

Protecting
your NHS



**NHS Counter Fraud and
Security Management Service
Annual Accounts 2004/2005**



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Management Service
Annual Accounts 2004/2005**

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**Counter Fraud and
Security Management Service**

Foreword to the Accounts

Foreword

The Chief Executive and Executive Management Team of the CFSMS present their financial statements for the year ended 31 March 2005, which have been prepared in accordance with Secretary of State for Health's Directions in accordance with Section 98(2) of the National Health Service Act 1977 and with the approval of HM Treasury.

Background, objectives and principal activities

The Counter Fraud and Security Management Service (CFSMS) was constituted, through Statutory Instrument 2002/3039, on 1 January 2003 as a Special Health Authority with responsibility for all policy and operational matters relating to the prevention, detection and investigation of fraud and corruption and the management of security in the National Health Service.

The Chief Executive is the CFSMS Accounting Officer and is accountable to the Secretary of State for Health.

Board Membership

The executive and non executive directors during the year were as listed in note 2.3 to the accounts. Details of directors' remuneration are also set out in this note.

Review of Performance

The CFSMS achieved the following under spend against its Revenue Resource, Capital Resource and Cash Resource Limits:

	Limit	Outturn	Under spend
	£'000	£'000	£'000
Capital	100	100	-
Revenue	19,262	19,189	73
Cash	18,802	17,952	850

The financial position of CFSMS as at 31 March 2005 is shown on page 9 and reserve movements are shown in page 25.

The CFSMS continued to reduce fraud against the NHS to an absolute minimum during 2004-05. Since 1998, more than 480 professionally trained and accredited Counter Fraud Specialists have been appointed across the NHS, backed up by counter fraud training provided to over 700 Directors of Finance and over 200 Human Resource Directors.

The NHS has benefited from an additional £671 million for patient care since 1998 further to the work of the CFSMS. This represents a continuing 13:1 return on the budgetary investment in this work. The NHS Counter Fraud Service has a 96% successful prosecution rate with overall losses from patient fraud cut by 55%.

During 2004-05 CFSMS had to meet the needs of the review of Arms Length Bodies (ALB) outlined in the Department of Health document "Reconfiguring the Department of Health's Arms Length Bodies" published in July 2004.

The review outlined the new configuration for ALB's and one of the outcomes was that from 1 October 2005, the CFSMS will together with the Dental Practice Board, NHS Pensions Agency and the Prescription Pricing Authority, be hosted by a single ALB to be known as the NHS Business Services Authority (BSA) but with a guaranteed degree of autonomy. In March 2005 a decision was taken that consideration will be given to CFSMS potentially having a wider role across government whilst remaining consistent with the principles established by the ALB Review. The future constitution of CFSMS, specifically the hosting of CFSMS by the BSA, may be affected by any wider CFSMS remit.

By the end of March 2005, the number of CFSMS posts had been reduced by 25%, thereby meeting a requirement of the review. The CFSMS budget for 2005-06 was also reduced from £18.412m to £14.897m to ensure compliance with the review. The CFSMS has complied with the findings of the review in the shortest possible timescale.

In 2004-05 CFSMS took forward work to fulfil the aims and objectives outlined in the Security Management Strategy for the NHS published in December 2003. A key element of this was the start of the local security management specialist accredited training course which began in June 2004. This aims to provide Health Bodies with professional skills and expertise available locally to tackle security related matters within the two National Frameworks on tackling violence against NHS staff and general security management issues, established in November 2003 and March 2004 respectively.

Foreword to the Accounts (continued)

In 2004-05 The CFSMS launched the National syllabus for Conflict Resolution training for all front line NHS staff to complement the range of reactive measures already in place to tackle violence against NHS staff.

Future Events and Developments

The CFSMS will continue to reduce fraud in the NHS to a minimum and to deliver an environment for those who use or work in the NHS that is properly secure so that the highest possible standard of clinical care can be made available to patients.

Fixed Assets

Information relating to changes in fixed assets is included in notes 5.1 and 5.2 to the accounts.

Equal Opportunities

The CFSMS is an equal opportunities employer and values the diversity of its staff and is compliant with the Discrimination and Equal Pay Acts. CFSMS has published a Race Equality Scheme which is reviewed annually.

Health and Safety

The CFSMS is a member of the Royal Society for the Prevention of Accidents and works closely with that organisation on health and safety issues.

Employee Involvement

The motivation and commitment of employees is key to the achievements of the CFSMS and this is supported in a number of ways.

Constructive working arrangements continue to be developed with Unison. A Recognition Agreement was signed with Unison and the Joint Negotiating Committee which meets on a quarterly basis with Unison representatives.

