



# **Business Services Authority**

## **ANNUAL REPORT AND ACCOUNTS 2005-2006**



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# NHS Business Services Authority

## ANNUAL REPORT 2005-2006

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## **INTRODUCTION TO THE NHS BUSINESS SERVICES AUTHORITY**

### **The Organisation**

The NHS Business Services Authority (NHSBSA) was established as a Special Health Authority effective from 1 October 2005 by Statutory Instrument under the provisions of the NHS Act 1977. The Establishment Order and the regulations were made jointly by the Secretary of State and the National Assembly for Wales.

### **Policy background**

The then Secretary of State for Health, John Reid, announced his intention to carry out a review of the Department's Arm's Length Bodies (ALBs) at the Health Select Committee on 30 October 2003. He announced overall parameters for the review on 20 May 2004:

- A 50% reduction in the number of Arm's Length Bodies
- Savings in expenditure of £0.5 billion
- A reduction in posts of 25%

On 22 July 2004 the report "Reconfiguring the Department of Health's Arm's Length Bodies" was published, which set out the Government's conclusions based on the analysis of the review and the input of the ALBs. The Implementation Framework document, published on 30 November 2004, set out the principles, processes and timescales by which the ALB Change programme would be implemented.

The review and rationalisation of the ALB sector created a number of new Special Health Authorities ("SpHAs") through the dissolution and consolidation of existing ALBs. One such SpHA is the NHS Business Services Authority (NHSBSA) created from the dissolution and merging of the functions from the NHS Pensions Agency (NHSPA), Prescription Pricing Authority (PPA), Dental Practice Board (DPB), NHS Counter Fraud and Security Management Service (CFSMS), and NHS Logistics.

Although the NHSBSA was established on 1 October 2005, the five constituent organisations were not abolished nor their staff, assets and functions transferred to the NHSBSA until April 2006. Therefore, between 1 October 2005 and 31 March 2006, the NHSBSA did not perform any of the operations undertaken by the pre-existing ALBs.

However, the NHSBSA did perform functions relating to the setting up of appropriate governance arrangements and policies for the NHSBSA, the establishment of management processes such as consolidated accounts reporting and the development of a business plan for the NHSBSA. The NHSBSA also co-ordinated decisions with each ALB with respect to operational decisions that had a material impact on the business of the NHSBSA beyond 31 March 2006. The functions of the NHSBSA were expanded in April 2006 to accommodate the operations of the constituent ALBs that at the same time were abolished and their functions transferred.

The impact on the public sector of the consolidation of the constituent ALBs into the NHSBSA is expected to be a reduction in the operating costs of the functions by at least £25m by March 2008. The NHSBSA is expected to reduce its posts by 25% by March 2008. It is also expected to comply with the Lyons Review recommendations concerning the location of public sector business activity away from London and the South-East.

## **MANAGEMENT SUMMARY**

### **Establishing the NHSBSA**

The establishment of the NHSBSA required significant activity in a number of areas:

- The appointment of a Chairman, four non-executive directors, a Chief Executive and two executive directors covering Finance and Human Resources, which constituted the NHSBSA Board at 31 March 2006
- The establishment of an Audit and Risk Management Committee and Remuneration and Terms of Service Committee
- The preparation and approval of a Framework document, Standing Orders, Standing Financial Instructions and Scheme of Delegation
- The preparation and approval of a 3 year business plan outlining how the ALB savings targets can be achieved
- The implementation of a corporate structure to manage the assets, staff and functions of the five bodies transferring into the NHSBSA on 1 April 2006.
- Receipt of handover reports from each body approved by their own Boards.

The above work was undertaken by a transition team chaired by Mike Marchment, seconded from the Department of Health for the period 1 July 2005 to 31 January 2006. The team comprised of representatives from each of the merging bodies which met regularly and which undertook or commissioned essential governance foundations. PriceWaterhouseCoopers were also engaged to offer professional guidance and to recommend a top-level management structure, which was eventually adopted with some minor amendments.

The Chairman, Paul Rich, was appointed by the Secretary of State on the recommendation of the NHS Appointments Commission on 1 November 2005. Appointments on the same basis were also made for four non-executive directors (Michael Harling, David Hulf, Jeremy Strachan and David Teale), commencing from 1 December 2005. The appointment of a further non-executive director (Anne Galbraith) has been made effective from 1 April 2006. One of their first tasks was to recruit, via open competition, the Chief Executive of the NHSBSA, Nick Scholte, who commenced his duties on 1 February 2006. Nick Scholte was previously Chief Executive of the Prescription Pricing Authority. Following his appointment the posts of Director of Finance and Director of Human Resources were advertised internally throughout the merging bodies on a ringfenced basis, open to suitably qualified and experienced staff within those bodies. The two appointees, John Smith (Director of Finance) and Mike Siswick (Director of Human Resources) were both previously directors of the Prescription Pricing Authority and were appointed with a start date of 1 February 2006. As at 31 March 2006 three further executive director appointments had still to be made to bring the number of executive directors to six. Two of these posts, namely the Chief Operating Officer and the Commercial Director, were expected to be filled in the early part of the financial year commencing 1 April 2006. The sixth post, Director of Business Development, will initially be kept in abeyance until a later date.

The Audit and Risk Management Committee was established to be chaired by David Hulf, with its first meeting scheduled for early April. The Remuneration and Terms of Service Committee was also established, chaired by Michael Harling with its first meeting scheduled for early April.

The key corporate governance documents have been prepared and approved by the NHSBSA Board. The Framework document contains the key governance framework for the Authority going forward.

One of the most challenging tasks during the setting up process has been the development of a coherent business plan that delivers the targets required of the NHSBSA as an ALB. Extensive testing of the main assumptions will be made during the early part of 2006/07 to ensure that the targets can be met.

