

# Annual Report and Accounts 2017/18



# NHS Business Services Authority Annual Report and Accounts 2017/18

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

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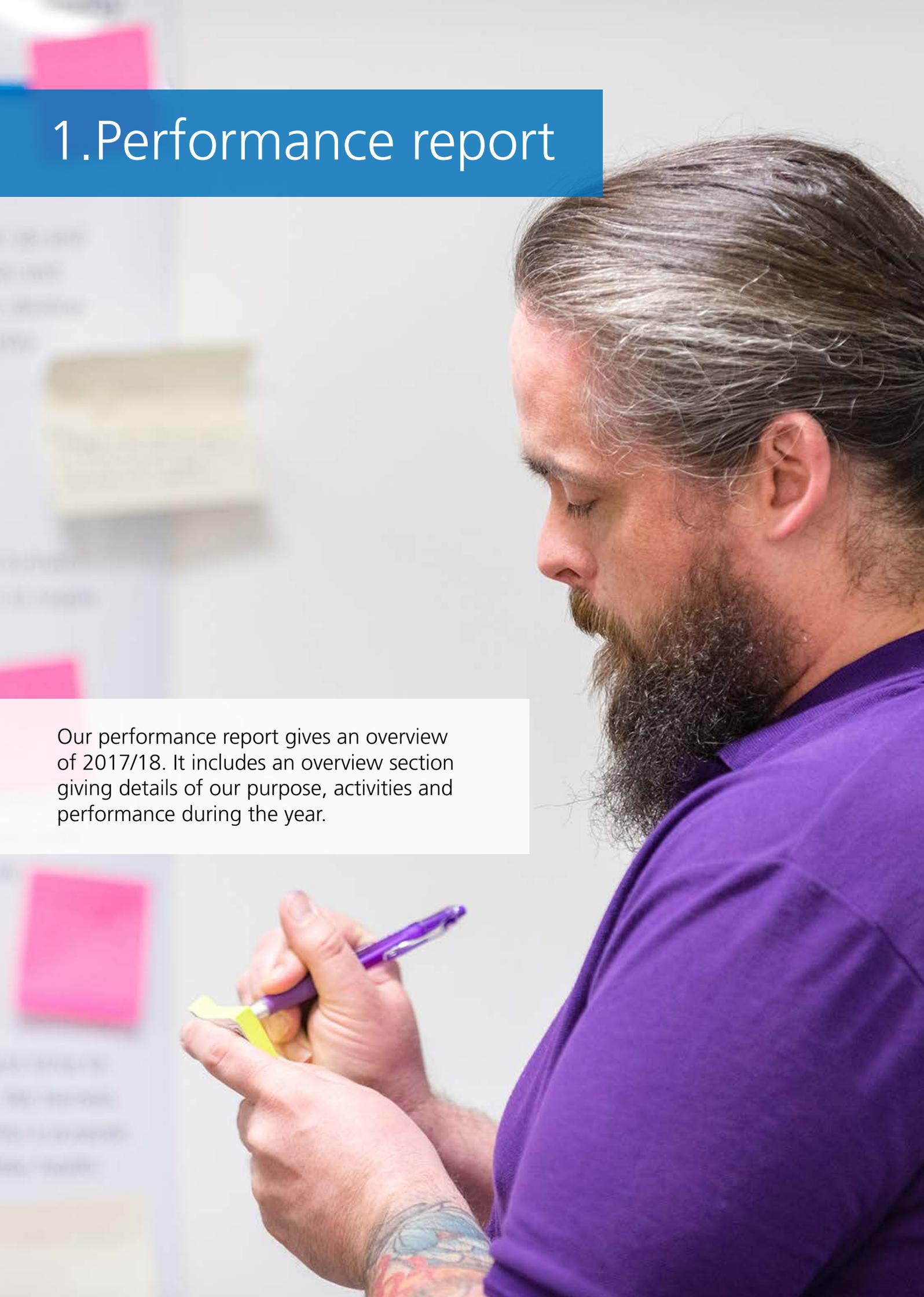


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# 1. Performance report

Our performance report gives an overview of 2017/18. It includes an overview section giving details of our purpose, activities and performance during the year.



## 1.1 Overview

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### 1.1.1 Statement from our Chief Executive

2017/18 was another important year for the NHS Business Services Authority (NHSBSA) and my first as Chief Executive. Throughout the year we have continued working towards our strategic goals to make efficiencies both within our own organisation and across the NHS. We have also re-evaluated our position within the healthcare landscape and realised that we can deliver even more for our customers, clients and the UK population as a whole.

As a result, we have redefined our overall purpose to being 'a catalyst for better health' – believing that we can use our services, data and influence to add increased social value for the country.

Throughout the year we have continued to grow our business and take on more work on behalf of our NHS partners, working towards our vision of becoming 'the business partner of choice for the NHS'.

We are very proud to add a number of services to our portfolio this year. These include the England Infected Blood Support Scheme, which is designed to provide financial support to people and their families who were infected with HIV and Hepatitis through NHS treatments in England before September 1991. This is extremely important work which we are very pleased to take stewardship of. Two other very high-profile services have also joined us – NHS Jobs and the NHS Electronic Staff Record (ESR) programme. Both are well-recognised throughout the NHS and are central to recruiting and managing the health service's key asset – its people.

Being entrusted with the ongoing delivery of these services is something we take very seriously, and our ambition is to do even more over the coming years.

We also spent the latter half of 2017/18 redefining our strategic goals and values. This work has all helped to shape our organisation into what we want to be in the future. I encourage you to read our updated strategy for the coming three years – found at [www.nhsbsa.nhs.uk/what-we-do/strategybusiness-plan-and-annual-report](http://www.nhsbsa.nhs.uk/what-we-do/strategybusiness-plan-and-annual-report).

Finally I must mention our NHSBSA colleagues across the organisation. Throughout the year they have worked extremely hard to achieve our strategic goals, as well as making a commitment to helping us to deliver even more. On behalf of the Board and our Leadership Team, I want to publically thank them all for everything they have done. I know that 2018/19 will be another impressive year, and I am confident that our future is bright.



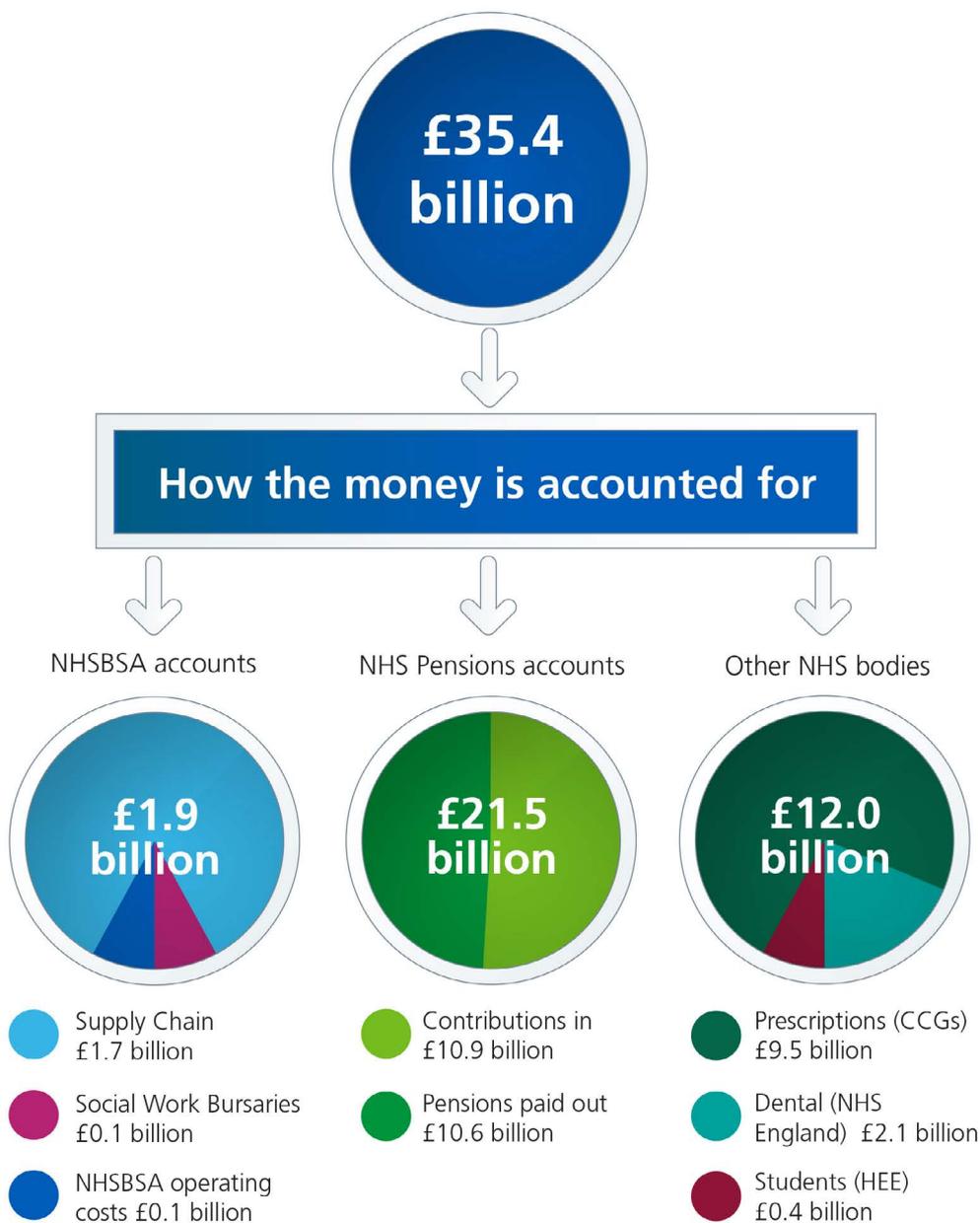
**Alistair McDonald**

Chief Executive of the NHSBSA  
April 2018

### 1.1.2 About us

The NHSBSA is a Special Health Authority and an Arm's Length Body (ALB) of the Department of Health and Social Care (DHSC). We provide a range of critical central services to NHS organisations, NHS contractors, patients and the public. The NHSBSA was created in 2006 by bringing together a number of previously separate NHS organisations. We still deliver the core range of services we started with and have taken on additional services as our stakeholders' needs have evolved. Figure 1 shows the money we handle and how it is accounted for.

Figure 1: The money flowing through the NHSBSA



## Restructure

Following the appointment of our new Chief Executive in May 2017, the Leadership Team was restructured (see Section 2.1.3, Figure 4) and work started on the new NHSBSA Strategy 2018-21. This was informed by the arrival of new services (NHS Jobs, the Electronic Staff Record and England Infected Blood Support Scheme) and also the transition of services such as NHS Supply Chain and NHS Protect into new organisations.

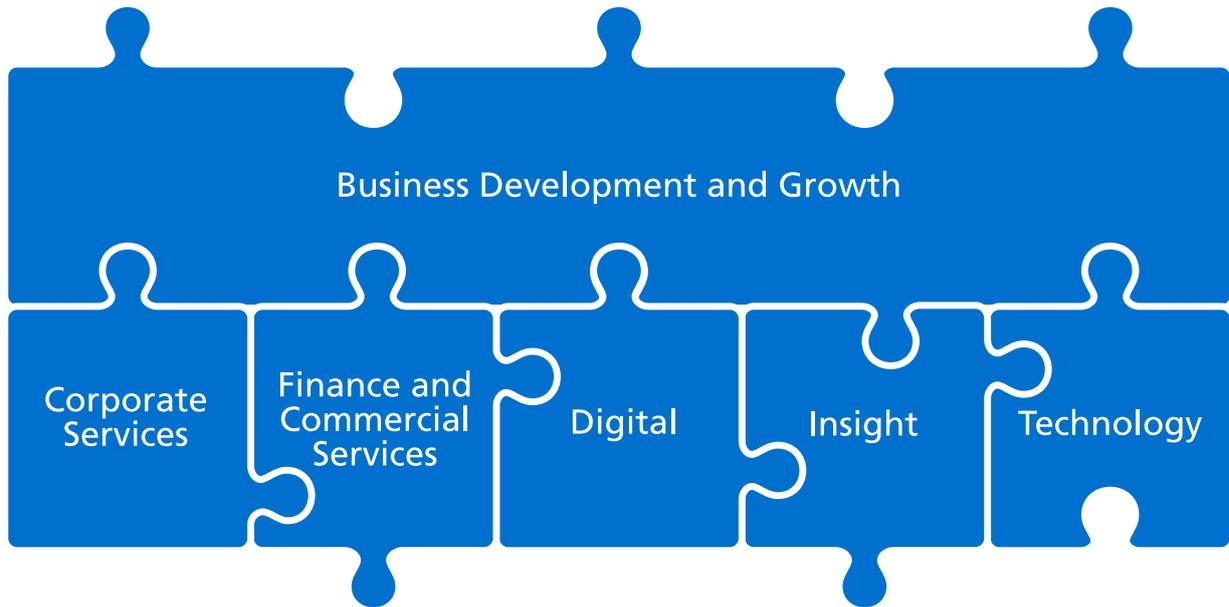
In early 2018 we restructured our services to better serve our customers. We've split our business services into three main operational directorates which each specialise in different customer groups (see figure 2):

Figure 2: Our structure



- NHS Prescription Services
- NHS Dental Services
- Scanning Services
- NHS Help with Health Costs
- European Health Insurance Card
- Customer and Contact Services
- England Infected Blood Support Scheme
- Loss Recovery Services
- Student Services
- NHS Pensions
- HR Shared Services
- NHS Jobs
- Electronic Staff Record

Our corporate-based services provide support to all of our operational business services:



Our Business Development and Growth Directorate is especially important and will help to ensure our organisation can take advantage of opportunities to deliver more support to the NHS. This includes our Information Services offering as described in more detail on page 13.

These functions all come together to form the NHSBSA, supporting each other to deliver the best possible service to our customers.

### **1.1.3 Our key risks and issues**

A summary of our key risks and issues is given in our Annual Governance Statement in section 2.1.3.

## 1.1.4 Performance summary

**5.5 million**



EHICs provided to UK residents in 2017/18

**44,359,316**



FP17 dental claim forms processed in 2017/18

**2,380,681**

Total Reward Statements and Annual Benefit Statements available for current and former NHS employees to view

**14.7 million**

the number of claims for free prescriptions and dental procedures checked by our loss recovery teams

**88k**



followers on social media sites



**69%**

proportion of colleagues who completed the staff survey this year

Over **1,000,000,000**

prescription items processed every year



the amount of money that flows through our books every year

**£510 million**

paid out in NHS Student Bursaries and Social Work Bursaries



total amount of recurring savings the NHSBSA has delivered so far for the NHS and its patients

**11 million**

applications from patients for help with their NHS health costs

**£300 million**

saved so far through the NHS Supply Chain contract

the engagement level of our staff was

**78%**  
in 2017/18

We ranked

**113th**

out of 434 participating organisations in Stonewall's Workplace Equality Index

**74,216**

responses to our surveys from our customers and stakeholders in 2017/18

**£2.7 million**

saved through improved childcare allowance reconciliation in Student Services



our contact centre handled

**3,841,552**

calls in 2017/18

and **784,565** emails

**£1.9 billion**

payments processed for dental providers 2017/18



on our 'Ask Us' online knowledge base

## Our certifications and awards



North East  
**Better Health**  
at Work Award  
Continuing Excellence

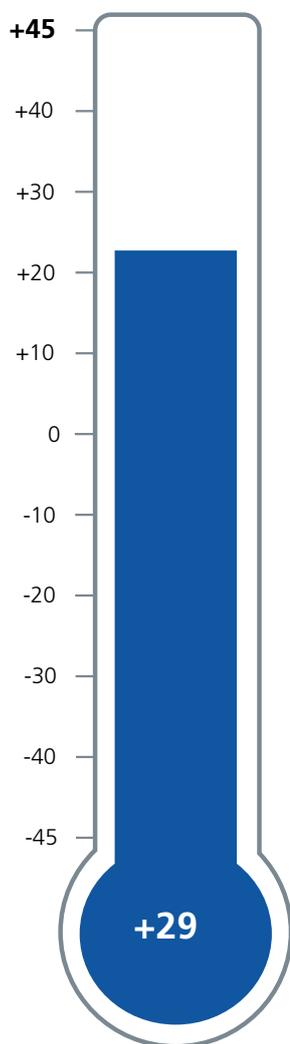
Project Choice  
Making a **D**ifference

## Working towards our strategic goals

The figures below show our progress against our 2017/18 strategic goals. During the year our new Leadership Team have developed the NHSBSA Strategy for 2018-21 which contains a new set of strategic goals.



