

A photograph of two healthcare workers, a woman in a blue uniform and a man in a light green uniform, smiling and looking at a document together. The woman is on the left, and the man is on the right. They are in a clinical setting with a wooden desk and a window in the background.

Annual Report and Accounts

For the period 1 June 2012 – 31 March 2013

NHS Trust Development Authority Annual Report and Accounts

For the period 1 June 2012 – 31 March 2013

Presented to Parliament pursuant to Paragraph 6 (3)
Schedule 15 of the National Health Service Act 2006.

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Any enquiries regarding this publication should be sent to us at:

NHS Trust Development Authority

Southside
Victoria Street
London SW1E 6QT

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Foreword from the Chairman

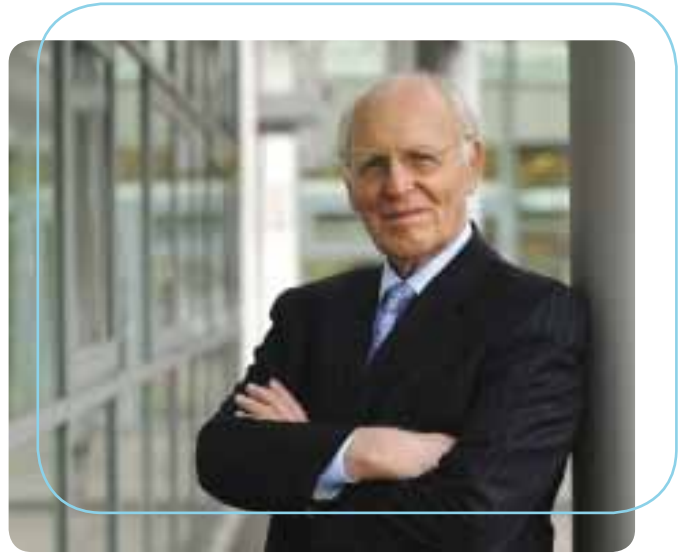
Welcome to the NHS Trust Development Authority's (NHS TDA) first Annual Report. It gives me great pleasure to commend this report as an accurate reflection of the authority's work and finances for the past year.

It seems strange to be producing an Annual Report so soon into the life of the NHS TDA. Yet so much has already been done in so short a time. We are a modest sized organisation – with 200 staff operating out of eight offices across England – but with great ambition.

We have set out how we intend to oversee, develop and assure trusts before they go to Monitor for final approval as Foundation Trusts (FT). We have also set out what we expect from the trusts and asked them to demonstrate how they will deliver high quality, sustainable care on the journey to FT status.

Two trusts – Kingston Hospital NHS Trust and Western Sussex Hospitals NHS Trust – have already been successful in their applications with Monitor and I would like to extend my congratulations to all the staff and to the people in the areas they serve, in the assurance that those trusts provide first class quality care.

In this report, you will also hear of the progress of other trusts and it is our intention to be open and transparent about the process and publish regular updates of how we're doing.



None of this would be possible without the dedicated and skilled staff that the NHS TDA has gone out of its way to recruit as well as the hard work of staff in the trusts. It is a privilege to be a part this organisation and to work alongside some of the most talented people the NHS has to offer for the common good of patients.

Sir Peter Carr CBE
Chairman

Introduction from the CEO

The NHS has changed. It has changed with the creation of the new bodies resulting from the Health and Social Care Act, including the creation of the NHS Trust Development Authority. But it has also changed in the wake of the publication of Robert Francis QC's second report into Mid Staffordshire NHS Foundation Trust (FT).

There is now even greater focus on the work of the NHS, especially on the quality of care which is rightly seen to be as important as making sure we spend within our means.

That is why, when the NHS TDA was created, we set quality at the heart of everything we do. We are still assimilating the lessons from the Mid Staffs report, but we know that these have to be embedded in organisations so that when they do become Foundation Trusts, patients and the public can be assured that this will continue.

We have already made tremendous progress in the short period of time with systems and mechanisms agreed for managing the FT assurance process. We are now focussing on the support that trusts will need to achieve this. Some are close to being referred to Monitor, the majority need more time, while others will not become FTs in their current form. That is why we are also responsible for authorising transactions on mergers and acquisitions of trusts.

We also have an important role ensuring excellent performance in the NHS trusts for which we're responsible. Following a dip in A&E performance in a number of trusts, it was decided to bring together the clinicians and managers from the trusts for an A&E summit



in an effort to learn lessons for the future, drawing on the best experience and expertise from around the country. In addition we have been supporting the work on the Special Administrator in South London Healthcare NHS Trust on behalf of the Secretary of State – the first time this process has been used.

Excellent leadership is vital to ensuring high performing trusts continue to deliver high quality care and services to the communities they serve. The NHS TDA has taken on specific responsibilities of the Appointments Commission from the Department of Health and are responsible for the appointment of trust chairs and non-executive directors. This vital work contributes to ensuring trust boards reflect their local communities and have the required skills and expertise to discharge their duties.

We have an interesting and challenging task but it is one we have fully embraced. I am confident that we have the right processes and people working to ensure the delivery of high quality sustainable care.

David Flory CBE

Chief Executive

Overview

The NHS Trust Development Authority was established as a Special Health Authority on 1 June 2012. It took up specific responsibilities from the Appointments Commission in October 2012 ahead of taking up its full statutory duties on 1 April 2013.

Following publication of the findings of the Harris review which included governance arrangements and assurance for bodies having sufficient capacity and capability to undertake new functions, the NHS Trust Development Authority was able to assure the Department of Health that it was ready to receive the statutory functions conferred on it by the Health and Social Care Act 2012 from 1 April 2013.