A corporate structure has been developed and implemented for the immediate future of the NHSBSA. The structure essentially consists of a number of corporate functions such as Finance, HR and Commercial providing support to five operating divisions each led by a managing director. The five operating divisions cover areas of responsibility which broadly correspond to those that related to the five bodies merging within the NHSBSA. Over time it is expected that this structure will evolve differently as services are reconfigured to release further efficiency savings.

A handover report was requested from each body reviewing the performance of the organisation, its key objectives and key risks. Each organisation has provided assurance to the NHSBSA that adequate governance has been exercised and that the respective organisations have been handed over in good order on 1 April 2006.

## **Strategic Context**

### ***Mission and Purpose***

The purpose of the NHSBSA is to provide best-in-class services including agreed new procurements to support the NHS, by delivery of the NHSBSA Business Plan so that efficiencies can be re-invested where it matters most, front-line patient care.

Its mission will be to do that by:

- integrating the agreed set of five ALBs to be incorporated into the NHSBSA, at its onset, in a way that ensures minimum adverse impact on business continuity, and the integration being fully completed by April 2008;
- driving through the transformation of the way in which the services provided by the new NHSBSA to optimise the latent synergies wherever possible, so that efficiency and effectiveness is improved to agreed targets and performance indicators at pace and are optimised;
- where there is a tangible business case for doing so, taking maximum benefit from the appropriate extension and/or introduction of private sector providers by adopting a NHSBSA business model of commissioning, procuring and performance managing the delivery of its relevant services, whilst retaining overall accountability for performance to its key clients and users;
- fostering an ethos of customer service, where clients use the NHSBSA based on its reputation as a natural provider of business services for the NHS, and a reputation as an employer/contractor where people matter in which values of integrity, decency and development prevail.



### **Strategic End Vision**

The mission of the NHSBSA will be achieved by developing an NHS commissioning model capable of interpreting its client's needs (ie DH or NHS clients) and contracting services to meet those needs appropriately. The keys to the success of this structural model will be:

- Prior to any outsourcing, promoting performance and efficiency drives in each of the component ALBs, hence reducing the likely costs of outsourcing, and improving the likely service should the function be outsourced
- Implementation of a flexible organisational structure to deliver service excellence whilst demonstrating capability in core business areas and retaining accountability for it.
- Maintaining, throughout the change and afterwards, the primary accountability for ensuring excellent delivery of services, working with partners and suppliers through effective performance management.
- Maintaining an "intelligent customer" unit in the form of a business division that is able to understand, in detail, the client's needs and translate those needs into appropriate contract specifications and manage contracted services to ensure those needs are met.
- Developing a Commercial function capable of negotiating effective and efficient contracts with the independent sector and extracting synergies, or economies of scale, from the combined specifications across all business divisions.
- The ability to add new business divisions without massive restructuring of the model thus allowing new SoS, DH and NHS requirements to be implemented easily and cost effectively.

### **Functions of the NHSBSA from 1 April 2006**

On 1 April 2006 a transfer of responsibility, staff and assets from five terminating bodies to the NHSBSA was completed. The functions carried out by the five organisations were set out in their own accounts for 2005-6 and are summarised in the table below:

<b>Body</b>	<b>Primary functions</b>
Prescription Pricing Authority	Payments to pharmacists and appliance contractors, and calculate amounts due to general practitioners, for supplying drugs and appliances prescribed under the NHS;  Provide information for General Practitioners (GPs), Primary Care Trusts (PCTs) and other NHS stakeholders about prescribing volumes, trends and costs;  Manage the NHS Low Income Scheme (LIS) and a range of exemption and pre-payment certificates offering help with health costs;  Manage the receipt of applications and the distribution of European Health Insurance Cards throughout the UK;

<b>Body</b>	<b>Primary functions</b>
Prescription Pricing Authority	Produce the Drug Tariff containing the reimbursement prices of a range of prescribable items and remuneration rules;  Provide managed financial and human resources services to a range of NHS organisations and Department of Health teams.
NHS Pensions Authority	Management of the NHS Pensions Scheme in England and Wales;  Manage the Injury Benefits Scheme in England and Wales;  Manage the NHS Bursary Scheme for England
NHS Logistics	Provide a major supply channel for consumable healthcare products to the English NHS.
Dental Practice Board	Providing PCTs in England and LHBs in Wales with modern on-line payment systems that enable them to provide the data necessary to enable accurate and timely payments to General Dental Services (GDS) and Personal Dental Services (PDS) providers of NHS dentistry.
Counter Fraud and Security Management Service	To reduce fraud to an absolute minimum and hold it permanently at that level, releasing resources for better patient care and services;  To deliver an environment for those who use or work in the NHS which is properly secure so that the highest possible standard of clinical care can be made available to patients.

Each of these Business Divisions will be required to maintain and develop their service functions using a range of Key Performance Indicators that are relevant to their business.

### **Business Plan highlights**

The NHSBSA has developed a business plan for the three years 2006/07 to 2008/09. The key issues facing the Authority in the first year of this plan are highlighted below:

- The successful integration of the former constituent bodies into an efficient and effective NHSBSA, maintaining business continuity.
- Achieving the challenging savings targets as set out in the Department of Health's Arms Length Bodies Review, by way of :
  - The development of the Capacity Improvement Programme within the Prescription Pricing Division, which forms a significant element of the Authority's savings target. The Capacity Improvement Programme is the introduction of new technology to automate where possible the processing of prescriptions. A full business case outlining the significant financial benefits of this programme in the medium to long term, has been approved by the Department of Health sponsor.
  - Full contractorisation of the Pensions Division to deliver target efficiency savings.

- As part of the Department of Health Supply Chain Excellence programme a project is underway to market test the NHS Logistics operation.
- Further consideration will be given as to the position of CFSMS within the NHSBSA in the medium to long term.
- The successful implementation of the new dental contract by the Dental Practice Division.

