

NHS Purchasing and Supply Agency

Annual Report and Accounts

2008-09

HC 683

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CORRECTION

Page 15 – Payment of suppliers table

Second column heading should read – 2007/08

Page 31 – A review of 2008/9

In the first column, the fifth bullet point should read – “sponsoring the Suppliers Delivering Sustainability awards”

In the first column, the sixth bullet point should read – “recognition by the National Audit Office – *Addressing the environmental impacts of government procurement* report.”

Page 39 – Annual accounts 2008/9 contents page

The fourth heading should read – 48 Cash flow statement for the year ended 31 March 2009

Page 45 – The certificate and report of the Comptroller and Auditor General to the House of Commons

In the second column, the Opinions section, the fourth and fifth sentences in the second bullet point should read – “...prepared in accordance with the Government Resources and Accounts Act 2000...”

Page 47 – Balance sheet as at 31 March 2009

The page heading should read – Balance sheet as at 31 March 2009

Page 65 – Notes to financial statements

The figures quoted in the financial assets table should read – £000's.

The final row should read – “Gross financial liability” with 1,250 in the total column and 1,250 in the non-interest bearing column

Page 66 – Notes to financial statements

The figures quoted in the foreign currency risk table should read – £000's.

August 2009

London: The Stationery Office



Adding value to the NHS

[ANNUAL REPORT AND ACCOUNTS **2008/9**]



[ANNUAL REPORT AND ACCOUNTS 2008/9]

Presented to the House of Commons

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

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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 works to ensure that the NHS in England makes the most effective use of its resources by getting the best possible value for money when purchasing goods and services. Our prime target is to release money that could be better spent on patient care by achieving purchasing savings and improving supply performance across the NHS.

With ministerial support, we are leading the ongoing modernisation of purchasing and supply within the NHS – ensuring that purchasing and supply strategies reflect and contribute towards the achievement of the Government's policies, strategies and priorities.

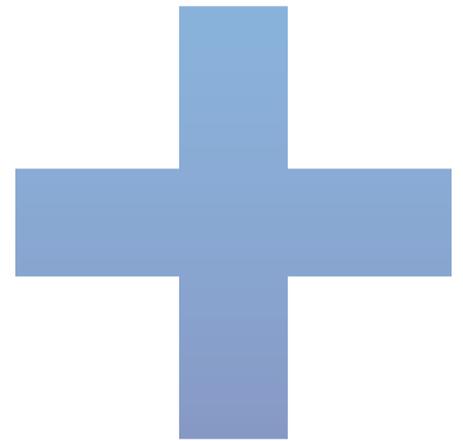
The Agency's objectives are to:

- deliver savings and other benefits for the NHS and, where appropriate, across Government through negotiation of national contracts and purchasing agreements from which the NHS can purchase goods and services
- encourage the introduction of beneficial, innovative products and technologies into the NHS
- provide strategic guidance on commercial management within the NHS including procurement advice to the NHS where this is taking place at a regional or local level
- develop commercial capabilities in the NHS by providing practical guidance, education and training to those involved in procurement throughout the NHS and by setting in place processes, information and systems to support more effective procurement
- help to deliver the Government's policies such as promoting creativity from suppliers and encouraging small and medium-sized enterprises to do business with the NHS and promoting sustainable development within the NHS and its supply chain to reduce environmental and social impacts.





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CHIEF OPERATING OFFICER'S OFFICER'S FOREWORD

I am delighted to introduce the NHS Purchasing and Supply Agency's 2008/9 annual report and accounts. This has been another extremely successful year for the Agency. It is a significant year that has placed procurement high on the political agenda.

It has also been a year dominated by close scrutiny of the procurement function in the NHS and social care settings. The scrutiny has shown that procurement can help the NHS deliver against its targets, encourage innovation, improve patient outcomes and, not forgetting, make sure budgets are spent effectively.

The scrutiny began with the Office of Government *Commerce Procurement Capability Review* in autumn 2008 that highlighted a need in the Department of Health to address its commercial and procurement functions. This resulted in further work to develop the Department of Health Commercial Operating Model that looked at where procurement functions sit across government bodies and the NHS to strengthen and get better economies of scale through greater collective purchasing.

Against this backdrop the Agency has been working to extend its influence and show what good procurement looks like.

We have been:

- professionalising procurement and offering new training opportunities for commissioners and PCTs as part of World Class Commissioning – by March 2009 we had run 41 events with a further 55 events planned in 2009/10
- giving trusts the tools to check how well they buy goods and services including the procurement diagnostic for NHS providers developed in conjunction with DH, Monitor and five London foundation trusts and piloted at the Chelsea and Westminster NHS Foundation Trust
- modernising procurement and encouraging the greater use of electronic purchasing, coding and stock control – the NHS Procurement eEnablement Programme now has an active NHS steering group to drive the adoption of procurement eEnablement technologies in the NHS
- working with partners to reinforce messages and



increase our influence – nearly 100 delegates attended the HSJ Procurement Summit in September to discuss good procurement practice and in December we shared a stand with London Procurement Programme at London Health to promote our framework agreements and pose ten key procurement questions the NHS should address to make sure their procurement function is getting them value for money

- encouraging innovation in line with *NHS Next Steps Review* – HCAI Technology Innovation Programme has shown that new and innovative technologies can help save lives and can make it easier for doctors and nurses to fight infection
- helping trusts to buy goods and services in a more sustainable way that reduces the NHS carbon footprint – includes the protocol and tool to enable comparisons of energy performance and whole-life energy costs for medical devices available

on the Agency's sustainable development web pages

- providing evidence so trusts can make informed purchasing decisions – such as the Centre for Evidence-based Purchasing reports dealing with sophisticated wound care devices helping the NHS decide which technology is the most appropriate to use in this highly complex and expensive area of treatment
- showing that procurement has a conscience with our ethical procurement toolkit out for consultation – making it easier for the NHS to consider the ethics of how medical technologies are manufactured and providing trusts with questions to ask suppliers about how goods are produced.

These are a few of our achievements. There are many more outlined in the main report.

Over the coming year, as part of the Commercial Operating Model, our functions will be transferred into other more closely related areas

across the emerging commercial landscape to gain the most benefit from the considerable knowledge and expertise currently residing in the Agency. We will work with our key stakeholders to ensure the transfer of staff and functions is achieved as quickly and smoothly as possible.

In the meantime, we will also continue business as usual to make sure the NHS receives our support purchasing goods and services and developing its procurement expertise.

Finally, from 1 May 2009 I have been seconded to the Department of Health and David Lane has been appointed as Chief Executive and Transition Director to lead the closure of the Agency and the transition of staff to their new organisations. David is also taking over as the Accounting Officer for the Agency so you will see his signature within the formal reporting sections of this publication.



John Cooper / Chief Operating Officer (until 30 April 2009)



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).

BACKGROUND INFORMATION

The Agency is managed by a team of officers led by the Chief Executive Officer 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 2008/9 the senior management team of the NHS Purchasing and Supply Agency comprised:

John Cooper	Chief Operating Officer
seconded to DH on 30 April 2009	
David Lane	Chief Executive Officer
appointed 1 May 2009	
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 Chief Executive 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 Executive 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, one suspected incident of fraud was brought to the attention of the committee towards the end of the year and this was under investigation. 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 Agency 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 Executive Officer is accountable to the Secretary of State. Both the Chief Executive Officer and the Agency operate under a framework document that was published in January 2001. The 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 Parliamentary Under Secretary of State, the Minister responsible for the Agency.

The aims and objectives of the Agency are shown in the inside front cover of the annual report.

REGULATORY FRAMEWORK

The Agency has prepared the financial statements for the year ended 31 March 2009 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.



A pharmacist finds the medication for a patient's prescription.

The Agency was instrumental in supporting the response to the industry-led sustainable procurement taskforce recommendations on behalf of the healthcare sector.

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).

OPERATING RESULTS FOR THE PERIOD

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 2008/9 was £24.5 million for revenue expenditure and £0.7 million for capital expenditure.

