



**Appointments  
Commission**

*Adding value to public appointments*

# Annual Report and Accounts

## 2011/12





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## **Annual Report and Accounts**

### **2011/12**

**Presented to Parliament pursuant to Section 22(4), Schedule 4 of the Health Act 2006.**

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## Message from the Chair

Secretary of State  
Richmond House  
79 Whitehall  
London  
SW1A 2NS

Dear Secretary of State

2011/12 marked the Appointments Commission's eleventh year and, more poignantly, our last full year of operations. The passage of the Health and Social Care Act, which formalises a number of fundamental reforms to the health sector, means that there is no longer a role for the Appointments Commission beyond October 2012.

Since the Commission's establishment in 2001, we have worked continuously to support public sector boards and transform the way in which public appointments are made and managed. Over the years, we have developed an excellent reputation as leaders in this field. Our reputation has been hard earned and I believe that makes our record of achievement even more significant.

When I joined as Chair in 2007, we undertook a major stakeholder review. Being relatively new, I was able to look at the work of the Commission with a fresh and objective perspective. In my foreword to the Review, I said that, *"My vision is of a Commission that puts the interests of its stakeholders at the heart of everything it does; that maintains its independence and continues to uphold the highest standards and values of public service; that champions diversity and that works in partnership to deliver the best possible calibre of candidate to the health service and across Whitehall."*

The Stakeholder Review was an important part of understanding the initial position and how we could improve our services and become the provider of choice for public appointment recruitment. Importantly, this gave us an opportunity to speak to stakeholders, customers and employees and hear their views first-hand on a range of issues, categorised in four key areas:

- Recruitment, selection and appointment processes
- Leadership development
- Objective setting and appraisal
- The role and accountability of boards and non-executive directors

This exercise gave us a baseline on which to build and helped us to focus on what has since become the foundation of our work – being inclusive, responsive, proactive, professional, expert, responsible and accountable.

Five years on from this, I firmly believe that we can look back safe in the knowledge that we have been the best that we could be. We have maintained the quantity of appointments, which have regularly been in excess of 1,000 each year, while improving the quality of our services and the candidates we identify. Additionally, we established ourselves as a commercial supplier, successfully competing with private sector headhunters and securing both new and repeat clients. We have provided a comprehensive induction programme, available to all new appointees, which is unique for public appointees. Our focus on attracting new and diverse talent into public appointments has been a core area of work and has allowed us to achieve greater diversity in these important roles. We have continued to support our appointees and the Department of Health through the provision of advice and guidance on a range of issues concerning good board governance.

I am particularly proud that although this last year has been one of great upheaval for the organisation and our staff as we have prepared for closure, the high standard of our services have not been compromised and we are looking for opportunities to ensure that our legacy is not lost.

We have 11 years of experience in making and managing public appointments and a workforce with a tremendous wealth of expertise and knowledge. We are working hard with government departments, the Commissioner for Public Appointments and others to pass on our knowledge and share best practice. I hope this will ease the transition for those organisations and departments that, after 31 October 2012, will no longer be able to call on the Appointments Commission for advice and guidance. I strongly endorse the creation of the Centre for Public Appointments, as suggested by the Commissioner for Public Appointments and supported by the Public Administration Select Committee, and we will continue to support its development for as long as we are able.

Those who will continue to be responsible for public appointments will face a number of challenges in the years ahead. Looking back to our Strategic Review and based on our extensive knowledge and experience, there are three key areas on which the focus will need to remain:

- 1) I firmly believe that public sector boards should 'reflect and connect' with the communities they serve. Departmental attraction strategies will have to encourage the strongest and broadest field of diverse candidates if they are to deliver on that objective.
- 2) Merit, fairness and openness remain the three core principles at the heart of the Commissioner for Public Appointments' Code of Practice. Departments will have to remain vigilant to ensure that these principles are not sacrificed for expediency.
- 3) Finally, it should be remembered that public appointees are exceptional people who have chosen to give something back to their community. We have ensured that they are valued by providing them with induction training and support that has enabled them to take on and succeed in these vital roles. Chairs and non-executives of the future will be more effective if they are able to benefit from similar arrangements.

Over the coming months we will begin to see a very different landscape within the health and social care sector. The Commission has continued to play an essential role, engaging throughout in the process of change. We have had a very busy year and through the appointments we have made, the support we have provided and the good board governance that we promoted, we have made a vital contribution to preparing the groundwork for the implementation of the Health and Social Care Act.

I would like to extend my thanks and appreciation to Andrea Sutcliffe, our former Chief Executive, who has been instrumental in leading transition planning for the Commission. Her meticulous nature and energetic leadership have been an inspiration to us all. Sadly for the Commission, Andrea moved on in April 2012 to a new role. Our loss is most certainly her new organisation's gain.

Finally, I should like to take this opportunity to give a huge thank you to the staff, Executives, Commissioners and Board members who have served the Appointments Commission so well over the years. It is a tribute to all of them that we have maintained such a strong reputation. I could not have wished to have worked with a more dedicated group of people.



**Anne Watts CBE**  
Chair

## Introduction from the Chief Executive

2011/12 was always going to be a difficult year for the Appointments Commission and its staff. As our last full year of operation, our focus needed to be on not only maintaining our high standard of service delivery but also preparing the organisation for closure.

The decision to abolish the Commission, originally set out in the Department of Health's review of its arm's length bodies in 2010, has now been formalised in the Health and Social Care Act. Consequently, we will close our doors at the end of October 2012. We have had a longer than anticipated transition period which has at all times been underpinned by three core principles - maintaining a professional service for our customers, managing the transition well and looking after our staff and optimising our legacy. I believe that these principles have served us well.

The strategic Transfer and Closure Plan we had prepared earlier in the year was updated and became our Business Plan for the period through to our closure. It includes dedicated annexes covering estates, communications and information governance, to ensure these critical issues are well managed during the transition period. Indeed, the work we have done in relation to information governance has been held up by the Department of Health as a beacon of good practice in the effective management of organisational closure.

We were able to make a significant contribution to preparing the NHS community for the reforms set out in the Health and Social Care Act. We made almost 1,500 appointments and reappointments during the year, many of which were made specifically to support sectoral change. As in previous years, a significant number of those appointed went on to attend our induction training programme where they had the opportunity to learn about their roles and network with other new appointees. In the context of such a fluid and challenging operating environment, the support offered through our induction programme was particularly well received this year.

We worked closely with the Commissioner for Public Appointments to develop and implement a range of flexibilities that could be applied to local NHS public appointments, allowing us to be more responsive to local requirements during the transition. The 'clustering' of strategic health authorities and primary care trusts that took place last year helped to consolidate management capacity but needed to be built on robust governance structures. We provided both guidance and practical support to ensure that non-executive appointments were managed appropriately and that those appointed were able to make a real contribution to preparing the NHS for the future.

We were also able to provide support to the Department of Health to establish the NHS Commissioning Board as a Special Health Authority. Andrea Sutcliffe, then our Chief Executive, lent her considerable expertise over a number of months to lead the development of the organisation's people transition project.

As part of our commitment to delivering a professional service, we continued to look for ways in which we could use our expertise to support the health and social care community through the transition. The Outplacement Support Service we established last year to support our own staff was extended so that it became available to staff in other health arm's length bodies affected by change. This was very well received and I am delighted that we were able to provide support to so many people.

In addition, we established a Transition Resourcing service for the Department of Health to help manage the process of redeploying staff to the new organisations being established by the reforms in the health sector. Towards the end of the year the team delivered a number of key senior appointments in the NHS Commissioning Board Special Health Authority and is looking forward to what is expected to be a very busy 2012/13.

Looking at the wider public appointments agenda throughout the year, the new Commissioner for Public Appointments, Sir David Normington, consulted on the implementation of a new principles-based Code of Practice for Ministerial appointments. We broadly welcomed Sir David's proposals both in our detailed response

to him and in the evidence Andrea gave during her appearance in front of the Public Administration Select Committee, as part of its review into public appointments and the Commissioner's proposed new Code.

This was undoubtedly a busy operational year for the Commission. We also had to do a great deal of work, however, to prepare the organisation for closure. While there were some considerable achievements during the year, I also have to acknowledge that it was especially challenging for all our staff. In particular, a consequence of the Government's 'Pause and Listen' exercise on the Health and Social Care Bill was that our abolition date was put back by seven months to October 2012. While we welcomed the clarity this new announcement brought, it also meant that the period in which we would have to manage the closure of the organisation and the uncertainty about our personal futures was extended.

We maintained our commitment to managing this period as well as possible and to supporting our staff through change. We continued to provide the Outplacement Support service and encouraged professional development through secondment opportunities. We also maintained a wide and varied programme of internal communications which has been informed by staff feedback and refined throughout the course of our transition.

I am delighted that from 1 April 2012, we were able to transfer 17 staff to the Department of Health. Their move was possible due to the transfer of three of our functions - appointments to national health and social care organisations, Outplacement Support and the Transition Resourcing service. Additionally, a further eight staff will transfer to the new NHS Trust Development Authority in October 2012. I am sure that this will allow these services to continue to be delivered to the highest possible standard without being affected by our closure.

Looking beyond the life of the Commission, protecting our legacy becomes paramount. For those of us that remain, our work is not yet done and we are keen to ensure that the extensive knowledge and expertise we have gained over 11 years as leaders in the field of public appointments is not lost. In the remaining months, we will continue to share our expertise with government departments, the Office of the Commissioner for Public Appointments and others with an interest in making and managing public appointments.

Great teamwork has always been vital to the success of the Commission and for the last four and a half years this has been led by Andrea Sutcliffe as our Chief Executive. Prior to her departure in April, Andrea had overseen periods of growth and development within the organisation and more recently managed our transition and preparations for closure. During this time, her determination and professionalism have had a real impact on all those with whom she has worked. She has left some big shoes to fill and on taking up this role myself, I hope to do justice to both the organisation and Andrea's personal legacy.

I am delighted that my new role affords me this opportunity to extend my personal thanks to my colleagues – from the Board and Appointments Commissioners through to our Senior Management Team and staff – whose efforts continue to ensure that the strong reputation of the Commission is maintained and who collectively make it such a rewarding experience to work here.

2012/13 marks the start of our final chapter and though it has been a challenging journey, I know that when we close the doors for the final time, we will be able to look back with pride at all that we have achieved.



**Janice Scanlan**  
Chief Executive

## About the Appointments Commission

The strategic intent of the Appointments Commission is to build better public sector boards. Since the announcement of our abolition, which will be in October 2012, our key objectives have been to ensure:

- High standards of professional service delivery are maintained across all activities
- The transition period is managed well and in accordance with HR best practice with appropriate support provided for staff
- We seek to optimise the legacy of the organisation where possible

## Who we are

The Appointments Commission is the independent arm's length body (ALB) established by the Department of Health in 2001 to recruit, select and, with delegated authority from the Secretary of State, appoint the chairs and non-executive directors of local NHS organisations and national health and social care bodies. In addition, we deliver induction programmes for new appointees and support good public sector governance, primarily in the NHS. We previously provided competitive recruitment and selection services for foundation trusts and other government departments, though this service is no longer offered.

In July 2010 the Department of Health published the outcome of its review of its ALBs. This followed the publication earlier in the month of the Government's Health White Paper *Equity and excellence: Liberating the NHS*, in which a number of reforms were set out. These included the abolition of all strategic health authorities, primary care trusts and NHS trusts. The ALB review concluded that as a result of significant changes proposed within the health and social care sector there would be no long-term future role for the Appointments Commission.