Download the review at www.gov.uk/government/uploads/system/uploads/attachment_data/file/156343/Independent-review-of-the-arrangements-made-by-SHAs-for-the-approval-of-registered-medical-practitioners-and-approved-clinicians-under-the-Mental-Health-Act-1983-.pdf.pdf



It is the first time there has been a single organisation responsible for providing leadership and support to all non-Foundation Trusts.

Formal powers to recommend trusts to Monitor passed to the NHS TDA from predecessor Strategic Health Authorities in October 2012.

The NHS TDA has a single ambition: To support NHS trusts to deliver high quality, sustainable services in the communities they serve with the ultimate aim of being referred by the NHS TDA Board to Monitor for approval as a Foundation Trust.

That will help ensure that patients who rely on hospital, community, mental health and ambulance services receive the same high level of care wherever they may reside.

The challenge facing the NHS TDA is considerable. At the time of writing there are 101 trusts still seeking Foundation Trust status. Each trust in this £30 billion health economy faces its own individual challenges.

Some NHS trusts are nearing the end of their journey to FT status, others require more work and some may not make it in their current form. In December 2012, the NHS TDA published its planning guidance *Toward High Quality, Sustainable Services* which set out the expectations for what trusts would deliver in the year ahead and the support the NHS TDA would provide.

This was followed by *Delivering High Quality Care for Patients: The Accountability Framework* which set out clear rules under which trusts should operate, underpinned by clear principles to guide the NHS TDA's judgment.

Each trust now has a plan agreed with the NHS TDA on how they will guarantee high quality sustainable care on their road to consideration by Monitor for FT status.

To date three trusts have been referred to Monitor: East Lancashire Hospitals NHS Trust in December 2012 and Bridgewater Community Healthcare NHS Trust and Solent NHS Trust in May 2013. Many more are expected to follow in the coming year and the NHS TDA will publish a regular report on progress of trusts.

Our people: the Board

Chairman

Sir Peter Carr CBE

Chief Executive

David Flory CBE

Non-executive director¹

Dame Christine Beasley

Non-executive director²

Sarah Harkness

¹Chair of the appointments committee

²Chair of audit committee

Director of Finance

Bob Alexander

Medical Director

Dr Kathy McLean

Director of Nursing

Peter Blythin

Director of Strategy

Ralph Coulbeck

Interim Director
of Communications

Rob Checketts

Director of Delivery and
Development: Midlands and East

Dale Bywater

Interim Director of Delivery
and Development: North

Yasmin Chaudhry

Director of Delivery and
Development: South

Dr Stephen Dunn

Director of Delivery and
Development: London

Alwen Williams CBE

The NHS TDA is the first organisation of its kind to provide leadership solely to the non-FT NHS Trust sector. The shape of the Board and Executive leadership team reflects the balance we need to strike as an organisation – ensuring that the architecture and environment is nationally aligned to help NHS Trusts to succeed.

The board comprises of the chair, two non-executive directors, the chief executive and nine executives.

Two new non-executives have been appointed to the NHS TDA Board: Caroline Thomson, formerly Chief Operating Officer at the BBC and currently Chair of Digital UK and Tomorrow's People Trust's Ambassadors Group; and Crispin Simon, Managing Director with UK Trade and Development and formerly Chief Executive of Biocompatibles International. Both took up their posts in May.

Employee policies

The NHS TDA has a suite of employment policies that have been developed for new staff in the organisation and agreed with the trades unions' recognised by the NHS TDA. Staff are signposted to these policies at induction and the policies are available to all staff on the NHS TDA's intranet and include policies on equalities and diversity, capability, grievance, performance appraisal etc. The special leave policy includes an Employee Volunteering Scheme where employees may request up to two days paid leave per year to undertake volunteering activities in the community. A process of harmonisation of policies of those that transferred to NHS TDA on previous terms and conditions is taking place during 2013/14.

Sickness and absence

Sickness absence stands at 2.7% for the period 31st October 2012 to 31st March 2013.

Management commentary

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

Our accounts for 2012/13 have been prepared under International Financial Reporting Standards (IFRS) and comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, a Statement of Cash Flows and a Statement of Changes in Taxpayers Equity, all with related notes.

The NHS Trust Development Authority (the Board Authority) was established as a Special Health Authority on 1 June 2012. The Authority was established to exercise functions for the management of the performance of English NHS trusts supporting improvements in clinical quality, governance and management of associated risk.

From 1 October 2012 the Secretary of State conferred new functions and powers to the NHS Trust Development Authority that were previously managed by the Department of Health, strategic health authorities and the Appointments Commission:

- appointing board members to NHS Trusts, trustees to NHS trusts and foundation trusts, and assisting with board appointments to strategic health authorities and primary care trusts;
- assessing readiness and supporting NHS trust applications for foundation trust authorisation;
- advising the Secretary of State on the need to place an individual NHS trust into the unsustainable provider regime;
- overseeing NHS trust planning on providing NHS services from April 2013 onwards;
- assessing feasibility and advising the Secretary of State on mergers and acquisitions of NHS trusts by other NHS trusts or foundation trusts;
- approving capital investment or significant commercial transactions by NHS trusts.

During the period from June 2012 to March 2013 the majority of the NHS Trust Development Authority's expenditure related to the reimbursement of seconded staff from the DH and other NHS organisations, costs for administrative infrastructure and set up costs supporting the establishment of the Authority.

Financial performance

We have been set objectives and targets by the Department of Health against which we are expected to deliver. For 2012/13 we were required to maintain our expenditure within certain key funding limits:

- revenue expenditure within a limit of £2.390m
- capital expenditure within a limit of £70k.

We are able to report that for 2012/13 the Board Authority maintained expenditure within this target and met its statutory duties.

As noted in Note 12 of the accounts, the NHS took up its full statutory duties from 1 April 2013. The resource limits for the Authority cover the administrative costs of staff, accommodation and other running costs. There will be minimal capital investment and the cash requirement will be sufficient to meet revenue expenditure and the movement in working capital balances.

