

# Annual Report and Accounts 2015/16

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HC 491

# Annual Report and Accounts 2015/16

Presented to Parliament pursuant to Schedule 15, Section 6 of the  
National Health Service Act 2006

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**HC 491**

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# 1. Performance report



## 1.1. Overview

### 1.1.1 Statement from our Chief Executive

2015/16 has been another challenging year for the NHS Business Services Authority (NHSBSA) and broader public sector. The government spending review, coupled with the ongoing increasing demand for our services, has continued to dominate our people's thinking. I therefore feel, taking this environment into account, that what our people have achieved during the year is even more impressive. There just are too many examples to mention - delivering almost £300 million of recurring savings for the wider NHS; delivering more services to the health sector in areas such as eligibility checking and scanning; the ongoing work to digitise our services and improve customer experience; or using our data to provide valuable insight to our health colleagues in areas such as cancer care and antibiotic resistance – to name but a few.



I am confident that by continuously reviewing UK and global trends, engaging with our stakeholders, and working in an agile and flexible manner, we can not only address the challenges posed, but take advantage of the opportunities presented to improve our services and provide further value across the health and care system. Our strategic goals directly relate to the trends and material issues we have identified, and this annual report gives a summary of the progress we are making against each one.

When I talk to the people working across our extensive range of services and functions, one common driver appears again and again – the commitment to do the right thing for our service users and the UK tax payer. Our people will think not only about the direct impact of our operations, but also the added value we can have for the broader health and care system and society as a whole.

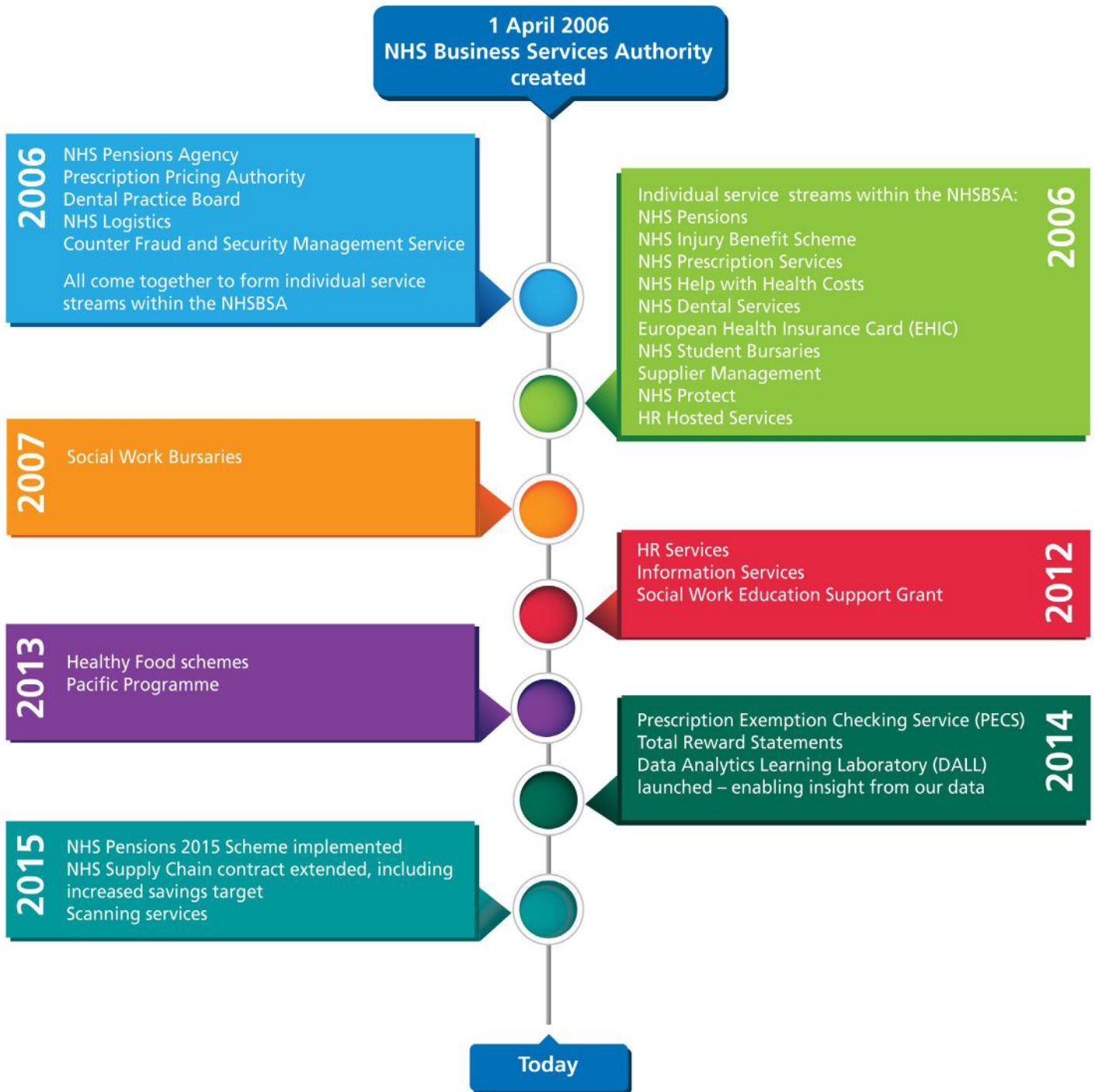
Finally I encourage you to also read our updated business strategy and business plan for 2016/17 and beyond. The challenging context we work in is driving us to think and act differently, and I hope this comes across in our stated goals and plans for the coming years.

