHS Business Services Authority

12th June 2014

4. Our Remuneration Report

The remuneration of the NHSBSA Executive Directors is set by the Remuneration and Terms of Service Committee on behalf of the NHSBSA Board subject to approval by the Department of Health (DH). The Committee is chaired by a Non-Executive Director 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 2014 is produced by the Board. The Remuneration and Terms of Service Committee has met on four occasions during the period 1 April 2013 to 31 March 2014.

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

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

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

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

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

During 2013/14 the Authority paid a one off non-consolidated and non-pensionable performance related bonus to the value of 3% of reckonable pay to R Barker, Director of People & OD relating to the period 2012/13.

Under the new VSM pay framework *a job evaluation should be undertaken whenever there is a new/ vacant, job or a substantial and permanent change to an existing job such that there is a reasonable expectation that the salary should change.* In the case of the Finance Director, Operations Director and People & OD Director, such evaluations were undertaken and salaries changed accordingly. In addition, a 1% pay award was made to all directors in post on 1 April 2013.

Appointments

Non-executive directors are appointed to the NHSBSA Board by the Secretary of State for a fixed period of time and further changes are expected during 2014/15. 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 and normal pay provisions.

Emoluments of Board Members

The remuneration relating to all directors in post during 2013/14 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives.

Non-Executive Directors

The following table (Table 1) sets out details of payments made and appointment term details for the Chair and non-executive members.

Subject to Audit

| Name and Title | 2013-14 | | | | | | 2012-13 | | | | | | Date of Appointment / Re-appointment | Appointment Ends |
|--|--------------------------------|---|---|---|---|------------------------------|--------------------------------|---|---|---|---|------------------------------|---------------------------------------|------------------|
| | Salary (bands of (£5,000) £000 | Expense Payments (taxable) total to nearest £100 £000 | Performance Pay and bonuses (bands of £5000) £000 | Long term performance pay and bonuses (bands of £5000) £000 | All pension-related benefits (bands of £2,500) £000 | TOTAL (bands of £5,000) £000 | Salary (bands of (£5,000) £000 | Expense Payments (taxable) total to nearest £100 £000 | Performance Pay and bonuses (bands of £5000) £000 | Long term performance pay and bonuses (bands of £5000) £000 | All pension-related benefits (bands of £2,500) £000 | TOTAL (bands of £5,000) £000 | | |
| S Maizey Chair | 35-40 ¹ | 0 | 0 | 0 | 0 | 35-40 | n/a | n/a | n/a | n/a | n/a | n/a | 9 Sep 2013 | 8 Sep 2017 |
| D Hulif Non-Executive Director and Chair of the Audit and Risk Management Committee | 10-15 | 0 | 0 | 0 | 0 | 10-15 | 10-15 | 0 | 0 | 0 | 10-15 | 10-15 | 1 Dec 2005 Reappointed 1 Dec 2009 | 30 Nov 2015 |
| A Galbraith Non-Executive Director | 5-10 | 0 | 0 | 0 | 0 | 5-10 | 5-10 | 0 | 0 | 0 | 5-10 | 5-10 | 1 Apr 2006 Reappointed 1 Apr 2012 | 31 Mar 2014 |
| P Rich Chair | 35-40 ¹ | 0 | 0 | 0 | 0 | 35-40 ¹ | 60-65 | 0 | 0 | 0 | 60-65 | 60-65 | 1 Nov 2005 Reappointed 1 Nov 2009 | 31 Oct 2013 |
| M Harling Non-Executive Director and Chair of the | 5-10 ¹ | 0 | 0 | 0 | 0 | 5-10 ¹ | 5-10 | 0 | 0 | 0 | 5-10 | 5-10 | 1 Dec 2005 Reappointed 17 Feb 2011 | 31 Dec 2013 |

Chief Executive and Senior Managers

The following table (Table 2) sets out details of payments made and contract term details for the Chief Executive and other Senior Managers, as appropriate.

Subject to Audit

| Name and Title | 2013-14 | | | | | 2012-13 | | | | | Date Contract Commenced | Contract Ends | |
|--|--------------------------------|---|---|---|---|------------------------------|--------------------------------|---|---|---|-------------------------|---------------|---|
| | Salary (bands of (£5,000) £000 | Expense Payments (taxable) total to nearest £000 ⁴ | Performance Pay and bonuses (bands of £5000) £000 | Long term performance pay and bonuses (bands of £5000) £000 | All pension-related benefits (bands of £2,500) £000 | TOTAL (bands of £5,000) £000 | Salary (bands of (£5,000) £000 | Expense Payments (taxable) total to nearest £100 £000 | Performance Pay and bonuses (bands of £5000) £000 | Long term performance pay and bonuses (bands of £5000) £000 | | | All pension-related benefits (bands of £2,500) £000 |
| N Scholte Chief Executive | 150-155 | 5.0 | 0 | 0 | 32.5-35.0 | 190-195 | 150-155 | 6.0 | 0 | (20.0-22.5) | 135-140 | 1 Feb 2006 | Permanent Contract (6 months' notice) |
| R Barker People & OD Director | 120-125 ³ | 5.0 | 0 - 5 | 0 | 0 ² | 130-135 | 105-110 | 0 | 0 | (0.0-2.5) | 105-110 | 29 Sep 2008 | Permanent Contract (6 months' notice) |
| A McDonald Chief Operating Officer | 115-120 | 5.0 | 0 | 0 | 117.5-120.0 | 240-245 | 105-110 | 2.7 | 0 | (12.5-15.0) | 95-100 | 1 May 2006 | Permanent Contract (6 months' notice) |
| S Pink Commercial Director | 130-135 | 5.0 | 0 | 0 | 40.0-42.5 | 175-180 | 115-120 ¹ | 0 | 0 | 37.5-40.0 | 155-160 | 30 Apr 2012 | Permanent Contract (6 months' notice) |
| P McGahon Finance Director (from 5.08.13) | 70-75 ¹ | 3.3 | 0 | 0 | 22.5-25.0 | 100-105 | n/a | n/a | n/a | n/a | n/a | 05 Aug 2013 | Permanent Contract (6 months' notice) |
| M Brodie Finance Director (until 23.06.13) | 30-35 ¹ | 1.3 | 0 | 0 | 7.5-10.0 | 40-45 | 105 - 110 | 0 | 0 | 50.0-52.5 | 155-160 | 1 Jan 2011 | Contract ended 23.06.13) |

¹ part year – (full year equivalents: P McGahon 115-120; M Brodie 115-120)

² R Barker is no longer an active member of the NHS Pension Scheme.

³ Salary shown includes a one-off additional responsibility payment. Excluding this payment would put the director into the salary banding £115,000 - £120,000.

⁴ All taxable expense payments relate to the provision of a lease car or transport allowance

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

The banded remuneration of the highest paid director in the NHSBSA in the financial year 2013-14 was £150,000 – £155,000 (2012-13: £150,000 – £155,000). This was 8.8 times (2012-13: 8.8) the median remuneration of the workforce, which was £17,425 (2012-13: £17,253).

In 2013/14 there were no employees (2012-13: 0) who received remuneration in excess of the highest paid director.

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

Subject to Audit

| | 2013/14 | 2012/13 |
|--|----------------|----------------|
| Band of Highest Paid Director's Total Remuneration (£'000) | 150-155 | 150-155 |
| Median Total (£) | 17,425 | 17,253 |
| Remuneration Ratio | 8.8 | 8.8 |

Table 3: Remuneration Balance

Pension Benefits

The table below (Table 4) sets out the pension benefits of the Chief Executive and Senior Managers of the NHSBSA:

Subject to Audit

| Name and Title | Real Increase in pension at age 60 (bands of £2,500) £000 | Real Increase in pension lump sum at aged 60 (bands of £2,500) £000 | Total accrued pension at age 60 at 31 March 2014 (bands of £5,000) £000 | Lump sum at age 60 related to accrued pension at 31 March 2014 (bands of £5,000) £000 | Cash Equivalent Transfer Value at 31 March 2014 £000 | Cash Equivalent Transfer Value at 31 March 2013 £000 | Real Increase in Cash Equivalent Transfer Value £000 |
|---|--|--|--|--|---|---|---|
| N Scholte Chief Executive | 0-2.5 | 2.5-5 | 60-65 | 180-185 | 1,210 | 1,123 | 32 |
| R Barker Director of People and Organisational Development | n/a ² | n/a | n/a | n/a | n/a | 195 | n/a |
| P McGahon Finance Director (appointed 5 August 2013) | 0-2.5 | 2.5-5 | 35-40 | 105-110 | 619 | 561; | 15 |
| S Pink Commercial Director | 0-2.5 | 0 ¹ | 10-15 | 0 ¹ | 160 | 21 | 12 |
| A M ^c Donald Operations Director | 5-7.5 | 15-17.5 | 50-55 | 150-155 | 965 | 824 | 63 |
| M Brodie Finance Director (until 23 June 2013) | 0-2.5 | 0-2.5 | 30-35 | 95-100 | 489 | 442 | 4 |

1. No lump sum is disclosed for S Pink as he is in the 2008 section of the NHS Pension Scheme where there is no set minimum lump sum.

