

NHS PURCHASING AND SUPPLY AGENCY

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2010

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The Agency's aims, objectives and role

The Agency ceased to exist on 31st March 2010. The Agency's aims, objectives and role were described in more detail in the Framework Agreement. They were agreed with Ministers and are set out below:

The Agency worked to ensure that the NHS in England made the most effective use of its resources by getting the best possible value for money when purchasing goods and services. The prime target was to release money that could be better spent on patient care by achieving purchasing savings and improving supply performance across the NHS.

With ministerial support, we were leading the ongoing modernisation of purchasing and supply within the NHS – ensuring that purchasing and supply strategies reflect and contribute towards the achievement of the Government's policies, strategies and priorities.

The Agency's objectives were to:

- deliver commercial efficiencies for the NHS and, where appropriate, across Government, through negotiation of national contracts and purchasing agreements from which the NHS can purchase goods and services
- encourage the introduction of beneficial, innovative products and technologies into the NHS
- provide strategic guidance on commercial management within the NHS including procurement advice to the NHS where this is taking place at a regional or local level
- develop commercial capabilities in the NHS by providing practical guidance, education and training to those involved in procurement throughout the NHS and by setting in place processes, information and systems to support more effective procurement
- help to deliver the Government's policies such as promoting creativity from suppliers and encouraging small and medium-sized enterprises (SME's) to do business with the NHS and promoting equality and sustainable development within the NHS and its supply chain to reduce environmental and social impacts

The Commercial Operating Model

On 23 April 2009, it was announced "That a new Commercial Operating Model for the Department for Health would be implemented which entailed that NHS PASA would be disaggregated and its functions be transferred to specific areas of the procurement landscape thereby adding greater scope, scale and impact to the procurement of goods and services". The final role of NHS PASA was to achieve a smooth transition of relevant functions to host organisations and the closure of the Agency within the 2009/10 financial year.

Chief Executive Officer's foreword

This is the final Annual Report and Accounts of NHS Purchasing and Supply Agency (NHS PASA). The move to close the organisation was announced in the Department of Health's (The Department's) Commercial Operating Model – *Necessity not Nicety* published in April 2009. I was appointed as Chief Executive Officer and Transition Director at the beginning of May 2009 to lead the Agency in its 'business as usual' activities and to make the necessary transitions of staff, and their functions, to new organisations and to achieve the Government's stated aim of the closure of NHS PASA before the end of 2009/10.

A transition plan for the closure was agreed, the key elements of the plan were the transfer of:

- the commodity procurement teams to the OGC's Trading Arm, Buying Solutions, thus increasing economies of scale for the NHS;
- the Procurement Centre of Excellence (PCOE) to the Department's Procurement, Investment and Commercial Division (PICD), which aligned their management with their accountability;
- the Centre of Evidence-based Purchasing (CEP) to NICE
- the Pharma unit to the core department; and
- various smaller elements of NHS PASA's responsibilities variously to PICD, the Commercial Support Units or discontinued.

My role as Chief Executive was to manage NHS PASA's 'business as usual' responsibilities and to achieve the objectives we had been set within an allocated budget. To assist me in this, I appointed Andrew Rudd as the Acting Chief Operating Officer. Under his leadership, NHS PASA exceeded its savings targets whilst undergoing enormous changes; it also received strong endorsement of this approach from the various audits we commissioned to tightly monitor governance. I am extremely grateful to Andrew, and our Finance Director Clem Brohier who succeeded Andrew as Acting COO in November, for the calm and effective way they managed the day-to-day responsibilities of NHS PASA.

My role as Transition Director was to consider and, where appropriate, enact the transition plan and achieve the smooth transfer of staff, assets, information and budgets to the agreed organisations. My role was to ensure staff were dealt with appropriately and due process followed for those affected. This included identifying redeployment opportunities.

Also, NHS PASA's agreed objectives were to be delivered within an agreed transition budget. To support me in achieving transition, I appointed a Transition Leadership team made up of a mix of NHS PASA executive team members and other second tier managers who had shown both an enthusiasm and a commitment to the enormous task we had. I am extremely indebted to this team for both their team and individual efforts.

Chief Executive Officer's foreword

To achieve the transition proposals, many hours of negotiations and formal consultation meetings were held with receiving units and with Trade Union officials; this also required a major programme of regular staff engagement and communication. To ensure that all of this work was underpinned by necessary governance procedures we also engaged in formal audit programmes to demonstrate that we were doing everything openly and honestly and treating everyone fairly and equally. We also instigated additional meetings of the Agency's Audit and Risk Committee. This ensured independent scrutiny was in place throughout this process.

The transition programme successfully transferred 146 staff, made 109 staff redundant, redeployed 23 staff. With the cooperation and contributions of the Trade Unions, to which I wish to pay credit here, we did not need to make anyone compulsorily redundant. During this challenging time staff sickness absences remained at a level well below the average for the public sector.

One key change to the original plan, was that the Pharma unit of 62 people was due to temporarily transfer to the BSA. This was, and is, a highly effective procurement unit, intimately involved in the pandemic preparations and also in critical secondary care drug procurements. A temporary move was considered to be too disruptive and it was agreed that they would be housed within PICD as a separate unit with its own governance until the DH/ALB review made the future landscape for pharmaceuticals clearer.

On taking over as Chief Executive, I asked if the long standing chair of the NHS PASA audit committee, Bill Darling might be asked to increase his involvement to become our Chairman. The Department of Health accepted this recommendation and Bill kindly accepted. Although my time working for Bill was short, I would like to record here my gratitude for his support and counsel; I know that many colleagues within NHS PASA would also acknowledge the very positive effect of his oversight and involvement in the organisation over many years. Let me also thank Tom McGuffog for his years of involvement on the audit committee.

It has been a privilege to lead NHS PASA through this major change programme and I am confident that the skilled staff who have moved to new organisations will continue to provide the NHS with a world class procurement service.

Finally, my responsibility of Accounting Officer finished on the 31st March 2010 because at that point, NHS PASA ceased to exist. It was agreed with Sir Hugh Taylor that I would make the recommendations to him regarding the formal signing of these accounts as Department of Health's Accounting Officer, based on my role as Chief Executive and Accounting Officer until NHS PASA closed.

David Lane – Chief Executive Officer (until 31 March 2010)

Director's report

Background information

The NHS Purchasing and Supply Agency was formed on 1 April 2000 as an executive agency of the Department of Health, following recommendations made in the Cabinet Office *Review of NHS Procurement* (November 1998).

The Agency was managed by a team of officers led by the Chief Operating Officer to 30th April 2009 and then a Chief Executive Officer was appointed 1 May 2009 to 31 March 2010 and they were the designated Accounting Officer for their respective periods in office. All members of the team were Civil Servants, employed on full terms and conditions with the exception of the Chief Executive Officer who was employed by Foxlane Associates Ltd with whom NHS PASA had contracted with for the supply of David Lane as their Chief Executive Officer and Transition Director. The remuneration of the team, excluding the Chief Executive Officer, was determined by a standard process which is detailed in the Department of Health's *Pay and Performance Management* document.

Chairman

William Darling was appointed as Chairman of NHS Purchasing and Supply Agency building on his experience as Chairman of the Audit Committee, on 23 June 2009, to ensure good governance throughout the transition process.

Management Executive

During 2009/10 the senior management team of the NHS Purchasing and Supply Agency comprised:

John Cooper	Chief Operating Officer (left on 30 April 2009)
David Lane	Chief Executive Officer and Transition Director (from 1 May 2009 to 31 March 2010)
Clem Brohier	Director of Finance (until 31 March 2010) and Chief Operating Officer (1 November 2009 to 31 March 2010)
Helen MacCarthy	Director (left on 30 September 2009)
Andrew Rudd	Director (left on 31 October 2009) and Chief Operating Officer (1 May 2009 to 31 October 2009)
Chris Theaker	Director (left on 31 December 2009)
Chris Uden	Director (left on 30 April 2009)
John Warrington	Director (left on 31 July 2009)

Audit Committee

The Agency's Audit Committee advised the Chief Operating Officer and Chief Executive Officer during their respective terms of office on issues relating to corporate governance, internal control and matters relating to audit of the Agency. Meetings were also attended by the Director of Finance, Head of Corporate Communications and the unpaid independent members.