As with all new arm's length bodies, the NHS TDA will be subject to a review of the continued need for it to remain in existence, and this is likely to take place in 2016.

In addition to the above, we are required to comply with the Better Payments Practice Code, which requires non NHS trade creditors to be paid within 30 days or agreed terms. Our performance against this target for 2012/13 is as follows:

Non-NHS trade creditors	Number	Value £000
Total non-NHS trade invoices paid 2012/13	123	377
Total non-NHS trade invoices paid within target	65	225
Percentage of non-NHS bills paid within target	53%	60%

Due to the limited and variable nature of transactions during the establishment of the Authority there was prioritisation to the controls over authorisation to spend. This impacted on the performance against the Better Payments Practice Code and is reflected in the above figures.

Management commentary (cont'd)

Auditor

The Comptroller and Auditor General is appointed by statute to audit the Board Authority. The audit fee for the period ended 31 March 2013 of £23,000 is for the audit of these accounts.

Accounting Officer's disclosure to the auditors

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

Principal risks and uncertainty

Effective risk management is a cornerstone of good governance and our framework of procedures and internal controls contribute to mitigating and controlling the risks we face.

Our Annual Governance Statement, included at page 17, provides further details of our risk management strategy and procedures.

Environment

The NHS TDA is committed to using its resources efficiently, economically and effectively, avoiding waste and extravagance. It has considered the impact of its policies on the environment in several areas:

- travel where public transport is promoted by use of season ticket loans for staff and central systems for booking rail
- reduced use of paper and print by harnessing mobile technology to move towards a paperless environment
- recycling of waste material on all sites.

The NHS TDA has adhered to Government targets to reduce the level of office space it uses per staff member, it is part of the ALB contract on decommissioning IT equipment so that it can be wiped and re-used and it uses the Department of Health Procurement Centre of Excellence (PCoE) which ensures environmental issues are considered as part of major contracts.

Remuneration report

The remuneration of the directors of the NHS Trust Development Authority (NHS TDA) is set by the Remuneration Committee, following job evaluations, on behalf of the Board in conjunction with the Department of Health (DH). The pay rates are in line with the Very Senior Manager (VSM) pay framework for Arm's Length Bodies (ALBs) and are subject to DH approval.

The Remuneration Committee advises the Board about the appropriate remuneration and terms of service for the Chief Executive and other Very Senior Managers (VSMs).

Membership of this committee consisted of the Chairman and two non-executive directors of the Authority. The Chief Executive and other senior staff members are invited to attend as and when required. No individual is in attendance when their remuneration is being discussed.

This report for the period ended 31 March 2013 is produced by the Board. The Remuneration Committee has met twice during the period 1 June 2012 to 31 March 2013.

The Remuneration Committee operates within a framework laid down by the DH. Its remit is to determine, on behalf of the Board Authority, the terms of service, remuneration and other benefits of the Chief Executive, national directors and such other posts as are specifically designated by the board to be within their purview, ensuring that relevant employees are fairly rewarded for their individual contributions to the organisation.

The remuneration of VSMs is reviewed by the Remuneration Committee, taking account of national awards, central guidance and other relevant factors. The remuneration of non-executive directors is determined by the Secretary of State for Health.

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

During 2012/13 the executive team were carrying out current and new system roles to lay the foundations of the new health system and establishment of the NHS TDA. Due to the transitional and partial work relating to the future functions of the Authority, no bonus payments were paid to the Executive Directors by the NHS TDA during 2012/13.

Appointments

Non-executive directors are appointed by the Secretary of State for a term of four years.

The Chief Executive and other VSMs are appointed under standard NHS VSM contracts of employment in accordance with national NHS terms and conditions. All contracts are either fixed term or permanent with a notice period up to six months.

The Director of Strategy is seconded from the Department of Health and has a DH contract of employment.

There are no contractual clauses or other agreements for compensation in the event of early termination of office other than those provided by statutory requirements and national NHS terms and conditions.

Emoluments of board members

The remuneration relating to all directors that have undertaken duties and responsibilities supporting the establishment of the NHS TDA during 2012/13 is detailed in the tables below which identifies the salary, other payments and allowances and pension benefits applicable to both executives and non-executives. This information is subject to audit and has been audited by the Board Authority's external auditors.

For executive senior managers that have contributed to the NHS TDA whilst retaining employment with their host or substantive NHS organisation then their salaries are shown in the reports and accounts of that organisation.

There are some Executive Directors that have performed a dual role during 2012/13, supporting the NHS transition. These directors are entitled to back pay relating to the commencement of their new roles with the NHS TDA. The back pay entitlements relating to Executive Directors, estimated as between £20,000 - £30,000, are included in the overall pay provisions reported in the 2012/13 accounts.

Remuneration report (cont'd)

Non-Executive Directors

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

Name and title	2012-13			Date of appointment	Appointment ends
	Salary (bands of £5,000)	Performance bonus payments (bands of £5,000)	Benefits in kind (rounded to the nearest £100)		
	£000	£000	£000		
Sir Peter Carr CBE Chair	45-50 ¹	0	0	1 June 2012	31 May 2016
Dame Christine Beasley Non-Executive Director	5-10 ²	0	0	26 Sept 2012	25 Sept 2016
Sarah Harkness Non-Executive Director	5-10 ³	0	0	26 Sept 2012	25 Sept 2016
The information above has been subject to audit					

¹ The salary for Sir Peter Carr is for the period 1 June 2012 to 31 March 2013; his annualised salary for a full year is £50,000-55,000.

² The salary for Dame Christine Beasley is for the period 26 October 2012 to 31 March 2013, her annualised salary for a full year is £10,000-15,000.