2. R Barker is no longer an active member of the NHS Pension Scheme.

Table 4: Pension Benefits

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

12th June 2014

5. Our Annual Governance Statement

Introduction

The Accounting Officer for the NHS Business Services Authority (NHSBSA) is required to provide, on an annual basis, assurances about the stewardship of the Authority.

These assurances are provided in this Annual Governance Statement, in line with HM Treasury guidance.

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

Scope of Responsibilities

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

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

The Purpose of the Governance Framework

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

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

- identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives; and

- evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework and system of internal control have been in place in the NHSBSA for the year ended 31 March 2014 and up to the date of the approval of the annual report and accounts.

NHSBSA Governance Framework

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

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

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

NHSBSA Board and Ways of Working

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

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

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

All powers of the Authority that have not been retained as reserved for the Board or otherwise delegated to a standing committee are exercised on behalf of the Board by the Chief Executive, unless otherwise specified in the NHSBSA's Standing Financial Instructions or Scheme of Delegation. The Chair is primarily responsible for leading the Board and ensuring its effectiveness with the Chief Executive responsible for day-to-day management. The document which describes how the Authority operates is called the Ways of Working which incorporates the Standing Orders. This document is supported by the Standing Financial Instructions and Scheme of Delegation which details which decisions the Board has reserved for itself and those which it has delegated and to whom.

Board

Membership of the Board is currently made up of a Non-executive Chair, up to five other Non-executive Directors, Chief Executive and up to five Executive Directors. The key roles and responsibilities of the Board are as follows:

- to set and oversee the strategic direction of the Authority;
- continued appraisal of the financial and operational performance of the Authority;
- direct operational decisions as required;
- to discharge their duties of regulation and control;
- to receive reports and updates from the Standing Committees, and
- to adopt the Annual Report and Accounts.

The Board meets not less than eight times during the financial year, to discuss an agenda based on the following key areas:

- operational performance and use of resources;
- corporate governance, risk and regulatory issues, and
- strategy, business planning and improvements.

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

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

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

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

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

The table below (Table 1) shows the number of meetings attended by Board members during the 2013/14 financial year and also highlights their declared business interests.

Table 1 - Board Members

| Board Composition | Meetings Attended | Register of Interests |
|---|--------------------------|---|
| Non-executive Chair: Silla Maizey (appointed 9 September 2013) | 5 out of 5 | Chair and NED Trustee of British Airways Retirement Plan Director and Company Secretary, Saffron Solutions Ltd |
| Non-executive Chair: Paul Rich (until 31 October 2013) | 3 out of 3 | Non-Executive Director, South East Water |
| Non-executive Directors: Mike Harling (until 31 December 2013) | 6 out of 7 | Shareholder in Deutsche Post Partner is also declared as being a shareholder in Deutsche Post. Receives a pension from the Steria Pension Plan (part of Groupe Steria SCA) Board Member, Guinness South (Housing Association) |
| David Hulf | 8 out of 8 | Non-executive Director and Chair of Audit Committee at National Savings and Investments |

| Board Composition | Meetings Attended | Register of Interests |
|--|--------------------------|---|
| Anne Galbraith (until 31 March 2014) | 8 out of 8 | Member of Puffin Appeal (charity raising funds for cystic fibrosis) Chair of Valuation Tribunal Service Health Consultant (Self-employed) – Chaired Mental Health Inquiries |
| Jeremy Strachan (until 31 December 2013) | 6 out of 7 | Trustee of Drugscope (National Charitable Trust) |
| David Teale (until 31 December 2013) | 6 out of 7 | Chair of Solutions SK (company wholly owned by Stockport MBC) Chair of Individual Solutions SK Member and Chair of Audit Committee for Parkway Green Housing Trust (charitable trust) Chief Executive of North of England Excellence |
| Chief Executive: Nick Scholte | 8 out of 8 | Nothing declared |
| Executive Directors: Roberta Barker Director of People and Organisational Development | 8 out of 8 | Trustee of Richmondshire Leisure Trust |
| Patrick McGahon Director of Finance (since 5 August 2013) | 5 out of 5 | Nothing declared |
| Alistair McDonald Chief Operating Officer | 8 out of 8 | Nothing declared |
| Steven Pink Commercial Director | 8 out of 8 | Nothing declared |
| Michael Brodie Director of Finance (until 23 June 2013) | 2 out of 2 | Member of Durham University Audit Committee Vice-Chair of the Executive Committee of CIPFA in the North East |

Note: Mark Ellerby, Malcolm Green and Andrew Flanagan were appointed as non-executive directors with effect from 1 April 2014 for a period of three years.

The Board's two standing committees are described below:

Audit and Risk Management Committee

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

| Audit and Risk Management Committee | Meetings Attended |
|---|--------------------------|
| Non-Executive Directors – members: | |
| David Hulf, Chair | 6 out of 6 |
| Anne Galbraith | 6 out of 6 |
| Jeremy Strachan | 5 out of 5 |
| Executive Directors – in attendance: | |
| Michael Brodie (until 23 June 2013) | 2 out of 2 |
| Clive Johnson (Acting Finance Director – 24 th June – 4 th August 2013) | 1 out of 1 |
| Patrick McGahon (since 5 August 2013) | 3 out of 3 |

Table 2: Audit and Risk Committee

During 2013/14, Nick Scholte, attended two meetings, and Steven Pink attended one meeting during the year to discuss relevant issues.

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the Authority's governance and assurance arrangements, including the governance framework, risks, controls and related assurances. Verbal updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An annual report is submitted to the Board following the completion of the Annual Accounts process which summarises the work undertaken by the Committee during the previous year.

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

- monitoring financial governance and reviewing the draft financial statements;

- reviewing the effectiveness of internal controls;
- monitoring the effectiveness of risk management controls;
- monitoring the effectiveness of fraud and security management;
- seeking assurance regarding the control environment, and
- reviewing the effectiveness of internal audit arrangements.

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

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

- Provisions – significant reduction in the leasehold property decommissioning provision following settlement of claims relating to three Newcastle offices now vacated.
- Revaluations – no formal revaluation of buildings performed this year; due next year.
- Impairments – no events have taken place during the year which would have led to an impairment review of the authority's assets.
- Student Bursaries – the transfer of accounting responsibility to Health Education England.

Remuneration and Terms of Service Committee

The Remuneration and Terms of Service Committee is a standing committee of the Board and comprises three Non-executive Directors, one of whom chairs the Committee. The Chief Executive and/or the Director of People and Organisational Development attend these meetings on an 'as required' basis. The Committee is chaired by a Non-Executive Director (Table 3).

| Remuneration and Terms of Service Committee | Meetings Attended |
|--|---|
| <p>Non-Executive Directors – members: Mike Harling, Chair of Committee David Teale Paul Rich, Chair of the Board (until 31 Oct 2013) Silla Maizey, Chair of the Board (from 9 Sept 2013)</p> | <p>4 out of 4 4 out of 4 2 out of 3 2 out of 2</p> |

Table 3: Remuneration Committee

During 2013/14, Nick Scholte and Roberta Barker both attended two meetings.

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

- determine the terms of service, remuneration and other benefits of the executive team and any other relevant employees;
- monitor systems to evaluate the performance of relevant employees;
- oversee contractual arrangements for relevant employees;
- nominate candidates for appointment as officer members of the Board, and
- monitor succession planning arrangements.

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

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

Annual Committee Effectiveness Reviews

On an annual basis these Committees are required to consider how well they have performed during the year against the remit set out in the individual terms of reference.

Due to the changes of membership throughout 2013/14, the Committees have not undertaken formal reviews during the year. The reviews will be undertaken during 2014/15 following the introduction of new members.

NHSBSA Board Review of Effectiveness

The NHSBSA Board is required to consider its own effectiveness on a regular basis. Due to the changes of membership throughout 2013/14, including the appointment of

a new Chair, the Board has not undertaken a formal review during the year. A review will be undertaken during 2014/15 following the introduction of new members.

During 2013/14, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the Authority has:

- achieved its financial target;
- consistently delivered against its agreed key performance indicators;
- continued to strengthen its assurance process via the assurance map process;
- maintained its robust performance reporting mechanism using a dashboard style approach;
- maintained its risk management procedures using dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas, and
- achieved another significant reduction in the number of outstanding internal audit recommendations.

NHSBSA Sponsorship Arrangements

The NHSBSA manages a complex range of business activities on behalf of the DH. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream. A clear ongoing accountability framework is in operation, which includes formal reviews with Senior Sponsors. This will be consolidated in 2014/15 by the introduction of a formal framework agreement between the NHSBSA and DH. Strategic, policy and operational issues are reviewed alongside the corporate risk register, assurance arrangements and the latest financial position. Additionally, regular scheduled meetings are held with the individual service sponsors.

External Auditors

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

NHSBSA Management

As described earlier, other than those matters reserved for the Board, responsibility for the day-to-day management of the Authority is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team of Executive Directors responsible for the areas shown below (Fig 1).

