



Business Services Authority

Annual Report and Accounts 2011-12



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Annual Report and Accounts 2011-12

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SECTION 1: CHAIRMAN'S INTRODUCTION



Welcome to the NHS Business Services Authority's Annual Report and Accounts for 2011-12.

Throughout last year, we have continued to focus on ensuring enhanced value for money. The costs of how we serve our customers, in cash terms, continue to reduce and remain lower than they were when the organisation was created in 2006 despite both the year on year increase in demand for our services and notwithstanding the considerable effects of inflation in our cost base. This has taken a relentless focus on improvement and is testimony to the efforts and hard work of people across the NHS Business Services Authority.

Our improvements in efficiency have seen typically higher service quality in parallel. These high levels of service delivery have been maintained and often improved throughout 2011-12. We have consistently delivered to the performance standards agreed with the Department of Health and our other clients, and exceeded these standards on a regular basis, offering the millions of users of our wide range of services better and new ways to access services.

This report describes many of those changes we put in place last year. For example, during 2011-12, the NHS Business Services Authority completed the NHS Pensions Choice Programme within agreed timescales, which has involved offering new individual choices to the millions of members of the NHS Pension Scheme. We also enjoyed significant success at the North East Contact Centre Awards for the second year running. You can read more of our successes throughout this report.

Demand for our services continues to grow significantly each year. For example, the number of prescription items we processed during 2011-12 reached almost one billion, with payments totalling over £9 billion, representing an increase of nearly 100 million items from last year. Also, due to publicity, we have experienced unprecedented demand for the European Health Insurance Card with over six million cards issued during the last year. Across the business our services remain vital to supply, protect and support all those involved with the NHS throughout the country.

In my introduction to the Annual Report last year, I reflected on the potential strategic changes likely to result from the Department of Health and the Commercial Review of the NHS Business Services Authority, which followed the ALB Review published in July 2010. We have continued to work closely and to cooperate with the Department of Health during its review, which has recently concluded. The emerging outcome reflects a close alignment with the board's own strategy. It also provides direction for greater commercialisation of our services, whilst retaining the current status of the organisation within the public sector.

It is our strategic intent that increased involvement of the private sector, through contracted alliances, will bring new opportunities for greater innovation for our customers and even greater value for money for the taxpayer in the future delivery of services. Work is already under way to shape the organisation to meet the challenges of the future including delivering its role as business partner on behalf of government and the NHS and also with the marketplace so that we can ensure excellent services to our millions of customers.

On behalf of the Board, I would like to thank Jim Orr who retired as Commercial Director at the end of December 2011, for his contribution to the NHS Business Services Authority Leadership Team over the last five years.

Finally on a personal note, I would like to give my sincere congratulations to all our people working across the NHS Business Services Authority who, in another tough year, have proved themselves to rise to the challenge to meet our service promises to our users: thanks for that on behalf of the Board.

Paul Rich
Chair

NHS Business Services Authority

SECTION 2: OUR YEAR AT A GLANCE – HIGHLIGHTS THROUGHOUT THE YEAR

April 2011

NHS Counter Fraud & Security Management Services rebranded as NHS Protect.

May 2011

Introduced new appraisal and review system for all NHSBSA people – Ongoing Review and Objectives (ORO).

June 2011

NHSBSA Finance Team wins Public Sector Finance Team of the Year at the North East Accountancy Awards.

July 2011

Help with Health Costs deal with unprecedented demand for EHCs following national publicity in the media.

August 2011

The Lone Worker Procurement Team wins the Chartered Institute of Purchasing & Supply award for “Best Cross-Functional Teamwork Project”.

September 2011

Evolution launched to support and prepare the NHSBSA and its people for the future.

October 2011

Dental Services support the Department of Health with the launch of the new national dental contract pilots.

November 2011

New online system for student bursary applications launched.

December 2011

Contact Centre win four top awards at the North East Contact Centre Awards including North East Contact Centre of the Year.

January 2012

Completed NHS Pension Choice by delivering over 1 million comparison statements to NHS staff.

February 2012

Streamlined existing estate and reduced overall cost of buildings across NHSBSA.

March 2012

Consistently improved accuracy for the processing of prescriptions across the year.

SECTION 3: OUR ORGANISATION

Our Services

The NHS Business Services Authority is a Special Health Authority, which is an Arms Length Body of the Department of Health. We manage a range of key services which directly support the front line of the NHS including:

- Management of the NHS Pension Scheme in England and Wales which has around 2.6 million members and receives contributions of over £8 billion per annum.
- Payments to pharmacists (in England) for prescriptions dispensed (circa 1 billion prescription items with payments over £9 billion per annum).
- Payments to dentists for work undertaken on NHS contracts (43 million dental forms with payments totalling over £2 billion) in England and Wales.
- Provision of management information to over 25,000 registered NHS and Department of Health users on costs and trends in prescribing and dental care in England and Wales.
- Administration of the European Health Insurance Card (EHIC) scheme (in the UK) processing over 6.6 million EHIC cards this year.
- Provision of NHS Protect which provides anti-fraud services for the NHS in England and Wales and security management services in England. This work has resulted in 721 successful fraud prosecutions and the recovery of more than £66 million over the last 10 years.
- Management of a 10-year outsourced agreement for the delivery of supply chain services to the NHS (in England and Wales), supporting the planned delivery of around £1 billion of procurement savings to the NHS over the life of the contract.
- Provision of advice and contract management to Department of Health departments on supply chain strategic contracts and programmes, eg Flu Pandemic Preparedness, Childhood Vaccines and Emergency Preparedness.
- Administering a range of health benefit schemes across the UK, including a low income scheme, medical and maternity exemption schemes, tax credit NHS exemption cards (in the UK) and prescription pre-payment certificates (in England). In total we process over 5 million claims per annum.
- Management of schemes for NHS Student Bursaries and NHS Social Work Bursaries (in England) making payments of over £600 million in respect of over 120,000 registered healthcare and social work professionals.
- Management of the NHS Injury Benefit Scheme (in England and Wales) processing over 30,000 applications since the inception of the Scheme.
- Provision of a range of hosted employment, human resources and financial services.

Our Locations

We provide this range of services from locations across the country as described below...

Newcastle

- Headquarter Functions
- Shared Services
- Prescription Pricing
- EHIC
- Help with Health Costs
- NHS Protect
- Warehousing

Fleetwood

- NHS Pensions
- Student Bursaries
- Injury Benefits

Wakefield

- Prescription Processing, Warehousing and Scanning

Middlebrook

- Prescription Processing, Warehousing and Scanning

Mansfield

- Supply Chain Management

Eastbourne

- Dental Services

London

- NHS Protect



SECTION 4: OUR OPERATIONAL PERFORMANCE

An important part of ensuring we continue to deliver high quality services to our clients and customers is measuring our performance. During 2011-12, we have continued to develop our balanced scorecard which assists in driving continuous improvements in our performance.

Performance management reporting

The NHSBSA is proud of its continued high levels of performance and a key part of maintaining such standards is the regular review and management of performance data. Performance, with appropriate levels of detail, is reported and discussed at all levels within the NHSBSA. Operational and management teams regularly review performance reports which are shared with our clients including the Department of Health. We also discuss the performance of our suppliers with partner organisations on a regular basis.

Performance reports are a key aspect of our Leadership Team meetings, Board meetings and accountability meetings with clients. We are able to discuss our performance in detail with clients to ensure our business continues to deliver against their policy requirements.

We have continued to assess the way in which we work with our clients following an extensive review of the process during 2010-11. We have also maintained and updated our Executive Information Service which provides current performance information to the desktops of relevant managers across the NHSBSA.

Key Performance Indicators

The NHSBSA has a number of key performance indicators (KPIs) which consolidate over 120 service delivery performance indicators. These KPIs measure our performance across the key processes within each of our services, which include:

- **Payments to customers:**
We measure the accuracy of our payments and their timeliness.
- **Case administration:**
We measure the accuracy of our administration in each case and the timeliness with which we deal with them.
- **Information:**
We measure the timeliness of our information products to customers.
- **Supply chain:**
We manage the contract with NHS Supply Chain and at a high level monitor the standard industry measurements in the areas of “on time in full”, product delivery and orders received on time.

- Contact centre:
Within our contact centres we monitor the standard industry measurements in the areas of wait times and abandoned call rates.

Our performance against key performance indicators (KPIs) for service delivery is monitored on a monthly basis. Throughout the year, we collect data relating to our performance against a range of detailed KPIs which is collated and summarised to provide an overall summary. These results are reported monthly using a RAG (red-amber-green) status approach. The summary below provides an overview of average performance for each KPI throughout the year and while individual RAG scores may have differed during specific months, the table reflects the status of each KPI for the majority of 2011-12.

		Payments		Case Admin		Information	Contact Centre		Supply Chain		
		Timeliness (target = 100%)	Accuracy	Timeliness	Accuracy	Timeliness (target = 100%)	Wait Times	Abandoned Call Rate	Product Availability (target = 98.2%)	goods/orders received on time (target = 98.75%)	OTIF
Contractor Services	Dental Services										
	Prescription Services										
Patient & Public Services											
Pensions											
Contract Management Supply Chain											
Central Services	Finance										
	HR										

SECTION 5: DELIVERING SERVICES FOR OUR CLIENTS AND CUSTOMERS

1. Dental Services

NHS Dental Services ensure payments to dentists for work undertaken on NHS primary dental services contracts are paid promptly and accurately. In 2011-12, we processed the activity from 43 million courses of treatment and made payments totalling over £2 billion for dentists in England and Wales. We also produced statistics and other information relating to dentistry for use across the NHS, including the provision of risk based monitoring to support commissioning organisations. Our information and monitoring activities are widely used across the NHS to manage contract performance. In addition, we provide expert support and advice to assist the Government in setting dental policy.

- **New Contract Models**

During 2011-12, Dental Services supported the Department of Health in the introduction of a number of pilots which are designed to improve the quality of dental care for patients and increase access to NHS dentists.

Dental Services has continued to work closely with the Department of Health to provide systems and analysis to support the pilots. Our systems are at the heart of the data collection and payment calculations for the three contract pilot models.

We will continue to support these pilots and their outcomes into 2012-13.

- **Dental Services Web Portal**

A new internet portal for dentists was piloted during 2011-12 and is now in the final stages of development before being rolled out to all dentists by the end of the 2012 calendar year. This portal will deliver improved communications between Dental Services and our customers and offers significant improvements to the speed at which information can be shared. It will also reduce the costs associated with printing and posting information.

- **Involving Users**

For some time Dental Services has co-ordinated a number of user groups to help understand changing needs and how we can improve our services. In 2011 we reviewed the existing user groups to ensure they continued to be fit for purpose. During 2011-12 and in collaboration with our users, we introduced new arrangements including increasing the use of online groups.

- **Risk Based Monitoring**

Following a review of the routine clinical monitoring role undertaken by the Dental Reference Service, 2011-12 saw the further development of a risk based approach to clinical monitoring. The revised approach proactively uses analysis of data available to identify risks and so utilises the clinical resource in a more focussed and effective way.

- **Service Transformation**

In 2010, we partnered with Capita to deliver the majority of our dental business processes; including the processing of dental forms and payments to dentists. The new dental portal is an example of how this partnership aims to introduce improvements to our services and develop the overall efficiency of our systems.

2. Prescription Services

NHS Prescription Services makes payments to pharmacists dispensing contractors in England for the prescriptions they dispense in primary care. During 2011-12, we processed almost 1 billion prescription items and made payments of more than £9 billion.

- **Improved Accuracy**

During 2011-12, Prescription Services maintained a high standard of timely and accurate payments to dispensing contractors. Building upon improvements made in payment accuracy over the previous 18 months, 2011-12 saw Prescription Services make further improvements in accuracy. This has been achieved at the same time as we have delivered further efficiencies and cost savings from prescription processing operations.

- **Prescribing Information**

NHS Prescription Services has continued to provide a range of prescribing information to the NHS during 2011-12. This information has been produced in a timely and accurate manner for our clients and customers. Together with our business partners, we have concentrated during the last year on modernising our prescribing information systems and in particular, to ensure we are ready for the future needs of the changing NHS, while we have continued to support NHS initiatives such as Quality Innovation, Prevention and Productivity (QIPP).