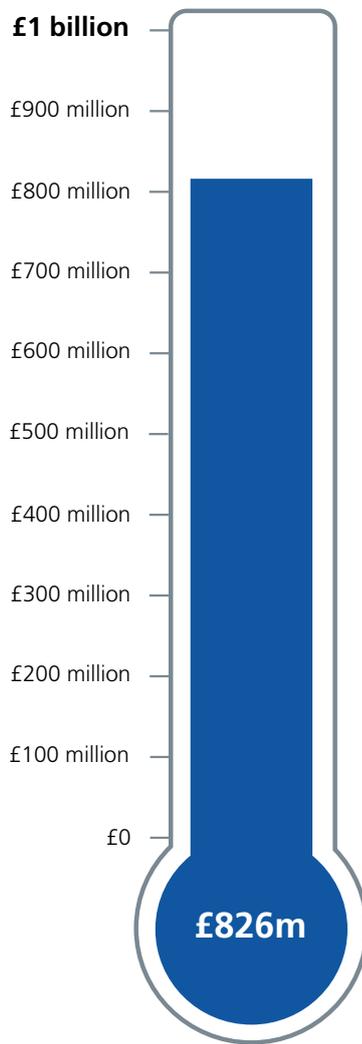
**We will improve service and deliver great results for customers**



The worldwide consumer sector average Net Promoter Score (NPS) is +45. Our 2017/18 goal was to reach that target by 2020 and by the end of 2017/18 we have achieved +29.



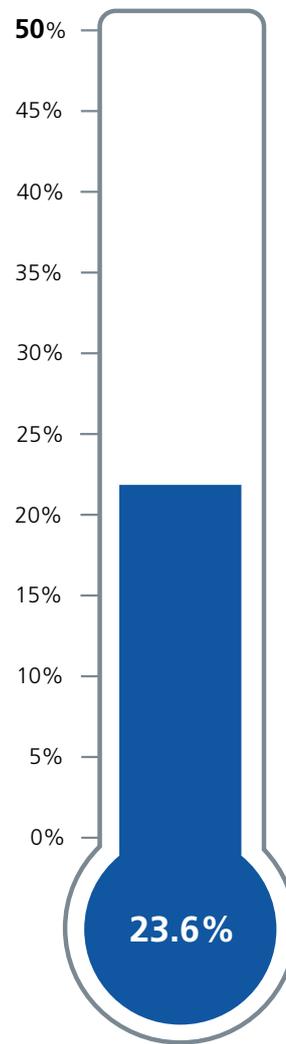
**We will collaborate to create £1 billion for patients**



We're over 80% of the way towards delivering £1 billion of benefit to the NHS. All savings are reinvested back into patient care. Our initial target of delivering this by the end of 2017/18 has been reset to 2018/19.



**We will reduce our unit costs by 50%**



By making efficiency savings and by absorbing growth and inflation costs, we've reduced our unit costs by 23.6% so far against our 2013/14 baseline year. Our target was to reach 50% by the end of 2019/20.

## Our key areas of work

### Information Services



We launched our new prescription information system, ePACT2, in May 2017 giving Clinical Commissioning Groups (CCGs) and Hospital Trusts access to a powerful online business intelligence tool. Since its launch, ePACT2 has delivered dashboards that monitor polypharmacy, antimicrobial prescribing and the amount spent on medications that aren't considered clinically or economically effective. We worked with colleagues from across the NHS to agree the best way for the data to be presented within ePACT2 and further rollout of the system will continue in 2018/19.

### Electronic Prescription Service (EPS)



At the start of 2017/18 we set a target to achieve a level of 60% of prescriptions being received electronically through EPS by March 2018. To achieve this we developed a strategy which involved working in collaboration with key stakeholders such as NHS Digital, Pharmaceutical Services Negotiating Committee (PSNC), Clinical Commissioning Groups (CCGs) and Local Pharmaceutical Committees (LPCs). Through this engagement we were able to support prescribers and dispensers and raise their awareness of the benefits of EPS through promotional campaigns, data analysis work and practical guidance on the use of systems.

Supporting an increase in electronic repeat dispensing (eRD) was an important part of our EPS programme for 2017/18. This has benefits for patients in terms of time and effort spent organising and collecting prescriptions, and also the wider system.

By the end of 2017/18 national EPS utilisation was above 61%. This programme of work and collaboration with key organisations will be enhanced and expanded during 2018/19 to increase EPS utilisation further.

## Student Services



During 2017/18 we successfully introduced the Learning Support Fund for new Nursing, Midwifery and some Allied Health Professional students starting their course on or after 1 August 2017. This work was part of the major government funding reform and gave us an opportunity to look at the customer journey, resulting in us designing and producing an improved online application system. The Learning Support Fund Application System offers a user friendly platform which allows students to update their details and offers greater freedom for self-service. Student Services worked closely with DHSC to write the policy for the new funding stream as well as updating policies for existing funding streams for NHS Student Bursaries and Social Work Bursaries.

## Loss recovery services



The service has started working on an education campaign to further ensure patients claim exemptions correctly, which will be rolled out nationally by late 2018. Increasing exemption checking activity has already encouraged behaviour change in patients and with more people claiming correctly, we continue to make significant inroads to reduce levels of fraud and error every year. We've also continued to grow the number of checks we undertake and issued 1.3 million penalty charge notices to patients in 2017/18. This has helped to return vital NHS funds back to frontline care: over £19 million recovered from prescription checks and a further £7.8 million from dental claim checks. We've been working closely with patients to understand their customer needs and have redesigned our website and penalty charge notice based on their feedback. We also started work to improve the service even further by building a digital, scalable solution. The first element of this will be an online service where patients can challenge their penalty charge notice, which will be live from May 2018.

## Patient Services



The NHSBSA introduced the England Infected Blood Support Scheme as a new service in 2017/18. It was developed to provide financial support to people and their families who were infected with HIV and Hepatitis through NHS treatments in England before September 1991. Since its launch on 1 November 2017, the new service has processed payments of over £14 million.

During the year we also took over responsibility for access to help with health costs for asylum seekers. UK Visas and Immigration previously produced these HC2 certificates but moving the service to the NHSBSA created savings. We also automated exemption checking for NHS Scotland and HSC Northern Ireland, creating savings for the NHS Counter Fraud Authority by bringing this service into the NHSBSA.

In line with our strategy to digitise services, the Low Income Scheme ended the year in the private beta phase of service design. Digital certificates were also being used by customers in pilot groups for both prescription prepayment certificate (PPC) and maternity exemptions. Alongside this, NHS Tax Credit Exemption Certificates were switched from plastic cards to paper certificates. With over eight million cards issued last year, this change has generated significant savings for the NHS and is much more environmentally friendly.

## NHS Dental Services



In 2017/18 we successfully transferred 27 colleagues from our outsourced supplier back into NHS Dental Services, many of them returning to the NHSBSA after transferring out in 2010. We're pleased to welcome these colleagues as they already have significant experience in NHS Dental Services, and their return marks the beginning of the process to bring all dental operations back in-house. All of our colleagues will support our work as one NHS team to focus on the value we bring to patients, the wider NHS and dental profession.

## Provider Assurance – Dental



Since the Dental Provider Assurance service started in 2014/15 the team have delivered benefits valued at around £30 million through improved controls on claims and financial recoveries. This year the programme has piloted a number of services in addition to its core performance management function and several of these are now being rolled out nationally. In particular we are starting to deliver our current contract management service nationally and designing a similar service for the new dental contract, which is expected to be rolled out nationally from 2019/20. Together these services deliver a consistent assurance model for dental contracts benefiting the NHS, providers and ultimately patients.

## Commercial Services



This year our Commercial Services Team led on procuring the Pandemic Influenza Preparedness Programme (PIPP) and the Emergency Preparedness, Resilience and Response (EPRR) on behalf of Public Health England (PHE) and DHSC.

This has involved leading a competitive procurement procedure with negotiation, and working with colleagues across the system. These included PHE (the main client), DHSC, Cabinet Office and Treasury, as well as the incumbent provider DHL. The work will ensure that a fit for purpose, future proofed contract is in place to ensure service continuity after the Master Services Agreement with DHL expires in September 2018.

Having adequate stockpiles of clinical countermeasures held in preparedness is identified by DHSC and Cabinet Office as the single most significant civil emergency risk to the UK. The services delivered by this contract will ensure that this risk is mitigated and that the nation can respond in the event of such an incident.

## NHS Pensions reprocurement



Our Pensions reprocurement programme is continuing work towards reshaping and modernising the service operating model in preparation for the current contractual arrangements coming to an end in July 2018. Several operational functions transferred to the NHSBSA from our outgoing supplier in July 2017, and a new medical services contract was successfully let. As a direct result of this activity, we achieved operational efficiencies in 2017/18 which put us in a good position to insource the remaining administration and payroll functions. New contracts have been let for the underpinning IT infrastructure and service management arrangements, giving us a resilient environment for the new functions which are being established. We're also working with NHS Digital and the Government Digital Service (GDS) to continue digitising the service, giving our members and employers increased ownership and understanding of the NHS Pension scheme.

## Pacific programme



The NHSBSA has continued to make efficiencies across the NHS system, delivering recurring savings of £826 million a year by March 2018. Our Pacific programme has worked together with Primary Care Services to develop a new system of Pharmacy Provider Assurance, which helps to avoid the risk of overpaying pharmacies by ensuring that our payments to them accurately reflect the services they've provided to the public. Members of the team have also worked closely with our Information Services team to develop guidance for primary care prescribers, such as GPs, on the most appropriate medicines for patients with respiratory illnesses. This will help ensure patients receive the best medicines to maintain their health and wellbeing. We've also continued to develop new opportunities which will create further efficiency savings for the NHS system that will be delivered in 2018/19 and beyond.

## General Data Protection Regulation (GDPR)



The NHSBSA has continued preparations to ensure compliance with the new General Data Protection Regulation (GDPR) which came into force in May 2018. A specific GDPR project has been in place to coordinate the work required across our many services. Assurance work has been carried out by our internal auditors throughout the year to assess our progress, and plans have been created to ensure GDPR activities continue after May 2018, embedding working practices as business-as-usual activity.

## NHS Workforce Services



Two new services joined the NHSBSA from 1 April 2018, and work was completed throughout 2017/18 to prepare for the transfer. The Electronic Staff Record (ESR) programme and NHS Jobs both became part of the NHS Workforce Services Directorate, joining NHS Pensions, HR Shared Services and Total Reward Statements to complete our 'hire to retire' package.

## NHS Supply Chain



During 2017/18 the NHSBSA has been working closely with the DHSC to support the development of a new operating model for NHS Supply Chain. The services provided by the NHSBSA were initially planned to transfer to the newly established Supply Chain Co-Ordination Ltd (SCCL) in line with its go-live date of 1 April 2018. This transfer will now take place over a 12 month transition period between 1 April 2018 and 1 April 2019, when the service will fully transfer to the SCCL. This transition period will be used to support SCCL so they can put in place all systems needed to fully transfer the service by 1 April 2019.

The NHSBSA and DHSC have worked closely during 2017/18 to ensure the appropriate arrangements are in place to deliver this transition. Supplier Management staff transferred to SCCL on 1 April 2018, category tower service provider contracts were novated to SCCL, and any new contracts post-1 April 2018 will be in SCCL's name.

The Master Services Agreement (MSA) with DHL for NHS Supply Chain will remain with the NHSBSA through to its expiry. The framework contracts will remain with the NHSBSA (e.g. product buying) and as such all associated transactions will continue to be reported in the NHSBSA accounts and the SCCL will act as the NHSBSA's agent to manage supply chain services.

## 1.2 Performance analysis

### 1.2.1 How we measure performance

A range of performance measures are set, measured and monitored throughout the year. These are presented at each Leadership Team meeting and Board meeting and include areas such as:

- strategic goals
- operational KPIs as agreed with our sponsors and clients
- customer satisfaction and complaints
- client engagement
- finance
- delivery of our major change programmes and projects
- people, including staff development, sickness, turnover and health and safety
- environment and resource efficiency.

The following sections give more details on our performance in key areas in 2017/18.

### 1.2.2 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 DHSC with the approval of HM Treasury.

Our accounts for 2017/18 have been prepared in accordance with DH Group Accounting Manual 2017/18 (GAM), and comply with HM Treasury's Government Financial Reporting Manual 2017/18 (FReM). The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful

and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. They comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers Equity, all with related notes.

The accounts are based on three distinct segments. The first of these relates to bursary payments we make on behalf of the DHSC for social work students, the second to our operating expenditure (which represents our running costs) and the third segment relates to NHS Supply Chain trading.

#### Financial performance 2017/18

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

In 2017/18 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 funding targets as outlined in Table 1.

The table reflects the following operation changes which occurred during 2017/18:

- NHS Protect transferred out of the NHSBSA to the new NHS Counter Fraud Authority (NHSCFA) on 1 November 2017. This created a reduction of five months' worth of transactions in 2017/18 compared to 2016/17.
- Pension administration costs were recharged to the NHS Pension Scheme. In the past these costs were funded by DHSC through our DEL.

<b>Table 1: Financial target performance 2017/18</b>			
<b>Funding stream</b>	<b>Limit £m</b>	<b>Actual £m</b>	<b>Achieved</b>
Revenue DEL (revenue departmental spending limit, including external developments)	83.1	75.7	✓
Capital charges (ring-fenced revenue departmental expenditure limit)	16.9	16.3	✓
Capital expenditure limit	16.0	13.4	✓

Note: DEL - Departmental Expenditure Limits.

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 2017/18 is detailed in Table 2 below.

NHS Supply Chain is entitled to agree extended payment terms with suppliers as defined in the

Master Services Agreement. Supply Chain paid 91.4% of invoices by number and 82.8% by value within these payment terms. The Table shows NHS Supply Chain's performance with reference to the 30 day target in the Better Payments Practice Code for comparison purposes only, as this target does not apply to them.

<b>Table 2: Better Payments Practice Code performance 2017/18</b>	<b>NHSBSA (excluding NHS Supply Chain)</b>		<b>NHS Supply Chain only</b>	
	<b>Number</b>	<b>Value £m</b>	<b>Number</b>	<b>Value £m</b>
Total non-NHS trade invoices paid	10,845	102.1	1,966,251	2,075.3
Total non-NHS trade invoices paid within target	10,124	95.1	1,730,337	1,665.9
Percentage of non-NHS trade invoices paid within target	93.4%	93.2%	88.0%	80.3%
Percentage of non-NHS trade invoices paid within Master Services Agreement			91.4%	82.8%

## Future financial targets – the challenge

In response to the HM Treasury Comprehensive Spending Review (CSR) 2015 the NHSBSA agreed a financial plan to 2019/20 with the DHSC.

