





Annual Report & Accounts **2007/8**

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pursuant to section 7 of the Government Resources and Accounts Act 2000

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## The Agency's aims, objectives and role

The Agency's aims, objectives and role are described in more detail in our Framework Agreement. They have been agreed with Ministers and are set out below:

**The Agency's aim is to modernise and improve the performance of the NHS purchasing and supply system and become the centre of expertise, knowledge and excellence on matters of purchasing and supply for the benefit of patients and the public.**

**The Agency's objectives are to:**

- ▶ ensure that purchasing and supply strategies reflect and contribute towards the achievement of ministers' policies, strategies and priorities for the NHS
- ▶ establish and implement an overall framework for the management of purchasing and supply in the NHS
- ▶ determine and control the appropriate level at which purchasing and supply decisions are made

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- ▶ deliver a comprehensive and cost effective supply chain for the NHS
- ▶ ensure that improvement in the overall efficiency and effectiveness of the NHS are achieved through purchasing and supply arrangements at the appropriate level, and an integrated supply chain
- ▶ improve the skills, expertise and professionalism of NHS purchasing and supply staff
- ▶ increase NHS Board's awareness of purchasing and supply issues and improve their competence in handling them.

**The Agency's role is to develop purchasing and supply for the NHS and to lead and implement fundamental change in the management of purchasing and supply across the NHS.**



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# Chief Operating Officer's foreword

I am delighted to introduce NHS Purchasing and Supply Agency's 2007/8 annual report and accounts. The Agency has had an extremely successful year with some very positive recognition of the work it undertakes.

We have faced challenges in delivering against tough objectives but staff have once again risen to those challenges and have ensured that all targets were met or exceeded.

The central theme of the past year's work can be best described as 'collaborative working'. We have many examples where this has led to great gains for the NHS and Department of Health (DH). One of these is the high profile the Agency has continued to maintain in the Office of Government Commerce's cross-government 'Transforming Government Procurement' programme. We have been instrumental in the development of the pan-government energy market management strategy as well as acting as sponsor for the fleet element of the programme.

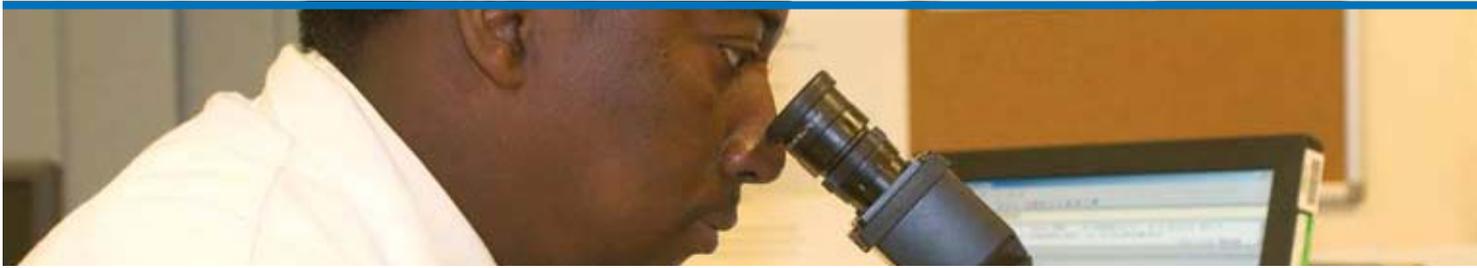
The Agency has continued to develop the collaborative procurement hub programme and, between April 2007 and March 2008, the hubs delivered savings of £120 million – more than £10 million above their consolidated forecasts. In the same period the Agency itself delivered savings of over £499 million which included savings from national contract procurement – exceeding the target by £11 million.

There have been exciting innovative areas of work that the Agency has taken forward this year. One example is in the field of healthcare associated infections (HCAI). We are working with colleagues in the DH, wider NHS and industry to accelerate and improve the development and take up of technologies or products to help further reduce HCAI including MRSA and *C.difficile*.

In June 2007 the NHS Procurement e-Enablement Delivery Group (NPEDG) – a group whose membership is drawn from procurement teams across the NHS including from the home countries and sponsored by NHS PASA – published *Procurement eEnablement in the NHS* which sets out a strategy for procurement enablement in the NHS. It establishes the key building blocks of common data standards and a method of working to achieve a process of successful change that is joined-up and driven collaboratively across the NHS, suppliers and eEnablement technology providers.

The Agency has received national acclaim for several of its achievements this year. For example the NHS PASA telecare team won the Chartered Institute of Purchasing and Supply (CIPS) supply management award in 2007 for best public procurement project acknowledging their work in telecare.

The pharmacy directorate has achieved significant success in sourcing medicines on behalf of the NHS. This has been achieved by working with national networks of pharmacists to deliver agreements for the purchase of branded and generic medicines.



Also working with CIPS the Agency has received their approval to become an accredited centre to deliver the CIPS level (2) certificate in purchasing and supply to procurement staff in the English NHS. This certificate is part of the new ladder of qualifications introduced by CIPS in September 2006.

I cannot set out all the aspects of the Agency's work here in the Foreword but when you read through the rest of the report you will see in more detail all that has been achieved.

My thanks go to everyone within the Agency who has worked so hard to achieve all that we have and to all our 'partners' who have worked with us during the year.

**John Cooper**  
**Chief Operating Officer**  
**2 July 2008**



# Directors' report

## Background information

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

The Agency is managed by a team of officers led by the Chief Operating Officer, John Cooper, who is the appointed Accounting Officer. All members of the team are Civil Servants, employed on full terms and conditions. The remuneration of the team is determined by a standard process which is detailed in the Department of Health's *Pay and Performance Management* document.

## Management Executive

During 2007/8 the senior management team of the NHS Purchasing and Supply Agency comprised:

John Cooper	Chief Operating Officer
Marcus Brindle	Director (left the Agency on 31 March 2008)
Clem Brohier	Director of Finance
Helen MacCarthy	Director
Andrew Rudd	Director
Chris Theaker	Director
Chris Uden	Director
John Warrington	Director

## Audit Committee

The Agency's Audit Committee advises the Accounting Officer on issues relating to corporate governance, internal control and matters relating to audit of the Agency. Meetings are also attended by the Agency's Chief Operating Officer, the Director of Finance and the unpaid Independent members.

## NHS PASA fraud policy

It has been a matter of practice that incidence of fraud is on the agenda of all audit committee meetings and it should be noted that, during the current membership, no issue of known or suspected fraud has been brought to the attention of the committee. Additionally the Fraud Response Plan has now made it a matter of procedure that any incident of suspected or actual fraud is reported directly by the Head of Corporate Communications to the Chairman of the Audit Committee without delay.

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



## Governance

The Chief Operating Officer is accountable to the Secretary of State. Both the Chief Operating Officer and the Agency operate under a framework document that was published in January 2001. The NHS Purchasing and Supply Agency works to a three year corporate plan and to an annual business plan. These are submitted to the Senior Departmental Sponsor and approved by the Minister of State for Health, the Minister responsible for the Agency.

The aims and objectives of the Agency are shown on pages 4 and 5 of the annual report.

## Regulatory framework

The Agency has prepared the financial statements for the year ended 31 March 2008 in accordance with the Government Financial Reporting Manual, as directed by HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000.

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

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

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

## Pension liabilities

The Agency's pension liabilities are described in the remuneration report and in the notes to the accounts, reference number 1h.

## Register of interests

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

# Management commentary

## Operating results for the period

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

The Agency works to a fixed resource budget which is agreed with the Department of Health (DH) annually. In addition, during the year the Agency has undertaken project work for the DH and recovered these project costs.

The Agency's budget for 2007/8 was £24.8 million for revenue expenditure and £0.1 million for capital expenditure.

Revenue expenditure incurred in 2007/8 was £24.7 million and capital expenditure was £0.1 million.

The resource funding for 2008/9 from the Department of Health has been notified to be £23.7 million.

## A brief review of principal activities

The Agency exists to improve the performance of the NHS in its procurement activities, with the objective of delivering better value for money. The Agency's activities and achievements during 2007/8 are described more fully later in the annual report. Highlights have been:

- ▶ the Agency sourcing savings for the year of over £499 million exceeding the Agency's target of £488 million – in other words for every £1 invested in the Agency in excess of £20 savings was saved by the NHS, money which could be invested back into patient care
- ▶ opportunity assessments for the comprehensive spending review (CSR07)

- ▶ further development of the Centre for Evidence-based Purchasing
- ▶ leading the design and implementation of the procurement processes in the DH project to implement a new integrated business management system – this project aimed to improve performance in the DH by bringing together the core business processes of HR, finance and procurement
- ▶ the Agency supported the DH Commercial Director General in the OGC Procurement Capability Review of the Department of Health – this is expected to conclude in November 2008
- ▶ the Agency managed the response to the industry led sustainable procurement taskforce recommendations on behalf of the healthcare sector.