- **Reducing Costs**

As stated earlier, the NHSBSA has achieved further efficiencies and cost savings throughout 2011-12 across prescription processing operations. We have also reduced the cost of dealing with dispensing contractors requesting re-pricing of their accounts. This process has cost NHS Prescription Services around £1m each year in the past, so it has been important to focus on process improvements without reducing customer satisfaction.

- **Supporting our Clients**

NHS Prescription Services has continued to support the Department of Health with the development of a reimbursement and remuneration policy for dispensing contractors. In particular, the Department has introduced the New Medicines Service, arrangements for payment for Specials and Imported Unlicensed Medicines and is continuing to review the simplification of rules to improve the accuracy of payments and reduce the total cost of performing prescription processing operations. This work is expected to continue into 2012-13.

3. NHS Student Bursaries and NHS Social Work Bursaries

Our management of the schemes for NHS Student Bursaries and NHS Social Work Bursaries makes payments of nearly £600 million in respect of over 120,000 registered healthcare and social work professionals.

- **New Systems**

During 2011-12, we implemented a new system for processing NHS Bursaries. The new system introduced an online application process for students and will provide significant improvements to the service for future students.

- **Changes in NHS Student Bursary Policy**

Following Lord Browne's 2010 report on Higher Education Funding and Student Finance, changes were announced to fees and maintenance support for the academic year 2012-13. We have continued to work with the Department of Health throughout 2011-12 to understand and implement the required changes for the NHS Student Bursary Scheme.

- **Review of the Social Work Bursary Scheme**

The Department of Health confirmed that no changes will be made to the social work bursary for the 2012 academic year. However the Department is planning to consult on reforming the bursary scheme with a view to implementing changes for the 2013 academic year. The NHSBSA has continued to work with the Department to ensure our systems are ready to meet the new requirements.

4. Help with Health Costs

On behalf of the Department of Health, we administer a range of health related schemes across the UK, including the NHS Low Income Scheme, NHS Medical and Maternity Exemption Schemes, NHS Tax Credit Exemption Cards and NHS Prescription Pre-Payment Certificates. In 2011-12, we processed over 5 million applications.

- **Changes to the Scheme**

The NHSBSA has worked closely with the Department of Health during 2011-12 to understand changing requirements and prepare the necessary changes to our systems to implement the planned changes to the welfare system. This work will continue into 2012-13 and includes changes relating to the state pension age, the introduction of Universal Credit and the Health and Social Care Act 2012.

5. European Health Insurance Card

The European Health Insurance Card (EHIC) allows UK residents access to state provided healthcare in countries across Europe. We administer the EHIC application and card distribution system on behalf of the Department of Health. During 2011-12, a peak renewal year, the NHSBSA processed over 6 million European Health Insurance Cards and implemented initiatives to improve validation within the application process.

- **Reducing Costs**

During 2011-12 we undertook a robust procurement process leading to the achievement of better value for money for the NHS.

The NHSBSA has also continued to work with the Department of Health and Department for Work and Pensions during 2011-12 to explore ways in which we can minimise UK liability.

- **Scheme Improvements**

NHSBSA have worked with the Department of Health to design and implement improvements to the scheme to reduce fraud and error and enhance the customer experience.

6. NHS Pensions

The NHSBSA administers the NHS Pension Scheme which provides retirement benefits to NHS employees, GPs, dentists and employees of other approved organisations in England and Wales. During 2011-12, the NHS Pension Scheme had over 2.6 million members and received contributions in excess of £8 billion.

- **NHS Pension Choice**

We completed the delivery of NHS Pension Choice during 2011-12, which was a significant exercise to provide the 1.1 million eligible members of the NHS Pension Scheme with an opportunity to choose to transfer their membership from the original 1995 section of the Pension Scheme to the 2008 section.

- **Moving from Retail Price Index to Consumer Price Index**

Following the announcement in the 2010 Budget, the necessary changes have been made during 2011-12 to all our scheme literature, booklets and business processes to reflect the pension indexation changes.

- **Annual Benefit Statements**

We have continued with the development of our business capabilities to allow the production of Annual Benefit Statements for members of the NHS Pensions Scheme. This development will form part of our work with the Department of Health on the strategic delivery of Total Rewards Statements.

- **Improving Data**

During 2011-12, we have significantly increased the quality and integrity of the data we hold and receive to support our business. This includes the information provided to support the Government Actuaries Department (GAD) in determining an accurate valuation of the NHS Pension Scheme.

- **Business Rules Programme**

The existing contract to deliver pension services is due to expire in 2015. To support the re-let process, we have spent significant time during 2011-12 documenting our business rules. This will provide us with a suite of business orientated documents that describe the processes and business rules of all services provided by NHS Pensions.

- **Government Public Sector Pension Review**

2011-12 has seen us preparing for changes associated with the review of public sector pensions. We have been working closely with the Department of Health and the Review Group to ensure we will be in a position to implement the necessary changes to public sector pensions.

7. NHS Injury Benefits Scheme

The NHSBSA manages the NHS Injury Benefit Scheme for England and Wales. We have processed over 30,000 applications since the inception of the scheme.

- **Review of Scheme**

We have worked with the Department of Health during 2011-12 to support the review of the NHS Injury Benefits Scheme. A range of changes have now been proposed for potential introduction later in 2012.

8. NHSBSA and NHS Supply Chain

In October 2006 a contract, known as the Master Services Agreement, for the delivery of end-to-end supply chain services incorporating procurement, logistics, e-commerce and customer and supplier support, was awarded to DHL (Exel Europe Ltd) trading as NHS Supply Chain. The NHSBA manages this contract to ensure taxpayer value.

NHS Supply Chain

NHS Supply Chain manages the procurement and delivery of over 620,000 products including bandages, surgical instruments, diagnostic equipment such as MRI scanners, consumables and provisions.

Throughout 2011-12 NHS Supply Chain has continued to deliver a good standard of operational performance and has met its key performance indicators on a regular basis and continue to deliver significant savings to the NHS.

NHS Supply Chain has also worked to improve awareness of its brand, increasing market share and introducing innovation during 2011-12. This activity has included:

- The introduction of innovative service delivery initiatives such as “Rollabox” delivery facilities to support community patient care.
- Improved communications with customers through an increased presence and speaking engagements at national conferences, “Focus On” newsletters and the launch of a Customer Board chaired by a former Trust Chief Executive.

- Regular meetings with national NHS QIPP leads (Quality, Innovation, Productivity and Prevention) to discuss how NHS Supply Chain can support the national agenda.
- The sponsorship of the Healthcare Financial Management Association Finance Director of the Year award.

Additional Services for the Department of Health

Our team which work closely with NHS Supply Chain have also continued to enhance and improve the delivery of services to the Department of Health during 2011-12. These services include the preparedness for a flu pandemic, availability of childhood vaccines, emergency planning and pharmaceutical contingency arrangements.

9. NHS Protect

NHS Protect leads on work to identify and tackle crime across the health service. The aim is to protect NHS staff and resources from activities that would otherwise undermine their effectiveness and their ability to meet the needs of patients and professionals.

Over the last ten years, over £66 million of NHS money has been recovered and NHS Protect has prevented many more millions becoming lost to NHS fraud.

- **An intelligence led approach**

From April 2011, the Information and Intelligence Unit within NHS Protect has established a coherent framework and programme of work designed to ensure that strategic and operational decision making in respect of tackling crime at a local and national level in the NHS is supported by targeted intelligence outputs and a sound evidential base.

NHS Protect has developed a Strategic Intelligence Assessment, highlighting key crime threats facing the NHS, and establishing recommendations for priority areas of action to be taken forward within the business and strategic planning process, as well as identifying the requirement for future information and intelligence development across the sector.

- **Investigating fraud**

Since April 2011 NHS Protect has achieved 39 successful prosecutions and embedded a new structure and approach to fraud investigations. A new financial investigation team has been embedded in to NHS Protect investigation functions. This team has had significant success this year, confiscating funds and property where appropriate and taking swift action to prevent significant financial loss to the NHS.

- **Supporting and mentoring the NHS**

Local Support and Development Services provide the frontline face of NHS Protect for all those who are engaged in anti-fraud work and the management of security across the NHS in England. Area Anti-Fraud Specialists have contacted every local counter fraud specialist and Director of Finance in the NHS in England since April 2011 to offer

their support and guidance in all matters relating to anti-fraud activity. During 2011-12 they have advised on over 2,800 fraud referrals and authorised further investigation in nearly 2,500 of these cases.

- **Deterrence and Engagement**

Continued proactive media engagement has enabled the anti-fraud and pro-security message to be spread to the widest possible audience, through print media, television and radio. Extensive national, regional and local coverage has continued to generate referrals to the Fraud and Corruption Reporting line. NHS Protect were involved in two programmes for the BBC which aired in January 2012 and featured NHS investigations.

10. Contact Centre Services

The majority of our services share a single contact centre service. This service handled 3.3 million calls this year, of which 530,000 were successfully dealt with by our automated service. In addition, the contact centre also handled 130,000 emails for a number of NHSBSA services, with Student Bursaries emails due to transfer in October 2012.

- **Social Media**

The 2011-12 year saw the expansion of the services provided by the contact centre into social media. A Student Bursaries Facebook page to enable students to interact with the NHSBSA was set up in July 2011. The number of students using this page is increasing month on month and the overall feedback has been very good. We are now looking to set up a page to cover Help with Health Costs schemes. Social media opportunities are likely to form a core part of the future contact centre strategy.

- **Knowledge Base**

In October 2011 the contact centre knowledge base, known as Sherlock, went live. This system will provide significant enhancements in knowledge management across the service, as well as enhancing training process and improving the way agents take calls. Sherlock will also provide opportunities outside of the contact centre across the wider NHSBSA, which will be explored during 2012-13.

- **Awards and Recognition**

During 2011-12 the contact centre gained recognition for its quality of service when it won top awards for the second year running at the North East Contact centre awards for 2011. The service gained top place and runner up for Contact Centre Superstar, runner up for the People Development Hero and Best Use of Technology plus overall winner for the North East Contact Centre of the Year.

The service has also been used to support the national fundraising events such as Red Nose Day in March 2011 and Sport Relief in March 2012.

11. Back Office Services

In 2011-12, we continued to provide hosted employment and back office services including human resources and financial services to a range of NHS bodies. We employ around 1,000 staff and administer payments of over £100 million on behalf of various Department of Health teams and programmes.

We also manage all the records previously held by the Healthcare Commission on behalf of the Parliamentary and Health Service Ombudsman.

SECTION 6: OUR PEOPLE

Evolution

To help prepare the organisation for the future, we have created the Evolution change programme to ensure that during transformation, the business continues to perform now and is actively preparing for a different future.

The programme provides a platform for increased collaborative working across the business with around 90 members of staff from a full range of roles and experience, designing products to deliver:

- A culture that enables performance and change
- Current and future capabilities including skills and knowledge
- Commercial readiness and awareness
- Agility and readiness for change
- Engaged and empowered people
- Effective resource management
- Effective performance management

Learning and Organisation Development

During 2011-12, a range of programmes have been implemented aimed at improving change readiness and flexibility in our leadership population.

We have introduced a cohort of change agents from multi-disciplinary backgrounds, set up a coaching network to provide one to one support for leaders and have seen a group of staff certificated as Neuro Linguistic Programming practitioners.

We have also implemented a range of learning events, delivered as short courses aimed at supporting business skills from personal effectiveness to change management.

Staff Survey

Alongside Evolution, we have continued to work on key themes that came out of the 2010 staff survey.

While no employee survey was undertaken in 2011-12, staff views, on a variety of issues, were widely canvassed as part of the Evolution change programme. Plans are in place for a survey in 2012-13.

Performance and Talent Management

Ongoing Review and Objectives (ORO) was launched across the NHSBSA in May 2011 as the revised approach to Performance and Talent Management highlighted in last year's report.

Engaging staff has been a key activity to support embedding ORO across the business. To this end, both workshops for managers and support guides for staff were designed and made available. Feedback from staff resulted in the production of a DVD which celebrated the difference ORO had made to individuals in its first year.

The advent of the Evolution Programme has enabled refinement of the process for the ORO reviews during 2011-12.

Communications and Engagement

In 2011-12, via Evolution, staff from a cross section of the business were involved in shaping the organisation's ongoing strategy for internal communications and engagement. Through this work, guidance has been published for staff on how to prepare for their annual review meeting, engaged with colleagues to get their views on the organisations' varied communications channels, and have started developing tools to give staff a greater voice in organisation communications.