We are assuming that the challenge for the new CSR period will be a further reduction in our funding allocation of 5% in 2020/21.

In meeting the CSR targets for 2016/17 and 2017/18 we have already reduced our DHSC funding requirement by £22 million, mainly due to recovering pensions administration costs from the NHS Pension Scheme in 2017/18. This is aligned to our strategic objective to move away from reliance on DHSC funding and towards a 'user pays' model.

To achieve financial balance in each year from 2018/19 to 2020/21 the NHSBSA needs to deliver a further £35 million in recurrent total cost savings.

Our cost reduction plan identifies £23 million in worked up schemes plus £16 million in other opportunities that will be further developed during 2018/19. The plan is based on some key principles:

- continuous cost improvements in our existing services by the implementation of digital solutions and other efficiency programmes
- delivery of economies of scale and efficiency in the new services we take on
- growing our services resulting in improved operational efficiency and increased margin generation
- alternative funding streams to support the services we provide.

Our provisional revenue funding allocations for 2018/19 to 2020/21 are summarised in Table 3 below:

2017/18 £m (actual)	Table 3: NHSBSA Recurring Revenue Funding Requirements to 2020/21	2018/19 £m	2019/20 £m	2020/21 £m
69.5	Revenue DEL Baseline	68.6	57.5	52.6
-	New Services	29.9	29.9	29.9
<b>69.5</b>	<b>Total</b>	<b>98.5</b>	<b>87.4</b>	<b>82.5</b>

Note: Revenue DEL 2017/18 excludes NHSCFA and funding for external development projects.

## 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, payroll and HR services to other NHS organisations and DHSC 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 2017/18 the income received from hosted and managed services was £2.3 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 2018 of £0.14 million is for the audit of these accounts. An additional notional fee of £0.095 million relates to the audit of the NHS Pension Scheme accounts.

## Updates following the reporting period

**NHS Supply Chain:** Supply Chain Co-ordination Limited (SCCL) was created by the DHSC to operate the national supply chain for the NHS, and commenced operation from 1 April 2018. During 2018/19, the NHSBSA will work with this new company to finalise the full transition to new arrangements. This transition will be complete by 31 March 2019 after which the NHSBSA will have no further responsibility for NHS Supply Chain.

**Electronic Staff Record and NHS Jobs:**

Accountability for the delivery of these services transferred to the NHSBSA on 1 April 2018.

## 1.2.3 Good Business – Corporate Responsibility

### Background

Corporate responsibility (CR) is about ensuring that we make a positive impact on society by delivering our services. It's about people, communities and our environment and is at the heart of what we do and how we do it. During 2017/18 our Leadership Team has developed the NHSBSA Strategy 2018-21. The Strategy has been reshaped with our people and the difference we make to the wider health agenda at its core.

Along with our organisational goals, we also recognise that some areas require specific focus (Figure 3). These areas are identified through our CR materiality assessment and stakeholder engagement approach. Our Committees and

Staff Networks continue to drive these agendas forward and ensure appropriate oversight and engagement across the organisation.

Full details, including action plans and annual reports, are available in the Corporate Responsibility section of our website: [www.nhsbsa.nhs.uk/what-we-do/corporate-responsibility](http://www.nhsbsa.nhs.uk/what-we-do/corporate-responsibility).

We also ensure robust arrangements are in place around social, human rights, anti-corruption and anti-bribery matters. This includes training for our staff, standards of business conduct policies and whistleblowing processes. Human rights and labour standards are also addressed in our procurement processes.

Figure 3: Specific corporate responsibility strategies



**Health and safety** - During 2017/18 the NHSBSA had two cases of absence which needed to be reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR). This number of reportable events is very low for a business of our type and size, when compared to published HSE figures. We believe that this is a result of our proactive approach to health and safety, ensuring all of our people are involved, supported and understand their role in how we look after ourselves and those around us.

We have delivered all of the actions set out in our 2017/18 Action Plan. This has included business-wide engagement, coaching and face-to-face presentations to our line managers, ensuring they understand their responsibilities and how the NHSBSA's Safety, Health and Environment (SHE) Management System can be applied practically and effectively. We also delivered a specific training session to our Board, covering their responsibilities as directors, and giving examples of best practice in SHE Management.

Our SHE team and Property and Facilities Management team have continued to work closely, ensuring health and safety has been addressed in the roll out of our new arrangements for the delivery of facilities management services by third party suppliers.

**Environment (including HM Treasury Sustainability Report)** - Each year the NHSBSA sets its own environmental targets and an action plan aligned to its key impacts and the Greening Government Commitments (GGC). A full data set can be seen in Appendix 1 – Sustainability Report. A summary of our progress against our targets is shown in Table 4 below.

<b>Table 4: Environment and resource efficiency targets</b> (Note: Targets - by the end of 2019/20, on 2009/10 baseline)		
<b>Target</b>	<b>2017/18 performance</b>	<b>Commentary*</b>
70% reduction in greenhouse gas emissions	64%	We continue to reduce the amount of electricity and gas we use in our buildings by investing in energy efficient equipment and building materials.
35% reduction in water consumption	21%	Our water consumption has reduced since 2009/10. Increased operating hours at one of our major sites has impacted our absolute water use figure in 2017/18 however it is encouraging to note that water use per FTE continues to fall.
40% reduction in waste generated	38%	A significant reduction in prescription waste has been noted in comparison to the large volume of prescriptions disposed of in 2016/17 due to a policy change.
Less than 10% of waste to landfill	5%	The amount of waste sent to landfill has reduced since 2016/17.
50% reduction in office paper use	38%	Our performance was lower than we expected following a change of scope. This was due to the NHS Counter Fraud Authority becoming a separate entity and their impact being removed from our original data.

\*Further details can be found in Appendix 1 - Sustainability Report

Data relating to NHS Counter Fraud Authority has been removed from this report this year as it is no longer part of the NHSBSA. Greenhouse gas emissions, waste generated, water and paper use have been re-baselined to account for this.

During 2017/18 we successfully transitioned our Environmental Management System certification to the new ISO 14001:2015 standard.

## Sustainable procurement

We have continued to measure ourselves against the requirements of the government's Flexible Framework benchmarking tool, and our action plan for 2017/18 was designed to move us towards Level 3.

Following creation and roll-out of our Sustainable Procurement Policy during 2016/17, we have progressed in 2017/18 by risk-assessing our key contracts, engaging with suppliers and ensuring our people have the specific knowledge and skills linked to the contracts they manage. Examples include working with our facilities management suppliers to ensure we maintain our ISO 14001 certification and providing bespoke training to our Property and Facilities Team on key sustainability requirements.

We have continued to ensure all procurement activity is fully assessed, and requirements are embedded into contracts. As a minimum, Government Buying Standards (GBS) are embedded in relevant contracts, with further requirements being assessed around broader environmental, social and economic value.

We also continued our work with NHS Supply Chain providing oversight and input into the delivery of their Sustainable Development Strategy.

## Biodiversity

During 2017/18 work has continued at our two main sites with green spaces, maintaining the grounds in alignment with local biodiversity plans. We continue to maintain a bee hive at our head office, and support education programmes with staff and local community groups.

## Wellbeing

Our Wellbeing Action Plan has been based on the requirements set out in the NHS Staff Health and Wellbeing CQUIN and the Better Health at Work Awards - maintaining our Continuing Excellence Level Award in recognition of the support, campaigns and guidance provided to staff nationally. Also, in January 2018 the NHSBSA was named as winner in the 'Wellbeing' category of the UK and Europe Employee Engagement Awards 2017. This award is presented to organisations that use wellness initiatives to better engage staff with the organisation's goals and future, improve day-to-day productivity and create a better working environment for all.



NHSBSA colleagues collecting the Wellbeing Award at the 2017 EE Award ceremony

Our focus on mental health has continued, further strengthening and supporting our Mental Health Champions, running a number of awareness campaigns such as Mental Health Awareness Week, World Mental Health Day and Suicide Prevention Day, and ensuring mental health first aiders are available across all of our sites.

For the first time this year, we have delivered a free, onsite flu vaccination programme for our colleagues to reduce sickness absence and protect those with existing medical conditions from complications associated with winter sickness.

Other campaigns rolled out by our Wellbeing Champions have included a Cancer Awareness Month highlighting the importance of early detection and signposting staff to support and guidance, and a nationwide Pedometer Challenge in support of local charities.

## Community investment

The NHSBSA offers all staff two days of paid volunteering leave per year and we have continued to help and encourage teams and individuals to engage in volunteering activity and make the link to personal development needs and opportunities.

Our network of champions has continued to make connections with community groups and charities in their local areas supporting them through a variety of activities and volunteering.

This year we have also supported a grassroots fundraising event – the 20/20 Challenge – ‘Changing 20 Lives in 20 Days’ – raising money for charities nominated by our colleagues from across the business. Volunteers took part in a sponsored walk and arranged raffles to fund equipment for disabled children.

Our champions have also supported National Volunteering Week in June raising awareness around volunteering as a way to enhance mental wellbeing.

A specific volunteering target has been included as part of the new NHSBSA Strategy 2018-21 for 50% of our staff to undertake volunteering activity by the end of 2021.



Mark Dibble, Executive Director of Corporate Services and Melanie Maughan, Corporate Responsibility Manager with Shaun Gash from the 20/20 Challenge

## Diversity and inclusion

Our Diversity and Inclusion Strategy outlines our plans for diversity and inclusion from 2016-2019 and is supported by our equality objectives which explain how we are working towards achieving our vision. Progress against the Strategy, including our equality information, is monitored by the Diversity and Inclusion Committee, reported to the Board, and published annually on our website.



Phillippa Scrafton from Stonewall with Chief Executive Alistair McDonald and Jane Miller, Equality and Diversity Manager, at a Gender Identity awareness session for staff

Key achievements this year have included being awarded a ‘Silver Standard Employer’ Award from the Employers Network for Equality and Inclusion (enei) in recognition of the progress we have made in embedding diversity and inclusion. The NHSBSA was ranked 7th out of 44 comparison organisations, and we have now set ourselves a target of achieving ‘Gold Standard Employer’ status. We have also moved up Stonewall’s Workplace Equality Index by a further 11 places, to 113th out of 434 participating organisations, continuing our significant progress:

**Table 5: Stonewall Workplace Equality Index positions**

Year	Position
2014	310
2015	194
2016	152
2017	124
<b>2018</b>	<b>113</b>

Our Diversity and Inclusion Network helps us to develop an inclusive culture where colleagues feel comfortable to be themselves at work. In 2017/18, the Network delivered a programme of awareness raising campaigns and events on topics including; World Suicide Prevention Day, Black History Month, Interfaith Week, International Day of People with Disability, LGBT (Lesbian, Gay, Bisexual and Trans) History Month, and International Women’s Day. Religious celebrations covered included Ramadan, Eid, and Diwali. The Network also supports our

Community Investment Strategy, through fundraising, volunteering and community engagement to increase engagement on diversity. As well as fundraising for suicide prevention charity ‘If U Care Share’ and ‘Trans Aware’, the first registered charity in the North East specifically aimed at the needs of transgender and non-binary people, the Network ran the NHSBSA information stalls at Newcastle and Bolton Prides, and ‘Living Together’, a diverse community event in Newcastle.



Diversity and Inclusion Network activities for LGBT History Month



Nick O’Reilly, Chief Technology Officer, helping to run the NHSBSA stall at Newcastle Pride in July 2017 with Diversity and Inclusion Network members

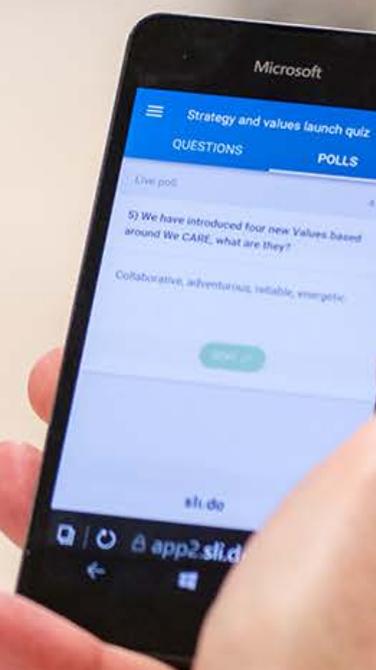
Other key areas of work this year included maintaining our accreditation as a Disability Confident Employer, continuing to provide placements to students with disabilities and learning disabilities through Project Choice, and launching a new policy and guidance for staff on gender transitioning and identity.

**Alistair McDonald**

Chief Executive  
 NHS Business Services Authority  
 19 June 2018

## 2.Accountability report

The accountability report summarises our corporate governance arrangements and contributes to our accountability to Parliament.



## 2.1 Corporate governance report

### 2.1.1 Directors' report

**Composition of Board, directorships and significant interests** - A list of executive and non-executive directors and a declaration of their interests is shown in Section 2.1.3 Annual Governance Statement Table 6. No company directorships or significant interests were held by the Board members which may conflict with their management responsibilities.

**Personal data related incidents** - The NHSBSA has not had any security incidents classified as Level 2 serious untoward incidents by the DHSC categorisation framework in 2017/18 and requiring formal reporting to the Information Commissioner's Office (ICO). A full summary of other personal data related incidents is included in Section 2.1.3 Annual Governance Statement Table 9.

**Communications, Engagement and Consultation** - We regularly communicate and engage with our people through a number of communications channels. Our weekly staff newsletter, The Loop, features stories about key business updates, staff achievements and charity events.

Our corporate intranet, The Hub, is a central information portal for all of our colleagues. It provides information and updates about all of our service areas along with updates from Board meetings, key diary dates and interactive discussion boards on a variety of topics. Our Chief Executive also writes a monthly blog, which has received positive feedback from staff.

We've launched a programme of ongoing communications and engagement to embed our new business strategy and values right through the organisation. Our strategic goals are reflected in our individual colleagues' key objectives as part of their ORO (Ongoing Review and Objectives) performance appraisal process. This process includes regular formal review meetings and more informal one-to-one meetings taking place throughout the year.

The engagement, motivation and satisfaction levels of our people are important and we measure these through our annual staff survey. The 2017/18 survey shows that the overall engagement score has remained steady at 78%. This is very encouraging, particularly as the organisation is going through extensive change and continues to operate in a financially challenging environment.

There are times when we want to informally consult with our people and test new ideas out. This is undertaken using a variety of methods including team meetings, subject specific workshops, online forums, etc.

Formal consultation with trade unions is undertaken at the National Joint Committee when broad matters of common interest are negotiated and discussed. Other committees and groups also meet to discuss specific issues, such as health and safety, diversity and inclusion, and community, environment and wellbeing.

## 2.1.2 Statement of Accounting Officer's responsibilities

The Principal Accounting Officer for the DHSC 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 comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis

- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclosed and explained any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation.

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

As Accounting Officer I can confirm that:

- as far as I am aware, there is no relevant audit information of which the NHSBSA's auditors are unaware
- I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSBSA's auditors are aware of that information
- the annual report and accounts as a whole is fair, balanced and understandable
- I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## 2.1.3 Annual Governance Statement

### Introduction

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

The Accounting Officer for the NHSBSA is Alistair McDonald, Chief Executive.

### Scope of responsibilities

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

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

### The purpose of the Governance Framework

The NHSBSA operates 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 DHSC and the wider NHS community. The NHSBSA takes its responsibilities seriously, striving to be a good corporate citizen. In aiming to embed this, the corporate governance framework is underpinned by the culture, values and behaviours adopted across the NHSBSA.