Revenue expenditure incurred in 2008/9 was £24.5 million and capital expenditure was £0.7 million.

The resource funding for 2009/10 from the DH has been notified to be £23.9 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 2008/9 are described more fully later in the annual report. Highlights have been:

- Agency sourcing savings for the year of £455 million exceeding the Agency's target of £300 million
- good progress was made against the CSR07 savings targets – this was the first year of a three year programme

- in 2008/9 the Purchased Healthcare team worked with stakeholders to pull together a resource that linked clinical and national polices in mental health with commercial tools and techniques with an online set of tools and templates was launched in December 2008 alongside the new standard contracts for healthcare services – the mental health roadmap is the first in a suite of roadmaps and those supporting commissioners in community services, acute services and ambulance services will be launched in late summer 2009
- demand management sub-group of the Supply Chain Innovation Group was established to act as a programme board, with representatives from collaborative procurement organisations (CPO), trusts and the Agency Demand Management team to deliver efficiencies and benefits relating to non-pay workstreams, recognising that there would be some crossover into clinical pathways. Over the past 12 months the demand management programme has:
 - provided funding, support and centrally managed a number of demand management pilots with CPOs/individual trusts on selected categories for goods and services
 - promoted a NHS wide approach to supporting the delivery of the CSR07 demand management efficiencies
 - developed an infrastructure to enable the capture of all benefits arising from demand management initiatives across the NHS
 - provided training/support to trusts in the necessary skills required to carry out effective demand management activity
- the Agency successfully introduced eEvaluation tools enabling improvements in the evaluation methodologies including the innovative lease car catalogue shortlisted for an eGov award and the development of the NHS Procurement eEnablement Programme that consists of a series of pragmatic projects and initiatives that use the current business and technology environment to drive forward



the adoption of procurement eEnablement technologies in the NHS – one key output is sid4health, the NHS once-only supplier information and pre-qualification solution which commenced during the year

- working with DH to develop the new Commercial Operating Model – the Model aims to add, amongst other things, greater scope, scale and impact to the procurement of goods and services.

RESEARCH AND DEVELOPMENT

During the year, the Agency has continued its research partnership 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 research and education activities with CRiSPS, the Agency also engages in research projects

covering issues of relevance to wider NHS and government policy.

EMPLOYEE CONSULTATION

The average number of staff employed during the year (measured as a whole time equivalent) was 257.

The Agency places considerable importance on the involvement of its employees. We make every effort to ensure that all staff are kept informed of the Agency's plans. The main channels of communication include staff intranet, 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 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 2008 TO MARCH 2009

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.

35 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, 51% were women and 9% from ethnic minorities (for applicants, 58% were women, 82% were white, 8.5% were Asian, 6% were Black, 1% were Chinese, 2% were mixed

ethnic origin and 0.5% failed to disclose their ethnic origin. 4% of applicants were disabled, 96% were not disabled).

We recruited in accordance with the Civil Service Commissioners' Code and, in accordance with this code, seven 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.

During the year late payment interest charges totalling £396.31 were paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Results for the year were

	2008/09	2007/8
Percentage of suppliers' invoices paid within 10 days	29%	19%
Percentage of suppliers' invoices paid within 30 days	93%	93%
Average payment time, in days	18	21 (restated)
Value of invoices paid, in £ millions	25	16

POLITICAL AND CHARITABLE GIFTS

No political or charitable gifts were made during the year.

David Lane
 Chief Executive Officer
 9 July 2009

The Agency achieved all the objectives set out in the 2008/9 business plan.

OBJECTIVE 1

Deliver our commitments under CSR07

- During 2008/9 the procurement element of the overall DH target was £525 million of which £300 million was the target for the Agency, hubs and trusts. The target was exceeded with total savings of £599 million broken down as:
 - the Agency's national framework agreements delivered savings of £455 million
 - the hubs and trusts delivered savings of £144 million
- As part of the CS R07 monitoring we drafted a standard definition of value for money to capture financial and non-cashable savings from trusts and hubs.

OBJECTIVE 2

Contribute and support the implementations of the NHS reforms

- As part of the equitable access to primary medical care services, we supported PCT and SHA project teams to undertake local procurements for their new GP led health centres and GP practices
- We supported the DH procurement capability review
- The Agency established the NHS Procurement eEnablement Programme - a series of pragmatic projects and initiatives that use the current business and technology environment to drive forward the adoption of procurement eEnablement technologies in the NHS.

OBJECTIVE 3

Building capacity and capability in the NHS

- Since April 2008 the Agency has been approved as a CIPS study centre and delivered 82 one day CIPS accredited courses
- To support World Class Commissioning the Agency ran a programme of six one day courses for PCT staff directly or indirectly involved in process of securing and/or commissioning health related resources and a residential course to improve the commercial awareness of PCT managers as they develop commissioning strategies.

OBJECTIVE 4

Contribute and support for health priorities

- HCAI Technology Innovation Programme trialled a number of new technologies to reduce MRSA and *C.difficile* leading to one proven technology being investigated further with a view to negotiating a new national framework agreement
- As part of the Pandemic Influenza Preparedness Programme, we worked with the DH Commercial Directorate to manage the procurement process of pharmaceuticals to ensure a constant level of readiness and build a long-term, ongoing stockpile in the event of an influenza pandemic.
- We supported new DH standard contracts with procurement advice and tools for commissioners such as the mental health roadmap which is an online resource for commissioners.

OBJECTIVE 5

Contribute and support for government policy and priorities

- During 2008/9 the Procurement Centre of Expertise managed 18 full live OJEU procurements with a further 25 procurements at initiation stages
- Centre for Evidence-based Purchasing continued to work with DH policy units publishing 73 reports to inform NHS purchasing decisions
- Maintained the Agency's ISO 14001 certification.

Staff discuss their trust's strategic plan



NHS PASA telecare framework is seen as the route to market and standard of service provision.

National Procurement

CONTRACTING ACTIVITY

The Agency managed contracts with the value of £3,229 million during 2008/9. There were 313 live framework agreements amounting to 2,871 suppliers.

During the year the Agency supported the establishment of 79 new framework agreements. In total 434 supplier contracts were awarded.

IT SOFTWARE

The product portfolio has expanded with the introduction of national frameworks for library services, e-Knowledge for skills and cognitive behavioural therapy. The team regularly engages with the DH on software-related medical initiatives.

TELECOMS

Our knowledge of the ICT market has meant uptake against our **line rental and calls framework** and **voice, video and data framework** has grown within

the NHS and across the wider public sector. The increasing use of GSM gateways is impacting on the uptake against the current voice minutes and line rental framework agreement.

We have considerable knowledge of new developing technologies and have provided effective advice to NHS trusts with the strategic planning of their telecoms estate and the markets. We also assisted trusts managing the restructure of their telecoms estate to remove unwanted costs such as identifying and withdrawing redundant lines and promoting more cost effective tariffs.

We will enhance our contractual offerings by restructuring the framework agreements and working collaboratively with



Buying Solutions. This will allow customers to obtain up to date technologies and services from a one-stop agreement.

We are working with the DH Service Design team to review the introduction of the 03 telephone number range, potentially less expensive for patient, and still has the service facilities available with the 08 range.

TELECARE

The telecare framework agreement underpinned the NHS Whole System Demonstrator Project and was the vehicle for £50 million of the potential £80 million Preventative Technology Grant spent by the NHS and local government to improve health and wellness. The framework is being closely studied by universities and the King's Fund.

The uptake value against the framework is running at five times higher than forecast and now stands at £50 million.

We foresee an opportunity for telehealth to be a mainstream activity in the NHS through PCTs and commissioned healthcare. Working with the DH and NHS Connecting for Health, we are reviewing options for the future delivery of care and treatment for both long and short term conditions.