This year, we launched the first phase of our single organisation wide intranet. Following a staff competition to name the new intranet, the first phase of 'The Hub' launched in December. Staff can now share news and updates with all their colleagues simultaneously regardless of location or work area. We will be developing this online collaboration tool further during 2012-13, involving staff in its design, testing and development.

The 2010 staff survey highlighted that staff wanted more visibility from their leaders. Over the last year, senior managers across the business have been running a series of regular forums with staff to encourage open and two-way dialogue about our priorities and future. These have also incorporated a range of 'back to the floor' activities with operational staff.

Equality and Diversity

In December 2011 we implemented a new Equality Strategy for the NHSBSA, outlining our plans for equality and diversity over the next four years. The Strategy reflects our legislative requirements under the Equality Act (2010) and sets out our commitment to taking equality, diversity and human rights into account in everything we do, whether that is providing services, employing people, developing policies, communicating, consulting or involving people in our work. Progress against the Strategy is reported and published annually on our website, in addition to our equality information.

We have also established an Equality and Diversity Committee, whose membership includes senior representation from across the NHSBSA and staff side colleagues, to lead on the work outlined within the Strategy.

To demonstrate our commitment towards sexual orientation equality for our staff and customers, we recently signed up to Stonewall's Diversity Champions Programme. This will help us to improve our equality performance through benchmarking, access to best practice and knowledge sharing. We also maintained our accreditation for the Disability 'Two Ticks' Award by JobCentre Plus, by continuing to demonstrate our commitment to disability equality, for example with our Interview Guarantee Scheme for job applicants with disabilities.

Sickness Absence

We have an absence management policy covering the whole of the organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme which is available 24 hours a day.

Based on returns to the end of March 2012, our overall level of short term sickness absence (seven days or less) for the year 2011-12 was 0.9% and long term was 2.5%, totalling 3.4% for the year. This represents a small improvement on the total reported for 2010-11 of 3.6%.

Health and Safety

During 2011-12 the organisation:

- continued to develop, enhance and integrate the corporate health & safety management system across all business areas;
- developed a comprehensive statutory compliance audit and inspection programme;
- implemented a Musculoskeletal Disorder awareness and assessment programme to include Display Screen Equipment & Work Related Upper Limb Disorders;
- continued to deliver extensive in-house health & safety training courses across the NHSBSA; and
- continued to refresh and develop the Sentinel electronic accident, incident reporting, monitoring and investigation system.

The organisation has also achieved success in:

- supporting managers and staff in achieving suitable levels of competency, through training and developing their knowledge and skills;
- supporting and enhancing the partnership approach to successful health and safety management with the various Unions through the National Joint Health and Safety Committee Structure (NJH and SC);
- conducting health and safety compliance inspections as a means of identifying areas of good practice as well as ensuring and monitoring compliance;

- undertaking a systematic review of corporate policies and procedures to ensure health and safety statutory requirements are being met; and
- strengthening liaison with internal audit and other internal and external regulatory and assessment bodies as appropriate, to provide assurance that health and safety is being managed appropriately.

The Accident Incidence Rate (AIR) is a nationally recognised indicator of health and safety practice and refers to the ratio between the number of accidents or incidents and employees. The NHSBSA AIR has continued to improve during 2011-12 and remains below the national average. Our reported AIR score is 816 compared to the Public Service and Local Government reported AIR of 857.

The NHSBSA has participated in a number of routine visits by the Enforcing Authorities including the Health & Safety Executive, Fire Authorities and Local Authority Environmental Inspectors. All of the visits have concluded in positive feedback with no statutory enforcement action taken against the NHSBSA.

Our Buildings

We have a Property and Facilities Team which develops and delivers our Property Asset Management strategy. This strategy supports the organisation by ensuring that our property portfolio is fit for purpose, we are using our facilities as effectively as possible and that suitable buildings are available in the most appropriate locations to help us achieve service excellence and value for money in our operations.

Our strategy includes the following key principles:

- Compliance with the Government Property Unit policy and the property control environment;
- Rationalisation of the number of properties in our portfolio, involving the disposal of surplus accommodation;
- Improving our space utilisation and a drive towards full occupancy of all properties;
- Improving the quality of our office stock in line with government best practice.

During 2011-12 we made significant progress in delivering against these principles. We implemented the first phase of our Newcastle estates strategy which saw our head office moved from the centre of Newcastle to modern and more efficient premises already on the civil estate at Newburn Riverside on the outskirts of Newcastle. The full implementation of our Newcastle estates strategy will result in the rationalisation of properties with leases on three properties expiring and delivering estimated savings of over £1.5m p.a.

Elsewhere during 2011-12 and with the support of the Department of Health we launched our estates strategies for our London and Eastbourne based services. We successfully relocated our Supply Chain Management function to Mansfield utilising existing shared civil estate facilities. We also initiated plans for our Dental team in Eastbourne to move to new premises during 2012-13.

SECTION 7: OUR SUSTAINABILITY REPORT

This section of the report has been prepared in accordance with the guidelines laid down by HM Treasury in ‘Public Sector Sustainability Reporting’. The *NHSBSA Sustainable Development Annual Report 2011-12*, available at www.nhsbsa.nhs.uk, gives a comprehensive overview of our performance over the year. The *NHSBSA Sustainable Development Action Plan 2012-13* and *NHSBSA Carbon Management Plan 2009-2015* gives details of our future plans and targets.

Summary of Performance and Future Targets

The following table summarises our targets and performance up to the end of 2011-12, and 2012-13 targets. Our baseline year is 2009-10.

2011-12 Targets	2011-12 Performance	2012-13 Targets
13% reduction in CO ₂ e emissions from energy use in our buildings	19.8%	21%
11% reduction in water consumption in our buildings	7% (Leak at one building impacted upon performance)	7% (Target stable due to temporary building number increase)
14% reduction in CO ₂ e emissions from business travel	17.9%	19%
15% reduction in waste arisings	41%	43% (office waste – excluding prescription waste)
Operation at Level 2 of the Government’s Sustainable Procurement Flexible Framework across all areas (People, Policy, Procurement Process, Engaging Suppliers and Measurements and Results) as a minimum.	Level 2	Level 3

(unaudited)

Greenhouse Gas Emissions

		2009-10	2010-11	2011-12
Non-Financial Indicators (CO ₂ e)	Gross emissions Scope 1 (direct)	1.7k	1.4k	1.0k
	Gross emissions Scope 2 and 3 (indirect)	6.2k	5.7k	5.3k
	TOTAL	7.9k	7.1k	6.3k
Related Energy Consumption* (KWh)	Gas	8.5m	6.5m	5.2m
	Electricity: Grid	11.0m	10.1m	9.5m
Financial Indicators*	Expenditure on Energy	£1.2m	£1.1m	£1.2m
	Expenditure on Carbon Reduction Commitment	–	<£2k	<£2k
	Expenditure on official business travel	£1.1m	£1.1m	£1.0m
	TOTAL	£2.3m	£2.2m	£2.2m

(unaudited)

Scope 1: gas used in buildings (a small proportion has been estimated where we are a minor tenant in large office blocks, and there is no direct metering), fugitive emissions from air conditioning units in buildings we own and/or control, transport emissions from vehicles we own and/or on finance lease (a small proportion has been estimated for March 2012 due to the reporting deadline).

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

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

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

Waste

		2009-10	2010-11	2011-12
Non-Financial Indicators* (tonnes)	Landfilled	687	613	403
	Recycled/ reused/ composted (non-prescription/dental form waste)	797	589	437
	Recycled/ reused/ composted (prescription/dental form waste)	200	585	114
	Incinerated/ energy from waste	114	103	103
	TOTAL	1,798	1,890	1,057
Financial Indicators **	All waste management	£36k	£36k	£39k

(unaudited)

Note: Total waste arisings is reducing due to estate rationalisation and increased efficiency. A large number of prescriptions were disposed of and recycled during 2010-11, hence the high recycled figure. Prior to 2011-12 dental form waste was recorded as “non-prescription/dental form waste”. This is now recorded as “prescription/dental form waste”.

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

** Minor estimates included aligned to non-financial estimates listed here, and due to some data reporting issues for 2009-10. All waste costs are included together due to contractors using a variety of methods to treat mixed wastes. (A small proportion has been estimated for March 2012 due to the reporting deadline).

Finite Resource Consumption

		2009-10	2010-11	2011-12
Non-Financial Indicators* (m ³)	Mains Water Consumption	23k	21k	20k
Financial Indicators**	Mains Water Supply and Treatment	£93k	£93k	£80k

(unaudited)

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

** Minor estimates have been included for areas without direct billing, for example, where the water bills are part of the service charge for a building. (A small proportion has been estimated for March 2012 due to the reporting deadline).

Climate Change Adaptation

During 2012-13 we will be developing our Climate Change Adaptation Strategy. This will be developed using the UK Climate Impacts Programme (UKCIP) tools starting with the 'Adaptation Wizard' to help us identify our key risks, and then draft our corporate strategy. This project will be supported by a post-graduate student placement as part of Newcastle University's *Clean Technology MSc*.

Biodiversity and Natural Environment

Although we have a limited amount of green space on our estate, we are aiming to make the most of the land we do have. At our new HQ we have worked with the local council Biodiversity Officer and our landscape contractor to manage the grounds in line with the local Biodiversity Action Plan (BAP). This has included the planting of a herbaceous garden and a wild flower meadow to encourage insects and therefore other wildlife. We have also worked with the local Wildlife Trust at our Fleetwood office to create an initial design to carry out similar work there. At both sites, we aim to create staff groups to become involved in the management and maintenance of the areas, supporting both our environmental and health and wellbeing objectives.

Sustainable Procurement (Including Food)

We have embedded a corporate Sustainable Procurement Policy and procedures to ensure all procurement projects undergo a sustainability risk assessment, and sustainability is considered throughout the procurement process. Key focus areas have been the adoption of Government Buying Standards and the Government Timber Policy within contracts for goods and services. We have also undertaken an extensive roll-out of the *National Sustainable Public Procurement Programme* 'Carbon Literacy for Procurers' course to further improve the knowledge and skills of our staff and our stakeholders.

Although we procure a limited amount of food and catering services, work has been ongoing to review and embed the Government's Food and Catering Buying Standards wherever possible. The new catering contractor employed at our HQ building continues to work closely with us to embed and promote sustainable catering practices and food sourcing. Areas of success include the sourcing of fair trade organic coffee, free range eggs, and the provision and promotion of seasonal and healthy produce. We have also created a herb garden on-site, used by the on-site catering team day-to-day.

Sustainable Construction

Carbon reduction and energy efficiency is a key objective of our estates strategy. This continues to include estate rationalisation – delivering the same service in a more efficient manner. Along with this approach, we have continued to upgrade and improve our remaining premises in line with the Government Buying Standards. This has included lighting, energy management systems, boiler plant, renewable technology and water-efficient systems.

We have not undertaken any new-build projects, but any refurbishment waste has been managed via our principal contractor using their site waste management plan

procedures. Data has been collated, and we are currently developing our approach to target setting and monitoring.

Sustainability and Our People

We have put people at the heart of our Sustainable Development Strategy. As well as reducing environmental impact our approach aims to help staff live more healthy lifestyles and save them money wherever possible. Examples of staff engagement include our Authority-wide events during NHS Sustainability Day, providing a tax-free cycle-to-work scheme, discounted travel tickets and supporting work-based clubs and charitable events. We have also recently launched our Health & Wellbeing Strategy – this will promote corporate-wide events and sponsor local groups during 2012-13.

Environmental Management System (EMS)

We have continued to maintain our externally certified ISO 14001 EMS. This helps us to organise and manage our approach to the sustainability agenda, including the setting of objectives and targets, legal compliance and continuous improvement.

Sustainability Governance Process

A governance regime is in place to ensure the management of sustainability performance. Our Finance Director has responsibility at Leadership Team level. Objectives and targets are set annually as part of our EMS, and KPI reports are provided to the Board, Leadership Team and staff on a quarterly basis.

Data is collated via procedures as part of our externally audited EMS. Additionally we have been awarded the *Carbon Trust Standard* following an assessment by the Carbon Trust of our data management processes, and the Sustainable Development team's processes are audited by PwC as part of the organisation's internal audit programme.