Director's report

NHS PASA fraud policy

It has been a matter of practice that incidence of fraud was on the agenda of all audit committee meetings and it should be noted that one suspected incident of fraud was brought to the attention of the committee towards the end of the 2008/09 reporting period and resolved during 2009/10. Additionally the Fraud Response Plan made it a matter of procedure that any incident of suspected or actual fraud was reported directly by the Head of Corporate Communications to the Chairman of the Audit Committee without delay.

The NHS PASA fraud policy and fraud disclosure policies were reviewed periodically taking into account existing policy documents and drawing on best practice guidance from other NHS and public sector bodies.

Governance

The Chief Operating Officer and the Chief Executive Officer were accountable to the Secretary of State during their respective periods of office. Both the Chief Operating Officer and then the Chief Executive Officer and the Agency operated under a framework document that was published in January 2001. The Agency worked to a three year corporate plan and to an annual business plan. These were submitted to the Senior Departmental Sponsor and approved by the Parliamentary Under Secretary of State, the Minister responsible for the Agency.

The aims and objectives of the Agency are shown on page 4 of the Annual Report and Accounts.

Regulatory framework

The Agency has prepared the financial statements for the year ended 31 March 2010 in accordance with the *Government Financial Reporting Manual*, as directed by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware.

The Comptroller and Auditor General is the appointed auditor of the Agency under the Government Resource and Accounts Act 2000.

Director's report

Pension liabilities

The Agency's pension liabilities are described in the remuneration report and in the notes to the accounts (note 1h).

Register of interests

No members of the Management Executive held corporate directorships or other significant interests which may have conflicted with their management responsibilities.

Going Concern

On 23rd April 2009, it was announced that "A new Commercial Operating Model for the Department for Health would be implemented which would entail that NHS PASA will be disaggregated and its functions be transferred to specific areas of the procurement landscape thereby adding greater scope, scale and impact to the procurement of goods and services. The activities and functions of the Agency, along with its associated assets and liabilities, will transfer to the Department of Health and other central government organisations". The accounts are prepared on a going concern basis as all NHS PASA financial transactions are settled with funds voted by Parliament to the Department of Health, and the majority of the functions of the Agency are being transferred from one part of Government to another.

NHS PASA's statutory functions ceased as of 31 March 2010 with the remaining assets, liabilities and contractual obligations transferring to the Department of Health as of 1 April 2010.

Management commentary

Operating results for the year

The NHS Purchasing and Supply Agency was an executive agency of the Department of Health and funded from the Department of Health 'Request for Resources 2' (RfR2).

The Agency worked to a fixed resource budget which was agreed with The Department annually. In addition, during the year the Agency undertook project work for The Department and recovered these project costs.

The Agency's budget for 2009/10 was £23.9 million net for revenue expenditure of which £4.9 million was transferred to continuing operations (note 15b) leaving a final net budget of £19.0 million and £1.1million for capital expenditure.

Revenue expenditure incurred in 2009/10 was £15.2 million showing an under spend of £3.8 million (note 23) and capital expenditure was £0.4 million showing an under spend of £0.7 million.

Furthermore during the year the Agency received additional funding from The Department in order to fund the transition costs which have been separately identified (see note's 3c and 4c) with a budget of £20.0 million for which the revenue expenditure was £17.2 million showing an under spend of £2.8 million.

A review of principal activities

The Agency existed to improve the performance of the NHS in its procurement activities, with the objective of delivering better value for money. Highlights during this year have been:

- The Agency sourced savings, on behalf of The Department, during the year of £436m
- good progress was made against the CSR07 savings targets in respect of which we had exceeded our target by £63m by the end of December 2009
- the ethical procurement for health guidance and toolkit (EPH) has been developed in partnership with the Ethical Trading Initiative (ETI). It assists procurers in the health and social care sector to take appropriate consideration of labour standards throughout the procurement and market engagement processes
- NHS PASA HCAI (HealthCare Acquired Infection) team led the Smart Solutions programme on behalf of The Department to select nine products as having the potential to reduce HCAs. These are now being trialled in hospital settings and 30 hospitals have applied to host the evaluations

Management commentary

A review of principal activities (continued)

- another key initiative from the NHS Procurement eEnablement Programme was the implementation of a once-only approach for the NHS for the provision of pre-qualification information from suppliers. This capability, combined with integration to Dun and Bradstreet systems to obtain financial information, will be provided for the NHS by Sid4health

Continued operations

During the year various directorates of NHS PASA transferred as continuing operations either to the Department of Health or Buying Solutions (BS) as follows:

Department of Health:

- 1) PCOE transferred to PICD on the 31/07/09 to provide the Department of Health with comprehensive support to its procurement activities.
- 2) Policy transferred to PICD on the 31/07/09 to provide procurement policy support to the Department of Health.
- 3) HCAI transferred to The Chief Nursing Officer on the 31/10/09 to speed up the development and adoption of new technologies to help combat healthcare associated infections (including MRSA and C. difficile).
- 4) Leasing transferred to NHS Supply Chain on the 30/09/09 to further provide support for the NHS and public sector relating to leasing equipment and national framework agreements for operating leases.
- 5) eEnablement transferred to PICD on the 31/10/09 to provide sourcing, data analysis and benefits tracking to ensure a more efficient and consistent approach to all aspects of the electronic tendering and evaluations solutions.
- 6) Sustainable Development transferred to PICD on the 31/10/09 to further progress the sustainability actions outlined in the NHS sustainable procurement action plan *Procuring for Health and Sustainability 2012*.
- 7) Pharma transferred to PICD on the 31/12/09 to continue to provide support in the critical secondary care drug procurements.

Buying Solutions:

- 1) Commodity procurement teams transferred to Buying Solutions on 30/09/09.

Management commentary

Discontinued operations

The discontinued operations of NHS PASA were primarily as follows:

- 1) CEP provided independent and objective evidence-based information about innovative medical technologies for health and social care. However negotiations between NHS PASA and NICE were not successful and the transfer was cancelled.
- 2) All back office functions including HR, Finance, IT support, Communications and Estate Management.

Managed contracts

In addition during the transition period of April to December 2009 the Agency managed contracts with the value of £2,338 million. There were 235 live framework agreements amounting to 2,851 suppliers. During the period the Agency supported the establishment of 58 new framework agreements. In total 626 supplier contracts were awarded.

Employee consultation

The average number of staff employed during the year (measured as a whole time equivalent) was 206 (2008/09 - 288).

The Agency placed considerable importance on the involvement of its employees. It made every effort to ensure that staff were kept informed of the Agency's plans. The main channels of communication included regular presentations to all staff, newsletters (both email and print) and regular briefings supported by regular consultative meetings with the Departmental Trade Union side. A transition intranet was also developed in order to share information with staff. We undertook formal TUPE consultation to ensure the appropriate transfer of staff and functions to other organisations.

Management commentary

Equal opportunity

The NHS Purchasing and Supply Agency was an equal opportunities employer and provided employment opportunities and advancement for all suitably qualified persons regardless of gender, religion, ethnic origin or disability.

Recruitment statistics – April 2009 to March 2010

4 new staff were appointed through external recruitment exercises, all of which were conducted on the basis of fair and open competition and selection on merit. Of the appointments made, 25% were Women and 25% from Other ethnic origin (for applicants, 23% were Women, 76% were White, 8% were Asian, 4% were Black, 8% were Chinese, 4% were Other ethnic origin and 0% failed to disclose their ethnic origin. 4% of applicants were disabled, 96% were not disabled).

We recruited in accordance with the Civil Service Commissioners' Code with no permitted exceptions.

Payment of suppliers

The Agency was required to pay its trade creditors in accordance with the Better Payment Practice Code, i.e. to pay all trade creditors within 30 days of receipt of a valid invoice, unless other payment terms had been agreed with the supplier.

Results for the year were:

	2009/10	2008/09
Percentage of suppliers' invoices paid within 10 days	38%	29%
Percentage of suppliers' invoices paid within 30 days	94%	93%
Average payment time in days	15	18
Value of invoices paid in £ millions	23	25

During the year late payment interest charges totalling £7.30 (2008/09 - £396.21) were paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Political and charitable gifts

No political or charitable gifts were made during the year.