Nick Scholte  
Chief Executive

### 1.1.2 About us

The NHSBSA is a Special Health Authority and an Arm's Length Body (ALB) of the Department of Health (DH). We provide a range of critical central services to NHS organisations, NHS contractors, patients and the public. The NHSBSA was created in 2006 by bringing together a number of previously separate NHS organisations. We still deliver the core range of services we started with and have taken on additional services as our stakeholders' needs have evolved (see figure 1). Appendix 1 summarises our services and their key performance indicators (KPIs).

Figure 1: Our journey



## Figure 2: Our vision

Our strategic goals have been developed to ensure we can continue to meet our purpose and address threats and opportunities identified in the longer term.

### Our purpose:

We are a business services organisation. We use insight to deliver improvements that matter

### Our goals:

- 1 We will collaborate to create £1 billion for patients
- 2 We will reduce our unit costs by 50%
- 3 We will always improve service and deliver great results for customers
- 4 We will digitise 80% of customer and supplier interactions
- 5 We will derive insight from data to drive change
- 6 We will invest time in our people, and we will recognise them for their commitment, contribution and passion

### Our values:

Ambition | Integrity | Innovation | Respect | Teamwork | Quality | Accountability

### 1.1.3 Our key risks and issues

A summary of our key risks and issues is given in our Annual Governance Statement in section 2.1.3.



## 1.1.4 Performance summary

**2.8 million**

prescription prepayment certificates distributed in 2015/16

**77%**

proportion of **colleagues** who **completed the staff survey** this year



**30% reduction** in carbon emissions from our business travel since 2009/10

**£150 million**

saved so far through the new NHS Supply Chain contract



**3.6 million**

EHIC applications processed each year



**1,077,678,779**

prescription items processed in 2015/16



our contact centre handled

**3,509,394**

calls in 2015/16

**43,528,383**



FP17 dental claim forms processed in 2015/16

**449,113**

the number of cases completed in **NHS Pensions** in 2015/16



**£33 billion**

the amount of money that flows through our books every year

Our new **Ask Us** service for HR received over

**27,000**

hits in its first month

**1,485,339**

Total Reward Statements made available to active NHS employees this year

**37%**

the reduction in unit cost for administering the **NHS Tax Credit Exemption Certificate**



Over **158,000** monthly hits

on our **'Ask Us'** online knowledge base

**£186 million**

the amount of potential NHS savings identified by the Data Analytics Learning Lab this year

we've moved up

**42** in **Stonewall's Workplace Equality index** in 2015

the **engagement level** of our staff was

**80%**

in 2015/16

**64k**



followers on social media sites



**£216 million**

total amount of savings our **Pacific Programme** has realised so far for the NHS and its patients

**57,373**

satisfaction survey responses from customers and stakeholders in 2015/16



**55%**

reduction in **carbon emissions** from our buildings since 2009/10



# Stonewall

## DIVERSITY CHAMPION



North East  
**Better Health**  
at Work Award

Gold Award



Awarded to:  
**NHS Business  
Services Authority**

## Performance against our strategic goals

Our strategic goals are very important to us, and measuring our success against achieving them provides a yardstick for our overall success. We've made significant progress against all of our strategic goals this year. Here are some highlights.