### **Annual Accounts 2005/06 – Financial Overview**

The NHSBSA was allocated a sum of £500k revenue resource from the Prescription Pricing Authority's 2005/06 resource allocation to cover the set up costs for the NHSBSA. This largely consisted of the costs of the non-executive directors and the three executive directors plus various professional fees. The actual expenditure outturn was £497k, a small underspend of £3k. As at 31 March 2006 it had no assets.

The NHSBSA has a balanced expenditure revenue budget of £138 million for 2006/7 based on an agreed baseline resource allocation, with a potential additional £10 million available for transition costs (primarily potential redundancy costs) subject to a satisfactory business case being presented to DH. The transition costs largely relate to the expected impact of the Capacity Improvement Programme within the Prescription Pricing Division of the NHSBSA, which is vital to the NHSBSA's successful delivery of the ALB targets. It should be noted that the above expenditure figures exclude those of the Logistics Division as this is a not for profit trading operation. There is a further £6.3 million available for capital investment.

The NHSBSA will be responsible for around £75 million of net assets of which over £60 million represents fixed assets. The majority of fixed assets relate to property, and in particular the depots of NHS Logistics and the processing centres for Prescription Pricing. Around £33 million of fixed assets will potentially transfer out to a third party contractor if NHS Logistics operations are contracted out. However it is anticipated that significant stock, debtors and creditors transferring from NHS Logistics will remain the responsibility of the NHSBSA. Exact numbers are not provided as part of this report as the accounts for the transferring bodies are subject to final audit.

The key financial challenge for the NHSBSA over the forthcoming year will be achieving the resource target. Savings identified within budgets will need to be secured and reporting and monitoring mechanisms have been put in place to ensure that this happens. The finance function also needs to complete a restructuring process to facilitate efficient consolidation and reporting of a NHSBSA wide picture. Currently finance information is kept on multiple financial systems and integration and simplification will be required. The impact of the potential contracting out of NHS Logistics operations will also provide a challenge with the bulk of the assets remaining with the NHSBSA. Adequate contract management arrangements will need to be developed to ensure that the potential contractor fulfils the terms of its contract with regard to stewardship of the assets of the NHSBSA.

Treasury management will be a corporate responsibility and the NHSBSA has already developed a set of cash forecasting procedures and cash drawdown arrangements as part of the setting up of the NHSBSA.

## Auditor

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 1977 as amended by the Government Resources and Accounts Act 2000 (audit of Health Services bodies) Order 2003, Number 1324. The audit certificate is on pages 25 and 26. The fee paid for the audit of the NHS Business Services Authority's accounts was £12k.

## Resources

The NHSBSA has a diverse set of resources available to it in terms of its workforce, locations and assets. Key to the future of the NHSBSA is the breadth of knowledge and experience available in the various businesses that will need to be harnessed for business continuity and future development.

In total the NHSBSA will start 2006/07 with around 4,500 staff plus an additional 1,540 employees for which it holds the employment contracts on behalf of various Department of Health bodies, through a variety of hosted service arrangements. The split of NHSBSA staff is as follows:

<b>Organisation</b>	<b>Number of staff (wte)</b>
Business Services Authority – Corporate *	79
Prescription Pricing Division	2,135
Logistics Division	1,500
Dental Practice Division	138
Counter Fraud and Security Management Service	238
Pensions Division	412

\* Finance and Human Resources staff from the PPA have transferred to the Corporate Finance and Human Resources teams within the NHSBSA.

The NHSBSA operates from the following main locations:

<b>Organisation</b>	<b>Locations</b>
Prescription Pricing Division	Newcastle, Durham, Bolton, Liverpool, Manchester, Wakefield, Sheffield, West Bromwich, Preston
NHS Pensions	Fleetwood
NHS Logistics	Bristol, Bury St Edmunds, Alfreton, Maidstone, Runcorn & Wakefield
Dental Practice Division	Eastbourne
Counter Fraud and Security Management Service	Coventry, London, Reading, Newcastle & Ilford
Business Services Authority – Corporate	Newcastle

The NHSBSA as a stand alone Special Health Authority does not have any special relationships with other bodies other than those that it provides services to. This would include other NHS bodies that use NHSBSA information for the delivery of their services. The NHSBSA does provide support to other government bodies on an adhoc basis by providing information on the services it provides, and also through its managed services.

### **Stakeholder relationships**

In merging five disparate organisations, the NHSBSA will have a large number of stakeholder relationships to manage. It will need to ensure that it continues to communicate with policy colleagues in the Department of Health to deliver the benefits of new policies and policy amendments. The ultimate customer for the majority of the services it will provide is the wider NHS and its staff. Virtually every part of the NHS will be touched in some way either directly or indirectly from the activities of the NHSBSA, for example by providing goods, supporting the supply of pharmaceutical drugs, providing an NHS pension or keeping staff secure at work.

There are some key relationships specific to the NHSBSA. A significant amount of the work of the NHSBSA is already contracted out to third party contractors and the plan is to increase this. Contractor management is a vital area of excellence on which the NHSBSA will need to focus. NHS Pensions will also need to continue to work closely with the Government Actuaries Department and HM Treasury.

The NHSBSA Director of Human Resources is finalising consultative mechanisms with trade unions. Staff are currently represented by a number of different trade unions and the aim is to establish a group of representatives that would adequately represent all staff. The establishment of this consultative mechanism will be important as the NHSBSA will be an organisation undergoing significant change affecting large numbers of staff for the foreseeable future.

## **The Environment and Sustainability**

The NHSBSA recognises that the management of the impact of its business processes on the environment is of fundamental importance to its stakeholders and members of the public. The NHSBSA will endeavour to adopt measures that will reduce the impact that its business operations and activities will have on the environment.

In order to achieve this the NHSBSA will implement policies and strategies that:

- make sustainable development and continuous improvement a key part of all policies and procedures;
- recognise and appraise the impact that our facilities, services and activities have on the environment;
- introduce and develop environmental management systems;
- include environmental consideration in investment decisions;
- ensure that the activities of the NHSBSA comply with all statutory requirements of environmental legislation and aim for continual improvement in environmental performance over defined time scales.