## Research and development

The Agency has formal links with the Centre for Research into Strategic Purchasing and Supply (CRiSPS), sponsoring a chair in purchasing and supply at the University of Bath. In addition to ongoing work with CRiSPS the Agency also engages in research projects covering issues of relevance to wider NHS policy.

## Employee consultation

The average number of staff employed during the year (measured as a whole time equivalent) was 283.

The Agency places considerable importance on the involvement of its employees. It makes every effort to ensure that all staff are kept informed of the Agency's plans. The main channels of communication include regular presentations to



all staff, newsletters (both email and print) and regular briefings supported by regular consultative meetings with the Departmental Trade Union side. The Agency is accredited with Investors in People.

### Equal opportunity

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

### Recruitment statistics – April 2007 to March 2008

As staff leave the Agency we seek the best talent to replace them. Although we do recruit from within the Agency, the Department of Health and other government departments, many of our staff are recruited from outside the Civil Service.

13 new staff were appointed through external recruitment exercises, all of which were conducted on the basis of fair and open competition and selection on merit. Of the appointments made, 69% were women and 8% from ethnic minorities (for applicants, 58% were women, 59% were white, 9% were Asian, 3% were black and 29% failed to disclose their ethnic origin. 9% of applicants were disabled, 88% were not disabled and 3% failed to disclose).

We recruited in accordance with the Civil Service Commissioners' Code. In accordance with this code, six fixed term appointments were made as permitted exceptions to the Code along with one secondment.

### Payment of suppliers

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

	2007/8	2006/7
Percentage of suppliers' invoices paid within 30 days	93%	93%
Average payment time, in days	9	12
Value of invoices paid, in £ millions	16	15

During the year late payment interest charges totalling £96 were paid under the Late Payment of Commercial Debts (Interest) Act 1998.

### Political and charitable gifts

No political or charitable gifts were made during the year.

**John Cooper**  
**Chief Operating Officer**  
**2 July 2008**

# Performance against objectives 2007/8

## Objective 1: Deliver efficiencies and other key benefits through a strategic approach to purchasing and supply and contribute towards the creation of sustainable world class public services that are value for money

- ▶ NHS PASA delivered savings of £499.8 million. This included savings from national contract procurement contracts. This total exceeds the Agency's target by £11 million.
- ▶ The collaborative procurement hubs (CPHs) delivered savings of £120 million, more than £10 million above their consolidated forecasts. Overall, the CPH development programme has delivered in excess of £275 million against the initial programme forecast of £270 million.
- ▶ During the year, Centre for Evidence-based Purchasing (CEP) received 73 proposals for new work taking the total programme to 92 projects either commissioned or completed and published 26 reports. CEP outputs included evidence reviews, evaluation reports and buyers guides with the publication of the first CEP cost effectiveness study report focusing on two different technologies for delivering chest X-ray services.
- ▶ This year, the Agency has developed and launched a new Procurement Centre of Expertise (PCoE) to support Department of Health procurement activity. By March 2008 PCoE was supporting more than 12 policy programmes.

## Objective 2: Join up procurement strategy across the NHS, Department of Health and social care

- ▶ All areas of the country have been engaged with the formal roll out of the collaborative

procurement hub programme apart from London and the South West which continue to develop alternative collaborative models.

- ▶ The Agency has continued to maintain a high profile in OGC's cross government Transforming Government Procurement programme. Most notably, we have been instrumental in the development of a pan government energy market management strategy as well as acting as sponsor for the fleet element of the programme.

## Objective 3: Build commercial capabilities in the NHS and social care

- ▶ The Agency supported the strategic review of collaborative procurement hubs undertaken in 2007/8. The recommendations are being implemented and include our work with Monitor to develop and roll out a procurement diagnostic for NHS foundation trusts.
- ▶ The NHS Procurement eEnablement Development Group, sponsored by the Agency, published the NHS eEnablement strategy; *Procurement eEnablement in the NHS*. The Agency continues to support the workstreams which form part of this strategy.
- ▶ CEP has continued to focus efforts on aligning the business with the needs of key stakeholders including the Department of Health, NHS organisations and the National Technology Adoption Centre. In order to deliver the wider range of projects now being commissioned, CEP has been preparing to undertake a tender exercise to expand the supplier base and to ensure that best value for money is achieved for the work commissioned.



- ▶ During the year pilot projects were completed in energy, pharmacy and patient safety to ensure the effective use of our commercial intelligence. These pilots produced models and templates of good practice that are now being rolled out within individual directorates.
- ▶ As contributors to an ongoing International Research Study into Public Procurement (IRSP), we presented a case at the third IRSP event in Paris in September, and contributed a chapter to book arising from the study: *Public procurement – international cases and commentary published in June 2007.*

#### **Objective 4: Deliver and support the development of the Department of Health and wider government policies through procurement**

- ▶ The Agency has made good progress against its sustainable development objectives and action plans over the year and enhanced its capability and resource to accommodate an increased interest in this agenda. Key successes have included the establishment of a three strong dedicated sustainable development team, issue of the health and social care response to the Sustainable Procurement Task Force, establishment of a supplier award programme, initiation of supplier engagement programmes and maintenance of the Agency's ISO14001 certification.
- ▶ We completed a 12 month pilot project, working with four trusts to demonstrate the role that procurement can play in driving improved safety in injectable medicines. A number of risk reduction strategies were developed and trialled and outputs are

published in a knowledge pack at [www.pasa.nhs.uk/purchasingforsafety](http://www.pasa.nhs.uk/purchasingforsafety).

#### **Objective 5: Enablement, policy, research and corporate services**

- ▶ 70% of our staff have or are actively working towards professional qualifications.
- ▶ 6.8% of our staff left the Agency in the year significantly below the Chartered Institute of Personnel and Development (CIPD) sector average of 18%.
- ▶ At 2.7%, our staff sickness also remained substantially below the CIPD average for central government of 4.9%.
- ▶ Through the effective management of our financial resources, we have remained within our operational budget throughout 2007/8. As part of this we have delivered a corporate efficiency savings of £635,000 compared to 2006/7.
- ▶ Space usage and IT costs have remained below the target for the Department of Health arms length bodies and we have made significant progress towards the delivery of HR benchmarks.
- ▶ Launched in January 2008, the Agency's business processes web tool bring together process maps, guidance and templates to support all our business processes.
- ▶ The Agency remains on course to hit all of the targets as part of the Sustainable Operations on the Government Estate (SOG) although it is recognised that the emphasis on improving performance on energy, carbon, waste and water needs to be maintained.

# A review of 2007/8

## National procurement

### Contracting activity

The Agency managed contracts with the value of £3,321 million during 2007/8. There were 360 live framework agreements amounting to 3,527 suppliers.

During the year the Agency supported the establishment of 85 new framework agreements. In total 704 supplier contracts were awarded.

### Supply Chain Excellence Programme

Overall, the Supply Chain Excellence Programme (SCEP) has delivered annualised savings of over £499 million by 2007/8 as expected.

### Temporary staffing

During 2007/8, the supply of nurses has been an issue. The number of available nurses across the country has decreased but there has been an increase in demand from the NHS with government priorities like the 18 week waiting list reduction initiative. High levels of NHS staff sickness have further reduced the workforce. Throughout the year the Agency has been working with the framework agencies and trusts to maintain an appropriate supply of agency nurses.

The Agency continued to work closely with trusts to realise savings through the temporary labour framework agreements as well as providing guidance for other solutions such as workforce planning to manage their agency staffing levels. Trusts can use agency staff on lower cost shifts, increase the number of longer term assignments and reduce the use of non-framework high cost agencies.

One of the key benefits of using agencies on the framework agreement is the reduction in the level of risk to both staff and patient safety. Compliance checks are written into the agreement.

A new national framework agreement for the supply of agency nurses and care workers is due to commence October 2009. This will encompass the LAP3 agreement for London and the multi regional agreement for the rest of the country in one national agreement with zones for pricing and available agencies to supply. The agreement will be available for all public sector organisations in addition to meeting some of the social care demand.