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

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

The governance framework and system of internal control have been in place for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

## NHSBSA Governance Framework

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

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

The Director of Corporate Services and Corporate Secretary is responsible for ensuring that all decisions made are legal and comply with the NHSBSA Corporate Governance Framework. The NHSBSA complies with the HM Treasury Corporate Governance Code where it applies to us.

## NHSBSA Board

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

- Audit and Risk Management Committee.
- Remuneration and Nominations Committee.

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

### Board membership and responsibilities

Membership of the Board during 2017/18 was made up of a non-executive Chair, five non-executive directors, Chief Executive and two executive directors, one of which was a finance director. A new Executive Director of Strategy, Business Development and Growth and new Executive Director of Finance and Commercial have been appointed and start their roles in April 2018. The key roles and responsibilities of the Board are:

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

The Board has met nine times up to the end of March 2018 and is responsible for approving the business plan and budget in advance of the financial year. Subsequent reporting is based on an exception principle ensuring that the Board focuses on key issues and utilises its time effectively.

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

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

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

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

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

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

Table 6 shows the number of meetings attended by Board members during the financial year and also highlights their declared business interests.

**Table 6: Board members (2017/18)**

Board member	Meetings attended	Register of interests
 <p><b>Non-executive Chair:</b> Silla Maizey</p>	7 of 9	Non-executive director, Network Rail Director and Company Secretary, Saffron Solutions Ltd Non-executive director, John Menzies plc. Non-executive director, Crown Commercial Service
 <p><b>Non-executive:</b> Debra Bailey</p>	7 of 9	Chief Information Officer, Nationwide Building Society (until 28 Feb 2018)
 <p><b>Non-executive, Chair of Remuneration and Nominations Committee, Senior Independent Director:</b> Mark Ellerby</p>	7 of 9	Non-executive director, Leeds Teaching Hospitals NHS Trust  Trustee, Dementia Forward
 <p><b>Non-executive, Chair of Audit and Risk Management Committee:</b> Andrew Flanagan</p>	7 of 9	Commissioner, Civil Service Commission Member of Advisory Board, NHS NELCSU Non-executive director, Criminal Injuries Compensation Authority Chair, Scottish Police Authority (until 30 Nov 2017)
 <p><b>Non-executive:</b> Tim Nolan</p>	7 of 9	Partner, LORW Ltd Management Consultancy  Director, LORW Investments Ltd

	<b>Non-executive (tenure started 15 Sep 2017):</b> Karen Seth	4 of 4	HR Director, Funeralcare, Life Planning and Legal Services, Co-op Trustee, Newcastle Law Centre
	<b>Chief Executive (from 8 May 2017), Director of Service Delivery (until 7 May 2017):</b> Alistair McDonald	8 of 9	Nothing declared
	<b>Director of Corporate Services and Corporate Secretary (from 1 Sep 2017):</b> Mark Dibble	5 of 5	Nothing declared
	<b>Director of Finance and Commercial (from 1 Sep 2017 until 31 Mar 2018), Director of Finance and Corporate Services (until 31 Aug 2017):</b> Patrick McGahon	8 of 9	Chairman, Carlisle College Interim Finance Director, NHS Counter Fraud Authority (from 1 Nov 2017 until 31 Jan 2018)
	<b>Director of Change and Commercial Delivery (role removed from Board following reorganisation 30 Aug 2017):</b> Steven Pink	4 of 4	Nothing declared
	<b>Chief Executive (retired 7 May 2017):</b> Nick Scholte	1 of 1	Nothing declared

## NHSBSA Board review of effectiveness

The NHSBSA Board is required to consider its own effectiveness on a regular basis. In 2015/16, the Board engaged an independent and experienced assessor to undertake the review. The process involved a series of discussions and one-to-one interviews. This in-depth review is scheduled to take place every three years, with an online review being completed in other years. The 2017/18 online review was completed in February 2018. Areas highlighted for consideration included further engagement between Board meetings, Board succession planning and a review of the standard format and information contained in some reports received by the Board. The recommendations were accepted by the Board and actions are being taken forward.

During 2017/18, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the NHSBSA has:

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

## Audit and Risk Management Committee

The Committee is chaired by a non-executive director and has met four times during 2017/18. 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. Andrew Flanagan provides this experience and also chairs the Committee.

There is also a requirement for regular attendance from the Director of Finance and Commercial and representatives from both internal and external audit. The Chief Executive and Accounting Officer also attends the meeting, including specifically to discuss the assurance processes which support the production of the Annual Report and Accounts. Other staff are invited to attend meetings as appropriate (Table 7).

Table 7: Audit and Risk Management Committee	Meetings attended
<b>Non-executive directors:</b>	
Andrew Flanagan (Chair of Committee)	4 of 4
Debra Bailey	3 of 4
Tim Nolan	4 of 4
Malcolm Green (co-opted member 1 Apr–31 Jul 2017)	3 of 3
<b>Executive directors:</b>	
Alistair McDonald (Chief Executive)	3 of 4
Mark Dibble (Director of Corporate Services and Corporate Secretary)	1 of 1
Patrick McGahon (Director of Finance and Commercial)	4 of 4

Note: Figures do not include the postponed March 2018 meeting, which was rearranged for 4 April 2018 due to extreme weather conditions.

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the NHSBSA's governance and assurance arrangements, including the governance framework, risk management, controls and related assurances. Updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An

annual report is submitted to the Board following the completion of the Annual Accounts process which summarises the work undertaken by the Committee during the previous year. In addition, the Committee receives an annual review of the NHSBSA Risk Management Framework. This was most recently undertaken in June 2017 and concluded that the framework was effective and fit-for-purpose.

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

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

These standing items are complimented by a series of risk-based presentations on 'Areas of Focus' providing an opportunity for members to seek more detailed assurance from senior leaders (see Assurance Arrangements).

### **Audit and Risk Management Committee review of effectiveness**

The Committee reviewed its effectiveness during February 2018 using an online survey. The questions were the same as those used in 2017 for comparison purposes. Overall, the results were positive and confirmed the effectiveness of the Committee. Some minor areas were highlighted for consideration including the continuation of the programme of training for Committee members which started in 2017/18.

## Remuneration and Nominations Committee

The Remuneration and Nominations 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 other executive directors attend these meetings on an 'as required' basis (Table 8).

Table 8: Remuneration and Nominations Committee	Meetings attended
<b>Non-executive directors:</b>	
Mark Ellerby (Chair of Committee)	6 of 6
Silla Maizey (Chair of Board)	6 of 6
Karen Seth (tenure started 15 Sep 2017)	3 of 3
<b>Executive directors (specific meetings/ items):</b>	
Alistair McDonald (Chief Executive, appointed 8 May 2017)	5 of 5

Note: Extra meetings took place during 2017/18 due to executive recruitment.

The key responsibilities of the Remuneration and Nominations Committee are to:

- determine the terms of service, remuneration and other benefits of the executive team and any other relevant employees, in accordance with the NHS Executive and Senior Managers Pay Framework and other relevant guidance issued by DHSC
- monitor systems to evaluate the performance of relevant employees
- oversee contractual arrangements for relevant employees
- nominate candidates for appointment as officer members of the Board
- monitor succession planning arrangements
- support the process operated by the DHSC for the appointment (or proposed re-appointment) of the Chair or non-executive members of the Board.

The Chair of the Committee provides updates to the Board following each meeting and confirmed minutes are shared at subsequent Board meetings. The Committee also reviews and approves the Remuneration Report of the Annual Report to ensure its accuracy.

## **Remuneration and Nominations Committee review of effectiveness**

The Committee reviewed its effectiveness during February 2018. The results demonstrated the effectiveness of the Committee in delivering its functions.

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

## **NHSBSA sponsorship arrangements**

The NHSBSA manages a complex range of business activities on behalf of the DHSC. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream.

A clear ongoing accountability framework is in operation, which includes formal reviews with Senior Sponsors. This is consolidated through a formal framework agreement between the NHSBSA and DHSC. 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.

## **NHSBSA management**

Other than those matters reserved for the Board, responsibility for the day-to-day management of the NHSBSA is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team as shown in Figure 4 on the next page.

Figure 4: NHSBSA Leadership Team



Note: Only the Chief Executive and Executive Directors are members of the Board. Andy McKinley and Allison Newell joined the Leadership Team after 31 March 2018.

## Key governance systems

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

- Risk management
- Assurance
- Managing information.

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

## Risk management

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

**Process** – The NHSBSA Risk Management Framework comprises:

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

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

- **Services / Corporate Teams** – Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Head of Service.
- **Project / Programme** – Risks are reviewed and managed by Project Managers as part of the project governance process. Significant risks and issues are escalated to the Programme Manager and Portfolio Board 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 collated versions of team and project risk registers, and a paper produced by the NHSBSA Risk Management Group. The Leadership Team is also free to identify further risks and issues at this meeting.
- **Audit and Risk Management Committee** – The Committee receives updates on the work undertaken in the area of risk and issue management. The Committee also receives a copy of the Corporate Risk Register, and 'Areas of Focus' presentations on specific risk / issue areas. This process enables the Committee to provide assurances to the Board that appropriate risk management processes are in place and risk mitigation is taking place.

## Significant risks and issues

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

### Significant risks and issues managed and closed in year

**Delivery of £1 billion savings target by March 2018** – Following engagement with key stakeholders including the DHSC, and recognising the broad system-wide challenges which have impacted on the initial delivery date, the savings target was re-set in mid-2017 to £750 million by March 2018, and £1 billion by March 2019. This is currently on target for successful delivery.

**England Infected Blood Support Scheme** – Throughout the transfer period of the service from the previous administrators to the NHSBSA, the Leadership Team monitored the risk of non-continuity of the service for users. The successful management of the transfer ensured this did not materialise.

**Attraction and retention of specialist capability** – Throughout 2017 specific capability issues have been identified across the organisation, particularly in key technology roles. Specific local plans have been put in place to address these needs, and this has reduced the risk at a corporate level, although specific challenges remain at an operational/ project level.

**IT Infrastructure and systems** – During 2017/18 a number of the critical software and hardware issues have been addressed. Where strategic issues remain, plans have been agreed to ensure appropriate action is taken. This has resulted in the risk being downgraded from a strategic risk, with mitigations being managed locally on a case-by-case basis.

## Current risks / issues

### IT Infrastructure and Sourcing (ITIS) Programme

The ITIS Programme, created to deliver the replacement of the current outsourced IT arrangements, has faced considerable challenges including unsuccessful procurement exercises, and will now not deliver in line with its original timescales of December 2018. Work has been undertaken to re-plan the delivery of the programme's objectives, and ensure ongoing delivery of the Authority's IT requirements.

### General Data Protection Regulation (GDPR)

The introduction of GDPR creates risks for any organisation handling relevant data, including the possibility of legal breaches and significant fines. The NHSBSA has set up a specific cross-organisation project to help deliver compliance with new requirements. Assurance of the activities being undertaken is being provided via a number of sources, including audit work by our internal audit service.

### Information security

Although the organisation has not suffered any major issues in this area, the volumes and sensitivity of data we hold means the Leadership Team and Board have purposefully continued to closely monitor the organisation's approach to information and cyber security. Ongoing benchmarking against best practice standards and ongoing scrutiny by our Audit and Risk Management Committee ensures the risk is managed as threats continue to evolve on a day-by-day basis. Improvements are also being made through our IT and digitisation programmes, and the implementation of a new Information Security Management System (ISMS).

### **NHS Supply Chain transition**

As described in section 1.1.4, NHS Supply Chain services will transfer to Supply Chain Coordination Limited (SCCL) over a 12 month period between 1 April 2018 and 31 March 2019. The Leadership Team and Board continue to closely monitor and support the work of SCCL. The driver is to ensure a smooth transition of NHS Supply Chain services is achieved, and any risks to service delivery and other operational objectives are managed.

### **Payment to NHS pensioners**

With current contractual arrangements to run the NHS Pensions service coming to an end, there is a risk of service disruption if the re-procurement and insourcing project does not transition as required. Currently, the project is on target, with an agreed approach with the DHSC.

### **Use of Electronic Prescription Service (EPS)**

As the EPS is a third party system outside of the NHSBSA's direct control, the organisation has continued to monitor ongoing successful delivery of the service, which in turn is helping the organisation improve its prescription service and reduce costs.

### **Assurance arrangements**

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

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

This model provides the basis upon which the NHSBSA leadership 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.

The Audit and Risk Management Committee review, at least annually, the process in place around assurance mapping. The Leadership Team members are responsible for ensuring their maps are up to date for their areas of responsibility.

The Audit and Risk Management Committee has continued a programme of 'Areas of Focus' exercises to assure itself on behalf of the Board regarding the robustness of controls. During 2017/18 exercises were carried out in the following areas:

- IT Infrastructure and Sourcing Programme (ITIS)
- IT Service Continuity
- Cyber Security
- General Data Protection Regulation (GDPR).

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

### **Third party assurance**

The NHSBSA provides services to the wider NHS including making dental, prescription and student bursary payments on behalf of Clinical Commissioning Groups, Area Teams and Welsh Audit Commission. To provide third party assurance over the controls in place for these payments the NHSBSA engage Government Internal Audit Agency (GIAA) to undertake an audit exercise in each area. This results in the production of ISAE3402 reports on the control, design and tests of operating effectiveness of the controls in place during the financial year, all of which have an unqualified opinion for 2017/18.

## Managing information

During 2017/18 the NHSBSA has maintained 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 2017/18 was an overall 'satisfactory' rating.

Over 600 security incidents were raised and closed in 2017/18, however there have not been any classified as serious (level 2) by the DHSC during the period. Using the DHSC categorisation framework, there were 10 incidents classed as minor (level 1), however, these are not required to be formally reported to the DHSC (Table 9).

**Table 9: Minor information incidents**

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	3
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	5
V	Other	1
	<b>Total number of incidents</b>	<b>10</b>

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 Executive Director of Corporate Services who holds the position of Senior Information

Risk Owner (SIRO). In attendance at that meeting is the Caldicott Guardian the position of which is held by the Chief Insight Officer who ensures that any patient identifiable information is held and used properly. The remit of the SIRO is to take ownership of the NHSBSA's information risk policy, act as advocate for information risk to the Board and provide written advice to the Accounting Officer on the content of the Annual Governance Statement with regard to information risk.

## Data protection and freedom of information

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

During 2017/18 we have dealt with 226 DPA requests. All but 13 were responded to within the required timeframe.

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

During 2017/18 we have dealt with 462 FOI requests. All but 11 were responded to within the required timeframe. The requests that missed the deadline were mostly due to business areas not correctly identifying the communication as a DPA or FOI request. The Information Governance Team is working with these business areas to make improvements.

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 for 2017/18 no charges were made for access to information under the Freedom of Information Act 2000, but that a £10 fee per request was charged for Subject Access Requests made under the provisions of the Data Protection Act 1998.

## Whistleblowing

The NHSBSA has appropriate, effective whistleblowing arrangements in place i.e. policy and procedure. The overall effectiveness of these arrangements is reviewed by the Audit and Risk Management Committee on an annual basis. This includes having an identified non-executive director with specific accountability for these arrangements. This role is held by Tim Nolan.

## Health inequalities

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

## Handling complaints

At the NHSBSA we pride ourselves on the level of service that we provide to our customers and other service users. We aim to resolve all complaints fairly and promptly in accordance with our defined policy.

During 2017/18 we have maintained our approach to handling complaints, learning lessons about our services, putting things right when things have gone wrong and apologising when we have let anyone down.

The total number of formal complaints resolved during 2017/18 was 723 of which 89 (12.3%) were found to be justified. This compares to a total of 607 in 2016/17 of which 73 (12.0%) were found to be justified.