Performance against objectives 2009/10

Objective 1

Deliver our commitments under CSR07

- for 2009/10 the procurement element of the overall Department of Health target was £900 million of which £550 million was the target for the Agency, hubs and trusts. The target for the transition period April to December 2009 of £373 million was exceeded with total savings of £436 million broken down as:
 - the Agency's national framework agreements delivered savings of £386 million
 - the hubs and trusts delivered savings of £50 million.

Objective 2

Contribute and support the implementations of the NHS reforms

- as part of the equitable access to primary medical care services, we supported PCT and SHA project teams to undertake local procurements for their new GP led health centres and GP practices
- the Agency established the NHS Procurement eEnablement Programme – a series of pragmatic projects and initiatives that use the current business and technology environment to drive forward the adoption of procurement eEnablement technologies in the NHS
- launched the new Sid4Health once-only approach for the NHS procurement teams

Objective 3

Building capacity and capability in the NHS

- to support World Class Commissioning the Agency ran the PCT Procurement and Commercial Skills Training Course Programme running 90 one day courses during the year for PCT staff directly, or indirectly, involved in the process of securing/and or commissioning of health related resources. These courses were delivered throughout England in London, Birmingham, Bristol, Manchester and Leeds.

Performance against objectives 2009/10

Objective 4

Contribute and support for health priorities

- HCAI Technology Innovation Programme trialled a number of new technologies to reduce MRSA and C.difficile leading to one proven technology being investigated further with a view to negotiating a new national framework agreement
- as part of the Pandemic Influenza Preparedness Programme, we worked with the Department of Health to manage the procurement process of pharmaceuticals to ensure a constant level of readiness and build a long-term, ongoing stockpile in the event of an influenza pandemic
- we supported the new Department of Health standard contracts with procurement advice
- the Agency extended Smarter Solutions programme by trialling nine innovative products in NHS trusts to reduce HCAs

Objective 5

Contribute and support of government policy and priorities

- the Agency continued to support the delivery of the NHS Sustainable Procurement Action Plan (Procuring for Health and Sustainability 2012)
- Ethical Procurement guidance was developed and consulted on
- Procuring for Carbon Reduction roadmap and guidance was developed in conjunction with the NHS Sustainability Development Unit (SDU) and issued for comment through the Strategic Health Authorities

Remuneration report

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body had regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body took account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointment to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report held appointments which were open-ended. Early termination, other than for misconduct, would have resulted in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Agency did not have any Non-executive Directors and the Audit Committee had two non paid members who met nine times during the year

Further information about the work of the Civil Service Commissioners can be found at: www.civilservicecommissioners.gov.uk

Remuneration report

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Management Executive and are subject to audit.

Table a) provides details of the remuneration of the Management Executive of the Agency.

a) Remuneration (salary and benefits in kind)

Management Executive	2009/10		2008/09	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr Christopher Uden Director Left 30 th April 2009	10-15 (120-125 FYE)	0	125-130	0
Mr John Cooper Chief Operating Officer Left 30 th April 2009	5-10 (110-115 FYE)	0	120-125	0
Mr Andrew Rudd Director Left 31 st October 2009	55-60 (90-95 FYE)	2,300	90-95	4,000
Ms Helen MacCarthy Director Left 30 th September 2009	40-45 (80-85 FYE)	1,900	75-80	2,800
Mr Clem Brohier Director of Finance Left 31 st March 2010	80-85	0	75-80	0
Mr John Warrington Director Left 31 st July 2009	30-35 (75-80 FYE)	800	70-75	2,200
Mr Chris Theaker Director Left 31 st December 2009	65-70 (80-85 FYE)	0	80-85	0

FYE is the Full Year Equivalent and is given where employment or salary was for less than 12 months.

Please note that all Board members left during the year or at the year end.

Remuneration report

a) Remuneration (salary and benefits in kind)

In addition, David Lane the Chief Executive Officer and Transition Director was employed on a short term contract for 11 months ended 31 March 2010 through Foxlane Associates Ltd with whom NHS PASA had contracted for his services at a cost of £230,000 inclusive of VAT. He did not receive any other benefits.

John Cooper was Chief Operating Officer for April 2009 and Andrew Rudd for May to October 2009 and Clem Brohier for November 2009 to March 2010.

With regards William Darling Chairman of NHS PASA he did not receive any remuneration during the year.

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Performance conditions criteria

The method used to assess whether performance conditions were met was the appraisal system and specifically this is the one used for SCS grades.

A bonus of up to 10% of salary was subject to performance conditions being met. For 2009/10 performance no bonuses were paid.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Mr Andrew Rudd, Ms Helen MacCarthy and Mr John Warrington had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code.

Remuneration report

Remuneration (including salary) and pension entitlements

b) Management Executive pension entitlements

Name	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at last day of service and related lump sum	CETV at 31/3/09	CETV at last day of service	Real increase in CETV after adjustments for inflation and changes in market investment factors
	£000's	£000's	£000's	£000's	£000's
Mr Christopher Uden Director Left 30 th April 2009	0-2.5 Plus 0-2.5 Lump sum	60-65 Plus 180-185 Lump sum	1,400	1,419	5
Mr John Cooper Chief Operating Officer Left 30 th April 2009	0-2.5 Plus 0-2.5 Lump sum	50-55 Plus 155-160 Lump sum	1,083	1,218	4
Mr Andrew Rudd Director Left 31 st October 2009	0-2.5 Plus 0-2.5 Lump sum	25-30 Plus 75-80 Lump sum	442	494	16
Ms Helen MacCarthy Director Left 30 th September 2009	0-2.5 Plus 0-2.5 Lump sum	20-25 Plus 60-65 Lump sum	239	266	8
Mr Clem Brohier Director of Finance Left 31 st March 2010	0-2.5	5-10	94	128	25
Mr John Warrington Director Left 31 st July 2009	0-2.5 Plus 0-2.5 Lump sum	20-25 Plus 65-70 Lump sum	381	410	8
Mr Chris Theaker Director Left 31 st December 2009	0-2.5 Plus 2.5-5.0 Lump sum	25-30 Plus 75-80 Lump sum	431	474	18

Remuneration report

Compensation for loss of office

Andrew Rudd left under Compulsory Early Retirement Terms on 31st October 2009 and received immediate payment of his pension and associated lump sum plus a compensation payment of £42k.

No members of the Management Executive received early retirement or redundancy.

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium**, or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Remuneration report

Civil Service Pensions

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service Pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's 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 benefits accrued in their 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Hugh Taylor
Accounting Officer
3 June 2010

Statement of Accounting Officer's responsibilities

The Accounting Officer for the Department of Health had previously appointed the Chief Executive Officer as the Accounting Officer of NHS Purchasing and Supply Agency to oversee the preparation of the final set of accounts on his behalf. The Department of Health's Accounting Officer obtained sufficient assurances from the NHS Purchasing and Supply Agency Accounting Officer to enable the signing of the final Report and Accounts for the year ended 31st March 2010 and the laying of the accounts and any report on them by the Comptroller and Auditor General before Parliament.

Under the Government Resources and Accounts Act 2000 Section 7(2), the HM Treasury had directed the NHS Purchasing and Supply Agency to prepare a statement of accounts for the final year ended 31st March 2010 in the form and on the basis of their Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NHS Purchasing and Supply Agency at 31st March 2010 and of its net operating cost, recognised gains and losses and cash flows for the financial year ended 31 March 2010.

In preparing the financial statements, the Accounting Officer was required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NHS Purchasing and Supply Agency's assets, are set out in the *Accounting Officers' Memorandum* issued by the Treasury and published in '*Managing Public Money*'.

Hugh Taylor
Accounting Officer
3 June 2010

Statement on internal control

Scope of responsibility

As Accounting Officer for the Department of Health I have been designated Accounting Officer for the purposes of signing NHS Purchasing and Supply Agency's Annual Report and Accounts for the year to 31 March 2010. The Chief Executive Officer of NHS Purchasing and Supply Agency was the Accounting Officer for the NHS Purchasing and Supply Agency during the year ending 31 March 2010.