### 1 We will collaborate to create £1 billion for patients

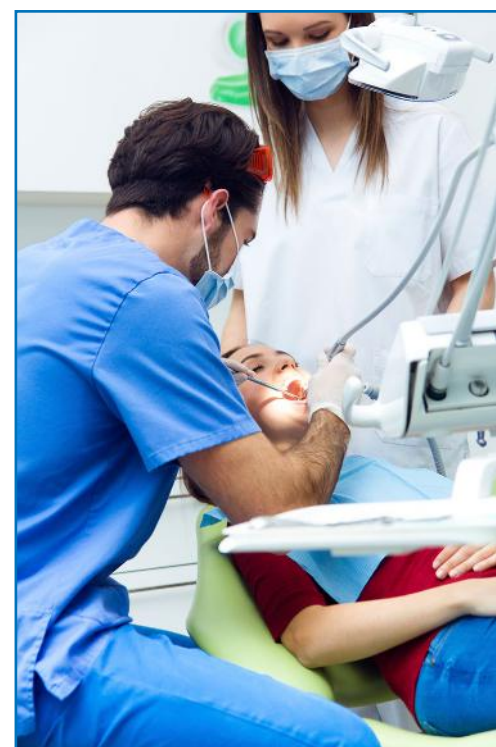
By the end of 2015/16, the NHSBSA had delivered over £300 million of recurring savings for the wider NHS. This includes £150 million coming from NHS Supply Chain savings delivered as part of the outsourced contract. The contract has been extended for a further two years, increasing the total cash-releasing savings target to £300 million by October 2018. We've also developed a price benchmarking system called Scorpio for NHS Supply Chain customers to use. Individual Trusts supply their purchase order data so NHS Supply Chain prices can be compared to what Trusts are paying to procure products from other sources. This can help to identify opportunities for collaborative procurement to collectively save money across the NHS.

We've continued to work closely with partner organisations such as DH, NHS England, Health Education England (HEE) and Clinical Commissioning Groups (CCGs) to identify new ways of saving money for the wider healthcare system and ensure the plans we have in place remain relevant and likely to deliver the improvements we expect. Working with NHS England's Chief Scientific Officer's team, we're developing a Point of Care testing strategy for CCGs and have already identified a new national standard of testing for inflammatory bowel diseases at GP practices. The pilot showed that using this test reduced referrals to secondary care by around 60%, meaning a patient may not have to undergo an invasive and unnecessary procedure such as a colonoscopy, and could result in avoided referral costs of between £55 million-£266 million.

We've also been working with DH to redesign the end-to-end processes for UK citizens living and working in the European Economic Area. This 'Blueprint for Change' for EEA healthcare includes the processes on application, cancellation, claims and payments for patients. The improvements will help to drive efficiency and savings, as well as improving healthcare as a public service. Implementing these recommendations could realise efficiency savings of at least £20 million.

The Prescription Exemption Checking Service (PECS), which checks that patients who have claimed free prescriptions are entitled to them, has increased the volume of checks and recovered over £8 million this financial year. The increased volume of Penalty Charge Notices issued also provides a deterrent, which should reduce incorrect claims for free prescriptions.

This year we established a programme to examine instances of patients re-attending dental surgeries within 28 days of their last treatment. This would help to address incorrect claiming and promote behaviour change amongst dentists. The programme is focused on split courses of treatment and savings of £11.95 million are projected over two years. The behaviour change is on target to deliver £5.8 million in 2015/2016. Furthermore, Statement of Financial Entitlement claims are now being processed by the NHSBSA rather than by dentists. This has allowed us to put a more robust process in place for checking claims and £25,000 was clawed back for the NHS as a result of a pilot carried out in ten practices.



It has been very encouraging to see the NHSBSA's profile continue to grow during 2015/16. The nature of discussions and joint working with our partners has developed enormously and we remain positive that we can achieve our £1 billion target.

## 2 We will reduce our unit costs by 50%

We've continued to build on our work from last year and move towards realising the visions for each of our services. We've established 'in-house' digital delivery teams which are initially focusing on supporting specific, customer-facing services. These teams have been working across the organisation to assess digital opportunities and have created a roadmap for their delivery.

We've also been building the capability we need to ensure we can deliver the change we're aiming for. This has involved working closely with our technology teams and identifying and developing new skills that will help our people to deliver agile projects. We've also created the right physical environment to support agile working practices, launching our Digital Delivery Hub early in 2016.

We've already streamlined our processes in NHS Pensions and are investigating ways to decommission our old systems. We're also starting to significantly reduce the printing cost of our Pensions information products by making them available online. These initiatives have resulted in a 20% reduction in the unit cost for the service. The new NHS Dental Services system, Compass, is now offering more opportunities for our customers to self-serve and has reduced paper-based processes. These measures have contributed towards a 40% reduction in unit costs for the service. Our Student Services work stream has also invested in processes which have resulted in less manual intervention and reduced IT network costs, reducing unit costs by 17%.

We're starting to see the benefits of greater use of the national electronic prescription service (EPS). By the end of 2015/16, over 39% of the prescription items we processed were sent using EPS, compared to less than 3% two years ago. EPS messages are consistently more accurate, so they need less user intervention to process and therefore the cost to process each prescription item is reduced.

As well as redesigning our existing services, we also recognise that introducing new and efficient services can help us reduce our overall unit costs. During 2015/16, NHS Prescription Services expanded its scanning capability and took on additional work for an NHS Foundation Trust; scanning HR records to create digital images of them. Depending on the success of our initial work, we're planning to take on more scanning activity in the future. The NHS Trust is also reducing its own costs by paying less to the NHSBSA compared to what they would have paid to a private contractor.