Note – Our Sustainability Report: Emissions accounting includes all Scope 1 and 2 emissions along with separately identified Scope 3 emissions related to official business travel. Policies for carbon accounting within the NHSBSA, in support of HM Treasury Guidance, can be found at www.nhsbsa.nhs.uk. Defra carbon conversion factors have been used.

SECTION 8: OUR FINANCIAL REVIEW

Background

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

Our accounts for 2011-12 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

Our accounts for 2011-12 are based upon two distinct segments. The first of these segments relates to bursary payments we make on behalf of Strategic Health Authorities to NHS students and the Department of Health for Social Work students and the second segment of our accounts relates to our operating expenditure, which represents our running costs.

NHS Supply Chain Accounting

In previous financial years our accounts have shown a third segment relating to the trading account and constituent working capital elements of NHS Supply Chain. For 2011-12 we have revised the accounting treatment for NHS Supply chain to better reflect the commercial substance of the outsourced arrangement. The result of this is that the Supply Chain arrangement is now treated as a financial asset on the Statement of Financial Position rather than as a separate segment (full details can be found in note 9 to the Financial Statements).

During 2011-12, in response to Public Accounts Committee recommendations regarding the aggregation of NHS spend for capital equipment purchases, in collaboration with the Department of Health and with HM Treasury approval, further working capital totalling £300m was made available to deliver significant savings for the wider NHS. This arrangement was made as a supplemental agreement to the existing master services agreement governing the relationship with NHS Supply Chain and the accounting arrangements follow the same basis as the original working capital with the £300m being treated as a financial asset.

Financial Performance

We have been set stringent financial targets by the Department of Health against which we are expected to deliver.

For 2011-12 we were required to maintain our expenditure within certain key funding limits:

- Revenue expenditure within a limit of £158.903m
- Capital expenditure within a limit of £317.682m

We are able to report that for 2011-12 we successfully achieved these statutory targets.

There were no post balance sheet events after the reporting period to report.

In addition to the above, we are required to comply with the Better Payments Practice Code, which requires non NHS trade payables to be paid within 30 days or agreed terms. Our performance against this target for 2011-12 is as follows:

NHSBSA Performance	Number	Value £000
Total non-NHS Trade Invoices paid 2011-12	16,885	89,820
Total non-NHS Trade Invoices paid within target	15,949	83,637
Percentage of non-NHS Trade Invoices paid within target	94.46%	93.12%

Delivering Value for Money

Delivering value for money is an integral part of our vision and some of the achievements outlined in this report demonstrate our success in doing so. During 2011-12 we delivered further efficiency savings which have enabled us to set an operating expenditure budget for 2012-13 which is £5.5m less than the previous year’s funding, with all price and volume growth having also been absorbed.

In fact, after adjusting for the impact of the increased volumes of transactions we have processed, and inflationary pressures, our running costs are estimated to be nearly 50% lower than they were when the NHSBSA was created in 2006.

We have achieved these savings by:

- Automating our systems and leveraging technology to reduce manual involvement in business processes to a minimum e.g. scanning and intelligent character recognition in our prescription processing system and voice automation in our customer contact centre;
- Re-engineering our business processes through the application of six-sigma and lean methodologies to some of our key functions;
- Providing and promoting internet access to our services to replace both paper and telephone based access;
- Centralising services common to all business streams e.g. HR, finance, commercial, property and facilities, imaging, IT infrastructure and call centre functions and reorganising our operational capability to maximise synergy savings;
- Putting in place professional contract and service management of key private sector suppliers to improve efficiency and value;
- Reviewing and re-shaping services such as NHS Protect and Dental Reference Services;

- Negotiating and awarding a contract with a private sector provider to transform dental services and a managed IT infrastructure which delivers major savings over the contract term.
- Robust and prudent financial management.

Future Financial Targets

Like all public services, we are facing significant financial challenges in the short term. Our strategy for 2012-17 and our business plan for 2012-13 set out our strategy and plans for the organisation to ensure we continue to deliver against our financial targets. This will be achieved through a range of initiatives including:

- Developing strategic alliances with private sector partners for service delivery;
- Management de-layering;
- Review of service levels;
- Identification of non value added activities;
- Further income generation;
- Opportunities for further sharing of services;
- Opportunities to recharge functions;
- Service specific efficiencies.

Pension Costs for Current Staff

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 3.6 (page 71) to the financial statements and in the remuneration report on page 33.

Hosted Services

We provide a range of hosted financial and HR services to other NHS organisations and Department of Health teams. The costs that we incur in providing these services, primarily staff costs, have been included within our operating expenditure, as has the total income contributions received from these organisations to cover costs. For 2011-12 the income received from hosted and managed services was £0.88m.

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

Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2012 of £150k is for the audit of these accounts. An additional notional fee of £85k relates to the audit of the Pension Scheme Accounts.

Accounting Officer's Disclosure to the Auditors

As far as the Accounting Officer is aware, there is no relevant audit information of which our auditors are unaware and the Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that our auditors are aware of that information.

Nick Scholte
Chief Executive

NHS Business Services Authority

18 June 2012

SECTION 9: OUR REMUNERATION REPORT

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

This report for the year ended 31 March 2012 is produced by the Board. The Remuneration and Terms of Service Committee has met on six occasions during the period 1 April 2011 to 31 March 2012.

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

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

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

The NHSBSA, with the approval of the Department of Health Remuneration Committee operates the NHS VSM Pay Framework. This framework also provides access to an approved scheme for performance related payments which are paid in line with Department of Health instructions.

Due to revised Department of Health arrangements, the Authority chose not to pay any individual bonus payments to Executive Directors during 2011-12. In addition, Department of Health central direction has frozen VSM pay during 2011-12 in respect of NHS national pay awards.

Appointments

Non-executive directors are appointed by the Secretary of State for a fixed period of time, typically either three or four years. Due to the ongoing commercial review, four non-executive directors have had their tenures extended to a third term to ensure continuity until the outcome of the review is finalised.

Executive directors have standard NHS Very Senior Manager contracts of employment. There are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements and normal pay provisions.

Emoluments of Board Members

The remuneration relating to all directors in post during 2011-12 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non executives. This information is subject to audit.

Non-Executive Directors

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

Name and Title	2011-12			2010-11			Date of Appointment/ Re-appointment	Appointment Ends
	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100)		
	£000	£000	£000	£000	£000	£000		
P Rich Chair	60-65	0	0	60-65	0	0	1 Nov 2005 Reappointed 1 Nov 2009	31 Oct 2013
M Harling Non Executive Director and Chair of the Remuneration Committee	5-10	0	0	5-10	0	0	1 Dec 2005 Reappointed 17 Feb 2011	31 Jul 2013
D Teale Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005 Reappointed 17 Feb 2011	31 Jul 2013
D Hulf Non Executive Director and Chair of the Audit and Risk Management Committee	10-15	0	0	10-15	0	0	1 Dec 2005 Reappointed 1 Dec 2009	30 Nov 2013
J Strachan Non Executive Director	5-10	0	0	5-10	0	0	1 Dec 2005 Reappointed 17 Feb 2011	31 Jul 2013
A Galbraith Non Executive Director	5-10	0	0	5-10	0	0	1 Apr 2006 Reappointed 1 Apr 2012	31 Oct 2013

Chief Executive and Senior Managers

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

Name and Title	2011-12			2010-11			Date of Contract Commencing	Contract Ends
	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100)	Salary in £5k bands	Bonus Payments in £5k bands	Benefits in Kind (rounded to the nearest £100)		
	£000	£000	£000	£000	£000	£000		
N Scholte Chief Executive	150-155	0	5.1	150-155	5-10	5.9	1 Feb 2006	Permanent Contract (6 months notice)
R Barker Director of People and Organisational Development	105-110	0	0	105-110	5-10	0	29 Sep 2008	Permanent Contract (6 months notice)
M Brodie Director of Finance	95-100	0	0	20-25 *	0	0	1 Jan 2011	Permanent Contract (6 months notice)
J Orr Commercial Director (until 25 December 2011)	90-95 *	0	0	120-125	5-10	0	3 Jul 2006	Retired 25/12/2011
A McDonald Chief Operating Officer	105-110	0	2.4	105-110	5-10	2.4	1 May 2006	Permanent Contract (6 months notice)

* part year

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

The banded remuneration of the highest paid director in the NHSBSA in the financial year 2011-12 was £150,000 – £155,000 (2010-11: £150,000 – £155,000). This was 9.9 times (2010-11: 9.1), the median remuneration of the workforce, which was £15,444 (2010-11: £16,753).

In 2011-12 there were no employees (2010-11: 0) who received remuneration in excess of the highest paid director.

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

	2011-12	2010-11
Band of Highest Paid Director's Total Remuneration (£'000)	150-155	150-155
Median Total (£)	15,444	16,753
Remuneration Ratio	9.9	9.1

The remuneration ratio has increased as a result of a change in the composition of the general workforce as a result of restructuring, and outsourcing.

Pension Benefits

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

Name and Title	Real Increase in pension at age 60 (bands of £2,500)	Real Increase in pension lump sum at aged 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2012 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2012	Cash Equivalent Transfer Value at 31 March 2011	Real Increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
N Scholte Chief Executive	0-2.5	2.5-5	50-55	160-165	1,037	918	64
R Barker Director of People and Organisational Development	0-2.5	0 ¹	5-10	0 ¹	68	39	19
M Brodie Director of Finance	2.5-5	12.5-15	25-30	75-80	378	250	84
J Orr Commercial Director (retired 25 December 2011)	(0-2.5) ²	(0-2.5) ²	30-35	90-95	n/a ²	680	n/a
A McDonald Chief Operating Officer	0-2.5	0-2.5	40-45	125-130	778	683	51

Notes:

1. No lump sum is disclosed for R Barker as she is in the 2008 section of the NHS Pension Scheme where there is no set minimum lump sum.
2. J Orr retired in December 2011 and is in receipt of his pension. Therefore he no longer has a CETV. The real decrease in pension and lump sum during the year is a result of his pension only accruing nine months of additional benefits up to the date of retirement.

As non-executive directors do not receive pensionable remuneration, there are no entries in respect of pensions for non-executive directors.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefit accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figure and the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of period.

Nick Scholte
Chief Executive

NHS Business Services Authority

18 June 2012

SECTION 10: OUR ANNUAL GOVERNANCE STATEMENT

Scope of Responsibilities

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

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the NHSBSA is directed and controlled and the activities through which it accounts to, and engages with, the Department of Health and the wider NHS Community.

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

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

The system of internal control has been in place in the NHSBSA for the year ended 31 March 2012 and up to the date of the approval of the annual report and accounts.

Our Governance Framework

The NHSBSA Board has approved and adopted an overarching Corporate Governance Framework and this is reviewed on an annual basis. The framework incorporates the following areas:

- Statutory Instruments and Directions which describe and govern our core operations, processes and structure;
- Matters determined by the NHSBSA Board which ensure that the organisation has appropriate decision making process in place, including:
 - o the protocol for meetings and reporting;
 - o the delegation of decision making powers, not reserved for the Board, to Committees, Chief Executive and Executive Directors;
 - o the Standing Financial Instructions; and

- o the establishment of standing committees;
- Other management information which supports effective governance and operation.

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

Our Board and Committees

The Board is responsible for the strategic direction and overall governance of the organisation including the stewardship of its finances. All powers of the Authority that have not been retained as reserved for the Board or otherwise delegated to a committee, sub-committee or other body, are exercised on behalf of the Board by the Chief Executive unless otherwise specified in the NHSBSA's Standing Financial Instructions or Scheme of Delegation. The Chair is primarily responsible for leading the Board and ensuring its effectiveness with the Chief Executive responsible for day-to-day management.

The Board comprises a Non-executive Chair, five other Non-executive Directors, Chief Executive and four Executive Directors. All Board members declare their interests to the Chair and the Corporate Secretary in any matter relating to the Authority's business at the time that they become aware of a potential conflict. Members will normally be excluded from the discussion after declaring an interest related to that issue. The minutes of the meeting will record the member's declaration.

The table below shows the number of meetings attended by Board members during the 2011-12 financial year and also highlights their declared business interests.