The review made it clear that we were a valuable body that had developed considerable expertise and delivered value for money but recognised that the functions we provide would not be needed for the structures in the new NHS. We would still, however, need to continue to deliver important services until 2012, in particular to support the NHS moving to new structural arrangements.

The proposals set out in *Equity and excellence: Liberating the NHS* have subsequently been included in the Health and Social Care Act which was given Royal Assent in March 2012 and it has been confirmed that the Appointments Commission will close in October 2012.

## Where are we now?

A number of services that have been provided by the Commission have been identified as having future benefit to the sector, though this is in the most part on a time-limited basis. As such, our focus over the past year has been on planning for the transfer of these, including the effective management of services through to the point of handover.

Responsibility for the provision of recruitment and selection services for national bodies in the health and social care sector has now reverted to the Department of Health. Importantly, as part of this function transfer, staff from the Appointments Commission's national appointments team have moved across to the Department. This

will help to ensure continuity of service and that the Commission's expertise in national appointments continues to be utilised.

Throughout 2011/12 the Commission has worked hard to support wider transitional change in the health and social care sector. In addition to our core appointments work, this has included the delivery of two new services – Transition Resourcing and Outplacement Support. These services have supported the movement of staff caused by sectoral reform by administering the recruitment of people to posts in newly established organizations and providing expert advice to those staff potentially leaving the sector. These functions, and their associated Commission staff, have also transferred to the Department of Health to sustain this support beyond October 2012.

## **What the future holds**

Until October 2012, we will continue to be responsible for the recruitment, selection and appointment of chairs and non-executive directors of local NHS organisations. We will be working closely with these organisations to ensure that their board appointments can support the future ambitions of organisations individually and, for NHS trusts, as they move into the foundation trust pipeline. We will continue to support new appointees through our revised induction programme, offering practical advice, learning and networking opportunities.

We will also continue to be responsible for appointments to the healthcare professions regulators, although the power to make appointments to these bodies is expected to revert to the Privy Council in July 2012 as part of our closure arrangements. The Commission for Healthcare Regulatory Excellence (CHRE) is liaising with the regulators about the arrangements for appointing Council members from this point onward and we are working closely with them to develop new guidance and ensure a smooth handover of responsibility.

Finally, as we move towards closure, much of our future focus is on optimising the legacy of the Appointments Commission. We are working closely with a number of organisations to ensure that the knowledge, experience and working practices we have established over the last 11 years are not lost on our closure.

## Review of the Year

### Managing and making public appointments

#### Recruitment and selection service delivery

Our campaign management activity to deliver new appointments for local NHS organisations and national health and social care bodies has changed with the environment in which we have been operating. We have seen an increase in reappointments and interim appointments owing to organisations throughout the sector needing to prepare for the reforms set out in the Health and Social Care Act. We have worked closely with the Commissioner for Public Appointments to ensure that regulated appointments are made in accordance with the Commissioner's Code of Practice, applying flexibility where needed.

Throughout the year, we appointed or reappointed 1,453 chairs and non-executives within the health and social care sector. Campaigns were also successfully completed for national Department of Health bodies including high-profile appointments for the Care Quality Commission and Monitor.

In the context of the significant transition underway within the sector, we have maintained strong working relationships with our clients. This has enabled us to provide a more proactive and responsive service and to share expert advice in this changing environment.

#### Supporting the local NHS

##### Clusters

The Commission has contributed to the establishment of the four strategic health authority (SHA) clusters by providing advice on effective governance arrangements as well as managing the process of the appointment of the cluster chairs, vice chairs and non-executive directors.

In September 2011, following a Department of Health review, primary care trust (PCT) clusters were asked to revisit their governance arrangements and adopt a 'single board' model to ensure clear and robust accountability arrangements to see them through to March 2013. A requirement that all PCT clusters meet this objective by 1 December 2011 or exceptionally by another date, was agreed with all four SHAs. Appointments Commissioners and staff implemented these arrangements in close collaboration with SHA and PCT cluster chairs. These campaigns were particularly challenging to manage and while most progressed smoothly, there were a number of areas where the changes caused considerable disquiet amongst chairs and non-executive directors, which required sensitive and diplomatic handling.

##### NHS trusts and charity trustees

As part of the Government's requirement for all remaining NHS trusts to achieve an alternative status, predominantly becoming an individual foundation trust, we have seen the creation of a number of new trusts and trust mergers requiring new or reformed boards. This resulted in higher than anticipated recruitment activity in this area.

We also helped a number of NHS charities to establish companies to be appointed as NHS charity trustees. For those charities adopting this model, our Health and Social Care Appointments Committee also appointed the directors of the company.

## Supporting national appointments

Recruitment activity to national health and social care organisations had a slow start due to pre-election restrictions for those with links to the Scottish Parliament, the Northern Ireland Assembly and the National Assembly for Wales. Following this period, activity increased with appointments to bodies including Monitor, the Independent Reconfiguration Panel and NHS Blood and Transplant.

At the end of November 2011, the Secretary of State for Health revoked the directions that enable the Commission to appoint, suspend and terminate the appointments of chairs and members of key national bodies. This included all executive non-departmental public bodies (ENDPBs), special health authorities (SpHAs) and the advisory non-departmental public bodies (ANDPBs) that are not to become expert committees. The new arrangements took immediate effect and were communicated to all chairs of the relevant bodies.

The national team continued to administer all recruitment activity, including that relating to the appointments made by the Secretary of State. At the end of March 2012, the Secretary of State also revoked the directions relating to the remaining bodies and on 1 April 2012, the national appointments function, and the team responsible for this work, transferred to the Department of Health.

## Foundation trusts and other government department campaigns

For the first six months of the year, the Commission continued to provide services to foundation trusts and other government departments for their non-executive recruitment. This work ceased in quarter three, in line with our Transfer and Closure Plan. Despite a moratorium on marketing activity and our impending closure, repeat clients and new business continued to come in, allowing us to exceed our target activity in this area. In total, we completed 12 foundation trust campaigns and 14 campaigns for other government departments.

NHS foundation trusts clients included the Medway Maritime NHS Foundation Trust, Birmingham Women's Hospital NHS Foundation Trust University Hospitals, Bristol NHS Foundation Trust and East London NHS Foundation Trust.

Clients from other government departments included the Office of the Commissioner for Children, Rural Payments Agency, School Teachers Review Body, Children and Family Court Advisory and Support Service and the Independent Police Complaints Commission. We also established working relationships with new clients including The Council for Licensed Conveyancers, East Surrey Social Enterprise, Midlands Air Ambulance Charity and the Academy for Healthcare Science.

## Managing applications

All the information packs for vacancies we manage are available to download from our website and prospective applicants are encouraged to apply online using our bespoke e-Recruitment system. This intuitive online system can reduce the time needed to complete an application form as it pre-populates much of the information with details held by each user's secure, personal account. The online application process is designed to be less onerous, more secure and environmentally friendly as it reduces the reliance on paper copies and the postal service.

The system sends alerts and reminders to registered users to remind them of the upcoming closing date of a vacancy or an incomplete application form. Information packs are also available in alternative formats, including large print, Braille and audio tape.

All of the posts to which we appoint are advertised on our website and weekly email alerts, including information about all current vacancies, are sent to over 23,000 people registered with personal accounts. This has been particularly valuable as it has reduced our need to use costly external media to promote our roles.

This year we processed 7,508 online application forms, which represents 97% of all forms received with only 199 forms being received in hard copy.

## Supporting public appointments

### The Commissioner for Public Appointments new Code of Practice

In July 2011, the Commissioner for Public Appointments, Sir David Normington, launched his consultation on a new approach to the regulation of public appointment processes. The Commissioner proposed a more flexible Code, built on the key principles of merit, fairness and openness. Responsibility for ensuring that public appointments comply with these principles would move from the Independent Public Appointments Assessors (IPAAAs) to either newly appointed Public Appointment Assessors or the panel chair.

The draft Code would require that departments managing the recruitment and selection of public appointees design processes to meet the principles and take responsibility for retaining evidence to demonstrate compliance. The Commissioner also proposed the creation of a Centre of Excellence in public appointments, which would provide advice and support to departments in making public appointments. The Commission provided a detailed response to the consultation, supporting the proposed approach as it moved from being process to outcome focused. We also suggested some ideas to enhance the Commissioner's proposals based on our extensive operational knowledge of applying Code principles. These focused on key areas including encouraging greater diversity and managing the candidate development pipeline.

### Public Administration Select Committee

The Public Administration Select Committee (PASC) conducted its own inquiry into the Commissioner's proposals and in September 2011, invited our Chief Executive Andrea Sutcliffe to appear as an expert witness. The PASC session went well and the members were very interested to learn from the experience and expertise the Appointments Commission has developed over the years. At the end of the session, the Committee Chair, Bernard Jenkin, paid tribute to the Appointments Commission and its staff. The PASC report of the inquiry into public appointments was generally welcoming of the proposals to reform the current Code of Practice. In addition, they commented *"We acknowledge and appreciate the work of the Appointments Commission in supporting public appointments procedures in the Department of Health and other government departments"* and recommended that *"The Government takes steps to retain as far as possible the considerable expertise the Commission has built up in making public appointments."*

### New Public Appointment Assessors and External Panel Members

The Commissioner for Public Appointments' Code of Practice became operational on 1 April 2012, and the Office of the Commissioner for Public Appointments conducted a selection process to identify 14 individuals who would serve as Public Appointment Assessors. Our Deputy Chief Executive at the time (and now Chief Executive), Janice Scanlan, who is a leading expert on public appointments, was a member of the selection panel for these important roles.

The new Code requires all appointments processes to be overseen by a panel that includes someone who is independent of both those making and managing the appointment and the body to which the appointment is to be made. It will be the responsibility of those managing the selection process to ensure that an appropriate external perspective is represented in the panel membership. To ensure that the Department of Health, Appointments Commission (until October 2012) and NHS Trust Development Authority (NTDA) (from October 2012) are able to identify people able to undertake this important function, the Commission conducted an exercise in March to recruit a pool of External Panel Members with a range of relevant skills and expertise.

## Commissioner for Public Appointments annual audit of appointments

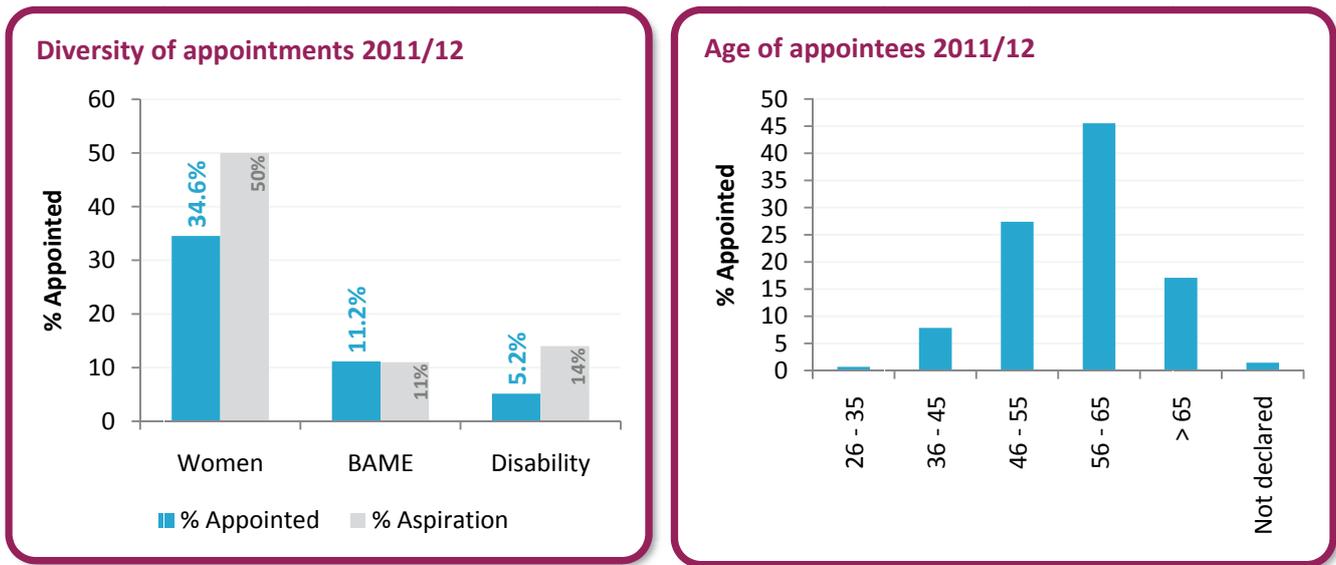
Ernst & Young were appointed by the Commissioner for Public Appointments to undertake his annual audit of Ministerial Appointments. In September we provided a detail response to their questionnaire which covered the following broad areas:

- Appointment activity since 1 August 2010
- Staffing issues
- Developmental initiatives
- Databases
- Documentation
- Independent Public Appointment Assessors
- Complaints
- Audit and oversight

Following the auditors’ visit in November, the Commission was the only organisation of the 14 audited to be graded ‘Category 4’, which is the best possible achievement representing ‘Good Practice’ in our compliance with the Commissioner’s Code of Practice.