## **People and Performance**

The NHSBSA will use a range of methods to facilitate good communication between all staff. Newsletters will be published on a variety of matters to brief staff on forthcoming developments within the Authority that affect them and to keep them apprised of developments in the wider NHS. Information will be both posted on intranet sites as well as hard copies being available for staff with no intranet access. Internet sites will be used to keep all staff informed of relevant developments. Full information of the Authority's written policies and procedures will be contained in the Human Resources Manual and Health and Safety Manual, which will be available to all staff in both hard copy and electronically.

The NHSBSA will regularly review statistics relating to the composition of its staff based on ethnicity, age and gender and compare this with national information to assess the extent to which its staff profile broadly matches the make up of each respective local population. HR statistics will be provided quarterly to give a view of absence rates, turnover and the basis on which staff are employed.

The NHSBSA will have both local and national consultative forums for formal consultation with recognised trade unions. All staff will be encouraged to join a recognised trade union. Working groups will be appointed at both national and local level to facilitate the development of policy for the NHSBSA. These will include equalities forums and race relations.

The NHSBSA will complete the assimilation of all staff on to Agenda For Change Pay Bands and Terms and Conditions.

- In addition to assimilation of pay all staff have an agreed KSF Outline.
- All relevant HR policies have been agreed to reflect the Agenda for Change agreement and where this is silent or the facility for a local agreement to be made these have been negotiated with Staff side.

The Agenda for Change Project has facilitated a strong partnership working ethos between the Authority and its people with significant numbers of staff being trained and participating in Agenda for Change activities.

A separate remuneration report is contained within this document. This report contains a complete and up to date record of the interests of all members of the NHS Business Services Authority and also highlights the standard disclosures with respect to the pensions paid to senior managers. Details of the pension scheme are disclosed in note 1.8 of the annual accounts.

### **Health and Safety**

A full range of Health and Safety policy and procedures will set out how the NHSBSA will fulfil its health and safety responsibilities. It will apply to staff, visitors, contractors and anyone who might be affected by activities related to commercial and industrial properties and projects. Training and Development activities will be run regularly to ensure that staff meet statutory, mandatory and developmental needs. The NHSBSA will meet its duties in the reporting of accidents and regularly reviews statistics at the National Safety Committee with a view to carrying out preventative measures. All staff will have free and self-referral access to a Counselling Service. The NHSBSA will have a contracted out OHS Service.

### **Equal Opportunities Statement**

The NHSBSA is committed to providing equality of opportunity for all employees. It is also committed to the application of employment practices, policies and procedures which positively value diversity and which aim to ensure that all employees and potential employees receive fair, equitable and consistent treatment. It is intended that no-one should receive less favourable treatment or be subject to direct or indirect discrimination on grounds of race, colour, nationality, ethnic origin, gender, sexual orientation, marital status, age, disability, religion, political affiliation, trade union membership or criminal record.

This policy is complementary to the NHS Staff Council Equal Opportunities Agreement.

The NHSBSA will have a single Committee dealing with Race Relations and Equality & Diversity, within a strategic framework, to ensure that commitment to equality issues is an inherent part of the direction of the NHSBSA. This strategic framework will be modelled on NHS best practice; the Positively Diverse Framework which has been acknowledged by the DH as key to supporting the NHS's equality and diversity agenda by promoting approaches to increase workforce diversity and improve equality standards.

### **Employment of people with a disability**

The NHSBSA will aim to be a two ticks disability symbol user across all its services and as such comply with the requirement of this standard in the employment of people with a disability.

## **Conclusion**

The NHSBSA has met its objectives for its first six months. In establishing a fully functioning Board with audit and remuneration committees, complete with approved corporate governance documents the NHSBSA is well set up to deliver the challenges as set out in the business plan. There is a clear organisation structure that will enable performance at divisional and corporate level to be monitored and improved.

There is no doubt that creating a new organisation from the merger of five pre-existing bodies at the same time, whilst implementing a significant change agenda and being required to meet stringent cost savings in a short space of time poses some significant risks for which appropriate mitigation will need to be identified. I am, however, confident that the NHSBSA has made a good start in this initial six month transitional period.

**Nick Scholte:**  
**Accounting Officer**  
**7 July 2006**



## **REMUNERATION REPORT**

This report for the year ended 31 March 2006 is produced by the Board. A Remuneration Committee has been appointed by the Board but did not meet in the period to 31 March 2006. Its remit is to deal with the remuneration of the Chief Executive, executive directors and any other senior managers specifically designated by the Board who have influence over the decisions of the authority as a whole.

### **Remuneration Committee**

The remuneration of the Board is set by the Remuneration and Terms of Service Committee which is comprised of the authority's chairman and two non executive members.

The Authority's Standing Orders detail the terms of reference for the committee as follows:

The Remuneration Committee will:

- (i) Make recommendations to the Authority on the remuneration, benefits and terms of service of the Chief Executive, Executive Directors and such other posts as are specifically designated by the Board to be within their purview, ensuring that such officers are fairly rewarded for their individual contributions to the Organisation.
- (ii) Ensure that effective systems are in place and are being properly administered to monitor and evaluate the performance of individuals, including such assessments as may be required to determine the level of remuneration, including any performance related pay or bonus payments for relevant employees.
- (iii) To advise and oversee contractual arrangements for relevant employees, including the calculation and scrutiny of termination payments, ensuring that such payments are appropriate, reflect best practice and take account of both national guidance and Department of Health approval requirements.
- (iv) Take responsibility for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- (v) Satisfy itself with regard to the effectiveness of the plans and processes that are in place for succession planning, ensuring that these arrangements are supplemented by challenging and innovative management development programmes.

### **Remuneration Policy**

The posts falling within the responsibility of the Remuneration and Terms of Service Committee will be; the Chief Executive, Chief Executive reportees who are Executive Directors and, exceptionally, any post which is analogous to a Director post and determined by the Remuneration Committee on the recommendation of the Chief Executive to be outside NHS Pay Bands 1-9.