ESTATES

Good working relationship with the DH Estates and Facilities team has resulted in the NHS PASA's Estates category team being commissioned to undertake the contract planning and legal workstream for the re-letting of the ProCure21 framework

agreement for publicly-funded capital construction projects.

The new **estates consumables framework** consolidates eight categories of products into one framework. This offers the principle of a one stop shop for many products with savings ranging from 5% to 16% compared to previous arrangements. It also offers flexibility, energy efficient alternatives, added value services and opportunities for mini competitions.

ICT AND TELECARE SPEND AND SAVINGS IN 2008/9

Annual contract value	£153.7m
Annual savings value	£47.8m

31%
saving

Our team of energy specialists manage approximately 85% of NHS demand for gas and power at a total value of around £350m per annum.

Phase two of the refresh programme will deliver a consolidated framework for a range of services for the estates and facilities functions within healthcare and across the wider public sector.

The third phase of the framework review received business case approval to develop a national approach to the procurement of **minor capital works and building maintenance**. The intention is to deliver this at SHA/CPO level, ensuring that opportunities are provided for local contractors. The benefits should realise a consistent approach, improved contractor management, process efficiencies and cost savings to the NHS to help to overcome the £4 billion NHS maintenance backlog.

A pan-government framework, led by the agency, for **watercoolers and dispensers** was awarded in June 2008. This excellent example of collaborative working involved a broad range of stakeholders and has resulted in a competitive and comprehensive offer, fully supported by industry and promoting sustainable procurement.

We have provided **waste management** advice to NHS trusts and collaborative procurement groups. We have made a significant contribution to the sustainability/environmental objectives working closely with DH to deliver the Health Technical Memorandum (HTM 07/07).

ENERGY

The high level of central co-ordination significantly reduce the NHS supplier margins and tendering costs. The Agency has access to wholesale energy markets, enabling multiple purchasing opportunities and robust risk management strategies all working together to minimise the effects of price volatility.

Our particular successes in 2008/9 are:

- cushioning the NHS from the worst effects of the highest prices seen on global energy markets through effective risk management and a flexible buying strategy
- remodelling the team to form a commodity focus with two clear leadership functions:

i] markets and trading has led to more sophisticated ways of engaging with wholesale markets

ii] supplier management programme has led to closer commercial relationships between our team, NHS finance and procurement functions

- leading the buying and risk management project – a sub-group of the collaborative procurement programme led by OGC.

FLEET

The Fleet team has delivered over £25 million in savings in 2008/9 through standardised specifications and effective supply market leverage. The team provides an effective stakeholder hub between policy makers and NHS operating arms both within DH and to wider government initiatives, for example our input to the EU's Clean Vehicle Directive consultation. In addition to providing a comprehensive suite of contracts, key achievements for the year include:



Mobile paramedic

- sponsorship of the OGC's collaborative procurement project for fleet, leading the cross-government Collaborative Category Board and Fleet Strategy Team – we spearheaded project management on seven core delivery projects for 2008/9
- completely re-vamping the lease car website
- effective delivery of DH policy through the first

national agreement for mobile mammography units in support of the National Breast Screening Programme. A new vehicle specification was required to switch from analogue to digital technology – showing our capability in delivering innovation

- first national specification for A&E ambulances, through extensive consultation with fleet managers at NHS

ambulance trusts – the framework agreement provides for local flexibility

- complete overhaul of the master hire agreements for all vehicle lease frameworks – the need for extensive legal and industry consultation in delivering this is a good example of effective scale economy.

Agreements for the lease of commercials, vehicle conversions and mammography trailers are under development and will bring annual category managed spend up to approximately £150 million.

SERVICES AND OUTSOURCING

The Services and Outsourcing team provides full category management delivery for services required by the NHS to support its clinical functions. Primarily this covers HR and resourcing services and outsourcing services.

For the majority of these services there is a strong focus on local or regional delivery whilst adhering to national policies and standards. It is essential that NHS bodies are able to use the services of either a national or regional supplier.

Annually £0.75 billion is spent on NHS agency staff with the potential to save £17 million managing the market and using our frameworks.

There is compliance with national standards to meet legislative or policy requirements and to minimise any risk exposure for the NHS bodies. The policy or legislative requirements span clinical and non clinical areas.

We support services that are considered mission critical for the NHS – laundry, decontamination – and where the expertise cannot be established within individual NHS bodies because of the level of complexity of the market.

We work closely with the OGC's collaborative procurement

programme for professional services, providing intellectual support to category projects in a number of areas including consultancy, temporary staffing and catering services.

Specific outputs by category are:

HR AND RESOURCING SERVICES

We work to achieve national standards and fair prices in a complex market where the supply base is fragmented and suppliers are generally regionally based or where an apparently national

supplier operates through a franchise system.

Frameworks cover consultancy and interim support so trusts can determine their needs in a simple and methodical manner and take account of the marketing strategies and approaches of the supply base.

All service offerings link in with wider market and policy developments or strategies such as e-learning initiatives, training funding provision, demand management and consultancy value programme.

OUTSOURCING SERVICES

Our procurement solutions encourage appropriate capital investment by an outsourced provider (for example instrument decontamination and laundry) so the NHS bodies do not need to undertake such capital investment.

We use our expertise to manage dominant suppliers and provides trusts with advice and commercial intelligence for outsourced services where a national framework is not appropriate.

TEMPORARY STAFFING

The Temporary Staffing (clinical) category manages cost-effective and quality controlled temporary



Doctor and patient consultation

clinical staffing frameworks. These frameworks deliver savings for the NHS and enhance the safety and quality of services for users and patients.

From a national perspective, the team has effectively managed its framework suppliers and worked with them to identify gaps/trends in the clinical temporary staffing market and improve performance. We have engaged with the NHS to understand current demand trends and worked with the NHS to develop national procurement strategies to ensure that patient risk and cost is minimised through the use of framework agreements.

The team has continued to work with CPOs. A notable success is the development of a NHS London temporary staffing category board with the London Procurement Programme. This has led to the introduction of operational stakeholder forums for all groups of temporary staffing (both clinical and non clinical) across London.

MEDICAL LOCUMS

The current national framework agreement for medical locums and locum GPs expired on 30 June 2008. The extension period was not activated because of changes in the size and structure of the market, reclassification of

doctors and the introduction of enhanced pre employment checks for substantive and locum doctors.

The new agreement is for the provision of hospital doctors only. The agreement covers the full range of 140 grades and specialties as reclassification of middle grade doctors is underway and the new grades are included.

GP locums will not be included. A review of the market showed that GP locums are sourced locally and the national agreement has not significantly influenced this sourcing method. Further work will be undertaken by the team to establish the appropriate level of contracting and will look to provide appropriate guidance and support if this is required by CPHs, strategic health authorities and PCTs.

NURSING AND SOCIAL CARE

The agency nursing framework agreements are being renewed with awards due in July 2009. There will be two new agreements for nursing and domiciliary care.

Our frameworks aim to supply quality hospital and community agency nurses and healthcare assistants of all grades and specialties. A review of continuing care, learning

disabilities and social care requirements will be required. Further work will be undertaken to establish the appropriate level of contracting and appropriate guidance and support to CPOs, SHAs, trusts and PCTs.

Ten regional stakeholder forums have been set up with CPO's and NHS trusts to develop and manage the new agency nursing agreement. It is anticipated that this approach will be adopted for the allied health professional/health science services (AHP/HSS) and medical locums during 2010/11.

ALLIED HEALTH PROFESSIONALS/HEALTH SCIENCE SERVICES

The renewal of the current framework agreement is almost complete for the provision of temporary AHP and HSS workers (excluding theatre). The agreement will cover the full range of Agenda for Change job bands.



NATIONAL AUDIT TEAM

The National Audit Team monitors the Agency's agreements for medical locums, nurses and other personnel supplied to the NHS by the commercial agencies throughout the UK (see table below). The audits ensure that all workers supplied to the NHS are

of high quality and do not present a risk to patient safety in the NHS. The audit includes: recruitment procedures; immigration rules and regulations; fitness to work and immunisation; professional qualifications; training and criminal records disclosures.