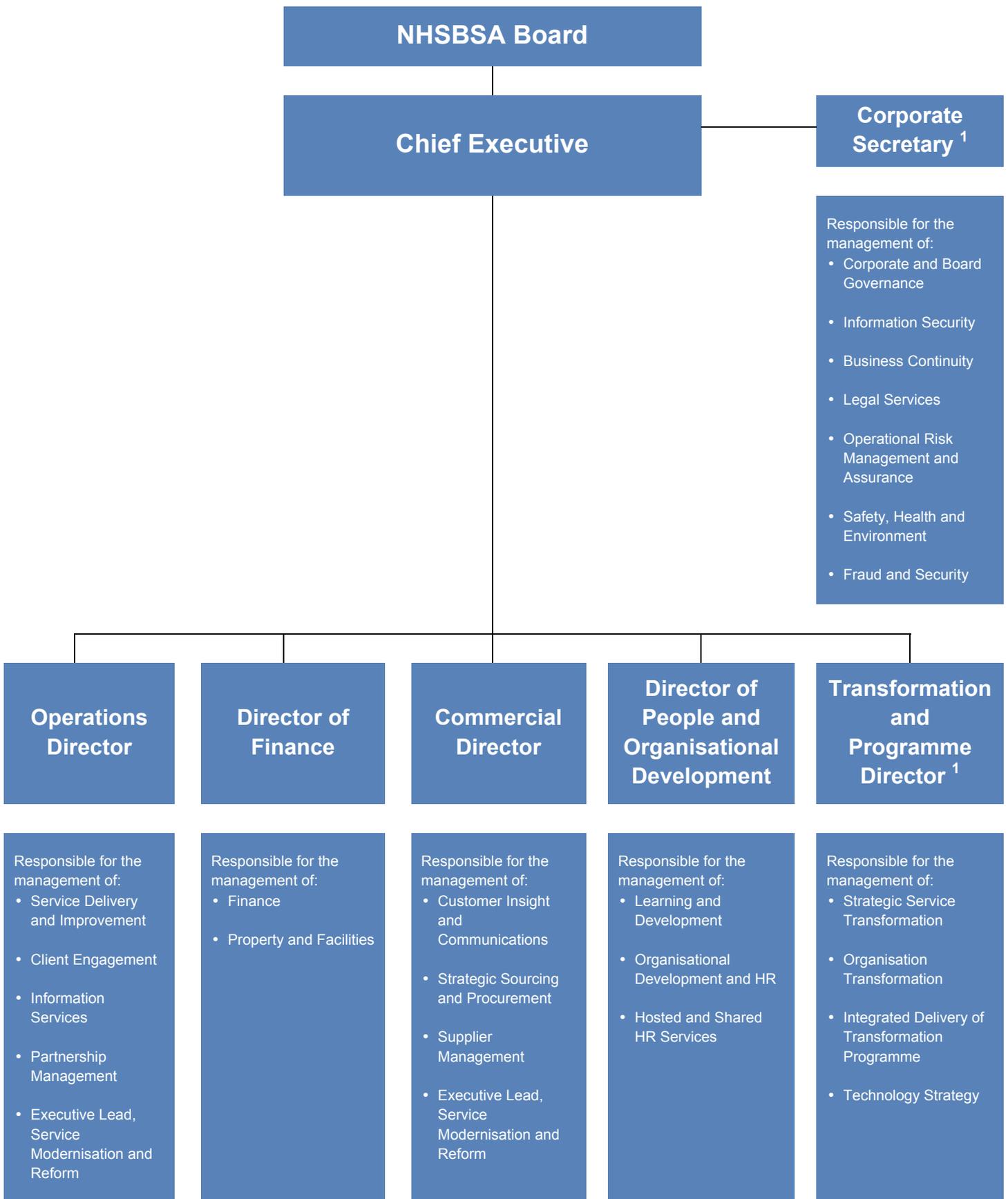


Fig 1: NHSBSA Leadership Team (¹ Not members of the Board)

Key Governance Systems

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

- risk management;
- assurance; and
- managing information.

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

Risk Management

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

Process – The NHSBSA Risk Management Framework comprises of its:

- Risk Management Policy;
- Risk Management Methodology, and
- Risk and Issue Register Dashboard

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

- **Operational/ Corporate Teams** – Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Team Head.
- **Project/ Programme** – Risks are reviewed and managed by Project Managers part of the project governance process. Significant risks and issues are escalated to the Programme Manager and Change Team and these are also reported to the Leadership Team on a monthly basis.
- **Corporate** – Each quarter the leadership team review the top-level Corporate Risk Register. This review is informed by a summary paper on risks and issues across the Authority created by the Corporate Governance Team in

collaboration with the Operational/ Corporate Heads and Transformation Team Managers (Risk Group). The Leadership Team is also free to identify further risks and issues at this meeting.

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

Reviews and Improvements - During 2013/14 improvements have been made to the arrangements in place to support the operation of the Risk Management Framework, specifically:

- operational/ corporate team reviews, led by the Corporate Governance Function;
- review of existing risk registers, rationalising where possible, and extending coverage to new areas of the business, and
- restructure of Transformation Team, establishing a quality assurance function and updating the risk management escalation process, improving the way in which transformation and change risks are collated, reviewed and reported.

Significant Risks and Issues

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

Throughout 2013/14 the number and type of corporate risks has remained consistent, albeit with some changes in rating due to mitigation measures being introduced and embedded.

The following summarises the significant corporate risks and issues managed during 2013/14, focussing on the most highly rated and those of significance for our stakeholders:

Risks (*A risk is an uncertain event or set of events that, should they occur, will have an effect on the achievement of objectives*)

- **New Pension Scheme 2015 (the Hutton Review)**
A new Pension Scheme for the NHS is due to be introduced from April 2015. At this time, the final requirements for the new scheme are not finalised and there are a number of additional compliance requirements. Together with the upcoming requirement to re-let the Pension service contract, the NHSBSA faces a risk around delivering an optimal solution within the required

timeframes. This could lead to additional costs for the Authority and possible service issues for customers.

This was the top risk for the Authority for the majority of the year. The rating was reduced in early 2014 due to business case approval and the funding allocation been agreed. Work has also progressed successfully on the specification of requirements, technical approach, and the development of a solution is progressing to schedule. Also, planning for Interim Operating Model has commenced. 2014/15 will see the continuation of close project monitoring and implementation.

- **Pension Service Re-procurement**

The existing contract with our partner to provide Pension Services is due to expire. A range of Cabinet office requirements in relation to the business case and the requirements of Government Digital Service (GDS), create a risk for the NHSBSA which could affect the timeline for the re-procurement of the Pension service re-procurement.

This is now the highest rated risk for the Authority. Mitigation measures include ongoing engagement with approval bodies and stakeholders, and close monitoring of the Hutton 2015 implementation project. In addition, the NHSBSA is increasing the capacity and capability of project team.

- **IT End of Life**

As existing NHSBSA software and hardware is becoming unsupported and/or contracts and licences are expiring, a risk has arisen around applications becoming unusable and/or difficult to fix in the event of a failure. This may result in service delivery failures.

In addressing this risk, a robust IT Strategy has been created aligned to the Transformation Plan, ensuring a risk-based plan is in place to address end of life systems in a systematic and organised manner. The review of systems carried out during 2013/14 has successfully addressed all priority end-of-life issues. Also, the development of a system database has enabled the monitoring of all systems and the identification of upcoming end-of-life issues moving forward. This is being used moving into 2014/15 to continue to manage this risk.

- **Concurrent Contract Re-procurement**

Due to the NHSBSA's three largest external supplier contracts (for the provision of outsourced services – NHS Supply Chain, NHS Pensions and Managed IT Infrastructure/ Dental) being procured and transitioned concurrently over a 9 month period, a risk has arisen that services may fail or

be negatively impacted. This may result in reputational damage, higher costs, reduced customer satisfaction and loss of services.

Ongoing discussions and engagement with Cabinet Office and DH are a key element of mitigating this risk. This will continue into 2014/15, along with coordinated project planning, and workforce management ensuring the correct capacity and capability are available.

Issues (*An issue is an event that has happened, was not planned and requires management action, and is affecting the achievement of business objectives*)

- **Health and Care System-wide Savings**

A combination of factors, such as the time taken to affect complex chains of stakeholders and the requirement for approvals by parties within the DH and other bodies, are preventing or slowing down the delivery of projects linked to system-wide savings. Actions being taken forward to address this issue including the ongoing engagement with key stakeholders, including DH, NHS England, and the production and maintenance of project stakeholder plans (project-by-project) with monitoring by core project team.

- **Dental Contact Support Services (DCSS) Transformation**

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

Assurance Arrangements

The NHSBSA continues to use an assurance map approach, using the best practice three lines of defence model, to identify the sources of assurance in place over each of the key functions and services delivered by the Authority. The three lines of defence represent:

- 1st line: management control and reporting;
- 2nd line: functional oversight and governance systems, and
- 3rd line: independent review and regulatory oversight.

This model provides the basis upon which the leadership of the NHSBSA can determine the focus of assurance effort, assess the outcome of existing assurance activity and determine its assurance appetite. The assurance map is fully integrated with the risk management process with areas of concern being reflected in the

relevant business area risk register and escalated to the Corporate Risk Register, where required.

