



**Appointments  
Commission**

*Adding value to public appointments*

# **Annual Report & Accounts**

## **2010/11**

**Appointments Commission**  
**Annual Report & Accounts**  
**2010/11**

**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

This year has been a very significant one for the Appointments Commission as we completed our tenth year in operation. We also learned, with great sadness, that we expect to be abolished in 2012 pending the passage of the Health and Social Care Bill, as a consequence of fundamental changes planned for the health sector. Reflecting on our achievements of the past decade, I believe we can be justifiably proud of the positive impact we have made in the public appointments arena and in promoting and improving board governance throughout the sector.

The organisation was originally established in April 2001 as the NHS Appointments Commission in response to concerns about fairness and independence in the existing appointments process. With delegated responsibility from the Secretary of State for Health, our remit was to appoint chairs and non-executives to all local NHS boards. In addition, we were to ensure that those we appointed were given the training and support required to perform their roles as well as receiving annual performance appraisals.

Our overarching principle, which we continue to maintain, has been to ensure that all appointments are made on merit following a fair, transparent and rigorous process. One of our early successes was to establish and implement an improved appointments process to meet the needs of the Commissioner for Public Appointments' Code of Practice. In addition, working together with an advisory group of chairs and non-executives, we devised a new performance review system that could be adopted throughout all NHS organisations and identified the need for regular training reviews to identify how best those we appointed could be supported.

From the outset, the NHS Appointments Commission managed over 1,000 appointments each year. Training and development became a major service in response to a high demand from chairs and non-executives. Our newly-created induction programme was continuously developed to ensure it was able to meet the needs of those we appointed. We introduced an annual conference to bring together NHS Chairs from across the country to share knowledge and expertise, hear from specialist guest speakers and have an opportunity to network with each other. We also looked at ways in which we could develop the candidate pipeline for the future with a particular emphasis on the diversity agenda.

In October 2006, following Parliamentary approval, we entered a new era as an executive non-departmental public body – the Appointments Commission. This change represented a vote of confidence in our work and meant that we were able to extend our remit further to include a broad range of clients from across the health service and other Whitehall departments on a fee-for-service basis, offering exceptional value for money.

As the Appointments Commission, we continued to deliver a professional and flexible service to our clients whilst also developing our training and development programme. Candidate development became a core area of work, allowing us to focus on attracting a new range of potential applicants with the aim of achieving greater diversity in these important public roles. Building an increasing number of partnerships with key stakeholders and organisations allowed us to develop our services through a comprehensive events programme and new training initiatives utilising the latest web technologies.

In our five years as the Appointments Commission, we have maintained our position as a leading provider in the public appointments field. We have continued to deliver in excess of 1,000 appointments each year which represents between a third and half of all appointments regulated by the Commissioner for Public Appointments and in some years this figure has been over 2,000. In addition, we regularly seek to add to our growing database of over 29,000 prospective applicants with whom we communicate about upcoming public appointments, manage the induction process for over 80% of new health appointees and competitively provide recruitment and selection services to a growing number of government departments.

I am incredibly proud of all that the Commission has achieved since it was established, and on a personal note I am grateful to have had the opportunity to be part of this in my four years as Chair. It is with this sense of achievement that we are better able to accept the news of our anticipated abolition, following a review of Arm's Length Bodies (ALBs) by the Department of Health and as a consequence of the changes to the health service announced in *Equity and excellence: Liberating the NHS*. I know that we have made a significant contribution to public life and I am confident that we have made a difference to all the people and organisations with whom we have worked. I was pleased to see this contribution recognised within the Department of Health's ALB Review report, in which it was stated:

*"The Appointments Commission provides recruitment services and related functions ... at reasonable costs, provides value for money and has built up considerable NHS expertise. The Commission has been a very valuable body for (the) Department of Health and the NHS over the last decade."*

I would like to thank you, on behalf of all those associated with the Appointments Commission, for these kind words and the subsequent letter of support following the outcome of the ALB review.

As we look forward to 2011/12, we remain in a period of great change – not only internally but throughout the wider health and public sector. We still have an important role to play in supporting health boards as they realise the vision set out in the Government's White Paper *Equity and excellence: Liberating the NHS* and the subsequent Health and Social Care Bill.

It will also be a busy year for us. In addition to our core services and in recognition of the support we are offering to our own workforce, we have been asked to provide outplacement support services to the health ALB sector which is already proving to be a busy but satisfying opportunity. In addition, from April 2011, a further work stream has been commissioned by the Department of Health to deliver a Transition Resourcing service to support the establishment of the new arm's length bodies arising from the Government's proposed reforms of the health and social care system. There is also an important project already underway to manage our legacy and we are proactively working with key partners to ensure that the corporate knowledge and experience we have in managing and making public appointments can be passed to those involved in this area for future use.

Despite the difficulties of this last year and the uncertain environment in which we have operated, our workforce has risen to the challenge. They have remained committed to the important role of building better public sector boards and delivering high-quality appointments for all our clients throughout this transitional period. To our Board, Appointments Commissioners, Chief Executive, Senior Management Team and staff, I extend my grateful thanks for their continued support and hard work. We have a deserved reputation for professionalism and we will ensure that this remains in place for as long as we are in operation.



**Anne Watts CBE**  
Chair

## Message from the Chief Executive

2010/11 has been an extremely challenging year for the Appointments Commission. At its outset, I had great ambitions for the organisation - with continuing demand for high-quality public appointments within the health and social care sector and a growing client base from foundation trusts and other government departments, the Commission was very well placed to develop and expand. Sadly, as a result of plans announced last summer for a fundamental restructuring of the NHS, we have had to adapt to a very different future – with the Appointments Commission planned to be abolished in 2012 pending the passage of the Health and Social Care Bill.

The past year also saw a General Election and this had a significant impact on our core work. During the pre-election period we were bound by Cabinet Office guidance that required a cessation of all public appointments promotion and activity, including the use of our delegated authority to make appointments and reappointments. We utilised this time effectively to undertake preparatory work for forthcoming campaigns as well as continuing to deliver training and development for newly-appointed chairs and non-executive directors within the NHS.

Shortly after the establishment of the Coalition Government, the Health White Paper *Equity and excellence: Liberating the NHS* was published. This signalled wholesale structural change for the health sector, including the abolition of many bodies and organisations to which we appoint and affected the Commission profoundly. Consequently, in July 2010, the Department of Health Arm's Length Body Review announced that the Appointments Commission would be abolished.

Following this announcement, the Appointments Commission entered its own transition period which has been underpinned by three core principles:

- Preserving our high standard of customer care
- Managing the transition period well and supporting our staff
- Optimising the legacy of the Appointments Commission

These principles were used to develop a comprehensive Transition Plan to reflect our altered operating environment. This plan supersedes our previous planning documents and has become the overall Strategic and Business Plan to take us through to our end date.

Maintaining our reputation for professional customer service and impartiality remains vital and has been integral to our transition planning. We have worked closely with our clients to ensure that we understand their specific issues and to offer flexible, practical solutions. During this time, the strong relationship we have built with the Office of the Commissioner for Public Appointments has been invaluable, allowing us to apply the principles of the Commissioner's Code of Practice whilst making pragmatic adjustments to reflect the current fluidity of the health and social care sector. In all cases, however, we have applied a robust and vigorous process to ensure that all appointments continue to be made on the basis of merit alone. The expertise and judgment of our Appointments Commissioners and staff have been essential to the success of this process.

It has obviously been a difficult year for all our staff, particularly considering the organisational growth we had planned. Our approach to managing the transition period has been characterised by a commitment to open and timely staff communications that I have led personally. Alongside a programme of weekly briefings and regular staff meetings, we have established a web-based intranet site dedicated to providing information about our transition. Together with our Staff Consultative Committee we have worked hard to ensure that consultations with staff regarding our management of change have been engaging and meaningful.

Utilising internal expertise, we have also developed a comprehensive programme of staff support. While many of our employees will remain with the organisation until 2012, some will leave before then and I firmly believe that we have a duty of care to these individuals to ensure they are able to move forward with their future plans and careers. This programme has been based around three key themes: essential elements of job hunting, considering other options and planning for retirement. The Department of Health has recognised the value of the support we have been providing by authorising us to extend its delivery to the wider health arm's length body sector. This will ensure that these organisations will receive essential outplacement support at a time of significant change.

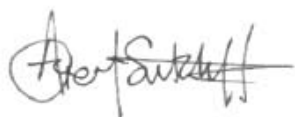
The Department of Health is also utilising the Commission's expertise in recruitment and selection to deliver a Transition Resourcing service to support the establishment of the new arm's length bodies arising from the Government's proposed reforms of the health and social care sector. I am delighted that the Commission's value continues to be recognised and that we have an active role to play in the ongoing structural development of the health service. This involvement has also allowed us to offer extended employment to some staff who would otherwise have been made redundant in March 2011.