DH and NHS Employers are committed to ensuring the Agency monitor all temporary staffing agencies assigned to our contracts follow their rigorous employment conditions and practices.

2008/9 National Audit Team	AHP	HSS	Med locums	Multi regional	Nursing pre award	Total
Number of audits completed and booked	71	2	52	22	346	493
Number of agencies withdrawn	1	N/A	1	0	9	11
Number of spot checks	N/A	2	0	1	0	3

N/A stands for not applicable.

A further aim of the audits is to improve the quality of the commercial agencies which in turn enhances patient safety in the NHS.



PHARMACEUTICALS

Annually NHS hospitals in England spend around £2.2 billion on pharmaceuticals. It is estimated that £1.7 billion of the total is spent on branded pharmaceuticals and the remainder is spent on generic drugs and pharmaceutical related products. A strategic framework has been developed to ensure that pharmaceutical procurement across the NHS delivers best value and:

- develop a cohesive approach between national and local activity
- manage the relationship between branded and generic pharmaceuticals
- clarify the respective roles of national pharmacy groups, local

pharmacy purchasing groups, collaborative procurement hubs/supply confederations and NHS PASA.

The Pharmaceuticals team has focused on medicine procurement areas considered as highly important to the NHS. This included securing the stable supply of critical drugs, the National Vaccine Programmes and selective competitive tendering for hospital contracts to maintain and develop competition. We also supported the DH project for domiciliary oxygen therapy.

We have dedicated category specialists assisting with procurement decisions for:

- homecare medicines

- childhood and other vaccines (UK wide)
- blood products
- medical gases
- x-ray contrast media
- medical maintenance (radiology imaging and medical equipment)
- enteral products
- Advisory Committee on Borderline Substances.

Benefits from NHS procurement contracts have exceeded the first year CSR target

BY AT LEAST £70 MILLION

The influenza antivirals procurement was delivered ahead of plan ensuring an early protection of the population.

Supporting government and department initiatives

COMPREHENSIVE SPENDING REVIEW – CSR07 DELIVERY PLAN

Following the CSR07 opportunity assessments, DH and the Agency has identified efficiencies opportunities with expenditure for health and social care. The Agency’s Programme Office will manage delivery of these benefits through a series of initiatives across the health community at national, regional and local level (see table opposite).

The CSR Programme will identify and capture efficiencies through the procurement functions within trusts, CPOs, DH and NHS Supply Chain. Further support will be required to:

- demonstrate and market the benefits of the CSR initiatives to all stakeholders

CSR07 delivery plan

	2008/9	2009/10	2010/11
National Contracting NHS PASA (incl NHS Hubs and Trusts)	150	275	400
Demand Management NHS	150	275	400
NHS PASA total	300	550	800
NHS Supply Chain BSA	75	100	150
Process improvements CD	150	250	500
Non NHS PASA total	225	350	650
CSR grand total	525	900	1,450

- ensure a consistent understanding and approach to meeting the requirements set out by CSR
- ensure that activity complements and dovetails with other government efficiency programmes
- ensure that procurement is appropriately skilled and empowered to undertake and CSR initiatives

- ensure that CSR07 targets are met enabling the NHS to operate effectively within an environment of reducing budgets.

CSR07 – MONITORING AND MEASUREMENT

Realisation of CSR savings for 2008/9 has required a range of activities of varying complexity. The Agency will continue to

support and drive the process for value for money (vfm) measurement across health. We have developed standard definitions that will be crucial to capture both financial and non-cashable vfm.

The Agency document *Measuring Value for Money* (currently in draft) sets out proposals on the measurement of vfm closely based on Treasury guidance including CSR and OGC guidance, the *Green Book* and *Managing Public Money*.

PROCUREMENT CAPABILITY REVIEW OF THE DEPARTMENT OF HEALTH

OGC procurement capability reviews (PCRs) provide an independent, strategic review of government procurement, identifying exemplars as well as areas for improvement.

The PCR looked across all the DH commercial and procurement activities and reported against

nine indicators – covering leadership, skills development and deployment, and systems. It included the Department's ability to achieve world-class standards in procurement.

The PCR highlighted a need in the Department to address its commercial and procurement functions. This resulted in further work to develop the DH Commercial Operating Model that will strengthen commercial leadership within the NHS and help it deliver high quality care for every patient.

PANDEMIC INFLUENZA PREPAREDNESS PROGRAMME

DH has put in place a strategy and the mechanisms to provide the most effective response on behalf of the UK population in the event of an influenza pandemic – the Pandemic Influenza Preparedness Programme. The strategy includes procuring and stockpiling antivirals.

The Agency was asked to bring our category expertise procuring pharmaceuticals and work with the DH Commercial Directorate. The goal was to manage the procurement process of pharmaceuticals to ensure a constant level of readiness and build a long-term, ongoing stockpile – including coordinated replenishment, reprocessing and disposal. The agreements with suppliers had to be flexible to allow for changes to the clinical advice, for example if new improved medicines come to market.

The procurement exercise was completed early and achieved all objectives.

We are showing how investment in demand management techniques – to eliminate, replace or reduce goods and services – will deliver £224 million savings for the NHS by 2010/1.

PROJECT MANAGEMENT OFFICE AND QUALITY ASSURANCE

This financial year we established the Project Management Office to provide:

- effective management reporting using the executive dashboard
- project management support for the top 15 mission critical projects (defined as meeting the CSR07 target)
- support and guidance to project managers working on non-mission critical projects (through project start-up toolkit)
- and improved project management standards, tools and capability.

The Quality Assurance function maintains and implements procedural guidance for the Agency and NHS procurement professionals, undertakes a

programme of audit within the Agency looking for constant improvement and continued to satisfy the standards of ISO9001 and OHSAS18001 for the Agency.

DEMAND MANAGEMENT

We are running pilots across the NHS to demonstrate the benefits of demand management interventions. We are working closely with the CPHs and CPOs to ensure mutual objectives. The findings from the pilots will be shared more widely with the NHS through an online knowledge bank.

We have delivered a pilot training session on demand management.

PROCUREMENT CENTRE OF EXPERTISE (PCOE)

PCoE provides DH with comprehensive support to its procurement activities including a full procurement service for major programmes and projects,

advice and guidance to local procurement resources and a new category management function. The latter focuses on areas of common expenditure across the Department to increase efficiencies.

2008/9 was the first year PCoE has been fully operational after recruiting additional procurement professionals to the Department's offices in Leeds and London.

PCoE successfully helped to design and then roll out the procurement module of the Department's new Business Management System (BMS). Tasks included staff training, reviewing existing procurement policies and processes and setting up a new helpdesk facility to deal with staff queries when the system went live on 1 July. PCoE also developed a Department-wide BMS stakeholder group for local procurement resources to debate issues and propose actions.



PCoE worked closely with Agency colleagues and with the Department on specific projects such as pandemic flu, commercial skills framework and using the OGC consultancy value programme to improve the effective use of consultants across DH.

CENTRE FOR EVIDENCE-BASED PURCHASING (CEP)

CEP provides independent and objective evidence-based information about innovative medical technologies for health and social care.

The business has been extensively reconfigured to align with the needs and priorities of the DH, NHS and social care and deliver increased capability, capacity and efficiencies. Proactive engagement with key customers and stakeholders has resulted in significant strands of new work of direct relevance to the

development and delivery of health policy and service.

The majority of CEP's projects are proposed as a result of close liaison with stakeholder groups. All potential projects are evaluated on a number of factors relating to the overall potential impact on the NHS, social care and/or DH including benefits of the technology (NHS and patient), impact, innovation, sustainability and economics.

We are working with NHS Supply Chain to directly link the evidence and benefits of adoption of products with the timely introduction of frameworks to ensure informed and structured beneficial agreements.

The supplier rationalisation programme with 11 new suppliers will allow CEP to broaden its range of service offerings including web based tools, databases, off the shelf business cases and broader health

economics and patient benefit realisation.