Board members:

Board Composition	Meetings Attended	Register of Interests
Non-executive Chair: Paul Rich	8 out of 8	None declared
Non-executive Directors: David Hulf	8 out of 8	<ul style="list-style-type: none"> • Non-executive Director and Chair of Audit Committee at National Savings and Investments
Anne Galbraith	8 out of 8	<ul style="list-style-type: none"> • Member of Puffin Appeal (charity raising funds for cystic fibrosis) • Chair of Valuation Tribunal Service • Chair of Council for University of Durham • Health Consultant (self employed) – Chaired Mental Health Inquiries
Jeremy Strachan	8 out of 8	<ul style="list-style-type: none"> • Trustee of Drugscope (National Charitable Trust) • Company Secretary for Forensic Science Service Ltd (Government owned private company)

Board Composition	Meetings Attended	Register of Interests
David Teale	8 out of 8	<ul style="list-style-type: none"> • Chair of Solutions SK (company wholly owned by Stockport MBC) • Chair of Individual Solutions SK • Member and Chair of Audit Committee for Parkway Green Housing Trust (charitable trust) • Chief Executive of North of England Excellence
Mike Harling	7 out of 8	<ul style="list-style-type: none"> • Shareholder in Deutsche Post • Partner is also declared as being a shareholder in Deutsche Post • Receives a pensions from the Steria Pension Plan (part of Groupe Steria SCA – known as Xansa Pension Plan until March 2011) • Board Member, Guinness South Ltd (a housing association)
Chief Executive: Nick Scholte	8 out of 8	<ul style="list-style-type: none"> • Nothing declared
Executive Directors: Alistair McDonald, Chief Operating Officer	8 out of 8	<ul style="list-style-type: none"> • Nothing declared
Michael Brodie, Director of Finance	8 out of 8	<ul style="list-style-type: none"> • Member of Durham University Audit Committee • Vice-Chair of the Chartered Institute of Public Finance and Accountancy (CIPFA) in the North East
Jim Orr, Commercial Director (until 25 December 2011)	5 out of 6	<ul style="list-style-type: none"> • Nothing declared
Roberta Barker, Director of People and Organisational Development	8 out of 8	<ul style="list-style-type: none"> • Trustee of Richmondshire Leisure Trust

Standing Committees

To help facilitate the effective discharge of its responsibilities, the NHSBSA has two standing committees:

Audit and Risk Management Committee

The Audit and Risk Management Committee is a committee of the Board and consists of three non-executive members, with attendance from the Director of Finance, both Internal and External Audit and other officers as appropriate.

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the Authority's assurance framework, including the framework of governance, risks, controls and related assurances.

The Audit and Risk Management Committee:

- monitor financial governance and review the draft financial statements;
- review the effectiveness of internal controls;
- monitor the effectiveness of risk management controls;
- seek assurances regarding the control environment;
- review the effectiveness of internal audit arrangements; and
- review external audit arrangements.

The Committee produces an annual report which is submitted to the Board.

Audit and Risk Management Committee	Meetings Attended
Members	
David Hulf, Chair	6 out of 6
Anne Galbraith	6 out of 6
Jeremy Strachan	6 out of 6
Executive Directors – in attendance	
Michael Brodie	6 out of 6

Nick Scholte, Chief Executive and Accounting Officer, also attends at least one meeting during the year to discuss the Annual Report and Accounts.

Remuneration and Terms of Service Committee

The Remuneration and Terms of Service Committee is a committee of the Board and comprises three non-executive members, with attendance from the Chief Executive and Director of People and Organisational Development.

The Remuneration and Terms of Service Committee:

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

The Committee produces an annual report which is submitted to the Board.

Remuneration and Terms of Service Committee	Meetings Attended
Members	
Mike Harling, Chair	6 out of 6
David Teale	5 out of 6
Paul Rich	5 out of 6
Executive Directors – in attendance	
Nick Scholte 6 out of 6	
Roberta Barker	6 out of 6

The full terms of reference for both of these Committees can be found in our Corporate Governance Framework.

Performance of the Board and its Committees

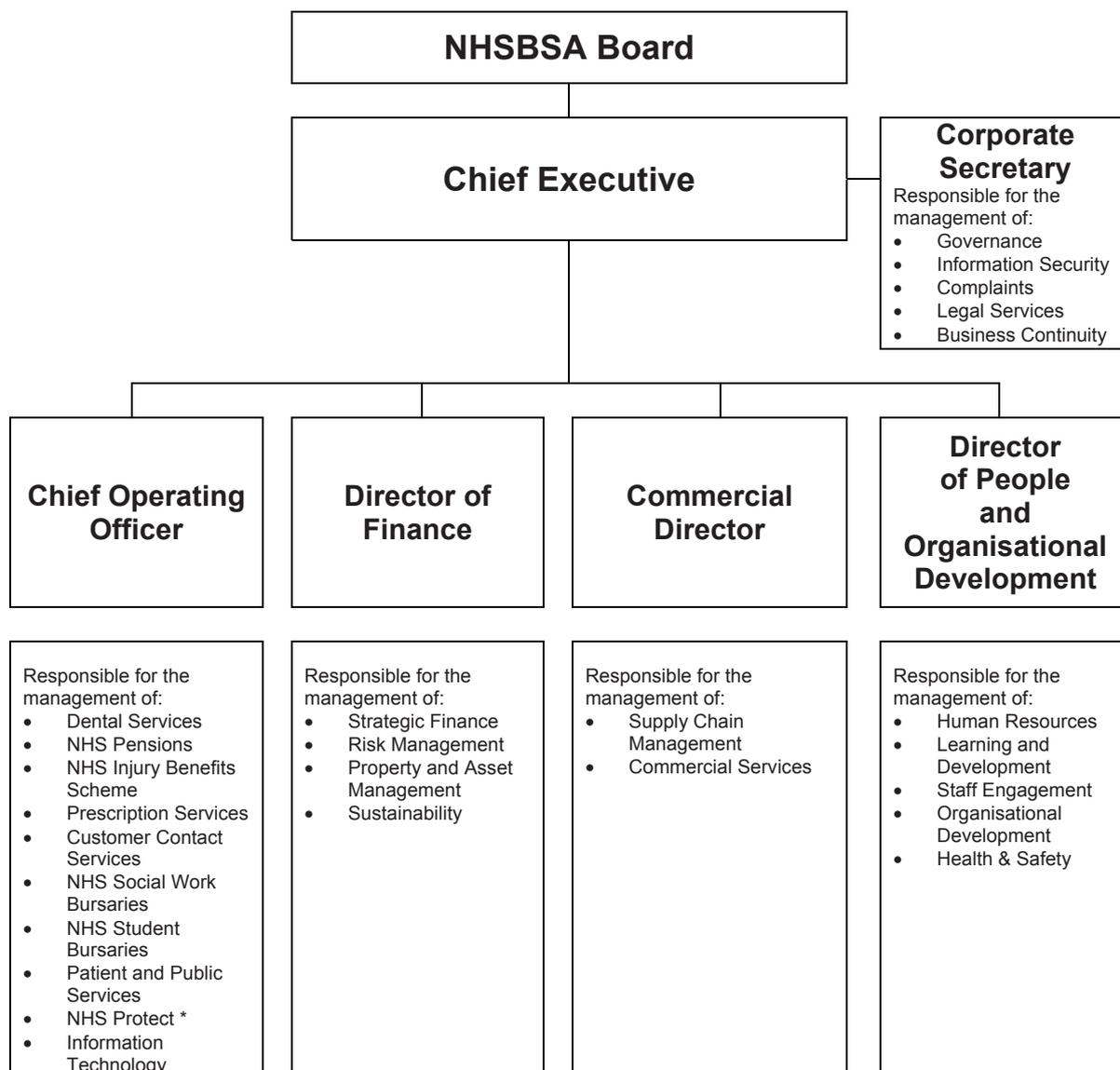
To ensure ongoing efficacy the Board and its Standing Committees undertake annual effectiveness reviews. These reviews identified that the Board and its Standing Committees had operated effectively and in compliance with the Corporate Governance Code and had provided an appropriate balance of strategic direction setting and supportive challenge during the year.

Our Sponsorship Arrangements

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

Our Management

Other than those Matters Reserved for the Board as set out in the Corporate Governance Framework, responsibility for the management of the organisation is delegated to the Chief Executive who is the Accounting Officer. The Chief Executive is supported by a Leadership Team of Executive Directors responsible for the areas shown in the table:



* Operationally independent via Memorandum of Understanding

Governance, Assurance, Risk and Control Framework

Risk

During 2011-12 the policy and procedures for the management of risk were reviewed and an enhanced Risk Management Framework was implemented. The framework built upon existing risk management practices to further strengthen the process providing a more robust and consistent approach across the Authority. The framework includes guidance on the classification, management and escalation process for identifying risks. The framework also provides guidance for capturing and escalating issues across the business. The framework was approved and adopted by the Leadership Team and the Audit and Risk Management Committee on behalf of the Board.

The framework has been fully rolled out across the business during the year and is fully embedded into day to day operations. Each business area reviews and submits their risk and issue register on a quarterly basis. A summary of these registers is prepared

for consideration by the Leadership Team. This escalation process demonstrates the robust risk and issue management in place across the Authority.

The Leadership Team owns the Corporate Risk Register which highlights the key risks to the Authority as a whole and reviews this register on a quarterly basis. At this meeting a report is considered which provides a summary of each business area risk profile, details of any extreme risks elsewhere in the business and an indication of any emerging risks across the Authority. The meeting also tracks any movement in risk ratings and whether any emerging risks need to be included on the register.

Assurance

At the end of 2010-11 an overarching assurance map was developed using the industry best practice three lines of defence model to identify the assurances in place over each of the Authority's core business processes. The three lines of defence model highlights where assurance can be taken from management control and reporting; functional oversight and governance systems; and independent review and regulatory oversight. It also provides a basis on which the leadership of the NHSBSA can determine the focus of assurance effort, assess the outcome of existing assurance activity and determine its assurance appetite. The assurance map is fully integrated with the risk management process.

The overarching assurance map continues to be regularly reviewed and updated to reflect the changing nature of the business and during 2011-12 further work was undertaken to refine and develop it. The concept has been rolled out across each of the Authority's business areas to develop the individual service assurance maps which feed into the overarching map and the annual governance process. The Audit and Risk Management Committee has scheduled a programme of reviews to consider each of the individual business area maps to provide appropriate assurances to the Board.

The NHSBSA provides services to the wider NHS including making dental, prescription and student bursary payments on behalf of PCTs and SHAs. To provide third party assurance over the controls in place for these payments the NHSBSA engaged PricewaterhouseCoopers LLP (PwC) to undertake an audit exercise in each area. This resulted in the production of ISAE3000 reports on the operation and tests of operating effectiveness of the controls in place during the period 1 April 2011 to 31 March 2012. The outcome of these reports was an unqualified opinion in each of the three payment areas.

Audit and Risk Management Committee Assurance

One of the key sources of assurance provision for the Authority's Board is from the Audit and Risk Management Committee. It provides an independent and objective review of the adequacy and effectiveness of the Authority's approach to risk management and the overall assurance framework. The Committee has responsibility for reviewing:

- all risk and control related disclosure statements including the annual Head of Internal Audit statement and external audit opinion;
- the underlying assurance process that governs the management of principal risks and the achievement of corporate objectives;

- the appropriateness of policies and procedures for ensuring compliance with law, guidance and codes of conduct, and their effectiveness; and
- policies and procedures related to the detection and prevention of bribery, fraud and corruption.

The Committee meets these responsibilities by receiving regular reports on a range of audit and assurance topics and in particular the receipt and review of:

- quarterly risk management updates setting out and assessing the major risks facing the organisation, aligned with the key areas of focus set out in our Business Plan. These reports set out the key movements in risks between reporting periods and identify emerging risks and the mitigating actions which have been taken or are planned to mitigate them;
- an annual risk management report outlining how the Authority's risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened;
- an annual review of the overarching NHSBSA Assurance Map
- an annual local counter fraud specialist report detailing the work undertaken during the year mapped against the agreed workplan.
- the Whistleblowing Policy which encourages staff to raise any serious concerns regarding the practice of the Authority. The Committee receives six-monthly updates on whistleblowing activity across the business; and
- the outcome of the third party assurance engagements undertaken by PwC to review the control environment covering Pharmaceutical, Dental and Student Bursary payments. The outcome of these engagements is shared with Primary Care Trusts and Strategic Health Authorities, as appropriate, to provide third party assurance for the payments made by the NHSBSA on their behalf.