Preserving the legacy of the Commission is essential. I am proud to say our considerable contribution to the world of public appointments is widely appreciated. As the largest single appointing authority, the Commission has made more public appointments than any other organisation and has developed skills, expertise and supporting functions that are not currently available elsewhere in the public sector. We have initiated work with the Department of Health and the Cabinet Office to ensure that our corporate knowledge is not lost and will continue to benefit the public appointments community after we have gone.

Despite the many recent challenges we have had to overcome, I am optimistic about 2011/12 for the Commission. Every part of the health and social care system is facing change and we have a pivotal contribution to make in supporting other organisations through this transition period. We will continue to appoint high-quality, diverse chairs and non-executives and promote good governance throughout the NHS. In addition, we will help to deliver sectoral change through the provision of outplacement services to the Department of Health arm's length body family and transition resource support. Finally, we must manage our organisational closedown and secure our legacy handover.

We could not have got through the past year without the tremendous efforts of all involved with the Appointments Commission. Our Board has been instrumental in agreeing a transition plan that supports the organisation until its closure and I very much appreciate the guidance and challenge that they have provided. Our Commissioners have continued to support chairs and non-executives in the field in a changing and complex environment. In the most difficult and uncertain of personal circumstances, our senior management team and staff have pulled together to ensure that the Appointments Commission maintains an excellent service to all its customers and clients. Beyond this, they have supported one another in readiness for 2011/12 and have done so with great professionalism.

We have a lot to achieve as we enter 2011/12 but I am confident that the Appointments Commission will do so knowing that we can still make a very real difference.



**Andrea Sutcliffe**  
Chief Executive



## About the Appointments Commission

The strategic intent of the Appointments Commission is to build better public sector boards through the:

- Delivery of high quality appointments
  - Attracting good candidates from diverse backgrounds
  - Meeting client requirements
  - Operating a fair, transparent and rigorous appointments framework
- Provision of expert advice and support on governance issues
- Delivery of training and development

## Who We Are

The Appointments Commission is the independent arm's length body established by the Department of Health 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. We competitively provide recruitment and selection services for foundation trusts and other government departments. In addition, we deliver induction programmes for new appointees and support good public sector governance, primarily in the NHS.

The Appointments Commission has evolved significantly since it was created in 2001. We have a reputation for impartiality and fairness; the expertise of our Appointments Commissioners and staff is widely acknowledged and in recent years we have concentrated on providing a responsive and customer focused service that we know is appreciated by those with whom we work.

## The Department of Health Arm's Length Body Review

In July 2010 the Department of Health published the outcome of its review of Arm's Length Bodies (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 include 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 future role for the Appointments Commission. As a result, pending the passage of the Health and Social Care Bill, the Appointments Commission will be abolished during 2012. The review of the Appointments Commission made 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 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 Bill. This was presented to Parliament in January 2011 and is currently progressing through the Parliamentary stages.

## Appointments Commission Transition Period

Following the Department of Health ALB review, the Appointments Commission began to take the necessary steps towards planning for its abolition. Integral to this has been a comprehensive Transition Plan which has taken into account the changing environment in which we are now operating. Produced in collaboration with the Department of Health, the plan outlines significant decreases in activity, resources and staff numbers and sets out what we expect to achieve in our final 18 months. It also looks beyond 2012 to our legacy planning.

The Transition Plan updated the Business Plan for 2010/11, replaced the Strategic Plan for 2010 to 2013 and established the Business Plan for 2011/12. It was developed in line with the following set of guiding principles:

- Preserving our high standard of customer care
- Managing the transition period well and supporting our staff
- Optimising the legacy of the Appointments Commission

The Transition Plan has been approved by the Commission's Board and the Department of Health but will be kept under review to ensure that we continue to respond flexibly to changing circumstances. It is supported by additional plans focusing on key areas including finance, estates and information governance.

## Highlights of the Year

- 29,325 people registered on our database
- 146 new individuals signed up to our talent pool
- Collaborated with a range of diversity organisations to promote public appointments

Attracting good quality candidates from diverse backgrounds

- 6,180 applications received
- 95% of applications received through e-Recruitment system
- 744 appointments made on behalf of the Secretary of State for Health
- Delivered 47 campaigns for foundation trusts and government departments

Operating a fair, transparent & rigorous appointment framework that meets client requirements

### Building better public sector boards

Delivery of training and development

- 419 appointees taken part in induction programme
- 22 development events held throughout the country
- 98% positive feedback for events

Provision of expert advice and support on governance

- Formally responded to consultation on *Equity and excellence: Liberating the NHS*
- Provided advice to the Department of Health in the development of guidance for the NHS on implementing PCT clusters

## Review of the Year

### Candidate Development

The Appointments Commission is committed to promoting public appointments to a wide range of people to encourage applications for these challenging roles. Throughout the year, our dedicated Candidate Development team continued with its strategy to improve the overall quality and diversity of boards.

We continued to encourage large employers to promote public appointments to their senior managers through our 'Developing Leaders' initiative. If successful in being appointed, employees gain a valuable insight into the public sector, experience board-level working and can make a real contribution to their community. Employers see this opportunity as an ideal way to develop their people and demonstrate their corporate social responsibility. The public body benefits from the fresh perspective that these individuals can bring. It is a win-win situation for all concerned.

We have also continued our work with 'near hits' to support those people who have applied for posts previously and have many of the skills and experience required but who lost out on the day to a better qualified candidate. We want to retain the interest of these talented people and the Candidate Development team has worked with them to provide support and encourage them to apply for other posts.

In addition, we have maintained our focus on developing our relationships with professional networks and with those networks that have a particular interest in improving the diversity of those appointed to public sector boards.

### Recruitment and Selection

#### Service Delivery

This has been a challenging year for recruitment and selection within the Commission. The Health White Paper *Equity and excellence: Liberating the NHS*, which was published in July, set out the new Coalition Government's proposals to change radically the way the health service is managed. There were significant implications for the governance structures of the NHS which in turn had a substantial effect on our recruitment and selection activity.

For Strategic Health Authorities and Primary Care Trusts, which are due to be abolished by April 2012 and 2013 respectively pending the passage of the Health and Social Care Bill, we have concentrated on supporting board governance through reappointments and interim appointments. This will ensure that these organisations are still able to provide strategic leadership to the NHS whilst they are in transition. The focus of NHS Trusts and new providers is now either moving towards foundation trust or social enterprise status by 2014 or being absorbed into other existing organisations.

For much of this year and in addition to our core appointment activity, a key element of our work has been the provision of support, guidance and advice. To achieve this, our staff have worked hard to keep pace with changes and to understand their implications for the various organisations. This has ensured that any new appointments or reappointments are being done in a way that is sympathetic to the individual needs of organisations as they look to implement the vision set out in *Equity and excellence: Liberating the NHS*.

## Recruitment Services

All the information packs for vacancies that we manage are available to download from our website and prospective applicants are encouraged to apply online using our e-Recruitment system. Our intuitive online system offers convenient 24-hour access and 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 more efficient, secure and environmentally friendly for both users and the organisation, particularly as it reduces the reliance on paper copies and the postal service. The system will also send alerts and reminders to registered users, particularly helpful when reminding an applicant about a vacancy's upcoming closing date or incomplete application form. Information packs are also available in alternative formats, including large print, Braille and audio tape.

All live posts are featured on our website and weekly email alerts, including information about all current vacancies, are sent to over 29,000 people registered with personal accounts. This has been particularly valuable in light of the cross-government efficiency measures put in place by the Coalition Government as it has reduced our need to use costly external media to promote our roles.

Throughout the year, we have processed over 5,900 online application forms and an additional 279 hard copy forms.

## Health and Social Care

Our campaign management activity to deliver new appointments for local NHS organisations and national health and social care bodies has declined due to the environment in which we are currently operating. However, as a consequence of events this year we have seen an increase in reappointments and interim appointments. This is owing to organisations throughout the sector needing to respond to the structural changes set out by the Coalition Government.

Throughout the year, we have appointed, or reappointed, 702 chairs and non-executives within the health and social care sector. We have also managed 52 related appointments such as charity trustees and independent committee members. Alongside working with NHS organisations throughout the country, campaigns have been successfully completed for a number of national Department of Health bodies including chair appointments for the Care Quality Commission and Monitor.

In the context of the significant transition underway within the health and social care 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. We have worked closely with the Commissioner for Public Appointments to ensure that all appointments are made in accordance with the Commissioner's Code of Practice, applying flexibility where needed.

## Foundation Trusts

The Commission has continued to provide services to Foundation Trusts for their non-executive recruitment. We have represented 29% of all Foundation Trusts, delivering 33 campaigns with total income of £297,000. Satisfaction with the services provided continues to be high with 100% of those responding to our end of campaign survey saying they would recommend us to other organisations and 83% rating our services as 'excellent' or 'very good'.