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

The Audit and Risk Management Committee has continued to embed a programme of deep dive exercises to assure itself on behalf of the Board regarding the robustness of the assurance maps and supporting evidence for each business area. During 2013/14 deep dive exercises were carried out in the following areas:

- HR Shared Services;
- Pharmacy Early Payments Scheme;
- Student Bursaries;
- Supplier Management; and
- Cyber Security Preparedness.

The Committee has gained an increased awareness over the assurances in place for each of the areas reviewed. Further deep dive reviews will be scheduled during 2014/15, following a risk-based approach.

Third Party Assurance

The NHSBSA provides services to the wider NHS including making dental, prescription and student bursary payments on behalf of Clinical Commissioning Groups (CCGs), Area Teams and Welsh Audit Commission. To provide third party assurance over the controls in place for these payments the NHSBSA engaged PwC to undertake an audit exercise in each area. This resulted in the production of ISAE3402 reports on the control design and tests of operating effectiveness of the controls in place during the period 1 April 2013 – 31 March 2014.

Whilst showing an improved position compared to last year the outcome of these reports showed there were some instances where user access controls and periodic user access reviews had not been operating as planned within Student Bursaries and Dental resulting in a qualified opinion in these areas. However, a review was undertaken and determined that there were no instances of users attempting to access systems after they had left. Actions have also been taken to ensure this issue is rectified.

Managing Information

During 2013/14 the NHSBSA has continued to improve its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Information Governance Toolkit. Using this toolkit, the NHSBSA's rating for 2013/14 was a satisfactory rating with a total compliance level of 85%.

The NHSBSA did not have any security incidents classified as serious untoward incidents by the DH. However, using the DH categorisation framework, there were three incidents classed as minor to report during the year. The first involved a Help with Health Costs customer's information. The second related to details about a number of employees. The third related to a number of NHS Pensions Scheme members. As these were not level 2 or above they were not reported to the DH (Table 4).

| Category | Nature of Incident | Total |
|----------|---|----------|
| I | Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises | 0 |
| II | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises | 0 |
| III | Insecure disposal of inadequately protected electronic equipment, devices or paper documents | 0 |
| IV | Unauthorised disclosure | 3 |
| V | Other | 0 |
| | Total Number of incidents | 3 |

Table 4: Information Incidents

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

Issues relating to information governance within the NHSBSA are coordinated by the Information Governance and Security Group which is chaired by the Director of Operations who holds the position of both Caldicott Guardian and Senior Information Risk Owner (SIRO). The remit of the Caldicott Guardian is to ensure that any person identifiable information is held and used properly. The remit of the SIRO is to take

ownership of the NHSBSA's information risk policy, act as advocate for information risk to the Board and provide written advice to the accounting officer on the content of the Annual Governance Statement with regard to information risk.

Data Protection and Freedom of Information

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

During 2013/14, we dealt with 258 DPA requests, all bar three were responded to within the required timeframe. The numbers of requests have increased by 25% when compared to last year.

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

During 2013/14, we dealt with 539 FOI requests, all bar four were responded to within the required timeframe. The number of requests has decreased by 33% when compared to last year.

As a public sector information holder, the NHSBSA complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. The NHSBSA can confirm that no charges were made for access to information during 2013/14.

Health Inequalities

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

An example of the kind of information we provide is collected on dental forms completed by dental patients. This includes ethnicity monitoring data, patient age and postcode. This allows NHS England to match activity and access and deprivation indices. We also administer the Low Income Scheme which provides help to people who are not automatically exempt from NHS charges but who may be entitled to financial help if they have a low income. In delivering this service, we collect information about the people who use the service and their requirements which is used by NHS commissioners. We are talking with our colleagues to see if we can tailor the information to provide greater insight to help address inequalities.

During 2013-14, we created a dedicated information service team within the NHSBSA who will focus on ensuring we use the data we collect to best support the wider NHS in tackling health inequalities.

Handling Complaints

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

During 2013/14, we have continued to review our complaints handling processes and the issues that can more frequently lead to complaints. This has enabled us to make operational changes to address common issues raised by our customers. During the last year, this has included the way in which we handle concerns raised in relation to dental benefits eligibility checking. The NHSBSA has introduced a more flexible approach for our customers, which has resulted in a reduced number of complaints.

The total number of formal complaints received during 2013/14 was 147 of which 65 (44.21%) were found to be justified. This compares with a total of 446 of which 197 (44.17%) were found to be justified in 2012/13.

Sources of Assurance

Audit and Risk Management Committee

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

- **Quarterly risk management updates** - setting out and assessing the major risks and issues facing the Authority, aligned with key areas of focus set out in the Business Plan. These reports detail the movements in risks and issues between reporting periods and identify emerging risks and issues, and actions which have been taken or are planned to mitigate them;
- **Annual risk management report** - outlining how the Authority's risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened;
- **Assurance Map Review** – two reviews of the overarching NHSBSA Assurance Map each year;

- **Assurance Map Deep Dives** - individual business area assurance maps as part of a programme of deep dive exercises to consider the control environment in operation throughout the Authority;
- **Internal Audit Workplan** - regular progress reports on the work undertaken by Internal Audit against the agreed workplan;
- **Internal/External Audit Recommendations Tracker** - quarterly updates on progress made across the Authority implementing audit recommendations;
- **Local Counter Fraud Specialist (LCFS) / Local Security Management Specialist (LSMS) Annual Reports** - reports detailing the work undertaken during the year mapped against the agreed workplans;
- **Whistleblowing Update Report** – two updates on whistleblowing activity across the business each year, and
- **Third Party Assurance Reports** - the outcome of the third party assurance engagements undertaken by PwC to review the control environment covering prescription, dental and student bursary payments. The outcome of these engagements is shared with CCG's, Area Teams and the Welsh Audit Commission, as appropriate, to provide third party assurance for the payments made by the NHSBSA on their behalf.

Other Sources of Assurance

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

- **Risk Management Process** – see Risk Management section.
- **Enhanced Performance Management Framework** - reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance;
- **Information Governance and Security Group (IGSG)** - all information risks are reviewed by the IGSG on a regular basis. The Group is also responsible for ensuring that the Authority complies with information governance and security best practice and performs a self-assessment against a nationally developed toolkit;
- **Equality and Diversity Committee** - controls are in place to ensure that all the Authority's obligations under equality, diversity and human rights legislation are adhered to. The Equality and Diversity Committee, which is chaired by the Executive Director Equality Champion, monitors performance

against the Authority's Equality Strategy and achievement of its Equality Objectives.

- **NHS Pension Scheme** - as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations, and
- **Corporate Responsibility** - updates on performance against our Corporate Responsibility targets, i.e. environmental, Health and Safety and Community, are received quarterly to ensure that the Authority's targets are being met. The Authority is also required to deliver against the Greening Government Commitments, requiring regular performance updates provided to the DH, and subsequently central government.

Accounting Officer's Review of Effectiveness

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

For 2013/14 the Head of Internal Audit Opinion concluded that based on the work completed to date there is reasonable assurance given to the Accounting Officer that the NHS Business Services Authority has had adequate and effective systems of control, governance and risk management in place for the reporting year 2013/14.

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

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

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

Significant Governance Issues

In the 2011/12 Annual Governance Statement we reported that certain key controls relating to the calculation of student bursary payments had failed on a limited number of occasions. During 2012/13 a quality action plan was agreed and implemented to address the control failures and to enhance the NHSBSA's governance arrangements therefore mitigating the issue. There were no significant issues during the 2013/14 year.

Conclusion

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

Nick Scholte

Chief Executive

NHS Business Services Authority

12th June 2014

6. Our Directors Report

Our Directors

Full details of our directors are included in the Our Remuneration Report.

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

Our People

Consulting and Providing Information

We communicate with all our employees on a regular basis providing them with information and news through our weekly internal newsletter, "The Loop". We have recently upgraded our Intranet facility ("The Hub"); the latest version will launch in June 2014 and will be accessible by all employees. This features information and updates across all service areas, functions and locations, latest business news, employee profiles and provides new search facilities and discussion areas. Our staff strategy brochure, strategy document, business plan and all the latest company information are published here.

Our business strategy is rolled out organisation-wide through face to face team presentations. The strategic goals and key business drivers are reflected in individual employee's key objectives as part of our ORO (On-going review and Objectives) performance appraisal process with regular formal review meetings and more informal one-to-one meetings taking place throughout the year.

Consultation is undertaken using a variety of methods including team-meetings, subject specific workshops, online forums etc. Formal consultation with unions is undertaken at the National Joint Committee for the purpose of negotiating and discussing broad matters of common interest. Also, a specific National Joint Health and Safety Committee is in place for specific health and safety issues.

We take a regular measurement of engagement, motivation and satisfaction levels through our annual staff survey. Results for 2013 showed an overall staff engagement result of 81% compared to 77% the previous year.

Employee sickness

We have an absence management policy covering the whole of the organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme. Based on returns to the end of March 2013, our overall level of short term sickness absence (seven days or less) for 2013/14 was 0.75% (2012/13 - 0.88%) and long term was 2.02% (2012/13 - 2.47%), totalling 2.77% for the year.

This represents an ongoing improvement on the total reported in 2011/12 – 3.52%, and 2012/13 – 3.35%.