### Monitoring the diversity of public appointments

At the Commission, we continually monitor our performance in relation to the diversity of appointments made in the health and social care community against challenging key performance indicators agreed with the Department of Health. The figures throughout this section relate to appointments made by the Appointments Commission with delegated authority from the Secretary of State for Health.



The percentage of women appointed by the Appointments Commission throughout the year was 34.6%. This figure was 35.3% last year.

Disappointingly, we have seen a decrease in the number of people appointed from black, Asian and minority ethnic (BAME) communities, which is now 11.2% but was 14.6% last year.

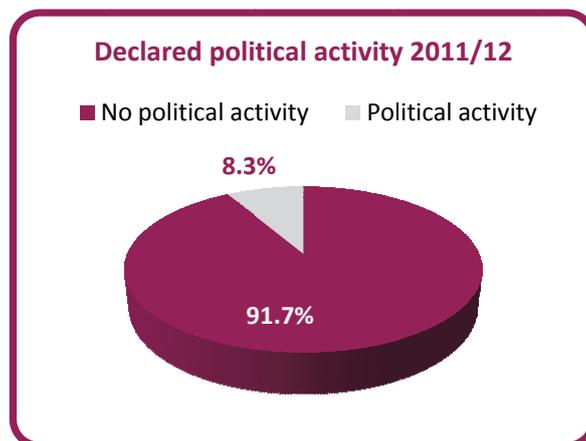
The percentage of people we appointed with a disability this year was 5.2% which also represents a slight decrease from last year when 5.4% of those appointed considered themselves to have a disability.

The average age of appointees is between 56 and 65. While the age profile of appointees does vary from year to year, it has not changed significantly.

## Declaration of political activity

The Appointments Commission is required by the Commissioner for Public Appointments to collect political activity information for monitoring purposes. This information was not seen by selection panels and played no part in the appointments process.

At 91.7%, a significant majority of those appointed declared that they have not undertaken any political activity in the last year. This figure has increased from 86.7% last year.



## Complaints

The Commission received 19 complaints during the year, representing 0.26% of applications received (against an agreed target of 0.25%). Last year we received 17 complaints, accounting for 0.27% of applications received.

Of this year's complaints, none were fully upheld but three were partially upheld. Only one complainant referred their complaint to the Commissioner for Public Appointments.

Issues around 'merit' and 'openness and transparency' have continued to prompt the majority of complaints received. Those relating to 'merit' were mainly from applicants disappointed at either the shortlisting or interview stages. Those relating to 'openness and transparency' generally contained criticisms of the appointments process, the vacancy information packs, advertisements or selection criteria.

17 complainants received a substantive response within our 20-day deadline. Where this was not possible, we issued an apology to complainants, explained the reason for the delay and gave an indication of how long we expected to take to resolve their case.

Complaints remain an important element of our service improvement programme. Even if they are not upheld, often they will help us to identify service improvements. For example, in response to feedback we have received, we have worked to make our feedback letters to those candidates who were unsuccessful at interview more meaningful. In addition, we now ensure that information about interview dates is made available on our website at the earliest opportunity where they are not known at the start of a recruitment campaign.

## Training and development

### Induction programme

During 2011/12 the Commission continued to provide its now well established induction programme. This combination of reading, case study work, training events and e-learning provides new appointees with the knowledge and tools needed to perform as effectively as possible in their new roles.

We work closely with local NHS representatives to ensure that our development programme complements any other training that chairs and non-executives may receive.

We are committed to providing an induction programme to support new appointees, covering all aspects of knowledge and development needed, through to our closure in October 2012. The structure and length of the programme has been shortened from one year to six months to reflect the changing circumstances of the Commission and the reduced number of new appointments we expect to make.

## **Attendance and feedback on training and development**

During 2011/12 we organised six development events for 119 chairs and non-executives.

Our two-day residential course for non-executives covers a number of NHS service areas and explores the non-executive role in each. This programme continued to attract a high level of attendance with 78% of all new appointees joining one of our events.

The two-day event for new chairs offers a more concentrated and focused environment. This course is much more intimate – typically five delegates attend each event. This smaller working group ensures that we are able to focus on the individual needs of chairs and the complex and challenging environment in which they operate.

The feedback for all events was consistently positive, with 90% of delegate evaluations rating events as ‘good’, ‘very good’ or ‘excellent’.

## **Supporting change in the health sector**

### **Transition resourcing**

In March 2011, the Appointments Commission was commissioned by the Department of Health to provide a transition resourcing service to support staff redeployment during the transition period. We established a dedicated Transition Resourcing Team (TRT) with responsibility for administering consistent and fair recruitment and selection procedures to support the appointment of staff in the organisations created or reconstituted by the Health and Social Care Act.

Much of the year has been spent establishing the processes and procedures that will be required to manage this sizeable project. The Department of Health has established a HR Transition Framework that guides the work of the TRT, alongside the People Transition Policies of each new organisation and legislative requirements. This work was overseen by the Department of Health’s Integrated Programme Office (IPO) and the TRT Operations Board which included additional representation from the Department of Health Shared Services Programme.

The TRT has already supported a number of senior appointments for the emerging organisations, including the NHS Commissioning Board Special Health Authority and the Health Research Authority. Next year, the team will be working with all of the newly-established bodies as the HR transition programme enters its most significant period of activity.

The TRT was transferred to the Department of Health on 1 April 2012 ahead of a large tranche of work commencing later in 2012.

### **NHS Commissioning Board people transition project**

The Appointments Commission was asked to provide specific support to the people transition project for the NHS Commissioning Board Special Health Authority (NHSCB). This was principally provided by our then Chief Executive, Andrea Sutcliffe, who led the development of its People Transition Policy, in partnership with the national trades unions and others, which has provided a template for all new organisations to use. Andrea also provided advice and practical assistance in the establishment of the senior team for the NHSCB and creating the transfer and recruitment strategy. This work ended in March 2012.

## Outplacement Support Services

In late 2010, the Appointments Commission was commissioned to provide outplacement support to arm's length bodies (ALBs) across the health sector for those organisations affected by change. Delivered by a dedicated Outplacement Support Services (OSS) team, it has been a hugely busy and successful 12 months as the need for their services has increased steadily throughout the year. The team has delivered workshops and one-to-one sessions for almost all Department of Health ALBs on sites across the country.

The response to the service continues to be extremely positive and many individuals have been particularly reassured by the team's professionalism and expertise. Impressed by the feedback and positive impact the OSS team was having, the Department of Health agreed in January that the team should expand their offering into other areas of the NHS. In response, the team has now started to work with strategic health authorities and primary care trusts.

The Outplacement Support Services Team was transferred to the Department of Health from 1 April 2012 to allow service continuity during the wider transition programme.

## Organisational development

In July 2010, the Government published the Health White Paper *Equity and excellence: Liberating the NHS* which heralded wholesale structural change in the NHS and the abolition of the Appointments Commission. Since then, as detailed in our last year's Annual Report, we have had to manage the transition from being an organisation that was looking to expand to one that is scheduled for closure.

This has presented the organisation with a huge challenge. We had to alter our focus from development opportunities to reducing the size of the organisation and eventual closure. At the same time, we have been required to maintain our business as usual services with no reduction in our professional standards. This has been sustained successfully despite the difficulties associated with a volatile operating environment and our staff facing an uncertain future.

A new organisational structure was consulted on and agreed for 2011/12. Although there was no longer a place for everyone in the organisation, with some staff being made redundant in March 2011, we were able to retain most of the workforce by using our skills and expertise to support wider transitional changes across the health and social care sector. This included the creation of the Transition Resourcing and Outplacement Support Service teams.

Our approach to transition management has remained consistent since we first learned that the Commission was to close. Regular and open communications with staff, led personally by the Chief Executive, have been sustained. These have included:

- Engagement with our Staff Consultation Committee to discuss emerging plans and implementation of policies
- Meaningful consultation with all staff on key developments, including the allocation of staff to dedicated teams, the expansion of the Transition Resourcing Team and the implementation of a new Transfer and Closure Policy
- A range of communications including staff meetings, weekly updates and personal letters
- Maintenance of a web-based intranet site providing key documents, informative whiteboards and shared space for comments and feedback

Staff at the Appointments Commission have also benefitted from the services of the Outplacement Support team. Various workshops have been run, including sessions on CVs and application forms, interview techniques, job hunting essentials and the importance of effective networking. One-to-one sessions have also been available to staff. These were delivered by professional career coaches from the Whitehall Career Transition Centre on a reciprocal basis, with Outplacement Support staff providing similar sessions for HM Revenue and Customs staff.

In addition, we have sought to strengthen the skills and experience of individual staff by enabling them to benefit from secondment opportunities and, where possible, providing the opportunity to enhance current roles.

## **Appointments Commission legacy**

The Commission is committed to ensuring that the knowledge, experience and best practice it has gained over the years is not lost with its closure. Throughout the year we have worked with a number of strategic partners in the health and social care community, including the Department of Health and the NHS Commissioning Board Special Health Authority.

In addition, we have supported the Council for Healthcare Regulatory Excellence in the development of guidance and advice to support future appointments to the councils of the healthcare professions regulatory bodies. The 'good practice' advice in particular has application for all public appointments.

On 1 April 2012, 17 of our staff transferred to the Department of Health and eight more will transfer in October to the newly-established NHS Trust Development Authority. As well as taking physical assets such as information, guidance and templates, everyone who is transferring will take the expertise and knowledge of public appointments they have developed, often over many years with the Commission.

Our expertise in the management of public appointments has led to the Appointments Commission being recognised across Whitehall as both a supplier of recruitment services and as a source of advice and good counsel. In the last year of our operation, others have been keen to harness our expertise, for example, to help shape the way the Prime Minister's office approaches public appointments or the creation of the Cabinet Office's Centre for Public Appointments.

We have assisted the Cabinet Office in a number of ways including the provision of strategic advice about the Centre for Public Appointments. We have also provided practical support; in particular we have further developed our toolkits, which cover Induction, Appraisal, Reappointments, References and Innovative Attraction Strategies. These toolkits offer practical advice to those who will go on to manage their own public appointments whilst also maintaining a critical focus on equality and diversity issues. Through the Centre, we hope that the toolkits will continue to provide an invaluable resource for those involved in public appointments beyond the life of the Commission.