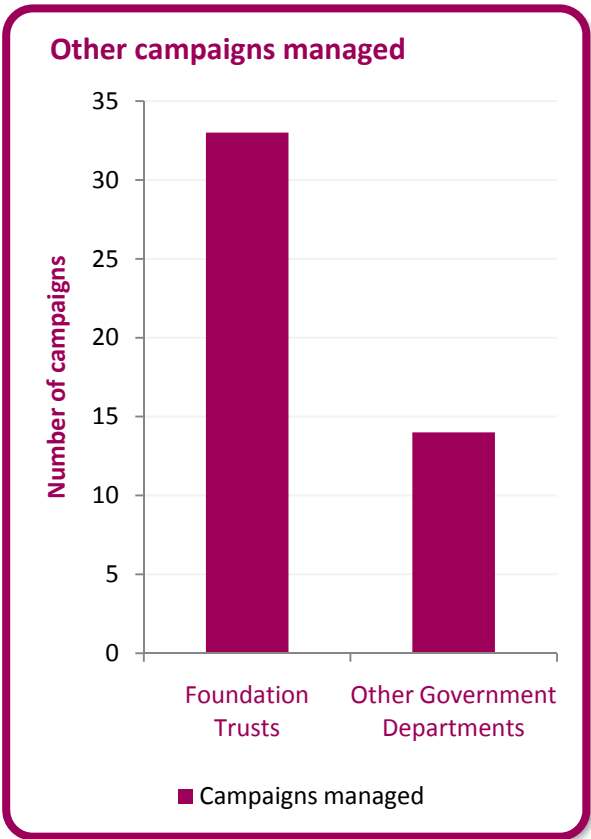
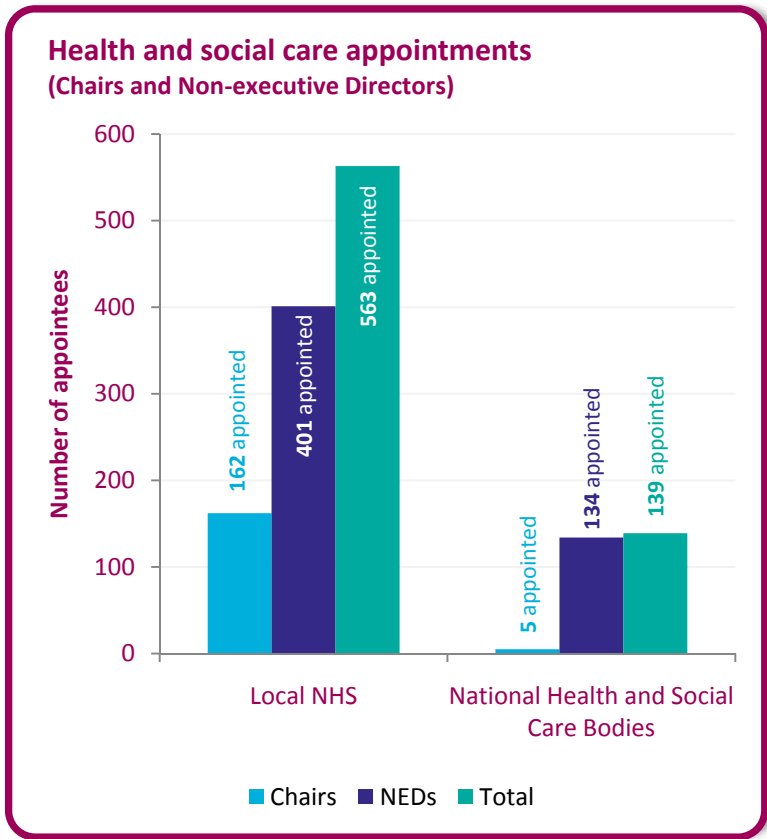
We have adapted and reduced our marketing activity in response to the news regarding the future of the Commission. This has resulted in lower than anticipated levels of activity.

We have continued to offer Governor training to clients and delivered five events which were well received.

## Other Government Departments

As a result of efforts made earlier in the year to raise the profile of the Appointments Commission in Whitehall, we have delivered 14 campaigns in what has been a very difficult and uncertain year for government departments. We have continued to maintain our strong links, particularly with the Home Office and the newly named Department for Education. We have delivered some particularly high profile campaigns, such as the chairs for Ofqual and Ofsted and members for the Advisory Committee on the Misuse of Drugs. More recently, we have managed campaigns for the Pay Review Bodies for the Prison Service, School Teachers and the Armed Forces.

The first half of the year was particularly quiet as the new Coalition Government evaluated their departments, committees and various bodies, however this picked up as we progressed into the second half of the year.



## Service Improvement

The e-Recruitment system has been delivered under warranty with modifications to ensure it matches our business needs and processes. We now have a central data repository for all local NHS and national health and social care appointment activity. Campaign activity, correspondence, complaints and compliance can also be recorded and monitored centrally with system generated reminders for staff.

The standardisation of process and system led activity also supports staff movement between roles which increases flexibility across all processes. This function will also facilitate the handover of legacy documentation to the Department of Health and provides the potential to transfer all or part of the system to a centralised government department for continued public appointments use.

## Monitoring the Diversity of Public Appointments

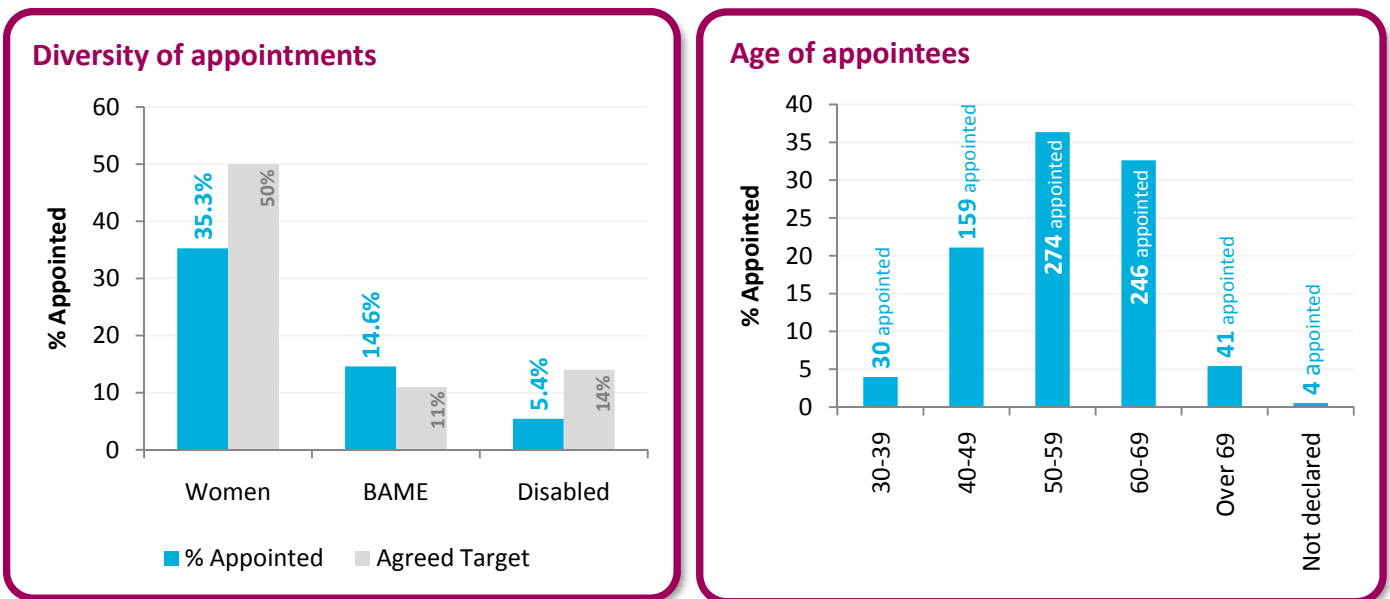
At the Commission, we regularly monitor our performance in relation to the diversity of appointments made in the health and social care communities against challenging key performance indicators agreed with the Department of Health. The figures throughout this section relate to appointments made by the 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 35.3%. This compares to 35.1% last year.

We have seen an increase in the number of people appointed from black, Asian and minority ethnic (BAME) communities, which is now 14.6%. This compares to 11.7% last year.

The percentage of disabled people we appointed this year was 5.4% which represents an increase from last year when 3.5% of those appointed were disabled.

The average age of appointees remains between 50 and 59. While the age profile of appointees does vary from year to year, it has not changed significantly.