Managing Our Information

During 2011-12 we have continued to improve our approach to handling information efficiently and securely. Each year, we undertake a detailed self-assessment using the NHS-wide Information Governance toolkit. Using this toolkit, our rating for 2011-12 was a satisfactory rating with a total compliance level of 80%.

We did not have any security incidents classified as serious untoward incidents by the Department of Health. However, using the Department of Health categorisation framework below, there was one incident classed as minor to report during the year.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised Disclosure	0
V	Other	1
	Total Number of Incidents	1

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

Issues relating to information governance within the NHSBSA are co-ordinated by the Information Governance and Security Group which is chaired by the Director of Finance who holds the position of both our Caldicott Guardian and Senior Information Risk Owner (SIRO). The remit of the Caldicott Guardian is to ensure that any person identifiable information we hold is held and used properly. The remit of the SIRO is to take ownership of the our information risk policy, act as advocate for information risk to the Board and provide written advice to the accounting officer on the content of their Annual Governance Statement with regard to information risk.

Data Protection and Freedom of Information

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

During 2011-12, we dealt with 239 DPA requests, all except 7 were responded to within the required timeframe. The number of requests is roughly the same as the previous year with a slight decrease of 1% when compared to last year.

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

During 2011-12, we dealt with 951 FOI requests, all except 5 were responded to within the required timeframe. The number of requests has increased by 32 (3%) compared to last year.

As a public sector information holder, we comply with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. We can confirm that no charges were made for access to information during 2011-12.

Handling Our Complaints

We take complaints seriously and believe in the value of learning from the complaints which are made about our staff and services to make improvements for our customers.

During 2011-12, we made further improvements to our complaints handling processes. We handled an increased number of issues which may have led to formal complaints through our customer contact centre and helped our customers to have their concerns dealt with quickly and effectively. This approach has dramatically reduced the number of formal complaints we have received during the last year compared to the previous year.

The total number of complaints received during 2011-12 was 754 of which 395 (52.4%) were found to be justified. This compares with a total of 1,392 of which 575 (41.3%) were found to be justified in 2010-11.

Other Aspect of the Governance, Assurance, Risk and Control Environment

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

- regular quarterly reviews of the Corporate Risk Register by the Leadership Team, as a precursor to the Audit and Risk Management Committee review;
- maintenance and quarterly review of the risk registers for each service area;
- a Risk Management Group, chaired by the Director of Finance, with representation from all business areas. The Group reviews each business area risk register providing a forum for debate and challenge ensuring a consistent and harmonised approach. The Group meets prior to the Leadership Team review of the Corporate Risk Register to ensure that the latest position regarding risk is reported;
- all information risks are reviewed by the Information Governance and Security Group (IGSG) on a regular basis. This Group is also responsible for ensuring that the Authority complies with information governance and security best practice and performs a self assessment against a nationally developed toolkit;
- a performance management framework which highlights performance against key performance indicators for each service area. A narrative on our performance for 2011-12 is provided in a separate section earlier in this Annual Report;
- controls are in place to ensure that all the Authority's obligations under equality, diversity and human rights legislation are adhered to;
- as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions

from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations; and

- updates on performance against the Sustainable Development Action Plan are received quarterly to ensure that the Authority's sustainability targets are being met. The Authority is also part of the Government's Greening Programme which requires regular updates on progress.

As set out above, the Authority has strong governance arrangements to manage and minimise the risks it faces. However, in a dynamic and complex business environment significant risks are encountered. The principal risks and uncertainties being faced by the Authority are shown in the table:

Principal Risk	Key Factors	Current Controls/ Mitigations	Further Actions/ Mitigations
Overall Service Delivery	As a result of external factors impacting on the Authority there is a risk that the NHSBSA cannot maintain current service levels or deliver policy changes required by sponsors which may result in additional costs and reputational damage	<ul style="list-style-type: none"> • monthly performance reporting; • escalation procedures for potential to miss targets; and • quarterly accountability meetings with Department of Health. 	<ul style="list-style-type: none"> • Risk accepted
Inability to deliver financial savings in the medium term	As a result of external factors impacting on the Authority there is a risk that this will impact on the ability to achieve the required financial savings which may result in an increased cost pressure to the organisation	<ul style="list-style-type: none"> • Dialogue with Department of Health Finance. 	<ul style="list-style-type: none"> • Robust project management for delivering increased commercialisation
Student Bursary Calculation Errors	As a result of inaccurate assessment of case work there is a risk that students are under or over paid. Further detail on this risk is given later in this report.	<ul style="list-style-type: none"> • Part implementation of a new administration and payment system with appropriate process controls; • Monthly and daily checks; • Lessons learned from previous audits; • Full training needs analysis; • All staff given application test; • All staff trained on manual calculations; • Additional quality checks introduced; and • Targeted checks in high risk cases introduced. 	<ul style="list-style-type: none"> • Full rollout of new system; and • Further rigorous monitoring and control.

These risks are regularly monitored and mitigating actions are developed and implemented to reduce the level of the risk to an acceptable level. This process reflects the Authority's risk tolerance whereby risks within the control of the Authority, are mitigated to the level of risk tolerance.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the risk based internal audit work. For 2011-12 the Head of Internal Audit Opinion concluded that based on the work completed to date **significant assurance** can be given that there is a generally sound system of internal control, designed to meet the Authority's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. These weaknesses have been raised in relevant Internal Audit reports and recommendations agreed with the appropriate Senior Management Teams.

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

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

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

Significant Governance Issues

One of the elements of the NHSBSA's service portfolio is the administration and payment of student bursaries on behalf of Strategic Health Authorities. The NHSBSA has in place a control environment designed to minimise the risk of fraud or error in the calculation of bursary payments. Testing undertaken in 2010-11 identified that certain key controls in the process had failed on a limited number of occasions. The impact of the failure did not have a material impact on the NHSBSA's accounts or those of the Strategic Health Authorities (SHAs) it serves. An improvement action plan was developed to address the control failures and work is ongoing to fully implement all of the agreed actions. During testing for the 2011-12 accounts, a number of bursary calculation errors were noted, many were of a similar nature to those found in 2010-11.

An analysis of the errors concluded that the majority resulted from the residual impact of the control failures identified in 2010-11, and would be less likely to have occurred under the new systems which were still in the process of implementation during 2011-12 and will not be fully operational until April 2013. There is no material impact on the accounts of the NHSBSA or the SHAs as a result of this control failure.

We propose over the coming year to continue the implementation of the agreed action plan to address the control failure identified above, to further enhance our governance arrangements. I am satisfied that these steps will address the issues identified and the implementation and operation will be reviewed as part of our next annual review.

Conclusion

With the exception of the internal control issue that I have outlined in this statement, my review confirms that the NHSBSA has a generally sound system of governance that supports the achievement of its policies, aims and objectives and that the control issue identified is being addressed.

Nick Scholte
Chief Executive

NHS Business Services Authority

18 June 2012

SECTION 11: STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

In preparing the accounts, I am required to:

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

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

SECTION 12: CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2012 under the National Health Service Act 2006. The financial statements comprise: the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Changes in Taxpayers' Equity, Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of NHS Business Services Authority's affairs as at 31 March 2012 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

22 June 2012

Account of NHS Business Services Authority 2011-12

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Notes	2011-12	2010-11
		£000	£000
Staff Costs	3.5	64,926	70,563
Non-Staff costs	3.3	696,273	678,815
Less income	3.2	(606,400)	(609,422)
Net operating costs for the financial year		<u>154,799</u>	<u>139,956</u>
Other Comprehensive Net Expenditure			
Net (gain) on revaluation of property, plant & equipment		(328)	0
Adjustment for notional costs		(85)	(85)
Total comprehensive net expenditure for the year		<u>154,386</u>	<u>139,871</u>

The notes on pages 58 to 86 form part of these accounts.

**Statement of Financial Position
at 31 March 2012**

	Notes	31 March 2012	31 March 2011 Restated	31 March 2010 Restated
		£000	£000	£000
Non Current Assets				
Property, Plant & Equipment	4.2	25,923	21,218	19,330
Intangible Assets	4.1	34,814	40,403	37,328
Other Financial Assets	4.3	337,647	65,632	65,632
Trade and other receivables	4.5	1,555	2,284	2,161
Total non-current assets		<u>399,939</u>	<u>129,537</u>	<u>124,451</u>
Current Assets				
Inventories	4.4	0	0	0
Trade and other receivables	4.5	20,063	16,633	14,939
Cash and cash equivalents	4.6	23,258	24,006	17,729
Total current assets		<u>43,321</u>	<u>40,639</u>	<u>32,668</u>
Current Liabilities				
Trade and other payables	4.7	40,145	41,137	31,641
Borrowings	4.7.1	0	17	0
Provisions for liabilities and charges	4.8	4,184	1,077	272
Total current liabilities		<u>44,329</u>	<u>42,231</u>	<u>31,913</u>
Non-current assets plus/less net current assets/liabilities		<u>398,931</u>	<u>127,945</u>	<u>125,206</u>
Non-current liabilities				
Provisions for liabilities and charges	4.8	1,053	3,898	2,090
Total non-current liabilities		<u>1,053</u>	<u>3,898</u>	<u>2,090</u>
Assets Less Liabilities:		<u>397,878</u>	<u>124,047</u>	<u>123,116</u>
Taxpayers' Equity				
General Fund		394,717	121,214	120,283
Revaluation Reserve		3,161	2,833	2,833
Total Taxpayers' Equity:		<u>397,878</u>	<u>124,047</u>	<u>123,116</u>

The notes on pages 58 to 86 form part of these accounts.

Nick Scholte
Chief Executive
18 June 2012

**Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2012**

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2011	121,214	2,833	124,047
Changes in taxpayers' equity for 2011-12			
Net operating cost for the year	(154,799)	0	(154,799)
Net gain/(loss) on revaluation of Property, Plant and Equipment	0	328	328
Non-cash charges – notional costs	85	0	85
Total recognised income and expense for 2011-12	(154,714)	328	(154,386)
Net Parliamentary funding	428,217	0	428,217
Balance at 31 March 2012	<u>394,717</u>	<u>3,161</u>	<u>397,878</u>

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2010	120,283	2,833	123,116
Changes in taxpayers' equity for 2010-11			
Net operating cost for the year	(139,956)	0	(139,956)
Non-cash charges – notional costs	85	0	85
Total recognised income and expense for 2010-11	(139,871)	0	(139,871)
Net Parliamentary funding	140,802	0	140,802
Balance at 31 March 2011	<u>121,214</u>	<u>2,833</u>	<u>124,047</u>

The notes on pages 58 to 86 form part of these accounts.

**Statement of Cash Flows
for the year ended 31 March 2012**

	Notes	2011-12 £000	2010-11 Restated £000
Cash flows from operating activities			
Net operating costs		(154,799)	(139,956)
Other cashflow adjustments	5.3	41,580	15,562
Movement in Working Capital	5.1	(3,693)	7,679
Provisions utilised	4.8	(303)	(1,981)
Net cash (outflow) from operating activities		<u>(117,215)</u>	<u>(118,696)</u>
Cash flows from investing activities			
Interest received	3.2	4,012	3,702
Purchase of property, plant and equipment	4.2	(9,873)	(5,334)
Purchase of intangible assets	4.1	(7,705)	(14,272)
Proceeds from disposal of property, plant and equipment		194	58
Proceeds from disposal of intangible assets		1,639	0
Payments for financial assets	4.3	(300,000)	0
Net cash inflow/(outflow) from investing activities		<u>(311,733)</u>	<u>(15,846)</u>
Cash flows from financing activities			
Net Parliamentary funding		428,217	140,802
Net financing		<u>428,217</u>	<u>140,802</u>
Net increase/(decrease) in cash and cash equivalents		(731)	6,260
Cash and cash equivalents at 31 March 2011	5.2	23,989	17,729
Cash and cash equivalents at 31 March 2012	5.2	<u>23,258</u>	<u>23,989</u>

The notes on pages 58 to 86 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

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

1.1 Accounting Conventions

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

Acquisitions and Discontinued Operations

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

Critical accounting judgements and key sources of estimation uncertainty

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

1.2 Income

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

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

1. Accounting Policies (continued)

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

The funding of Bursary payments comes from two sources: Student Bursaries from the Strategic Health Authorities and Social Work Bursaries from the DH Policy Team. This income is treated as operating income.