Key pieces of work included:

- four interactive cost-calculators available online
- two evidence reviews on the imaging modalities available for the diagnosis of strokes helping the NHS to implement the DH stroke strategy
- buyers' guides on a number of diagnostic imaging modalities helping the NHS to select appropriate equipment to procure through the NHS Supply Chain national framework agreement
- managing the evaluations of six new medical technologies at showcase hospitals to support the HCAI Technology Innovation Programme.

We use eTendering tools for all contracting activity and, during this year, introduced eEvaluation tools.

HCAI TECHNOLOGY INNOVATION PROGRAMME

The programme, delivered by the Agency on behalf of DH, aims to speed up the development and adoption of new technologies to help combat healthcare associated infections (HCAI) especially MRSA and *C.difficile*. It was launched in January 2008 in the DH publication *Clean, Safe Care – Reducing Infection and Saving Lives*.

The programme celebrated its first anniversary in February with a HCAI Technology Innovation Summit with 300 delegates from the NHS, industry and abroad. The Summit included an exhibition of new technologies and an awards ceremony to

celebrate innovation and success within the field of HCAI related technologies. Awards were also made to ten trusts, nominated by their SHA, for an outstanding contribution to fighting infection. Each trust was awarded a grant to be spent on HCAI related technology.

There are four main strands of the programme:

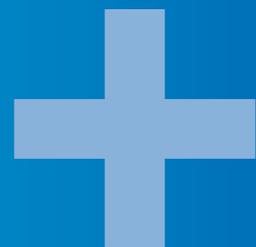
- seven **Showcase Hospitals** across England tested six new and novel infection related technologies to evaluate how they perform on a day-to-day basis
- **Smart Ideas** programme to gather ideas from NHS front line staff and working with NHS

National Innovation Centre to develop shortlisted ideas

- **Design Bugs Out** programme managed by the Design Council to involve five top commercial designers to redesign existing hospital equipment and furniture, making it easier to use and clean
- **Smart Solutions**, managed by Trustech – North West of England NHS Innovation Hub, to involve SMEs and trial new products in hospital settings.

SUSTAINABLE DEVELOPMENT

The Agency made good progress against the sustainability actions outlined in the NHS sustainable procurement action plan *Procuring for Health and Sustainability 2012*.



Key successes included:

- developing sustainable procurement risk and opportunity user tool (SPROUT) to identify sustainable development priorities within business cases
- delivering additional sustainable procurement training modules
- developing a range of guidance including energy performance assessment tool and protocol and sustainable procurement roadmap for NHS organisations
- drafting *Ethical Procurement for Health* for consultation
- sponsoring the Suppliers Delivering Sustainability awards
- recognition by the National Audit office – *Addressing the environmental impacts of government procurement* report.

The Agency provided its response to the NHS Carbon Reduction Strategy and has set up a procuring for carbon reduction steering group to address the procurement issues highlighted within the report.

During the coming year, we will be finalising the *Ethical Procurement for Health* guidance, produce a roadmap and guide on *Procuring for Carbon Reduction* and integrate sustainable development consideration throughout the new DH commercial operating model.

eEnablement

**NHS PASA
ENABLEMENT TEAM**

The Enablement team brings together sourcing, data analysis and

benefits tracking to ensure a more efficient and consistent approach to all aspects of the procurement cycle. Working closely with the Agency category teams, we supported more than 80 procurement projects over the last year.

The sourcing and data teams continued to develop best practice approaches for electronic tendering and electronic evaluation solutions allowing increased stakeholder input into award decisions. We have adopted innovative approaches to procurement whilst working within the requirements of the EU procurement directives, using different procedures where appropriate and ensuring transparency throughout the process.

ENERGY SPEND AND SAVINGS IN 2008/9

Average annual spend (inc. VAT)	£380.2m	49% saving
Average annual savings (inc. VAT)	£18.6m	

Estates and ICT teams are on course to return annual savings of 104 times their budget for 2008/9

We developed our business processes including the operating purchasing procedures manual, and best practice generic toolkits to share knowledge as well as support increasingly complex PQQ and ITT evaluations.

Benefits tracking techniques (BTT) is well established as the Agency's main system for the collection, analysis and reporting of savings information. Last year the system captured over one million transactions from suppliers. With three years of contracting information held within the system, BTT is a key tool in strategic market management and the development of procurement strategies. Pharmacy led projects are largely driven by data captured through the Pharmex system.

There was significant work to develop CSR baselines and reports as well as other management

reports to support the category teams' strategic market management.

eProcurement solutions

eSOURCING

We use eTendering tools for all contracting activity and, during this year, introduced eEvaluation tools.

CATALOGUES

The lease car catalogue was successfully re-developed to integrate with suppliers own systems and provide the NHS and public sector with online capability to easily compare rates. Since July 2008, 80 non-healthcare organisations have subscribed committing 8,000 vehicles in addition to the 33,000 already managed under the agreement. The website was nominated for an e-Government award and has been well-received by the trade press

NHS PROCUREMENT eENABLEMENT PROGRAMME

An NHS steering group has been set up to oversee the programme and:

- establish a clear direction procurement eEnablement in the NHS
- establish and implement common data standards for the NHS
- ensure NHS capability is in place so NHS organisations have the skills and knowledge to exploit procurement eEnablement tools effectively
- ensure a high level of awareness and understanding is in place between the NHS, suppliers and technology providers via on-going communication and engagement activities.

The first initiatives to be completed are the procurement

and implementation of sid4health and the provision of supplier information used in pre-qualification including financial information from Dun and Bradstreet.

We held two workshops for suppliers and technology providers. There was a successful round-table event with the Healthcare Financial Management Association in February 2009.

INFORMATION TECHNOLOGY

During 2008/9 IT services exceeded its business plans and new technologies have been introduced to enable the internal businesses of the Agency, the NHS and DH to operate more effectively.

Engagement with stakeholders to define and document business processes has been a fundamental priority in delivering solutions that improve business

efficiencies. IT services has contributed major developments to its major stakeholders business plans most notably:

- **the Agency** – IT defined the business requirements of the Pharmaceutical Directorate for a procurement and contract management system covering pharmaceutical products used in NHS secondary care. This allowed the successful development and delivery of an IT solution incorporating usage, costing and quality assurance. This combined with other supporting systems has contributed to the Agency's CSR07 goals.
- **Department of Health** – IT services worked with the NHS and DH to define and develop a clinical procedures procurement portal that all NHS commissioning bodies and providers can use. NHS Supply2Health was launched

as an online resource where PCTs can post information about tender opportunities and contract awards. From 1 October 2008 all statutory NHS commissioning bodies must competitively tender clinical services that fall under Part B of the European Procurement Directives.

- **NHS** – one of the Agency's key goals is to support, assist and provide good practise guidance to the collaborative development within the NHS. IT services set up online collaboration facilities using SharePort portal technologies to support a number of projects including equitable access in primary medical care, world class commissioning and the NHS Procurement eEnablement Programme.

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 appointment 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 for the Audit Committee.

Further information about the work of the Civil Service Commissioners can be found at: 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.

SALARY

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London

Table a Remuneration

Management Executive	2008/9		2007/8	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr Christopher Uden Director	125–130	0	110–115	0
Mr John Cooper Director	120–125	0	110–115	0
Mr Andrew Rudd Director	90–95	40	75–80	26
Mr Marcus Brindle ¹ Director	0	0	85–90	0
Ms Helen MacCarthy Director	75–80	28	60–70	26
Mr Clem Brohier Director of Finance	75–80	0	75–80	0
Mr John Warrington Director	70–75	22	70–75	20
Mr Chris Theaker Director	80–85	0	75–80	0

¹ Mr Marcus Brindle left the Agency on 31 March 2008

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.