The team has been working on a new medical locums agreement that will be awarded on April 2009 to start 1 July 2009. The framework concentrates solely on locum doctors and, for the first time, will cover England, Scotland and Wales. The agreement will see an improvement in quality standards in line with Department of Health (DH) policy.

We continue to work closely with DH to monitor demand and ensure constant supply of locums at high quality standards.

### National Audit Team

The Audit team has successfully completed its second full year of audit. We achieved our target to conduct a compliance audit of all medical locum suppliers and every nursing agency supplier over £5 million in annual business value.

The team focus solely on improving quality in the commercial agencies which, in turn, enhances staff and patient safety in the NHS. Internally the team achieve this by review and amendment of procedures and audit tools used. This



	2007/8						
	ZAP	AHP	HSS	Locums	SAP	LAP	Total
Number of audits completed and booked	63	41	22	82	1	28	<b>237</b>
Number of audits passed first time	12	6	1	11	0	21	<b>51</b>
Number of audits failed first time	19	16	10	4	1	5	<b>55</b>
Number of audits passed second time	20	11	4	2	0	0	<b>37</b>
Number of audits failed second time	12	4	4	3	0	1	<b>24</b>
Number of agencies withdrawn	0	1	2	0	0	0	<b>3</b>
Number of pre audits	0	0	0	62	0	0	<b>62</b>
Number of spot checks	8	4	0	1	0	1	<b>14</b>
<b>Total</b>							<b>251</b>

includes feedback to colleagues about contract requirements in order to deliver a constant and measurable service.

This cross team working approach, coupled with increased knowledge of recruitment and selection of personnel, also contributed to achieving the set targets. See above a summary of our achievements.

## Estates

The Agency's estates function supports corporate, Department of Health and Transforming Government Procurement objectives by ensuring a cost effective estates solution for the NHS, and wider government departments, and to provide a safe, comfortable and appropriate working and patient environment.

During 2007/8 the function has met all necessary estates related standards as part of ISO 14001 (Quality), OHSAS 18001 (Occupational Health) and ISO14001 (Environmental Management). This has led to the Agency's recognition by the Department of Health's estates function as an example of best estates environmental management practice.

The estates team continued to provide framework offerings to the NHS consisting 19 product/ service categories and the additional promotion, via NHS-eCat, of six Office of Government Commerce buying solutions (OGC.bs) frameworks. Traditionally, this offer has focused on the maintenance of NHS buildings. Annual spend is £74 million with average uptake of 40% and savings of £5.8 million.

The team has ensured all contracted suppliers against the estates framework agreements are compliant with the Waste Electrical and Electronic Equipment (WEEE) Directive and supplementary terms and conditions of contract have been integrated into new frameworks.

In order to help the NHS trusts to effectively overcome the £3.8 billion maintenance backlog, work has commenced on the negotiation of new framework agreements to offer an enhanced range of estates equipment and services. We have identified two phases of procurement to consolidate the existing offering. The potential market value is estimated at over £28 million per annum.

## A review of 2007/8

### Water coolers

At the end of 2007/8, the estates team awarded a pan government deal for water coolers. For this tender process a stakeholder group was established with representation from Department of Work and Pensions, Ministry of Defence, HM Prisons Service and OGC.bs. The new eAward evaluation tool was piloted because it allowed real time evaluation of tenders by multiple external stakeholders across government.

The team incorporated sustainable evaluation criteria into the procurement and adopted a whole life cycle approach. The main focus of the agreement will be mains fed point of use (POU) water cooler machines in line with government sustainability policy and targets. Bottled water cooler machines have also been included in the agreement to provide flexibility for those circumstances where access to mains water supply is not available.

### Decontamination

The first state of the art decontamination supercentre, part of the National Decontamination Programme, opened in April 2007. Two further centres opened within the past twelve months. These centres, in Leeds/Bradford, Pan Birmingham and Manchester, are delivering services which enhance staff and patient safety by minimising the risk of vCJD or other HCAI being spread by surgical instrumentation.

The National Decontamination Team, which moved into the Department of Health Commercial Directorate during 2007/8, and the Agency are assisting another 14 collaborations of NHS trusts through the procurement

process ensuring lessons learned are shared across the whole £2 billion programme.

The National Decontamination Project team won the award for the best public sector project team at the 2008 Public Private Finance Awards.

### Energy

The energy team awarded two frameworks for large consuming electricity and gas sites. Each framework is worth approx £600 million over the four year period and incorporate a number of mechanisms to enable purchasing to take place directly from wholesale markets. This builds on the teams experience and success in trading on the wholesale market to maximise savings to trusts.

A high level of contract uptake has also been maintained (circa. 90%). All contracts are available for use by other public sector organisations. The team has been working with a number of Berkshire local authorities who will be joining the Agency's energy contracts.

Under the banner of Transforming Government Procurement, the Agency has been instrumental in working with the OGC and other government departments to determine a pan government energy market management strategy.

### Information and communications technology (ICT)

Continuing the theme of collaboration across government, the Agency has embraced other public sector organisation contracts where applicable. This has been particularly prevalent in the ICT market.



Currently, we are a strategic partner with the OGC.bs. As such we use the OGC.bs Catalyst contracts for the procurement of IT software and services. This is also done in close liaison with NHS Connecting for Health. Indeed, the Agency has significantly increased uptake, within the NHS, against the OGC.bs voice video and data agreement and the voice minutes and line rental agreement (the latter being developed as part of the Supply Chain Excellence Programme – Wave 2).

80 public sector organisations took part in pan-government eAuctions facilitated by OGC and NHS PASA. This resulted in savings for those NHS trusts in excess of 34% on some IT equipment purchases.

The IT software and special projects team and the telecoms team have been amalgamated into a single function to help evaluate and recognise the forthcoming opportunities facilitated by the next generation networks. The increased uptake against an existing land and line rental framework has brought together the majority of the NHS telecoms estate to enable a more informed and proactive approach to the new technologies for the NHS. Working closely with existing contracted telecoms suppliers has enabled the NHS to manage its telecoms estate more effectively and reduce expenditure through improved demand management and more competitive commercial terms.

During 2007/8, the Agency led the procurement for electronic and printed books and journals for the NHS and the wider public sector. Working with the National Library for Health, part of the NHS Institute for Innovation and Improvement, the Agency awarded a framework agreement for books, journals and databases. The new agreement

brings together three agreements and covers five elements – print and electronic books, print and electronic journals and bibliographic databases.

Although the current spend is higher in the print mediums, the NHS is working towards obtaining information in electronic formats in an effort to work towards government sustainability guidelines.

### **Business and outsourced services**

At the end of 2007/8, new versions of a master lease agreement, lease schedules and associated documentation were published on the leasing web pages. These are the output of a documentation review project undertaken by the NHS and the Financial Leasing Authority in conjunction with lessors and lease advisers to ensure consistency and quality of approach to NHS lease contracts.

The Department of Health consultancy services framework is now available for use by the NHS. The outsourcing team produced an online user guide and templates for the NHS.

### **Sourcing of medicines**

The pharmaceuticals directorate has delivered a service of strategic supply management in medicine procurement areas across secondary care in the NHS. This includes securing the stable supply of critical drugs, working to deliver the national vaccine programmes and the selective competitive tendering for regional framework agreements for branded medicines.

Dedicated category specialists work at a national and regional basis with locally based pharmacists to ensure procurement decisions support cost effective and stable supply of medicines. We

## A review of 2007/8

provide support to the supply of a broader range of product groups including clotting factors, medical gases and IV fluids. Support is also provided to projects from the Department of Health.

Sourcing activity is undertaken in partnership with members of two national strategic groups comprising representatives of procurement, quality control and chief pharmacists. The groups are the National Pharmaceutical Supplies Group and the Pharmaceutical Market Support Group.

The Agency maintains the online pharmacy purchasing points. This lists all existing buying groups with access to the Agency's contracts and can be searched at national contract level down to smaller consortia. It includes details of strategic health authorities (SHA) and procurement hub/confederations.

Recently, we agreed with the Pharmaceutical Market Support Group, collaborative procurement hubs and confederations to align pharmacy contracts with the new SHA boundaries.

### Homecare

The Agency has gained support from the NHS via the National Pharmaceutical Supplies Group and the National Homecare Medicines Committee for a category strategy for homecare. This focuses on obtaining detailed spend data for homecare and developing standard specifications and policies to ensure value for money and effective risk management in homecare.