Our environment and resource efficiency strategy, and externally certified ISO 14001 environmental management system, have ensured we continue to set targets and monitor reduction of utility use, waste production and travel. This delivers cost savings, and ensures our business goals also deliver broader environmental benefits.





### 3 We will always improve service and deliver great results for customers

Our customers are important to us. Whether they are patients, pensioners, students, contractors or other NHS bodies, we're committed to delivering the best results possible. Throughout 2015/16 we've continued to gather feedback from our customers, increasing the frequency and quality of our customer interactions. As well as a large annual survey of all our customers, we undertake regular updates throughout the year so we can receive and react to more up to date feedback.

We've also introduced a single measure, the net promoter score, for each of our services. This single score gives us an overall rating for each service based on customer feedback. We've monitored the changes in the net promoter scores throughout the year and set ourselves targets for each service. This is a useful barometer of feedback throughout the year.

An example of how we used customer feedback to help us improve services includes a recent change to Tax Credit Exemption Certificates. During 2015/16, there was a change in government policy which resulted in almost doubling the number of certificates issued as the certificate became valid for half as long as it was previously. Following these changes, we used customer feedback to support the work we did and 79% of customers told us they were very satisfied with the new process.



To help our customers understand the benefits of the Electronic Prescription Service (EPS), we've been hosting an ongoing programme of EPS roadshows for pharmacists and dispensing appliance contractors. We've been running these since September 2015 with our EPS partner, the Health and Social Care Information Centre. By the end of 2015/16, we'd hosted 215 roadshows in over 60 locations across England. We've also introduced webinars for contractors targeted at specific problem areas of prescription submission and endorsement.

This year we introduced Twitter accounts for NHS Pensions, NHS Help with Health Costs, Student Services and EHIC to help our customers get instant information from this growing social media platform. We've also introduced a new and improved Direct Debit system for prescription prepayment certificate customers which means they can now choose their preferred payment date.

In Student Services we've introduced Special Interest Groups to take university staff feedback on board, focusing on specific areas of bursary operations. Similarly, our Stakeholder Engagement Team in NHS Pensions has grown and will work even more closely with employers to improve local administration of the NHS Pension Scheme and produce training packages for them to use.

Compass, our new dental system, is delivering benefits for dentists and commissioners by giving greater visibility of information and giving them more ability to self-serve. It also gives NHS Dental Services an enhanced ability to adapt, change and increase the services it delivers.

We ensure that diverse customers can access our services whatever their different communication needs, including through phone or email translation, forms provided in different formats, Braille, etc.

We will continue to improve our customers' satisfaction and we will seek to use their opinions to inform our service improvement work with the DH and NHS England.



## 4 We will digitise 80% of customer and supplier interactions

Our goal of digitising our interactions makes good business sense – making our processes simpler, clearer and faster for our customers will improve our reputation, reduce our costs and fits with the overall government strategy of ‘digital by default’.

The digital platform for the new Pension Scheme was delivered successfully and on schedule. Work to introduce greater digitisation for the rest of the service is ongoing, led by a team established over the past year with the appropriate mix of capabilities and expertise. Total Reward Statements continued to be delivered through the online portal this year, and we’ve now also made statements available for Practitioner members for the first time.

Work to support the increased digitisation of our other services is also progressing. We’ve created five cross-functional digital delivery teams to progress opportunities for digitisation. The discovery process for our maternity exemption certificate service, which researched the needs of our customers and created technology prototypes, is now complete. We receive around 460,000 maternity exemption applications each year, all currently using paper forms. During the discovery work, we worked closely with expectant mothers, midwives, pharmacists and GPs to help us shape a digital service which offers pregnant women easy access to free prescriptions. This project is now in the Alpha phase.



Similarly, the project to digitise the Low Income Scheme (LIS) application process has now completed the Discovery phase of digitisation. Student Services has undertaken preparatory work to go ‘digital by default’ and will only be providing communication products, such as booklets, posters and leaflets through digital channels. NHS Bursary and Social Work Bursary booklets will be online only by the 2017/18 academic year and no delegate packs will be printed for stakeholder events. This will achieve a cost saving of around £20,000 per year.

We’re also ensuring that the digitisation projects’ user research involves a diverse user group which is reflective of the general population and our service users, capturing different accessibility needs so we can provide appropriate ‘assisted digital’ options for using these services.

The launch of the new Compass system means NHS Dental Services is now handling less paper. Paper claims that are rejected from processing now have to be amended online by dentists rather than being returned to us for action and subsequent storage.

Also during the last year we’ve enhanced the online Information Services Portal for our pharmacy customers. This enables pharmacists to access their schedules of payments electronically and around 9,000 pharmacies have done so. We also started work to digitise other forms that are sent to us by pharmacists and other contractors, as well as taking over administration of the Community Pharmacy Assurance Framework survey on behalf of NHS England and moving this online.