³ The salary for Sarah Harkness is for the period 26 September 2012 to 31 March 2013, her annualised salary for a full year is £10,000-15,000.

Remuneration report (cont'd)

Chief Executive and Senior Managers

The following table sets out details of payments made and commencement details for the Chief Executive and other directors, as appropriate:

Name and title	2012-13		Notes
	Salary (bands of £5,000)	Benefits in kind (rounded to the nearest £100)	
	£000	£	
David Flory Chief Executive ⁴	150-155	1,200 ⁵	Role commenced from 1 June 2012. On secondment with proportionate 75% annual salary recharged to the NHS TDA.
Bob Alexander Director of Finance	South East Coast Strategic Health Authority ⁶		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
Dr Kathy McLean Medical Director	East Midlands Strategic Health Authority ⁷		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
Peter Blythin Director of Nursing	West Midlands Strategic Health Authority ⁸		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
Ralph Coulbeck Director of Strategy	65-70 ⁹	0	Role commenced from 13 August 2012. On secondment from DH and salary has been recharged from 13 August 2012.
Rob Checketts Interim Director of Communications	65-70 ¹⁰	0	Role commenced from 1 June 2012. On secondment from Birmingham Children's Hospital NHS Foundation Trust.
Dale Bywater Director of Delivery and Development (Midlands and East)	East Midlands Strategic Health Authority ⁶		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
Yasmin Chaudhry Interim Director of Delivery and Development (North)	County Durham PCT and Darlington ⁶		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
Dr Stephen Dunn Director of Delivery and Development (South)	East of England Strategic Health Authority ⁶		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
Alwen Williams CBE Director of Delivery and Development (London)	Tower Hamlets PCT ⁶		Role commenced from 1 October 2012. No salary has been recharged to the NHS TDA.
The information above has been subject to audit			

Superscript descriptions overleaf

Remuneration report (cont'd)

Commencement dates for the Chief Executive, Director of Strategy and Interim Director of Communications are the dates from which salary costs have been recharged to the NHS TDA.

Commencement dates for other Directors are shown as 1 October 2012. These Directors were not recharged to the NHS TDA but carried out old and new system roles simultaneously, supporting the NHS TDA in establishing the new organisation to be ready to undertake its future functions from 1 April 2013. The Directors have actual start dates of employment with NHS TDA from 1 April 2013.

References for table on page 13

- ⁴ David Flory was seconded into the Department of Health from the North East SHA. He commenced his role as Chief Executive to the NHS Trust Development Authority on 1 June 2012. The NHS TDA reimburses the Department for salary and associated expenses. The table above shows 75% of the amount paid in salary by his employing authority, not the amount invoiced to the NHS TDA. His full remuneration of £205–210k is disclosed in the DH resource account and reported in the DH remuneration report.
- ⁵ This relates to 75% of a lease car benefit, all other benefits in kind are disclosed in the Department of Health remuneration report.
- ⁶ Disclosures for these Directors are disclosed in the Annual Reports of their host or substantive organisations as shown; these Directors were carrying out existing current and new system roles to maintain control during transition and support the establishment of the NHS TDA, no recharges were made to the NHS TDA by their employer.
- ⁷ Dr Kathy McLean was employed by East Midlands SHA during 2012/13 and her full salary costs are reported in the accounts of that organisation. She is not included in the East Midlands SHA remuneration report since she was not an executive director of Midlands and East SHA cluster in 2012/13.
- ⁸ Peter Blythin was employed by West Midlands SHA during 2012/13 and his full salary costs are reported in the accounts of that organisation. He is not included in the West Midlands SHA remuneration report since he was not an executive director of Midlands and East SHA cluster in 2012/13.
- ⁹ The salary figures for Ralph Coulbeck are the DH recharges for salary covering the period 13 August 2012 to 31 March 2013; his annualised salary for the period of secondment to NHS TDA is £105,000–£110,000.
- ¹⁰ The salary figures for Rob Checketts are the NHS Trust employer recharges for his salary covering the period 1 June 2012 to 31 March 2013; the annualised recharge for a full year is £85,000–90,000.

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

The banded remuneration of the highest paid Director in the NHS TDA in the period June to March 2012/13 was £205,000 – £210,000 (annualised for partial year remuneration of the Director). This was 6.0 times the median remuneration of the directly employed workforce, which was £34,003. The median of 6.0 reflects the interim staff establishment that includes a high proportion of lower graded staff than the full staff establishment when the NHS TDA is fully operational in 2013/14.

There were no staff employed by the NHS TDA who received remuneration at a higher level than the highest paid Director.

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

Pension benefits

The Chief Executive and national directors are members of either the Civil Service or NHS pension schemes.

The pension benefits of the Chief Executive and national directors are disclosed in the Remuneration Reports of their host or substantive organisation as follows:

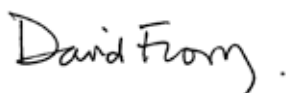
- David Flory CBE – The Department of Health
- Bob Alexander – South East Coast SHA
- Dale Bywater – East Midlands SHA
- Yasmin Chaudhry – County Durham PCT and Darlington PCT
- Dr Stephen Dunn – East of England SHA
- Alwen Williams CBE – Tower Hamlets PCT

The table on page 15 sets out the pension entitlements of NHS TDA directors that are not shown in the remuneration reports of their host or substantive employer organisation.