The remuneration of executive directors will be reviewed annually by the Remuneration and Terms of Service Committee and the remuneration of non executive members is set by the Secretary of State.

The NHS Agenda for Change Agreement provides pay bands which allow for annual increments. The pay bands also contain gateway points. Progression beyond these gateway points is subject to the employee demonstrating required competence against a knowledge and skills framework developed for each post.

The NHSBSA has determined that the Chief Executive and executive directors are outside of the NHS Agenda for Change Agreement

There are no employees of the Authority who are subject to Performance Related Pay.

### Service contracts

Non executive directors are appointed by the Secretary of State for a term of either three or four years.

Executive Directors have standard contracts of employment with the Authority.

There are no contractual clauses or any other agreements for compensation in the event of early termination of office.

### Emoluments of Board members

Name and title	2005-06			Date of Contract	Date of Resignation	Contract Expires
	Salary in £5k bands	Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)			
	£000	£000	£000			
Mr P Rich – Chairman	30-35	0	0	1 Oct 2005		31 Oct 2009
M Harling	1 – 5	0	0	1 Dec 2005		30 Nov 2008
D Teale	1 – 5	0	0	1 Dec 2005		30 Nov 2008
D Hulf	1 – 5	0	0	1 Dec 2005		30 Nov 2009
J Strachan	1 – 5	0	0	1 Dec 2005		30 Nov 2008

## Emoluments of Chief Executive and Senior Managers

Name and title	2005-06			Date of Contract	Date of Resignation	Contract Expires
	Salary in £5k bands	Other Remuneration in £5k bands	Benefits in Kind (rounded to the nearest £100)			
	£000	£000	£000			
N Scholte – Chief Exec	20-25	0	1.4	Consent to disclose withheld		
M Siswick – Director of Human Resources	10-15	0	0.3	1 Feb 2006		Ongoing
W J Smith – Director of Finance	15-20	0	0.8	1 Feb 2006		Ongoing

## Pension benefits

Name and title	Real Increase in pension and related lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2006 and related lump sum (bands of £2,500)	Cash equivalent transfer Value at 31 March 2006	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000
N Scholte – Chief Exec	92.5-95	125-127.5	415-417.5	215-217.5
M Siswick – Director of Human Resources	2.5-5	35-37.5	Consent to disclose withheld	
W J Smith – Director of Finance	5-7.5	125-127.5	487.5-490	27.5-30

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

The Chief Executive and the directors received no additional remuneration, golden hello payments or payments for compensation for loss of office.

All benefits in kind relate to the provision of a lease car.

## 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 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 from 2004-05 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.

### **Explanation of Significant Awards**

There are no significant awards.

### **Register of Interests**

The Secretary of State has agreed that NHS Authorities should maintain a formal register of Members' interests which should be made publicly available, on request, in the offices of the Authority.

The Register should include details of all directorships and other relevant and material interests which have been declared by both executive and non-executive Board Members.

Interests which should be regarded as "relevant and material" are:

- Directorships including non-executive directorships held in private companies or PLCs (with the exception of those of dormant companies);
- Ownership or part ownership of private companies, businesses or consultancies likely or possibly seeking to do business with the NHS;
- Majority or controlling shareholdings in organisations likely or possibly seeking to do business with the NHS;
- A position of authority in a charity or voluntary body in the field of health or social care;
- Any connection with a voluntary or other body contracting for any NHS services.

Any changes in interests should also be declared in writing within four weeks of the change occurring, and recorded in the Board Minutes.

Board Members' Directorships of companies likely or possibly seeking to do business with the NHS should be published in the Board's Annual Report. The information should be kept up to date for inclusion in succeeding Annual Reports.

During the course of a Board meeting, if a conflict of interest is established, the Board Members concerned should withdraw from the meeting, and play no part in the relevant discussion or decision. This goes further than the present Regulations and will be reflected in Standing Orders.

**CHAIRMAN:**

**MR PAUL RICH**

- No interests to declare

**NON EXECUTIVE DIRECTORS:**

**MR MICHAEL HARLING**

- Shareholding, Xansa PLC
- Shareholding, Deutsche Post

**MR DAVID HULF**

- No interests to declare

**MR JEREMY STRACHAN**

- Trustee, Drugscope (National Charitable Trust)
- Company Secretary, Forensic Science Service Ltd

**MR DAVID TEALE**

- Chairman and Board Member, Parkway Green Housing Trust
- Trustee MAG Staff Pension Fund, Manchester Airports Group

**CHIEF EXECUTIVE :**

**MR NICK SCHOLTE**

- Non Executive Director, Supporta PLC

**EXECUTIVE DIRECTORS:**

**MR MIKE SISWICK**

- No interests to declare

**MR JOHN SMITH**

- No interests to declare

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

Under the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, the NHS Business Services Authority is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the NHS Business Services Authority's state of affairs at the year end and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Department of Health has appointed the Chief Executive of the NHS Business Services Authority as the Accounting Officer, with responsibility for preparing the Institute's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Members and Accounting Officer are required to:

- observe the accounts direction issued by the Secretary of State, 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 had been followed and disclosed and explained any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHS Business Services Authority will continue in operation

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the NHS Business Services Authority, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

### **Audit Assurance**

As far as I am aware, there is no relevant audit information of which the NHS Business Services Authority's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the NHS Business Services Authority's auditors are aware of that information.

## **STATEMENT ON INTERNAL CONTROL 2005/06**

### **1. Scope of responsibility**

The Board is accountable for internal control. As Accounting Officer, and Chief Executive of this Board, 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 as set out in the Accounting Officer Memorandum.

The NHS Business Services Authority (NHSBSA) came into existence on 1 October 2006. However, the functions and operations of the five constituent bodies that make up the NHSBSA did not become the responsibility of the NHSBSA until 1 April 2006. The key focus over the first six months of the Authority has been in setting up internal control processes and understanding the fundamental financial and operational position of each body as at 31 March 2006.