We are also hopeful that in the coming months we will be able to invite people on our mailing list and other databases to register with the Cabinet Office to receive information about public appointment opportunities across Whitehall as they arise so that this valuable asset is not lost.

## Management Commentary

The accounts for the year ended 31 March 2012 have been prepared in accordance with the direction given by the Secretary of State in accordance with Section 22(2) schedule 4 of the Health Act 2006 dated 14 June 2007 and in a format as instructed by the Department of Health with the approval of the Treasury.

### Background

The NHS Appointments Commission was established in 2001 with the purpose of supporting the appointment of chairs and non-executives to the boards of NHS trusts and Health Authorities in England. On 1 October 2006 it was replaced by the Appointments Commission. As a non-departmental public body, the Commission has greater freedoms and a wider remit to support other government departments and foundation trusts.

During 2010/11 the planned abolition of the Commission was announced; this will happen in October 2012. The Commission has revised its Business Plan to ensure that it supports the ongoing appointments work required up to the point of abolition, whilst also allowing for the work associated with the organisation's abolition and preserving the Commission's legacy. The Department of Health has confirmed the necessary funding for the Commission to continue its activities in 2012. This confirmation of funding along with the specific assumptions, policies and actions noted in the financial statements that have been adopted in response to the abolition have allowed the accounts for the year ended 31 March 2012 to be prepared on a going concern basis.

Opportunities have arisen as part of the wider NHS changes to use the skills and capacity of existing staff to develop time-limited new work streams that provide a number of additional support services. Outplacement support services have been provided to staff at other arm's length bodies and NHS organisations. An administrative service has been developed to support the transition of staff between NHS and Department of Health arm's length bodies as the overall structure of the health sector is changed. Both these services, and the associated staff, transferred to the Department of Health on 1 April 2012 and are expected to operate for a further year. During 2011/12 the Appointments Commission provided support to the Department of Health in establishing the NHS Commissioning Board structures. This work was completed by 31 March 2012.

### Review of activities

During the year the Commission had a total expenditure of £3,521,000 (2010/11: £6,061,000) and fee income of £1,419,000 (2010/11: £1,428,000).

The largest area of expenditure covers the recruitment and appointment activities that the Commission performs for NHS and Department of Health bodies to which the Commission is responsible for making appointments. This work is funded by grant in aid and by fees charged to Department of Health clients. The Commission also provides policy and governance advice to the Department of Health. Recruitment activities are also undertaken for foundation trusts and other government departments who chose to use the Commission to recruit for them although we do not make the final appointment to these posts. This work is funded by fees charged to these clients. The Commission also carries out activities that help appointees to work effectively. These activities include induction training and networking events for appointees and are paid for by fees charged. Note 2 to the accounts gives details of the relative costs and income for these areas of work. In addition the new work streams in 2011/12 providing support during the wider NHS transition process have generated chargeable income for the Commission.

Provisions were set up during 2010/11 to cover the expected costs of abolition, which mainly consist of staff redundancy costs and the cost to completion date of non-cancellable contracts. The inclusion of these provisions put the Commission into a position of net liabilities, which will be financed from future Department of Health funding. In 2010/11 the Commission was expecting to be abolished on 31 March 2012, but delays in the passing of the Health and Social Care Act have meant that the date of abolition has been put back to 31 October 2012. Consequently, there has not been any significant usage of the provisions during 2011/12, although they have been reviewed and adjusted at 31 March 2012 where necessary.

The Commission had a funding limit of £2,547,000 (2010/11: £6,383,000) from the Department of Health. As a result of higher levels of chargeable income, including income from the new work streams, there was an underspend of £445,000 against the allocation.

## **Staff**

The Commission had an average of 38 whole time equivalent staff over the year. We maintain a range of staff policies and review of these has continued during the year to ensure that they are up to date and reflect the needs of the organisation and current best practice. As a result of the abolition and the associated revised staffing requirements, two staff were made redundant during the year. An average of 9.6 working days per employee was lost through sickness (2010/11: 11.9).

## **Social and community issues**

The Commission recognises the importance of a good work life balance and we have a range of flexible working options in place to support this. A childcare voucher scheme is in operation so that staff can save money on child care costs. The Commission encourages and supports staff participation in the wider community through activities such as charity fundraising events.

## **Environmental matters**

As a small organisation the Commission takes appropriate steps to minimise its environmental impact. These include encouraging the use of public transport, using recycled materials where possible and maximising the amount of office material that is reused or recycled. Due to its relatively small size the Commission is exempt from sustainability reporting requirements.

## **Other information**

Details of Commissioners, Board members and Audit Committee members can be found in Appendix 1 on page 50. Details of remuneration for Commissioners and Board members are given in the Remuneration Report on page 18. This report also shows attendance records for Board and Committee meetings. Details of the pension scheme can be found in note 1.7 to the accounts.

The Commission is not aware of any incidents during the year related to loss or unauthorised disclosure of protected personal data.

The Commission's performance under the Better Payments Code can be found in note 4 to the accounts.

## **Auditors**

The accounts have been audited by the Comptroller and Auditor General in accordance with the requirements of the Health Act 2006. The audit certificate is on page 27. The cost of the audit was £28,000.

So far as I am aware, there is no relevant information of which the Appointment Commission's external auditors are unaware. I have also taken steps to make myself aware of any information relevant to the audit and to ensure that the auditors have been informed accordingly.



**Janice Scanlan**  
Chief Executive

31 May 2012

## Remuneration Report

The Appointments Commission is required to prepare a report containing information about the remuneration of senior managers, who are defined as those who have authority for directing or controlling the major activities of the Commission. For the Appointments Commission this group comprises the Chair, Non-executive Directors, Executive Board members and Commissioners.

### Remuneration policy

The Chair, Non-executives and Commissioners are remunerated at an annual rate set by the Secretary of State for Health. In addition, payment is occasionally made to Commissioners for their participation in work that is additional to the work expected within their role and for which they are remunerated within the annual rate. In the details of remuneration this additional work is reported in the 'other remuneration' column.

The Remuneration Committee reviews the remuneration of the Chief Executive and Executive Directors each year. There have been no salary increases for these staff during the year.

### Appointment terms

The Chair, Non-executives and Commissioners are appointed for fixed terms - details of their current appointments terms are as follows:

	From	To	Term length	Notes
<b>Chair</b>				
Ms A Watts	1/04/11	31/03/12	1 year	(a)
<b>Commissioner, Non-executive Director and Vice Chair</b>				
Mrs M Scott	1/04/11	31/03/12	1 year	(a)
<b>Non-executive Directors</b>				
Mr D Cain	1/04/10	31/03/13	3 years	(b)
Mrs J Robertson	1/10/08	30/09/12	4 years	(c)
Mrs B Thayer	1/10/08	31/05/11		(d)
<b>Commissioners</b>				
Mrs P Bennett	1/04/10	31/03/14	4 years	(b)
Dr M Hughes	30/04/10	29/04/14	4 years	(b)
Mr G Hadley	30/04/11	31/03/12	11 months	(a)
Ms A Lloyd	5/02/09	31/05/11		(e)

- (a) The terms of appointment of Ms Watts, Mrs Scott and Mr Hadley have been extended until the abolition of Appointments Commission, which will be in October 2012.
- (b) Mr Cain, Mrs Bennett and Dr Hughes have appointment terms which last past the date of abolition of the Commission. The abolition of the Commission will effectively terminate these appointments.
- (c) Mrs Robertson has been reappointed until the abolition of Appointments Commission, which will be in October 2012.

- (d) Mrs Thayer resigned with effect from 31 May 2011; her appointment term would otherwise have lasted for four years until 30 September 2012.
- (e) Ms Lloyd resigned with effect from 31 May 2011; her appointment term would otherwise have lasted for four years until 4 February 2013.

For the Chair, Non-executive Directors and Commissioners there is no provision for compensation for early termination and no formal notice period. All executive staff have permanent contracts, which require six months notice, except for the Finance Manager whose contract requires three months notice.

### Remuneration Committee

The Remuneration Committee comprises the Chair and Non-executive Directors who determine the remuneration of the Chief Executive and other Executive Directors who are on Very Senior Manager contracts, taking into account relevant guidance issued by the Department of Health. The Commission does not have any performance related remuneration arrangements.

### Remuneration for the year ended 31 March 2012

The following tables show the remuneration and pension benefits for the year ended 31 March 2012 and are subject to audit:

Name and title	Year ended 31/3/12		Year ended 31/3/11	
	Salary in £5k bands	Other remuneration in £5k bands	Salary in £5k bands	Other remuneration in £5k bands
	£000	£000	£000	£000
Ms A Watts (Chair)	45 - 50	0	45 - 50	0
Mrs P Bennett (Commissioner)	30 - 35	5 - 10	30 - 35	0 - 5
Mr D Cain (Non-executive and Audit Committee Chair)	10 - 15	0	10 - 15	0
Mr G Hadley (Commissioner)	30 - 35	0	30 - 35	0
Dr M Hughes (Commissioner)	30 - 35	0	30 - 35	0 - 5
Ms A Lloyd (Commissioner) (a)	5 - 10	0	30 - 35	0 - 5
Mrs J Robertson (Non-executive)	5 - 10	0	5 - 10	0
Mrs M Scott (Non-executive & Commissioner)	30 - 35	0 - 5	30 - 35	0
Mrs B Thayer (Non-executive) (b)	0 - 5	0	5 - 10	0
Ms A Sutcliffe (Chief Executive)	130 - 135	0	130 - 135	0
Mrs J Scanlan (Director of Operations)	90 - 95	0	90 - 95	0
Ms R Smith (Commercial Director) (c)	70 - 75	0	70 - 75	0
Ms L Shadford (Finance Manager)	55 - 60	0	55 - 60	0

- (a) Ms Lloyd resigned with effect from 31 May 2011
- (b) Mrs Thayer resigned with effect from 31 May 2011
- (c) Ms Smith works on a part time basis, for four full days per week

Where Commissioners have received other remuneration this has been for work carried out that is over and above their Commissioner duties. This additional work relates to campaigns or services for which the Appointments Commission has charged fees to clients.

None of the individuals above received any increase in salary over the 2010/11 amounts, neither did any of them receive any benefits in kind in the period.

Public sector bodies are required to disclose the multiple between highest pay and median pay. This compares the midpoint of the banded remuneration of the highest paid director, which in the Commission's case is the Chief Executive, and the median salary of all of the other staff. The median used is the remuneration of the member of staff lying in the mid-point of an ordered list of salaries of staff in post at the year end. Remuneration for part time staff is converted to a full time equivalent rate for this exercise.

The banded remuneration of the highest paid director in the Appointments Commission in the financial year 2011/12 was £130,000 - £135,000 (2010/11, £130,000 - £135,000). The midpoint of this band is 4.7 times (2010/11, 4.8 times) the median remuneration of the workforce, which was £28,047 (2010/11, £27,534). No employee in either year received remuneration in excess of the highest-paid director. Total remuneration includes salary, but does not include employer pension contributions or the cash equivalent transfer value of pensions. There has been no change to the remuneration of the highest paid employee during the year compared to 2010/11.