Disability equality

We have maintained our annual accreditation this year for the Disability Equality ‘Two Ticks’ Award by JobCentre Plus, by continuing to demonstrate our commitment to disability equality for our staff and job applicants. We ensure that full and fair consideration is given to applications for employment with us from applicants with disabilities, through our Guaranteed Interview Scheme which ensures that applicants who declare a disability and meet the minimum essential criteria for the vacancy are shortlisted for interview. We also have support measures in place through relevant policies and our Occupational Health service to ensure the continuing employment of, and arrangements for appropriate training for, employees who have become disabled. Through our appraisal procedure and by monitoring our recruitment information (including promotion) by disability, we ensure that there are no barriers to the training, career development and promotion of employees with disabilities.

Personal data related incidents

A full summary of personal data related incidents is included in Our Governance Statement.

Events and future developments

Details of events affecting the Authority, after the reporting date, are included in the Notes to the Accounts.

Our Operational Performance and Annual Service Reports give full details of likely future developments, and our plans to address them.

Finance

Details of treatment of pension liabilities are included in Notes to the Accounts.

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

Nick Scholte

Chief Executive

NHS Business Services Authority

12th June 2014

7. Statement of Accounting Officer's Responsibilities

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

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

In preparing the accounts, I am required to:

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

My relevant responsibilities as accounting officer, including responsibility for the propriety and regularity of the public funds and assets vested in the NHSBSA, and for the keeping of proper records, are set out in managing public money issued by the treasury.

8. Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2014 under the National Health Service Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of NHS Business Services Authority's affairs as at 31 March 2014 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006; and
- the information given in "Our Strategic Report", "Our Financial Review", "Our Annual Governance Statement" and "Our Directors Report" sections of the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 19 June 2014

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

9. NHS Business Services Authority

Financial statements for the year ended 31 March 2014

NHS Business Services Authority

Financial Statements For the Year Ended 31st March 2014

Account of NHS Business Services Authority 2013-14

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014**

| | Notes | 2013-14 | 2012-13 |
|--|-------|-----------------------|------------------|
| | | £000 | Restated £000 |
| Staff Costs | 3.5 | 72,402 | 67,022 |
| Non-Staff costs | 3.3 | 152,866 | 657,499 |
| Less income | 3.2 | (115,745) | (609,206) |
| Net operating costs for the financial year | | <u>109,523</u> | <u>115,315</u> |
| Net (gain)/loss on transfers by absorption | 3.9 | 1,001 | 0 |
| Total Net Expenditure | | <u>110,524</u> | <u>115,315</u> |
| Other Comprehensive Net Expenditure | | | |
| Net (gain) on revaluation of property, plant & equipment | | 0 | (100) |
| Adjustment for notional costs | | (90) | (90) |
| Total comprehensive net expenditure for the year | | <u>110,434</u> | <u>115,125</u> |

The notes on pages 113 to 138 form part of these accounts.

Account of NHS Business Services Authority 2013-14

Statement of Financial Position at 31 March 2014

| | Notes | 31 March 2014 £000 | 31 March 2013 £000 |
|--|-------|-----------------------|-----------------------|
| Non Current Assets | | | |
| Property, Plant & Equipment | 4.2 | 31,201 | 30,011 |
| Intangible Assets | 4.1 | 38,182 | 33,268 |
| Other Financial Assets | 4.3 | 349,747 | 343,631 |
| Trade and other receivables | 4.4 | 0 | 1,489 |
| Total non-current assets | | 419,130 | 408,399 |
| Current Assets | | | |
| Trade and other receivables | 4.4 | 12,980 | 16,147 |
| Cash and cash equivalents | 4.5 | 24,881 | 29,850 |
| Total current assets | | 37,861 | 45,997 |
| Current Liabilities | | | |
| Trade and other payables | 4.6 | 25,744 | 35,537 |
| Provisions for liabilities and charges | 4.7 | 558 | 5,117 |
| Total current liabilities | | 26,302 | 40,654 |
| Non-current assets plus/less net current assets/liabilities | | 430,689 | 413,742 |
| Non-current liabilities | | | |
| Provisions for liabilities and charges | 4.7 | 620 | 764 |
| Total non-current liabilities | | 620 | 764 |
| Assets Less Liabilities: | | 430,069 | 412,978 |
| Taxpayers' Equity | | | |
| General Fund | | 426,808 | 409,717 |
| Revaluation Reserve | | 3,261 | 3,261 |
| Total Taxpayers' Equity: | | 430,069 | 412,978 |

The notes on pages 113 to 138 form part of these accounts.

Nick Scholte
Chief Executive
12 June 2014

Account of NHS Business Services Authority 2013-14

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014**

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

| | General Fund £000 | Revaluation Reserve £000 | Total Reserves £000 |
|---|----------------------------------|---|------------------------------------|
| Balance at 31 March 2012 | 394,717 | 3,161 | 397,878 |
| Changes in taxpayers' equity for 2012-13 | | | |
| Total net expenditure for the year | (115,315) | 0 | (115,315) |
| Net gain/(loss) on revaluation of Property, Plant and Equipment | 0 | 100 | 100 |
| Non-cash charges – notional costs | 90 | 0 | 90 |
| Total recognised income and expense for 2012-13 | (115,225) | 100 | (115,125) |
| Net Parliamentary funding | 130,225 | 0 | 130,225 |
| Balance at 31 March 2013 | 409,717 | 3,261 | 412,978 |

The notes on pages 113 to 138 form part of these accounts.

Account of NHS Business Services Authority 2013-14

Statement of Cash Flows for the year ended 31 March 2014

| | Notes | 2013-14 £000 | 2012-13 £000 |
|---|-------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Net operating costs | | (109,523) | (115,315) |
| Other cashflow adjustments | 5.3 | 985 | 8,537 |
| Movement in Working Capital | 5.1 | (5,137) | (626) |
| Provisions utilised | 4.7 | (2,432) | (217) |
| Net cash (outflow) from operating activities | | <u>(116,107)</u> | <u>(107,621)</u> |
| Cash flows from investing activities | | | |
| Interest received | 3.2 | 3,841 | 4,165 |
| Purchase of property, plant and equipment | 4.2 | (6,481) | (9,603) |
| Purchase of intangible assets | 4.1 | (14,247) | (11,832) |
| Proceeds from disposal of property, plant and equipment | | 1,501 | 1,258 |
| Proceeds from disposal of intangible assets | | 0 | 0 |
| Payments for financial assets | 4.3 | 0 | 0 |
| Net cash inflow/(outflow) from investing activities | | <u>(15,386)</u> | <u>(16,012)</u> |
| Cash flows from financing activities | | | |
| Net Parliamentary funding | | 127,525 | 130,225 |
| Net Cash transferred under absorption accounting | | (1,001) | 0 |
| Net financing | | <u>126,524</u> | <u>130,225</u> |
| Net increase/(decrease) in cash and cash equivalents | | (4,969) | 6,592 |
| Cash and cash equivalents at 31 March 2013 | 5.2 | 29,850 | 23,258 |
| Cash and cash equivalents at 31 March 2014 | 5.2 | <u>24,881</u> | <u>29,850</u> |

The notes on pages 113 to 138 form part of these accounts.

Account of NHS Business Services Authority 2013-14

Notes to the Accounts

1. Accounting Policies

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

1.1 Accounting Conventions

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

Acquisitions and Discontinued Operations

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

Movement of assets within the DH Group

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

Account of NHS Business Services Authority 2013-14

1. Accounting Policies (continued)

1.2 Income

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

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

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

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

1.3 Taxation

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

1.4 Property, Plant & Equipment

(a) Capitalisation

All assets falling into the following categories are capitalised:

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

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

(b) Valuation

Land and buildings used for the Authority's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. The latest revaluation was carried out by an independent RICS qualified valuer from the DVS Valuation Office Agency as at 31 March 2013. Fair values are determined as follows:

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

Specialised buildings – depreciated replacement cost

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

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

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

Account of NHS Business Services Authority 2013-14

1. Accounting Policies (continued)

1.5 Intangible Assets

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

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

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

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

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

1.6 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

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

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

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

1.7 Cash and cash equivalents

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

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

Account of NHS Business Services Authority 2013-14

1. Accounting Policies (continued)

1.8 Losses and Special Payments

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

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

1.9 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.10 Research and Development

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

Account of NHS Business Services Authority 2013-14

1. Accounting Policies (continued)

1.11 Leases

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

The Authority as lessee

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

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

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

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

The Authority as lessor

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

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

1.12 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rates of -1.90%, -0.65% and 2.20% for cash flows due in 0-5 years, 5-10 years and over 10 years respectively (2012/13: -1.80%, -1.00% and 2.20%) in real terms. In the case of early retirement costs the rate is 1.80% (2012/13: 2.35%).