Two employee conferences are held each year by CFSMS to facilitate employee awareness of the strategic activities of the Special Health Authority and enable face to face internal communication.

Public Sector Payment

The CFSMS is required to pay its trade creditors in accordance with the CBI's Better Payment Practice Code. The target is to pay 95% trade creditors within 30 days of receipt of a valid invoice unless other payment terms have been agreed with the supplier.

Better Payment Practice Code - measure of compliance

	Number	£000
Total bills paid 2004-05	5,393	8,918,303
Total bills paid within target	4,776	8,137,956
Percentage of bills paid within target	<u>88.6%</u>	<u>91.3%</u>

Under the Late Payment of Commercial Debts (Interest) Act 1998, no interest was paid under the legislation and no compensation payments made.

Register of Interests

Business interests of Executive and Non Executive Directors is maintained in a register of interests maintained at CFSMS offices at Weston House, 246 High Holborn, London, WC1V 7EX.

Auditors

The Comptroller & Auditor General is the appointed auditor of CFSMS and his fee for the provision of audit services for the year was £50,000 as disclosed in note 2.1 to the accounts.

Signed: Jim Gee
CFSMS Accounting Officer

Date: 11 July 2005

Statement of the Chief Executive's responsibilities as the accounting officer

The Secretary of State has appointed the Chief Executive as the Authority's Accounting Officer. The relevant responsibilities of Accounting Officers are set out in the Accounting Officer's Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the authority;
- the expenditure and income of the authority has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared under the National Health Service Act 1977 in such form as directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the net operating cost, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities as set out in my letter of appointment as an Accounting Officer.

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

I certify that I have audited the financial statements on pages 8 to 29 under the National Health Service Act 1977. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 11 to 13.

Respective responsibilities of the Chief Executive and Auditor

As described within the statement for the Chief Executive's responsibilities as the Accounting Officer, the Chief Executive is responsible for the preparation of the financial statements in accordance with the National Health Service Act 1977 and directions made there under by the Secretary of State for Health with the approval of the Treasury and for ensuring the regularity of financial transactions. The Chief Executive is also responsible for the preparation of the other contents of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and the directions made there under by the Secretary of State for Health with the approval of the Treasury, and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Service has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit."

I review whether the Statement on Internal Control reflects the Counter Fraud and Security Management Service compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Chief Executive's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Counter Fraud and Security Management Service's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Service'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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the CFSMS at 31 March 2005 and of the net resource outturn, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Health Service Act 1977 and directions made there under by the Secretary of State with the approval of the Treasury; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

Date: 12 July 2005

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

Statement of Internal Control

Scope of responsibility

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

The CFSMS was constituted as a Special Health Authority in January 2003 with responsibility for all policy and operational matters relating to the prevention, detection and investigation of fraud and corruption and the management of security in the National Health Service.

The CFSMS is constructed with operational and support directorates operating within a clearly defined business process and accountability structure. Under my direction the CFSMS Management Team (MT) has operational responsibility for the delivery of all aspects of governance and the provision, oversight and effective working of the systems of internal control, and risk management.

The CFSMS Board oversee the activities of the MT and the Audit Committee which receives recommendations from the MT and internal and external auditors, on matters related to internal controls, risk management and other corporate governance matters.

Work to progress achievement of the CFSMS strategic objectives is outlined in our annual Business Plan which is, in turn, supported by Directorate Work Plans. Our annual Business Plan is agreed with our Department of Health Senior Departmental Sponsor who monitors achievement against the plan in monthly performance review meetings.

The Senior Departmental Sponsor has an open invitation to Board and Audit Committee meetings and also receives copy minutes of these meetings.

Ministers are kept apprised of developments in the CFSMS work programme and have been fully involved in the support of key policy and operational work during 2004/05.

The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- 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 CFSMS for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and accords with Treasury Guidance.

Capacity to handle risk and the risk and control framework

The 2003/04 CFSMS Controls Assurance Framework enabled CFSMS to define risks in the context of objectives at both corporate and operational levels. The risk process was totally integrated into the planning process by which plans were made to deliver objectives through mitigating the risks to their achievement. Risks were identified and evaluated at appropriate levels within the organisation through a uniform system of directorate work planning, reviewed and agreed by myself.

The CFSMS Board oversees the overall risk management activity of CFSMS through review and approval of the annual Business Plan risk register. This risk register identifies the key risks affecting the achievement of CFSMS strategic objectives and identifies targeted activity to mitigate risks with related performance indicators and individual accountability for this activity.

The CFSMS Audit Committee is responsible for review of CFSMS risk management activity under delegation of the Board. The Committee receives regular reports from the internal auditors and the annual management letter from the external auditors together with information from other sources deemed necessary for the Committee to fulfil this function.