	Year ended 31/3/12	Year ended 31/3/11
Band of highest paid director's total remuneration	£130,000 - £135,000	£130,000 - £135,000
Median total remuneration	£28,047	£27,534
Ratio	4.7	4.8

### Pension benefits

The Chair, Non-executive Directors and Commissioners are non-executive members and as such their remuneration is not pensionable. Executive staff are members of the standard NHS pension scheme and details are shown below; these figures are for the full year unless stated otherwise:

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2012 (bands of £5,000)	Lump sum at age 60 related to accrued pensions 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 (full year)	Employers contribution to growth in CETV
	£000	£000	£000	£000	£000	£000	£000	£000
Ms A Sutcliffe	0 – 2.5	10 – 12.5	15-20	55 -60	316	246	62	18
Mrs J Scanlan	0 – 2.5	2.5 - 5	30-35	95 -100	640	572	51	13
Ms L Shadford	0 – 2.5	2.5 - 5	10 - 15	35 - 40	232	197	29	8
Ms R Smith	0 – 2.5	0	0 - 5	0	38	19	19	10

Further details of the pension scheme can be found in note 1.7 to the accounts.

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a specific date. The benefits valued are the member's accrued benefits and any partner's benefit payable by the scheme. A CETV represents the payment that would be made by the pension scheme to another scheme or arrangement if the member leaves the current scheme and chooses to transfer their accrued benefit to another scheme. The values shown relate to benefits that have accrued throughout an individual's total membership of the scheme, not just the period of this report or their period of service in this particular post. They may include benefits from a different pension scheme that have been transferred into the NHS scheme at some point.

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. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and are provided to the Commission by NHS Pensions.

The real increase in CETV reflects the increase in CETV effectively funded by the Commission as 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 the period.

In the budget in March 2011, HM Treasury confirmed that they were to review the basis for the calculation of CETVs payable from public service schemes, including the NHS Pension Scheme. That review is now complete and revised guidance was issued in October 2011. The impact of this guidance has been actuarially assessed and, as a result, the factors used by NHS Pensions to calculate CETVs have changed. This should be considered when comparing 2010/11 CETV to figures provided for 2011/12. During 2010/11 the basis for uprating public sector pensions changed from the Retail Prices Index to the Consumer Prices Index. The revised CETV factors were used by NHS Pensions in providing calculations for 2010/11 and were lower than factors used previously. Therefore the value of CETV for some members had fallen at 31 March 2011 over that reported previously.



**Janice Scanlan**  
Chief Executive

31 May 2012

## Statement of Accounting Officer's Responsibilities

Under the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of Treasury, the Appointments Commission is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Appointments Commission and of its net expenditure, changes in taxpayers' equity, and cash flows for the financial year.

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

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

Despite the forthcoming abolition of the Appointments Commission in October 2012, the Department of Health has confirmed the funding required by the Commission in order to continue its activities through to abolition. In addition, the majority of the operational activities of the Commission are continuing and being transferred to other organisations. These facts taken together with the specific assumptions, policies and actions noted in the financial statements, adopted in response to abolition, have allowed the accounts for the year ended 31 March 2012 to be prepared on the 'going concern' basis.

The Secretary of State has appointed the Chief Executive as Accounting Officer of the Appointments Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the Commission's assets, are set out in the Non-Departmental Public Bodies Accounting Officer's Memorandum published by the Department of Health.

## Governance Statement

### Scope of responsibility

This Governance Statement outlines how responsibility for the management and control of the Appointment Commission's resources were discharged during the year. Andrea Sutcliffe was the Chief Executive and Accounting Officer prior to her departure on 9 April 2012, so was in post for the entire year in question. After a thorough handover process, which included the provision of a range of formal assurances, I took on the roles of Chief Executive and Accounting Officer after her departure. As such, I have assumed responsibility for signing off the Governance Statement for the year.

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, whilst safeguarding the public funds and assets, including information, for which I am personally responsible. This is in accordance with the responsibilities assigned to me in the Accounting Officer's Memorandum and in Managing Public Money and in accordance with guidance issued concerning information governance.

I have a dual accountability both to the Board of the Commission and also to Parliament for the performance of the Commission's functions, meeting its statutory duties and for the stewardship of resources provided to the Commission. The Commission works closely with its sponsor branch at the Department of Health and there are arrangements in place with them for regular performance monitoring and review.

### The governance framework of the organisation

During 2011/12 the Appointments Commission had a Board comprising the Chair, three Non-executive Directors, the Chief Executive and three other Executive Directors. A fourth Non-executive Director resigned during the year and was not replaced owing to the expected abolition of the Commission. Following the departure of Andrea Sutcliffe on 9 April 2012 and the transfer of another executive member to the Department of Health on 1 April 2012, from April onwards there are now two executive members. The Board holds the executive team to account through regular performance management reports and review of plans and progress against them.

The Commission's main function is that of making public appointments within the health and social care sector. Responsibility for performing this function is delegated to the Health and Social Care Appointments Committee which comprises the Commission's Chair, Chief Executive and four Health and Social Care Appointments Commissioners. A fifth Commissioner resigned during the year and was not replaced.

The Appointments Commission also has a separate Audit Committee and a Remuneration Committee. Possible and actual attendance records for the members of the Board and the various committees are shown below.

Board	Possible	Actual
Anne Watts	6	6
Andrea Sutcliffe	6	6
David Cain	6	4
Jill Robertson	6	6
Margaret Scott	6	6
Betty Thayer (to 31 May 2011 only)	1	1
Janice Scanlan	6	5
Rhiannon Smith	6	6
Lynn Shadford	6	5

<b>Audit Committee</b>	<b>Possible</b>	<b>Actual</b>
David Cain	6	6
Jill Robertson	6	6
Betty Thayer (to 31 May 2011 only)	1	0

<b>Remuneration Committee</b>	<b>Possible</b>	<b>Actual</b>
Anne Watts	1	1
David Cain	1	1
Jill Robertson	1	1
Margaret Scott	1	1

<b>Health &amp; Social Care Appointments Committee</b>	<b>Possible</b>	<b>Actual</b>
Anne Watts	33	33
Andrea Sutcliffe (absences covered by Janice Scanlan)	33	31
Margaret Scott	33	30
Miranda Hughes	33	22
Gareth Hadley	33	31
Penny Bennett	33	26
Ann Lloyd (to 31 May 2011 only)	3	3

There were a number of longer term absences by Commissioners for which cover arrangements were agreed to ensure that the governance of the Committee was not compromised.

Following the changes to executive staff in April 2012 the composition of the Board has changed. Although the organisation is preparing for abolition, the need for an effective Board remains vital to continued good governance. The non-executive board members have provided, and I hope will continue to provide, a valuable source of constructive challenge and advice to the executive team during the transition period.

As part of the Board's review of its own performance, an evaluation tool has been used to assess effectiveness in various areas. Given the context of an organisation that is closing down, the assessment was mainly positive. A summary report of the findings was presented to the Board at its meeting in mid-May 2012, which identified a small number of areas that present an opportunity for improvement before October. This includes the presentation of information where it was felt that key issues within the Board papers could be highlighted more clearly.

I have reviewed the Commission's corporate governance arrangements against the requirements of the Code of Good Practice for Corporate Governance in Central Government Departments. I am satisfied that, in as far as it is possible and proportionate to apply the Code to an organisation of our relatively small size, the relevant principles and provisions have been applied and there are no material departures to report.

## **Risk assessment**

The Commission maintains a risk register which is reviewed as a standard item at the weekly senior team meetings, together with a review of current issues and incidents, and formally fully updated by the senior team each month. The full register is also considered at each Board meeting and Audit Committee, or more frequently if required. The risk register is accessible to all staff. A copy is regularly provided to the Commission's sponsor

team at the Department of Health and discussed at review meetings. Managers are required to consider risk as part of the preparation of the business plan and during development of operational plans.

The majority of additions and changes to the Commission's risk register during the year have related to the proposed abolition of the Commission itself and the volume of change and uncertainty in the wider NHS relating to the reforms set out in the Health and Social Care Act. This has had an impact across all areas of the Commission's activity, not least because we have been preparing to close down the organisation and transfer some functions and staff to other employers. These newly identified risks have included:

- Significant changes in the volume and timing of appointments activity related to clustering of NHS organisations
- Delays and uncertainty in confirming the future prospects of the Transition Resourcing and Outplacement Support Service teams and consequent delays in clarifying arrangements for the associated staff
- Pressure on staff capacity owing to activity fluctuations, new tasks and staff number reductions

### **The risk and control framework**

The core business of the Commission is making public appointments in the health and social care sector. It has standardised procedures designed to make appointments in an open and transparent way and to manage the risk associated with the process. These procedures are compliant with the Code of Practice for Ministerial Appointments issued by the Commissioner for Public Appointments. They are subject to audit carried out by auditors working on behalf of the Commissioner. I am required to complete an annual compliance statement to the Commissioner for Public Appointments to confirm that all regulated appointments have been made in a way that complied with the requirements of the Code.

In addition, procedures are regularly updated in the light of suggested improvements, issues or complaints and/or as a result of audit recommendations. During 2010/11, in response to the significant organisational changes planned for the NHS, the Commissioner for Public Appointments agreed that the Code could be applied flexibly in relation to certain appointments in specified circumstances. The Commission has applied these flexibilities from September 2010 to date and has continued to provide quarterly reports on the use of these flexibilities to the Commissioner.

For each Board meeting a Chief Executive's report is produced which highlights key issues for the Commission and a Performance Management Report that summarises progress across the entirety of the Commission's operations. A confidential 'Part 2' report is also provided for the Board outlining any critical incidents – for example, persistent complainants, referrals to the Commissioner for Public Appointments, suspensions and potential litigation. I also circulate a weekly update on emerging issues to staff, Commissioners and Board members.

In July 2010, the Government published the Health White Paper *Equity and excellence: Liberating the NHS* which heralded wholesale structural change to the NHS and the abolition of the Appointments Commission. At the start of the year we expected that we would close on 31 March 2012, but subsequent delays in the passing of the legislation has meant that the date is now 31 October 2012. As a result of this delay, and with the agreement of our departmental sponsors, we prepared a Transfer and Closure Plan as our Business Plan for the period through to the date of abolition. The Board has been involved in the development and approval of the Transfer and Closure Plan and the final version of this was approved by the Department of Health on 30 March 2012, along with confirmation of the required funding.

A new organisational structure was put in place for 2011/12 to manage the reduced number of staff and the progress towards abolition. The existing Management of Change staff policy has been updated to reflect that a higher than expected number of staff transferred, reducing the number of expected redundancies.

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 contributions and payments into the Scheme are in accordance with Scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in regulations.

### **Review of the effectiveness of risk management and internal control**

As Accounting Officer, I am responsible for reviewing the effectiveness of the system of internal control. In fulfilling this responsibility, I am informed by the work of the internal auditors and managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the senior management team, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Commission's internal audit service is provided by Deloitte, and their Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance and on the controls reviewed as part of the internal audit work. During 2011/12 three reports with 'substantial' levels of assurance have been received covering key financial controls, payroll, and transitional arrangements. The overall Head of Internal Audit opinion based on the three specific reports noted above, and other enquiries and observations, concludes that an overall substantial level of assurance can be placed on the systems of internal control.

My review is also informed by reports made by our external auditors and by the reviews and reports from the auditor for the Commissioner for Public Appointments. As a relatively small organisation I have a high degree of contact with staff and clients and am aware through informal systems as well as via the formal reporting structures of particular issues that may be arising. Under our complaints procedure I have personal involvement in the response to all complaints so am aware of any issues arising from them. Due to the size of the Commission, we can react to events and changes to internal controls without delay as necessary and therefore I have assurance that issues are addressed effectively.

There have been no significant internal control issues at the Commission during the year. I am not aware of any incidents during the year related to loss or unauthorised disclosure of protected personal data.