1.3 Taxation

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

1.4 Capital charge interest

From 2010-11 capital charge interest is no longer applied, in line with the Treasury Financial Reporting Manual (FRoM). Prior year comparative figures have been adjusted to reflect this change in accounting policy. In previous years a charge, reflecting the cost of capital utilised by the Authority was included in operating costs.

1.5 Property, Plant & Equipment

(a) Capitalisation

All assets falling into the following categories are capitalised:

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

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

1. Accounting Policies (continued)

(b) Valuation

Land and buildings used for the Authority's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. The latest revaluation was carried out by an independent RICS qualified valuer from the DVS Valuation Office Agency as at 31 March 2012. Fair values are determined as follows:

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

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

1. Accounting Policies (continued)

1.6 Intangible Assets

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

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

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

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

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

1.7 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

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

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

1. Accounting Policies (continued)

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

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value after allowance for redundant and slow moving items. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

1.9 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 Losses and Special Payments

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

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

1.11 Employee benefits

Short-term employee benefits

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

Retirement benefit costs

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

1. Accounting Policies (continued)

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

1.12 Research and Development

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

1.13 Leases

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

The Authority as lessee

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

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

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

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

The Authority as lessor

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

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

1. Accounting Policies (continued)

1.14 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms, or in the case of early retirement costs 2.8% (2010/11 – 2.9%).

1.15 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

1. Accounting Policies (continued)

Loans and receivables

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

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

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

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

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

1. Accounting Policies (continued)

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

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

A number of IFRS/IAS amendments, a new IFRIC Interpretation and a new IPSAS have been issued but are not yet effective and have not been adopted early by the Authority. Those that are expected to be applicable to the Authority are listed below with their effective date, none are anticipated to have a future material impact on the Authority's financial statements:

IFRS 9 Financial Instruments – effective 1 January 2015 – revised guidance on classification and measurement and calculation and recording of impairments.

IFRS 13 Fair Value Measurement – effective 1 January 2013 – consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

IPSAS 32 Service Concession Arrangements – effective 1 January 2014 – interpretation of IFRIC12 for the public sector context.

2.1 Operating segments

The Authority's activities are considered to fall within two segments: the payment of Student and Social Work Bursaries and our operating expenditure relating to the provision of services to the wider NHS.

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

	Bursaries		Service Provision		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	Restated £000	£000	Restated £000
Statement of Comprehensive Net Expenditure						
Income	(591,178)	(592,920)	(15,222)	(16,502)	(606,400)	(609,422)
Expenditure	591,178	592,920	170,021	156,458	761,199	749,378
Net Operating Costs	0	0	154,799	139,956	154,799	139,956
Statement of Financial Position						
Assets	22,468	14,772	420,792	155,404	443,260	170,176
Liabilities	(18,680)	(10,984)	(26,702)	(35,145)	(45,382)	(46,129)
Assets less Liabilities	3,788	3,788	394,090	120,259	397,878	124,047

In order to better reflect the commercial substance of the outsourced Supply Chain arrangement, the accounting treatment has been revised. As a result, the Supply Chain arrangement is now treated as a financial asset rather than an operating segment as was previously the case (see Note 9 – Prior Period Adjustments).

3.1 Resource Limits

3.1.1 Revenue Resource Limit

	2011-12 £000	2010-11 £000
Net operating costs for the financial year	154,799	139,956
Revenue Resource Limit	158,903	141,353
Under/(over) spend against Revenue Resource Limit	4,104	1,397

3.1.2 Capital Resource Limit

	2011-12 £000	2010-11 £000
Gross Capital Expenditure	317,578	19,606
Less: Net Book Value of assets disposed of	(1,832)	(44)
Charge against the Capital Resource Limit	315,746	19,562
Capital Resource Limit	317,682	23,441
Under/(Over) spend Against Capital Resource Limit	1,936	3,879

3.2 Operating income

	2011-12	2010-11
	£000	£000
Department of Health invoiced funding	5,042	6,703
Services provided to UK Devolved Administrations and Crown Dependencies	2,832	3,238
Provision of Hosted Services	876	1,121
Supply Chain interest charges	4,012	3,702
Student Bursary funding from Strategic Health Authorities	509,597	519,129
Social Work Bursary funding from the Department of Health	81,581	73,791
Other income	2,460	1,738
Total Operating income	606,400	609,422

3.3 Non-Staff costs

	2011-12	2010-11
	£000	£000
The expenses of the authority were as follows:		
Non-executive members' remuneration	117	117
Rentals under operating leases	3,926	3,815
Establishment expenses	9,660	9,331
Transport and moveable plant	743	791
Premises and fixed plant	10,383	13,279
External contractors	27,662	30,690
Non-cash: Depreciation	2,772	2,782
Amortisation	11,655	11,197
Impairments & reversals PPE	2,531	620
(Profit)/loss on disposal of fixed assets	(1)	(14)
Change in carrying value of Financial Assets	27,985	0
	44,942	14,585
Auditors' remuneration:		
Audit fees	150	150
Other fees	0	64
Other costs	4,552	3,348
Redundancies	2,960	9,725
NHS Bursary Scheme	509,597	519,129
Social Work Bursaries	81,581	73,791
Total non-staff costs	696,273	678,815

Other costs includes the following significant amounts:

	2011-12	2010-11
	£000	£000
Legal & Professional fees	4,398	3,231
Notional fee for the audit of the Pension Scheme accounts	85	85
	4,483	3,316

3.4 Operating leases

Authority as lessee

	2011-12	2010-11
	£000	£000
Payments recognised as an expense		
Minimum lease payments	3,926	3,815
	3,926	3,815
Total future minimum lease payments		
Payable:		
Within one year	2,506	3,282
Later than one year and not later than five years	5,375	5,164
Later than five years	8,053	8,607
Total	15,934	17,053

3.5 Staff numbers and related costs

Executive members and staff costs:

	Total 2011-12 £000	Permanently employed £000	Other £000	Total 2010-11 £000
Salaries and wages	57,619	56,413	1,206	61,359
Social security costs	4,170	4,170	0	4,477
Employer contributions to NHS Pensions	5,417	5,417	0	6,081
Other pension costs	901	901	0	897
Total	68,107	66,901	1,206	72,814
Capitalised staff costs	(3,181)			(2,251)
	64,926			70,563

The average number of persons employed during the year was:

	Total Number	Permanently employed Number	Other Number	2010-11 Number
Total	2,320	2,278	42	2,524

The whole time equivalent number of staff whose cost was capitalised was 119 (2010-11: 50)

Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2010-11 £Nil).

Exit Costs

2011-12

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	2	1	3
£10,000 – £25,000	1	12	13
£25,000 – £50,000	1	24	25
£50,000 – £100,000	4	10	14
£100,000 – £150,000	1	4	5
£150,000 – £200,000	0	0	0
>£200,000	0	1	1
Total number of exit packages by type	9	52	61
Total Resource Cost (£'000)	425	2,465	2,890

2010-11

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	38	27	65
£10,000 – £25,000	11	20	31
£25,000 – £50,000	12	51	63
£50,000 – £100,000	11	28	39
£100,000 – £150,000	9	9	18
£150,000 – £200,000	4	2	6
Total number of exit packages by type	85	137	222
Total Resource Cost (£'000)	3,281	5,406	8,687

3.6 Pension costs

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

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

3.6 Pension costs (continued)

c) Scheme provisions

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

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

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

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

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

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

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

d) Principal Civil Service Pension Scheme

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

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

No payments were made under the legislation during the year.

3.8 Other gains and losses

	2011-12	2010-11
	£000	£000
Profit on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	0	0
Profit on disposal of plant and equipment	2	22
(Loss) on disposal of plant and equipment	(1)	(8)
Total	1	14

4.1 Intangible assets

4.1.1 Intangible assets 2011-12

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2011	864	65,702	0	66,566
Additions – purchased	0	2,523	5,182	7,705
Reclassifications	0	(4,242)	4,242	0
Disposals	0	0	(1,639)	(1,639)
Gross cost at 31 March 2012	864	63,983	7,785	72,632
Amortisation				
Accumulated amortisation at 1 April 2011	739	25,424	0	26,163
Charged during the year	46	11,609	0	11,655
Reclassifications	0	0	0	0
Disposals	0	0	0	0
Accumulated amortisation at 31 March 2012	785	37,033	0	37,818
Net book value at 31 March 2011	125	40,278	0	40,403
Net book value at 31 March 2012	79	26,950	7,785	34,814

4.1.2 Intangible assets 2010-11

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2010	4,788	51,009	421	56,218
Additions – purchased	0	14,272	0	14,272
Reclassifications	0	421	(421)	0
Disposals	(3,924)	0	0	(3,924)
Gross cost at 31 March 2011	864	65,702	0	66,566
Amortisation:				
Accumulated amortisation at 1 April 2010	4,262	14,400	228	18,890
Charged during the year	401	10,796	0	11,197
Reclassifications	0	228	(228)	0
Disposals	(3,924)	0	0	(3,924)
Accumulated amortisation at 31 March 2011	739	25,424	0	26,163
Net book value at 31 March 2010	526	36,609	193	37,328
Net book value at 31 March 2011	125	40,278	0	40,403

Bursaries had no Intangible assets during the accounting period (2010-11 – £Nil)

Account of NHS Business Services Authority 2011-12

4.2 Property, Plant and Equipment

4.2.1 Property, Plant and Equipment 2011-12

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2011	4,084	11,161	2,293	276	28,494	3,441	49,749
Additions – purchased	1,500	6,915	0	0	1,458	0	9,873
Disposals	(200)	(275)	0	(53)	0	0	(528)
Revaluation	75	253	0	0	0	0	328
Gross cost at 31 March 2012	5,459	18,054	2,293	223	29,952	3,441	59,422
Depreciation							
Accumulated depreciation at 1 April 2011	155	2,024	1,763	228	22,672	1,689	28,531
Disposals	(155)	(140)	0	(40)	0	0	(335)
Impairments	0	2,531	0	0	0	0	2,531
Charged during the year	0	391	20	13	1,900	448	2,772
Accumulated depreciation at 31 March 2012	0	4,806	1,783	201	24,572	2,137	33,499
Net book value at 31 March 2011	3,929	9,137	530	48	5,822	1,752	21,218
Net book value at 31 March 2012	5,459	13,248	510	22	5,380	1,304	25,923

4.2.2 Property, Plant and Equipment 2010-11

	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2010	4,084	10,401	3,054	583	30,255	2,672	51,049
Additions – purchased	0	760	0	0	3,328	1,246	5,334
Disposals	0	0	(761)	(307)	(5,089)	(477)	(6,634)
Gross cost at 31 March 2011	4,084	11,161	2,293	276	28,494	3,441	49,749
Depreciation							
Accumulated depreciation at 1 April 2010	0	1,140	2,472	449	25,722	1,936	31,719
Disposals	0	0	(761)	(263)	(5,089)	(477)	(6,590)
Impairments	155	465	0	0	0	0	620
Charged during the year	0	419	52	42	2,039	230	2,782
Accumulated depreciation at 31 March 2011	155	2,024	1,763	228	22,672	1,689	28,531
Net book value at 31 March 2010	4,084	9,261	582	134	4,533	736	19,330
Net book value at 31 March 2011	3,929	9,137	530	48	5,822	1,752	21,218

Bursaries had no Property, Plant and Equipment during the accounting period (2010-11 – £Nil)

4.2 Property, Plant and Equipment (continued)

4.2.3 Land and Buildings

The net book value of land and buildings comprises:

	31 March 2012	31 March 2011
	£000	£000
Freehold	15,946	11,004
Long leasehold	2,761	2,062
Short leasehold	0	0
Total	18,707	13,066

4.2.4 Economic Lives of Non-current Assets

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

4.2.5 Impairments

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

	2011-12		2010-11	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Impairments arose from:				
Loss or damage from normal operations	0	0	70	0
Changes in market price	0	0	550	0
Enhancement expenditure written off on revaluation	1,531	0	0	0
Irrecoverable VAT on property purchase	1,000	0	0	0
Total	2,531	0	620	0

b) Impairments charged in the year to the revaluation reserve

	2011-12		2010-11	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Charged to the revaluation reserve:	0	0	0	0

4.2 Property, Plant and Equipment (continued)

4.2.6 Non-current assets held for sale

Year ended	Land	Buildings excluding dwellings	Total
	£000	£000	£000
31 March 2012	375	875	1,250
31 March 2011	345	835	1,180

Two of the Authority's buildings, previously used for prescription processing, were rendered surplus to requirements by the successful implementation of the Capacity Improvement Programme and vacated during 2009-10. One of these buildings was sold during the year, the other was held for sale at the year end and is expected to be sold early in 2012-13.