Finally we have shown a commitment to digitisation by creating an agile working environment, known as a ‘Digital Delivery Hub’, to support the different working practices needed to deliver digital solutions through co-located, cross-functional teams. To support this, we’ve also implemented new technology, processes and practices to enable agile working and the rapid creation of customer-focused services.

## 5 We will derive insight from data to drive change

The data we gather from our services is vast, and we have recognised the need to harness this data and to learn from it. Getting more value and insight from the information we collect can drive meaningful change throughout the health service.

Our Information Services team has continued to gather and analyse data which is providing valuable insight to help improve services. The team has linked patient data from electronic prescriptions to the data held on the national cancer registry. Over 10 million rows of data were analysed, of which over 2 million were matched to cancer patients. This analysis has helped Public Health England to understand the success of current cancer treatments and how they could be improved.

The team has also worked with our NHS Dental Services teams to support dentists in improving services and saving money. The 28 day re-attendance programme used insight to identify dentists who have claimed more than one treatment for a patient within a 28 day period. Clinical opinion is that this should happen infrequently and that, in many cases, these two treatments should have been claimed as part of the same course of treatment. Over 500 dentists have requested their data so they can carry out a self-audit of their 28 day re-attendance claims. Helping contractors to understand and change their claiming behaviour could release up to £43 million for the NHS.

NHS Pensions is using management information and reports within the Compendia system to identify key trends and help improve processes, increasing productivity. Insight has also been used to implement EHIC system developments to identify and prevent mass applications from copycat websites. Security measures have been introduced to ensure only those entitled to a card are able to apply for one.



Increasing antibiotic resistance is an international concern, so Information Services has been working with NHS England to try to reduce antibiotic prescribing. Information Services colleagues worked with CCGs to help calculate the targets that they should be seeking to achieve across their geographical areas. They have also created dashboards to help CCGs to monitor their progress.

We've also used data to support NHS Trusts and other organisations to save money on the goods they purchase. Our Supplier Management team uses our price analysis tool, Scorpio, to track prices across NHS Supply Chain and its competitors. This can enable

potential savings of up to 5% for each NHS Trust. The team also analyses the ordering patterns of NHS organisations to understand the statistical trends behind purchasing. The results can be used to ensure further savings for the NHS.

These examples demonstrate the clinical and financial value that such insight can add to the wider NHS, using data that the NHSBSA and our partners regularly collect.

## 6 We will invest time in our people, and we will recognise them for their commitment, contribution and passion

With highly ambitious strategic goals to achieve and a need to transform our business and the ways in which we work, a new Learning and Organisational Development (L&OD) strategy was launched in 2015 which saw a step-change in our people offering.

The L&OD team have worked collaboratively and inclusively in all major change programmes throughout 2015/16, acknowledging that nothing can be achieved without our most valuable resource – our people. Each major change programme had a clear and simple people plan, pulling together actions to align vision, people and processes.

Continuing to build our digital and agile capabilities, a blended (coaching and formal learning) programme has been implemented to support the development of our cross-functional digital delivery teams – in excess of 50 colleagues to date. With seven delivery teams now operating, the programme gave the people who are working together the opportunity to learn and develop agile methodologies and ways of working. Similarly, a framework has been developed to ensure the appropriate transfer of knowledge during the discovery work.

It is vital our people have robust and honest conversations about their performance and are equipped with the capabilities they need and the support that they deserve. The introduction of our Core Capability Framework has provided all colleagues with a common language that gives us a focus on 'how' we do things, rather than just 'what' we do. The core capabilities are a mix of skills and behaviours that people are expected to demonstrate to deliver successful performance that enables us to meet our strategic goals. There are clear links between the NHSBSA values and the core capabilities, and our values are embedded as themes throughout the framework.

Extensive user research throughout the year has highlighted the need to simplify our Performance Management Framework, which is designed to provide a fair and honest assessment of our people's performance. As a result changes to the online appraisal and 1-2-1 (known as Ongoing Review and Objectives, or ORO) have ensured it is presented in a format which is simple, concise and easy to use. The new, clearer performance bandings for the 2016/17 reporting year will help make this more effective and consistent across the organisation.



2015/16 has seen significant organisational change right across the business. With our continued high engagement score of 80%, this year's staff survey has demonstrated the benefits of structured people plans and supporting our people through change. The response rate to our staff survey also continues to grow each year with 76% of our people responding to our 2015 staff survey; an improvement on each of the previous two years.