**Janice Scanlan**  
Chief Executive

31 May 2012

## **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament**

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

### **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 Health 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 Appointments Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Appointments Commission; 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 and report.

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 the Appointments Commission's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health 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 Health Act 2006; and
- the information given in Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept or 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

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in notes 1 and 13 to the financial statements concerning the application of the going concern principle in the light of the abolition of the Appointments Commission. As the Commission's functions are transferring to other Government bodies, it remains appropriate for the Appointments Commission to continue to prepare the financial statements on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**7 June 2012**

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

# **Financial Statements**

**2011/12**

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

	Notes	31 March 2012 £000	31 March 2011 £000
<b>Expenditure</b>			
Staff costs	3	1,652	2,598
Depreciation	4	306	322
Other Expenditures	4	1,563	3,141
		<u>3,521</u>	<u>6,061</u>
<b>Income from activities</b>	6	<u>(1,419)</u>	<u>(1,428)</u>
<b>Net expenditure</b>		<u>2,102</u>	<u>4,633</u>

*The notes on pages 34-48 form part of these accounts*

## Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012 £000	31 March 2011 £000
<b>Non-current assets</b>			
Property, plant and equipment	7.1	0	162
Intangible assets	7.2	0	144
<b>Total non-current assets</b>		<b>0</b>	<b>306</b>
<b>Current assets:</b>			
Trade and other receivables	9	597	635
Cash and cash equivalents	10	365	93
<b>Total current assets</b>		<b>962</b>	<b>728</b>
<b>Total assets</b>		<b>962</b>	<b>1,034</b>
<b>Current Liabilities</b>			
Trade and other payables	11	(376)	(518)
Provisions	12	(1,002)	0
<b>Total current liabilities</b>		<b>(1,378)</b>	<b>(518)</b>
<b>Non-current assets plus net current assets</b>		<b>(416)</b>	<b>516</b>
<b>Non-current liabilities</b>			
Provisions	12	(417)	(1514)
<b>Total non-current liabilities</b>		<b>(417)</b>	<b>(1514)</b>
<b>Assets less liabilities</b>		<b>(833)</b>	<b>(998)</b>
<b>Taxpayers equity</b>			
General reserve		(846)	(1011)
Revaluation reserve		13	13
		<b>(833)</b>	<b>(998)</b>

The notes on pages 34-48 form part of these accounts



**Janice Scanlan**  
Chief Executive

31 May 2012

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

	Notes	31 March 2012 £000	31 March 2011 £000
<b>Cash flows from operating activities</b>			
Net operating costs		(2,102)	(4,633)
Adjustment for depreciation		306	322
Decrease in trade and other receivables		38	594
(Decrease) in trade and other payables		(142)	(854)
(Decrease)/Increase in provisions		(95)	1,444
<b>Net cash flows from operating activities</b>		<b>(1,995)</b>	<b>(3,127)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		0	0
Purchase of intangible assets		0	(85)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>0</b>	<b>(85)</b>
<b>Cash flows from financing activities</b>			
Grants from Department of Health		2,267	2,800
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>272</b>	<b>(412)</b>
<b>Cash and cash equivalents at the start of period</b>		93	505
<b>Cash and cash equivalents at the end of the period</b>	10	365	93

*The notes on pages 34-48 form part of these accounts*

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

	General Fund £000	Revaluation Reserve £000	Total £000
Balance at 31 March 2010	822	13	835
<b>Changes in taxpayers' equity for 2010/11</b>			
Net operating costs for the year	(4,633)	0	(4,633)
Net Parliamentary funding from Dept of Health	<u>2,800</u>	<u>0</u>	<u>2,800</u>
<b>Balance at 31 March 2011</b>	<b>(1,011)</b>	<b>13</b>	<b>(998)</b>
<b>Changes in taxpayers' equity for 2011/12</b>			
Net operating costs for the year	(2,102)	0	(2,102)
Net Parliamentary funding from Dept of Health	<u>2,267</u>	<u>0</u>	<u>2,267</u>
<b>Balance at 31 March 2012</b>	<b>(846)</b>	<b>13</b>	<b>(833)</b>

*The notes on pages 34-48 form part of these accounts*

# Notes to the Accounts

## 1. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted in the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector. The accounting policies adopted by the Commission are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

The Government has announced its intention to abolish the Commission in October 2012. As a consequence of this announcement accounting policies and assumptions have been reviewed to reflect the expected limited future of the Commission and the potential consequences of the proposed abolition. Nevertheless the Commission's assessment is that the going concern assumption remains appropriate for these accounts. Further details of the implications for the accounts of the proposed abolition are provided in note 13.

### 1.1 Accounting conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment. The accounts are presented in sterling and have been rounded to the nearest thousand unless otherwise stated.

### 1.2 Income

The main source of funding for the Commission is a Parliamentary grant 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. Other income is accounted for applying the accruals convention.

Income from activities principally comprises fees and charges for services provided to external customers. These include appointment campaigns run for external bodies and charges to NHS organisations to support the Commission's development programme for non-executives. As a result of changes proposed by the Health and Social Care Bill the Commission took on some additional chargeable work in 2011/12. Support was provided to the Department of Health under the terms of a memorandum of understanding to help establish the NHS Commissioning Board structures. Following an agreement with the Department of Health in March 2011, the Appointments Commission retained staff who would otherwise have been made redundant at 31 March 2011 and formed a team to support the transition of staff between organisations in the restructuring of the health sector.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

### 1.3 Taxation

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

### 1.4 Property, plant & equipment

Expenditure on property, plant and equipment of £5,000 or more is capitalised. Initially assets are measured at cost, including any directly attributable costs of bringing them to working condition. Items are reviewed annually for impairment and carried at fair value.

These assets are depreciated at rates calculated to write them down to their estimated residual value over their estimated useful lives.

The Commission has previously used the following asset lives in calculating depreciation:

Computer hardware	5 years
Furniture, fixtures and fittings	10 years

However in light of the abolition of the Commission, and with no prospective user found to take over the assets, it has been necessary to revise the estimated useful lives so that all assets are fully written down sooner. As assets have been bought at different times, assigning them all the same end of life means that they have different effective asset lives.

### **1.5 Intangible assets**

Expenditure on intangible assets (software) of £5,000 or more is capitalised. Initially assets are measured at cost, including any directly attributable implementation costs. Items are reviewed annually for impairment and carried at fair value.

Software has previously been amortised on a straight line basis over the estimated useful economic life of five years. Development costs of the e-recruitment software have been amortised from the point of the acquisition of the original off-the-shelf product as they are judged to be enhancements of the initial purchase, this effectively treats the project as a single asset.

However in light of the abolition of the Commission in 2012, and with no prospective user found to take over the software, it has been necessary to reduce its estimated useful life.

### **1.6 Losses and special payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Commission or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures.

Losses and special payments are charged to the relevant functional headings in the expenditure account on an accruals basis. However, note 18 is compiled directly from the losses and compensations register which is prepared on a cash basis.

### **1.7 Pension costs**

Past and present employees are covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

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 Commission of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

Employer contributions are paid at the rate of 14% of pensionable pay and employee contributions are made on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### **1.8 Provisions**

The Commission provides for legal or constructive obligations that are of uncertain timing or amount at the end of the reporting period on the basis of the best estimate of the expenditure required to settle the obligation. As a result of the announcement of the Commission's abolition during 2012 it has been necessary to set up provisions to cover closure costs. These primarily cover the cost of the redundancies that will be required and the cost of paying for non-cancellable contracts that extend past the date of abolition.

### **1.9 Operating leases**

Rentals under operating leases are charged to the expenditure account over the term of the lease.

### **1.10 Staff costs**

All staff costs must be recorded as an expense as soon as the Commission is obligated to pay them. This includes the cost of untaken leave at the year end, for which an accrual is made.

### **1.11 Financial Instruments**

IFRS7, Financial Instruments Disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way arm's length bodies are financed, the Commission is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The Commission has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks faced in undertaking its activities.

#### **Liquidity risk**

The net operating assets are financed from resources voted annually by Parliament. The Commission finances its capital expenditure from funds made available from Government under an agreed limit. The Commission is therefore not exposed to any significant liquidity risks.

#### **Interest rate risk**

All of the financial assets and liabilities carry nil rates of interest. The Commission is therefore not exposed to any interest rate risk.

#### **Foreign currency risk**

There is no exposure to foreign currency risk.

### **1.12 International Financial Reporting Standards**

All IFRS standards, interpretations and amendments to published standards effective at 31 March 2012 have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

## 2. Analysis of net expenditure by segment

	Total expenditure £000	Income £000	Net expenditure £000
<b>Year ended 31 March 2012</b>			
Promoting appointments, providing a recruitment service to statutory NHS clients	1,286	0	1,286
Promoting appointments, providing a recruitment service to fee paying clients	792	793	(1)
Policy work and statutory appointments functions	587	0	587
Equipping appointees to work effectively	154	166	(12)
Outplacement services	191	0	191
Transition Resourcing services	302	310	(8)
Support to Department of Health	138	139	(1)
Abolition of the Commission	71	0	71
Other income	0	11	(11)
	<b>3,521</b>	<b>1,419</b>	<b>2,102</b>
<b>Year ended 31 March 2011</b>			
Promoting appointments, providing a recruitment service to statutory NHS clients	1,792	0	1,792
Promoting appointments, providing a recruitment service to fee paying clients	1,191	984	207
Policy work and statutory appointments functions	676	0	676
Equipping appointees to work effectively	379	357	22
Proposed abolition of the Commission	2,023	0	2,023
Other income	0	87	(87)
	<b>6,061</b>	<b>1,428</b>	<b>4,633</b>

Business segments are defined in relation to the Commission's main operational activities.

The Commission provides recruitment services to both statutory and fee paying clients and the costs of these, and associated allocated overheads are shown as the first two segments above. Services to statutory NHS clients are funded by the grant in aid allocation.

In addition, the Commission makes appointments for statutory NHS and some Department of Health bodies. The costs of these appointment functions are shown as a separate activity segment. Costs included under this heading also include the policy and governance support and advice provided to the Department of Health.

Activities carried out to support appointees to work effectively, both in terms of induction and then ongoing support, are shown as the fourth segment of the Commission's work. Induction of new appointees is funded by a fee charged to organisations, primarily NHS trusts. Ongoing support for appointees, including appraisal, is funded by the grant in aid.

New services were provided by the Commission during 2011/12 in response to changes within the health sector. The provision of outplacement support services to other health sector arm's length bodies affected by change was funded through the grant in aid allocation. A Transition Resourcing service was established for the Department of Health to help manage the process of redeploying staff to the new organisations being established by the reforms in the health sector. Support was provided to the Department of Health to establish the NHS Commissioning Board as a Special Health Authority. These two services were both funded through recharges to the Department.

The abolition of the Commission was announced during 2010/11 and the costs of this are shown as a separate segment. This includes those costs actually incurred as well as items provided for at 31 March 2011, and subsequent usage and adjustment of provisions during 2011/12. See note 13 for further details.

### 3. Staff numbers and related costs

#### 3.1 Staff costs

	31 March 2012	Permanently	Other	31 March 2011
	Total	employed		Total
	£000	staff	£000	£000
		£000		
Salaries and wages	1,353	1,353	0	1,769
Social security costs	140	140	0	168
Other pension costs	159	159	0	214
Redundancy and other exit costs	26	26	0	430
Less: use of existing redundancy provision	(26)	(26)	0	0
Agency Staff	0	0	0	17
<b>Sub Total</b>	<b>1,652</b>	<b>1,652</b>	<b>0</b>	<b>2,598</b>
Recoveries in respect of outward secondments	(42)	(42)	0	0
<b>Total net costs</b>	<b>1,610</b>	<b>1,610</b>	<b>0</b>	<b>2,598</b>

Eligible employees are members of the NHS Pension Scheme, unless they have chosen to opt out of membership. Details of the scheme can be found in note 1.7.