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**

Table b Management Executive salary and pension entitlements

Name	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/3/09 and related lump sum	CETV at 31/3/08	CETV at 31/3/09	Real increase in CETV after adjustments for inflation and changes in market investment factors
	£000's	£000's	£000's	£000's	£000's
Mr Christopher Uden Director	0–2.5 Plus 0–2.5 Lump sum	60–65 Plus 180–185 Lump sum	1,356	1,413	2
Mr John Cooper Director	2.5–5 Plus 12.5–15 Lump sum	50–55 Plus 155–160 Lump sum	927	1,098	2
Mr Andrew Rudd Director	2.5–5 Plus 7.5–10 Lump sum	25–30 Plus 75–80 Lump sum	371	448	1
Ms Helen MacCarthy Director	0–2.5 Plus 5–7.5 Lump sum	15–20 Plus 55–60 Lump sum	196	243	1
Mr Clem Brohier Director of Finance	0–2.5 Plus 0–2.5 Lump sum	5–10 Plus 0–5 Lump sum	69	95	3
Mr John Warrington Director	0–2.5 Plus 0–2.5 Lump sum	20–25 Plus 65–70 Lump sum	352	387	1
Mr Chris Theaker Director	0–2.5 Plus 0–2.5 Lump sum	25–30 Plus 75–80 Lump sum	399	438	1

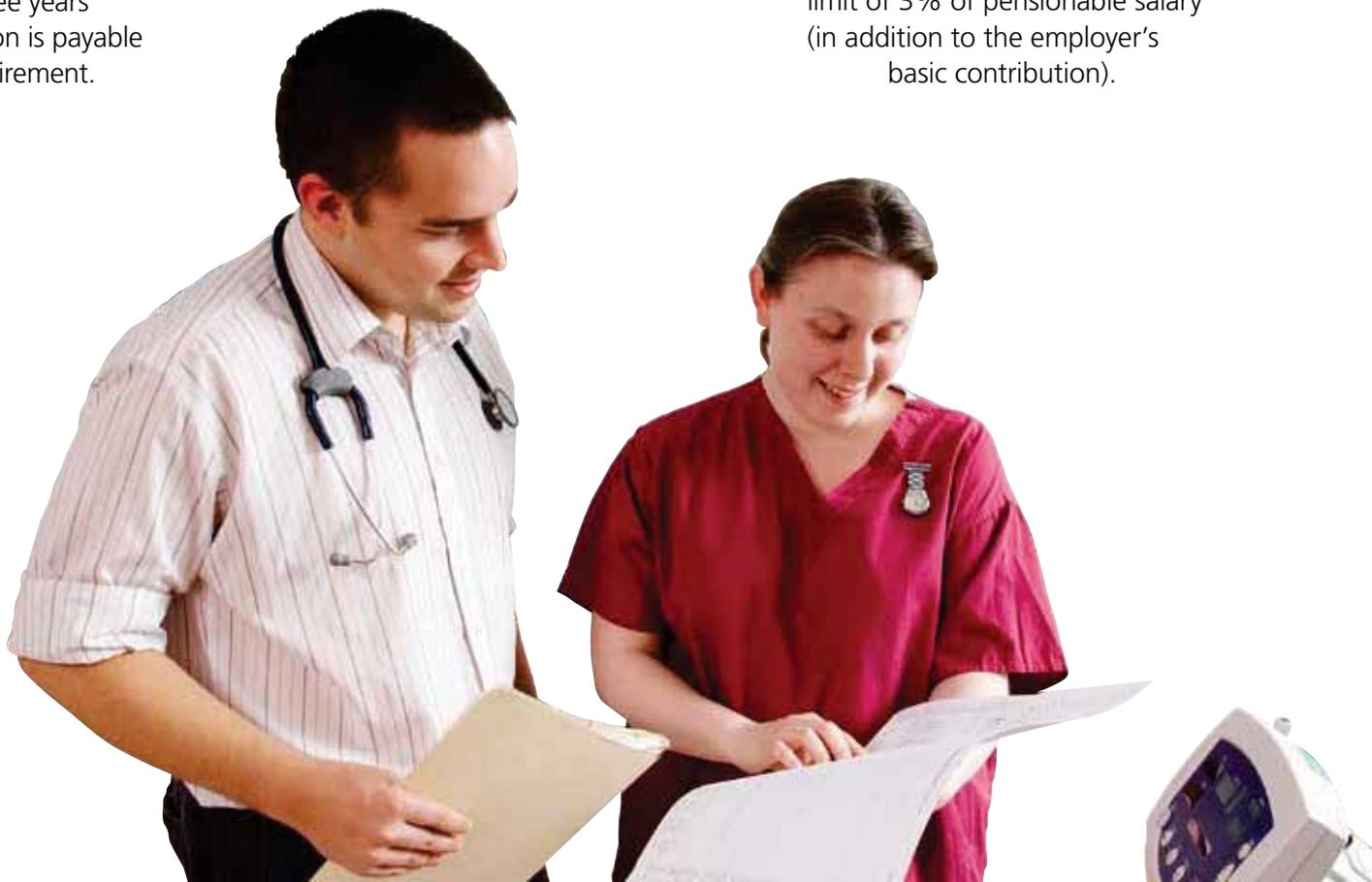
are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

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 uprated 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

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 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 benefit 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 buying any additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes

(Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

REAL INCREASE IN CETV

This reflects the increase in CETV that is 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.



David Lane
Chief Executive Officer
9 July 2009

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STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

I am delighted to introduce NHS Purchasing and Supply Agency's 2008/9 annual report and accounts. The Agency has had an extremely successful year with some very positive recognition of the work it undertakes.

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 Executive 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'.



David Lane
Chief Executive Officer and
Accounting Officer
9 July 2009

SCOPE OF RESPONSIBILITY

Following the secondment of the Chief Operating Officer and Accounting Officer into the Department of Health on 30 April 2009, I was appointed the new Chief Executive Officer and Accounting Officer on 1 May 2009. As the newly appointed Chief Executive Officer I had not been Accounting Officer during the period this statement covers. However, I am assured by the previous Accounting Officer that the governance arrangements were in place as set out in this statement.

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'.

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
- to evaluate the likelihood of those risks being realised and the impact should they be realised
- and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Agency for the year ended 31 March 2009 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 comprising of 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.

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 2008/09 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 2008/9

- Bentley Jennison conducted a thematic review of the risk management system and processes to assess the level of risk maturity the Agency had attained in its embedded processes benchmarked against other public sector organisations. This review confirmed that the Agency had embraced risk management and used

outcomes of the process to inform decision making. It was confirmed that the Agency adopted an enterprise wide approach to risk management and attained a high level of risk management maturity

- at the beginning of the year, the Cabinet Office set out 30 mandatory requirements relating to handling information risks. Government Departments and Arm's Length Bodies were directed to ensure compliance with these requirements by Summer 2008. The Agency was able to demonstrate full compliance with the mandatory requirements
- the Cabinet Office also asked government departments and agencies to comply with a 70 point plan for security management (which covered all aspects of security including IT security, information security and the physical security of staff, buildings and information). The Agency was able to demonstrate compliance with this plan
- the successful encryption of all portable media enabled the Agency to monitor all sensitive and personal data. Furthermore, the Agency implemented guidance from the Department of Health on

information governance on a risk-assessed basis which was reported to the Audit Committee and Management Executive. The policies and procedures for managing the security of personal data were reviewed and staff were alerted to the key issues in handling sensitive personal data through mandatory training. There were no incidents during the year related to loss or unauthorised disclosure of sensitive personal data

- the accumulative annual percentage of loss time due to sickness absence was 2.8% for the year ending to March 2009.

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.

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
- quarterly accountability meeting with the Sponsor, Commercial Directorate
- 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.