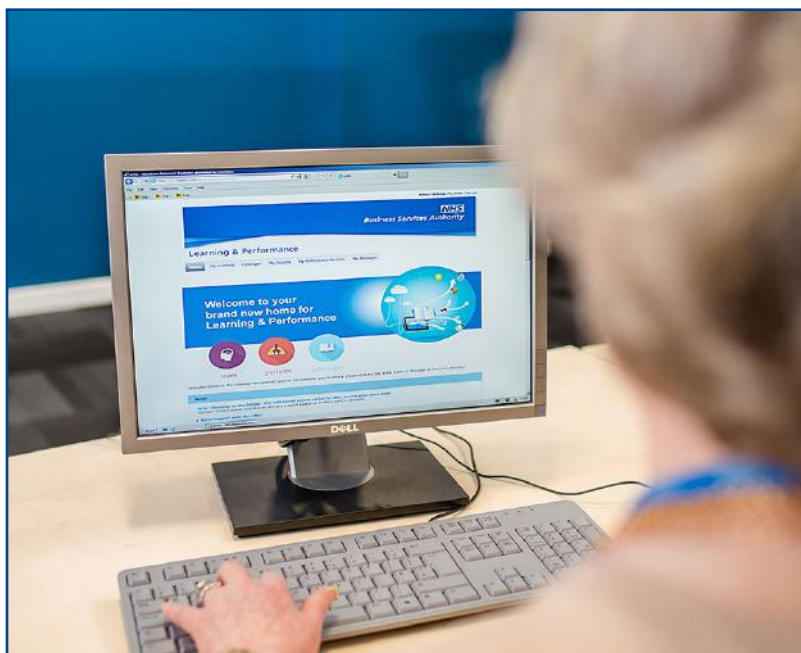
We launched our Learning Management System in 2014 and won the Bronze award for the Best Learning Management Implementation category at the 2015 International e-learning Awards. Over

400 international entries were whittled down to 145 to create the most competitive shortlist to date. The NHSBSA has been able to save or avoid costs of up to £370,000 during the first year of

implementation, demonstrating that a digital learning approach enables us to maximise learning at minimal cost. The system has also been rolled-out to our client organisations, such as NHS England, so that they can also reap the benefits of digital learning.

As we implement the new 2015 Pension Scheme, we've introduced new ways of working in our NHS Pensions service. A number of multi-skilled teams have been developed to ensure we capture existing knowledge and transfer it to new teams. Members of Pensions staff have undertaken new qualifications, such as the Retirement Provision Certificate from the Pensions Management Institute. A series of career pathways and a new Career Mentor role have also been established to help staff develop. All of these internal staff engagement activities throughout the year helped contribute to winning an Employee Engagement Award for Project of the Year (Public Sector).

Student Services meanwhile set up the Staff Engagement Group (SEG), which meets on a six-weekly basis so the members can discuss ideas and suggestions on topics such as communications, mentoring, training and reward and recognition.





## 1.2 Performance analysis

### 1.2.1 How we measure performance

We agree our performance measures with our sponsors and clients. Our operational KPIs and performance during 2015/16 are shown in Appendix 1.

Our leadership team and board monitor and review our performance at Board meetings through an integrated balanced scorecard approach. This summarises:

- performance against the identified KPIs and strategic goals
- the current financial position
- people related issues
- customer satisfaction and complaints
- client engagement
- progress against key change projects.

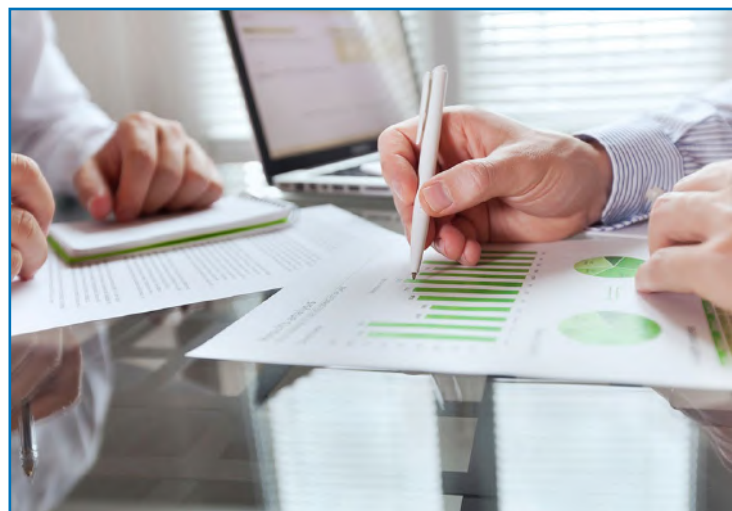
The following sections give more details on our performance in key areas in 2015/16.

### 1.2.2 Financial review

#### Background

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 National Health Service Act 2006 and in a format instructed by the Department of Health (DH) with the approval of HM Treasury.

Our accounts for 2015/16 have been prepared under International Financial Reporting Standards (IFRS) as interpreted by the Government Financial Reporting Manual (FReM). They comprise a Statement of Financial Position, Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers Equity, all with related notes.



The accounts are based on three distinct segments. The first of these relates to bursary payments we make on behalf of the DH for Social Work students, the second to our operating expenditure (which represents our running costs) and the third segment relates to NHS Supply Chain trading.

#### Financial performance 2015/16

As a Special Health Authority we receive funding from the DH to deliver a range of essential services outlined in our Direction Order.