I am accountable to Parliament through the Secretary of State for Health as the Accounting Officer of the Department of Health. This report and these financial statements relate to the final year of NHS Purchasing and Supply Agency (NHS PASA), the organisational operation of which was overseen by the former NHS PASA Accounting Officer who was accountable to me as the Department of Health's Accounting Officer. In approving this report and accounts I obtained sufficient assurances from him and other relevant parties as to the adequacy of the internal controls in place throughout the year.

The former NHS PASA Accounting Officer was appointed as the incoming Chief Executive Officer and Accounting Officer for NHS PASA on 1 May 2009, following the secondment of the Chief Operating Officer and Accounting Officer into the Department of Health on 30 April 2009. As he was not the Accounting Officer before 1 May he obtained assurances from the previous Accounting Officer, and other relevant parties, as to the adequacy of the internal controls in place throughout this period.

As Accounting Officer during this the year, he had responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in '*Managing Public Money*'.

Purpose of the system of internal control

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

- to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives
- to evaluate the likelihood of those risks being realised and the impact should they be realised
- and to manage them efficiently, effectively and economically

Statement on internal control

Purpose of the system of internal control (continued)

The system of internal control had been in place in the Agency for the year ended 31 March 2010.

Accountability arrangements in existence during the year include:

- the Procurement, Investment and Commercial Division, a body formed within the Department of Health, which acted as 'senior departmental sponsor' providing independent review of the Agency's performance
- the Arm's Length Bodies Business Support Unit, a permanent resource set up to help the Department of Health's Arm's Length Bodies deliver high quality, value for money services aligned closely to Ministers' health and social care priorities
- continuous financial information provision to the Department of Health.
- William Darling was appointed Chairman of NHS PASA on 23 June 2009 to strengthen governance and accountability arrangements.

Capacity to handle risk

The Executive Board of NHS PASA comprised the Chief Operating Officer and the Directors and was referred to as the Management Executive (ME). The ME ensured that there was an effective system of risk management embedded within the organisation following the principles and concepts detailed in the HM Treasury's "*Orange Book*". The system and processes for risk management were introduced to new staff at induction and training was provided through the year to all staff. One member of the ME was given overall responsibility for risk management. The nominated Director chaired the Risk Management Group (RMG), comprising staff representing all functions of the Agency. The RMG met at least four times during 2009/10. A facilitated workshop was run to ensure common understanding and that best practice within the sector was embedded within our processes.

The RMG reported prioritised risks to the ME and subsequently to the Operations Board. The Audit Committee received updates on risk management and ensured that the system and processes worked effectively by including a review in the internal audit annual work programme.

Risk and control framework

The RMG provided a policy and terms of reference by which risk was managed and reported and it cascaded the risk management culture to all staff. Strategic risks related to the strategic planning period of three to five years and, by their nature, could fundamentally change the way in which the Agency existed and operated. Corporate risks were aligned to NHS PASA's aims and objectives stated in the Business Plan and the issues affecting their achievement. Functional risks relate to the operations of the Agency. These risks were monitored and controlled using registers, which were reviewed and updated quarterly and reported by exception to the ME and subsequently, to the Operations Board.

Statement on internal control

Risk and control framework (continued)

Evaluation of risks was carried out using a standard methodology, whereby a range of financial or impact values were defined and applied to each identified risk. In early 2009/10 the ME made an assessment of the strategic risks related to the planned work for the year. A risk management workshop was held with participants from a representative cross section of the organisation to identify risks and mitigating actions against the corporate objectives detailed in NHS PASA's Business Plan. From this workshop a Corporate Risk Register was compiled. Detailed functional risk registers were compiled in relation to team and Directorate objectives. The RMG met quarterly, assessed the rating of risks and made appropriate classification into functional, corporate or strategic risk reports. The ME, and subsequently the Operations Board, reviewed high level risk reports at its monthly meetings. The "4Risk" software system was implemented to record risks, monitor mitigating actions and escalate or delete risks. The Audit Committee received regular updates on progress and effectiveness of the risk management system.

During 2009/10

Control Process

- early in the year a Transition Director was appointed (this appointee was also made Chief Executive and Accounting Officer from 1 May 2009) to disaggregate the Agency's core functions and either transfer them to other parts of the NHS procurement landscape or close them down in line with the recommendations of the Department of Health's Commercial Operating Model
- the Transition Director established two leadership teams, the Transition Leadership Team (TLT) to manage the disaggregation and close of operations and the Operations Board to manage the achievement of "business as usual" targets. The TLT met fortnightly ceasing in March 2010. The Operations Board met monthly ceasing in October 2009 at which point most of the operations stopped.
- five transition workstreams were established to manage the various elements of the transfer and close of NHS PASA operations. These workstreams reported to the TLT
- a transition fund of a maximum £20m was provided by the Department of Health to fund the transition process. This fund was only accessed by way of business case presentation to, and review and authorisation by the Transition Director or, where appropriate, by the Managing Director of the Procurement, Investment and Commercial Division of The Department.
- the Audit Committee increased the frequency of its meetings from being quarterly in normal times to being, at peak times in the transition process, every three weeks, to ensure the appropriate governance process, controls and oversight were in place throughout transition
- Internal Audit increased their input and worked more closely with the Agency to ensure the successful transfer and close of operations

Statement on internal control

Emerging issues

1. The Transition Director alerted the Audit Committee to the potential ongoing risk related to the current national approach to secondary care pharmaceutical procurement and to the possibility of this being dispersed into regional deals that could increase national prices and put continuity of supply at risk. As a response to this legacy issue, NHS PASA have drafted a report to PICD highlighting these risks.
2. In August 2009 an issue arose involving the unintentional distribution of historical pricing and volume data in an electronic file containing multiple spreadsheet tabulations. The information sent related to one supplier and this was sent to three other suppliers who were engaged in the same contract tender exercise. Following this breach NHS PASA commissioned a specialist external firm to review data security and processes put in place after this incident. There is an ongoing challenge from the supplier involved regarding this data breach. Legal advice was that through an e-auction procurement process and the subsequent significantly reduced offer pricing, it was thought highly unlikely that the data release affected the outcome. This was not to diminish the seriousness of the error in any way.

Review of effectiveness

The NHS PASA's Accounting Officer, had responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the executive managers within the Agency who had responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. He has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the ME, the Transition Leadership Team, the Operations Board and the Audit Committee.

The Agency had established processes which included the following:

- the ME which met in the first two months of the year to consider plans for the strategic direction of the Agency
- a Transition Leadership Team which met fortnightly and co-ordinated the work of the individual transition workstreams

Statement on internal control

Review of effectiveness (continued)

- an Operations Board which met monthly and focused on “business as usual” activities
- internal audit reports and management responses reviewed by the Audit Committee, which included two independent officers
- progress of the implementation of internal audit recommendations was monitored monthly by the ME, the Operations Board and the Audit Committee
- regular risk management update reports were made to the ME, Operations Board and the Audit Committee
- the monthly production and review by the ME and the Operations Board of key performance indicators through the balanced scorecard
- comprehensive budgeting and forecasting systems
- the review, by the ME and the Operations Board of monthly and annual financial reports
- IT security accreditation (BS7799)
- accreditation to ISO27001, the International Standard for Information Security
- European Foundation for Quality Management (EFQM)
- Environmental Management System accreditation (EMS), (ISO 14001)
- Quality Management System BSEN ISO 9001/2000 accreditation
- additional internal audit days to ensure the appropriateness of the transition processes

The accumulative annual percentage of lost time due to sickness was 1.7% for the year ending 31 March 2010 (2008/09 2.8%).

The Agency benefited from an internal audit service supplied by an external contractor, which operated to agreed government internal audit standards.

The service reported on the adequacy and effectiveness of the Agency’s system of internal control.

The Audit Committee agreed the annual audit plan and monitored the implementation of recommendations. The internal auditors have examined the systems of internal control using a risk based approach and are of the opinion that these are adequate and effective.

Hugh Taylor
Accounting Officer
3 June 2010

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the NHS Purchasing and Supply Agency for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income 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.