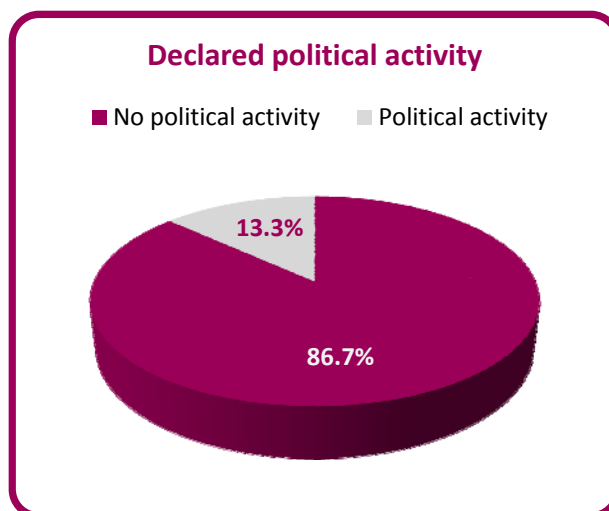




## Declaration of Political Activity

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

At 86.7%, a significant majority of those appointed declared that they have not undertaken any political activity in the last year. This figure has decreased slightly from 90.6% last year.



## Complaints

The Commission received 17 complaints during the year, representing 0.27% of applications received. This compares with 48 complaints during 2009/10, accounting for 0.40% of applications received. Much of the decrease can be attributed to improvements in our systems and practices, but also to the lower level of activity experienced since the announcement that the Appointments Commission is to be wound down in 2012.

Of the 17 complaints, only two were upheld in full and one more was upheld in part. No complaints were referred to the Commissioner for Public Appointments, compared to one case in 2009/10.

Issues around 'merit' and 'openness and transparency' continue to provoke the majority of complaints. Those about 'merit' were mainly from applicants disappointed at either the short listing or interview stages. Those relating to 'openness and transparency' generally contained criticisms of the appointments process, the vacancy information packs, advertisements or selection criteria.

14 complainants received a substantive response within our 20-day deadline. Where this was not possible, the complainant was informed of the additional delay and apologies offered.

Complaints are an important element of our service improvement programme. Where complaints are upheld, we identify the corrective action to be taken and ensure that our procedures are amended if necessary. Very often complaints, even if they are not upheld, will help us to identify service improvements. For example, in response to feedback that we have received about the interview process, we introduced a pre-interview telephone call for all candidates to ensure they have all the necessary information and measures in place to facilitate a positive interview experience.



## Training and Development

### The Year-Long Induction Programme

During 2010/11 the Commission continued to provide its now well established year-long 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 role.

The National Training Group (NTG) continued to review training programmes and their subsequent effectiveness. The NTG includes representatives from all the Strategic Health Authority areas covering acute, mental health, and primary care trusts, as well as Monitor and the NHS Institute for Innovation and Improvement. It is chaired by Appointments Commissioner Gareth Hadley.

In addition, the Appointments Commission works closely with Strategic Health Authorities and local NHS representatives to ensure that our development programme complements any other training that chairs and non-executives may receive.

Looking forward, we will continue to run an induction programme to support new appointees, covering all aspects of knowledge and development needed. However, the structure and length of the programme will be 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

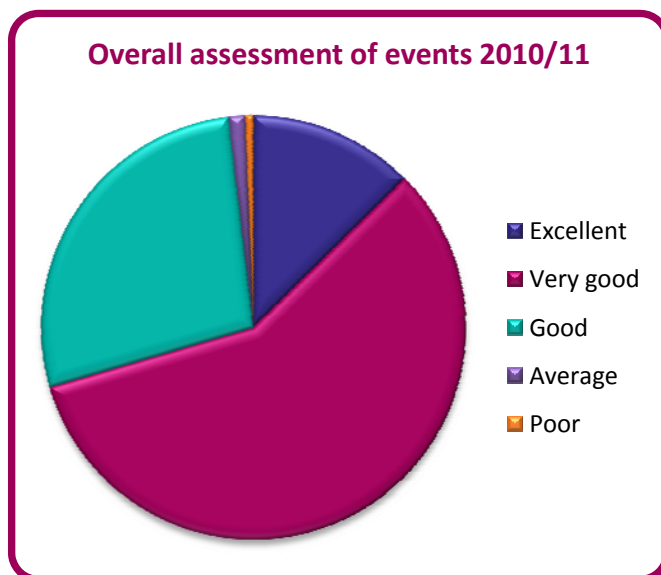
During 2010/11 we organised 22 development events for 419 chairs and non-executives.

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 continues to attract a high level of attendance with an average of 26 delegates at each event and an 81% overall attendance figure.

The two-day event for new chairs, which is designed to offer a more concentrated and focused environment, has an equally strong attendance rate, with 88% of all newly appointed chairs participating. This course is much more intimate – typically seven delegates attend each event. This smaller working group ensures that we are able to focus on the specific needs of chairs and the complex and challenging environment in which they operate.

In addition to these well-established residential events, in 2010/11 our new case-study based one-day end-of-year event became an integral part of induction. During the year, we ran 11 such events with around 20 delegates at each.

Over 90% of delegates who have attended induction related events have completed an event evaluation. The feedback was consistently positive, with 98% of delegates rating the events as 'good', 'very good' or 'excellent'.



## New Services

### Outplacement Support Service

In October 2010 the Appointments Commission began to provide outplacement support to ALBs across the health sector. This new service began as an internal support mechanism for our own staff following the announcement of our abolition, but it soon became obvious that it could usefully be rolled out to support staff across the ALB community.

With the support of the Department of Health we began work on a pilot scheme for the National Patient Safety Agency, providing a mix of one-to-one and group workshops on site in their London office. Workshops covered a broad range of job-hunting essentials such as writing effective CVs and applications; interview technique; social networking and job hunting online; psychometric testing and delivering presentations for interview. We also invited external speakers, the majority of whom gave their time for free, to deliver seminars on topics such as starting your own business; working for a charity; and repackaging yourself for the private sector.

Feedback from all sessions was taken using an online, anonymous survey tool and has been extremely good. When asked 'How useful did you find the sessions' and 'How likely are you to put the learning into effect', average ratings have been between 8.4 – 9 out of a maximum of 10.

Since this initial pilot we have also commenced work for the NHS Business Services Authority, NHS Blood and Transplant and the National Clinical Assessment Service. Further work is planned for 2011/12 with other bodies.

## Governance, Policy and Advice

### Working with the Office of the Commissioner for Public Appointments

During 2010/11, we worked closely with the Office of the Commissioner for Public Appointments to ensure that the regulatory framework provided by the Commissioner's Code of Practice for making public appointments could be used flexibly to support NHS organisations and national Department of Health bodies move to the new arrangements. A number of flexibilities to the Code of Practice were agreed with the Commissioner to ensure the Commission could continue to provide an effective, responsive and proportionate service that met the needs of organisations in the new operating environment.

### *Equity and excellence: Liberating the NHS*

In October 2010, the Commission formally responded to the Government's consultation on its White Paper, *Equity and excellence: Liberating the NHS*. Our feedback focused on two key themes: maintaining and promoting good governance during the transition to new arrangements and beyond, as well as identifying potential risks and how these could be effectively managed during the transition and into the future.

In December 2010, the Government published an overview of responses received during the consultation and explains how they have influenced the Government's thinking. The document made specific reference to a passage from the Commission's consultation response:

*"GP consortia will need to demonstrate to their GP members, patients and the tax-paying public that they are discharging [their] functions responsibly and in the best interests of patients and the public".*

In light of this comment, the Government said in its formal response to the consultation that it “fully agrees with these principles”. The response went on to say that “the Government’s objective is to ensure that there are clear and transparent arrangements for the governance of GP consortia, whilst at the same time recognising that different styles of governance will suit different organisations.”

### **Advice on non-executive issues to support formation of PCT clusters**

At the start of 2011, the Commission worked closely with the Department of Health in the development of guidance for the NHS on implementing primary care trust clusters, as set out in the NHS Operating Framework 2011/12. The guidance set out advice and support on non-executive issues relating to clustering. It included core principles to guide the design, governance and implementation of clusters at local level and potential governance models for non-executive involvement in clusters. In addition, it highlighted some of the implementation arrangements that needed to be considered, for example, to ensure individual PCT boards continue to fulfill their statutory requirements until dissolution. This guidance, alongside expert advice from our Appointments Commissioners and staff, has proved extremely valuable in supporting PCTs with their cluster arrangements.

## **Organisational Development**

In July 2010, the Government published the Health White Paper *Equity and excellence: Liberating the NHS* which heralded wholesale structural changes to the NHS and the consequent abolition of the Appointments Commission. Virtually overnight, we moved from being an organisation focused on delivering excellent services and looking to expand and develop to one that would close within two years.

This complete reversal in the planned trajectory of the organisation presented the management team of the Commission with a huge challenge. We needed to change focus from potential development and expansion to wind down and closure while maintaining our high levels of service in a complex and shifting environment. At the same time, restrictions on public spending were already beginning to reduce activity and income. All this required a new organisational structure for the final year of the Commission’s existence. Those without a role in the new organisational structure would be made redundant at the end of March 2011, while the remaining staff would need to be motivated and committed to delivering a professional service before being made redundant the following year.