The NHSBSA delivered a planned increase in exemption eligibility checks during the past year and issued more penalty charge notices where no valid exemption record could be found. As anticipated this activity triggered an increase in customer complaints. NHS England have set an expectation that the NHSBSA should continue to increase the volume of checks we carry out during 2018/19 and we therefore anticipate this activity will drive a higher volume of complaints.

Details of formal complaints relating to the NHS Pension Scheme are available in the NHS Pension Scheme Annual Accounts – at [www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts](http://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts).

## Sources of assurance

### Audit and Risk Management Committee

One of the key sources of assurance provision for the NHSBSA's Board is from the Audit and Risk Management Committee, whose 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:

- Risk Management updates – setting out and assessing the major risks and issues that we face, aligned with key areas of focus set out in the Business Plan and Strategy. These

reports detail the movements in risks and issues between reporting periods and identify emerging risks and issues, the actions which have been taken or are planned to mitigate them, estimated post-mitigation risk and the target date.

- Annual Risk Management report – outlining how our risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened.
- Assurance Map review – annual review of the assurance mapping arrangements in place across the business.
- Areas of Focus presentations – focusing on high-risk areas, or other topics highlighted, for example, through internal audits, assurance maps, etc.
- Internal Audit progress report – regular progress reports on the work undertaken by Internal Audit against the agreed plan.
- External Audit reports – regular progress reports on the work undertaken by External Audit.
- Internal / External Audit recommendations tracker – updates on progress made across the NHSBSA implementing audit recommendations.
- Fraud / Local Security Management annual reports – reports detailing the work undertaken during the year mapped against the agreed work plans.
- Whistleblowing update report – updates on whistleblowing activity across the business each year.

- Third Party Assurance reports – the outcome of the third party assurance engagements undertaken by GIAA to review the control environment covering prescription, dental and student bursary payments. The outcome of these engagements is shared with clients, as appropriate, to provide third party assurance for the payments we make on their behalf.

### Other sources of assurance

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

- Risk Management Process – see Risk Management section.
- Enhanced Performance Management Framework – reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance.
- Information Governance and Security Group (IGSG) – all information risks are reviewed by the IGSG on a regular basis. The group is also responsible for ensuring that the NHSBSA complies with information governance and security best practice and performs a self-assessment against a nationally developed IG Toolkit.
- Diversity and Inclusion Committee – controls are in place to ensure that all of our obligations under equality, diversity and human rights legislation are adhered to. The Diversity and Inclusion Committee, which is chaired by the Chief Executive, monitors performance against our Diversity and Inclusion Strategy and achievement of our equality objectives.
- Statutory Function Discharge Review – a full review is undertaken at least annually to ensure correct arrangements are in place, and legally compliant. The process would identify any irregularities, and is in line with the recommendations of the Harris Review.
- NHS Pension Scheme – as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- National Joint Health and Safety Committee – controls are in place to ensure that we comply with relevant health and safety law and good practice. The National Joint Health and Safety Committee, which is chaired by the Executive Director of Corporate Services, monitors performance against our Health and Safety Strategy and Action Plan.
- Community, Environment and Wellbeing (CEW) Committee – our strategies and action plans in relation to community, environment and wellbeing are monitored by the CEW Committee, which is chaired by the Executive Director of Corporate Services. The NHSBSA must also deliver against the Greening Government Commitments, requiring regular performance updates provided to the DHSC, and subsequently central government.

## Accounting Officer's review of effectiveness

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

The Head of Internal Audit's opinion was that, based on the work completed to date, there is moderate assurance given to the Accounting Officer that the NHSBSA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2017/18.

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

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

The Audit and Risk Management Committee receives the annual work plan and annual report of the Fraud Specialists and provides updates to the Board as appropriate.

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

## Significant governance issues

There were no significant issues raised during 2017/18.

## Conclusion

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

## 2.2 Remuneration and staff report

### 2.2.1 Remuneration report

Following a review of the Board effectiveness in 2015/16 it was agreed that the Board should more proactively consider the functions of a nominations committee. It was therefore decided to incorporate those functions in to the existing Remuneration Committee and amend its Terms of Reference accordingly. The Remuneration Committee was therefore renamed the Remuneration and Nominations Committee.

The remuneration of the NHSBSA executive directors is set by the Remuneration and Nominations Committee on behalf of the NHSBSA Board, subject to approval by the DHSC. The Committee is chaired by a non-executive director. The NHSBSA Chair also attends.

This report for the year ended 31 March 2018 is produced by the Board. The Remuneration and Nominations Committee met on six occasions during the period 1 April 2017 to 31 March 2018.

The Remuneration and Nominations Committee operates within a framework laid down by the DHSC, and taking into account the recommendations of the Senior Salaries Review Body. Its remit is to determine, on behalf of the NHSBSA, the Terms of Service, remuneration and other benefits of the Chief Executive, executive directors and such other posts that are specifically designated by the Board to be within their purview, with the intention that relevant employees are fairly rewarded for their individual contributions to the organisation. This includes

setting the terms for the recruitment of any new executive directors within the DHSC 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 further progress in ensuring that adequate arrangements are in place for our executive directors.

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

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

With the approval of the DHSC Remuneration Committee, we operate the NHS Executive and Senior Managers (ESM) pay framework.

Following the publication of the Senior Salaries Review Body (SSRB) report on senior salaries for 2017 and the government's response, the DHSC decided a 1% consolidated pay award for 2017/18 for those executive and senior managers who were not paid more than the operational

maximum. The Committee recommended the pay award to the Chief Executive who declined to accept. Therefore no pay awards for 2017 were paid to Executive and Senior Managers within the NHSBSA.

## **Appointments**

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

## **Emoluments of Board members**

The remuneration of all directors in post during 2017/18 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives.

## Non-executive directors

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

Subject to audit

Table 10: Non-executive director remuneration														
Name and title	2017/18						2016/17						Date of appointment/re-appointment	Appointment ends
	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL <sup>4</sup> (bands of £5,000)			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000			
<b>S Maizey</b> Chair	60-65	7.6	0	0	0	70-75	4.4	0	0	0	65-70	9 Sep 2013 9 Sep 2017	8 Sep 2017 8 Sep 2020	
<b>M Ellerby</b> Non-executive director, Senior Independent Director and Chair of Remuneration and Nominations Committee	5-10	1.8	0	0	5-10	1.8	0	0	0	0	5-10	1 Apr 2014 1 Apr 2017 1 Apr 2018	31 Mar 2017 31 Mar 2018 31 Mar 2021	
<b>A Flanagan</b> Non-executive director and Chair of Audit and Risk Management Committee	10-15	3.8	0	0	15-20	4.1	0	0	0	0	15-20	1 Apr 2014 1 Apr 2017	31 Mar 2017 31 Mar 2020	
<b>K Seth</b> Non-executive director	0-5 <sup>1</sup>	0	0	0	0-5	-	-	-	-	-	-	15 Sep 2017	14 Sep 2020	

<b>D Bailey</b> Non-executive director	0 <sup>2</sup>	4.2	0	0	0	0	0	1.3	0	0	0	0-5	1 Jun 2016	31 May 2019
<b>T Nolan</b> Non-executive director	5-10	3.8	0	0	0	0	0	-	-	-	-	-	1 Apr 2017	31 Mar 2020
<b>M Green</b> Non-executive director (until 31 Mar 2017) Co-opted member of audit committee (until 31 Jul 2017)	0-5	2.5	-	-	-	-	-	4.7	0	0	0	10-15	1 April 2014	31 Mar 2017

<sup>1</sup> part year (full year equivalent: £5-10k) / <sup>2</sup> does not draw a salary

## Senior manager remuneration

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

Subject to audit

Table 11: Senior manager remuneration																
Name and title	2017/18							2016/17							Date of appointment/re-appointment	Appointment ends
	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)				
	£000	£000 <sup>1</sup>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000				
<b>N Scholte</b> Chief Executive (until 7 May 2017)	15-20 <sup>2</sup>	0.9	0	0	2.5-5	20-25	155-160	9.6	0	0	32.5-35	195-200	1 Feb 2006	7 May 2017		
<b>A McDonald</b> Chief Executive (from 8 May 2017) Director of Service Delivery (until 7 May 2017)	155-160 <sup>3</sup>	5.0	0	0	382.5-385 <sup>4</sup>	545-550	115-120	5.0	0	0	0	120-125	1 May 2006	Permanent contract (6 months' notice)		
<b>M Dibble</b> Director of Corporate Services and Corporate Secretary (from 1 Sep 2017)	60-65 <sup>5</sup>	2.9	0	0	27.5-30	90-95	-	-	-	-	-	-	1 Sep 2017	Permanent contract (6 months' notice)		

<b>P McGahon</b> Director of Finance and Commercial (from 1 Sep until 31 Mar 2018) Director of Finance and Corporate Services (until 31 Aug 2017)	115-120	5.0	0	0	17.5-20	140-145	115-120	5.0	0	0	35-37.5	160-165	5 Aug 2013	31 Mar 2018
<b>S Pink</b> Director of Change and Commercial Delivery (until 31 Oct 2017)	155-160 <sup>6</sup>	2.9	0	0	37.5-40	195-200	130-135	5.3	0	0	35-37.5	170-175	30 Apr 2012	31 Oct 2017

<sup>1</sup> all taxable expense payments relate to the provision of a lease car or transport allowance / <sup>2</sup> part year (full year equivalent: £155-160k) / <sup>3</sup> part year (full year equivalent: £160-165k) / <sup>4</sup> increase due to the impact on pension entitlement (in 1995 Scheme) arising from the salary increase on taking on the role of Chief Executive along with 37 years' service / <sup>5</sup> part year (full year equivalent: £100-105k) / <sup>6</sup> part year (full year equivalent: £130-135k), includes four months' pay in lieu of notice of £46k and redundancy of £33k

## Fair pay disclosure

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, often referred to as the 'fair pay disclosure' (Table 12).

The banded remuneration of the highest paid director in the NHSBSA in the financial year 2017/18 was £160,000 - £165,000 (2016/17: £160,000 - £165,000). This was 8.9 times (2016/17: 9.0) the median remuneration of

the workforce, which was £18,157 (2016/17: £17,978). The range of staff remuneration was £15,000-£20,000 to £160,000-£165,000.

In 2017/18 no employees received remuneration in excess of the highest paid director. This was also the case in 2016/17.

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

*Subject to audit*

<b>Table 12: Fair pay disclosure</b>	<b>2017/18</b>	<b>2016/17</b>
Band of highest paid director's total remuneration (£000)	160-165	160-165
Median total (£)	18,157	17,978
Remuneration ratio	8.9	9.0

## Pension benefits

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

*Subject to audit*

Table 13: Pension benefits of senior managers							
Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2018 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2018 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2018	Cash Equivalent Transfer Value at 31 March 2017	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
<b>N Scholte</b> Chief Executive (until 7 May 2017)	0-2.5	0-2.5	65-70	200-205	- <sup>1</sup>	1,479	-
<b>A McDonald</b> Chief Executive (from 8 May 2017) Director of Service Delivery (until 7 May 2017)	17.5-20	52.5-55 <sup>2</sup>	70-75	210-215	1,524	1,105	388 <sup>2</sup>
<b>M Dibble</b> Director of Corporate Services and Corporate Secretary (from 1 Sep 2017)	0-2.5	0-2.5	30-35	75-80	534	475	23
<b>P McGahon</b> Director of Finance and Commercial (from 1 Sep until 31 Mar 2018) Director of Finance and Corporate Services (until 31 Aug 2017)	0-2.5	0	45-50	115-120	841	771	45
<b>S Pink</b> Director of Change and Commercial Delivery (until 31 Oct 2017)	2.5-5	0 <sup>3</sup>	20-25	0 <sup>3</sup>	299	254	31

<sup>1</sup> no CETV as now in receipt of pension / <sup>2</sup> increase due to the impact on pension entitlement (in 1995 scheme) arising from the salary increase on taking on the role of Chief Executive along with 37 years' service / <sup>3</sup> no lump sum is disclosed for S Pink as he is a member of the 2008 Section of the NHS Pension Scheme where there is no set minimum lump sum.

There are no entries in respect of pensions for non executive directors as they don't receive pensionable remuneration.

## 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.

## 2.2.2 Staff report

### Staff numbers and costs

Table 14 gives details of staff numbers and costs.

*Subject to audit*

<b>Table 14: Staff numbers and related costs - Executive members and staff costs</b>				
	<b>Total 2017/18 £000</b>	<b>Permanently employed £000</b>	<b>Other £000</b>	<b>Total 2016/17 £000</b>
Salaries and wages	69,231	63,060	6,171	67,086
Social security costs	5,636	5,636	0	5,459
Employer contributions to NHS Pensions	7,267	7,267	0	7,099
Other pensions costs	536	536	0	498
Termination costs	6,135	6,135	0	3,395
Apprenticeship levy	343	343	0	0
<b>Total</b>	<b>89,148</b>	<b>82,977</b>	<b>6,171</b>	<b>83,537</b>
Capitalised staff costs	(1,559)	-	-	(1,230)
	87,589	-	-	82,307

The average number of persons employed during the year was:

*Subject to audit*

<b>Table 15: Average numbers of persons employed</b>			
<b>Total</b>	<b>Permanently employed</b>	<b>Other</b>	<b>2016/17</b>
2,635	2,557	78	2,587

The whole time equivalent number of staff whose cost was capitalised was 25 (2016/17: 20)

### Gender balance

Table 16 below provides details of the number of staff and gender at director, senior manager and other staff level.

During 2017/18 the NHSBSA published its first Gender Pay Gap Report. This provides legally required data and our action plan.

<b>Table 16: Employee data (based on head count, not full-time equivalent)</b>			
	<b>Female</b>	<b>Male</b>	<b>Total (31 March 2018)</b>
Directors	1	8	9
Senior managers (band 8c and above)	14	33	47
<b>Total employees</b>	<b>1,654</b>	<b>1,083</b>	<b>2,737</b>

## Employee sickness

We have an absence management policy covering the whole organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme.

All figures calculated by Full Time Equivalent (FTE)

Table 17: NHS sickness absence figures				
Figures converted by DHSC to best estimates of required data items			Statistics published by NHS Digital from ESR data warehouse	
Average FTE 2017	Adjusted FTE days lost to Cabinet Office definitions	Average sick days per FTE	FTE days available	FTE days recorded sickness absence
2,875	19,220	6.7	1,049,268	31,179

Source: NHS Digital - Sickness Absence and Publication - based on data from the ESR Data Warehouse. Period covered: January to December 2017

### NHS sickness absence figures notes:

Data items: The NHS Electronic Staff Record (ESR) does not hold details of normal number of days worked by each employee. Data on days available and days recorded sick are based on a 365 day year.

The number of FTE days available has been taken directly from ESR. This has been converted to average FTE 2017 in the first column by dividing by 365.

The number of FTE days lost to sickness absence has been taken directly from ESR. The adjusted FTE days lost has been calculated by multiplying by 225/365 to give the Cabinet Office measure.

Average annual sick days per FTE has been estimated by dividing the estimated number of FTE days sick by the average FTE.

## Supporting disabled people

Work has continued to support our aim to employ a workforce which is representative of the diverse population we serve. We have recently been assessed and accredited for the next two years as a Level 2 - Disability Confident Employer organisation under the government's Disability Confident Scheme, which replaced the Disability Equality 'Two Ticks' Scheme we were previously accredited under.

Our commitment to job applicants and staff with a disability includes providing a Guaranteed Interview Scheme for job applicants with a disability and making adjustments to our recruitment process. We have expanded our support of Project Choice, offering work experience placements for young people with learning disabilities and difficulties. We have support measures in place through relevant policies and our Occupational Health Service and Employee Assistance Programme to ensure we can continue to employ staff who become disabled. Through our appraisal procedure and by monitoring our recruitment and promotion statistics, we ensure that there are no barriers to the training, career development and promotion of employees with disabilities.