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Director's Report and the Management Commentary 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
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
10 June 2010

Financial Statements

Operating Cost Statement for the year ended 31 March 2010

	Notes	2009/10 £000's	2008/09 £000's
Continuing operations:			
Programme costs:			
Staff Costs	3a	4,651	8,290
Programme costs	4a	4,715	13,517
Gross operating costs		9,366	21,807
Operating income	5a	(3,271)	(10,481)
Net operating cost		6,095	11,326
Discontinued operations:			
Programme costs:			
Staff Costs	3b	5,245	8,059
Programme costs	4b	4,929	8,901
Gross operation costs		10,174	16,960
Operating income	5b	(1,072)	(3,738)
Net operating cost		9,102	13,222
Transition:			
Programme costs:			
Staff Costs	3c	11,606	-
Programme costs	4c	5,573	-
Gross operating costs		17,179	-
Operating income		-	-
Net operating cost		17,179	-
Total net operating cost		32,376	24,548

The notes on pages 35 to 64 form part of these financial statements.

Statement of Financial Position as at 31 March 2010

	Notes	31 March 2010 £000's	31 March 2009 £000's	1 April 2008 £000's
Non-current assets:				
Property, plant and equipment	7	80	1,845	2,048
Intangible assets	8	-	942	388
Total non-current assets		80	2,787	2,436
Current assets:				
Trade and other receivables	9	752	1,246	1,142
Other current assets	9	-	812	461
Cash and cash equivalents	10	5,495	11	98
Total current assets		6,247	2,069	1,701
Total assets		6,327	4,856	4,137
Current liabilities:				
Trade and other payables	11	-	(841)	(2,195)
Other liabilities	11	(281)	(3,684)	(1,664)
Provisions	13	(3,250)	-	(323)
Total current liabilities		(3,531)	(4,525)	(4,182)
Non-current liabilities				
Provisions	13	(3,511)	(1,129)	(927)
Total non-current liabilities		(3,511)	(1,129)	(927)
Total liabilities		(7,042)	(5,654)	(5,109)
Total assets less total liabilities		(715)	(798)	(972)
Taxpayer's equity				
General Fund		(715)	(1,355)	(1,503)
Revaluation reserve		-	557	531
Total Taxpayer's equity		(715)	(798)	(972)

The notes on pages 35 to 64 form part of these financial statement

Hugh Taylor
Accounting Officer
3 June 2010

Cash Flow Statement for the year ended 31 March 2010

	Notes	2009/10 £000's	2008/09 £000's
Cash flows from operating activities			
Net operating cost		(32,376)	(24,548)
Adjustment for non-cash transactions:			
Continuing operations	4a)	104	52
Discontinued operations	4b)	318	362
Transition operations	4c)	208	-
Decrease/(increase) in Trade and Other Receivables	9	1,712	(455)
(Decrease)/increase in Trade and Other Payables	11	(4,244)	666
Use of Provisions	13	5,632	(121)
Net cash outflow from operating activities		(28,646)	(24,044)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	-	(15)
Purchase of intangible assets	8	(353)	(700)
Net cash outflow from investing activities		(353)	(715)
Cash flows from financing activities			
Net Parliamentary funding:			
Underlying Business Operations		21,018	24,672
Transition		16,773	-
Budget transfers	15b)	(3,308)	-
Net financing		34,483	24,672
Increase/(decrease) in cash in the period	10	5,484	(87)

The notes on pages 35 to 64 form part of these financial statements.

Statement of Changes in Taxpayer's Equity for the ended 31 March 2010

	Notes	General Fund £000's	Revaluation Reserve £000's	Total Reserves £000's
Balance at 1 April 2009		(1,355)	557	(798)
Changes in taxpayer's equity for 2009-10				
Net gain/(loss) on revaluation of property, plant and equipment	7	-	(298)	(298)
Release of reserves to the operating cost statement:				
Non-cash charges – cost of capital	4b)	(134)		(134)
Non-cash charges – auditor's remuneration	4a),4b)	81		81
Net operating cost for the year		(32,376)		(32,376)
Total recognised income and expenses for 2009-2010		(32,429)	(298)	(32,727)
Transfer of revaluation reserve to the general fund		259	(259)	-
Net Parliamentary funding:				
Underlying Business Operations		21,018		21,018
Transition		17,179		17,179
Charge to general fund upon transfer of net assets.	15a)	(2,079)		(2,079)
Budget transfers	15b)	(3,308)		(3,308)
Balance as at 31 March 2010		(715)	-	(715)

The notes on pages 35 to 64 form part of these financial statements.

Statement of Changes in Taxpayer's Equity for the ended 31 March 2009

	Notes	General Fund £000's	Revaluation Reserve £000's	Total Reserves £000's
Balance at 31 March 2008 under UK GAAP		(1,236)	531	(705)
Changes in accounting policy	2	(267)		(267)
Balance as at 1 April 2008 under IFRS		(1,503)	531	(972)
Changes in taxpayer's equity for 2008-09				
Net gain/(loss) on revaluation of property, plant and equipment	7		26	26
Release of reserves to the operating cost statement:				
Non-cash charges – cost of capital	4b)	(32)		(32)
Non-cash charges – auditor's remuneration	4a),4b)	56		56
Net operating cost for the year under UK GAAP		(24,492)		(24,492)
Changes in accounting policy	2	(56)		(56)
Total recognised income and expense for 2008-2009		(24,524)	26	(24,498)
Net Parliamentary funding:				
Underlying Business Operations		24,672		24,672
Balance as at 31 March 2009 Under IFRS		(1,355)	557	(798)

The notes on pages 35 to 64 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2010

Note 1. Accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the 2009/10 Government Financial Reporting Manual (FReM) and directions by HM Treasury. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified to account for the revaluation of fixed assets at their value to the business, by reference to their current cost.

b) Government funding

The Agency is funded through net Parliamentary funding from the Department of Health Request for Resources 2 (RfR2). Department of Health funding is shown as a credit to the Agency's General Fund. During the year the Agency received additional funding from The Department of Health in order to fund the transition costs which have been separately identified.

c) VAT

The Agency received funding from the Department of Health to meet expenditure incurred, inclusive of VAT. However, in order to comply with the Government Financial Reporting Manual and normal commercial practice, where VAT is recoverable by the Agency expenditure shown in the operating cost statement is net of VAT.

The Agency is registered for VAT as part of the Department of Health, which is responsible for recovering VAT from HM Revenue and Customs on behalf of the Agency. The recoverable VAT is offset against funding received from the Department of Health during the year. Any recoverable VAT not claimed this year end is included in the Agency's account as a debtor to the Department of Health.

Note 1. Accounting policies

d) Non-Current Assets

i) Capitalisation

All non-current assets falling into the following categories are capitalised:-

All non-current assets which are capable of being used for more than one year and have a cost equal to or greater than £500 are capitalised.

ii) Valuation

A valuation of Land and Buildings was carried out on 16 February 2010 on the basis of market value by the Valuation Office. The valuation was carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, sixth edition.

Equipment assets (including networked computer equipment) and intangibles were valued at net current replacement cost using appropriate indices for each classification of asset.

iii) Depreciation

Land is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Buildings	50 to 60 years
Fixtures and fittings	10 years
Computer hardware	3 to 5 years
Other equipment	5 years

Depreciation is also provided on computer software, classified as intangible fixed assets. The estimated useful life is 5 years. Depreciation is charged over the useful economic life of each asset.

Note 1. Accounting policies

e) Operating income and expenditure

The operating cost statement records programme costs, income and the net resource outturn. Income relates directly to the operating activities of the Agency.

f) Capital charge

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5 % (2008/09 3.5%) in real terms on the average carrying amount of all assets less liabilities, except for cash balances with the Office of the Paymaster General.

g) Operating leases

Operating lease rentals are charged to the operating cost statement in equal amounts over the lease term.

h) Pension

NHS PASA present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a multi-employer defined benefit scheme and is unfunded and non-contributory. The Department of Health recognises the expected cost of providing pensions on a systematic and rational basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department of Health recognises the contributions payable for the year.

i) Losses and special payments

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

j) Provisions for liabilities and charges

Provisions are made for future charges where these charges are not incurred by the Agency on a continuing basis, are material to the accounts and are binding under law or contract.