The key to our approach to managing the transition has been a commitment to open, honest and timely communications with staff, led personally by the Chief Executive. They have included:

- Establishing a Staff Consultation Committee with staff representatives to discuss emerging plans and implementation policies
- Meaningful consultation with all staff on key elements of the programme including the new organisational structure and Management of Change Policy. Detailed feedback has been provided to staff and staff comments led to changes to the structure and improved clarity in policy documents
- A range of communications from the Chief Executive including staff meetings, weekly updates and personal letters
- Development of a web-based intranet site on ‘Huddle.net’ providing key documents, informative whiteboards and shared space for comments and feedback

A comprehensive programme of support has also been developed including one-to-one meetings for all staff with senior management team members; a staff development day to help staff prepare for the future; and a comprehensive programme of individual and group training sessions on topics such as CV writing, interview techniques and psychometric testing.

In addition, we have sought to strengthen the skills and experience of individual staff by securing secondment opportunities with partner organisations or providing the chance to enhance their current roles.

## Legacy

As the Appointments Commission prepares for its proposed abolition in 2012 we are keen to ensure the public sector and, in particular, those who will remain involved in public appointments, continue to benefit from the work we have done. It is widely recognised that the Commission has made a considerable contribution to the world of public appointments. As the largest single appointing authority, we have made more public appointments than any other organisation and have developed skills, expertise and supporting functions that are not replicated anywhere else in the public sector.

With the full support of our sponsors at the Department of Health, we have established a legacy project to preserve our corporate knowledge. This will enable the Cabinet Office, which has the lead on public appointments across government, and others with an interest in this field to benefit from the Commission's experience, ideas and products after we have been abolished.

There are a number of elements to the legacy project, including:

- A range of public appointment toolkits to provide practical advice on a range of topics including induction, appraisal and reappointment
- Working with the Cabinet Office to support them with the establishment of a government-wide talent pool for public appointments

The Commission's Board receives regular updates on the development of our legacy products to ensure every effort is made to maximise the return on the investment made over the past ten years since we were established.

## Management Commentary

The accounts for the year ended 31 March 2011 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 as a Special Health Authority in 2001 with the purpose of making appointments of chairs and non-executives to the boards of NHS trusts and Health Authorities in England, and any other duties as directed by the Secretary of State. The Health Act 2006 abolished the NHS Appointments Commission with effect from 1 October 2006 and replaced it with a non-departmental public body called the Appointments Commission. The Commission has greater freedoms which allow it to undertake all the same work as before, as well as extending its remit to other government departments.

Since 2002 the Commission had provided a programme of training and development for all chairs and non-executives. Following the Commission's strategic review in 2007 it was agreed that the Commission would retain responsibility for the induction of new NHS appointees for their first year and then ongoing training would be the responsibility of the Strategic Health Authorities. Induction training for new appointees to local NHS posts is funded by a charge to their organisations. Other organisations can also choose to participate in the Commission's induction process.

During 2010/11 the planned abolition of the Commission was announced; this is expected to happen in 2012 subject to the passage of the Health and Social Care Bill. The Commission has revised its Business Plan to ensure that it supports the ongoing appointments work required until 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 2011/12. 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 proposed abolition have allowed the accounts for the year ended 31 March 2011 to be prepared on the going concern basis whilst recognising the material uncertainty around the Commission's future which is expected to be crystallised in the Health and Social Care Bill.

Opportunities have arisen as part of the wider NHS changes to develop time-limited new work streams that provide outplacement support to staff at other Arms Length Bodies and also to provide an administrative service to the transition of staff between NHS and Department of Health bodies as the overall structure of the health service is changed.

### Review of activities

During the year the Commission had a total expenditure of £6,061,000 (2009/10: £6,262,000) and fee income of £1,428,000 (2009/10: £2,746,000). The largest area of expenditure covers the recruitment and appointment activities that the Commission carries out for NHS and Department of Health (DH) clients for whom the Commission is responsible for making appointments. This work is funded by grant in aid and by fees charged to DH clients. The Commission also provides policy and governance advice to the Department of Health. Recruitment activities are 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 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 fees charged for these areas of work.

Provisions of £1,436,000 have been 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 has put the Commission into a position of net liabilities, which will be financed from future Department of Health funding.

The Commission had a funding limit of £6,383,000 (2009/10: £3,950,000) from the Department of Health which included specific amounts to cover the initial estimates of provisions required for the expected costs of abolition. As a result of reduced operational activity during the year and final agreement of expected closure costs there was an underspend of £1,750,000 against the allocation.

## **Staff**

The Commission had an average of 54 whole time equivalent staff over the year. We maintain a range of staff policies and a review of these has continued during the year to ensure that they are up to date and reflect current best practice. New policies were consulted on and introduced during the year to deal with the abolition of the Commission, and the changes that this entails. As a result of the planned abolition and the associated revised staffing requirements, seven staff were made redundant at 31 March 2011 and two left earlier in the year under the centrally agreed Mutually Agreed Resignation Scheme.

The annual staff survey was repeated and plans have been developed for dealing with issues and suggestions that have arisen from it. During the year, an average of 11.9 working days per employee were lost through sickness.

## **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.

## **Other information**

Details of Commissioners, Board members and Audit Committee members can be found in Appendix 1 on page 48. The appendix also shows attendance records for Board and Audit Committee members. Details of remuneration for Commissioners and Board members are given in the report on page 19. Details of the pension scheme can be found in note 1.8 to the accounts.

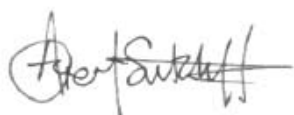
The Commission is not aware of any incidents during the year related to loss or unauthorised disclosure of protected personal data.

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 Health Act 2006. The audit certificate is on page 28. The cost of the audit was £30,080.

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.



**Andrea Sutcliffe**

Chief Executive

14 June 2011

## 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 Department of Health. In addition, payment is occasionally made to Commissioners for their participation in work that is additional to the work expected and 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.

### 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	1/04/07	31/03/11	4 years	(a)
<b>Commissioner, Non-executive Director and Vice Chair</b>				
Mrs M Scott	1/04/07	31/03/11	4 years	(a)
<b>Non-executive Directors</b>				
Mr D Cain	1/04/10	31/03/13	3 years	
Mrs J Robertson	1/10/08	30/09/12	4 years	
Mrs B Thayer	1/10/08	30/09/12	4 years	
<b>Commissioners</b>				
Mrs P Bennett	1/04/10	31/03/14	4 years	
Mrs M Hughes	30/04/10	29/04/14	4 years	
Mr G Hadley	30/04/07	29/04/11	4 years	(b)
Mrs A Lloyd	5/02/09	4/02/13	4 years	

(a) Ms Watts and Mrs Scott have been reappointed from 1/04/11 to 31/03/12

(b) Mr Hadley has been reappointed from 30/04/11 to 31/03/12

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 all require six months notice, except for the Finance Manager whose contract requires three months notice.

### Remuneration Committee

The Remuneration Committee comprises the Chair and the three 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.

### Remuneration for the year ended 31 March 2011

The following tables show the remuneration and pension benefits for the year ended 31 March 2011 and are subject to audit.

Name and title	Year ended 31/3/11		Year ended 31/3/10	
	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	0 - 5	30 - 35	0
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
Mrs M Hughes (Commissioner)	30 - 35	0 - 5	30 - 35	5 - 10
Mrs A Lloyd (Commissioner)	30 - 35	0 - 5	30 - 35	0
Mrs J Robertson (Non executive)	5 - 10	0	5 - 10	0
Mrs M Scott (Non executive & Commissioner)	30 - 35	0	30 - 35	0 - 5
Mrs B Thayer (Non executive)	5 - 10	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 L Shadford (Finance Manager)	55 - 60	0	50 - 55	0
Ms R Smith (Commercial Director) (a)	70 - 75	0	70 - 75	0
Mr M Taylor (Commissioner) (b)	0	0	30 - 35	0 - 5

(a) Ms Smith works on a part time basis, for four full days per week

(b) Mr Taylor resigned with effect from 31 March 2010



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.

Except for the Finance Manager who is on NHS Agenda for Change terms and conditions and who received an inflationary increase during the year, none of the other individuals above received any increase in remuneration over the 2009/10 amounts.

None of these people received benefits in kind in the period.

### 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 2011 (bands of £5,000)	Lump sum at age 60 related to accrued pensions at 31 March 2011 (bands of £5,000)	Cash Equivalent Transfer value at 31 March 2011	Cash Equivalent Transfer value at 31 March 2010	Real (decrease) /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	2.5 – 5	15-20	45 -50	246	264	(18)	(13)
Mrs J Scanlan	0 – 2.5	2.5 – 5	30-35	95 -100	572	612	(40)	(29)
Ms L Shadford	0 – 2.5	2.5– 5	10 - 15	35 - 40	197	202	(5)	(4)
Ms R Smith	0 – 2.5	0	0 - 5	0	19	14	5	4

Further details of the pension scheme can be found in note 1.8 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 the NHS Pension Agency.