## Supporting and engaging with our people

We support and invest in our people in a range of ways:

- Diversity and Inclusion – We are committed to equality, diversity and inclusion. Our Diversity and Inclusion Committee oversees the delivery of our Diversity and Inclusion Strategy and we publish details of our progress on our website: [www.nhsbsa.nhs.uk/our-policies/diversity-and-inclusion](http://www.nhsbsa.nhs.uk/our-policies/diversity-and-inclusion)
- Consultation and Trade Unions – We are committed to working in partnership and have a structure in place which supports this. Joint Consultation Committees operate locally at divisional or directorate level and an overarching National Joint Committee meets quarterly.
- Health and Safety – We have a dedicated Safety, Health and Environment (SHE) Team, management system and we consult with our people through our National Joint Health and Safety Committee. Our Health and Safety Strategy and Annual Report are published on our website at: [www.nhsbsa.nhs.uk/what-we-do/corporate-responsibility](http://www.nhsbsa.nhs.uk/what-we-do/corporate-responsibility)
- Staff development - We are committed to maximising the performance and potential of all of our people and we ensure development opportunities are open and accessible to all. We have recently reviewed and refined our appraisal process, which places greater emphasis on identifying and growing our talent. We have continued to integrate our core capabilities into people processes, starting with job descriptions. Our approach to engagement creates an environment in which everyone can thrive and operate at their best.

## Expenditure on consultancy and temporary staff

The total consultancy expenditure incurred on the provision of operating services was £0 (2016/17 – £0). The total contingent labour expenditure incurred on the provision of operating services was £3.7 million (2016/17 – £3.6 million).

## Off-payroll engagements

Table 18 below summarises our off-payroll appointments.

<b>Table 18: Off-payroll appointments</b>	
<b>Number of existing engagements for more than £220 per day and that last longer than six months as of 31 March 2018</b>	<b>39</b>
	Of which...
Number that have existed for less than one year at time of reporting	18
Number that have existed for between one and two years at time of reporting	16
Number that have existed for between two and three years at time of reporting	5
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0
<b>Number of new engagements, or those that reach six months in duration, for more than £245 per day and will last longer than six months between 1 April 2016 and 31 March 2018</b>	<b>33</b>
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	33
	Of which...
Number assessed as caught by IR35	14
Number assessed as not caught by IR35	19
Number engaged directly (via PSC contracted to Authority) and are on the Authority payroll	0
Number of engagement reassessed for consistency / assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0
<b>Number of engagements of board members and / or senior officials with significant financial responsibility during the financial year</b>	<b>0</b>
<b>Total number of individuals that have been deemed 'board members and / or senior officials with significant financial responsibility' during the financial year. This figure includes both off-payroll and on-payroll engagements.</b>	<b>11</b>

All of the appointments have been subject to a risk based assessment regarding the payment of correct tax.

## Exit packages

These tables report the number and value of exit packages agreed in the year. The expense associated with these departures may have been recognised in part or in full in a previous period. The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

*Subject to audit*

<b>Table 19: Staff numbers and related costs – Exit costs</b>						
2017/18	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Cost of compulsory redundancies £000	Cost of other departures agreed £000	Total cost of exit packages £000
<£10,000	1	2	3	7	6	13
£10,000-£25,000	2	4	6	37	66	103
£25,000-£50,000	2	11	13	69	427	497
£50,000-£100,000	10	2	12	731	143	874
£100,000-£150,000	2	0	2	233	0	233
£150,000-£200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type	17	19	36	1077	643	1,720

There were no special payments made during the year.

*Subject to audit*

<b>Table 19a: Other departures excluding compulsory redundancy</b>		
2017/18	Number of agreements	Total value of agreements £000
Voluntary redundancies incl. early retirement	19	618
Mutually agreed resignations	0	0
Early retirements in the efficiency of services	0	0
Contractual payments in lieu of notice	4	25
Exit payments	0	0
Non-contractual payments	0	0
<b>Total</b>	<b>23</b>	<b>643</b>

Table 20: Staff numbers and related costs – Exit costs						
2016/17	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Cost of compulsory redundancies £000	Cost of other departures agreed £000	Total cost of exit packages £000
<£10,000	22	0	22	79	0	79
£10,000-£25,000	9	1	10	164	13	177
£25,000-£50,000	20	2	22	798	84	882
£50,000-£100,000	20	2	22	1,381	126	1,507
£100,000-£150,000	6	0	6	726	0	726
£150,000-£200,000	3	0	3	507	0	507
>£200,000	0	0	0	0	0	0
Total number of exit packages by type	80	5	85	3,655	224	3,879

There were no special payments made during the year.

Subject to audit

Table 20a: Other departures excluding compulsory redundancy		
2016/17	Number of agreements	Total value of agreements £000
Voluntary redundancies incl. early retirement	5	224
Mutually agreed resignations	0	0
Early retirements in the efficiency of services	0	0
Contractual payments in lieu of notice	0	0
Exit payments	0	0
Non-contractual payments	0	0
<b>Total</b>	<b>5</b>	<b>224</b>

## 2.2.3 Trade union facility time

The following information relates to the requirements of the Trade Union (Facility Time Publication Requirements) Regulations 2017.

**Table 21: Relevant union officials**

Number of employees who were relevant union officials during 2017/18	Full-time equivalent employee number
24	23.21

**Table 22: Percentage of time spent on facility time during 2017/18**

Percentage of time	Number of employees
0%	0
1-50%	24
51%-99%	0
100%	0

**Table 23: Percentage of pay bill spent on facility time during 2017/18**

Total cost of facility time	£47,247.18
Total pay bill	£76,497,833.70
Percentage of the total pay bill spent on facility time	0.06%

**Table 24: Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:	
Hours on paid time	934.01
Total paid facility time hours	2852.92
(Total hours spent on paid trade union activities ÷ total paid facility time hours) x 100	32.74%

## 2.3 Parliamentary, accountability and audit report

### 2.3.1 Regularity of expenditure

Details of losses and special payments are included in Table 25 below. The value of the losses and special payments increased between 2016/17 and 2017/18 although the number of cases decreased. This was due to the write-off of some high value debts and the awarding of two high value pension compensation payments by the Ombudsman.

*Subject to audit*

Losses	2017/18		2016/17	
	No. of cases	£000	No. of cases	£000
'Cash' losses	0	0	0	0
Stores losses	70	740	63	560
Fruitless payments	0	0	0	0
Claims waived or abandoned	315	504	470	220
<b>Losses total</b>	<b>385</b>	<b>1,244</b>	<b>533</b>	<b>780</b>
<b>Special payments</b>	<b>97</b>	<b>157</b>	<b>228</b>	<b>84</b>

### 2.3.2 Fees and charges

The NHSBSA does not have any income from fees and charges. *(Subject to audit)*.

### 2.3.3 Remote contingent liabilities

The NHSBSA does not have any remote contingent liabilities. *(Subject to audit)*.

### 2.3.4 Long term expenditure trends

The NHSBSA operates a programme of schemes as determined by the DHSC with funding allocated based on the portfolio of work they are expected to deliver in a particular financial year. As such, long term expenditure trends are not applicable as the NHSBSA has no control over the projects they deliver in a given year.

### 2.3.5 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.

### 2.3.6 External auditors

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

#### **Alistair McDonald**

Chief Executive  
NHS Business Services Authority  
19 June 2018

# Appendix 1

## Sustainability report



**Table 1: Greenhouse gas emissions**

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
<b>Non-financial Indicators (t CO<sub>2</sub>e)*</b>									
Gross emissions Scope 1** (direct)	1.6k	1.2k	0.9k	1.1k	0.5k	0.6k	0.4k	0.5k	0.3k
Gross emissions Scope 2*** (indirect)	4.4k	4.0k	3.8k	3.9k	2.6k	2.5k	2.4k	2.2k	1.7k
Gross emissions Scope 3**** (indirect – business travel)	0.6k	0.6k	0.5k	0.6k	0.6k	0.5k	0.5k	0.4k	0.3k
<b>TOTAL</b>	<b>6.6k</b>	<b>5.8k</b>	<b>5.2k</b>	<b>5.6k</b>	<b>3.7k</b>	<b>3.6k</b>	<b>3.4k</b>	<b>3.1k</b>	<b>2.3k</b>
Building CO <sub>2</sub> e per FTE	2.10	2.14	2.08	1.97	1.17	1.04	0.98	0.92	0.86
Business travel CO <sub>2</sub> e per FTE	0.12	0.13	0.13	0.14	0.09	0.13	0.12	0.11	0.11
<b>Related energy consumption (kWh)</b>									
Gas	8.2m	5.9m	4.5m	5.4m	2.5m	2.1m	1.8m	1.8m	1.7m
Electricity: Grid	10.6m	9.8m	9.2m	8.1m	5.9m	5.5m	5.2m	5.3m	5.0m
Gas Oil	N/A	N/A	N/A	0.2m	N/A	N/A	N/A	N/A	N/A
<b>Self-generated energy (kWh)</b>									
PV	N/A	N/A	N/A	65k	65k	35k	31k	48k	53k
<b>Financial indicators*****</b>									
Expenditure on energy	£1.2m	£1.1m	£1.1m	£1.0m	£0.8m	£0.7m	£0.7m	£0.7m	£0.7m
Expenditure on carbon reduction commitment	N/A	<£2k	<£2k	£66k	£63k	£46k	£3k	£44k	£41k
Expenditure on official business travel	£1.1m	£1.1m	£1.0m	£1.1m	£1.3m	£1.0m	£0.9m	£0.9m	£1.2m
<b>TOTAL</b>	<b>£2.3m</b>	<b>£2.2m</b>	<b>£2.1m</b>	<b>£2.1m</b>	<b>£2.2m</b>	<b>£1.8m</b>	<b>£1.6m</b>	<b>£1.6m</b>	<b>£2.0m</b>

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, are available on request. Greening Government carbon conversion factors have been used.

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

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

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

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

## **Performance commentary including measures**

We have seen a reduction in scope 1 and scope 2 emissions in relation to improvements to our building management systems and investment in energy efficient building schemes.

Scope 3 emissions relating to business travel have reduced as we continue to improve our technology infrastructure e.g. video conferencing and collaborative IT systems.

## **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, customers, clients and sponsors spread around the UK.

## **Overview of influenced impacts**

Our key influential impacts are related to our supply chain.

**Table 2: Waste**

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
<b>Non-financial Indicators (tonnes)*</b>									
Landfilled	492	459	254	154	183	182	182	89	62
Recycled / reused / composted (non-prescription / dental form waste)**	592	457	299	499	208	199	177	207	183
ICT waste recycled externally	2	0	16	36	2	3	0	15	15
Recycled / reused / composted (prescription / dental form waste)***	200	586	114	350	175	137	125	1009	798
Recycled / reused / composted (prescriptions stored offsite by third party)***	575	575	575	575	200	599	596	0	0
Incinerated / energy from waste	26	23	50	17	98	87	75	88	103
<b>TOTAL</b>	<b>1887</b>	<b>2100</b>	<b>1308</b>	<b>1631</b>	<b>866</b>	<b>1207</b>	<b>1155</b>	<b>1408</b>	<b>1161</b>
Office waste per FTE	0.48	0.41	0.30	0.34	0.21	0.19	0.18	0.16	0.13
<b>Financial Indicators ****</b>									
Landfilled	-	-	-	£26.7k	£5.0k	£3.1k	£3.1k	£4.7k	£4.7k
Recycled / reused / composted (non-prescription / dental form waste)	-	-	-	£31.0k	£18.5k	£18.7k	£16.2k	£24.1k	£24.1k
Recycled / reused / composted (prescription / dental form waste)***	-	-	-	-	£31.6k	£29.0k	£22.5k	£8.3k	£0k
ICT waste recycled externally	-	-	-	-	0	0	0	0	0
Incinerated / energy from waste	-	-	-	£2.6k	£14.3k	£15.1k	£14.0k	£14.9k	£14.9k
<b>TOTAL</b>	<b>£36k</b>	<b>£36k</b>	<b>£39k</b>	<b>£60k</b>	<b>£69k</b>	<b>£66k</b>	<b>£56k</b>	<b>£52k</b>	<b>£44k</b>

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

\*\* Recycled / reused / composted (non-prescription / dental form waste): approx. 1% has been estimated due to a short period of contract transition for confidential waste recycling during 2016/17.

\*\*\* Recycled prescriptions: this data has been updated to include prescription waste previously recycled as part of a third party management contract. This was not previously reported as the NHSBSA did not directly contract the waste recycling service. This waste stream is no longer managed by a third party and all prescriptions are now collected directly from the NHSBSA. Data has been updated for previous years to allow a consistent comparison. We have used estimates between 2009/10 and 2013/14 as data was not available. Costs for this third party service were for storage and records management and a specific value for recycling was not made available. In 2017/18, there were no costs for prescription wastes collected from our warehouse as a rebate system is now in place. Waste costs have been estimated for 2017/18 as these were not made available by the third party contractor.

\*\*\*\* 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. ICT waste costs are included within managed service contract costs so have not been included here.

Financial figures for 2013/14 and 2015/16 for waste disposal have been updated to account for double reporting within landfill costs.

## Performance commentary including measures

A significant reduction in prescription waste has been noted in comparison to the large volume of prescriptions disposed of in 2016/17 due to a policy change.

## Controllable impacts commentary

Our key controllable impact is the production of office waste. Our strategy to digitise our services and move away from paper-based processes supports ongoing reduction in office waste produced.

## 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. We are also working with our suppliers to reduce waste in our supply chain.

**Table 3: Finite resource consumption**

	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18
<b>Non-financial Indicators (m<sup>3</sup>)*</b>									
Water from office estate	25.0k	23.0k	23.4k	20.4k	19.1k	17.4k	18.0k	18.3k	19.7k
Water from non-office estate	0.01k	0.2k	0.3k	0.1k	0.2k	0.2k	0.2k	0.2k	0.2k
<b>TOTAL</b>	<b>25.0k</b>	<b>23.2k</b>	<b>23.7k</b>	<b>20.5k</b>	<b>19.3k</b>	<b>17.6k</b>	<b>18.2k</b>	<b>18.5k</b>	<b>19.9k</b>
Water - m <sup>3</sup> per FTE (office estate)	9.39	11.07	11.96	11.97	10.80	10.27	10.65	9.79	9.69
Paper - reams of A4**	43k	43k	32k	25k	24k	26k	26k	28k	27k
Paper - reams per FTE	18	19	15	12	10	11	11	11	10
<b>Financial Indicators ***</b>									
Mains water supply and treatment	£93.3k	£96.7k	£83.7k	£90.2k	£74.0k	£86.2k	£75.1k	£88.7k	£89.5k

\* water (m<sup>3</sup>): 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. Data for Q4 2017/18 has been estimated due to an issue with the report provided by the third party supplier.

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

### Performance commentary including measures

We have significantly reduced our water consumption since 2009/10. Increased operating hours at one of our major sites, as a result of increasing our service portfolio, has impacted our absolute water use figure in 2017/18 however it is encouraging to note that water use per FTE continues to fall. Our Property and Facilities Management team are continuing to monitor usage site-by-site, and look at operational improvements where appropriate.

### Controllable impacts commentary

Our key controllable impact is water use in our buildings. We continue to monitor office paper and our strategy to digitise our services should deliver further reductions.

### Overview of influenced impacts

Our key influential impacts are related to our supply chain. We are also working with our suppliers to reduce resource consumption in our supply chain.