During the year we established comprehensive stakeholder networks both within the NHS and Department of Health and with providers. The Homecare team has undertaken regional

procurements in order to gain expertise, stakeholder confidence and savings for the NHS.

### Telecare

The Agency negotiated the new four year national framework agreement covering telecare equipment, installation, maintenance, monitoring and response services in support of the Department of Health's vision to build a strong telecare infrastructure. The agreement went live on 30 June 2006 and won the Chartered Institute of Purchasing and Supply (CIPS) supply management award in 2007 for best public procurement project.

The agreement runs for four years with regular product and pricing reviews to ensure that the suppliers continue to offer cost effective solutions. From 1 April 2008, there will be over 2,800 products/services from 13 participating suppliers to choose from on the agreement.

In February 2008, recorded sales through the telecare national framework agreement reached £40 million from across the UK public sector.

### cCBT

We negotiated a new national framework agreement for the provision of computerised cognitive behaviour therapy products (cCBT) in 2007. These products form one element of the range of interventions available to NHS clinicians to help them in managing depression and anxiety.

Our framework agreement also supports recent NICE Guidance, TA097, recommending that trusts purchase cCBT software to assist with the management of panic, phobia and depression.



## Transport

We are the sponsor department for the OGC Transforming Government Procurement fleet pilot. As such, we are responsible for determining a fleet strategy spanning £6 billion of public sector spend.

Building on the success of the previous NHS PASA car leasing framework, in conjunction with OGC, we launched a pan-government lease of car and car derived van framework in September 2007. This is a complete package that allows public sector authorities the flexibility to tailor the deal to their own specific needs. It links directly to the vehicle purchase discounts available through the Department of Work and Pensions framework. Features such as profit sharing, removal of service and maintenance costs from annual lease cost and a variety of payment profiles all add possibilities for additional savings. Importantly it also offers the capability to reduce/manage the carbon dioxide emissions of government fleets. In order to accommodate all these new features the Agency's lease car website is being re-developed so that customers will be able to receive real time quotations based on their specific deal options.

The team has been actively leading or participating in contracting work, as well as other projects such as grey fleet, as part of an overall strategy to shape the government fleet landscape of the future.

## Supporting/modernising NHS procurement

### Collaborative procurement hub programme

*The Strategic Review of the Collaborative Procurement Hub Programme* report, commissioned

by the Department of Health Commercial Directorate, recommended the need for NHS procurement to adapt and respond to the changes taking place in the wider NHS. It also recommended that procurement should be more closely aligned to support trusts both in delivery of their strategic objectives and in squeezing out even greater efficiencies. In 2008/9, the Agency will be working with the Commercial Directorate, Monitor and the collaborative procurement hubs to develop procurement capability in foundation trusts.

### Centre for Evidence-based Purchasing

An increasingly important part of the Agency, the Centre for Evidence-based Purchasing (CEP) encourages evidence-based procurement of medical technology as part of a complete patient care pathway.

During this year, CEP developed a suite of reports providing information on healthcare technologies to underpin purchasing decisions. Focusing on value for money, innovation and sustainability, the reports provide evidence to support the technical, operational, financial/economic and purchasing elements of the buying process.

Over 100 stakeholders attended CEP's annual conference – *Assessing the value of innovation*. The emphasis for the day was on helping NHS procurement professionals find practical solutions to introducing innovative technologies. Also the conference wanted to explain the roles of various organisations that can help with the changes necessary to adopt new technologies and improve patient outcomes.

## A review of 2007/8

At the beginning of 2008 CEP reviewed its business model and began the task of developing its supplier base to provide a broader and larger skill set to ensure that our growth continues. Our new business model ensures that CEP is more closely aligned to DH and frontline NHS stakeholders. Being more proactive in our project work, we will be better able to influence policy and support NHS priorities much more effectively.

In order to deliver this broader range of work, CEP has been developing the supplier base from which our reports are commissioned. Preparations to undertake a tender exercise for new suppliers are well advanced and will begin in summer 2008.

### **Purchasing for safety project – outcomes**

In March 2007, the National Patient Safety Agency issued a series of patient safety alerts, requiring trusts to undertake a risk assessment of injectable medicines and to introduce risk reduction strategies where appropriate. It was within this context that the Agency set out to investigate the role that purchasing could play in reducing clinical risk with injectable medicines.

There were four trusts involved in the pilot: Derby Hospitals NHS Foundation Trust, United Lincolnshire Hospitals Trust, Central Manchester and Manchester Children's Unit Hospital NHS Trust and Salford Royal NHS Foundation Trust.

The project has shown the potential for purchasing solutions to support and deliver risk reduction strategies in injectable therapies, particularly regarding safety in use. Collaborative working was crucial to success, with multidisciplinary teams within the trusts being supported by NHS PASA, the relevant collaborative procurement hubs, NPSA and others as appropriate.

The project aimed to encourage system-based improvements that are sustainable. The detailed recommendations and a range of resources in a web-based knowledge pack will be available on our website in summer 2008.

### **Integrated procurement framework**

As one of the Healthcare Industries Task Force outcomes to encourage the uptake of innovative medical technologies by the NHS, we piloted an integrated procurement framework working with Re:source Collaborative Procurement Hub. The framework's fundamental premise is to integrate procurement into the key decision-making processes of an organisation in order to seek and deliver maximum value opportunities by applying the most effective procurement or supply chain management solution. It is designed to ensure that key policy issues, such as innovation and sustainability, are taken account of throughout the procurement process. It also seeks to identify a wide range of value benefits that procurement can influence, over and above the traditional cash saving and cost avoidance areas, that have been the primary focus for procurement organisations.

In 2008/9 we will be building on the lessons learned from the pilot. This work will ensure that the integrated procurement framework is continuously reviewed and enhanced, providing robust common systems and methods so that the NHS can move more quickly towards world class procurement and commissioning in the NHS.

### **People development**

Following formal application, the Agency received Chartered Institute of Purchasing Supply (CIPS) approval to become an accredited centre to deliver



the CIPS level (2) certificate in purchasing and supply to procurement staff in the English NHS. The Agency will provide this service to the NHS from April 2008.

The Agency has established a network of 28 NHS managers specially trained to deliver basic operational purchasing training to procurement staff in supplies, pharmacy and estates across the NHS in England. They undertake this training role in addition to their job role. The network is known as the taskforce trainers and provided training for over 1,200 delegates last year.

Popular courses include EU procurement, supply chain and materials management. New courses in supplier and contract management and negotiation skills are planned from November 2008. These courses present a new opportunity, especially for non-procurement staff, to gain a recognised professional qualification in purchasing and supply.

A fourth cycle of the NHS Procurement Leadership Programme was delivered. This programme develops change management competences amongst senior CPH managers.

## Supporting government and departmental initiatives

### Preparation for the CSR07 delivery plan – procurement efficiencies

An opportunity assessment was carried out to identify the potential of cash releasing savings resulting from procurement efficiencies in the Department of Health, NHS non-pay spend and purchased healthcare with the implementation of demand management across non-pay and clinical pathway revenues. A savings potential of

£282 million and £477 million has been identified to contribute to the CSR07 spend period to 2011.

### Procurement Capability Review

The Department of Health Procurement Capability Review involved an assessment by a small team of experts covering the DH and its procurement activities. The review focused on the Department's ability to achieve world-class standards in procurement. The Agency supported the Department's preparations throughout the review.

DH was assessed against nine key indicators, which, taken collectively represent the OGC's view of what constitutes world-class procurement. These indicators underpin three capability areas of leadership: skills development, deployment and systems and processes.

DH was in the third tranche of procurement capability reviews across government departments. The review started in March and April 2008 and took six weeks to complete. OGC undertook 110 interviews of which the majority were face-to-face. A selection of key stakeholders from across DH, the NHS and industry were selected by the OGC because the individual, or their department, had a key role at one or more stages in DH's procurement process.

Within two weeks of the final interview, OGC fed back their findings and recommendations to DH. The Department will now put together an improvement plan based on the OGC recommendations. The reports and improvement plans will be published in November 2008.

The review team acknowledged that the organisation and management of the pre-review work exceeded anything experienced so far

## A review of 2007/8

by OGC during the current round of capability reviews. The review itself has been established as a gold standard for the rest of government.

### Collaborative procurement across government

The Agency is a strong and experienced advocate of collaborative procurement across government departments wherever this can yield greater net benefit overall and enable individual departments to focus on areas in which they can really add value.