Remuneration report (cont'd)

Pension Benefits							
Senior Manager	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total Accrued pension at age 60 at 31 March 2013 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2013 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2013	Cash Equivalent Transfer Value at 31 March 2012	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
Dr Kathy McLean	(0)–(2.5)	(2.5)–(5)	65–70	195–200	1,329	1,248	16
Peter Blythin	2.5–5	10–12.5	65–70	205–210	1,570	1,370	128
Ralph Coulbeck	On secondment from DH – this information is not held by NHS Trust Development Authority						
Rob Checketts	On secondment from Birmingham Children's Hospital NHS Foundation Trust – this information is not held by NHS Trust Development Authority						
The information above has been subject to audit							

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



David Flory
Chief Executive
NHS Trust Development Authority

16 July 2013

Financial statements

Statement of Accounting Officer's responsibilities

Under the National Health Service Act 2006, the Secretary of State, with the consent of Treasury, has directed the NHS Trust Development Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NHS Trust Development Authority and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

The Accounting Officer of the Department of Health has designated the Chief Executive as Accounting Officer of the NHS Trust Development Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NHS Trust Development Authority's assets, are set out in Managing Public Money published by the HM Treasury.

Financial statements (cont'd)

Annual Governance Statement 2012/13

1 Scope of responsibility

- 1.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Trust Development Authority's (NHS TDA's) policies, aims and objectives, whilst safeguarding public funds and department assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

2 Context

- 2.1 The NHS TDA was legally established as a Special Health Authority in June 2012. Following an initial preparatory phase, in October 2012 the NHS TDA adopted a limited range of duties in relation to the making of appointments of chairs and non-executive members of NHS trusts and trustees for certain NHS bodies.
- 2.2 In April 2013, the NHS TDA will assume the full range of duties conferred on it. In addition to those outlined in paragraph 2.1, its duties will include the performance management of NHS trusts, review and approval of NHS Trust capital schemes above delegated levels, assurance of clinical quality, governance and risk in NHS trusts and management of the foundation trust pipeline.
- 2.3 As an Arms-Length Body, the NHS TDA works closely with its sponsor branch at the Department of Health as well as with our partner organisations, NHS England, the Care Quality Commission and Monitor.

3 Governance Framework of the organisation

- 3.1 During 2012/13, the NHS TDA was managed and overseen by a Board consisting of a non-executive Chair and two other non-executive directors, together with four executive Board members and a further six non-voting directors. In May, 2013, two further non-executive directors were appointed to achieve the full complement of Board membership.
- 3.2. The Board is collectively responsible for ensuring a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that system.
- 3.3. The Board held four meetings in public during 2012/13. Details of Board members and the record of attendance is shown on page 18.

Financial statements (cont'd)

Public meetings: Board members attendance record				
Members	Dates of Board meetings			
	14.06.12	27.09.12	22.11.12	24.01.13
Sir Peter Carr – Chair	✓	✓	✓	✓
Dame Christine Beasley – Non-Executive Director	N/A	×	✓	✓
Sarah Harkness – Non-Executive Director	N/A	✓	✓	✓
David Flory – Chief Executive	✓	✓	✓	✓
Bob Alexander – Director of Finance	N/A	✓	✓	✓
Kathy McLean – Medical Director	N/A	✓	✓	✓
Peter Blythin – Director of Nursing	N/A	✓	✓	✓
Alwen Williams – Director of Delivery and Development	N/A	✓	✓	✓
Dale Bywater – Director of Delivery and Development	N/A	✓	✓	✓
Ralph Coulbeck – Director of Strategy	N/A	✓	✓	✓
Rob Checketts – Interim Director of Communications	N/A	✓	✓	✓
Stephen Dunn – Director of Delivery and Development	N/A	✓	✓	✓
Yasmin Chaudhry – Interim Director of Delivery and Development	N/A	×	✓	✓

- 3.4 The Board has delegated certain responsibilities to the executive team and to a series of Committees of the Board.
- 3.5 An Appointments Committee has been established to exercise the powers delegated by the Secretary of State to appoint and suspend NHS Trust chairs and non-executive directors and NHS charity trustees. Since establishment the Committee has appointed, or re-appointed, approximately 120 chairs or non-executive directors. The Appointments Committee met twice during the financial year and also considers and agree recommendations for appointments by email. Details of Committee members and attendance at meetings is shown on below.

Appointments Committee meetings: Committee members attendance record		
Members	31.10.12	14.01.13
Ralph Coulbeck – Director of Strategy	✓	✓
Dame Christine Beasley – Non-Executive Director	✓	✓
Janice Scanlan – Head of Governance and Non-Executive Development	✓	✓

Financial statements (cont'd)

3.6 A Remuneration Committee has been established to consider issues relating to the terms and conditions of NHS TDA staff on the Very Senior Managers' Pay Scale. This committee met on these occasions in 2012/13.

Remuneration Committee	Dates met	
Members	22.11.12	24.01.13
Sir Peter Carr – Chair	✓	✓
Dame Christine Beasley – Non-Executive Director	✓	✓
Sarah Harkness – Non-Executive Director	✓	✓

3.7 A Finance and Procurement Controls Committee has been established to support the Board in the discharge of its responsibilities for financial and procurement efficiency control. 2012/13 committee meetings are shown below.

Finance and Procurement Controls Committee	Dates met	
Members	19.02.13	
David Flory – Chief Executive	✓	
Bob Alexander – Director of Finance	✓	
Sarah Harkness – Non-Executive Director	✓	
Ralph Coulbeck – Director of Strategy	✓	

3.8 An Audit Committee has been established and met for the first time on 18th April. It provides the Board with independent and objective scrutiny and advice pertaining to the Authority's financial systems and processes, financial obligations, risk management and compliance with relevant legislation. The non-executive membership of the Audit Committee is being reviewed following the appointment of two new non-executive directors.

3.9 A Capital Investment Group will be established to advise the Board on the discharge of its responsibilities concerning capital investments and approval of capital schemes in the NHS Trust sector.

3.10 The Executive Team has met on a weekly basis to discuss and agree actions relating to the development of the NHS TDA as a corporate body and to consider those issues relating to its responsibility for the NHS Trust sector including the development of its approach to oversight, transaction approval and Trust development.