In February 2005 the Audit Committee received a paper on the status of CFSMS risk management objectives and activity, and recommendations as to developments planned in this area to formalise existing risk management activity and procedures and to share in best practice from other NHS bodies.

Further to the above meeting a CFSMS Risk Liaison Group (RLG) has been constituted which is accountable to the Audit Committee and responsible for the development, monitoring and review of risk management strategy objectives and policies. The RLG will consider risk identified at "grass roots" level and provide the Audit Committee with all identified significant risks for consideration by the Committee and inclusion in the CFSMS high level risk register that will be included in future CFSMS business plans.

Staff training and awareness of risk will also be fostered by the RLG with support from the CFSMS training directorate.

Review of effectiveness

As Accounting Officer, I also 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 MT within CFSMS who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses, and ensure continuous improvement of the system is in place.

The Board and Audit Committees meet on a regular basis receiving reports from external advisers including the internal auditors and external auditors and from members of the MT. The internal auditors provide a specific annual opinion on the internal controls in place within CFSMS and their adequacy providing significant assurance that there is a generally sound system of control designed to meet the organisation's objectives.

I review the activities of the Board and Audit Committee and work directly with all members of the MT in the progression of CFSMS work. The CFSMS business and management process includes review by me of MT activities on a day to day basis with continuous review of the internal controls inherent in our work.

Signed: Jim Gee
Chief Executive and CFSMS Accounting Officer

Date: 11 July 2005

Operating Cost Statement for the year ended 31 March 2005

	Notes	2004-05 £000	2003-04 £000
Programme costs	2.1	21,392	15,460
Operating income	4	(2,203)	(3,903)
Net operating cost before interest		19,189	11,557
Net resource outturn	3.1	19,189	11,557

All income and expenditure is derived from continuing operations

Statement of Recognised Gains and Losses for the year ended 31 March 2005

	Notes	2004-05 £000	2003-04 £000
Unrealised surplus/(deficit) on the indexation of fixed assets	11.2	28	15
Transfer of Assets from Primary Care Agency		–	68
Recognised gains and losses for the financial year		28	83

The notes at pages 11 to 29 form part of this account.

Balance Sheet as at 31 March 2005

	Notes	31 March 2005 £000	31 March 2004 £000
Fixed assets			
Intangible assets	5.1	377	421
Tangible assets	5.2	<u>2,023</u>	<u>2,523</u>
		2,400	2,944
Current assets			
Debtors	6	1,680	1,353
Cash at bank and in hand	7	<u>30</u>	<u>17</u>
		1,710	1,370
Creditors: amounts falling due within one year	8.1	<u>(1,713)</u>	<u>(1,639)</u>
Net current liabilities		(3)	(269)
Total assets less current liabilities		<u>2,397</u>	<u>2,675</u>
Creditors: amounts falling due after more than one year	8.2	(1,020)	(331)
Provisions for liabilities and charges	9	<u>(123)</u>	<u>0</u>
		1,254	2,344
Taxpayers' equity			
General Fund	11.1	1,210	2,328
Revaluation reserve	11.2	<u>44</u>	<u>16</u>
		1,254	2,344

The notes at pages 11 to 29 form part of this account.

Signed: Jim Gee
CFSMS Accounting Officer

Date: 11 July 2005

Cash Flow Statement for the year ended 31 March 2005

	Notes	2004-05 £000	2003-04 £000
Net cash outflow from operating activities	12	(17,585)	(9,928)
Capital expenditure and financial investment			
(Payments) to acquire intangible fixed assets		(105)	(365)
(Payments) to acquire tangible fixed assets		(249)	(1,826)
Net cash outflow from investing activities		(354)	(2,191)
Net cash outflow before financing		(17,939)	(12,119)
Financing			
Net Parliamentary funding	11.1	17,952	12,123
Transfer of cash from Primary Care Agency		-	13
Increase in cash in the period	7	13	17

The notes at pages 11 to 29 form part of this account.

Notes to the accounts

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and the Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting Conventions

This account is prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, at their value to the business by reference to their current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

1.2 Income

Income is accounted for by applying the accruals convention. The main source of funding for the CFSMS is Parliamentary grant from the Department of Health from Request for Resources 1 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. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. It includes income appropriated-in-aid and recoveries of prescription penalties and surcharges as referred to below. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The CFSMS collects prescription charges on behalf of the Department of Health from patients who have erroneously claimed an exemption from a prescription charge. The CFSMS surrenders these funds to the Department of Health for distribution back to the NHS. The CFSMS acts as an agent for the Department of Health, these amounts are not accounted for in these accounts. Please see note 6.2 to the accounts which shows a summary of these collections.