In 2015/16 the NHSBSA was set a range of financial and operational service delivery targets. In financial terms we are able to report that we successfully achieved all statutory funding targets as outlined in Table 1 on the following page.



<b>Funding stream</b>	<b>Limit £m</b>	<b>Actual £m</b>	<b>Achieved</b>
Net operating expenditure (non ring-fenced revenue departmental spending limit)	103.8	103.3	✓
Capital charges (ring-fenced revenue departmental expenditure limit)	19.2	18.2	✓
Capital expenditure limit	14.2	14.2	✓

We can also confirm that there were no events after the reporting period.

In addition to the above, we are required to report our performance against 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 2015/16 is detailed in Table 2 below.

NHS Supply Chain performance is disclosed with reference to the 30 day target in the Better Payment Practice Code. This is consistent with the rest of the NHSBSA, however NHS Supply Chain is entitled to agree extended payment terms with suppliers. NHS Supply Chain compliance with contractually agreed payment terms is higher than against this 30 day target and is within the creditor day performance criteria defined in the Master Services Agreement.

	<b>NHSBSA (excluding NHS Supply Chain)</b>		<b>NHS Supply Chain only</b>		<b>NHSBSA (consolidated)</b>	
	<b>Number</b>	<b>Value £m</b>	<b>Number</b>	<b>Value £m</b>	<b>Number</b>	<b>Value £m</b>
Total non-NHS trade invoices paid	12,817	79.6	1,007,866	744,803.4	1,020,683	744,883.0
Total non-NHS trade invoices paid within target	11,799	75.0	738,556	494,567.4	750,355	494,642.4
Percentage of non-NHS trade invoices paid within target	92.1%	94.2%	73.3%	66.4%	73.5%	66.4%

## Reducing our costs

In cash terms, our gross annual operating (running) costs are around £20 million lower in 2015/16 than they were in 2005/06.

In real terms, adjusting for inflation and volume transaction growth, our gross operating costs have reduced by £92 million compared to 2005/06, which is a reduction of 45%.

These savings have been delivered by transforming the management, infrastructure and business processes within the organisation, and rationalising our estate to make it the most cost effective in the ALB sector.

## Future financial targets – the challenge

The scale of the financial challenge facing the NHS was set out in the HM Treasury Spending Review (SR) 2015 announced in July 2015. The DH was requested to model two scenarios of reductions of 25% and 40% by 2019/20 covering all areas of the DH Revenue DEL outside of the NHS England Mandate. This included all Arm's Length Bodies and central DH expenditure, both programme and

administration costs. For the NHSBSA this translated into an indicative savings target of between £32 million and £48 million in real terms by 2019/20.

Our initial proposals were submitted to the DH in August 2015 and included savings opportunities totalling circa £48 million over the SR period. These were underpinned by some key assumptions:

- Recognition that appropriately funded digitisation and sourcing plans will be the key driver in reducing our real terms unit costs by 50% and that savings from this programme of activity will come on stream in years 3 and 4 of the SR period.
- That HM Treasury would agree a restructuring of the costs associated with the administration of NHS Pensions from the NHSBSA revenue budget to the NHS Pension Scheme (circa £25 million), in line with other public sector schemes.
- That the uptake in the electronic prescription service (EPS) will increase in line with HSCIC projections which will enable us to reduce the cost of NHS Prescription Services.

After allowing for volume growth in services, the cost of pay and National Insurance increases, inflation, and unavoidable cost pressures, our proposals would lead to a cash reduction of circa £36 million (35%) in our funding by 2019/20 before taking into account new baseline services. The Chancellor's Spending Review and Autumn Statement on 25 November 2015 firmed up the financial settlement for the NHS to 2019/20, and this was followed in early December by the release of our provisional revenue funding position for the next 4 years.

Table 3 below shows the Net Operating (Revenue) budget for 2016/17 plus indicative allocations up to 2019/20 (these figures include NHS Protect). The final profile will need to be negotiated dependent upon the range of factors outlined above:

<b>Table 3: NHSBSA revenue funding requirements to 2019/20</b>				
	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Revenue DEL before new services	98.26	77.48	76.58	65.52
<b>Add: New baseline services</b>				
Tax Credit Exemption Certificates	0.80	0.80	0.80	0.80
Pensions recurring expenditure	1.14	1.14	1.14	1.14
<b>Total revenue funding requirement</b>	<b>100.20</b>	<b>79.42</b>	<b>78.52</b>	<b>67.46</b>

The Revenue Departmental Expenditure Limit (DEL) for 2016/17 represents a reduction of 3.2% in our revenue funding before taking into account the new baselined services. After allowing for pay awards, inflation, the increase in employers National Insurance contributions and service volume growth, this represents a reduction of 8% in real terms. To facilitate the delivery of this level of savings, we used a £4.6 million transition fund to support a range of restructuring exercises to reduce headcount, and secure a lower cost base for 2016/17 and beyond.