### 3.2 The average number of whole time equivalent employees during the year

	31 March 2012 Total	Permanently employed staff	Other	31 March 2011 Total
Total	38	38	0	54

### 3.3 Exit cost detail

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<b>2011/12</b>			
<£10,000	*		*
£10,000 - £25,000	*		*
<b>Total number of exit packages by type</b> (See note below)	*		*
<b>Total resource cost</b>	<b>£25,814</b>	-	<b>£25,814</b>
<b>2010/11</b>			
<£10,000	*	*	*
£10,000 - £25,000	*		*
£25,000 - £50,000			
£100,000 - £150,000	*		*
£150,000 - £250,000	*		*
<b>Total number of exit packages by type</b> (See note below)	*	*	9
<b>Total resource cost</b>	<b>£417,095</b>	<b>£12,989</b>	<b>£430,084</b>

Due to the small numbers of staff involved, and in order to comply with the Data Protection Act, the numbers of staff in each category are represented by '\*'. None of these payments include any element of special payment. The amounts shown for 2011/12 were paid during the year but were provided for in the 2010/11 accounts as part of the costs of closure of the Commission.

Redundancy and other departure costs paid in 2010/11 and 2011/12 have been paid in accordance with the provisions of the NHS Agenda for Change standard terms and conditions and the NHS Mutually Agreed Resignation Scheme. Redundancy costs over £100,000 have been agreed by the Department of Health's Governance and Assurance Committee. Where staff who were being made redundant were eligible for early retirement, the additional costs have been met by the Commission and not by the NHS pension scheme. Where staff were eligible for early retirement on the grounds of redundancy the exit cost represents the payment that has been made to NHS Pensions to cover the costs of their pension.

#### Retirements due to ill-health

During the year there were no early retirements from the Commission on the grounds of ill-health (2010/11: none).

## 4. Other expenditure

	Notes	31 March 2012 £000	31 March 2011 £000
Advertising & promotion of vacancies (see below)		393	457
Establishment expenses		253	262
Outsourced support services		231	211
Commissioner and non-executive remuneration		204	236
Costs of interviews		164	105
Rentals under operating leases		117	126
Training and Induction events		73	128
External contractors (see below)		76	46
Premises and fixed plant		93	63
Auditor's remuneration: Audit fees *		28	30
Non cash items			
Provisions - redundancy costs		(58)	1,035
Provisions - other		(11)	409
Impairment of debtors		0	33
		<b>1,563</b>	<b>3,141</b>
Non cash items			
Depreciation and amortisation	7.1, 7.2	306	322
		<b>1,869</b>	<b>3,463</b>

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

Central government controls over expenditure have been in operation throughout 2011/12, and were in place for part of 2010/11. In 2011/12 all of the expenditure on advertising and promotion of vacancies (2010/11: £379,000) and £66,000 of the expenditure on external contractors (2010/11: none) was incurred in the course of providing services to fee paying clients and was recharged to them.

### Payment of suppliers

The Commission aims to pay invoices within 30 days. Performance against this target was as follows:

	Number	£000
Total bills paid in year to 31 March 2012	661	1,450
Total bills paid within target	600	1,341
<b>Percentage of bills paid within target</b>	<b>90.8%</b>	<b>92.5%</b>
Total bills paid in year to 31 March 2011	1,007	2,260
Total bills paid within target	901	2,072
<b>Percentage of bills paid within target</b>	<b>89.5%</b>	<b>91.7%</b>

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998 legislation.

## 5. Financing

### Reconciliation of net expenditure to finance received from the Department of Health

	31 March 2012 £000	31 March 2011 £000
Net expenditure	2,102	4,633
Financing limit from Department of Health	<u>2,547</u>	<u>6,383</u>
Underspend against revenue resource limit	<u>445</u>	<u>1,750</u>

## 6. Income from activities

Operating income analysed by classification and activity is as follows:

	31 March 2012 £000	31 March 2011 £000
Income from recruitment and selection activities	793	984
Income from induction activities	166	357
Income for Transition Resourcing Team	310	0
Income for development work - NHS Commissioning Board	97	0
Income for seconded staff	42	0
Other income	<u>11</u>	<u>87</u>
<b>Total</b>	<u>1,419</u>	<u>1,428</u>

## 7. Non-current assets

### 7.1 Plant and equipment

	Information technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 31 March 2011	385	144	529
Additions/Disposals	<u>0</u>	<u>0</u>	<u>0</u>
<b>Gross cost at 31 March 2012</b>	<b><u>385</u></b>	<b><u>144</u></b>	<b><u>529</u></b>
Accumulated depreciation at 31 March 2011	242	125	367
Charged during the period	<u>143</u>	<u>19</u>	<u>162</u>
<b>Accumulated depreciation at 31 March 2012</b>	<b><u>385</u></b>	<b><u>144</u></b>	<b><u>529</u></b>
<b>Net book value: Total at 31 March 2012</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
Cost or Valuation at 31 March 2010	385	144	529
Additions/Disposals	<u>0</u>	<u>0</u>	<u>0</u>
<b>Gross cost at 31 March 2011</b>	<b><u>385</u></b>	<b><u>144</u></b>	<b><u>529</u></b>
Accumulated depreciation at 31 March 2010	81	106	187
Charged during the period	<u>161</u>	<u>19</u>	<u>180</u>
<b>Accumulated depreciation at 31 March 2011</b>	<b><u>242</u></b>	<b><u>125</u></b>	<b><u>367</u></b>
<b>Net book value: Total at 31 March 2011</b>	<b><u>143</u></b>	<b><u>19</u></b>	<b><u>162</u></b>

There are no assets held under finance leases or PFI contracts and therefore there has been no depreciation charged for such assets.

## 7.2 Intangible assets

	Information technology £000	Total £000
Gross cost at 31 March 2011	360	360
Additions - purchased	0	0
Disposals	0	0
<b>Gross cost at 31 March 2012</b>	<b>360</b>	<b>360</b>
Accumulated amortisation at 31 March 2011	216	216
Charged during the period	144	144
<b>Accumulated amortisation at 31 March 2012</b>	<b>360</b>	<b>360</b>
<b>Net book value: Total at 31 March 2012</b>	<b>0</b>	<b>0</b>
Gross cost at 31 March 2010	372	372
Additions - purchased	0	0
Disposals	(12)	(12)
<b>Gross cost at 31 March 2011</b>	<b>360</b>	<b>360</b>
Accumulated amortisation at 31 March 2010	74	74
Charged during the period	144	144
Disposals	(2)	(2)
<b>Accumulated amortisation at 31 March 2011</b>	<b>216</b>	<b>216</b>
Net book value: Total at 31 March 2011	144	144

## 8. Financial instruments

The Commission's resources are met through Grant in Aid provided by the Department of Health and from income for work carried out for the NHS, Department of Health and other government bodies.

The Commission has no powers to borrow money or to invest surplus funds. Other than financial assets and liabilities which are generated by day-to-day operational activities the Commission holds no financial instruments. The Commission is therefore exposed to little credit, liquidity or market risk.

## 9. Trade receivables and other current assets

Amounts falling due within one year

	31 March 2012 £000	31 March 2011 £000
Trade receivables	433	583
Prepayments	66	0
Accrued income	118	123
	<b>617</b>	706
Provision for impairment of receivables	(20)	(71)
	<b>597</b>	635

The accrued income relates to campaigns carried out by the Commission which are in progress at the year end. These campaigns are charged to clients upon completion.

The Commission had no receivables due after more than one year (31 March 2011: none).

## 10. Cash and cash equivalents

	2011/12 £000	2010/11 £000
Balance at 1 April	93	505
Net change in cash balances	272	(412)
Balance at 31 March	365	93

## 11. Trade payable and other current liabilities

Amounts falling due within one year

	31 March 2012 £000	31 March 2011 £000
Trade payables	73	190
Tax and social security	43	54
VAT	39	31
Accruals & Deferred income	221	243
	376	518

## 12. Provision for liabilities and charges

	Legal £000	Abolition costs £000	Office Refurbishment £000	Total £000
At 31 March 2010	20	0	50	70
Arising during the year	0	1,436	28	1,464
Utilised during the year	0	0	0	0
Reversed unused	(20)	0	0	(20)
<b>At 31 March 2011</b>	<b>0</b>	<b>1,436</b>	<b>78</b>	<b>1,514</b>
Arising during the year	0	0	0	0
Utilised during the year	0	(26)	0	(26)
Reversed unused	0	(69)	0	(69)
<b>At 31 March 2012</b>	<b>0</b>	<b>1,341</b>	<b>78</b>	<b>1,419</b>
<b>Expected timing of cash flows:</b>				
No later than one year	0	924	78	1,002
Later than one year and not later than five years	0	417	0	417
Later than five years	0	0	0	0

The legal provision at 31 March 2010 related to an amount for the rent review and the associated professional costs that was contractually due in June 2009 – after negotiation it was settled during 2010/11 with no increase due.

Due to the planned abolition of the Commission in 2012 provisions for the closure costs were set up during 2010/11. These covered the costs of making staff redundant and the costs of paying for completion of non-cancellable contracts. More details can be found in note 13. Some of the provision was utilised during 2011/12 for planned redundancies and a further amount was reversed to reflect changes in staff remaining in post at 31 March 2012 and revised contract completion costs. Redundancy provisions will transfer to new organisations along with the ongoing operational work and associated staff, and timing of the cash flow reflects the ultimate expected payment date.

The office refurbishment provision is based on the periodical repair and decoration work required under the terms of the lease of the Commission's office. The figure was reviewed in 2011/12 to take account of the cost of returning the office to its original state when the Commission is abolished.

## **13. Going Concern: abolition of the Appointments Commission**

### **13.1. Going concern**

The abolition of the Appointments Commission was announced in the summer of 2010 and this has been formalised in the Health and Social Care Act, with an abolition date of October 2012. The Department of Health has confirmed the funding required by the Commission in order to continue its activities through to October 2012. In addition, the majority of the operational activities of the Commission are continuing and being transferred to other organisations. The confirmation of funding and transfer of operations along with the specific assumptions, policies and actions noted in the financial statements that have been adopted in response to the abolition have allowed the accounts for the year ended 31 March 2012 to be prepared on the going concern basis.

### **13.2. Significant judgements**

The Commission has formal plans for its abolition, including details of actions, timings and expenditure required. The implementation of the plan commenced during 2010/11 and will continue through till abolition. For the basis of preparing the accounts it has been assumed that provisions in accordance with IAS 37 are required for the various identified costs of abolition.

A provision was made in 2010/11 for the redundancy costs of all staff except for the three staff who were expected to transfer to the Department of Health on a permanent basis to provide ongoing appointments work for Department of Health bodies. The transfer of these three staff was subsequently confirmed and took place in April 2012.

Two staff were made redundant during 2011/12, utilising some of the existing provision. The redundancy provision was adjusted at 31 March 2012 to reflect the remaining staff, and will either be used to make redundancy payments to staff or transferred to new employers where staff are being transferred on a time limited basis to complete current pieces of work.

The Commission has non-cancellable contracts lasting until 2014 for the support of its IT system and a provision was set up in 2010/11 to cover the full costs to completion of this contract.