Penalty charges and surcharges were issued by the Compliance Unit up to 31 March 2005 (this unit was transferred to CFSMS from the Prescription Pricing Authority on 1 January 2003) where exemption from prescription charges were erroneously claimed by patients and these charges are not paid to the CFSMS within set timescales. This income is included in operating income and debtors in these accounts.

Where patients are subsequently found to be exempt from prescription charges after they have been requested by the Compliance Unit and penalty charges and surcharges have been issued, related operating income and debtors are reversed.

Where penalty charges and surcharges are judged to be irrecoverable by the Compliance Unit, they are shown as irrecoverable in the operating cost statement of the CFSMS. A provision for doubtful debt has been raised on an analysis of historical recovery rates. Please see note 2.1.

From 1 April 2005, the Compliance Unit is no longer responsible for issuing penalty charges and surcharges. This function has been devolved to NHS Primary Care Trusts (PCTs).

CFSMS will continue to administer debtor remittances for penalty charges and surcharges issued up to 31 March 2005.

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 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the financial year 2004-2005 was 3.5% (2003-04 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

Notes to the Accounts (continued)

1.5 Notional Accommodation Costs

The CFSMS occupied accommodation provided by the Prescription Prescribing Authority in Newcastle for which no charge was levied. These accounts include a notional cost to reflect the value of services provided in-kind.

1.6 Fixed Assets

(a) Capitalisation

All assets falling into the following categories are capitalised:

- (i) Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- (ii) Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.
- (iii) Tangible assets which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000;
 - collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
 - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.
- (iv) Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.
- (v) Costs incurred bringing office accommodation into use in Coventry and London are shown under “Buildings [excluding dwellings] Improvements”, i.e. fixed assets and are written off over the terms of the related operating leases to the first review date [Coventry - 5 Years and London 7 Years].

(b) Valuation

Intangible Fixed Assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Research & Development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when the outcome of that project can be assessed with reasonable certainty as to its technical feasibility and that it will result in a product or service that will eventually be brought into use. Any expenditure carried forward is amortised in line with the life of the related project.

Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

- (i) Land and buildings (including dwellings)

No land and buildings are owned by the CFSMS.

(c) Depreciation and Amortisation

Depreciation is charged on each individual fixed asset as follows:

- (i) Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- (ii) Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- (iii) Each equipment asset is depreciated evenly over the expected useful life:

	Years
Leased Asset Improvements – London	7
Leased Asset Improvements – Coventry	5
Furniture and fittings	5
Transport Equipment	7
Information technology	5

1.7 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 Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.8 Pension Costs

NHS Pension Scheme

The majority of staff belong to the NHS Pension Scheme.

Past and present employees are covered by the provisions of the NHS Pension Scheme as described in Note 2.4. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the CFSMS to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

Other Pension Schemes

The CFSMS participates in the Principal Civil Service Pension Scheme (PCSPS).

For participating members, past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependent's benefits. The CFSMS recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (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 elements of the schemes, the CFSMS recognises the contributions payable for the year.

1.9 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

1.10 Leases

Rentals under operating leases are charged to the Operating Cost Statement on a straight line basis. There are no finance leases.

1.11 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. 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 3.5% in real terms.

2.1 Authority programme expenditure

	Notes	£000	2004-05 £000	2003-04 £000
Non-executive members' remuneration			38	33
Other salaries and wages	2.2		11,796	7,927
Establishment expenses			2,945	1,269
Transport			89	94
Premises			2,235	1,483
Notional Costs for services provided in kind by Department of Health			52	434
Capital: Depreciation and amortisation	5.1, 5.2	630		171
Impairments	5.1, 5.2	47		–
Capital charges interest		62		85
			739	256
Professional Fees: solicitors acting on behalf of the CFSMS			1,632	1,627
Irrecoverable Discretionary Prescription Penalties & Surcharges			434	590
Provision for Doubtful Discretionary Penalties & Surcharges			525	1,262
Auditor's remuneration: Audit Fees			65	42
Early Retirement			546	–
Other			296	443
			21,392	15,460

The Audit represents the cost for the audit of the financial statements carried out by the External Auditors. No other services were provided by the External Auditors. The audit charge for 2004-05 includes costs of £15,000 in respect of 2003-04.

2.2 Staff numbers and related costs

	2004-05 Total £000	Permanently Employed Staff £000	Other £000	2003-04 £000
Salaries and wages	8,950	8,950	–	6,517
Social security costs	712	712	–	519
Employer contributions to NHSPA	1,082	1,082	–	414
Other pension costs	9	9	–	16
Agency Staff	1,043	–	1,043	461
	11,796	10,753	1,043	7,927

2.2 Staff numbers and related costs (continued)

The average number of employees during the year was:

	Total Number	Permanently Employed Staff Number	Other Number	2003-04 Number
Total	<u>312</u>	<u>273</u>	<u>39</u>	<u>250</u>

Expenditure on staff benefits

The amount spent on staff benefits during the year totalled £0 (2003-04: £0).