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 of June 2010 the Chancellor announced that the uprating of public sector pensions would change from the Retail Prices Index to the Consumer Prices Index, with the change expected from April 2011. As a result the Government Actuaries Department undertook a review of all transfer factors. The new CETV factors have been used by the NHS Pensions Agency in providing calculations for 2010/11 and are lower than factors used previously. Therefore the value of CETV for some members has fallen since 31 March 2010.



**Andrea Sutcliffe**

Chief Executive

14 June 2011

## 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 proposed abolition of the Appointments Commission during 2012, which is subject to legislation, the Department of Health has confirmed the funding required by the Commission in order to continue its activities through 2011/12. 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 proposed abolition have allowed the accounts for the year ended 31 March 2011 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.

## Statement on internal control - year ended 31 March 2011

### 1. Scope of responsibility

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.

In making this statement on internal control I have reviewed the documentation for the whole of the relevant period, including internal audit reports, and consulted external auditors.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Appointments Commission for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

### 3. Capacity to handle risk

As the Chief Executive and Accounting Officer I am ultimately accountable for all risks of the Commission and responsible for taking the lead in the risk management process and having in place effective systems of risk management and internal control.

The core business of the Commission is making public appointments. 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 based on the Code of Practice issued by the Commissioner for Public Appointments and 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 relevant appointments have complied with the Code.

In addition, procedures are regularly updated in the light of suggested improvements, issues or complaints arising or as the result of audit recommendations. The Commission's Policy Committee, which I chair, meets regularly to discuss and approve policies which are then incorporated into standard operating procedures. 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 specified circumstances. The Commission applied these flexibilities from September 2010 and provided quarterly reports to the Commissioner.

The Commission maintains a risk register which is updated in full each month by the senior team and reviewed as a standard item at every senior team meeting, together with a review of issues and incidents. The full register is

considered at each Audit Committee meeting and progress on all high level risks is reported to every Board meeting, 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.

Specific major projects, such as the IT project, maintain their own risk registers and project management structures. Content of these registers is amalgamated with the main register for reporting purposes.

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

As Chief Executive I have ultimate responsibility for risk management in the Commission and ensure that the Commission has in place effective systems of risk management and internal control.

On behalf of the Board, the Audit Committee reviews the establishment and maintenance of an effective system of internal control and risk management. The Committee reviews the adequacy of all risk and control related disclosure statements, together with any accompanying Internal Audit statements, prior to endorsement by the Board.

Other regular reports, such as performance indicators, balanced scorecard and summaries of complaints are produced for the senior team meetings, Board meetings and for discussion at regular performance meetings with the Commission's sponsor branch from the Department of Health.

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

Previously I have noted that there had been some particular issues around the project management of the IT upgrade during 2008/09 that had led to slippage in the expected timescale for implementation of the project. Internal audit reviewed these arrangements and made a number of recommendations designed to strengthen our project management approach and during 2009/10, we took a number of measures to address these weaknesses. These measures included the appointment of a dedicated project manager, the secondment of the Head of Recruitment and Selection Services to lead the business development of the new system, a monthly Project Board which I chair, regular progress reports and weekly project team meetings. These arrangements have continued through 2010/11 to the completion of the project and have meant that when problems have arisen they have been dealt with effectively with the appropriate involvement of senior staff and good liaison with the supplier.

Learning from this experience, the Commission has established a more rigorous project management approach towards other major pieces of work, such as the review of the advertising contract, and has also run project management training for staff.

The development of our online recruitment system has given us the opportunity to review our key operational processes and to consider fully the operational and data security risks that need to be managed within the new system.

Last year I noted that our internal auditors had identified a number of weaknesses in the controls relating to the Commission's outsourced financial services provider. These related in part to procedures within the service provider and also to our oversight and control of the service agreement between us. These issues did not result in substantive errors but led us to require improvements from our service provider and to review and improve

how we monitor service standards. The internal auditors have reviewed controls again this year and reported that substantial levels of assurance can now be placed in the controls. We are, however, aware that in a time of change both at the Commission and at the service provider we need to remain assured that controls are maintained and any emerging issues are identified and dealt with as early as possible.

Following the General Election in May 2010 and the establishment of the Coalition Government it was announced in July 2010 that the Commission was to be abolished, with the expected date of closure at 31 March 2012. As a result of this announcement there was a need to revise our Business Plan and we subsequently developed a Transition Business Plan covering the period through to abolition. This plan contains a risk assessment of our new environment that has been incorporated into the main risk register. The Board, Audit Committee and Commissioners have been involved in the development and approval of the Transition Plan and the final version of the plan was approved by the Department of Health in March 2011.

The Transition Plan set out reduced expenditure plans in response to lower than expected activity levels for public appointments and training, which required reduced staffing levels. A new Management of Change Policy was developed to deal with the issues of staffing and redundancy. This was consulted upon with staff and agreed by the Board in November 2010. A revised organisational structure to be effective from 1 April 2011 was also developed and consulted upon. Following agreement of the new structure by the Board in November 2010, the Management of Change Policy was implemented to identify staff who would have posts in the new structure and those who would be made redundant. The Commission's Remuneration Committee approved the final proposals and costs in December 2010 which were also approved by the Department of Health's Governance and Assurance Committee.

Throughout this period we kept the Department of Health informed of progress with the development and implementation of the plans and also of the estimated costs of staff redundancy and closure of the Commission as these were beyond the initial grant in aid allocation for the year.

In addition to the core work of the Commission, the Transition Plan has been revised to take into account two new areas of work. The first is the provision of Outplacement Support Services, commissioned by the Department of Health for the health and social care Arm's Length Bodies. The second is the establishment of the Transition Resourcing Team, commissioned by the Department of Health, to support the appointment of staff to the new bodies proposed by the Government in the Health and Social Care Bill. A careful risk assessment was undertaken by the Senior Management Team and the Board to ensure that the Commission had sufficient capacity and skills to deliver and manage these new services effectively.

The senior team is responsible for ensuring that risk assessment is a continuous and regular process within the Commission. Managers are also responsible for developing both their own and their staff members' awareness of, and response to, risk. Staff are familiar with all relevant Commission policies and procedures designed to minimise risk. If staff see a risk or problem they are expected to take responsibility for dealing with the issue or reporting it to the appropriate person.

Risks are identified in a variety of ways, including by general and ongoing review of operations, evaluation of new opportunities and developments and by assessment of complaints and incidents. When items are added to the risk register their relative likelihood and potential impact are assessed and then these assessments are reviewed by the senior team on at least a monthly basis, and more frequently if appropriate. The risk register also summarises actions taken to mitigate identified risks. Risks are also re-assessed in conjunction with the preparation and monitoring of the Business Plan.

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.

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is 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.


My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance and on the controls reviewed as part of the internal audit work. Senior managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

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

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. In addition the Commission's complaints procedure ensures that I am aware of particular issues that may be arising and that need acting upon.

The Audit Committee on behalf of the Board maintains an overview of the risk register and of the overall progress that is being made in improving internal controls.

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. 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 reaction to events and changes to internal controls can be made without delay when necessary and therefore I can have assurance that issues are being addressed effectively.



**Andrea Sutcliffe**

Chief Executive

14 June 2011

## **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 2011 under the Health Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Chief Executive and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the 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.

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

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Appointments Commission's affairs as at 31 March 2011 and of its 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.



## Emphasis of Matter – Going Concern

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 proposed abolition of the Appointments Commission. This proposal indicates the existence of a material uncertainty which casts significant doubt on the ability of Appointments Commission to continue as a going concern. The financial statements do not include the adjustments that would result if the Appointments Commission was unable to continue as a going concern.

## 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 issued under the Health Act 2006; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

## Amyas C E Morse

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

20 June 2011

# **Financial Statements**

**2010-2011**

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Notes	31 March 2011 £000	31 March 2010 Restated £000
<b>Expenditure</b>			
Staff costs	3	2,598	2,301
Depreciation	4	322	172
Other Expenditures	4	<u>3,141</u>	<u>3,789</u>
		<b>6,061</b>	6,262
<b>Income from activities</b>	6	<u>(1,428)</u>	<u>(2,746)</u>
<b>Net expenditure</b>		<u><b>4,633</b></u>	<u>3,516</u>

The notes on pages 35-47 form part of these accounts

See note 22 for details of the restatement of comparative figures

## Statement of Financial Position as at 31 March 2011

	Notes	31 March 2011 £000	31 March 2010 £000
<b>Non-current assets</b>			
Property, plant and equipment	7.1	162	342
Intangible assets	7.2	144	298
<b>Total non-current assets</b>		<b>306</b>	<b>640</b>
<b>Current assets:</b>			
Trade and other receivables	9	635	1,229
Cash and cash equivalents	10	93	505
<b>Total current assets</b>		<b>728</b>	<b>1,734</b>
<b>Total assets</b>		<b>1,034</b>	<b>2,374</b>
<b>Current Liabilities</b>			
Trade and other payables	11	(518)	(1,469)
Provisions	12	0	(70)
<b>Total current liabilities</b>		<b>(518)</b>	<b>(1,539)</b>
<b>Non-current assets plus net current assets</b>		<b>516</b>	<b>835</b>
<b>Non-current liabilities</b>			
Provisions	12	(1514)	0
<b>Total non-current liabilities</b>		<b>(1514)</b>	<b>0</b>
<b>Assets less liabilities</b>		<b>(998)</b>	<b>835</b>
<b>Taxpayers equity</b>			
General reserve		(1,011)	822
Revaluation reserve		13	13
		<b>(998)</b>	<b>835</b>