3.11 A register of interests of Board members has been established and maintained and can be made available on written request from The Board Secretary, NHS TDA, Southside, 105 Victoria Street London SW1E 6QT.

Financial statements (cont'd)

4 Risk assessment

- 4.1 During the establishment of the NHS TDA, a major risk has been the ability to recruit appropriately experienced and talented staff in geographies across the country. To manage and mitigate this risk, a dedicated Human Resources transitional lead was appointed who reported progress to the executive team on a weekly basis. Over 90 per cent of posts had been filled by the end of 2012/13. The majority of staff appointed are those who were 'at risk' as a result of the transition to the new system. The remainder have been appointed through open competition.
- 4.2 The abolition of strategic health authorities (SHAs) and primary care trusts (PCTs) led to a risk of the loss of corporate intelligence and 'memory', including that related to the quality of care provided by NHS Trusts. To mitigate this risk, a formal legacy handover process was undertaken with documented evidence of previous and on-going quality issues for each NHS Trust and local health economy. This was supplemented by handover meetings between the Authority's clinical team and SHA Cluster quality teams to ensure that the Authority had a comprehensive view of the NHS Trusts for which it is now responsible.
- 4.3 During the transition, the risk of a loss of management focus on NHS Trust delivery against key operational standards was mitigated by NHS TDA Directors of Delivery & Development taking on responsibility for the Provider Development functions in SHA Clusters to ensure a planned and robust handover of responsibilities. A series of bi-lateral meetings were held between the senior team of the Authority and SHA Cluster teams to ensure that key information was not lost and to develop its understanding of the issues facing individual NHS trusts and local health economies.
- 4.4 The current environment in the NHS is a challenging one and is likely to remain so for the foreseeable future. It is important that NHS Trusts understand what the Authority expects of them and how it will work with them on a day to day basis. In December 2012, the Authority published its Planning Guidance, *Towards High Quality, Sustainable Services*, which set out its expectations on what needed to be delivered in the current financial year, and the medium to long term. This was followed in April, 2013, by *Delivering High Quality Care for patients*, the NHS TDA's Accountability Framework for NHS Trusts which explained how they would be held to account and what kind of support they could expect from the NHS TDA.

4.5 Following publication of the findings of the Harris review, the NHS TDA was able to assure the Department of Health that it was ready to receive the statutory functions conferred on it by the Health and Social Care Act 2012.

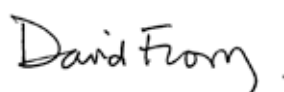
4.6 There have been no non-trivial IT data security related incidents during the financial year.

5 The risk and control framework

- 5.1 Systems of management and financial control have been developed to minimise risk in the organisation. These have been reviewed by the Department of Health's Internal Audit function and have been rated amber-Green for the year 2012/13, recognising the challenge of demonstrating that they are embedded in the NHS TDA's part-year period of set-up.
- 5.2 A Risk Management Strategy has been developed which explains how risks are identified, managed and mitigated. A strategic risk register is also under development and plans for its review by the Executive Team and Audit Committee for subsequent consideration at all public Board meetings are in place.

6 Review of the effectiveness of risk management and internal control

- 6.1 During the set-up phase of the NHS TDA, I identified senior officers to be responsible for the aspects of organisational establishment and held them to account through a programme management process. As executive and senior appointments were made to the Authority I ensured establishment development through management meetings and 1:2:1 arrangement where progress against personal delivery objectives were reviewed.
- 6.2 I have ensured provision of and engagement with external audit (NAO) and internal audit (DH Internal Audit Shared Service arrangements) that are discharged at officer level through the responsibilities of the Director of Finance. I place assurance in the Head of Internal Audit Opinion and the Internal Audit plan developed on a risk-basis which will be subsequently reviewed and agreed by the Audit Committee.
- 6.3 There have been no significant control issues.



David Flory

Chief Executive
NHS Trust Development Authority

Date: 16 July 2013

Financial statements (cont'd)

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of NHS Trust Development Authority for the period ended 31 March 2013 under the National Health Services Act 2006. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

Scope of the audit of the financial statements

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of NHS Trust Development Authority's affairs as at 31 March 2013 and of the net operating costs for the period then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006; and
- the information given in 'Our people – the board' and 'Management Commentary' sections of the Annual Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP
17 July 2013

Financial statements (cont'd)

Annual accounts

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE PERIOD ENDED 31 MARCH 2013		
	Notes	2012/13 £000
Staff costs	3	1,130
Other expenditure	3.1	1,382
Less income	3.2	(126)
Net operating costs for the financial period		2,386
		2,386

The notes on pages 26 to 36 form part of these accounts.

These accounts include transactions for the period from 1st June 2012 when the organisation was established. Due to it being a first year account there are no prior year comparatives.

Financial statements (cont'd)

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013		
	Notes	31 March 2013 £000
Non-current assets		
Intangible assets	4	68
Total non-current assets		68
Current assets		
Trade and other receivables	5	204
Cash and cash equivalents	5.3	1,529
Total current assets		1,733
Total assets		1,801
Current liabilities		
Trade and other payables	5.1	1,652
Provisions	5.2	135
Total current liabilities		1,787
Non-current assets less net current liabilities		14
Non-current liabilities		0
Assets less liabilities		14
Taxpayers' equity		
General fund		14
Total taxpayers' equity		14
The financial statements and notes on pages 16 to 36 were signed on behalf of the NHS Trust Development Authority by:		

David Fromy

Chief Executive

Date: 16 July 2013

Financial statements (cont'd)

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2013		
	General Fund £000	Total Reserves £000
Changes in taxpayers' equity for 2012-13		
Net operating cost for the period	(2,386)	(2,386)
Total recognised income and expense for 2012-13	(2,386)	(2,386)
Net Parliamentary funding	2,400	2,400
Balance at 31 March 2013	14	14

Financial statements (cont'd)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013		
	Notes	2012-13 £000
Cash flows from operating activities		
Net operating costs		(2,386)
Movement in working capital	6	1,583
Net cash inflow / (outflow) from operating activities		(803)
Cash flows from investing activities		
(Payments) for intangible assets		(68)
Net cash inflow / (outflow) from investing activities		(68)
Cash flows from financing activities		
Net Parliamentary funding		2,400
Net financing		2,400
Net increase/(decrease) in cash and cash equivalents		1,529
Cash and cash equivalents at 31 March 2013	5.3	1,529

Notes to the accounts

1 Accounting Policies

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

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

1.1 Accounting Conventions

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

The accounts include transactions for the period from 1st June 2012 when the organisation was established. Due to it being a first year account there are no prior year comparatives.