David Lane
Accounting Officer
9 July 2009

I certify that I have audited the financial statements of the NHS Purchasing and Supply Agency for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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 EXECUTIVE OFFICER AND AUDITOR

The Agency and Chief Executive Officer as Accounting Officer are responsible for preparing the Annual Report, 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 the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the information which comprises the Management Commentary and the Director's report included in the Annual 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 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. This other information comprises the Chief Operating Officer's foreword, Performance against objectives, Review of 2008-09 and the unaudited parts of the Remuneration Report. 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 Executive Officer in the preparation of the financial statements, and of whether the accounting policies are most 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

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 2009, 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 the Government Resources and Accounts Act 2000 and HM Treasury's directions made thereunder; and

- information which comprises the Management Commentary and the Director's Report included within the Annual Report is consistent with the financial statements.

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.

Amyas CE Morse
Comptroller and Auditor General

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

13 July 2009



OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

		2008/9	2007/8
	<i>Notes</i>	£000's	£000's
Administration costs			
Staff costs	2a	16,293	15,816
Other administration costs	3	22,418	10,980
Gross administration costs		38,711	26,796
Operating income	4	(14,219)	(2,083)
Net operating cost		24,492	24,713

All of the above expenditure relates to continuing operations.

Statement of recognised gains and losses for the year ended 31 March 2009

		2008/9	2007/8
	<i>Notes</i>	£000's	£000's
Net gain on revaluation of tangible fixed assets	14	26	–

The notes on pages 49 to 66 form part of these financial statements.

BALANCE SHEET
AS AT 1 MARCH 2009

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	Notes	As at 31 March 2009		As at 31 March 2008	
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	7		2,401		2,065
Intangible assets	8		386		371
Current assets					
Debtors: amounts falling due within one year	9	2,058		1,603	
Cash at bank and in hand	10	11		98	
Net current assets		2,069		1,701	
Creditors: amounts falling due within one year	11	(4,202)		(3,592)	
Net current (liabilities)			(2,133)		(1,891)
Total assets less current (liabilities)			654		545
Provision for liabilities and charges	13		(1,129)		(1,250)
Total net liabilities			(475)		(705)
Taxpayers' equity					
Revaluation reserve	14		557		531
General Fund	15		(1,032)		(1,236)
Total taxpayers' equity			(475)		(705)

The notes on pages 49 to 66 form part of these financial statements.



David Lane
Chief Executive Officer and
Accounting Officer
9 July 2009

	Notes	2008/9 £000's	2007/8 £000's
Reconciliation of operating costs to operating cash flows			
Net operating costs		(24,492)	(24,713)
Adjustments for non-cash transactions:	3	414	443
(Increase)/decrease in debtors		(455)	450
Increase/(decrease) in creditors		610	(1,928)
Use of provisions	13	(121)	81
Net cash outflow from operating activities		(24,044)	(25,667)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(554)	(115)
Purchase of intangible assets	8	(161)	–
Net cash outflow from investing activities		(715)	115
Cash flows from financing activities			
Net parliamentary funding (Department of Health)		24,672	25,838
Net financing		24,672	25,838
(Decrease)/increase in cash in the period	10	(87)	56

The cash flow statement has been restated to bring into line with the Department of Health's yellow accounts.

The notes on pages 49 to 66 form part of these financial statements.

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2008/9 Government Financial Reporting Manual (FReM) 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 20th August 2008 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.

1 ACCOUNTING POLICIES continuedd] *Fixed assets* continuediii] *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:

Buildings	50 to 60 years
Fixture and fittings	10 years
Computer hardware	3 to 5 years
Other equipment	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*

NHS PASA present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a multi-employer defined benefit scheme and is unfunded and non-contributory. The Department of Health recognises that expected cost of providing pension on a systematic and rational basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

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.

l] Going concern

On 23 April 2009, it was announced that a new Commercial Operating Model for the Department for Health would be implemented which would entail that NHS PASA will be disaggregated and its functions be transferred to specific areas of the procurement landscape thereby adding greater scope, scale and impact to the procurement of goods and services. The activities and functions of the Agency, along with its associated assets and liabilities, will transfer to the Department of Health and other central government organisations. The accounts are prepared on a going concern basis as all PASA financial transactions are settled with funds voted by Parliament to the Department of Health, and all the functions of the agency are being transferred from one part of Government to another.

2 STAFFING

	2008/9	2007/8
	£000's	£000's
a) Staff costs		
Wages and salaries	10,256	10,163
Termination payments	400	970
Social security costs	869	891
Pension costs	2,115	2,150
Sub total	13,640	14,174
Inward secondments, agency and contract staff	2,653	1,642
Total	16,293	15,816
Less recoveries from outward secondments	(205)	(488)
Total net costs	16,088	15,328

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

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2008 and details can be found in the separate scheme statement of the PCSPS.

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. The scheme prepares its own statements. 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 2008 and details can be found in the resource accounts of the Cabinet Office (www.civilservice-pension.gov.uk).

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 2008/09 are:

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

For 2008/9, total employer's contributions of £2,115,323 were payable to the PCSPS (2007/8 -£2,150,015). The schemes Actuary reviews employer contributions every four years following a full scheme valuation. The NAO have confirmed the figures for calculating the pensions accrual for the PCSPS. Accruing Superannuation Liability Changes (ASLCs) are used by employers to calculate the in-year pension charge for staff who are members of the PCSPS. The Cabinet Office issued EPN183 in August 2007, advising that the salary bands and rates of charge from 1 April 2008. These remain unchanged for 2008-09, although new rates will come into effect from 1 April 2009. Contribution rates are set to meet the cost of the benefits accruing during 2008/9 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. There were nine employees taking part in the money purchase stakeholder arrangement (partnership pension account) in 2008/9. Employers contributions of £23,039 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range between 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the balance sheet date were £3,074.

There were two early retirements on ill-health grounds in 2008/9. A provision included in note 13 of £27,386 has been made in respect of payments to be made in future periods for the two early retirements.

b) Staff numbers

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

	2008/9	2007/8
	wte	wte
Permanent employees	257	257
Inward secondments	2	2
Agency and contract staff	29	24
Operations	288	283

Of the 257 average number of permanent employees in 2008/9, 67 were support staff.

3 OTHER ADMINISTRATION COSTS

	2008/9	2007/8
	£000's	£000's
Operating lease payments:		
Land and buildings	347	337
Other leases	218	241
Non-cash items:		
Depreciation and amortisation	390	435
Impairment of fixed assets	–	–
Cost of capital charges	(32)	(47)
Auditor's remuneration and expenses	56	52
Other expenditure		
Other staff related including training	1,674	1,370
Estate recurrent costs	646	417
CEP costs	3,640	3,455
HCAI costs	9,306	–
Professional fees	4,134	3,225
Energy trading costs	397	324
Other	1,642	1,171
	22,418	10,980

The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General of which £4,000 of the audit fee relates to work performed in preparation for the implementation of International Financial reporting standards in 2009/10. There were no fees in respect of non-audit work. Estate recurrent costs and professional fee are restated for 2007/8 by £516,000 due to cost allocation.

4 OPERATING INCOME

	2008/9	2007/8
	£000's	£000's
Appropriated in aid:		
Cost recovery from external organisations	(13,917)	(1,533)
Cost recovery from employees	(3)	(4)
Energy trading contributions	(94)	(58)
Secondment	(205)	(488)
Total	(14,219)	(2,083)

5 INTEREST ON CAPITAL EMPLOYED

	2008/9	2007/8
	£000's	£000's
Interest on capital employed	(32)	(47)

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 2009 these collections totalled £123 excluding VAT (2007/8: £467).

7 TANGIBLE FIXED ASSETS

	Land £000's	Buildings £000's	Office equipment £000's	IT equipment £000's	Assets under construction £000's	Total £000's
Costs or valuation:						
At 1 April 2008	337	1,037	562	1,551	17	3,504
Additions	–	–	–	15	681	696
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	(142)	(142)
Revaluation	13	13	–	–	–	26
At 31 March 2009	350	1,050	562	1,566	556	4,084
Depreciation:						
At 1 April 2008	–	61	255	1,123	0	1,439
Provided during the year	–	21	61	162	–	244
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Revaluation	–	–	–	–	–	–
At 31 March 2009	0	82	316	1,285	0	1,683
NBV At 31 March 2009	350	968	246	281	556	2,401
NBV At 1 April 2008	337	976	307	428	17	2,065

Land and buildings are all freehold. All assets are owned and in current use as at 31 March 2009. Depreciation relating to the leasehold enhancements at Premier House has been accelerated to the year end 2010/11. The effect of this acceleration in 2008/9 was £2,000.