These buildings fall within the Service Provision segment assets.

4.3 Financial Assets

4.3.1 Financial assets 2011-12

	Supply Chain Working Capital £000
Value at 1 April 2011	65,632
Additions	300,000
Changes in carrying value	(27,985)
Value at 31 March 2012	337,647

4.3.2 Financial assets 2010-11

	Supply Chain Working Capital Restated £000
Value at 1 April 2010	65,632
Additions	0
Changes in carrying value	0
Value at 31 March 2011	65,632

As referred to in Note 9, the accounting treatment of the outsourced Supply Chain arrangement has been revised during the year and the £65.6m working capital provided is now being treated as a Financial Asset.

A further £300m of working capital has been made available this year to facilitate aggregated capital purchases for the NHS.

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

The assets are classified as 'loans and receivables' (Note 10) and carried at amortised cost, calculated using the effective interest method. Changes in carrying value during the year are taken to operating costs (Note 3.3).

Account of NHS Business Services Authority 2011-12

4.4 Inventories

	31 March 2012	31 March 2011 Restated	31 March 2010 Restated
	£000	£000	£000
Inventories	0	0	0
Total	0	0	0

4.5 Receivables

	Current		
	31 March 2012	31 March 2011 Restated	31 March 2010 Restated
	£000	£000	£000
Trade receivables – revenue	4,482	1,693	889
Provision for impairment of receivables	(9,636)	(7,891)	(5,174)
Prepayments and accrued income	9,984	7,120	5,895
Other receivables	15,233	15,711	13,329
Trade and other receivables	20,063	16,633	14,939
Segmental split			
Service Provision	8,759	8,040	6,079
Bursaries	11,304	8,593	8,860
	20,063	16,633	14,939
	Non-current		
	31 March 2012	31 March 2011 Restated	31 March 2010 Restated
	£000	£000	£000
Other receivables	1,555	2,284	2,161
Trade and other receivables	1,555	2,284	2,161
Segmental split			
Service Provision	0	0	0
Bursaries	1,555	2,284	2,161
	1,555	2,284	2,161

4.6 Cash and Cash equivalents

	2011-12	2010-11
	£000	Restated £000
Balance at 1 April	24,006	17,729
Net change in the year	(748)	6,277
Balance at 31 March	<u>23,258</u>	<u>24,006</u>

Comprising:

	31 March 2012	31 March 2011	31 March 2010
	£000	Restated £000	Restated £000
Held with the Government Banking Service	23,157	24,006	17,727
Commercial banks and cash in hand	101	0	2
Cash and Cash equivalents as in Statement of financial position	<u>23,258</u>	<u>24,006</u>	<u>17,729</u>
Bank overdraft	0	(17)	0
Cash and cash equivalents as in Statement of cash flows	<u>23,258</u>	<u>23,989</u>	<u>17,729</u>

Segmental split

Service Provision	13,649	20,094	14,609
Bursaries	9,609	3,895	3,120
	<u>23,258</u>	<u>23,989</u>	<u>17,729</u>

4.7 Trade payables and other current liabilities

	31 March 2012	Current 31 March 2011	31 March 2010
	£000	Restated £000	Restated £000
Trade payables revenue	1,757	4,301	55
Tax and social security	0	0	4
Accruals and deferred income	35,598	34,715	29,836
Other payables	2,790	2,121	1,746
Trade and other payables	<u>40,145</u>	<u>41,137</u>	<u>31,641</u>
Segmental split			
Service Provision	21,465	30,153	22,287
Bursaries	18,680	10,984	9,354
	<u>40,145</u>	<u>41,137</u>	<u>31,641</u>

4.7 Trade payables and other current liabilities (continued)

4.7.1 Borrowings

	31 March 2012	Current	
		31 March 2011 Restated	31 March 2010 Restated
	£000	£000	£000
Bank Overdraft	0	17	0
Total	0	17	0

4.8 Provisions for liabilities and charges

	31 March 2012	Current	
		31 March 2011	31 March 2010
	£000	£000	£000
Pensions relating to other staff	24	24	142
Legal claims	251	251	130
Other	3,909	802	0
Total	4,184	1,077	272

	31 March 2012	Non-current	
		31 March 2011	31 March 2010
	£000	£000	£000
Pensions relating to other staff	51	75	1,761
Legal claims	0	0	0
Other	1,002	3,823	329
Total	1,053	3,898	2,090

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

	Pensions relating to other staff	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2010	1,903	130	329	2,362
Arising during the year	58	240	4,296	4,594
Utilised during the year	(1,862)	(119)	0	(1,981)
At 1 April 2011	99	251	4,625	4,975
Arising during the year	0	0	565	565
Utilised during the year	(24)	0	(279)	(303)
At 31 March 2012	75	251	4,911	5,237
Expected timing of cash-flows:				
Within one year	24	251	3,909	4,184
Later than one year and not later than five years	51	0	1,002	1,053
Later than five years	0	0	0	0

Other provisions at 31 March 2012 relate to Leasehold Property Decommissioning based on professional valuations of £4,143k and Redundancies of £768k.

Contingencies at 31 March 2012

At 31 March 2012, there were no known contingent assets or liabilities (2010-11: £nil).

4.9 Events after the reporting period

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

The Accounts were authorised for issue on 22 June 2012 by the NHSBSA Chief Executive and Accounting Officer.

4.10 Capital commitments

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

	31 March 2012 £000	31 March 2011 £000
Property, plant and equipment	0	0
Intangible assets	7,740	6,034
Total	7,740	6,034

5.1 Movements in working capital

	2011-12 £000	2010-11 Restated £000
(Increase)/decrease in receivables within 1 year	(3,430)	(1,694)
(Increase)/decrease in receivables after 1 year	729	(123)
(Increase)/decrease in inventories	0	0
Increase/(decrease) in payables within 1 year	(992)	9,496
Increase/(decrease) in payables after 1 year	0	0
Total	(3,693)	7,679

5.2 Analysis of changes in net debt

	As at 1 April 2010 Restated £000	Cash flows Restated £000	As at 1 April 2011 Restated £000	Cash flows £000	As at 31 March 2012 £000
GBS cash at bank	17,727	6,279	24,006	(849)	23,157
Commercial cash at bank and in hand	2	(2)	0	101	101
Bank overdraft	0	(17)	(17)	17	0
Total	17,729	6,260	23,989	(731)	23,258

5.3 Other cashflow adjustments

	2011-12	2010-11 Restated
	£000	£000
Depreciation	2,772	2,782
Amortisation	11,655	11,197
Impairments and reversals	2,531	620
(Profit)/Loss on disposal of assets	(1)	(14)
Change in carrying value of Financial Assets	27,985	0
Notional Costs	85	85
Interest Received	(4,012)	(3,702)
Provisions – Arising in Year	565	4,594
Total	<u>41,580</u>	<u>15,562</u>

6. Losses and special payments

	2011-12		2010-11	
	No of cases	£000	No of cases	£000
Losses				
'Cash' losses	3	0	5	1
Stores losses	0	0	1	0
Fruitless payments	359	5	223	3
Claims waived or abandoned	1,709	1,549	2,567	1,111
	<u>2,071</u>	<u>1,554</u>	<u>2,796</u>	<u>1,115</u>
Special Payments	<u>81</u>	<u>310</u>	<u>113</u>	<u>1,014</u>

7. Related Party Transactions

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

The Department of Health is regarded as a related party. During the year the Authority had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department including Strategic Health Authorities, Primary Care Trusts and NHS Trusts.

During the year none of the Department of Health Ministers, Authority board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with NHSBSA.

8. Other commitments

The Pensions Division of the Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out services totalling £28.6m over 3 years 4 months as 31 March 2012 (2011: £37.1m). £8.563m (2011: £8.554m) of this commitment is payable within one year.

The Authority has entered into a non-cancellable contract for the provision of contracted out Dental and IT infrastructure services totalling £111.232m (2011: £107.088m) over the remaining 7 years and 9 months as at the 31 March 2012. £20.729m (2011: £20.473m) of this commitment is payable within one year.

9. Prior Period Adjustments

Change in Accounting Policy – Supply Chain

In order to better reflect the true commercial substance of the outsourced Supply Chain arrangement, the accounting treatment in this area has been revised.

Previously, the individual components of Supply Chain working capital totalling £65.6m were reported separately in the Statement of Financial Position (SoFP) and its associated notes. This total, which reflects the amount due to the NHSBSA at the end of the arrangement on 30 September 2016, is now shown as a Financial Asset on the face of the SoFP and in Note 4.3.

Prior year figures have been restated to reflect this revised accounting treatment with the following effect on the 2010-11 and 2009-10 SoFP:

2010-11	31 March 2011 Published £000	Supply Chain Reallocation £000	31 March 2011 Restated £000
Non Current Assets			
Other Financial Assets	0	65,632	65,632
Current Assets			
Inventories	61,680	(61,680)	0
Trade and other receivables	157,461	(140,828)	16,633
Cash and cash equivalents	35,025	(11,019)	24,006
Current Liabilities			
Trade and other payables	189,032	(147,895)	41,137
		0	
2009-10	31 March 2010 Published £000	Supply Chain Reallocation £000	31 March 2010 Restated £000
Non Current Assets			
Other Financial Assets	0	65,632	65,632
Current Assets			
Inventories	66,114	(66,114)	0
Trade and other receivables	149,958	(135,019)	14,939
Cash and cash equivalents	21,676	(3,947)	17,729
Current Liabilities			
Trade and other payables	171,089	(139,448)	31,641
		0	

The restatement does not affect the Statement of Comprehensive Net Expenditure.

10. Financial Instruments

Financial risk management

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

Currency risk

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

Interest rate risk

All of the Authority's financial assets and financial liabilities carry nil or fixed rates of interest. The Authority is not, therefore, exposed to significant interest-rate risk.

Credit Risk

Because the majority of the Authority's income comes from funds voted by Parliament and from other NHS bodies the Authority has low exposure to credit risk. There is a potential exposure relating to the recovery of overpaid bursaries however any defaults would be recoverable from Strategic Health Authorities who fund the payments. The credit risk associated with Supply Chain working capital is assessed as low due to the controls and governance in place to manage the risk.

Liquidity Risk

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

10. Financial Instruments (continued)

10.1 Financial Assets

	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000	Total £000
Trade receivables	0	1,693	0	1,693
Other receivables	0	7,820	0	7,820
Cash at bank and in hand	0	24,006	0	24,006
Other financial assets	0	67,149	0	67,149
Total at 31 March 2011 restated	0	100,668	0	100,668
Trade receivables	0	4,482	0	4,482
Other receivables	0	5,597	0	5,597
Cash at bank and in hand	0	23,258	0	23,258
Other financial assets	0	341,253	0	341,253
Total at 31 March 2012	0	374,590	0	374,590

10.2 Financial Liabilities

	At 'fair value through profit and loss' £000	Other £000	Total £000
Trade Payables	0	4,301	4,301
Other payables	0	2,121	2,121
Borrowings	0	17	17
Other financial liabilities	0	37,645	37,645
Total at 31 March 2011 restated	0	44,084	44,084
Trade Payables	0	1,757	1,757
Other payables	0	2,790	2,790
Borrowings	0	0	0
Other financial liabilities	0	32,150	32,150
Total at 31 March 2012	0	36,697	36,697

10. Financial Instruments (continued)

10.3 Maturity of financial liabilities

	31 March 2012	31 March 2011 Restated
	£000	£000
In one year or less	35,695	40,261
In more than one year but not more than five years	1,002	3,823
In more than five years	0	0
Total	36,697	44,084

10.4 Fair values

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

11. Intra-government balances

	Receivables amounts falling due within one year	Receivables amounts falling due after more than one year	Payables amounts falling due within one year	Payables amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	6,370	0	8,324	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	16	0	1	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	13,677	1,555	31,820	0
At 31 March 2012	20,063	1,555	40,145	0
Balances with other central government bodies	3,760	0	13	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	50	0	4	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	12,823	2,284	41,120	0
At 31 March 2011 restated	16,633	2,284	41,137	0



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