Acquisitions and discontinued operations

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the NHS Trust Development Authority's accounting policies, management is required to make judgements, estimates

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

Costs and accruals relate to new and additional costs attributable to the set up, establishment and future functions carried out by the NHS TDA. Existing costs relating to staff, premises and other services that support the dual roles and functions of existing SHAs and the new NHS TDA have been included in the host and substantive former NHS bodies and not recharged to the NHS TDA.

Accounting for staff costs and remuneration

NHS Trust Development Authority and the Department of Health (DH) staff have a role in establishing the NHS Trust Development Authority. DH staff are accounted for in the DH Resource Account, some of which has been recharged to NTDA in year. Other staff costs are accounted for in these financial statements.

As set out in the Remuneration Report, the Chief Executive and directors costs charged to the Authority are based on the time spent working for the Authority.

1.2 Income and funding

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

Operating income is income which relates directly to the operating activities of the authority. Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Notes to the accounts (cont'd)

1.3 Taxation

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

1.4 Property, Plant and Equipment

(a) Capitalisation

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

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

(b) Valuation

Property, Plant and Equipment are capitalised initially at cost. Assets with a short useful life or low value are carried on the Statement of Financial Position at depreciated historic cost as a proxy for fair value. Assets not meeting these requirements are carried at fair value using the most appropriate valuation methodology available.

(c) Intangible Assets

Intangible assets with a useful economic life of more than a year and a cost of at least £5,000 are capitalised initially at cost. Assets with a short useful life or low value are carried on the Statement of Financial Position at depreciated historic cost as a proxy for fair value. Assets not meeting these requirements are carried at fair value using the most appropriate valuation methodology available.

(d) Depreciation, amortisation and impairments

Depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the NHS Trust Development Authority expects to obtain economic benefits or service potential from the asset. This is specific to

the NHS Trust Development Authority and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

Depreciation is charged on each individual fixed asset as follows:

- (i) intangible assets are amortised, on a straight line basis, over the estimated useful lives of the assets varying between three and five years.
- (ii) each equipment asset is depreciated evenly over their useful economic lives.
 - plant and machinery – five years
 - information technology assets – between three and five years
 - furniture and fittings assets – between five and ten years.

1.5 Cash and cash equivalents

Cash is the balance held with the Government Banking Service.

1.6 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.7 Employee benefits

Short-term employee benefits

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

Notes to the accounts (cont'd)

Retirement benefit costs

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

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

The NHS Pensions scheme is the only scheme in which employees are enrolled in, no other pension scheme operates.

1.8 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of:

- Short term: -1.8%
- Medium term: -1.0%
- Long term: 2.20%

1.9 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

Loans and receivables

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

Notes to the accounts (cont'd)

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset. At the Statement of Financial Position date, the Board Authority assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are

impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

Notes to the accounts (cont'd)

2. Revenue resource limit			
			2012-13 £000
Net operating costs for the financial period			2,386
Revenue resource limit*			2,390
Under/(over) spend against revenue resource limit			4
2.1 Capital resource limit			
Charge against capital resource limit			68
Capital resource limit*			70
Under/(over) spend against capital resource limit			2
2.2 Under/(over) spend against cash limit			
Total charge to cash limit			2,400
Cash limit*			2,460
Under/(over) spend against cash limit			60

* This is the amount of resource allocated by the Department of Health

3. Staff numbers and related costs			
Executive members and staff costs:			
	Total 2012-13 £000	Permanently employed £000	Other £000
Salaries and wages	1,070	443	627
Social security costs	26	26	–
Employer contributions to NHSPA	34	34	–
Total	1,130	503	627
The average number of persons employed during the year was:			
	Total Number	Permanently employed Number	Other Number
Total	25	13	12

The costs and numbers of staff include the costs of staff employed by other NHS bodies that are recharged to the NHS Trust Development Authority. These are included within the 'Other' column. These figures include social security costs and employer contributions to the NHSPA. The number of staff disclosed are as at the year end and not average due to the organisation having the majority of staff appointments in the final quarter of 2012/13. The amount spent on staff benefits during the period totalled £Nil.

Notes to the accounts (cont'd)

	Note	2012-13 £000
3.1 Other operating costs		
Non-executive members' remuneration		65
Auditors' remuneration: (**) Audit fees		23
Business travel		77
Consultancy		164
Establishment expenses		277
Information and communications technology		297
Premises		256
Professional fees		223
Total other costs		1,382
(**) The Authority did not make any payments to Auditors for non audit work		
3.2 Operating income		
Other		126
Total operating income		126
The income received related to a non-recurrent funding arrangement to ensure contractual commitments were met.		

4. Intangible assets			
		2012-13 £000 Development expenditure	2012-13 £000 Total
Cost of valuation			
At 1 June 2012		0	0
Additions		68	68
Disposals		0	0
At 31 March 2013		68	68
Amortisation			
At 1 June 2012		0	0
Additions		0	0
Charged in the year		0	0
At 31 March 2013		0	0
Net book value at 31 March 2013		68	68
The intangible assets were not amortised in the year due to coming into use in March 2013.			