A desktop review of Land and Buildings was carried out on 20 August 2008 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 2008	839
Additions	161
Disposals	–
Transfers	–
Surplus/(deficit) on indexation	–
At 31 March 2009	1,000
Amortisation	
At 1 April 2008	468
Provided during the year	146
Disposals	–
Transfers	–
(Surplus)/deficit on indexation	–
At 31 March 2009	614
NBV At 31 March 2009	386
NBV At 1 April 2008	371

Intangible assets are comprised of software licences.

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2009	31 March 2008
	£000's	£000's
NHS and Government Departments	1,129	762
Other debtors	117	380
Provision for doubtful debts	–	–
Prepayments and accrued income	812	461
Balance at 31 March	2,058	1,603

10 CASH AT BANK AND IN HAND

	2008/9	2007/8
	£000's	£000's
Balance at 1 April	98	42
Net cash inflow	(87)	56
Balance at 31 March	11	98

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2009	31 March 2008
	£000's	£000's
NHS and government bodies	213	927
Other creditors	106	744
Civil Service Pension scheme	205	203
HM Revenue & Customs – other taxes and duties	296	291
Staff creditors	21	30
Deferred income	187	100
Accruals	3,174	1,297
Balance at 31 March	4,202	3,592

12 INTRA-GOVERNMENT BALANCES

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after more than one year	Creditors: Amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£000's	£000's	£000's	£000's
Balances with other central government bodies	1,191	–	986	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	46	–	776	–
Balances with public corporations and trading funds	–	–	–	–
Balances with bodies external to government	821	–	2,440	–
At 31 March 2009	2,058		4,202	
Balances with other central government bodies	690	–	677	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	72	–	744	–
Balances with public corporations and trading funds	–	–	–	–
Balances with bodies external to government	841	–	2,171	–
At 31 March 2008	1,603	–	3,592	–

2007/8 intra-government balances for creditors have been restated. Intra-government balances are not subject to credit risk.

13 PROVISIONS

	Restructuring	Early retirements	Total
	£000's	£000's	£000's
At 1 April 2008	1,234	16	1,250
Provided in the year	271	27	298
Paid in the year	(306)	–	(306)
Released in the year	(97)	(16)	(113)
At 31 March 2009	1,102	27	1,129

Expected timing of cash flows:

Less than one year	–	–	–
One to five years	1,016	21	1,037
Over five years	86	6	92
	1,102	27	1,129

Early retirements and redundancy

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.

14 REVALUATION RESERVE

	2008/9	2007/8
	£000's	£000's
Balance at 1 April	531	531
Revaluation	26	–
Balance carried forward at 31 March	557	531

15 GENERAL FUND

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

	2008/9	2007/8
	£000's	£000's
Net operating cost for the year	(24,492)	(24,713)
Net funding from the Department of Health:	24,672	25,838
Notional charges		
Interest on capital employed	(32)	(47)
Auditor's remuneration	56	52
Net increase in General Fund	204	1,130

b) Movements in the General Fund

	2008/9	2007/8
	£000's	£000's
General Fund at 1 April 2008	(1,236)	(2,366)
Net Increase in year	204	1,130
General Fund at 31 March 2009	(1,032)	(1,236)

16 COMMITMENTS UNDER OPERATING LEASES

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

	2008/9	2007/8
	£000's	£000's
Land and buildings		
Leases which expire within five years	318	337
Leases which expire after five years	–	–
Other leases		
Leases which expire within one year	112	51
Leases which expire within two to five years	100	112

17 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.

18 LOSSES AND SPECIAL PAYMENTS

During 2008/9, there were 15 cases of losses and special payments totalling £3,440 approved by the Chief Executive in accordance with the Agency's framework document.

19 CAPITAL COMMITMENTS

The Agency is committed to £22,000 of capital expenditure in 2008/09 on tangible and intangible projects.

20 CONTINGENT LIABILITIES

There were no contingent liabilities during the financial year 2008/09.

21 POST BALANCE SHEET EVENT

In accordance with the requirements of FRS 21 events after the balance sheet date, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

On 23 April 2009, it was announced that a new Commercial Operating Model for the Department for Health would be implemented which would entail that NHS PASA will be disaggregated and its functions be transferred to specific areas of the procurement landscape thereby adding greater scope, scale and impact to the procurement of goods and services. The activities and functions of the Agency, along with its associated assets and liabilities, will transfer to the Department of Health and other central government organisations.

22 FINANCIAL INSTRUMENTS

'FRS 25,26 and 29 – 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. The Agency is financed by the Government and therefore it is not exposed to the risk faced by business entities. Also financial instruments play no role in creating or changing risk unlike that which would be typical of the listed companies to which FRS 29 mainly applies. The Agency does not have any powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Agency in undertaking its activities.

Liquidity risk

The Agency's finances its capital expenditure from funds made available from the Government therefore there is no exposure to liquidity risks.

Currency risk

The Agency does not have any transactions outside of the UK and therefore has no exposure to currency rate fluctuations.

Credit risk

The Agency has no long term debt and both debtors and creditors fall within one year. The majority of the Agency's income comes from contracts with the Department of Health and other public sector bodies, therefore the Agency has no exposure to credit risk. The maximum exposure as at 31 March 2009 is in receivables from customers, as disclosed in the debtors note.

Interest rate risk

The Agency has no borrowings nor interest bearing deposit accounts. The Agency's financial assets and liabilities carry nil rates of interest. The Agency is not, therefore, exposed to interest-rate risk. The following table show the interest rate profile of the Agency's financial assets and liabilities:

Financial assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing
	£000	£000	£000	£000
At 31 March 2009				
Sterling	11	–	–	11
Other	–	–	–	–
Gross financial Asset	11	–	–	11

At 31 March 2008

Sterling	98	–	–	98
Other	–	–	–	–
Gross financial Asset	98	–	–	98

Financial liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing
	£000	£000	£000	£000
At 31 March 2009				
Sterling	–	–	–	–
Other	1,129	–	–	1,129
Gross financial liability	1,129	–	–	1,129

At 31 March 2008

Sterling	–	–	–	–
Other	1,250	–	–	1,250
Gross financial liability 1,250	1,250	–	–	1,250

Note: Non-interest bearing financial liabilities are comprised of provisions for early retirement.

22 FINANCIAL INSTRUMENTS continued

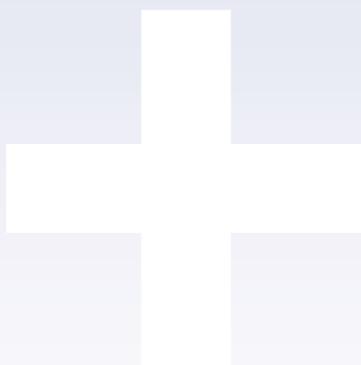
Foreign currency risk

The Agency has no foreign currency income or expenditure.

Fair values

A comparison, by category, of book values and fair values of the Agency's financial assets and liabilities as at 31 March 2009 is as follows:

	Book value	Fair value	Basis of fair valuation
	£000	£000	
Financial assets:			
Cash	11	11	Cash basis
Debtors over one year	–	–	
Investments	–	–	
Total	11	11	
Financial liabilities:			
Overdraft	–	–	
Creditors over one year:			
Early retirements	1,129	1,129	
Finance leases	–	–	
Provisions under contract	–	–	
Loans	–	–	
Total	1,129	1,129	

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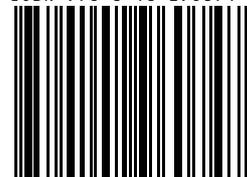
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