# Certificate and report of the Comptroller and Auditor General



Code	Product	Price	2014	2015	2016
T0001	RICE	120	1200	1520	1410
T0002	PORK	100	800	750	850
T0003	CORN	85	850	900	700
T0004	PEANUT	150	300	800	900
T0005	CHICKEN	100	2000	2500	2000
T0006	COCONUT	150	800	730	900
T0007	MANGO	70	700	840	770



## The Certificate And Report Of The Comptroller And Auditor General To The Houses Of Parliament

### Opinion on financial statements

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2018 and of net expenditure 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 regularity

In my opinion, in all material respects the income and expenditure 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.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the NHS Business Services Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our

other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the NHS Business Services Authority's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NHS Business Services Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the [income and expenditure/receipts and payments] reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Health Services Act 2006;
- in the light of the knowledge and understanding of the NHS Business Services Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability 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 parts of the Accountability 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: 27 June 2018  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# Financial statements and notes to the accounts



Account of NHS Business Services Authority 2017-18

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2018**

	Notes	<b>2017-18</b> <b>£000</b>	2016-17 Restated* £000
Income from sale of goods and services	2.2	<b>1,748,256</b>	1,623,937
Other operating income	3.1	<b>141,774</b>	107,963
<b>Total operating income</b>		<b>1,890,030</b>	1,731,900
Staff Costs	3.4	<b>87,589</b>	82,307
Purchase of goods and services	2.2	<b>1,570,785</b>	1,444,230
Other operating expenditure	3.2	<b>320,933</b>	324,671
<b>Total operating expenditure</b>		<b>1,979,307</b>	1,851,208
<b>Net operating expenditure</b>		<b>89,277</b>	119,308
Net (gain)/loss on transfers by absorption	3.5	<b>2,684</b>	0
<b>Total Net Expenditure</b>		<b>91,961</b>	119,308
<b>Other Comprehensive Net Expenditure</b>		<b>0</b>	0
<b>Total comprehensive net expenditure for the year</b>		<b>91,961</b>	119,308

\* Other comprehensive net expenditure in 2016-17 included an "Adjustment for notional costs" of £95k - this adjustment is now correctly only disclosed within the Statement of Changes in Taxpayers' Equity.

The notes on pages 84 to 105 form part of these accounts.

## Account of NHS Business Services Authority 2017-18

### Statement of Financial Position at 31 March 2018

	Notes	31 March 2018 £000	31 March 2017 £000
<b>Non Current Assets</b>			
Property, Plant & Equipment	4.2	32,485	34,041
Intangible Assets	4.1	32,446	38,472
Other Financial Assets	4.3	92,955	91,949
<b>Total non-current assets</b>		<b>157,886</b>	<b>164,462</b>
<b>Current Assets</b>			
Inventories	4.4	81,723	79,156
Trade and other receivables	4.5	178,482	178,682
Cash and cash equivalents	4.6	89,543	54,992
<b>Total current assets</b>		<b>349,748</b>	<b>312,830</b>
<b>Total Assets</b>		<b>507,634</b>	<b>477,292</b>
<b>Current Liabilities</b>			
Trade and other payables	4.7	208,579	173,481
Provisions for liabilities and charges	4.8	3,066	2,801
<b>Total current liabilities</b>		<b>211,645</b>	<b>176,282</b>
<b>Net current assets/liabilities</b>		<b>138,103</b>	<b>136,548</b>
<b>Total assets less current liabilities</b>		<b>295,989</b>	<b>301,010</b>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	4.8	603	604
<b>Total non-current liabilities</b>		<b>603</b>	<b>604</b>
<b>Total Assets Less Liabilities:</b>		<b>295,386</b>	<b>300,406</b>
<b>Taxpayers' Equity</b>			
General Fund		290,530	295,550
Revaluation Reserve		4,856	4,856
<b>Total Taxpayers' Equity:</b>		<b>295,386</b>	<b>300,406</b>

The notes on pages 84 to 105 form part of these accounts.

Alistair McDonald  
Chief Executive  
19 June 2018

Account of NHS Business Services Authority 2017-18

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2018**

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2017</b>	295,550	4,856	300,406
<b>Changes in taxpayers' equity for 2017-18</b>			
Total net expenditure for the year	(91,961)	0	(91,961)
Non-cash charges – notional costs	95	0	95
<b>Total recognised income and expense for 2017-18</b>	<b>(91,866)</b>	<b>0</b>	<b>(91,866)</b>
Net Parliamentary Funding	86,846	0	86,846
<b>Balance at 31 March 2018</b>	<b>290,530</b>	<b>4,856</b>	<b>295,386</b>

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2016</b>	298,471	4,856	303,327
<b>Changes in taxpayers' equity for 2016-17</b>			
Total net expenditure for the year	(119,308)	0	(119,308)
Non-cash charges – notional costs	95	0	95
<b>Total recognised income and expense for 2016-17</b>	<b>(119,213)</b>	<b>0</b>	<b>(119,213)</b>
Net Parliamentary Funding	116,292	0	116,292
<b>Balance at 31 March 2017</b>	<b>295,550</b>	<b>4,856</b>	<b>300,406</b>

The notes on pages 84 to 105 form part of these accounts.

Account of NHS Business Services Authority 2017-18

Statement of Cash Flows for the year ended 31 March 2018

	Notes	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure		<b>(89,277)</b>	(119,308)
Other cash flow adjustments	5.3	<b>17,649</b>	17,783
Movement in working capital	5.1	<b>33,669</b>	23,606
Provisions utilised	4.8	<b>(866)</b>	(1,122)
<b>Net cash (outflow) from operating activities</b>		<b><u>(38,825)</u></b>	<u>(79,041)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4.2	<b>(6,142)</b>	(4,648)
Purchase of intangible assets	4.1	<b>(7,328)</b>	(9,471)
<b>Net cash inflow/(outflow) from investing activities</b>		<b><u>(13,470)</u></b>	<u>(14,119)</u>
<b>Cash flows from financing activities</b>			
Net Parliamentary Funding		<b>86,846</b>	116,292
<b>Net financing</b>		<b><u>86,846</u></b>	<u>116,292</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>34,551</b>	23,132
<b>Cash and cash equivalents at 31 March 2017</b>	5.2	<b>54,992</b>	31,860
<b>Cash and cash equivalents at 31 March 2018</b>	5.2	<b><u>89,543</u></b>	<u>54,992</u>

The notes on pages 84 to 105 form part of these accounts.

## Account of NHS Business Services Authority 2017-18

### Notes to the Accounts

#### 1. Accounting Policies

As directed by the Secretary of State for Health, the following financial statements have been prepared in accordance with the DHSC Group Accounting Manual 2017-18 (GAM) issued by the Department of Health and Social Care, and comply with HM Treasury's Government Financial Reporting Manual 2017-18 (FRoM). The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

##### Transfer of Functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the DHSC group are outside the scope of IFRS 3 *Business Combinations*. Where functions transfer between two public bodies, the GAM requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which they took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

##### 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 2017-18

### 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 Authority is Parliamentary Funding from the Department of Health and Social Care, 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 charges for services provided on a full-cost basis to external customers, as well as public repayment work. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The main source of funding for the Supply Chain trading division of the Authority is income from sales to NHS customers. Additional income comes from similar sales to non-NHS customers.

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

#### 1.3 Taxation

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

#### 1.4 Property, Plant & Equipment

##### (a) Capitalisation

All assets falling into the following categories are capitalised:

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

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

##### (b) Valuation

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

Land and non-specialised buildings – market value for existing use  
Specialised buildings – depreciated replacement cost

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are 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 2017-18

### 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 Inventories

Inventories are valued at the lower of cost and estimated net realisable value using a weighted average cost formula.

#### 1.8 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 2017-18**

### **1. Accounting Policies (continued)**

#### **1.9 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).

#### **1.10 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**

Most 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.

#### **1.11 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 2017-18

### 1. Accounting Policies (continued)

#### 1.12 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.

#### 1.13 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 -2.42%, -1.85% and -1.56% for cash flows due in 0-5 years, 5-10 years and over 10 years respectively (2016/17: -2.70%, -1.95% and -0.80%) in real terms. In the case of early retirement costs the rate is 0.10% (2016/17: 0.24%).

#### 1.14 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 2017-18

### 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure. 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.

### 1.15 Accounting standards that have been issued but have not yet been adopted

The DHSC GAM does not require the following Standards and Interpretations to be applied in 2017-18. These standards are still subject to HM Treasury FReM adoption, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 and IFRS 17 still subject to HM Treasury consideration.

- IFRS 9 *Financial Instruments* – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 *Revenue for Contracts with Customers* – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 *Leases* – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRS 17 *Insurance Contracts* – Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* – Application required for accounting periods beginning on or after 1 January 2018.
- IFRIC 23 *Uncertainty over Income Tax Treatments* – Application required for accounting periods beginning on or after 1 January 2019.

Application of these standards is not expected to have a material impact on future financial statements.

## Account of NHS Business Services Authority 2017-18

### 2.1 Operating segments

The Authority's activities are considered to fall within three segments: Supply Chain consumables trading, Student Support via the payment of Social Work Bursaries, Education Support Grant (ESG) and the Learning Support Fund (LSF), 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.

	Notes	Supply Chain		Student Support		Service Provision		Intra-segment Adjustments		Total	
		2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Statement of Comprehensive Net Expenditure</b>											
Income from sale of goods and services	2.2	(1,748,256)	(1,623,937)	0	0	0	0	0	0	(1,748,256)	(1,623,937)
Other operating income	3.1	0	0	(76,221)	(76,355)	(72,058)	(37,444)	6,505	5,836	(141,774)	(107,963)
<b>Total operating income</b>		<b>(1,748,256)</b>	<b>(1,623,937)</b>	<b>(76,221)</b>	<b>(76,355)</b>	<b>(72,058)</b>	<b>(37,444)</b>	<b>6,505</b>	<b>5,836</b>	<b>(1,890,030)</b>	<b>(1,731,900)</b>
Staff costs	3.4	0	0	0	0	87,589	82,307	0	0	87,589	82,307
Purchase of goods and services	2.2	1,570,785	1,444,230	0	0	0	0	0	0	1,570,785	1,444,230
Other operating expenditure	3.2	177,396	179,643	76,221	76,355	73,821	74,509	(6,505)	(5,836)	320,933	324,671
<b>Total operating expenditure</b>		<b>1,748,181</b>	<b>1,623,873</b>	<b>76,221</b>	<b>76,355</b>	<b>161,410</b>	<b>156,816</b>	<b>(6,505)</b>	<b>(5,836)</b>	<b>1,979,307</b>	<b>1,851,208</b>
<b>Net Operating Expenditure/(Income)</b>		<b>(75)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>89,352</b>	<b>119,372</b>	<b>0</b>	<b>0</b>	<b>89,277</b>	<b>119,308</b>
<b>Statement of Financial Position</b>											
Assets		295,659	271,142	16,768	8,005	195,207	198,145	0	0	507,634	477,292
Liabilities		(172,145)	(147,703)	(13,982)	(5,219)	(26,121)	(23,964)	0	0	(212,248)	(176,886)
Assets less Liabilities		<b>123,514</b>	<b>123,439</b>	<b>2,786</b>	<b>2,786</b>	<b>169,086</b>	<b>174,181</b>	<b>0</b>	<b>0</b>	<b>295,386</b>	<b>300,406</b>

### 2.2 Supply Chain

	2017/18 £000	2016/17 £000
Income from sale of goods and services	1,748,256	1,623,937
Purchase of goods and services	1,570,785	1,444,230
Gross operating income	<b>177,471</b>	<b>179,707</b>
Operating costs	177,396	179,643
Net operating income/(expenditure)	<b>75</b>	<b>64</b>

## Account of NHS Business Services Authority 2017-18

### 3.1 Other operating income

	2017-18 £000	2016-17 £000
Department of Health and Social Care (DHSC) invoiced funding	403	6,338
Services to other DHSC Group Bodies	16,811	13,952
Services provided to UK Devolved Administrations and Crown Dependencies	2,600	2,685
NHS Pension Scheme administration recharge	37,534	0
Social Work Bursary and ESG funding from DHSC	73,779	76,355
LSF funding from DHSC	2,442	0
Other income	8,205	8,633
<b>Total Operating income</b>	<b>141,774</b>	<b>107,963</b>

### 3.2 Other operating expenditure (Non-Staff)

	2017-18 £000	2016-17 Restated* £000
Non-executive members' remuneration	115	109
Rentals under operating leases	1,589	1,889
Establishment expenses	10,806	10,221
Transport	393	509
Premises	8,808	11,247
External contractors	199,516	202,772
Non-cash: Depreciation	5,623	6,026
Amortisation	11,667	11,951
(Profit)/loss on disposal of PPE	140	0
Change in carrying value of Financial Assets	(1,006)	(1,979)
Notional fee for the audit of the NHS Pension Scheme accounts	95	95
	<b>16,519</b>	16,093
Auditors' remuneration - audit fees	140	130
Legal & Professional fees	6,751	5,253
Other costs	75	93
Social Work Bursaries and ESG	73,779	76,355
LSF	2,442	0
<b>Total non-staff costs</b>	<b>320,933</b>	<b>324,671</b>

External contractors includes £170,891k relating to **Supply Chain** (2016-17 £173,807k)

\* The notional fee for the audit of the NHS Pension Scheme accounts was previously included in Legal & Professional Fees.

## Account of NHS Business Services Authority 2017-18

### 3.3 Operating leases

#### Authority as lessee

	2017-18 £000	2016-17 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	1,589	1,889
	<u>1,589</u>	<u>1,889</u>
<b>Total future minimum lease payments</b>		
<b>Payable:</b>		
Within one year	1,499	1,451
Later than one year and not later than five years	3,814	4,514
Later than five years	4,109	4,800
<b>Total</b>	<u>9,422</u>	<u>10,765</u>

### 3.4 Staff costs

#### Executive members and staff costs:

	2017-18 £000	2016-17 £000
Salaries and wages	69,231	67,086
Social security costs	5,636	5,459
Employer contributions to NHS Pensions	7,267	7,099
Other pension costs	536	498
Apprenticeship levy	343	0
Termination costs	6,135	3,395
<b>Total</b>	<u>89,148</u>	<u>83,537</u>
Capitalised staff costs	(1,559)	(1,230)
	<u>87,589</u>	<u>82,307</u>

#### Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2016-17 £Nil).

### 3.5 Net Loss on transfers by absorption

The Authority's NHS Protect function was transferred to the NHS Counter Fraud Authority (NHSCFA) (a newly created Special Health Authority) on 1st November 2017.