Note 1. Accounting policies

k) Energy Trading System

The Agency administered a system to record and monitor energy usage by NHS Trusts and inform the negotiation with suppliers for contracts for the supply of power. The costs of administering the system were recovered from the energy suppliers. The Agency only claimed income from energy suppliers sufficient to recover the underlying costs of administering the system.

l) Going Concern

On 23rd April 2009, it was announced that “A new Commercial Operating Model for the Department for Health would be implemented which would entail that NHS PASA will be disaggregated and its functions be transferred to specific areas of the procurement landscape thereby adding greater scope, scale and impact to the procurement of goods and services. The activities and functions of the Agency, along with its associated assets and liabilities, will transfer to the Department of Health and other central government organisations”. The accounts are prepared on a going concern basis as all NHS PASA financial transactions are settled with funds voted by Parliament to the Department of Health, and the majority of the functions of the Agency are being transferred from one part of Government to another.

NHS PASA’s statutory functions ceased as of 31 March 2010 with the remaining assets, liabilities and contractual obligations transferring to the Department of Health on 1 April 2010.

m) Employee Benefits Accrual

The accrual of Employee benefits is calculated based on holiday days outstanding at year end at related salary.

Note 2. First-time adoption of IFRS

	General Fund £000's	Revaluation Reserve £000's	Total Asset £000's
Taxpayers' equity at 31 March 2008 under UK GAAP	(1,236)	531	(705)
Adjustments for:			
Employee benefits accrual	(267)		(267)
Taxpayers' equity at 1 April 2008 under IFRS	(1,503)	531	(972)

Net operating cost for 2007-08 under UK GAAP	24,713
Adjustments for:	
Employee benefits accrual	267
Net operating cost for 2007-08 under IFRS	24,980

	General Fund £000's	Revaluation Reserve £000's	Total Asset £000's
Taxpayers' equity at 31 March 2009 under UK GAAP	(1,032)	557	(475)
Adjustments for:			
Employee benefits accrual at 31 March 2008	(267)		(267)
Employee benefits accrual at 31 March 2009	(56)		(56)
Taxpayers' equity at 1 April 2009 under IFRS	(1,355)	557	(798)

Net operating cost for 2008-09 under UK GAAP	24,492
Adjustments for:	
Employee benefits accrual	56
Net operating cost for 2008-09 under IFRS	24,548

Following the adoption of IFRS holiday pay has been accrued under IAS 19 Employee Benefits.

Note 3. Staffing

a) Staff costs for continuing operations

Operations transferred to:	DH (1) 2009/10 £000's	BS (1) 2009/10 £000's	DH 2008/09 £000's	BS 2008/09 £000's
Permanently employed staff				
Wages and salaries	2,338	1,074	3,441	1,939
Termination payments	-	-	65	-
Social security costs	198	89	295	159
Pension costs	494	202	700	393
Sub Total	3,030	1,365	4,501	2,491
Inward secondments, agency and contract staff				
	256	-	1,297	1
Total	3,286	1,365	5,798	2,492
Less recoveries from outward secondments	-	-	-	-
	3,286	1,365	5,798	2,492
Total net costs		4,651		8,290

1) Department of Health (DH), Buying Solutions (BS).

Note 3. Staffing

b) Staff costs for discontinued operations

	2009/10	2008/09
	£000's	£000's
Permanently employed staff		
Wages and salaries	3,664	4,876
Movement in employee benefits accrual	(323)	56
Termination payments	136	335
Social security costs	376	415
Pension costs	<u>702</u>	<u>1,022</u>
Sub Total	4,555	6,704
Inward secondments, agency and contract staff	690	1,355
	<u> </u>	<u> </u>
Total	5,245	8,059
Less recoveries from outward secondments	<u>(216)</u>	<u>(205)</u>
Total net costs	<u>5,029</u>	<u>7,854</u>

Note 3. Staffing

c) Staff costs for transition

	2009/10	2008/09
	£000's	£000's
Permanently employed staff		
Wages and salaries	21	-
Termination payments	10,993	-
Social security costs	1	-
Pension costs	3	-
	<hr/>	<hr/>
Sub Total	11,018	-
Inward secondments, agency and contract staff	588	-
	<hr/>	<hr/>
Total	11,606	-
Less recoveries from outward secondments	<hr/> -	<hr/> -
	<hr/>	<hr/>
Total net costs	11,606	-

The recoveries from outward secondments are included in the operating income in the operating cost statement.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2008 and details can be found in the separate scheme statement of the PCSPS.

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi employer defined benefit scheme therefore the Agency was unable to identify its share of the underlying assets and liabilities. The scheme prepares its own statements. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employed by payment of charges calculated on an accruing basis. A full actuarial valuation was carried out at 31 March 2008 and details can be found in the resource accounts of the Cabinet Office (www.civilservice-pension.gov.uk).

Note 3. Staffing

The rates for 2009/10 are:

Salary band	%
£0 - £19,500	17.1
£19,501- £40,500	19.5
£40,501- £69,000	23.2
£69,001+	25.5

For 2009-10, total employer's contributions of £1,400,827 were payable to the PCSPS (2008-09:£2,115,323). The scheme Actuary reviews employer contributions every four years following a full scheme valuation. Accruing Superannuation Liability Changes (ASLCs) are used by employers to calculate the in-year pension charge for staff who are members of the PCSPS. The Cabinet Office issued EPN 201 in January 2008, advising the salary bands and rates of charge from 1 April 2009. Contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees could opt to open a partnership pension account, a stakeholder pension with an employer contribution. There were ten employees taking part in the "money purchase" stakeholder arrangement (partnership pension account) in 2009-10. Employers contributions of £23,421 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions were age related and range between 3% to 12.5% of pensionable pay. Employers also matched employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the balance sheet date were £Nil (2008/09 £3,074).

There was 1 early retirement on ill-health grounds in 2009/10 (2008/09 2). There is no provision included in Note 13 (2008/09 £27,386) as all costs for this case will be met by the Civil Service Pension Scheme.

Note 3. Staffing

d) Staff numbers

The average number of whole time equivalent employees (including the Management Executive) during the year was as follows:

	2009/10 wte	2008/09 wte
Permanent employees	177	257
Inward secondments	1	2
Agency and contract staff	<u>28</u>	<u>29</u>
Operations	<u>206</u>	<u>288</u>

Of the 177 average number of permanent employees in 2009/10, 53 were support staff (2008/09 67).

e) Capitalisation of staff costs

Staff costs capitalised during 2009/10 within Assets under Construction (Intangible Fixed Assets) amounted to £335k (2008/09 £483k) and related to 8 staff members (2008/09, 8 staff members) working on software development projects.

Note 4. Programme costs

a) Continuing operations

Operations transferred to:	DH 2009/10 £000's	BS 2009/10 £000's	DH 2008/09 £000's	BS 2008/09 £000's
Rental under operating leases:				
Land and buildings	11	33	22	74
Other leases	41	25	64	53
Non-cash items:				
Depreciation and Amortisation	48	14	19	-
Auditor's remuneration and expenses	29	13	20	13
Other expenditure				
Other staff related including training	219	205	397	408
Estate recurrent costs	93	53	226	118
HCAI costs	2,502	-	9,306	-
Professional fees	431	329	891	672
Energy Trading Costs	-	200	-	397
Other office running costs	280	189	473	364
	3,654	1,061	11,418	2,099
Total		4,715		13,517

Note 4. Programme costs

b) Discontinued operations

	2009/10	2008/09
	£000's	£000's
Rental under operating leases:		
Land and buildings	277	251
Other leases	89	101
Non-cash items:		
Depreciation and Amortisation	320	371
Loss on disposal	93	-
Cost of capital charges	(134)	(32)
Auditor's remuneration and expenses	39	23
Other expenditure:		
Other staff related including training	283	869
Estate recurrent costs	293	302
CEP costs	3,091	3,640
Professional fees	122	2,571
Other office running costs	456	805
	<u>4,929</u>	<u>8,901</u>

The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General of which £4,000 (2008/09 £4,000) of the audit fee relates to work performed in preparation for the adoption of International Financial Reporting Standards in 2009-10. There were no fees in respect of non-audit work.