The notes on pages 35-47 form part of these accounts



**Andrea Sutcliffe**  
Chief Executive

14 June 2011

## Statement of Cash Flows for the year ended 31 March 2011

	Notes	31 March 2011 £000	31 March 2010 Restated £000
<b>Cashflows from operating activities</b>			
Net operating costs		(4,633)	(3,516)
Adjustment for depreciation		322	172
Decrease/(Increase) in trade and other receivables		594	(96)
(Decrease)/Increase in trade and other payables		(854)	270
Use of provisions		1,444	(15)
<b>Net cashflows from operating activities</b>		<b>(3,127)</b>	<b>(3,185)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		0	(365)
Purchase of intangible assets		(85)	(174)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(85)</b>	<b>(539)</b>
<b>Cash flows from financing activities</b>			
Grants from Department of Health		2,800	3,910
<b>Increase/(decrease) in cash and cash equivalents in the year</b>		<b>(412)</b>	<b>186</b>
<b>Cash and cash equivalents at the start of period</b>		505	319
<b>Cash and cash equivalents at the end of the period</b>	10	93	505

The notes on pages 35-47 form part of these accounts

See note 22 for details of the restatement of comparative figures

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	General Fund £000	Revaluation Reserve £000	Total £000
Balance at 31 March 2009	428	13	441
<b>Changes in taxpayers equity for 2009/10</b>			
Net operating costs for the year (Restated)	(3,516)	0	(3,516)
Net Parliamentary funding from Dept of Health	<u>3,910</u>	<u>0</u>	<u>3,910</u>
<b>Balance at 31 March 2010</b>	<b><u>822</u></b>	<b><u>13</u></b>	<b><u>835</u></b>
<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><u>(1,011)</u></b>	<b><u>13</u></b>	<b><u>(998)</u></b>

*The notes on pages 35-47 form part of these accounts*

*See note 22 for details of the restatement of comparative figures*

# 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; this is expected to happen during 2012 but is subject to legislation. 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.

### 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.

Operating income is income which relates directly to the operating activities of the Commission. It 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. 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 Capital charges

In previous years a charge to reflect the cost of capital used has been included within operating costs. However, as part of the HM Treasury Alignment project it has been decided that from 2010/11 this will no longer be required. As a result of this change of policy the comparative figures for 2009/10 have been restated to remove the charge made previously. Normally this change of policy would require the presentation of three Statements of Financial Position, but as there is no impact on this statement HM Treasury have agreed that the additional Statement of Financial Position is not required.

### 1.5 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 proposed abolition of the Commission in 2012, 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 at the point of proposed abolition. As assets have been bought at different times, assigning them all the same end of life means that they have different effective assets lives.

### **1.6 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 so that it is fully written down at the point of abolition.

### **1.7 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.

### **1.8 Pension costs**

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

### **1.9 Provisions**

The Commission provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date 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 proposed 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.

### **1.10 Operating Leases**

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

### **1.11 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.



## **1.12 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 Arms 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.

## **1.13 International Financial Reporting Standards**

All IFRS standards, interpretations and amendments to published standards effective at 31 March 2011 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 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)
	<u>6,061</u>	<u>1,428</u>	<u>4,633</u>
<b>Year ended 31 March 2010 (Restated)</b>			
Promoting appointments, providing a recruitment service to statutory NHS clients	2,377	0	2,377
Promoting appointments, providing a recruitment service to fee paying clients	2,445	2,455	(10)
Policy work and statutory appointments functions	828	0	828
Equipping appointees to work effectively	612	291	321
	<u>6,262</u>	<u>2,746</u>	<u>3,516</u>

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 clients and some Department of Health fee paying clients. 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, such as appraisal and conferences, are funded by the grant in aid.

The proposed abolition of the Commission in 2012 was announced during the year and the costs of this are shown as a separate segment. This includes those costs actually incurred during the year as well as items provided for at 31 March 2011. See note 13 for further details.

### 3. Staff numbers and related costs

#### 3.1 Staff costs comprise:

	31 March 2011 Total £000	Permanently employed staff £000	Other £000	31 March 2010 £000
Salaries and wages	1,769	1,769	0	1,818
Social security costs	168	168	0	158
Other pension costs	214	214	0	217
Redundancy and other exit costs	430	430	0	0
Agency Staff	17	0	17	108
	<b>2,598</b>	<b>2,581</b>	<b>17</b>	<b>2,301</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 1.8.

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

	Total	Permanently employed staff	Other	31 March 2010
Total	54	52	2	61

#### 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
<£10,000	*	*	*
£10,000 - £25,000	*		*
£25,000 - £50,000			
£100,000 - £150,000	*		*
£150,000 - £250,000	*		*
<b>Total number of exit packaged by type (See note below)</b>	*	*	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.

There were no exit costs in 2009/10 and therefore no comparative figures are presented.

Redundancy and other departure costs 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. Exit costs in this note are accounted for in full in the year of departure. All redundancy costs over £100,000 were 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 the NHS Pensions Agency 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.

## 4. Other Expenditure

		31 March 2011	31 March 2010
	Notes	£000	Restated £000
Advertising & promotion of vacancies		457	1,524
Establishment expenses		262	467
Commissioner and non-executive remuneration		236	268
Outsourced support services		211	273
Training and Induction events		128	311
Rentals under operating leases		126	120
Costs of interviews		105	334
External contractors		46	362
Premises and fixed plant		63	97
Auditor's remuneration: Audit fees *		30	23
Non cash items			
Provisions - redundancy costs		1,035	0
Provisions - other		409	(15)
Impairment of debtors		33	25
		<u>3,141</u>	<u>3,789</u>
Non cash items			
Depreciation and amortisation	7.1, 7.2	322	172
		<u>3,463</u>	<u>3,961</u>

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

## 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 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>
Total bills paid in year to 31 March 2010	1,787	4,386
Total bills paid within target	1,577	3,977
<b>Percentage of bills paid within target</b>	<b>88.2%</b>	<b>90.7%</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 2011	31 March 2010 Restated
	£000	£000
Net expenditure	<b>4,633</b>	3,516
Financing limit from Department of Health	<b>6,383</b>	3,950
Underspend against revenue resource limit	<b>1,750</b>	434

### Reconciliation of gross capital expenditure to capital funding received

	31 March 2011	31 March 2010
	£000	£000
Gross Capital Expenditure	<b>0</b>	372
NBV of assets disposed	<b>0</b>	0
Net capital resource outturn	<b>0</b>	372
Capital resource limit	<b>0</b>	500
Underspend against limit	<b>0</b>	128

## 6. Income from activities

Operating income analysed by classification and activity is as follows:

	31 March 2011	31 March 2010
	£000	£000
Income from recruitment and selection activities	984	2,455
Income from induction activities	357	291
Other income	87	0
<b>Total</b>	<b>1,428</b>	<b>2,746</b>

## 7. Non-current assets

### 7.1 Plant and equipment

	Information technology £000	Furniture & fittings £000	Total £000
Cost or Valuation at 31 March 2010	385	144	529
Additions /Disposals	0	0	0
<b>Gross cost at 31 March 2011</b>	<b>385</b>	<b>144</b>	<b>529</b>
Accumulated depreciation at 31 March 2010	81	106	187
Charged during the period	161	19	180
<b>Accumulated depreciation at 31 March 2011</b>	<b>242</b>	<b>125</b>	<b>367</b>
<b>Net book value: Total at 31 March 2011</b>	<b>143</b>	<b>19</b>	<b>162</b>
Cost or Valuation at 31 March 2009	599	144	743
Additions – purchased	155	0	155
Disposals	(369)	0	(369)
<b>Gross cost at 31 March 2010</b>	<b>385</b>	<b>144</b>	<b>529</b>
Accumulated depreciation at 31 March 2009	373	85	458
Charged during the period	77	21	98
Disposals	(369)	0	(369)
<b>Accumulated depreciation at 31 March 2010</b>	<b>81</b>	<b>106</b>	<b>187</b>
<b>Net book value: Total at 31 March 2010</b>	<b>304</b>	<b>38</b>	<b>342</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 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>
<b>Net book value: Total at 31 March 2011</b>	<b>144</b>	<b>144</b>
Gross cost at 31 March 2009	173	173
Additions - purchased	218	218
Disposals	(19)	(19)
<b>Gross cost at 31 March 2010</b>	<b>372</b>	<b>372</b>
Accumulated amortisation at 31 March 2009	19	19
Charged during the period	74	74
Disposals	(19)	(19)
<b>Accumulated amortisation at 31 March 2010</b>	<b>74</b>	<b>74</b>
Net book value: Total at 31 March 2010	298	298

## 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 2011 £000	31 March 2010 £000
Trade receivables	583	1,121
Prepayments	0	37
Accrued income	123	109
	<b>706</b>	1,267
Provision for impairment of receivables	(71)	(38)
	<b>635</b>	1,229

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

The Commission had no receivables due after more than one year (31 March 2010: none).