Since its formation, the Agency has led or participated in collaborative agreements for areas as diverse as multi-functional devices, agency staffing and white goods, while also enabling NHS access to IT software and hardware frameworks let by OGCbuying.solutions.

We welcome the acceleration of collaborative procurement signalled in the HM Treasury policy document *Transforming Government Procurement* (January 2007) and support the extended powers of the OGC in making this happen.

In 2007/8, we supported the collaborative category management across the four pilot categories as follows:

- ▶ **Fleet** – the Agency is the sponsor for this category
- ▶ **Energy** – the Agency is leading on projects to manage price risk and measure benefits
- ▶ **Travel** – the Agency contributes in a consultative capacity to the development of the category strategy
- ▶ **Office solutions** – the Agency sits on the Collaborative Category Board.

### DH Procurement Centre of Expertise

The Procurement Centre of Expertise (PCoE) works to embed good procurement practice across the Department in order to support the delivery of DH strategic aims and objectives by influencing its non-pay expenditure on goods and services.

PCoE is one of a number of DH centres of expertise set up to advise and help manage DH business activities. PCoE is hosted by the Agency tapping into our procurement and project management expertise.

During 2007/8 PCoE supported 39 high profile and/or high spend DH procurement projects worth £260 million.

The rollout of the new Business Management System in summer 2008 will greatly enhance DH procurement capability. PCoE will support staff to use the new electronic procurement system.

### Sustainable development

High on the government agenda, the Agency is committed to helping the NHS reduce its carbon footprint.

In November 2007 we published *Procuring for health and sustainability 2012: sustainable procurement action plan*. The action plan sets out how, in the next five years, the health and social care sector in England will use sustainable procurement, not only of equipment and supplies, but also buildings, facilities and services, to achieve improved health and well-being for the people, the environment and the economy.

The action plan sets the direction for public sector organisations. It also indicates our intentions to our suppliers, our staff and the patients to whom we provide services and care.



In his foreword, **DH Permanent Secretary, Hugh Taylor**, said, "It is clear that both health and local government are central to sustainable communities and this document recognises the important role that the significant procurement activity of the health and social care sector can play in helping to tackle some of the most significant sustainable development challenges we all face at a local, national and global level."

### **Advisory Committee for Borderline Substances (ACBS)**

In April 2007 the secretariat to the Advisory Committee for Borderline Substances<sup>1</sup> (ACBS) transferred from the National Institute for Health and Clinical Excellence (NICE) to NHS PASA.

Our first activity, with agreement from the Department of Health, was to undertake a scoping exercise to identify the future composition, remit, functioning and the commercial role of both the ACBS and NHS PASA.

Guidance documents for the evaluation of new product submissions have been agreed with ACBS. We are in consultation with industry to implement the new guidance. The new procedures will encourage quicker innovation and the introduction of new products into the NHS.

Commercial processes have been agreed between the Department of Health and the Committee. We are at the final stage of consultation with industry about managing pricing submissions for new and existing products across a spend of £236 million.

### **Emergency planning**

During 2007/8, the Agency supported the Department of Health Emergency Preparedness Department as it rolled out Hazardous Area Response Teams (HART) to ambulance trusts. The Agency provided commercial and project management functions in the procurement of key components of the HART equipment.

These key components are standard throughout England so that there is standardised training and mutual aid in the event of large scale incidents.

Complementing the above initiatives, and in response to the reports on the London bombings in 2005, the Agency has worked with colleagues at Department of Health Emergency Preparedness Department to develop an emergency dressings pack. The packs are strategically located at major train stations, underground stations in London and national airports. The packs comprise a large holdall filled with over 200 general purpose dressings to supplement supplies carried by ambulances and in the event of a large scale incident is intended to bridge the gap between locally available (ambulance held) stocks and those supplied from centralised stores.

### **Deep cleaning hospitals**

The Agency responded quickly to the call for hospitals to be deep cleaned. We provided procurement advice to trusts wanting to outsource either part or all of their deep cleaning requirements, as defined within the Department of Health letter *Improving cleanliness and infection control*, 1 November 2007.

<sup>1</sup> Borderline products are not legally defined as medicines but in certain conditions some foods such as enteral feeds, gluten free products and dermatological items will have the same characteristics. ACBS approve borderline products that are suitable for prescribing at NHS expense.

## A review of 2007/8

### Developing the Agency's infrastructure

#### Business processes

The Agency is continuously developing and improving the way in which it manages the procurement process. One aid is the business processes website developed to assist NHS PASA staff who are procuring goods and services on behalf of its customers. Process maps have been developed to reflect the roles and responsibilities within the matrix structure. There are guidance pages to support many of the stages in the process. This guidance can be accessed by clicking on the various activities in the process maps.

Project management is central to the way in which we manage the procurement process. The website also contains more information about project management as well as tools and templates that may be used when working on projects of any sort in the Agency. A significant number of templates were created during the commercial intelligence pilot project.

The aim of the site is to help us share good practice across the Agency. Work will continue to maintain and update the site and work is underway to explore the possible roll out of this system to organisations in the wider NHS.

#### Integrated benefits tracking system (BTT)

In the financial year of 2007/8 the integrated benefits tracking system (BTT) has seen some significant developments to the loading procedures and reporting structures.

The system has been populated and contain the following spend and transactions numbers

for the financial year to date (1 April 2007 – 28 February 2008).

Directorate	Sum of spend	Sum of transactions
Agency and Services	£398,461,832	282,754
Facilities Management and Utilities	£180,808,628	386,310
Pharmaceuticals	£359,931,885	4,257
Policy and Innovation	£10,689,833	408
<b>Grand Total</b>	<b>£949,892,178</b>	<b>673,729</b>

The report suite has been published to a number of the collaborative procurement organisations (CPO's). The BTT methodologies are now being shared with the CPO's along with guidance on how to collect line level details and calculate savings in the same method as NHS PASA.

Following the 2007 Strategic Spend Survey, we led with the integrated improvement strategy that supports the development of procurement management information and reporting on behalf of the health community. The strategy:

- ▶ articulates a vision of excellence for information management within health
- ▶ indicates the priorities for strategic change and improvement that need to be addressed to achieve that vision, and
- ▶ sets out how the key stakeholders in the health community will work together to deliver these priorities.

This strategic improvement document covers the period April 2008 – September 2011 inclusive.



It is envisaged, due to the size and complexity of the health community, that further work post-September 2011 will be required.

### **Estates**

During the latter part of 2007/8 we commissioned space and energy audits to help inform future estates strategy in response to the 2004 Lyons review and Treasury's High Performing Property (HPP) targets.

Our future strategy will include our response to the present lease termination date for the Reading site in April 2010.

### **Sourcing**

This year the Sourcing team has supported the procurement process of projects using the suite of eTendering options from online PQQ evaluation through to tender and auction. The team has worked on a diverse range of contracting processes and constantly looks for innovative solutions to make the sourcing process efficient and user friendly.

### **Data analysis**

The data analysis function has established itself as a vital function in supporting the procurement process of 85 new framework agreements this year. Considerable time has been invested into loading supplier and trust information into the Agency systems to enable the tracking of benefits. Numerous reports have been produced in IBT to enable visibility and sharing of the information. Data analysts have been involved in all opportunity assessment streams and contributed to the informed outcomes.

## **e-Procurement**

### **NHS Procurement eEnablement strategy**

The NHS Procurement eEnablement Development Group is the NHS procurement community's forum for eProcurement and is sponsored by the Agency.

Since the launch in September 2006, the group has been active developing a strategy for procurement eEnablement in the NHS. Nine months later, in June 2007, *Procurement eEnablement in the NHS* was published. A workshop with stakeholders across the NHS, suppliers and technology providers followed in November to develop the work streams to implement the strategy. This work forms the basis of the NHS Procurement eEnablement Programme.

### **eSourcing**

The Agency has continued to use eTendering systems for 100% of its contracts and completed pilots for the use of eEvaluation tools during the year. These tools will be implemented throughout the Agency in 2008/9.

### **NHS PASA eCatalogues**

The Agency's eCatalogues continued to develop throughout this year. The pharmacy catalogue won an e-Government excellence award in January 2008. A new technology platform has been procured for the lease car catalogue to support the pan-government contract.

# Remuneration report

## Remuneration policy

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

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

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

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

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

## Service contracts

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

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

The Agency does not have any Non-executive Directors and the Audit Committee has three non paid members who meet four times a year.

Further information about the work of the Civil Service Commissioners can be found at: [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

## Salary and pension entitlements

Table A) provides details of the remuneration and pension interests of the Management Executive of the Agency. All figures within the tables A) and B) are subject to audit.