Note 4. Programme costs

c) Transition

	2009/10 £000's	2008/09 £000's
Rental under operating leases:		
Land and buildings	126	-
Other leases	12	-
Non-cash items:		
Impairment	208	-
Other expenditure:		
Other staff related including training	37	-
Professional fees	164	-
Dowry	4,810	-
Other office running cost	216	-
	<u>5,573</u>	<u>-</u>

The Dowry is the cost to NHS PASA of compensating Buying Solutions for acquiring the responsibility of running NHS PASA frame work.

Note 5. Operating income

Operations transferred to:	DH 2009/10 £000's	BS 2009/10 £000's	DH 2008/09 £000's	BS 2008/09 £000's
a) Continuing operations:				
Appropriated in aid:				
Cost recovery from external organisations	(3,212)	(59)	(10,386)	(93)
Cost recovery from employees	-	-	(1)	(1)
	<u>(3,212)</u>	<u>(59)</u>	<u>(10,387)</u>	<u>(94)</u>
Total		<u>(3,271)</u>		<u>(10,481)</u>

Note 5. Operating income

	2009/10	2008/09
	£000's	£000's
b) Discontinued operations:		
Appropriated in aid:		
Cost recovery from external organisations	(856)	(3,438)
Cost recovery from employees	-	(1)
Energy trading contributions	-	(94)
Secondments	(216)	(205)
	<hr/>	<hr/>
Total	<u>(1,072)</u>	<u>(3,738)</u>

Note 6. Supplier discounts

The Agency invoiced and collected retrospective discounts from certain contracted suppliers as an agent to the Department of Health. In the year ended 31 March 2010 these collections totalled £Nil excluding VAT (2008/09: £123).

Note 7. Property, Plant and Equipment

	Land £000's	Buildings £000's	Fixtures and Fittings £000's	IT equipment £000's	Total £000's
Costs or Valuation:					
At 1 April 2009	350	1,050	562	1,566	3,528
Additions	-	-	-	-	-
Disposals	(250)	(750)	(208)	(1,566)	(2,774)
Transfers	-	-	4	20	24
Revaluation	(100)	(300)	-	-	(400)
At 31 March 2010	-	-	358	20	378
Depreciation:					
At 1 April 2009	-	82	316	1,285	1,683
Charged in Year	-	20	103	109	232
Disposals	-	-	(135)	(1,380)	(1,515)
Transfers	-	-	-	-	-
Revaluation transfer	-	(102)	-	-	(102)
At 31 March 2010	-	-	284	14	298
NBV At 31 March 2010	-	-	74	6	80
NBV At 31 March 2009	350	968	246	281	1,845

Loss on disposal of property, plant and equipment

The total NBV of disposals is £1,259k of which £1,194k of assets was transferred to DH for no loss and £65k of assets were scrapped included in the loss on disposal of £93k.

Note 7. Property, Plant and Equipment

	Land £000's	Buildings £000's	Fixtures and Fittings £000's	IT equipment (Restated) £000's	Total £000's
Costs or Valuation:					
At 1 April 2008	337	1,037	562	1,551	3,487
Additions	-	-	-	15	15
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Revaluation	13	13	-	-	26
At 31 March 2009	350	1,050	562	1,566	3,528
Depreciation:					
At 1 April 2008	-	61	255	1,123	1,439
Charged in Year	-	21	61	162	244
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 March 2009	-	82	316	1,285	1,683
NBV At 31 March 2009	350	968	246	281	1,845
NBV At 1 April 2008	337	976	307	428	2,048

The value of Property, Plant and Equipment has been restated as a result of the reclassification of Assets Under Construction to Intangible Fixed Assets. These were mis-classified in previous years. The total effect is a reduction in the NBV of Property, Plant and Equipment of £556k at 31 March 2009 (31 March 2008 £17k).

Land and buildings were all freehold. All assets were owned and in current use as at 31 March 2010 prior to final transfer to the Department of Health.

Note 7. Property, Plant and Equipment

The Premier House leasehold property has a two year break clause at April 2012 and depreciation relating to the leasehold enhancements to Premier House, within Fixtures and Fittings, has been accelerated in 2009/10 in order to reflect this. The additional depreciation charge in 2009/10 as a result of this acceleration was £43k. A valuation of Land and Buildings was carried out on 16 February 2010 on the basis of market value by the Valuation Office at £1,000k. The valuation was carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, sixth edition.

Note 8. Intangible fixed assets

	Assets under Construction £000's	Software Licenses £000's	Total £000's
Cost or Valuation			
At 1 April 2009	556	1,000	1,556
Additions	353	-	353
Disposals	(471)	(1,414)	(1,885)
Transfers	(438)	414	(24)
	<hr/>	<hr/>	<hr/>
At 31 March 2010	-	-	-
Amortisation			
At 1 April 2009	-	614	614
Charged in Year	-	150	150
Impairment	-	208	208
Disposals	-	(972)	(972)
Transfers	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2010	-	-	-
NBV At 31 March 2010	-	-	-
NBV At 31 March 2009	<u>556</u>	<u>386</u>	<u>942</u>

Loss on disposal of intangible fixed assets

The total NBV of disposals is £913k of which £885k of assets was transferred to DH for no loss and £28k of assets were scrapped included in the loss on disposal of £93k.

Note 8. Intangible fixed assets

	Assets under Construction £000's	Software Licenses £000's	Total (Restated) £000's
Cost or Valuation			
At 1 April 2008	17	839	856
Additions	681	19	700
Disposals	-	-	-
Transfers	(142)	142	-
	<hr/>	<hr/>	<hr/>
At 31 March 2009	556	1,000	1,556
Amortisation			
At 1 April 2008	-	468	468
Charged in Year	-	146	146
Disposals	-	-	-
Transfers	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2009	-	614	614
NBV At 31 March 2009	556	386	942
NBV At 1 April 2008	17	371	388

The value of Intangible Fixed Assets has been restated as a result of the reclassification of Assets Under Construction from Property, Plant and Equipment. These were mis-classified in previous years. The total effect is an increase in the NBV of Intangible Fixed Assets of £556k at 31 March 2009 (31 March 2008 £17k).

Note 9. Trade receivables and other current assets

	31 March 2010 £000's	31 March 2009 £000's	1 April 2008 £000's
Amounts falling due within one year			
Trade receivables	714	1,129	762
Other receivables	38	117	380
Prepayments and accrued income	-	812	461
	<hr/>	<hr/>	<hr/>
Balance at 31 March	752	2,058	1,603
	<hr/>	<hr/>	<hr/>

The trade receivables includes £680k which is debts due from The Department of Health (2008/09 - £1,180k, 2007/08 £644k), of which £406k relates to transitional funding, not Operating Income.

Note 10. Cash and cash equivalents

	2009/10 £000's	2008/09 £000's
Balance at 1 April	11	98
Net change in cash and cash equivalents	<u>5,484</u>	<u>(87)</u>
Balance as at 31 March	<u>5,495</u>	<u>11</u>

The following balances were held at:

	31 March 2010 £000's	31 March 2009 £000's	1 April 2008 £000's
Office of HM Paymaster General	5,495	11	98
Commercial banks and cash in hand	<hr/> -	<hr/> -	<hr/> -
Total	<hr/> 5,495	<hr/> 11	<hr/> 98

Note 11. Trade payables and other current liabilities

	31 March 2010 £000's	31 March 2009 £000's	1 April 2008 £000's
Amounts falling due within one year			
Trade Payables	-	319	1,671
Civil Service Pension scheme	-	205	291
Other taxation and social security	17	296	203
Other payables	-	21	30
Deferred Income	-	187	100
Employee Benefits Accrual	-	323	267
Accruals	264	3,174	1,297
	<hr/>	<hr/>	<hr/>
Total	281	4,525	3,859
	<hr/>	<hr/>	<hr/>

Note 12. Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	680	-	17	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	34	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	38	-	264	-
At 31 March 2010	752	-	281	-
Balances with other central government bodies	1,191	-	986	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	46	-	776	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	821	-	2,763	-
At 31 March 2009	2,058	-	4,525	-

Note 12. Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
Balances with other central government bodies	690	-	677	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	72	-	744	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	841	-	2,438	-
At 1 April 2008	1,603	-	3,859	-

Note 13. Provisions for liabilities and charges

	Restructuring	Early retirement	Total
	£000's	£000's	£000's
Balance as at 1 April 2009	1,102	27	1,129
Provided in the year	11,063	-	11,063
Provisions utilised in the year	(5,423)	(6)	(5,429)
Provisions not required written back	(2)	-	(2)
Balance as at 31 March 2010	6,740	21	6,761

Analysis of expected timing of discounted flows

Within one year	3,243	7	3,250
Between two and five years	2,444	14	2,458
After five years	1,053	-	1,053
Thereafter	-	-	-
Balance as at 31 March 2010	6,740	21	6,761

	Restructuring	Early retirement	Total
	£000's	£000's	£000's
Balance as at 1 April 2008	1,234	16	1,250
Provided in the year	271	27	298
Provisions utilised in the year	(306)	-	(306)
Provisions not required written back	(97)	(16)	(113)
Balance as at 31 March 2009	1,102	27	1,129

The restructuring element of the provision relates to future obligations in respect of redundancy payments and early retirement pensions arising as a result of redundancies made due to the closure of PASA.