1.13 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

Account of NHS Business Services Authority 2013-14

1. Accounting Policies (continued)

Loans and receivables

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

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

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

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

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

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

The Treasury FR&M does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, had they been applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

Account of NHS Business Services Authority 2013-14

2.1 Operating segments

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

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

| | Bursaries | | Service Provision | | Total | |
|---|-----------------|-----------------|-------------------|-----------------|------------------|-----------------|
| | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 | 2013/14 £000 | 2012/13 £000 |
| Statement of Comprehensive Net Expenditure | | | | | | |
| Income | (98,523) | (594,891) | (17,222) | (14,315) | (115,745) | (609,206) |
| Expenditure | 98,523 | 594,891 | 126,745 | 129,630 | 225,268 | 724,521 |
| Net Operating Costs | 0 | 0 | 109,523 | 115,315 | 109,523 | 115,315 |
| Statement of Financial Position | | | | | | |
| Assets | 8,175 | 19,493 | 448,816 | 434,903 | 456,991 | 454,396 |
| Liabilities | (5,388) | (15,705) | (21,534) | (25,713) | (26,922) | (41,418) |
| Assets less Liabilities | 2,787 | 3,788 | 427,282 | 409,190 | 430,069 | 412,978 |

As part of the restructure of the NHS, a new national body was created with responsibility for health workforce development and education. From 1 April 2013, Health Education England (HEE) took on these responsibilities which include the NHS Bursary Scheme.

Under the new arrangement, the NHSBSA continues to administer the NHS Bursary Scheme but is no longer required to account for the payment of bursaries or any associated income or balances, all of which are now accounted for by HEE.

This transfer, as part of reorganisation, falls to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Hence the significant reduction in Bursaries income and expenditure shown above and in Notes 3.2 and 3.3.

The above reduction in Bursaries assets and liabilities also relates to the transfer (see also Notes 4.4 to 4.6). The loss resulting from the transfer of assets and liabilities is recognised in the SOCNE, and is disclosed separately from operating costs. Details are included at Note 3.9.

Account of NHS Business Services Authority 2013-14

3.1 Resource Limits

3.1.1 Revenue Resource Limit

| | 2013-14 | 2012-13 |
|--|---------------------|--------------|
| | £000 | £000 |
| Total net expenditure for the financial year | 110,524 | 115,315 |
| Revenue Resource Limit | 117,901 | 120,025 |
| Under/(over) spend against Revenue Resource Limit | <u>7,377</u> | <u>4,710</u> |

3.1.2 Capital Resource Limit

| | 2013-14 | 2012-13 |
|--|---------------------|--------------|
| | £000 | £000 |
| Gross Capital Expenditure | 20,728 | 21,435 |
| Less: Net Book Value of assets disposed of | (1,500) | (1,814) |
| Charge against the Capital Resource Limit | 19,228 | 19,621 |
| Capital Resource Limit | 23,100 | 25,000 |
| Under/(Over) spend Against Capital Resource Limit | <u>3,872</u> | <u>5,379</u> |

Account of NHS Business Services Authority 2013-14

3.2 Operating income

| | 2013-14 £000 | 2012-13 £000 |
|--|-----------------|-----------------|
| Department of Health invoiced funding | 3,303 | 3,042 |
| Services provided to UK Devolved Administrations and Crown Dependencies | 2,367 | 2,522 |
| Provision of Hosted Services | 3,394 | 1,199 |
| Supply Chain interest charges | 3,841 | 4,165 |
| Student Bursary funding from Strategic Health Authorities (see Note 2.1) | 0 | 479,897 |
| Social Work Bursary funding from the Department of Health | 98,523 | 114,994 |
| Other income | 4,317 | 3,387 |
| Total Operating income | 115,745 | 609,206 |

3.3 Non-Staff costs

| | 2013-14 £000 | 2012-13 Restated* £000 |
|--|-----------------|------------------------------|
| The expenses of the authority were as follows: | | |
| Non-executive members' remuneration | 120 | 117 |
| Rentals under operating leases | 2,532 | 3,541 |
| Establishment expenses | 10,985 | 9,455 |
| Transport | 657 | 593 |
| Premises | 7,108 | 10,224 |
| External contractors | 22,520 | 22,342 |
| Non-cash: Depreciation | 4,008 | 3,143 |
| Amortisation | 9,116 | 10,728 |
| Impairments & reversals PPE | 0 | 1,696 |
| Impairments & reversals intangible | 0 | 1,612 |
| (Profit)/loss on disposal of fixed assets | (1) | 556 |
| Change in carrying value of Financial Assets | (6,116) | (5,984) |
| | 7,007 | 11,751 |
| Auditors' remuneration: | | |
| Audit fees | 95 | 130 |
| Other fees | 0 | 0 |
| Other costs | 3,319 | 4,455 |
| NHS Bursary Scheme (see Note 2.1) | 0 | 479,897 |
| Social Work Bursaries | 98,523 | 114,994 |
| Total non-staff costs | 152,866 | 657,499 |

Other costs includes the following significant amounts:

| | 2013-14 £000 | 2012-13 £000 |
|---|-----------------|-----------------|
| Legal & Professional fees | 3,168 | 3,478 |
| Notional fee for the audit of the NHS Pension Scheme accounts | 90 | 90 |
| | 3,258 | 3,568 |

* Redundancy costs which were previously disclosed above are now disclosed in Staff Costs at Note 3.5 to better reflect the nature of the expenditure.

Account of NHS Business Services Authority 2013-14

3.4 Operating leases

Authority as lessee

| | 2013-14 £000 | 2012-13 £000 |
|---|-----------------|-----------------|
| Payments recognised as an expense | | |
| Minimum lease payments | <u>2,532</u> | <u>3,541</u> |
| Total future minimum lease payments | <u>2,532</u> | <u>3,541</u> |
| Payable: | | |
| Within one year | 1,911 | 2,011 |
| Later than one year and not later than five years | 3,123 | 4,043 |
| Later than five years | <u>6,667</u> | <u>7,307</u> |
| Total | <u>11,701</u> | <u>13,361</u> |

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3.5 Staff numbers and related costs

Executive members and staff costs:

| | Total 2013-14 | Permanently employed | Other | Total 2012-13 Restated* |
|--|------------------|-------------------------|--------------|-------------------------------|
| | £000 | £000 | £000 | £000 |
| Salaries and wages | 62,928 | 58,913 | 4,015 | 58,148 |
| Social security costs | 4,211 | 4,211 | 0 | 3,990 |
| Employer contributions to NHS Pensions | 6,286 | 6,286 | 0 | 5,256 |
| Other pension costs | 707 | 707 | 0 | 718 |
| Termination costs | 705 | 705 | 0 | 875 |
| Total | 74,837 | 70,822 | 4,015 | 68,987 |
| Capitalised staff costs | (2,435) | | | (1,965) |
| | 72,402 | | | 67,022 |

* Termination costs which were previously disclosed within Non-Staff costs in Note 3.3 are now included above to better reflect the nature of the expenditure.

The average number of persons employed during the year was :

| | Total Number | Permanently employed Number | Other Number | 2012-13 Number |
|--------------|-----------------|-----------------------------------|-----------------|-------------------|
| Total | 2,485 | 2,406 | 79 | 2,314 |

The whole time equivalent number of staff whose cost was capitalised was 40 (2012-13: 28)

Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2012-13 £Nil).

Exit Costs

| | Number of other departures agreed | Cost of other departures agreed £000 |
|---------------------------------------|--|--|
| 2013-14 | | |
| <£10,000 | 0 | 0 |
| £10,000 - £25,000 | 3 | 57 |
| £25,000 - £50,000 | 2 | 84 |
| £50,000 - £100,000 | 5 | 314 |
| £100,000 - £150,000 | 4 | 534 |
| £150,000 - £200,000 | 2 | 362 |
| >£200,000 | 0 | 0 |
| Total number of exit packages by type | 16 | 1351 |

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

| | Agreements Number | Total value of agreements £000 |
|---|----------------------|---|
| Voluntary redundancies inc early retirement | 7 | 322 |
| Mutually agreed resignations | 0 | 0 |
| Early retirements in the efficiency of services | 9 | 915 |
| Contractual payments in lieu of notice | 5 | 114 |
| Exit payments | 0 | 0 |
| Non-contractual payments | 0 | 0 |
| | 21 | 1351 |

| | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
|---------------------------------------|---|--|---|
| 2012-13 | | | |
| <£10,000 | 2 | 23 | 25 |
| £10,000 - £25,000 | 3 | 0 | 3 |
| £25,000 - £50,000 | 2 | 0 | 2 |
| £50,000 - £100,000 | 6 | 0 | 6 |
| £100,000 - £150,000 | 2 | 0 | 2 |
| £150,000 - £200,000 | 0 | 0 | 0 |
| >£200,000 | 0 | 0 | 0 |
| Total number of exit packages by type | 15 | 23 | 38 |
| Total Resource Cost (£'000) | 799 | 71 | 870 |

Account of NHS Business Services Authority 2013-14

3.6 Pension costs

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

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

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

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014 is based on valuation data as at 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. The Consumer Price Index (CPI) replaced the Retail Prices Index (RPI) for this purpose from 2011-12.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

d) Civil Service Pension Scheme

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

Account of NHS Business Services Authority 2013-14

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

10 payments were made under the legislation during the year totalling £5,825 (2012-13 - Nil).