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

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

The system of internal control is based on an ongoing process designed to:

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

The system of internal control has been in place in the NHSBSA for the six months ended 31 March 2006 and up to the date of approval of the annual report and accounts.

### **3. Capacity to handle risk**

For the six months to 31 March 2006 the level of risk directly managed by and attributable to the NHSBSA was minimal as the Authority was in the process of being established. However, the appointment of both non-executive directors and executive directors enabled the NHSBSA to plan for the full operations of the Authority and to consider how the risks of the individual bodies and the corporate whole can be managed and mitigated.

The directors reviewed the optimal method of managing risk across the Authority and identified the requirement for a Head of Internal Audit and Risk Management. This post will be central to the internal control process for the Authority.

During the six months to 31 March 2006, the Authority received risk registers from each transferring body and required the bodies to submit a risk analysis as part of the 3 year business planning process. These risks were consolidated into a corporate risk register and included in the business plan submitted to the Department of Health.

The Authority has developed a range of internal control and risk management processes. The system of internal control comprises:

- Clearly defined organisation structures and delegated authorities appropriate to the Authority's business.
- Approval of Authority strategy and business plans by both the Authority and the Department of Health (DH).
- Regular internal review processes, supported by review with our DH sponsor branch.
- Authority wide standards, policies and processes on core business activities including risk management, health and safety, financial management, managers code of conduct and corporate governance framework.
- An embedding of risk management and business continuity planning, to provide assurance that should risks materialise, plans are in place to ensure continuity of operations whilst we return to normal operation.

The Authority's risk management arrangements will be based on:

- a set of risk registers targeted at all organisational layers that were prepared and maintained throughout the business planning and regular review process.
- staff trained to manage risk in a way appropriate to their authority and duties.
- a reporting structure that facilitates the inclusion of risk, control issues and assurances at Authority and Audit and Risk Management Committee meetings.
- regular reviews of the corporate risk register, reviewing risks and including new risks where appropriate.
- an independent Internal Audit function to provide assurance on the effectiveness of the system of internal control.

#### **4. The risk and control framework**

The risk management policy that is being developed will describe in detail how the Authority approaches the management of risk. It will describe:

- an organisational structure for managing risk that provides independence through an Audit and Risk Management Committee, assurance via Internal Audit, involvement of non-executive Directors, organisational accountability for risk management and an operational group to undertake the work.
- how the assurance framework will be applied to our business.
- definitions of risks, and descriptions of the type of risk that the Authority is exposed to.
- the framework that enables the Authority to structure its risk management process at all levels of operation and planning. Risks will be passed up and down the organisation; connected both laterally across the Authority and horizontally through the planning process.
- how the business planning and review process will assist in identifying evaluating and controlling risk.

Specific areas of risk management include:

- Strategic planning – Risks to the Authority's strategy assessed, risk registers published and action plans implemented.



- Business planning – discussion of risk as a regular agenda item at quarterly review of the organisational business plan. High profile risks from divisional business planning will also be escalated to this level.
- Operational planning – The Board to review risks to operational targets on a regular basis. Risks highlighted in divisional planning to be escalated to this review when appropriate.
- Project management – Projects to be attributed to programmes of work, with Board members or senior managers acting as programme directors, responsible for delivery. Major projects to be managed using the PRINCE2 methodology. Risks to be considered from both a project and programme perspective.
- Risk of opportunity – the Board is aware that risk taking can bring both rewards and penalties. In contributing to understanding more fully the consequences of taking those risks, management tools such as Six Sigma will be utilised to assist in managing risks with greater confidence.

The Authority is committed to working in partnership with our stakeholders, to improve communications and influence policy development. Our approach includes:

- Understanding stakeholder satisfaction, through surveys, forums, conventions and an annual open Board meeting.
- Utilising the Authority's web sites as a vital source of information for stakeholders and the public describing our total range of services.
- Open publication of documents such as risk registers to inform stakeholders of how we are managing our risks.
- Regular and frequent contact with our sponsor DH branch.

## **5. 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. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by External Audit and the handover documentation from each body that transferred its functions to the NHSBSA with effect from 1 April 2006. These reports in effect gave assurance of internal control in the transferring bodies.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the former Authority and Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

As the Authority and its systems of internal control were in the process of being established there has not been an extensive review of the effectiveness of the systems. As the functions of the five bodies did not transfer until 1 April 2006 there was only a limited opportunity to undertake such a review. The Audit and Risk Management Committee will play a key part in such an evaluation during 2006/7. The appointment of a Head of Internal Audit and Risk Management will allow the Authority to undertake reviews of our systems of internal control.

**6. Significant control issues**

As a result of:

- the comprehensive review of the system of internal control that I, as Chief Executive, conducted; and
- on the basis of documentation provided by the Prescription Pricing Authority, NHS Logistics, NHS Pensions Agency, Dental Practice Board and Counter Fraud and Security Management Services to the NHS Business Services Authority.

I feel that no significant controls issues have been identified specifically for the NHS Business Services Authority relating to the period up to 31 March 2006, prior to the merger of the constituent Authorities.

Signed

Nick Scholte:

Chief Executive  
(on behalf of the Board)

7 July 2006

## **THE NHS BUSINESS SERVICES AUTHORITY**

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

I certify that I have audited the financial statements of the NHS Business Services Authority for the period ended 31 March 2006 under the National Health Service Act 1977. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet and the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

#### **Respective responsibilities of the Board of the NHS Business Services Authority, Chief Executive and auditor**

The Board of the NHS Business Services Authority and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the NHS Business Services Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 21 to 24 reflects the NHS Business Services Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the NHS Business Services Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

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

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

## **Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury, of the state of the NHS Business Services Authority's affairs as at 31 March 2006 and of the net resource outturn, recognised gains and losses and cash flows for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Health Service Act 1977 and directions made thereunder by the Secretary of State with the approval of Treasury; and
- 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.