The following assets and liabilities were transferred to the new authority on this date:

	2017-18 £000	2016-17 £000
Property, Plant & Equipment at Net Book Value	1,935	0
Intangible Assets at Net Book Value	1,687	0
Trade and Other Receivables	106	0
Trade and Other Payables	(1,044)	0
<b>Loss on net assets transferred</b>	<u>2,684</u>	<u>0</u>

## Account of NHS Business Services Authority 2017-18

### 3.6 Pension costs

Most past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that 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 schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

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

The Scheme Regulations allow for the level of contribution rates to be changed 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 actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this ‘employer cost cap’ assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

#### b) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 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) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### 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 2017-18

### 4.1 Intangible assets

#### 4.1.1 Intangible assets 2017-18

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2017	7,352	80,554	4,569	<b>92,475</b>
Additions - purchased	387	487	6,454	<b>7,328</b>
Reclassifications	0	538	(538)	<b>0</b>
Disposals	0	(233)	0	<b>(233)</b>
Transferred to NHSCFA	(1,557)	(1,274)	0	<b>(2,831)</b>
<b>Gross cost at 31 March 2018</b>	<b>6,182</b>	<b>80,072</b>	<b>10,485</b>	<b>96,739</b>
<b>Amortisation</b>				
Accumulated amortisation at 1 April 2017	2,103	51,900	0	<b>54,003</b>
Charged during the year	2,281	9,386	0	<b>11,667</b>
Disposals	0	(233)	0	<b>(233)</b>
Transferred to NHSCFA	(714)	(430)	0	<b>(1,144)</b>
<b>Accumulated amortisation at 31 March 2018</b>	<b>3,670</b>	<b>60,623</b>	<b>0</b>	<b>64,293</b>
Net book value at 31 March 2017	5,249	28,654	4,569	38,472
<b>Net book value at 31 March 2018</b>	<b>2,512</b>	<b>19,449</b>	<b>10,485</b>	<b>32,446</b>

#### 4.1.2 Intangible assets 2016-17

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2016	3,901	80,357	2,683	<b>86,941</b>
Additions - purchased	3,878	1,090	4,503	<b>9,471</b>
Reclassifications	0	2,617	(2,617)	<b>0</b>
Disposals	(427)	(3,510)	0	<b>(3,937)</b>
<b>Gross cost at 31 March 2017</b>	<b>7,352</b>	<b>80,554</b>	<b>4,569</b>	<b>92,475</b>
<b>Amortisation:</b>				
Accumulated amortisation at 1 April 2016	1,032	44,957	0	<b>45,989</b>
Charged during the year	1,498	10,453	0	<b>11,951</b>
Disposals	(427)	(3,510)	0	<b>(3,937)</b>
<b>Accumulated amortisation at 31 March 2017</b>	<b>2,103</b>	<b>51,900</b>	<b>0</b>	<b>54,003</b>
Net book value at 31 March 2016	2,869	35,400	2,683	40,952
<b>Net book value at 31 March 2017</b>	<b>5,249</b>	<b>28,654</b>	<b>4,569</b>	<b>38,472</b>

**Supply Chain** and **Bursaries** had no Intangible assets during the accounting period (2016-17 - £Nil)

## Account of NHS Business Services Authority 2017-18

### 4.2 Property, Plant and Equipment

#### 4.2.1 Property, Plant and Equipment 2017/18

	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 2017	4,934	24,563	321	11	21,818	6,887	<b>58,534</b>
Additions - purchased	0	1,035	0	0	2,943	2,164	<b>6,142</b>
Reclassifications	0	219	0	0	143	(362)	<b>0</b>
Disposals	0	(200)	0	0	(189)	(39)	<b>(428)</b>
Transfer to NHSCFA	0	(2,014)	(50)	0	(1,199)	(323)	<b>(3,586)</b>
<b>Gross cost at 31 March 2018</b>	<b>4,934</b>	<b>23,603</b>	<b>271</b>	<b>11</b>	<b>23,516</b>	<b>8,327</b>	<b>60,662</b>
<b>Depreciation</b>							
Accumulated depreciation at 1 April 2017	0	7,497	224	11	12,797	3,964	<b>24,493</b>
Reclassifications	0	88	0	0	83	(171)	<b>0</b>
Disposals	0	(83)	0	0	(189)	(16)	<b>(288)</b>
Charged during the year	0	1,432	60	0	2,781	1,350	<b>5,623</b>
Transfer to NHSCFA	0	(852)	(46)	0	(571)	(182)	<b>(1,651)</b>
<b>Accumulated depreciation at 31 March 2018</b>	<b>0</b>	<b>8,082</b>	<b>238</b>	<b>11</b>	<b>14,901</b>	<b>4,945</b>	<b>28,177</b>
Net book value at 31 March 2017	4,934	17,066	97	0	9,021	2,923	34,041
<b>Net book value at 31 March 2018</b>	<b>4,934</b>	<b>15,521</b>	<b>33</b>	<b>0</b>	<b>8,615</b>	<b>3,382</b>	<b>32,485</b>

#### 4.2.2 Property, Plant and Equipment 2016/17

	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 2016	4,934	24,553	422	11	35,474	8,250	<b>73,644</b>
Additions - purchased	0	473	0	0	4,175	0	<b>4,648</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
Disposals	0	(463)	(101)	0	(17,831)	(1,363)	<b>(19,758)</b>
Revaluation	0	0	0	0	0	0	<b>0</b>
<b>Gross cost at 31 March 2017</b>	<b>4,934</b>	<b>24,563</b>	<b>321</b>	<b>11</b>	<b>21,818</b>	<b>6,887</b>	<b>58,534</b>
<b>Depreciation</b>							
Accumulated depreciation at 1 April 2016	0	6,547	255	11	27,510	3,902	<b>38,225</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
Disposals	0	(463)	(101)	0	(17,831)	(1,363)	<b>(19,758)</b>
Impairments	0	0	0	0	0	0	<b>0</b>
Charged during the year	0	1,413	70	0	3,118	1,425	<b>6,026</b>
<b>Accumulated depreciation at 31 March 2017</b>	<b>0</b>	<b>7,497</b>	<b>224</b>	<b>11</b>	<b>12,797</b>	<b>3,964</b>	<b>24,493</b>
Net book value at 31 March 2016	4,934	18,006	167	0	7,964	4,348	35,419
<b>Net book value at 31 March 2017</b>	<b>4,934</b>	<b>17,066</b>	<b>97</b>	<b>0</b>	<b>9,021</b>	<b>2,923</b>	<b>34,041</b>

Supply Chain and Bursaries had no Property, Plant and Equipment during the accounting period (2016-17 - £Nil)

## Account of NHS Business Services Authority 2017-18

### 4.2 Property, Plant and Equipment (continued)

#### 4.2.3 Economic Lives of Non-current Assets

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

## Account of NHS Business Services Authority 2017-18

### 4.3 Financial Assets

	<b>Supply Chain Working Capital 2017-18 £000</b>	Supply Chain Working Capital 2016-17 £000
Value at 1 April	91,949	89,970
Additions	0	0
Disposals	0	0
Changes in carrying value	<u>1,006</u>	<u>1,979</u>
<b>Value at 31 March</b>	<b><u>92,955</u></b>	<b><u>91,949</u></b>

The above asset represents the working capital loaned to the outsourced provider to run the NHS Supply Chain capital service.

The asset is 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 expenditure (Note 3.2).

The working capital is due to be repaid to NHSBSA on or before the end of the outsourced arrangement which has now been extended to 31 March 2019. The total amount now due is £95,000k (2017 - £95,000k) and the carrying value has been calculated on the assumption that the whole amount will be repaid on 31 March 2019. Any change in assumption around the repayment date would result in an increase in the carrying value up to a maximum of £95,000k.

## Account of NHS Business Services Authority 2017-18

### 4.4 Inventories

	<b>31 March 2018</b>	31 March 2017
	<b>£000</b>	£000
Opening balance	<b>79,156</b>	76,790
Additions	<b>1,573,352</b>	1,446,596
Cost of sales	<b>(1,570,785)</b>	(1,444,230)
<b>Closing balance</b>	<b><u>81,723</u></b>	<u>79,156</u>

All inventories relate to **Supply Chain** goods held for resale

### 4.5 Receivables

	<b>31 March 2018</b>	<b>Current</b> 31 March 2017
	<b>£000</b>	£000
Trade receivables	<b>127,803</b>	117,202
Provision for impairment of receivables	<b>(1,242)</b>	(1,595)
Prepayments and accrued income	<b>33,562</b>	22,891
Other receivables	<b>18,359</b>	40,184
<b>Trade and other receivables</b>	<b><u>178,482</u></b>	<u>178,682</u>
<b>Segmental split</b>		
Supply Chain	<b>157,428</b>	157,089
Service Provision	<b>17,476</b>	16,505
Bursaries	<b>3,578</b>	5,088
	<b><u>178,482</u></b>	<u>178,682</u>

There are no non-current receivables (2017 - Nil)

## Account of NHS Business Services Authority 2017-18

### 4.6 Cash and Cash equivalents

	2017-18 £000	2016-17 £000
Balance at 1 April	54,992	31,860
Net change in the year	<u>34,551</u>	<u>23,132</u>
Balance at 31 March	<u>89,543</u>	<u>54,992</u>

#### Comprising:

	31 March 2018 £000	31 March 2017 £000
Held with the Government Banking Service	89,542	54,991
Commercial banks and cash in hand	<u>1</u>	<u>1</u>
Cash and Cash equivalents as in Statement of financial position	89,543	54,992
Bank overdraft	<u>0</u>	<u>0</u>
Cash and Cash equivalents	<u>89,543</u>	<u>54,992</u>

#### Segmental split

Supply Chain	56,508	34,897
Service Provision	19,845	17,178
Bursaries	<u>13,190</u>	<u>2,917</u>
	<u>89,543</u>	<u>54,992</u>

### 4.7 Trade and other payables

	Current	
	31 March 2018 £000	31 March 2017 £000
Trade payables	91,722	85,721
Tax and social security	13	46
Accruals and deferred income	56,070	20,125
Other payables	<u>60,774</u>	<u>67,589</u>
<b>Trade and other payables</b>	<u>208,579</u>	<u>173,481</u>

#### Segmental split

Supply Chain	172,145	147,703
Service Provision	25,429	23,270
Bursaries	<u>11,005</u>	<u>2,508</u>
	<u>208,579</u>	<u>173,481</u>

There are no non-current trade and other payables (2017 - Nil)

Other payables includes a balance of £53,578k relating to invoices yet to be approved for payment (2017 - £53,107k)

## Account of NHS Business Services Authority 2017-18

### 4.8 Provisions for liabilities and charges

	Current	
	31 March 2018	31 March 2017
	£000	£000
Pensions relating to other staff	0	1
Legal claims	89	89
Other	2,977	2,711
<b>Total</b>	<b>3,066</b>	<b>2,801</b>

	Non-current	
	31 March 2018	31 March 2017
	£000	£000
Pensions relating to other staff	0	0
Legal claims	30	31
Other	573	573
<b>Total</b>	<b>603</b>	<b>604</b>

#### Segmental split

	31 March 2018	31 March 2017
	£000	£000
Supply Chain	0	0
Service Provision	692	694
Bursaries	2,977	2,711
<b>Total</b>	<b>3,669</b>	<b>3,405</b>

	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 April 2016	4	93	2,740	2,837
Arising during the year	6	78	2,193	2,277
Utilised during the year	(9)	(9)	(1,104)	(1,122)
Reversed unused	0	(42)	(545)	(587)
At 1 April 2017	1	120	3,284	3,405
Arising during the year	0	0	2,459	2,459
Utilised during the year	(1)	(1)	(864)	(866)
Reversed unused	0	0	(1,329)	(1,329)
<b>At 31 March 2018</b>	<b>0</b>	<b>119</b>	<b>3,550</b>	<b>3,669</b>

#### Expected timing of cash-flows:

Within one year	0	89	2,977	3,066
Later than one year and not later than five years	0	6	573	579
Later than five years	0	24	0	24

Other provisions at 31 March 2018 relate to Leasehold Property Decommissioning, based on professional valuations (£573k), and Social Work Bursary tuition fee entitlement (£2,977k).

#### Contingencies at 31 March 2018

At 31 March 2018, there were no known contingent assets or liabilities (March 2017: £nil).

## Account of NHS Business Services Authority 2017-18

### 4.9 Events after the reporting period

The Accounts were authorised for issue on 27 June 2018 by the NHS BSA Chief Executive and Accounting Officer.

### 4.10 Capital commitments

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

	<b>31 March 2018</b>	31 March 2017
	<b>£000</b>	£000
Property, plant and equipment	<b>0</b>	0
Intangible assets	<b>0</b>	544
<b>Total</b>	<b>0</b>	544

## Account of NHS Business Services Authority 2017-18

### 5.1 Movements in working capital

	2017-18 £000	2016-17 £000
(Increase)/decrease in receivables within 1 year	200	(14,199)
(Increase)/decrease in inventories	(2,567)	(2,366)
Increase/(decrease) in payables within 1 year	35,098	40,171
Decrease in receivables arising from absorption transfers	(106)	0
Decrease in payables arising from absorption transfers	1,044	0
<b>Total</b>	<b>33,669</b>	<b>23,606</b>

### 5.2 Analysis of changes in net debt

	As at 1 April 2016 £000	Cash flows £000	As at 1 April 2017 £000	Cash flows £000	As at 31 March 2018 £000
GBS cash at bank	31,859	23,132	54,991	34,551	89,542
Commercial cash at bank and in hand	1	0	1	0	1
<b>Total</b>	<b>31,860</b>	<b>23,132</b>	<b>54,992</b>	<b>34,551</b>	<b>89,543</b>

### 5.3 Other cash flow adjustments

	2017-18 £000	2016-17 £000
Depreciation	5,623	6,026
Amortisation	11,667	11,951
(Profit)/Loss on disposal of assets	140	0
Change in carrying value of Financial Assets	(1,006)	(1,979)
Notional Costs	95	95
Provisions - Arising in Year	2,459	2,277
Provisions - Reversed unused	(1,329)	(587)
<b>Total</b>	<b>17,649</b>	<b>17,783</b>

## Account of NHS Business Services Authority 2017-18

### 6. Losses and special payments

Losses and special payments are now disclosed in the main body of the Annual Report on page 65.

### 7. Related Party Transactions

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

The Department of Health and Social Care 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 and Social Care Ministers, Authority board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with NHSBSA. Compensation paid to directors has been disclosed in the Remuneration Report.

The Crown Commercial Service were awarded a contract during the year to operate the Office Solutions Category Tower within NHS Supply Chain. This contract is worth £3.1m over three years from October 2017. The Chair, Silla Maizey, who is a non-executive director of The Crown Commercial Service, declared her interest and played no part in the contract award decision.

### 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 £12,731k over the remaining 40 months as at 31 March 2018. (2017: £10,092k). £5,252k (2017: £7,837k) 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 £8,464k (2017: £20,049k) over the remaining 9 months as at 31 March 2018. All of this commitment is payable within one year (2017: £11,341k).

## Account of NHS Business Services Authority 2017-18

### 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

All of the Authority's financial assets and financial liabilities carry nil or fixed rates of interest. 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	117,202	0	117,202
Other receivables	0	38,589	0	38,589
Cash at bank and in hand	0	54,992	0	54,992
Other financial assets	0	108,670	0	108,670
<b>Total at 31 March 2017</b>	<b>0</b>	<b>319,453</b>	<b>0</b>	<b>319,453</b>
Trade receivables	0	127,803	0	127,803
Other receivables	0	17,117	0	17,117
Cash at bank and in hand	0	89,543	0	89,543
Other financial assets	0	119,329	0	119,329
<b>Total at 31 March 2018</b>	<b>0</b>	<b>353,792</b>	<b>0</b>	<b>353,792</b>

#### 9.2 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000	£000	£000
Trade Payables	0	85,721	85,721
Other payables	0	67,635	67,635
Borrowings	0	0	0
Other financial liabilities	0	19,847	19,847
<b>Total at 31 March 2017</b>	<b>0</b>	<b>173,203</b>	<b>173,203</b>
Trade Payables	0	91,722	91,722
Other payables	0	60,787	60,787
Borrowings	0	0	0
Other financial liabilities	0	43,655	43,655
<b>Total at 31 March 2018</b>	<b>0</b>	<b>196,164</b>	<b>196,164</b>

## Account of NHS Business Services Authority 2017-18

### 9 Financial Instruments (continued)

#### 9.3 Maturity of financial liabilities

	<b>31 March 2018</b>	31 March 2017
	<b>£000</b>	£000
In one year or less	<b>195,591</b>	172,630
In more than one year but not more than five years	<b>573</b>	573
In more than five years	<b>0</b>	0
<b>Total</b>	<b><u>196,164</u></b>	<u>173,203</u>

#### 9.4 Fair values

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