## A) Remuneration

Management Executive	2007/8		2006/7	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr Christopher Uden, Director	110–115	0	115–120	0
Mr John Cooper, Director	110–115	0	85–90	0
Mr Andrew Rudd, Director	75–80	26	75–80	18
Mr Marcus Brindle <sup>1</sup> , Director	85–90	0	80–85	0
Ms Helen MacCarthy, Director	60–65	26	65–70	23
Mr Clem Brohier, Director of Finance	75–80	0	65–70	0
Mr John Warrington, Director	70–75	20	70–75	19
Mr Chris Theaker, Director	75–80	0	70–75	0

<sup>1</sup> Mr Marcus Brindle left the Agency on 31 March 2008.

### Salary

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

### Benefits in kind

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

# Remuneration report

## B) Management Executive salary and pension entitlements

Management Executive	Real increase in pension and related lump sum at age 60	Total accrued at age 60 at 31/3/07 and related lump sum	CETV at 31 March 2007	CETV at 31 March 2008	Real increase in CETV after adjustments for inflation and changes in market investments factors
	£'000	£'000	£'000	£'000	£'000
Mr Christopher Uden, Director	0-2.5 plus 2.5-5 lump sum	50-60 plus 170-175 lump sum	1,295	1,487	29
Mr John Cooper, Director	2.5-5 plus 12.5-15 lump sum	45-50 plus 135-140 lump sum	769	973	94
Mr Andrew Rudd, Director	0-2.5 plus 0-2.5 lump sum	20-25 plus 65-70 lump sum	328	395	13
Mr Marcus Brindle <sup>1</sup> , Director	0-2.5 plus 0-2.5 lump sum	35-40 plus 110-115 lump sum	700	738	-62
Ms Helen MacCarthy, Director	0-2.5 plus 0-2.5 lump sum	15-20 plus 45-50 lump sum	180	225	8
Mr Clem Brohier, Director of Finance	0-2.5 plus 0-2.5 lump sum	5-10 plus 0-5 lump sum	47	75	18
Mr John Warrington, Director	0-2.5 plus 0-2.5 lump sum	20-25 plus 60-65 lump sum	313	370	7
Mr Chris Theaker, Director	0-2.5 plus 2.5-5 lump sum	20-25 plus 70-75 lump sum	354	381	-31

<sup>1</sup> Mr Marcus Brindle left the Agency on 31 March 2008.



## Pension

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

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

opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service Pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash Equivalent Transfer Values

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

# Remuneration report

another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

In addition due to certain factors being incorrect in last years CETV calculator there is a slight movement between the final period CETV for 2006/7 and the start of period CETV for 2007/8 which range from a reduction of £5 (£000's) to an increase of £68 (£000's) amounting in total to £107 (£000's).

## Real increase in CETV

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



**John Cooper**  
Chief Operating Officer  
2 July 2008



# Annual Accounts 2007/8

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# Statement of Accounting Officer's Responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000, the NHS Purchasing and Supply Agency is required to prepare financial statements for each financial year in conformity with a Treasury Direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the Agency during the year.

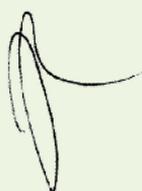
The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the net resource outturn, recognised gains and losses and cash flows for the financial year.

The Department of Health has appointed the Chief Operating Officer of the NHS Purchasing and Supply Agency as the Accounting Officer for the Agency, with responsibility for preparing the Agency's financial statements and for transmitting them to the Comptroller and Auditor General.

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

- ▶ observe 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 accounts; and
- ▶ prepare the financial statements on a going concern basis.

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



**John Cooper**  
**Accounting Officer**  
**2 July 2008**

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Agency's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

## The purpose of the system of internal control

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

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

The system of internal control has been in place in the Agency for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Accountability arrangements in existence during the year include:

- ▶ the Commercial Directorate, a body formed within the Department of Health, which acts as 'senior departmental sponsor' providing independent review of the Agency's performance

- ▶ the Arm's Length Bodies Business Support Unit, a permanent resource set up to help The Department of Health's arm's length bodies deliver high quality, value for money services aligned closely to Minister's health and social care priorities
- ▶ continuous financial information provision to the Department of Health.

## Capacity to handle risk

The Executive Board of the Agency comprises the Chief Operating Officer and the Directors and is referred to as the Management Executive (ME). The ME ensures that there is an effective system of risk management embedded within the organisation following the principles and concepts detailed in the HM Treasury's *Orange Book*. The system and processes for risk management are introduced to new staff at induction and training is provided through the year to all staff.

One member of the ME is given overall responsibility for risk management. The nominated Director chairs the Risk Management Group (RMG), comprising staff representing all functions of the Agency. The RMG meets at least four times a year. A facilitated workshop is run once a year to ensure common understanding and that best practice within the sector is embedded within our processes. The RMG reports prioritised risks to the ME regularly. The Audit Committee receives updates on risk management and ensures that the system and processes work effectively by including a review in the internal audit annual work programme.

## The risk and control framework

The RMG provides a policy and terms of reference by which risk will be managed and reported and it cascades the risk management culture to all staff. Strategic risks relate to the strategic planning

period of three to five years and by their nature could fundamentally change the way in which the Agency exists and operates. Corporate risks are aligned to the Agency's aims and objectives stated in the Business Plan and the issues affecting their achievement. Functional risks relate to the operations of the Agency. These risks are monitored and controlled using registers, which are reviewed and updated quarterly and reported by exception to the ME.

Evaluation of risks is carried out using a standard methodology, whereby a range of financial or impact values are defined and applied to each identified risk. In early 2007/8 the ME made an assessment of the strategic risks related to the Corporate Plan and the next five years. A risk management workshop was held with participants from a representative cross section of the Agency to identify risks and mitigating actions against the corporate objectives detailed in the Agency's Business Plan. From this workshop a Corporate Risk Register was compiled. Detailed functional risk registers were compiled in relation to team and Directorate objectives. The RMG met every quarter, assessed the rating of risks and made appropriate classification into functional, corporate or strategic risk reports. The ME reviewed high level risk reports at its monthly meetings. The '4Risk' software system was implemented to record risks, monitor mitigating actions and escalate or delete risks. The Audit Committee received regular updates on progress and effectiveness of the risk management system.

During 2007/8:

- ▶ It was confirmed that the Agency would continue in its current form and would not therefore merge with the Commercial Directorate of the Department of Health. The business plan and budget setting process for 2008/9 was therefore set in this context.

- ▶ A review of risk management was performed as part of the 2007/8 Internal Audit Plan. This review concluded that the control framework, as established and operated by the Agency, provided substantial assurance that risks material to the achievement of the organisation's objectives were adequately managed and controlled.
- ▶ The Agency has formed a work group to assess information management and information security against an Information Governance Framework. This will evaluate the current position identifying areas of good practice and areas that might be improved. In addition, this group will ensure that mandatory process measures to manage information risk, recently imposed by the Cabinet Office, are implemented. Furthermore, the group will ensure that specific minimum measures are in place to protect personal information. This group will be represented at the meetings of the RMG by the Chief Information Officer.

### 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 the executive managers within the Agency 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 ME, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Statement on Internal Control

The Agency has established processes which include the following:

- ▶ ME which meets monthly to consider plans for the strategic direction of the Agency
- ▶ internal audit reports and management responses reviewed by the Audit Committee, which comprises three independent officers
- ▶ progress of the implementation of internal audit recommendations monitored monthly by ME at its meetings
- ▶ quarterly RMG update reports to the ME
- ▶ monthly production and review by ME of key performance indicators through the balanced scorecard
- ▶ comprehensive budgeting and forecasting systems
- ▶ review, by ME, of monthly and annual financial reports
- ▶ IT security accreditation (BS7799)
- ▶ Accreditation to ISO27001, the International Standard for Information Security
- ▶ European Foundation for Quality Management (EFQM)
- ▶ Environmental Management System (EMS), (ISO 14001)
- ▶ Investors in People Accreditation
- ▶ Quality Management System BSEN ISO 9001/2000 accreditation.

The Agency benefits from an internal audit service supplied by an external contractor, which operates to agreed government internal audit standards. The service reports on the adequacy and effectiveness of the Agency's system of internal control.