3.8 Other gains and losses

| | 2013-14 | 2012-13 |
|---|----------|--------------|
| | £000 | £000 |
| Profit on disposal of land and buildings | 0 | 0 |
| (Loss) on disposal of land and buildings | 0 | 0 |
| Profit on disposal of plant and equipment | 1 | 0 |
| (Loss) on disposal of plant and equipment | 0 | (556) |
| Total | 1 | (556) |

3.9 Net (gain)/loss on transfers by absorption

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

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

| | £000 |
|---|--------------|
| Other receivables | 9,520 |
| Provision for impairment of receivables | (4,763) |
| Prepayments and accrued income | 121 |
| Cash and Cash equivalents | 4,998 |
| Other payables | (1,018) |
| Accruals and deferred income | (7,857) |
| | 1,001 |

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

Account of NHS Business Services Authority 2013-14

4.1 Intangible assets

4.1.1 Intangible assets 2013-14

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

4.1.2 Intangible assets 2012-13

| | Software licences £000 | Information Technology £000 | Development Expenditure £000 | Total £000 |
|--|------------------------------|-----------------------------------|------------------------------------|----------------|
| Gross cost at 1 April 2012 | 864 | 63,983 | 7,785 | 72,632 |
| Additions - purchased | 182 | 4,457 | 7,193 | 11,832 |
| Reclassifications | 3 | 5,601 | (5,834) | (230) |
| Disposals | 0 | 0 | 0 | 0 |
| Impairments | 0 | (1,612) | 0 | (1,612) |
| Gross cost at 31 March 2013 | 1,049 | 72,429 | 9,144 | 82,622 |
| Amortisation: | | | | |
| Accumulated amortisation at 1 April 2012 | 785 | 37,033 | 0 | 37,818 |
| Charged during the year | 17 | 10,711 | 0 | 10,728 |
| Reclassifications | 0 | 808 | 0 | 808 |
| Disposals | 0 | 0 | 0 | 0 |
| Accumulated amortisation at 31 March 2013 | 802 | 48,552 | 0 | 49,354 |
| Net book value at 31 March 2012 | 79 | 26,950 | 7,785 | 34,814 |
| Net book value at 31 March 2013 | 247 | 23,877 | 9,144 | 33,268 |

Bursaries had no Intangible assets during the accounting period (2012-13 - £Nil)

Account of NHS Business Services Authority 2013-14

4.2 Property, Plant and Equipment

4.2.1 Property, Plant and Equipment 2013/14

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

4.2.2 Property, Plant and Equipment 2012/13

| | Land | Buildings excluding dwellings | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|--|--------------|-------------------------------------|----------------------|------------------------|---------------------------|-------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation at 1 April 2012 | 5,459 | 18,054 | 2,293 | 223 | 29,952 | 3,441 | 59,422 |
| Additions - purchased | 0 | 2,348 | 154 | 0 | 3,980 | 3,121 | 9,603 |
| Reclassifications | 0 | 0 | (85) | 0 | 315 | 0 | 230 |
| Disposals | (375) | (997) | 0 | (118) | (1,499) | (48) | (3,037) |
| Revaluation | 100 | 0 | 0 | 0 | 0 | 0 | 100 |
| Impairments | 0 | (1,675) | (12) | (9) | 0 | 0 | (1,696) |
| Gross cost at 31 March 2013 | 5,184 | 17,730 | 2,350 | 96 | 32,748 | 6,514 | 64,622 |
| Depreciation | | | | | | | |
| Accumulated depreciation at 1 April 2012 | 0 | 4,806 | 1,783 | 201 | 24,572 | 2,137 | 33,499 |
| Reclassifications | 0 | 0 | 257 | 0 | (808) | (257) | (808) |
| Disposals | 0 | (122) | 0 | (107) | (946) | (48) | (1,223) |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 0 | 602 | 43 | 2 | 2,130 | 366 | 3,143 |
| Accumulated depreciation at 31 March 2013 | 0 | 5,286 | 2,083 | 96 | 24,948 | 2,198 | 34,611 |
| Net book value at 31 March 2012 | 5,459 | 13,248 | 510 | 22 | 5,380 | 1,304 | 25,923 |
| Net book value at 31 March 2013 | 5,184 | 12,444 | 267 | 0 | 7,800 | 4,316 | 30,011 |

Bursaries had no Property, Plant and Equipment during the accounting period (2012-13 - £Nil)

Account of NHS Business Services Authority 2013-14

4.2 Property, Plant and Equipment (continued)

4.2.3 Land and Buildings

The net book value of land and buildings comprises:

| | 31 March 2014 | 31 March 2013 |
|-----------------|---------------|---------------|
| | £000 | £000 |
| Freehold | 12,598 | 14,358 |
| Long leasehold | 6,385 | 3,270 |
| Short leasehold | 0 | 0 |
| Total | 18,983 | 17,628 |

4.2.4 Economic Lives of Non-current Assets

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

4.2.5 Impairments

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

| | 2013-14 | | 2012-13 | |
|--|---|------------------------------|--|------------------------------|
| | Property, plant and equipment £000 | Intangible assets £000 | Property, plant and equipment £000 | Intangible assets £000 |
| Impairments arose from: | | | | |
| Loss or damage from normal operations | 0 | 0 | 0 | 0 |
| Changes in market price | 0 | 0 | 1215 | 0 |
| Enhancement expenditure written off on revaluation | 0 | 0 | 460 | 0 |
| Irrecoverable VAT on property purchase | 0 | 0 | 0 | 0 |
| Revaluation of assets under third party control | 0 | 0 | 21 | 1612 |
| Total | 0 | 0 | 1,696 | 1,612 |

b) Impairments charged in the year to the revaluation reserve

| | 2013-14 | | 2012-13 | |
|-------------------------------------|---|------------------------------|--|------------------------------|
| | Property, plant and equipment £000 | Intangible assets £000 | Property, plant & equipment £000 | Intangible assets £000 |
| Charged to the revaluation reserve: | 0 | 0 | 0 | 0 |

Account of NHS Business Services Authority 2013-14

4.2 Property, Plant and Equipment (continued)

4.2.6 Non-current assets held for sale

| Year ended | Land | Buildings excluding dwellings | Total |
|----------------------|----------|-------------------------------------|----------|
| | £000 | £000 | £000 |
| 31 March 2014 | 0 | 0 | 0 |
| 31 March 2013 | 1450 | 50 | 1,500 |

The site of the Authority's former Dental headquarters in Eastbourne was rendered surplus to requirements and vacated during 2012-13. The site was held for sale at the year end and was sold early in 2013-14.

4.3 Financial Assets

4.3.1 Financial assets 2013-14

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

4.3.2 Financial assets 2012-13

| | Supply Chain Working Capital £000 |
|-------------------------------|---|
| Value at 1 April 2012 | 337,647 |
| Additions | 0 |
| Changes in carrying value | 5,984 |
| Value at 31 March 2013 | 343,631 |

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

The working capital is due to be repaid to NHSBSA at the end of the outsourced arrangement on 30 September 2016.

The assets are classified as 'loans and receivables' (Note 9) and carried at amortised cost, calculated using the effective interest method. Changes in carrying value during the year are taken to operating costs (Note 3.3).

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4.4 Receivables

Current

| | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
| | £000 | £000 |
| Trade receivables - revenue | 2,014 | 3,005 |
| Provision for impairment of receivables | (1,016) | (5,997) |
| Prepayments and accrued income | 8,641 | 7,536 |
| Other receivables | 3,341 | 11,603 |
| Trade and other receivables | 12,980 | 16,147 |

Segmental split

| | | |
|----------------------------------|---------------|---------------|
| Service Provision | 7,870 | 7,475 |
| Bursaries (see Note 2.1 and 3.9) | 5,110 | 8,672 |
| | 12,980 | 16,147 |

Non-current

| | 31 March 2014 | 31 March 2013 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Other receivables | 0 | 1,489 |
| Trade and other receivables | 0 | 1,489 |

Segmental split

| | | |
|----------------------------------|----------|--------------|
| Service Provision | 0 | 0 |
| Bursaries (see Note 2.1 and 3.9) | 0 | 1,489 |
| | 0 | 1,489 |

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4.5 Cash and Cash equivalents

| | 2013-14 £000 | 2012-13 £000 |
|------------------------|-----------------|-----------------|
| Balance at 1 April | 29,850 | 23,258 |
| Net change in the year | <u>(4,969)</u> | <u>6,592</u> |
| Balance at 31 March | <u>24,881</u> | <u>29,850</u> |

Comprising:

| | 31 March 2014 £000 | 31 March 2013 £000 |
|--|-----------------------|-----------------------|
| Held with the Government Banking Service | 24,871 | 29,808 |
| Commercial banks and cash in hand | <u>10</u> | <u>42</u> |
| Cash and Cash equivalents | <u>24,881</u> | <u>29,850</u> |

Segmental split

| | | |
|----------------------------------|---------------|---------------|
| Service Provision | 21,816 | 20,518 |
| Bursaries (see Note 2.1 and 3.9) | <u>3,065</u> | <u>9,332</u> |
| | <u>24,881</u> | <u>29,850</u> |

4.6 Trade and other payables

| | Current | |
|---------------------------------|-----------------------|-----------------------|
| | 31 March 2014 £000 | 31 March 2013 £000 |
| Trade payables revenue | 1,601 | 1,235 |
| Tax and social security | 1 | 0 |
| Accruals and deferred income | 20,384 | 29,878 |
| Other payables | <u>3,758</u> | <u>4,424</u> |
| Trade and other payables | <u>25,744</u> | <u>35,537</u> |