Retirements due to ill-health

During 2004-05 there were 2 early retirements from the Special Health Authority on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £225,040.

2.3 Salary and pension entitlement of senior managers

(a) Remuneration

Name	Title	2004-05			2003-04		Benefits in Kind (to nearest £00)
		Salary in £5k Bands	Other Remuneration in £5k Bands	Benefits in Kind (to nearest £00)	Salary in £5k Bands	Other Remuneration in £5k Bands	
Executive Team							
*Jim Gee		45-50	-	-	35-40	-	-
*Steve Phillips		15-20	-	-	20-25	-	-
Justin Parfitt		50-55	-	-	40-45	20-25	-
John Ellner		60-65	-	-	60-65	-	-
Chantal Ewart	Apr 03 - Jan 04	-	-	-	40-45	-	-
Dermid McCausland		50-55	-	-	5-10	-	-
John Tate		60-65	-	-	55-60	-	-
Maureen Phillips	Apr 03 - Mar 04	-	-	-	55-60	-	-
Richard Hampton	July 04 - Mar 05	35-40	-	-	-	-	-
Non Executive Directors							
Bill Darling		15-20	-	-	10-15	-	-
Steve Winyard		0-5	-	-	0-5	-	-
Ian Tipney		0-5	-	-	0-5	-	-
Peter Finch		0-5	-	-	0-5	-	-
John Flook	Apr 03 - Dec 03	-	-	-	0-5	-	-
Gill Galliano		0-5	-	-	0-5	-	-

Notes to the Accounts (continued)

2.3 Salary and pension entitlement of senior managers (continued)

(b) Pension Benefits

	Real Increase in Pension and Related lump sum at age 60 (Bands of £2,500)	Total accrued pension at age 60 at 31 March 2005 and related lump sums (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2005 £'000s	Cash Equivalent Transfer Value at 31 March 2004 £'000s	Real Increase in Cash Equivalent Transfer Value £'000s	Employer's contribution to stakeholder pension £
Executive Team						
*Jim Gee	0-2.5	–	170	153	6	–
*Steve Phillips	0-2.5	–	45	36	6	–
Justin Parfitt	0-2.5	0-5	8	4	4	–
John Ellner	2.5-5	0-5	20	9	10	–
Chantal Ewart	Apr 03 - Jan 04	–	–	–	–	–
Dermid McCausland	10-12.5	62-65	195	152	39	–
John Tate	2.5-5	5-10	25	12	13	–
Maureen Phillips	Apr 03 - Mar 04	–	–	–	–	–
Richard Hampton	July 04 - Mar 05	2.5-5	16	7	8	–

There are no entries in respect of pensions for Non-Executive members, as they do not receive pensionable remuneration.

*Seconded from Department of Health with a proportionate charge.

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' 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 benefit accrued in the 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 CETV figure, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of period.

2.4 Pension Costs

NHS Pension Scheme

The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the CFSMS to identify its share of the underlying scheme liabilities.

The total employer contributions payable in 2004-05 was £1,082,000 (2003-04 £414,000). Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is subject to a full valuation by the Government Actuary every four years which is followed by a review of the employer contribution rates. The last valuation took place as at 31 March 2003 and the findings have yet to be fully analysed. The last published valuation covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004-05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement account at the time the Authority commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension costs arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. Where early retirements are not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the Authority commits itself to the retirement, regardless of the method of payment.

Other Pension Schemes

The PCSPS is an unfunded multi-employer defined benefit scheme but the CFSMS is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. A full actuarial valuation is carried out every four years the most recent was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Notes to the Accounts (continued)

2.4 Pension Costs (continued)

For 2004-05, employers' contributions of £9,100 were payable to the PCSPS (2003-04 £16,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. The next valuation, as at 31 March 2003, is expected to recommend an increase in the employer's contributions effective from 1 April 2005.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. However, none of the members of the PCSPS have opted to do so.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based final salary defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality money purchase stakeholder based arrangement with a significant employer contribution (partnership pension account).

(a) Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widower) pensions.

(b) Premium Scheme

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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension.