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



**John Cooper**  
Accounting Officer  
2 July 2008

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the NHS Purchasing and Supplies Agency for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Agency, the Chief Operating Officer and auditor

The Agency and Chief Operating Officer, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report which comprises the Management Commentary, the Directors' Report, and the unaudited parts of the Remuneration

Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

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

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Operating Officer in the preparation of the financial statements, and of whether the accounting policies are most

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

## Opinions

### Audit Opinion

In my opinion:

- ▶ the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2008, and of the net operating cost, recognised gains and losses and cashflows for the year then ended;
- ▶ the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and,
- ▶ the information included within the Annual Report which comprises the Management Commentary, the Directors' Report and the unaudited parts of the Remuneration Report, is consistent with the financial statements.

## Audit 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.

## Report

I have no observations to make on these financial statements.

**T J Burr**  
**Comptroller and Auditor General**  
**8 July 2008**

**National Audit Office**  
**151 Buckingham Palace Road**  
**Victoria**  
**London SW1W 9SS**

# Operating Cost Statement

for the year ended 31 March 2008

	Notes	<b>2007/8</b> <b>£000's</b>	2006/7 £000's
<b>Administration costs</b>			
Staff Costs	2a	<b>15,816</b>	15,823
Other administration costs	3	<b>10,980</b>	12,696
<b>Gross administration costs</b>		<b>26,796</b>	28,519
<b>Operating income</b>	4	<b>(2,083)</b>	(1,821)
<b>Net operating cost</b>		<b>24,713</b>	26,698

All of the above expenditure relates to continuing operations.

## Statement of Recognised Gains and Losses for the year ended 31 March 2008

	Notes	<b>2007/8</b> <b>£000's</b>	2006/7 £000's
Net gain on revaluation of tangible fixed assets	15	-	34

There are no other recognised gains or losses for the year.

The notes on pages 44 to 57 form part of these financial statements.

# Balance Sheet

as at 31 March 2008

	Notes	As at 31 March 2008		As at 31 March 2007	
		£000's	£000's	£000's	£000's
<b>Fixed assets</b>					
Tangible assets	7		<b>2,065</b>		2,232
Intangible assets	8		<b>371</b>		526
<b>Current assets</b>					
Debtors: amounts falling due within one year	10	<b>1,603</b>		2,053	
Cash at bank and in hand	11	<b>98</b>		42	
		<b>1,701</b>		2,095	
<b>Creditors: amounts falling due within one year</b>	12	<b>(3,592)</b>		(5,519)	
<b>Net current (liabilities)</b>			<b>(1,891)</b>		(3,424)
<b>Total assets less current (liabilities)</b>			<b>545</b>		(666)
<b>Provision for liabilities and charges</b>	14		<b>(1,250)</b>		(1,169)
<b>Total net assets</b>			<b>(705)</b>		(1,835)
<b>Taxpayers' Equity</b>					
Revaluation reserve	15		<b>531</b>		531
General Fund	16		<b>(1,236)</b>		(2,366)
<b>Total taxpayers' Equity</b>			<b>(705)</b>		(1,835)

The notes on pages 44 to 57 form part of these financial statements.



John Cooper  
Accounting Officer  
2 July 2008

# Cash Flow Statement

for the year ended 31 March 2008

	Notes	2007/8 £000's	2006/7 £000's
<b>Reconciliation of operating costs to operating cash flows</b>			
<b>Net operating costs</b>		<b>(24,713)</b>	(26,698)
Adjustments for non-cash transactions:			
Depreciation	3	<b>435</b>	373
Impairment of fixed assets	3	-	41
Fixed asset write-down	7	<b>2</b>	10
Cost of capital charge	3	<b>(47)</b>	(34)
Auditor's remuneration and expenses	3	<b>52</b>	52
Provisions	14	<b>81</b>	(1,071)
Adjustment for movements in working capital other than cash	9	<b>4,861</b>	15,229
<b>Net cash (outflow) from operating activities</b>		<b>(19,329)</b>	(12,098)
Capital expenditure and financial investment:			
Expenditure to acquire fixed assets	7/8	<b>(115)</b>	(518)
Financing			
Financing from the Department of Health		<b>19,500</b>	12,642
<b>Increase in cash in the period</b>	11	<b>56</b>	26

The notes on pages 44 to 57 form part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2008

## 1 Accounting policies

The financial statements have been prepared in accordance with the Government Reporting Manual and directions by HM Treasury. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

### a) Accounting convention

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

### b) Government funding

The Agency is funded from the Department of Health Request for Resources 2 (RfR2). Department of Health funding is shown as a credit to the Agency's General Fund.

### c) VAT

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

The Agency is registered for VAT as part of the Department of Health, which is responsible for recovering VAT from HM Revenue and Customs on behalf of the Agency. The recoverable VAT is offset against funding received from the Department during the year.

### d) Fixed assets

#### i) Capitalisation

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

#### ii) Valuation

Land and Buildings were valued on the 31 March 2005 on the basis of existing use value by an independent surveyor, Drivers Jonas, Chartered Surveyors. The valuation was carried out in accordance with the appraisal and valuation standards issued by the Royal Institution of Chartered Surveyors.

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

### iii) Depreciation

Land is not depreciated.

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

<b>Buildings</b>	50 to 60 years
<b>Fixture and fittings</b>	10 years
<b>Computer hardware</b>	3 to 5 years
<b>Other equipment</b>	5 years

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

### e) Operating income and expenditure

The operating cost statement records administration costs and operating income. Operating income is income which relates directly to the operating activities of the Agency.

### f) Capital charge

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

### g) Operating leases

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

### h) Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi employer defined benefit scheme therefore the Agency is unable to identify its share of the underlying assets and liabilities. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the separate scheme statement of the PCSPS.

Total charge for the scheme in the year was £2,150,015.

There were eight employees taking part in the 'money purchase' stakeholder arrangement (partnership pension account) in 2007/8.

# Notes to the Financial Statements

for the year ended 31 March 2008

The Government Actuary reviews employer contribution rates every three years following a scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred and they reflect past experience of the scheme.

The rates for 2007/8 are:

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

## i) Losses and special payments

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

## j) Provisions for liabilities and charges

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

## k) Energy Trading System

The Agency administers a system to record and monitor energy usage by NHS Trusts and inform the negotiation with suppliers for contracts for the supply of power. The costs of administering the system in previous years were recovered from the energy suppliers through historic contracts. The Agency has not repeated this arrangement when renewing contracts with the energy suppliers, and now bears the cost within budget.

## 2 Staffing

### a) Staff costs

	2007/8 £000's	2006/7 £000's
Wages and salaries	10,163	11,324
Termination payments	970	(279)
Social security costs	891	1,022
Pension costs	2,150	2,400
<b>Sub total</b>	<b>14,174</b>	14,467
Inward secondments, agency and contract staff	1,642	1,356
<b>Total</b>	<b>15,816</b>	15,823
Less recoveries from outward secondments	(488)	(455)
<b>Total net costs</b>	<b>15,328</b>	15,368

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

### b) Staff numbers

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

	2007/8 wte	2006/7 wte
Permanent employees	257	294
Inward secondments	2	2
Agency and contract staff	24	25
<b>Operations</b>	<b>283</b>	321

Of the 257 average number of permanent employees in 2007/8, 72 were support staff.

# Notes to the Financial Statements

for the year ended 31 March 2008

## 3 Other administration costs

	2007/8 £000's	2006/7 £000's
<b>Operating lease payments:</b>		
Land and buildings	337	331
Other leases	241	243
<b>Non-cash items:</b>		
Depreciation and amortisation	435	373
Impairment of fixed assets	-	41
Interest on capital employed	(47)	(34)
Auditor's remuneration and expenses	52	52
<b>Other expenditure</b>		
Other staff related including training	1,370	1,585
Estate recurrent costs	933	1,511
CEP costs	3,455	3,545
Professional fees	2,709	3,269
Energy Trading Costs	324	186
Other	1,171	1,594
<b>Total</b>	<b>10,980</b>	<b>12,696</b>

The audit fee represents the notional fee of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.

#### 4 Operating Income

	2007/8 £000's	2006/7 £000's
<b>Appropriated in aid:</b>		
Cost recovery from external organisations	(2,021)	(1,631)
Cost recovery from employees	(4)	(4)
Energy trading contributions	(58)	(186)
<b>Total</b>	<b>(2,083)</b>	<b>(1,821)</b>

#### 5 Interest on capital employed

	2007/8 £000's	2006/7 £000's
Interest on capital employed	(47)	(34)

#### 6 Supplier discounts

The Agency invoices and collects retrospective discounts from certain contracted suppliers as an agent to the Department of Health. In the year ended 31 March 2008 these collections totalled £467 excluding VAT (2006/7: £456), all of which were passed to the Department of Health.