Notes to the accounts (cont'd)

5. Trade receivables and other current receivables			
			Current 31 March 2013 £000
NHS receivables			175
VAT receivable			29
Trade and other receivables			204
5.1 Trade payables and other current liabilities			
NHS payables			1,018
Accruals			585
Deferred income			49
Trade and other payables			1,652
			2012/13 £000
5.2 Provisions			
Balance at 1 June 2012			0
Arising during the year			135
Utilised during the year			0
Balance at 31 March 2013			135
The provision is for employee benefits relating to back pay arrears due to staff having undertaken dual roles in 2012/13. The entitlement is dependent upon staff agreements to final contracts of employment, calculated at 100% of estimated liability and is expected to be settled within one year.			
			2012/13 £000
5.3 Cash and cash equivalents			
Balance at 1 June 2012			0
Net change in the period			1,529
Balance at 31 March 2013			1,529
Comprising:			31 March 2013 £000
Held with Government Banking Service			1,529
Commercial banks and cash in hand			0
Current investments			0
Cash and cash equivalents as in Statement of Financial Position			1,529

Notes to the accounts (cont'd)

6. Movements in working capital			
			2012-13 £000
(Increase)/decrease in receivables within 1 year			(204)
Increase/(decrease) in payables within 1 year			1,652
Increase/(decrease) in provisions			135
Total			1,583
	As at 1 June 2012 £000	Cash flows £000	As at 31 March 2013 £000
6.1 Analysis of changes in net debt			
GBS cash at bank	0	1,529	1,529
Commercial cash at bank and in hand	0	0	0
Bank overdraft	0	0	0
Cash and cash equivalents	0	1,529	1,529

7. Related party transactions

The Board Authority is a body corporate established by order of the Secretary of State for Health. The DH is regarded as a related party. During the year the Board Authority had a number of material transactions with DH and with other entities for which the DH is regarded as the parent department including strategic health authorities, and NHS Foundation trusts. Members of the board were involved in other DH bodies in the year that is disclosed in the Remuneration Report.

8. Financial instruments

Financial risk management

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

Notes to the accounts (cont'd)

8. Financial instruments (cont'd)

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Authority's income comes from funds voted by Parliament and from other NHS bodies the Authority has low exposure to credit risk.

Liquidity risk

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

	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000	Total £000
8.1 Financial assets				
Trade receivables	0	175	0	175
Other receivables	0	29	0	29
Cash at bank and in hand	0	0	0	0
Other financial assets	0	1,529	0	1,529
Total at 31 March 2013	0	1,733	0	1,733

Notes to the accounts (cont'd)

		At 'fair value through profit and loss' £000	Other £000	Total £000
8.2 Financial liabilities				
Trade payables		0	1,018	1,018
Other payables		0	0	0
Borrowings		0	0	0
Other financial liabilities		0	585	585
Total at 31 March 2013		0	1,603	1,603
				31 March 2013 £000
8.3 Maturity of financial liabilities				
In one year or less				1,603
In more than one year but not more than five years				0
In more than five years				0
Total				1,603

8.4 Fair values

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

Notes to the accounts (cont'd)

9. Intra-government balances				
	Receivable amounts falling due within one year £000	Receivable amounts falling due after more than one year £000	Payable amounts falling due within one year £000	Payable amounts falling due after more than one year £000
Balances with other central government bodies	29	0	842	0
Balances with local authorities	0	0	0	0
Balances with NHS bodies	175	0	225	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	0	0	585	0
At 31 March 2013	204	0	1,652	0

10. Early adoption of IFRS's, amendments and interpretations

The Trust Development Authority has not adopted any IFRS's, amendments or interpretations early.

IFRS's, amendments and interpretations in issue but not yet effective or adopted

IAS 8, accounting policies, changes in accounting estimates and errors, require disclosures in respect of new IFRS's, amendments and interpretations that are, or will be applicable after the accounting period. There are a number of IFRS's, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period.

Amendments to IAS1, 12, 16, 27, 28, 32 and 34, IFRS9, 10, 11, 12 and 13, a new IFRIC Interpretation, IFRIC20, and a new IPSAS, IPSAS32, have been issued but are not yet effective and have not been adopted early by the Authority.

Those that are expected to be applicable to the Authority are listed below with their effective date, none are anticipated to have a future material impact on the Authority's financial statements:

- IFRS 9 Financial Instruments – effective 1 January 2015 – revised guidance on classification and measurement and calculation and recording of impairments.
- IFRS 13 Fair Value Measurement – effective 1 January 2013 – consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.
- IAS 19 Employee Benefits – effective 1 January 2013 – the amendments will improve the recognition and disclosure requirements for defined benefit plans and modify the accounting for termination benefits..

11. Other financial commitments

The authority has entered into a contract relating to the provision of accounting services commencing on 28 January 2013 for a period of four years with a break clause at 27 January 2016. The total cost of the contract for the initial three years is based upon transaction volumes estimated as £48,000.

The authority has entered into a contract relating to the provision of human resource services commencing on 1 April 2013 on a rolling basis with a termination notice period of six months. The total cost of the contract for the first year is £37,568.

12. Events after the reporting period

From 1 April 2013, the NHS TDA took on its full powers and responsibilities, following dissolution of the 10 Strategic Health Authorities. The NHS TDA received a new set of legal directions, conferring a broader range of powers and responsibilities, encompassing broad oversight of NHS Trusts. This was part of the planned transition process and the legal position from 1 April 2013 is the steady state for the NHS TDA, meaning that while the organisation's powers can be varied in future, no further fundamental change is anticipated.

The accounts were authorised for issue by the Accounting Officer on the date the Comptroller and Auditor General certified the accounts.



Trust Development Authority



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