The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

(d) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

3.1 Reconciliation of net operating cost to net resource outturn

	2004-05 £000	2003-04 £000
Net operating cost	<u>19,189</u>	<u>11,557</u>
Net resource outturn	<u>19,189</u>	<u>11,557</u>
Revenue Resource Allocation	19,262	11,565
Other Departmental Funding	–	750
Revenue resource limit	<u>19,262</u>	<u>12,315</u>
Under spend against revenue resource limit	<u>73</u>	<u>758</u>

3.2 Reconciliation of gross capital expenditure to capital resource limit

	2004-05 £000	2003-04 £000
Gross capital expenditure	<u>100</u>	<u>2,383</u>
Net capital resource outturn	<u>100</u>	<u>2,383</u>
Capital resource limit	100	2,400
Underspend against limit	<u>–</u>	<u>17</u>

4 Operating income

Operating income analysed by classification and activity, is as follows:

	Appropriated in aid £000	Not Appropriated in aid £000	Total £000	2003-04 £000
Programme income:				
Provisions of Services	691	–	691	178
Recovery of Legal Costs	–	–	–	411
Prescription Penalties & Surcharges	1,153	–	1,153	2,964
Income received from National Assembly for Wales	359	–	359	350
Total	<u>2,203</u>	<u>–</u>	<u>2,203</u>	<u>3,903</u>

5.1 Intangible fixed assets

	Software Licences £000	Development Expenditure £000	Total £000
Cost or Valuation:			
At 1 April 2004	366	72	438
Indexation	-	-	-
Impairments	-	-	-
Other revaluations	-	-	-
Additions - purchased	79	10	89
Additions - donated	-	-	-
Reclassification	-	-	-
Disposals	-	-	-
Gross cost at 31 March 2005	445	82	527
Amortisation:			
At 1 April 2004	17	-	17
Indexation	-	-	-
Impairments	13	15	28
Other revaluations	-	-	-
Provided during the year	88	17	105
Reclassification	-	-	-
Disposals	-	-	-
Accumulated amortisation at 31 March 2005	118	32	150
Net Book Value			
Net book value:			
Purchased at 31 March 2004	349	72	421
Total at 31 March 2004	349	72	421
Net book value:			
Purchased at 31 March 2005	327	50	377
Total at 31 March 2005	327	50	377

5.2 Tangible fixed assets

	Buildings exc dwellings £000	Motor Vehicles £000	Information Technology £000	Furniture & fittings £000	Total £000
Cost or Valuation:					
At 1 April 2004	565	50	1,908	161	2,684
Additions – purchased	11	–	–	–	11
Additions – donated	–	–	–	–	–
Impairments	–	–	–	–	–
Reclassification	–	–	–	–	–
Indexation	44	1	(14)	3	34
Other in year revaluations	–	–	–	–	–
National revaluation exercise	–	–	–	–	–
Disposals	–	–	–	–	–
Gross cost at 31 March 2005	620	51	1,894	164	2,729
Depreciation:					
At 1 April 2004	7	12	137	5	161
Provided during the year	105	12	377	31	525
Impairments	–	–	19	–	19
Reclassification	–	–	–	–	–
Indexation	1	–	–	–	1
Other in year revaluation	–	–	–	–	–
Disposals	–	–	–	–	–
Accumulated depreciation at 31 March 2005	113	24	533	36	706
Net book value:					
Purchased at 31 March 2004	558	38	1,771	156	2,523
Total at 31 March 2004	558	38	1,771	156	2,523
Net book value:					
Purchased at 31 March 2005	507	27	1,361	128	2,023
Total at 31 March 2005	507	27	1,361	128	2,023

6 Debtors

6.1 Amounts falling due within one year

	31 March 2005 £000	31 March 2004 £000
NHS debtors	284	24
Discretionary Prescription Penalties & Surcharges	2,243	2,121
Provision for irrecoverable Discretionary Prescription Penalties & Surcharges	(1,991)	(1,466)
Prepayments	826	186
Accrued income	12	14
Other debtors	306	474
Total debtors	<u>1,680</u>	<u>1,353</u>

6.2 Non-Discretionary prescription charges

The CFSMS collects prescription charges on behalf of the Department of Health from patients who have erroneously claimed an exemption from a prescription charge. The CFSMS surrenders these funds to the Department for distribution back to the NHS. The CFSMS acts as an agent for the Department, and so these amounts are excluded from this account. CFSMS will continue to collect prescription charges on behalf of the Department of Health for debts raised to 31 March 2005. From 1 April 2005, this function will be carried out by NHS PCTs.

The following note details the transactions in the year:

Operating Statement

	2004–05 £000	2003–04 £000
Prescription charges levied	220	542
Less: amounts deemed irrecoverable	(111)	(295)
Recoverable charges for the period	<u>109</u>	<u>247</u>

Statement of balances

	31 March 2005 £000	31 March 2004 £000
Debtors outstanding	<u>50</u>	<u>118</u>
Creditors for surrender to Department of Health	<u>(50)</u>	<u>(118)</u>

£160,759 was received during the period prior to 31 March. As at 31 March 2005, £158,000 was surrendered to the Department of Health. The balance is to be surrendered during the course of 2005–06.