# Notes to the Financial Statements

for the year ended 31 March 2008

## 7 Tangible fixed assets

	Land	Buildings	Office equipment	IT equipment	Assets under construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Costs or Valuation:</b>						
At 1 April 2007	337	1,037	502	1,530	-	3,406
Additions	-	-	60	27	17	104
Disposals	-	-	-	(6)	-	(6)
Transfers	-	-	-	-	-	-
Surplus/(deficit) on indexation	-	-	-	-	-	-
At 31 March 2008	337	1,037	562	1,551	17	3,504
<b>Depreciation:</b>						
At 1 April 2007	-	41	198	935	-	1,174
Provided during the year	-	20	57	192	-	269
Disposals	-	-	-	(4)	-	(4)
Transfers	-	-	-	-	-	-
(Surplus)/deficit on indexation	-	-	-	-	-	-
At 31 March 2008	-	61	255	1,123	-	1,439
<b>NBV at 31 March 2008</b>	337	976	307	428	17	2,065
<b>NBV at 1 April 2007</b>	337	996	304	595	-	2,232

Land and buildings are all freehold. All assets are owned and in current use as at 31 March 2008.

Land and Buildings were valued on 31 March 2005 on the basis of existing use value by an independent surveyor, Drivers Jonas, Chartered Surveyors. The valuation was carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors.

## 8 Intangible fixed assets

£000's

### Cost or Valuation

At 1 April 2007	828
Additions	11
Disposals	-
Transfers	-
Surplus/(deficit) on indexation	-
At 31 March 2008	839

### Amortisation

At 1 April 2007	302
Provided during the year	166
Disposals	-
Transfers	-
(Surplus)/deficit on indexation	-
At 31 March 2008	468

<b>NBV at 31 March 2008</b>	371
-----------------------------	-----

<b>NBV at 1 April 2007</b>	526
----------------------------	-----

## 9 Movements in working capital other than cash

	2007/8 £000's	2006/7 £000's
Decrease/(Increase) in debtors	450	(539)
(Decrease)/Increase in creditors	(1,928)	2,023
Non-cash financing from Department of Health	6,339	13,745
<b>Net cash inflow</b>	<b>4,861</b>	15,229

# Notes to the Financial Statements

for the year ended 31 March 2008

## 10 Debtors: amounts falling due within one year

	<b>31 March 2008</b>	31 March 2007
	<b>£000's</b>	£000's
NHS and Government Departments	<b>762</b>	229
Other debtors	<b>380</b>	534
Provision for doubtful debts	<b>-</b>	(9)
Prepayments and accrued income	<b>461</b>	1,299
<b>Balance at 31 March</b>	<b>1,603</b>	2,053

## 11 Cash at bank and in hand

	<b>2007/8</b>	2006/7
	<b>£000's</b>	£000's
Balance at 1 April	<b>42</b>	16
Net cash inflow	<b>56</b>	26
<b>Balance at 31 March</b>	<b>98</b>	42

## 12 Creditors: amounts falling due within one year

	<b>31 March 2008</b>	Restated 31 March 2007
	<b>£000's</b>	£000's
NHS and government bodies	<b>927</b>	1,372
Other creditors	<b>744</b>	1,475
Civil Service Pension scheme	<b>291</b>	297
HM Revenue & Customs – other taxes and duties	<b>203</b>	201
Staff creditors	<b>30</b>	32
Deferred Income	<b>100</b>	-
Accruals	<b>1,297</b>	2,142
<b>Balance at 31 March</b>	<b>3,592</b>	5,519

The comparative figures have been restated to include in other creditors £4,000 relating to sundry payroll creditors, Pension scheme £297,000 and HM Revenue & Customs – other taxes and duties £201,000 amounting in total to £502,000 which was previously part of the DH current account held within the General Fund (Note 16b). This is in recognition that these debts are with other government bodies outside of the DH.

### 13 Intra-government balances

	Debtors: Amounts falling due within one year  £000's	Debtors: Amounts falling due after more than one year  £000's	Creditors: amounts falling due within one year  £000's	Creditors: amounts falling due after more than one year  £000's
Balances with other central government bodies	690	-	578	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	72	-	843	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	841	-	2,171	-
<b>At 31 March 2008</b>	<b>1,603</b>	-	<b>3,592</b>	-
Balances with other central government bodies	198	-	1,243	-
Balances with local authorities	-	-	58	-
Balances with NHS Trusts	31	-	627	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	1,824	-	3,591	-
<b>At 31 March 2007</b>	<b>2,053</b>	-	<b>5,519</b>	-

# Notes to the Financial Statements

for the year ended 31 March 2008

## 14 Provisions

	Restructuring £000's	Early Retirements £000's	Total £000's
At 1 April 2007	1,152	17	1,169
Provided in the year	1,089	-	1,089
Paid in the year	(888)	(1)	(889)
Released in the year	(119)	-	(119)
At 31 March 2008	1,234	16	1,250
Expected timing of cash flows:			
Less than one year	323	-	323
One to five years	725	16	741
Over five years	186	-	186
	1,234	16	1,250

## Early Retirements and Redundancy

The provision in the year has arisen as a consequence of the organisational restructure and includes the costs for specific cases of early retirement and redundancy. Redundancy includes the amounts due under the Civil Service Compensation Scheme (CSCS). The Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pensions Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments.

## 15 Revaluation reserve

	2007/8 £000's	2006/7 £000's
Balance at 1 April	531	497
Indexation/Revaluation	-	34
Balance carried forward at 31 March	531	531

## 16 General Fund

### a) Reconciliation of operating cost to changes in the General Fund

	<b>2007/8</b>	2006/7
	<b>£000's</b>	£000's
Net operating cost for the year	<b>(24,713)</b>	(26,698)
<b>Net funding from the Department of Health:</b>	<b>25,838</b>	26,387
<b>Notional charges</b>		
Interest on capital employed	<b>(47)</b>	(34)
Auditor's remuneration	<b>52</b>	52
<b>Net increase in General Fund</b>	<b>1,130</b>	(293)

### b) Movements in the General Fund

	<b>2007/8</b>	Restated 2006/7
	<b>£000's</b>	£000's
General Fund at 1 April 2007	<b>(2,366)</b>	(2,073)
Net increase in year	<b>1,130</b>	(293)
<b>General Fund at 31 March 2008</b>	<b>(1,236)</b>	(2,366)

The comparative figures have been restated to exclude other creditors £4,000 relating to sundry payroll creditors, Pension Scheme £297,000 and HM Revenue & Customs – other taxes and duties £201,000 amounting in total to £502,000 which are now part of Creditors: amounts falling due within one year (Note 12). This is in recognition that these debts are with other government bodies outside of the DH.

# Notes to the Financial Statements

for the year ended 31 March 2008

## 17 Commitments under operating leases

The Agency is committed to make the following operating lease payments during the next financial year:

	<b>2007/8</b>	2006/7
	<b>£000's</b>	£000's
<b>Land and buildings</b>		
Leases which expire within five years	<b>337</b>	331
Leases which expire after five years	-	-
<b>Other leases</b>		
Leases which expire within one year	<b>51</b>	61
Leases which expire within two to five years	<b>112</b>	182

## 18 Related party transactions

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

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

## 19 Losses and special payments

During 2007/8, there were seven cases of losses and special payments totalling £1,016 approved by the Chief Executive in accordance with the Agency's framework document.

## 20 Capital commitments

The Agency is committed to £260,000 of capital expenditure in 2008/9 on three software projects. The DH have confirmed capital brokerage of £260,000 for this purpose.

## 21 Contingent liabilities

There is one on-going claim against the Agency which is expected to be resolved during the financial year 2007/8.

## 22 Post balance sheet event

There are no material post balance sheet events. These accounts were authorised for issue on 8 July 2008 by the Accounting Officer.

## 23 Financial instruments

'FRS 13 – Derivatives and Other Financial Instruments' requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities:

Interest rate risk – this is not significant as the Agency has no borrowings or interest bearing deposits;

Liquidity risk – the Agency is not exposed to significant liquidity risk, as it has no borrowing facilities, and cash requirements are met by the Department of Health funding;

Currency risk – this is not significant, as the Agency had no material imports or exports, nor does it hold foreign currency assets or liabilities;

Credit risk – the Agency has no long-term debt and is not exposed to credit risk.







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