I have no observations to make on these financial statements.

*John Bourn  
Comptroller and Auditor General  
17 July 2006*

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

**Operating Cost Statement for the Six Months ended 31 March 2006**

	Notes	2005-06 £000
Programme costs	2.1	497
Operating income	4	0
<b>Net operating cost before interest</b>		<u>497</u>
<b>Interest payable</b>		<u>0</u>
<b>Net operating cost</b>		<u>497</u>
<b>Net resource outturn</b>	3.1	<u>497</u>

All income and expenditure is derived from continuing operations

**Statement of Recognised Gains and Losses for the year ended 31 March 2006**

		2005-06 £000
Unrealised surplus/(deficit) on the revaluation of fixed assets	12.2, 12.3	0
Unrealised surplus/(deficit) on the indexation of fixed assets	12.2, 12.3	0
Receipt of Donated Assets	12.3	0
Fixed asset impairment losses	12.2, 12.3	0
Prior Period Adjustment		
<b>Recognised gains and (losses) for the financial year</b>		<u>0</u>

*The notes at pages 30 to 39 form part of these accounts.*

**Balance Sheet as at 31 March 2006**

	Notes	31 March 2006 £000
<b>Fixed assets:</b>		
Intangible assets		0
Tangible assets		0
		<u>0</u>
<b>Current assets:</b>		
Stocks	6	0
Debtors	7	0
Cash at bank and in hand	8	0
		<u>0</u>
<b>Creditors: amounts falling due within one year</b>	9.1	<u>(65)</u>
<b>Net current assets/(liabilities)</b>		<u>(65)</u>
<b>Total assets less current liabilities</b>		<u>(65)</u>
<b>Creditors: amounts falling due after more than one year</b>	9.2	0
<b>Provisions for liabilities and charges</b>	10	0
		<u>(65)</u>
<b>Taxpayers' equity</b>		
General Fund	12.1	(65)
Revaluation reserve	12.2	0
Donated asset reserve	12.3	0
		<u>(65)</u>

*The notes at pages 30 to 39 form part of these accounts.*

Signed:

Nick Scholte  
Accounting Officer  
7 July 2006

## Cash Flow Statement for the year ended 31 March 2006

	Notes	2005-06 £000
<b>Net cash (outflow) from operating activities</b>	13	<b>(432)</b>
<b>Servicing of finance</b>		
Interest paid		0
Interest elements of finance leases		0
<b>Net cash (outflow) from servicing finance</b>		<b>0</b>
<b>Capital expenditure and financial investment:</b>		
(Payments) to acquire intangible fixed assets		0
(Payments) to acquire tangible fixed assets		0
Receipts from disposal of intangible fixed assets		0
Receipts from disposal of tangible fixed assets		0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>0</b>
<b>Net cash (outflow) before financing</b>		<b>(432)</b>
<b>Financing</b>		
Net Parliamentary funding	12.1	432
Capital element of finance leases		0
Donations		0
<b>Increase/(decrease) in cash in the period</b>	<b>8</b>	<b>0</b>

*The notes at pages 30 to 39 form part of these accounts.*

## **1 Accounting Policies**

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

### **1.1 Accounting Conventions**

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

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

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another. There has been no acquisitions or discontinued operations in 2005/2006.

### **1.2 Income**

Income is accounted for by applying the accruals convention. The main source of funding for the Business Services Authority is Parliamentary grant from the Department of Health from Request for Resource within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which the cash is received.

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

### **1.3 Taxation**

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

### **1.4 Capital Charges**

There were no capital charges in six months to 31 March 2006.



### **1.5 Fixed Assets**

The NHS Business Services Authority held no fixed assets for the six months ended 31 March 2006.

### **1.6 Stocks and work in progress**

There were no stocks held during the six months to 31 March 2006

### **1.7 Losses and special payments**

There were no losses or special payments during the six months to 31 March 2006

### **1.8 Pension costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the NHSBSA to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. The total employer contributions payable in 2005-06 was £ 7,000. Employees pay contributions of 6% of their pensionable pay.

The notional surplus of the scheme is £1.1 billion as at the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It was recommended that employers' contributions remains at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. These contributions are currently being reviewed as part of the investigation at 31 March 2004.

The Scheme is subject to a full valuation by the Government Actuary every four years which is followed by a review of the employer contribution rates. The last valuation took place as at 31 March 2003 and has yet to be finalised. The last published valuation covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

NHS bodies are directed by the Secretary of State to charge employers' pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation on which contribution rates were based (31 March 1999) employer contribution rates for 2004-05 were set at 14% of pensionable

pay (14% for 2003-04). Until 2002-03 HMT paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full.

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement account at the time the Authority commits itself to the retirement, regardless of the method of payment.

A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

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

## **1.9 Research and Development**

There is no expenditure on Research and Development.

## **1.10 Foreign exchange**

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

## **1.11 Leases**

There are no assets held under finance leases and hire purchase contracts or operating leases.

## **1.12 Provisions**

There were no provisions during the six months to 31 March 2006.

**2.1 Authority programme expenditure**

	Notes	£000	2005-06 £000
Non-executive members' remuneration			41
Other salaries and wages	2.2		67
Supplies and services – general			0
Establishment expenses			29
Transport and moveable plant			
Premises and fixed plant			2
External contractors			
Capital:			
Depreciation and amortisation	5.1, 5.2	0	
Impairments	5.1, 5.2	0	
Capital charges interest (Profit)/loss on disposal	5.4	0	
			0
Other finance costs – unwinding of discount	10		0
– change in discount rate	10		0
* Auditor's remuneration: Audit Fees			12
** Professional Fees – Legal			237
** Professional Fees – Other			109
			<u>497</u>

\* The Authority did not make any payments to Auditors for non audit work

\*\* A robust examination of expenditure met from the Prescription Pricing Authority's ledger was undertaken to identify all expenditure attributable to the NHSBSA from 1st October 2005. Particular attention was paid to professional fees relating to the set up of the new Authority.