7 Analysis of changes in cash

	At 31 March 2004 £000	Change during the year £000	At 31 March 2005 £000
Cash at OPG	17	12	29
Cash at commercial banks and in hand	–	1	1
	<u>17</u>	<u>13</u>	<u>30</u>

8 Creditors

8.1 Amounts falling due within one year

	31 March 2005 £000	31 March 2004 £000
NHS creditors	282	243
Capital creditors	2	256
Tax and social security	18	–
Other creditors	748	141
Accruals	352	772
Deferred income	311	227
	<u>1,713</u>	<u>1,639</u>

8.2 Amounts falling due after more than one year

	£000	£000
Deferred income	1,020	331
	<u>1,020</u>	<u>331</u>

9 Provisions for liabilities and charges

	Pensions for former staff £000	Legal claims £000	Other £000	Total £000
At 31 March 2004	–	–	–	–
Arising during the year	–	–	123	123
Utilised during the year	–	–	–	–
Reversed unused	–	–	–	–
Unwinding of discount	–	–	–	–
At 31 March 2005	–	–	123	123
Expected timing of cash flows:				
Within 1 year	–	–	4	4
1-5 years	–	–	119	119
Over 5 years	–	–	–	–

The provisions arising during the year:

- (i) £4,250 included in the provisions of the NHS Litigation Authority at 31.3.2005 in respect of CFSMS.
- (ii) £119,000 for commitments under property leases for potential dilapidations.

10 Movements in working capital other than cash

	2004-05 £000	2003-04 £000
Increase in debtors	327	746
Increase in creditors	(1,017)	(1,685)
	(690)	(939)
	Note 12	

11 Movements on reserves

11.1 General Fund

	2004-05 £000	2003-04 £000
Balance at 31 March 2004	2,328	1,175
Net operating costs for the year	(19,189)	(11,557)
Net Parliamentary funding	17,952	12,123
Transfer of Assets from Primary Care Agency	–	68
Transfer of realised profits/losses from revaluation reserve	5	–
Non-cash items:		
Capital charge interest	62	85
Notional costs	52	434
Balance at 31 March 2005	1,210	2,328

11.2 Revaluation reserve

	£000	£000
Balance at 31 March 2004	16	1
Impairments	–	–
Indexation of fixed assets	33	15
Revaluation of fixed assets	–	–
Transfer to General Fund: realised indexation	(5)	–
Balance at 31 March 2005	44	16

12 Reconciliation of operating costs to operating cash flows

	Notes	2004-05 £000	2003-04 £000
Net operating cost before interest for the year		19,189	11,557
Adjust for non-cash transactions	2.1	(791)	(690)
Adjust for movements in working capital other than cash	10	(690)	(939)
(Increase)/decrease in provisions	9	(123)	–
Net cash outflow from operating activities		17,585	9,928

13 Contingent liabilities

At 31 March 2005, there existed the following contingent liabilities:

- (i) The CFSMS was engaged in civil action on a significant operational case. Recovery of costs related to the progression of this case are dependent upon the outcome of the case.

The outcome, and likely concluding date, of this legal action as at the year end was uncertain.

No other details of this case are disclosed, as to do so could prejudice the legal position of the CFSMS.

- (ii) A personal injury claim amounting to £4,250 (2003–04: £0) as notified by the NHS Litigation Authority.

14 Capital commitments

There were no capital commitments as at the year end.

15 Commitments under operating leases

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

	2004–05 £000	2003–04 £000
Other operating leases	1,068	659
	<u>1,068</u>	<u>659</u>

Commitments under non-cancellable operating leases:

		£000	£000
Land and buildings			
Operating leases which expire:	within 1 year	75	111
	between 1 and 5 years	173	176
	after 5 years	738	743
		<u>986</u>	<u>1,030</u>
Other leases			
Operating leases which expire:	within 1 year	25	–
	between 1 and 5 years	11	33
	after 5 years	–	–
		<u>36</u>	<u>33</u>

16 Losses and special payments

Prescription penalty charges and surcharges are raised by the CFSMS where patients have incorrectly claimed exemption from prescription charges. These charges are raised by the Compliance Unit which was transferred to the CFSMS on 1 January 2003 by the Prescription Pricing Authority (PPA). All staff and existent internal controls in the Compliance Unit were transferred to the CFSMS from the PPA at that date.