## 10. Cash and cash equivalents

	2010/11 £000	2009/10 £000
Balance at 1 April	505	319
Net change in cash balances	(412)	186
Balance at 31 March	93	505

## 11. Trade payable and other current liabilities

Amounts falling due within one year

	31 March 2011 £000	31 March 2010 £000
Trade payables	190	423
Capital payables	0	97
Tax and social security	54	84
VAT	31	158
Accruals & Deferred income	243	707
	518	1,469

## 12. Provision for liabilities and charges

	Legal £000	Abolition costs £000	Office Refurbishment £000	Total £000
At 31 March 2009	40	0	45	85
Arising during the year	20	0	5	25
Utilised during the year	(7)	0	0	(7)
Reversed unused	(33)	0	0	(33)
<b>At 31 March 2010</b>	<b>20</b>	<b>0</b>	<b>50</b>	<b>70</b>
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>
<b>Expected timing of cash flows:</b>				
No later than one year	0	0	0	0
Later than one year and not later than five years	0	1,436	78	1,514
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 eventually settled during 2010/11 with no increase due.



Due to the planned abolition of the Commission in 2012 it has been necessary to set up provisions for the closure costs of the Commission. These cover 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.

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. Consequently a sum is provided during each year of the lease towards this cost. The figure has been increased this year to take account of the cost of returning the office to its original state when the Commission is abolished.

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

### **13.1. Going Concern**

The proposed abolition of the Appointments Commission during 2012 has been announced, although this is subject to legislation. The Department of Health has confirmed the funding required by the Commission in order to continue its activities through 2011/12. 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 proposed abolition have allowed the accounts for the year ended 31 March 2011 to be prepared on the going concern basis whilst recognising the material uncertainty around the Commission's future which is expected to be crystallised in the Health and Social Care Bill.

### **13.2. Significant Judgements**

The Commission has developed 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 throughout 2011/12. For the basis of preparing the accounts it has been assumed that provisions are required for the various identified costs of abolition.

A provision has been made for the redundancy costs of all staff except for an estimated three staff who are expected to transfer to the Department of Health to provide the ongoing appointments work for Department of Health bodies which will continue after the Commission is abolished. It is assumed that apart from this particular area of work all other services currently provided by the Commission will not continue, although exact timing of the cessation of these services is not yet agreed.

The Commission has non-cancellable contracts lasting until 2014 for the support of its IT system. It has been decided that a provision is required 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 are currently no anticipated potential users of these assets after the Commission is abolished and no potential residual value. Therefore, assumptions about the useful economic life of these assets have been reviewed and they are being depreciated faster so that they will be written down fully over the period of their remaining expected use within the Commission before its abolition.

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.

## **15. Capital commitments**

At 31 March 2011 there were no capital commitments (31 March 2010: None).

## 16. Commitments under leases

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

	31 March 2011	31 March 2010
	£000	£000
Hire of plant and machinery	6	6
Other operating leases	93	93
	<u>99</u>	<u>99</u>

Commitments under non-cancellable operating leases:

Commitments under operating leases to pay rentals during the year following 31 March 2011 are given in the table below, analysed according to the period in which the lease expires.

	31 March 2011	31 March 2010
	£000	£000
<b>Land and buildings</b>		
Operating leases which expire:		
within 1 year	0	0
between 1 and 5 years	93	93
after 5 years	0	0
	<u>93</u>	<u>93</u>
<b>Other leases</b>		
Operating leases which expire:		
within 1 year	1	1
between 1 and 5 years	5	5
after 5 years	0	0
	<u>6</u>	<u>6</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 31/3/11	At 31/3/10
	£000	£000
Not later than one year	26	28
Later than one year, not later than five years	134	122

## 18. Losses and special payments

There have been no special payments during the year (year ended 31 March 2010: One, £10,000).

## 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 £286,000 for the year (2009/10: £1,079,000).

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 2010/11 the Commission had expenditure of £16,500 with the NHS Confederation (2009/10: £106,000).

## 20. Post balance event sheet

None as of the date of authorisation of the accounts on 20 June 2011 (31 March 2010: None).

## 21. Inter-government balances

	Receivables: Amounts falling due within one year £000	Payables: Amounts falling due within one year £000
<b>31 March 2011</b>		
Balances with other central government bodies	239	85
Balances with NHS Trusts	261	278
Balances with bodies external to government	135	155
	<u>635</u>	<u>518</u>
<b>31 March 2010</b>		
Balances with other central government bodies	830	242
Balances with NHS Trusts	362	452
Balances with bodies external to government	37	775
	<u>1,229</u>	<u>1,469</u>

## 22. Prior Period Adjustments - Change in Accounting Policy

In line with the Treasury Financial Reporting Manual capital charge interest is no longer applied. Prior year figures have been restated to be comparable to the current year as follows:

A decrease in total non-staff other expenditure from £3,973,000 to £3,961,000 (Note 4)

A decrease in net expenditure from £3,528,000 to £3,516,000 (Statement of Comprehensive Net Expenditure)

An increase in the underspend against the Revenue Resource Limit from £422,000 to £434,000 (Note 5)

As the charge was added back in the Statement of Changes in Taxpayers Equity and the General Fund the restatement does not affect the Statement of Financial Position

# **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 2011	
Chair	Anne Watts CBE
Chief Executive	Andrea Sutcliffe
Non-executive Director	David Cain
Non-executive Director	Jill Robertson
Non-executive Director	Margaret Scott
Non-executive Director	Betty Thayer
Commercial Director	Rhiannon Smith
Head of Finance	Lynn Shadford

Health and Social Care Commissioners as at 31 March 2011	
South West and West Midlands	Penny Bennett
East of England and East Midlands	Gareth Hadley
North East, North West and Yorkshire & the Humber	Miranda Hughes
London	Ann Lloyd CBE
South Central and South East Coast	Margaret Scott

### Chair – Anne Watts CBE

Anne Watts 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. 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 a number of other boards. Anne holds a ministerial appointment as a member of the School Teachers Review Body and is currently working with the Army on a review of quality. 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 within the National Institute for Health and Clinical Excellence. In 2011, Andrea was asked to extend her role to lead the People Transition Project supporting the establishment of the NHS Commissioning Board and NHS Trust Development Authority

### 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.

### **Non-executive Director and Audit Committee Member – Betty Thayer**

Betty joined the Board as a Non-executive Director in October 2008. Betty recently retired as Deputy Chair and Chief Executive Officer of Exec-Appointments Ltd, a company she founded in 2001 that has since been sold to the Financial Times. Following on from a career in strategic management consultancy, she is highly regarded within the recruitment industry and lectures internationally about the online recruitment industry. Betty's other roles include visiting lecturer on the Non-executive Director programme at the Cranfield School of Management and a member of the Advisory Board of the University of Bath School of Management. Betty has declared that she is not politically active.

### **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.

### **Commercial Director – Rhiannon Smith**

Rhiannon joined the Appointments Commission in early 2009 as the 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 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 also serves on the board of the Hanover Housing Association and is chair of their Remuneration Committee. Penny has declared that she is not politically active.

### **Commissioner for the East of England and East Midlands – 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.

### **Commissioner for London – Ann Lloyd CBE**

Following a distinguished career in the health sector, Ann began her role as Commissioner in early 2009. Prior to this, Ann held the joint position of Chief Executive of NHS Wales and Head of Department for Health and Social Services. She is a former Chief Executive of North Bristol NHS Trust and Frenchay NHS Trust. A Fellow of the Royal Society of Medicine and a Companion of the Institute of Health and Care Management, Ann was awarded a CBE in 2008 for services to healthcare in Wales. In addition to her role as Commissioner, Ann is a Trustee of the Shaw Trust, a Non-executive of the Good Governance Institute and a Trustee of the Patients Association. Ann has declared that she is not politically active.

## Board and Audit Committee meeting attendance

Possible and actual attendance by members at Board and Audit Committee meetings for the year were as follows:

Board Meetings		
	Possible	Actual
Anne Watts	7	7
Andrea Sutcliffe	7	7
David Cain	7	6
Jill Robertson	7	5
Margaret Scott	7	7
Betty Thayer	7	6
Janice Scanlan	7	7
Rhiannon Smith	7	7
Lynn Shadford	7	7
Audit Committee		
David Cain	4	4
Jill Robertson	4	3
Betty Thayer	4	2

## 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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