Segmental split

| | | |
|----------------------------------|---------------|---------------|
| Service Provision | 20,356 | 19,832 |
| Bursaries (see Note 2.1 and 3.9) | <u>5,388</u> | <u>15,705</u> |
| | <u>25,744</u> | <u>35,537</u> |

There are no non-current trade and other payables (2013 - Nil)

Account of NHS Business Services Authority 2013-14

4.7 Provisions for liabilities and charges

| | Current | |
|----------------------------------|---------------|---------------|
| | 31 March 2014 | 31 March 2013 |
| | £000 | £000 |
| Pensions relating to other staff | 12 | 26 |
| Legal claims | 92 | 102 |
| Other | 454 | 4,989 |
| Total | 558 | 5,117 |

| | Non-current | |
|----------------------------------|---------------|---------------|
| | 31 March 2014 | 31 March 2013 |
| | £000 | £000 |
| Pensions relating to other staff | 12 | 24 |
| Legal claims | 35 | 37 |
| Other | 573 | 703 |
| Total | 620 | 764 |

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

| | Pensions relating to other staff | Legal claims | Other | Total |
|--------------------------|----------------------------------|--------------|--------------|----------------|
| | £000 | £000 | £000 | £000 |
| At 1 April 2012 | 75 | 251 | 4,911 | 5,237 |
| Arising during the year | 0 | 77 | 1,091 | 1,168 |
| Utilised during the year | (25) | (29) | (163) | (217) |
| Reversed unused | 0 | (160) | (147) | (307) |
| At 1 April 2013 | 50 | 139 | 5,692 | 5,881 |
| Arising during the year | 0 | 40 | 0 | 40 |
| Utilised during the year | (26) | (52) | (2,354) | (2,432) |
| Reversed unused | 0 | 0 | (2,311) | (2,311) |
| At 31 March 2014 | 24 | 127 | 1,027 | 1,178 |

| | | | | |
|---|----|----|-----|------------|
| Expected timing of cash-flows: | | | | |
| Within one year | 12 | 92 | 454 | 558 |
| Later than one year and not later than five | 12 | 6 | 573 | 591 |
| Later than five years | 0 | 29 | 0 | 29 |

Other provisions at 31 March 2014 relate to Leasehold Property Decommissioning, based on professional valuations.

Contingencies at 31 March 2014

At 31 March 2014, there were no known contingent assets or liabilities (2013: £nil).

Account of NHS Business Services Authority 2013-14

4.8 Events after the reporting period

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

The Accounts were authorised for issue on 19 June 2014 by the NHS BSA Chief Executive and Accounting Officer.

4.9 Capital commitments

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

| | 31 March 2014 | 31 March 2013 |
|-------------------------------|----------------------|---------------|
| | £000 | £000 |
| Property, plant and equipment | 1,455 | 2,352 |
| Intangible assets | 13,118 | 4,706 |
| Total | 14,573 | 7,058 |

Account of NHS Business Services Authority 2013-14

5.1 Movements in working capital

| | 2013-14 £000 | 2012-13 £000 |
|--|-----------------------|---------------------|
| (Increase)/decrease in receivables within 1 year | 3,167 | 3,916 |
| (Increase)/decrease in receivables after 1 year | 1,489 | 66 |
| Increase/(decrease) in payables within 1 year | <u>(9,793)</u> | <u>(4,608)</u> |
| Total | <u>(5,137)</u> | <u>(626)</u> |

5.2 Analysis of changes in net debt

| | As at 1 April 2012 £000 | Cash flows £000 | As at 1 April 2013 £000 | Cash flows £000 | As at 31 March 2014 £000 |
|-------------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|--------------------------------|
| GBS cash at bank | 23,157 | 6,651 | 29,808 | (4,937) | 24,871 |
| Commercial cash at bank and in hand | 101 | (59) | 42 | (32) | 10 |
| Bank overdraft | 0 | 0 | 0 | 0 | 0 |
| Total | <u>23,258</u> | <u>6,592</u> | <u>29,850</u> | <u>(4,969)</u> | <u>24,881</u> |

5.3 Other cashflow adjustments

| | 2013-14 £000 | 2012-13 £000 |
|--|-------------------|---------------------|
| Depreciation | 4,008 | 3,143 |
| Amortisation | 9,116 | 10,728 |
| Impairments and reversals | 0 | 3,308 |
| (Profit)/Loss on disposal of assets | (1) | 556 |
| Change in carrying value of Financial Assets | (6,116) | (5,984) |
| Notional Costs | 90 | 90 |
| Interest Received | (3,841) | (4,165) |
| Provisions - Arising in Year | 40 | 1,168 |
| Provisions - Reversed unused | <u>(2,311)</u> | <u>(307)</u> |
| Total | <u>985</u> | <u>8,537</u> |

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6. Losses and special payments

| | 2013-14 | | 2012-13 | |
|----------------------------|-------------|------------|--------------|--------------|
| | No of cases | £000 | No of cases | £000 |
| Losses | | | | |
| 'Cash' losses | 0 | 0 | 8 | 1 |
| Stores losses | 0 | 0 | 0 | 0 |
| Fruitless payments | 79 | 7 | 476 | 7 |
| Claims waived or abandoned | 361 | 550 | 5,864 | 6,718 |
| | 440 | 557 | 6,348 | 6,726 |
| Special Payments | 100 | 213 | 244 | 228 |

7. Related Party Transactions

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

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

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

8. Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out Pensions and IT services totalling £20.0m over 2 years 4 months as at 31 March 2014. (2013: £20.0m). £8.578m (2013: £8.569m) of this commitment is payable within one year.

The Authority has entered into a non-cancellable contract for the provision of contracted out Dental and IT infrastructure services totalling £66.429m (2013: £86.626m) over the remaining 5 years and 9 months as at 31 March 2014. £11.888m (2013: £14.501m) of this commitment is payable within one year.

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9. Financial Instruments

Financial risk management

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

Currency risk

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

Interest rate risk

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

Credit Risk

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

Liquidity Risk

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

9.1 Financial Assets

| | At 'fair value through profit and loss' | Loans and receivables | Available for sale | Total |
|-------------------------------|---|--------------------------|-----------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Trade receivables | 0 | 3,005 | 0 | 3,005 |
| Other receivables | 0 | 5,606 | 0 | 5,606 |
| Cash at bank and in hand | 0 | 29,850 | 0 | 29,850 |
| Other financial assets | 0 | 345,455 | 0 | 345,455 |
| Total at 31 March 2013 | 0 | 383,916 | 0 | 383,916 |
| Trade receivables | 0 | 2,014 | 0 | 2,014 |
| Other receivables | 0 | 2,325 | 0 | 2,325 |
| Cash at bank and in hand | 0 | 24,881 | 0 | 24,881 |
| Other financial assets | 0 | 353,841 | 0 | 353,841 |
| Total at 31 March 2014 | 0 | 383,061 | 0 | 383,061 |

9.2 Financial Liabilities

| | At 'fair value through profit and loss' | Other | Total |
|-------------------------------|---|---------------|---------------|
| | £000 | £000 | £000 |
| Trade Payables | 0 | 1,235 | 1,235 |
| Other payables | 0 | 4,424 | 4,424 |
| Other financial liabilities | 0 | 31,036 | 31,036 |
| Total at 31 March 2013 | 0 | 36,695 | 36,695 |
| Trade Payables | 0 | 1,601 | 1,601 |
| Other payables | 0 | 3,759 | 3,759 |
| Other financial liabilities | 0 | 21,096 | 21,096 |
| Total at 31 March 2014 | 0 | 26,456 | 26,456 |

Account of NHS Business Services Authority 2013-14

9 Financial Instruments (continued)

9.3 Maturity of financial liabilities

| | 31 March 2014 | 31 March 2013 |
|--|----------------------|---------------|
| | £000 | £000 |
| In one year or less | 25,883 | 35,992 |
| In more than one year but not more than five years | 573 | 703 |
| In more than five years | 0 | 0 |
| Total | <u>26,456</u> | <u>36,695</u> |

9.4 Fair values

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

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10. Intra-government balances

| | Receivables amounts falling due within one year £000 | Receivables amounts falling due after more than one year £000 | Payables amounts falling due within one year £000 | Payables amounts falling due after more than one year £000 |
|--|---|---|--|--|
| Balances with other central government bodies | 4,037 | 0 | 798 | 0 |
| Balances with local authorities | 0 | 0 | 0 | 0 |
| Balances with NHS Trusts | 37 | 0 | 20 | 0 |
| Balances with public corporations and trading funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 8,906 | 0 | 24,926 | 0 |
| At 31 March 2014 | 12,980 | 0 | 25,744 | 0 |
| Balances with other central government bodies | 2,729 | 0 | 4,578 | 0 |
| Balances with local authorities | 5 | 0 | 0 | 0 |
| Balances with NHS Trusts | 64 | 0 | 1 | 0 |
| Balances with public corporations and trading funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 13,349 | 1,489 | 30,958 | 0 |
| At 31 March 2013 | 16,147 | 1,489 | 35,537 | 0 |

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