After an initial review of Compliance Unit processes and internal controls by the CFSMS during 2003/04, improvements have been made to the efficiency of the Unit. The CFSMS takes all possible action against debtors to recover outstanding debts, including court action where necessary. Where it is no longer cost effective to enforce debt collection, subject to specific and strictly managed internal criteria, debts are written off.

Losses and special payments reported by the CFSMS in 2004-/05 amounted to £458,596 (9,543 cases) and included irrecoverable prescription penalty charges and surcharges in the sum of £434,158 (9,464 cases) as shown in Note 2.1 to the accounts.

17 Related parties

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

The Department of Health is regarded as a controlling related party. During the year the CFSMS has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, i.e.:

- Prescription Pricing Authority
- Primary Care Agency

There is also a related party transaction with the:

- National Assembly of Wales

18 Post balance sheet events

There are no post balance sheet events.

19 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the CFSMS is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The CFSMS has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Special Health Authority in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

Liquidity risk

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

Interest-rate risk

100% of the Authority's financial assets and 100% of its financial liabilities carry nil rates of interest. CFSMS is not, therefore, exposed to interest-rate risk.

The CFSMS's financial assets consist of a cash balance of £30,000 in sterling which is non-interest bearing. The book value of this asset is equal to its fair value.

Foreign currency risk

The CFSMS has no significant outstanding foreign currency income or expenditure.

Fair values

A comparison, by category, of book values and fair values of the Authority's financial assets and liabilities as at 31 March 2004 is as follows:

	Book value £000	Fair value £000	Basis of fair valuation
Financial assets:			
Cash	<u>30</u>	<u>30</u>	
Total	<u>30</u>	<u>30</u>	
Financial liabilities:			
Creditors over 1 year:			
Deferred Income	<u>1,020</u>	<u>1,020</u>	
Total	<u>1,020</u>	<u>1,020</u>	

Deferred Income consists of rent incentives accruing to CFSMS in relation to the lease at Weston House and Coventry Point.

The fair value of these incentives do not differ significantly from book value.

20 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	43	–	100	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	284	–	282	–
Balances with public corporations and trading funds	–	–	–	–
Balances with bodies external to government	1,353	–	1,331	–
At 31 March 2005	1,680	–	1,713	–

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	375	–	9	–
Balances with local authorities	–	–	–	–
Balances with NHS Trusts	24	–	243	–
Balances with public corporations and trading funds	–	–	–	–
Balances with bodies external to government	954	–	1,387	–
At 31 March 2004	1,353	–	1,639	–

**THE NATIONAL HEALTH SERVICE IN ENGLAND ACCOUNTS DIRECTION GIVEN
BY THE SECRETARY OF STATE FOR HEALTH IN ACCORDANCE WITH SECTION 98(2)
OF THE NATIONAL HEALTH SERVICE ACT 1977 AND WITH THE APPROVAL OF TREASURY**

CFSMS SPECIAL HEALTH AUTHORITY

- 1 The Secretary of State directs that an account shall be prepared for the financial year ended 31 March 2004 and subsequent financial years in respect of the CFSMS. The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

- 2 The account of the CFSMS comply with:
 - (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
 - (b) the accounting and disclosure requirements of the Companies Act;
 - (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;
 - (d) accounting guidance approved by the FRAB and contained in the Resource Accounting Manual, but specifically excluding schedules 1 and 5;
 - (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

- 3 The account of the CFSMS for the year ended 31 March 2004 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.
- 4 For the financial year ended 31 March 2004 and subsequent years, the account of the CFSMS shall give a true and fair view of the state of affairs as at the end of the financial year and the net operating costs, recognised gains and losses and cashflows during the year.
- 5 The Foreword, the Balance Sheet and the Statement on the system of internal control shall be signed by the chief executive of the Authority and dated. All other papers should be initialled.

MISCELLANEOUS

- 6 The direction shall be reproduced as an appendix to the published accounts.
7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

Signed by the authority of the Secretary of State for Health.

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

- 1 The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
- 2 The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the information relating to NHS bodies shall be contained in the foreword.
- 3 The operating cost statement and cash flow statement shall have regard to the format prescribed in the Resource Accounting Manual.
- 4 The balance sheet shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act.
- 5 NHS bodies are not required to provide the historical cost information described in paragraph (33) of Schedule 4 to the Companies Act.

Accounting Standards

- 7 NHS bodies are not required to include a note showing historical cost profits and losses as described in FRS 3.

SCHEDULE 2

ADDITIONAL REQUIREMENTS

- 1 The foreword shall include a statement that the account has been prepared to comply with a Direction given by the Secretary of State in accordance with section 98(2) of the NHS Act 1977.
- 2 The foreword shall also contain a description of the statutory background and main functions of the CFSMS together with a fair review of their operational and financial activities and a summary of their performance against targets.

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