Note 14. Early retirements and redundancy

The Agency met the additional costs of benefits beyond the normal Principal Civil Service Pensions Scheme (PCSPS) benefits in respect of employees who retired early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provided for this in full when the early retirement programme became binding on the Agency by establishing a provision for the estimated payments.

Note 15. Transfers of assets, liabilities and budgets of continuing operations to the Department of Health (DH) and Buying Solutions (BS)

a) During the year the following assets and liabilities were transferred to continuing operations:

	DH £000's	BS £000's	Total £000's
Net assets			
Non-current assets 1)	2,079	-	2,079
Receivables	164	181	345
Cash transferred/ (received)	443	(78)	365
Payables	(607)	(103)	(710)
Total	2,079	-	2,079

1) Includes £1,000k relating to the transfer of Land and Buildings (note 7).

b) During the year the following 2009/10 budget values were transferred to continuing operations from NHS PASA:

	DH £000's	BS £000's	Total £000's
Budgets			
Vired over	1,597	-	1,597
Cash	1,421	1,887	3,308
Total	3,018	1,887	4,905

The above transfers relate to the post transfer proportion of the original NHS PASA budget for 2009/10 for funding the continuing operations outside of NHS PASA.

Note 16. Capital commitments

	31 March 2010 £000's	31 March 2009 £000's	1 April 2008 £000's
Contracted capital commitment not otherwise included in these accounts:			
Property, plant and equipment	-	22	0
Intangible assets	-	0	260

Note 17. Commitments under leases

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

	31 March 2010 £000's	31 March 2009 £000's	1 April 2008 £000's
Buildings			
Expiry within 1 year	25	-	-
Expiry after 1 year but no more than 5 years	-	318	337
Expiry thereafter	-	-	-
Other leases			
Expiry within 1 year	6	112	51
Expiry after 1 year but no more than 5 years	-	100	112
Expiry thereafter	-	-	-

The above leases that were in operation as at 31st March 2010 were transferred to the DH effective on that date (see note 21).

Note 18. Related party transactions

The NHS Purchasing and Supply Agency was an executive agency of the Department of Health. The Department of Health is regarded as a related party with which the Agency has had various material transactions during the year.

During the year no member of the Management Executive or other key management staff or parties related to them have undertaken any material transactions with the Agency.

Note 19. Losses and special payments

During 2009/10, there were eleven (2008/09 fifteen) cases of losses and special payments totalling £6,283 (2008/09 £3,440) approved, during their respective periods in office, by the Chief Operating Officer and Chief Executive Officer in accordance with the Agency's framework document.

Note 20. Contingent Liabilities

There is one on-going claim against the Agency which is expected to be resolved during the financial year 2010/11 and is referred to in the Statement of Control under emerging issues.

Note 21. Post balance sheet events

The audited financial statements for the year ended 31st March 2010 were given to the Department of Health Accounting Officer for signature with sufficient assurances given by the NHS PASA Accounting Officer on 31 March 2010. In accordance with IAS10 Events After The Reporting Period, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Note 22. Financial instruments

'FRS 25,26 and 29 – Derivatives and Other Financial Instruments' requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Agency was financed by the Government and therefore it was not exposed to the risk faced by business entities. Also financial instruments play no role in creating or changing risk unlike that which would be typical of the listed companies to which FRS 29 mainly applies. The Agency did not have any powers to borrow or invest surplus funds and financial assets and liabilities were generated by day-to-day operational activities rather than being held to change the risks facing the Agency in undertaking its activities.

Liquidity risk

The Agency financed its capital expenditure from funds made available from the Government therefore there was no exposure to liquidity risks.

Currency risk

The Agency did not have any transactions outside of the UK and therefore had no exposure to currency rate fluctuations.

Credit risk

The Agency had no long term debt and both debtors and creditors fell within one year. The majority of the Agency's income came from contracts with the Department of Health and other public sector bodies; therefore the Agency had no exposure to credit risk. The maximum exposure as at 31 March 2010 is in receivables from customers, as disclosed in the debtors note.

Note 22. Financial instruments

Interest rate risk

The Agency had neither borrowings nor interest bearing deposit accounts. The Agency's financial assets and liabilities carried nil rates of interest. The Agency was not, therefore, exposed to interest-rate risk. The following table show the interest rate profile of the Agency's financial assets and liabilities:

Financial assets

Currency	Total	Floating Rate	Fixed Rate	Non-interest bearing
	£000's	£000's	£000's	£000's
At 31 March 2010				
Sterling	5,495	-	-	5,495
Other	-	-	-	-
Gross Financial Asset	5,495	-	-	5,495
At 31 March 2009				
Sterling	11	-	-	11
Other	-	-	-	-
Gross Financial Asset	11	-	-	11
At 1 April 2008				
Sterling	98	-	-	98
Other	-	-	-	-
Gross Financial Asset	98	-	-	98

Note 22. Financial instruments

Financial liabilities

Currency	Total	Floating Rate	Fixed Rate	Non-interest bearing
	£000's	£000's	£000's	£000's
At 31 March 2010				
Sterling	3,511	-	-	3,511
Other	-	-	-	-
<hr/>				
Gross Financial Liability	3,511	-	-	3,511
<hr/>				
At 31 March 2009				
Sterling	1,129	-	-	1,129
Other	-	-	-	-
<hr/>				
Gross Financial Liability	1,129	-	-	1,129
<hr/>				
At 1 April 2008				
Sterling	1,250	-	-	1,250
Other	-	-	-	-
<hr/>				
Gross Financial Liability	1,250	-	-	1,250
<hr/>				

Foreign currency risk

The Agency has no foreign currency income or expenditure.

Note 22. Financial instruments

Fair Values

A comparison, by category, of book values and fair values of the Agency's financial assets and liabilities as at 31 March 2010 is as follows:

	Book value £000's	Fair value £000's	Basis of fair valuation
Financial assets:			
Cash	5,495	5,495	Cash Basis
Debtors over 1 year	-	-	
Investments	-	-	
<hr/>			
Total	5,495	5,495	
<hr/>			
Financial liabilities:			
Overdraft			
Creditors over 1 year:			
Early retirements	3,511	3,511	
Finance leases	-	-	
Provisions under contract	-	-	
Loans	-	-	
<hr/>			
Total	3,511	3,511	
<hr/>			

Note 23. Reconciliation of total net operating cost to financing received from the Department of Health for the year ended 31 March 2010

In order to aid the reader of the accounts, Department of Health have requested that Arms Length Bodies provide a reconciliation indicating how the organisation has performed financially in containing its Total Net Operating Costs within the funding received during the financial reporting period. The table below provides information regarding the Agency's operations.

NHS PASA Operations

	31 March 2010 £000's	31 March 2009 £000's
Total net operating costs for the financial year	(15,197)	(24,548)
Financing received from The Department	19,091	24,559
<hr/>		
Under/ (over) spend against financing from The Department	3,894	11
<hr/>		

Note 24. Contact details

NHS PASA's statutory functions ceased as of 31 March 2010 all enquiries should now be directed to the NHS PASA Sponsor Team, Department of Health, 5th Floor, New Kings Beam House, 22 Upper Ground, London, SE1 9BW.



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