**2.2 Staff numbers and related costs**

	2005-06 Total £000	Permanently employed staff £000	Other £000
Salaries and wages	54	54	
Social security costs	6	6	
Employer contributions to NHSPA	7	7	
Other pension costs	0		
	<u>67</u>	<u>67</u>	<u>0</u>

The average number of employees during the 3 months was:

	Total Number	Permanently employed staff Number	Other Number
Total	<u>3</u>	<u>3</u>	<u></u>

**Expenditure on staff benefits**

The amount spent on staff benefits during the year totalled £2k.

**Retirements due to ill-health**

There were not early retirements from the NHSBSA on the ground of ill-health.

**2.3 Better Payment Practice Code – measure of compliance**

	<b>Number</b>	<b>£000</b>
Total non NHS bills paid 2005-06	<b>124</b>	400
Total non NHS bills paid within target	<b>124</b>	400
Percentage of non NHS bills paid within target	<b>100.0%</b>	100.0%
	<b>Number</b>	<b>£000</b>
Total NHS bills paid 2005-06	<b>0</b>	0
Total NHS bills paid within target	<b>0</b>	0
Percentage of NHS bills paid within target	<b>N/A</b>	N/A

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

**3.1 Reconciliation of net operating cost to net resource outturn**

	<b>2005-06</b>
	<b>£000</b>
Net operating cost	<b>497</b>
<b>Net resource outturn</b>	<b>497</b>
<b>Revenue resource limit</b>	<b>500</b>
<b>(Over)/under spend against revenue resource limit</b>	<b>3</b>

**3.2 Reconciliation of gross capital expenditure to capital resource limit**

The NHS Business Services Authority has no capital resource allocation and incurred no capital expenditure during the accounting period.

**4 Operating income**

There was no operating income for the accounting period.

**5. Fixed Assets**

The NHS Business Services Authority held no fixed assets during the reporting period.

**6 Stocks and work in progress**

There were no stocks held during the accounting period

**7 Debtors****7.1 Amounts falling due within one year**

There were no debtors during the accounting period.

**7.2 Amounts falling due after more than one year**

There were no debtors during the accounting period.

**8 Analysis of changes in cash**

	At 31 October 2005	Change during the year	At 31 March 2006
	£000	£000	£000
Cash at OPG	0	0	0
Cash at commercial banks and in hand	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

**9 Creditors:****9.1 Amounts falling due within one year**

	31 March 2006
	£000
Overdrafts	0
NHS creditors	0
Capital creditors	0
Tax and social security	0
Other creditors	0
Accruals	65
Deferred income	0
	<u>65</u>

**9.2 Amounts falling due after more than one year**

	<b>£000</b>
NHS creditors	0
Capital creditors	0
Tax and social security	0
Other creditors	0
Accruals	0
Deferred income	0
	<u>0</u>

**9.3 Finance lease obligations**

The NHS Business Services Authority has no finance lease obligations.

**10 Provisions for liabilities and charges**

There were no provisions for liabilities or charges at the year end.

**11 Movements in working capital other than cash**

	<b>2005-06</b>
	<b>£000</b>
Increase/(decrease) in stocks	0
Increase/(decrease) in debtors	0
(Increase)/decrease in creditors	(65)
	<u>(65)</u>

**12 Movements on reserves****12.1 General Fund**

	<b>2005-06</b>
	<b>£000</b>
Balance at 31 October 2005	
Net operating costs for the year	(497)
Net Parliamentary funding	432
Transfer of realised profits/losses from revaluation reserve	0
Non-cash items:	0
Balance at 31 March 2006	<u>(65)</u>

**12.2 Revaluation reserve**

There were no fixed assets held during the accounting period.

**12.3 Donated asset reserve**

There were no fixed assets held during the accounting period.

**13 Reconciliation of operating costs to operating cash flows**

		2005-06
		£000
Net operating cost before interest for the year		497
Adjust for non-cash transactions	2.1	0
Adjust for movements in working capital other than cash	11	(65)
(Increase)/decrease in provisions	10	0
Transfer from donated asset reserve	12.3	0
<b>Net cash outflow from operating activities</b>		<b>432</b>

**14 Contingent liabilities**

At 31 March 2006, there were no known contingent liabilities.

**15 Capital commitments**

At 31 March 2006 the value of contracted capital commitments was Nil.

**16 Commitments under operating leases**

The NHS Business Services Authority was not contracted to any operating leases during the accounting period

**17. Financial Instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the Special Health Authority is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Special Health Authority has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Strategic Health Authority in undertaking its activities.

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

### **Liquidity risk**

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

### **Interest-rate risk**

0% of the Authority's financial assets and 0% of its financial liabilities carry fixed rates of interest. Business Services Authority is not, therefore, exposed to significant interest-rate risk. The following two statements show the interest rate profiles of the Authority's financial assets and liabilities:

#### **Financial assets**

The Authority has no financial assets which require disclosure.

#### **Financial liabilities**

The Authority has no financial liabilities which require disclosure.

#### **Foreign currency risk**

The Authority has no foreign currency income or expenditure.

#### **Fair values**

Fair values are not significantly different from book values, therefore no additional disclosure is required.

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## **18 Other commitments**

The Authority has no non-cancellable contracts.

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## **19 Losses and special payments**

There were no cases of losses and special payments.

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## **20 Related Parties**

The Authority is a body corporate established by order of the Secretary of State for Health. As at 1st April 2006 the NHS Business Services Authority assumed responsibility for the Prescription Pricing Authority, NHS Pensions, NHS Logistics, Counter Fraud and Security Management Service and the Dental Practice Board.

The assets and liabilities of these organisations will be consolidated into the NHS Business Services Authority.



**21 Post balance sheet events**

There are no post balance sheet events to report

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**22 Intra-government balances**

There are no intra-government balances.

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