The Commission's non-current assets, which mainly consist of the IT equipment and the e-recruitment system software, were being depreciated over an expected useful economic life of five years which would have taken until 2013/14. There is no potential use of these assets after the Commission is abolished and no potential residual value. Therefore, a decision was made in 2010/11 to accelerate their depreciation to nil value by the expected abolition date, which at that time was 31 March 2012. This decision has been reviewed in 2011/12 and in light of the impending closure of the Commission the assets have reached the end of their useful life and so the accelerated depreciation rate was maintained rather than being revised again.

The Department of Health has confirmed that it will take responsibility for the payment of costs for the Commission's office which has a lease which lasts until 2014. Consequently no provision has been made for these costs.

## 14. Contingent liabilities

During 2009/10 the Cabinet Secretary agreed that government departments should provide indemnity cover to Independent Public Appointment Assessors (IPAA) involved in the public appointments process. The Appointments Commission now provides this indemnity for all IPAA's involved in its delegated appointments. There are no known financial implications of this indemnity.

At 31 March 2012 the Commission was a named respondent in two employment tribunal cases. These relate to public appointments, not employment issues concerning Commission staff. The official advice from solicitors is that there are good prospects of successfully defending both cases and so it has been judged that no financial provision is required.

## 15. Capital commitments

At 31 March 2012 there were no capital commitments (31 March 2011: none).

## 16. Commitments under leases

Expenses of the Commission include the following in respect of hire and operating lease rentals

	31 March 2012	31 March 2011
	£000	£000
Hire of plant and machinery	6	6
Other operating leases	93	93
	<u>99</u>	<u>99</u>

Total future minimum lease payments under non-cancellable operating leases are given in the table below for each of the following periods.

	31 March 2012	31 March 2011
	£000	£000
<b>Buildings</b>		
Not later than one year	93	93
Later than one year and not later than five years	116	209
	<u>209</u>	<u>302</u>
<b>Other</b>		
Not later than one year	3	6
Later than one year and not later than five years	3	6
	<u>6</u>	<u>12</u>

The Commission has no expenditure or commitments under finance leases.

## 17. Other financial commitments

The Commission has entered into non-cancellable contracts (which are not operating leases or PFI contracts) for the provision of support services. The annual payments to which the Commission is committed, analysed by the period during which the commitment expires are as follows:

	At 31 March 2012	At 31 March 2011
	£000	£000
Not later than one year	24	26
Later than one year, not later than five years	134	134

## 18. Losses and special payments

There have been no losses or special payments during the year (year ended 31 March 2011: none).

## 19. Related parties

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

The Department of Health is regarded as a controlling related party. During the year the Commission has had the following material transactions with the Department.

The Commission has carried out recruitment campaigns for national bodies on behalf of the Department of Health and other DH bodies during the year. The costs associated with these campaigns are recharged upon completion of the campaign and totalled £177,000 for the year (2010/11: £286,000).

The Appointments Commission provided support to the Department of Health in establishing the NHS Commissioning Board structures during the year. Under the terms of a memorandum of understanding the Department of Health was charged £96,500 for this work over the full year (2010/11: none).

One member of staff has been on secondment to the Department of Health since April 2011 and a second person has been on secondment since January 2012. The total charge to the Department for the staff costs of these two people was £41,845 (2010/11: none).

Following an agreement with the Department of Health in March 2011, the Appointments Commission retained staff who would otherwise have been made redundant at 31 March 2011 and formed a team to support the transition of staff between organisations in the restructuring of the NHS. The Department agreed to reimburse the cost of these staff and other associated direct project costs and a total of £310,000 was charged for this work during the year (2010/11: none).

Invoiced amounts totalling £209,277 were receivable from the Department of Health at 31 March 2012 (31 March 2011: £8,144)

Andrea Sutcliffe's husband is a Director of the NHS Confederation. The Commission has membership of the Confederation and also works with them on a number of projects for the wider NHS community, such as the provision of ongoing support and purchase of training materials for appointees. During 2011/12 the Commission had expenditure of £5,226 with the NHS Confederation (2010/11: £16,500). There were no balances with the Confederation at 31 March 2012. (31 March 2011: none)

## 20. Events after the reporting period

None as of the date of authorisation of the accounts on 7 June 2012 (31 March 2011: None).

## 21. Inter-government balances

	Receivables: Amounts falling due within one year £000	Payables: Amounts falling due within one year £000
<b>31 March 2012</b>		
Balances with other central government bodies	107	43
Balances with NHS Trusts & Dept of Health	423	166
Balances with bodies external to government	67	167
	<u>597</u>	<u>376</u>
<b>31 March 2011</b>		
Balances with other central government bodies	239	85
Balances with NHS Trusts & Dept of Health	261	278
Balances with bodies external to government	135	155
	<u>635</u>	<u>518</u>

# **Appendix 1**

## **The Board and Appointments Commissioners**

## The Board and Health and Social Care Commissioners

The Board of the Appointments Commission as at 31 March 2012	
Chair	Anne Watts CBE
Chief Executive	Andrea Sutcliffe
Deputy Chief Executive and Director of Operations	Janice Scanlan
Non-executive Director	David Cain
Non-executive Director	Jill Robertson
Non-executive Director	Margaret Scott
Commercial Director	Rhiannon Smith
Head of Finance	Lynn Shadford
Health and Social Care Commissioners as at 31 March 2012	
South West and West Midlands	Penny Bennett
East of England, East Midlands and London	Gareth Hadley
North East, North West and Yorkshire & the Humber	Miranda Hughes
South Central and South East Coast	Margaret Scott

### Chair – Anne Watts CBE

Anne joined the Appointments Commission as Chair in April 2007. Anne is a leading figure in diversity, recruitment and workplace development issues and has a strong track record across the private, public and voluntary sectors. This has included executive roles relating to workforce and diversity in Business in the Community, HSBC and NatWest. Alongside her role as Chair for the Appointments Commission, Anne is a member of the Department of Health Equality and Diversity Council (a subcommittee of the NHS Management Board) and also serves on the boards of Greater London Enterprise, Opportunity Now, Race for Opportunity, University of Surrey and the Commission on the Future of Women's Sport. Anne holds a ministerial appointment as a member of the School Teachers Review Body, is a trustee of The Eve Appeal for gynaecological cancer and is a member of the Public Chairs Forum. Anne has declared that she is not politically active.

### Chief Executive – Andrea Sutcliffe

Andrea joined the Appointments Commission in 2007, bringing a wealth of experience from over 20 years in the health service and local government. Andrea's career has focused on general and performance management, notably in community and acute services for older people, women and children, neurosciences, and Social Services within the London Borough of Camden. Prior to joining the Commission, Andrea held the role of Deputy Chief Executive and Planning and Resource Director of the National Institute for Health and Clinical Excellence. In 2011, Andrea was asked to lead the People Transition Project supporting the establishment of the NHS Commissioning Board and NHS Trust Development Authority. In April 2012, Andrea left the Appointments Commission to take up the role of Chief Executive at the Social Care Institute for Excellence.

### Deputy Chief Executive and Director of Operations – Janice Scanlan

Janice had a long career in the civil service and following many years working with the Department of Health was instrumental in setting up the Appointments Commission in 2001. Janice is highly regarded as an expert in public appointments, particularly the legislation surrounding them, and leads the Commission's recruitment and selection teams ensuring they deliver a professional and expert service. Janice was appointed to the additional role of Deputy Chief Executive in 2007. In April 2012, following the departure of our Chief Executive, Janice was appointed as Chief Executive.

### **Non-executive Director and Audit Committee Chair – David Cain**

Following an extensive career in finance, David joined the Appointments Commission as a Non-executive Director and Audit Committee Chair in 2007. A chartered accountant, David has held roles within both the private and public sectors, including Deloitte and Touche and the now dissolved Forest Healthcare NHS Trust. David continues to work as a partner at DAP Consulting, his own firm. David has declared that he is not politically active.

### **Non-executive Director and Audit Committee Member – Jill Robertson**

Jill joined the Board as a Non-executive Director in October 2008. Jill has held a number of corporate roles within the private sector, most recently as Chief Executive of three businesses within the Barkers Norman Broadbent Group. Past roles have included that of Managing Director of Healthcare Recruitment for Select Plc and Strategic Marketing Director with Adecco UK Ltd. Jill currently provides business consultancy in the areas of strategy, marketing and management coaching. She is also a Non-executive Director of NHS Professionals. Jill has declared that she is not politically active.

### **Non-executive Director and Commissioner for South Central and South East Coast – Margaret Scott**

Margaret joined the Appointments Commission in 2007 as an Appointments Commissioner for the South Central and South East Coast regions. In addition, Margaret holds the roles of Vice Chair and Non-executive Director on the Board of the Commission. Prior to joining the Appointments Commission Margaret had an extensive career in the IT industry followed by a number of years as a public appointee within the NHS, serving as Chair for Hampshire Ambulance Service NHS Trust, Portsmouth Healthcare NHS Trust and East Hampshire Primary Care Trust. In addition to her roles within the Commission, Margaret is the Chair of Drum Housing Association (a member of the Radian Group) and is a school governor. Margaret has declared that she is not politically active.

### **Commercial and Outplacement Support Services Director – Rhiannon Smith**

Rhiannon joined the Appointments Commission in early 2009 as Commercial Director. Rhiannon has extensive expertise of non-executive appointments in central government and the private sector. In addition, Rhiannon was seconded to the Cabinet Office in 2004 where she created and ran the Job Brokerage Unit for the Senior Civil Service.

### **Head of Finance – Lynn Shadford**

Lynn worked as a private sector accountant for a number of years before going on to work within the audit and examination training departments of a large accountancy firm. Prior to joining the Appointments Commission in 2002, Lynn had worked in accountancy for a local Family Health Services Authority, Health Authority and Primary Care Trust.

### **Commissioner for the South West and West Midlands – Penny Bennett**

Penny joined the Commission in 2003 following a professional career as a solicitor in the private sector. Penny has experience of the health sector following Chair and Non-executive Director roles for the East Gloucestershire NHS Trust and the Avon, Gloucestershire and Wiltshire Strategic Health Authority. Alongside her role as Commissioner, Penny served on the board of the Hanover Housing Association where she was Chair of their Audit Committee and Remuneration Committee. Penny has declared that she is not politically active.

### **Commissioner for the East of England, East Midlands and London – Gareth Hadley**

Gareth is a well respected industry leader in the HR profession, recently specialising in the corrections sector. He has held board level positions with Her Majesty's Prison Service, the National Offender Management Service and was a Non-executive Director for Skills for Justice. Prior to this, Gareth spent much of his career in senior managerial positions with British Rail, where he was Employee Relations Director, and in London local government. Alongside his role as Commissioner, Gareth is a Visiting Fellow of Kingston University, a Member of the Advisory Board of the South West London Academic Network's Institute of Leadership and Management in Health, and a Member of the External Advisory Board of the Centre for Better Managed Health and Social Care at the Cass Business School of City University. He continues to act as a consultant specialising in employee relations and HR. Gareth has declared that he is not politically active.

### **Commissioner for the North East, North West and Yorkshire & the Humber – Miranda Hughes**

A chartered psychologist by profession, Miranda has held a range of public appointments in the education, health and criminal justice sectors. These include Chair for the West Yorkshire Probation Board, Chair for Connexions West Yorkshire and Non-executive Director at Leeds East Primary Care Trust. Following a career in management, Miranda established her own consultancy company. Alongside her role as Commissioner, Miranda is an independent Chair for judicial appointment panels for the Judicial Appointments Commission. Miranda has declared that she is not politically active.

### **Register of Interest**

The Commission maintains a Register of Interest which is available for public inspection. To view the Register please telephone 0870 240 3801 or email [info@appointments.org.uk](mailto:info@appointments.org.uk).









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