The total level of top-slice from our revenue allocation for the transfer of NHS Protect to the DH has been agreed. This will be effective from 1 April 2016.

## Pension costs for current staff

The treatment of pension liabilities and relevant pension scheme details are set out in the accounting policies note 3.5 to the accounts and in the remuneration report.

## Hosted services

We provide a range of hosted financial, procurement and HR services to other NHS organisations and DH teams. The costs that we incur in providing these services (primarily staff costs) have been included within our operating expenditure, as has the total income contributions received from these organisations to cover costs. For 2015/16 the income received from hosted and managed services was £3.2 million.

The income and expenditure of the organisations to which we provide hosted services, although disbursed by us, is not included in our income and expenditure accounts and is charged to the relevant organisation's accounts.



## NHS Supply Chain

The Master Service Agreement covering NHS Supply Chain services was renegotiated during the year. Under the revised agreement, from 1 October 2015, control over the consumables trading element of the service passed from the service provider back to the NHSBSA. All related working capital balances were included in the NHSBSA's Statement of Financial Position from this date, and all related trading from this date is included in the NHSBSA's Statement of Comprehensive Net Expenditure.

## Auditor

The Comptroller and Auditor General is appointed by statute to audit the NHSBSA. The audit fee for the year ended 31 March 2016 of £0.14 million is for the audit of these accounts. An additional notional fee of £0.09 million relates to the audit of the Pension Scheme accounts.

## 1.2.3 Good Business – Corporate Responsibility

### Background

Corporate Responsibility is simply 'Good Business'. It's about looking at the world in which we operate, and addressing the key threats and opportunities presented through our top-level strategic goals. It's also about ensuring that we add value to wider society in delivering our operations.

Our new senior-level committee, in partnership with our staff network, has helped us align our cross-business approach to assessing sustainability trends and setting our business goals. For more details see our Good Business – Corporate Responsibility Strategy found at [www.nhsbsa.nhs.uk/2989.aspx](http://www.nhsbsa.nhs.uk/2989.aspx).

**Diversity and inclusion** – Key achievements in 2015/16 included another fantastic performance in Stonewall's Workplace Equality Index, moving up 42 places in one year, to 152nd place out of the 415 participating organisations. This has been significant progress over the last two years, moving up 158 places from 310th place in 2014. We also launched a new training package on our Learning Management System which 99% of staff have now completed.

During the year we have worked in partnership with several organisations to support people with disabilities. We expanded our support of Project Choice, an internship programme which equips young people with learning disabilities, difficulties, autism and/or physical disabilities with the social and work based skills needed to get them into employment. Throughout the year we provided placements to 12 students, with plans to develop this further in 2016. We began supporting Newcastle College's Learning Development Retail Scheme, which gives retail experience and customer service skills to young people with learning disabilities, difficulties, autism or physical disabilities. We also joined Autism Connect, a national project being run by the Autism Alliance and funded by the DH, with the aim to create autism-friendly communities. This involves working with the Autism Alliance to ensure our services are fully accessible to customers with autism, and our staff are aware of how best to support and communicate with people with autism. Finally, we also started working with the Dementia Action Alliance aiming to improve access to our services for customers with dementia, and plan to become a national member in 2016.

Our Equality and Diversity Committee continued to oversee progress against the final year of our current Equality Strategy and Action Plan, and have been developing a new Diversity and Inclusion Strategy for 2016-19 in conjunction with the Staff Diversity Network. To support our aim to develop an inclusive workplace culture, the network delivered a programme of awareness raising events promoting Lesbian, Gay, Bisexual and Transgender History Month, NHS Equality, Diversity and Human Rights Week, Carers Week, Black History Month, and Older People's Day, and religious celebrations including Ramadan, Eid, Diwali and Samhain. As part of our community engagement work, they also attended Blackpool and Newcastle Pride festivals to raise awareness of our services. Full details can be seen in our Equality Strategy Annual Report. Links to these documents can be found at [www.nhsbsa.nhs.uk/3540.aspx](http://www.nhsbsa.nhs.uk/3540.aspx).



Some of the members of the Staff Diversity Network

**Health and safety** – During 2015/16 the NHSBSA had three RIDDOR reportable accidents / dangerous occurrences. This compares with an expected eight for our business sector (Health and Safety Executive). No obvious trends were established between injury types or business areas.

**Environment (including HM Treasury Sustainability Report)** – Each year the NHSBSA sets its own environmental targets and an action plan aligned to its key impacts and the Greening Government Commitments (GGC). A full data set can be seen in Appendix 2 – Sustainability Report. A summary of our progress against our targets is shown in Table 4 below.

**Table 4: Environment and resource efficiency targets**

(note: targets based on 2009/10 baseline)

2015/16 targets	2015/16 performance	Commentary
52% reduction in CO <sub>2</sub> e emissions from energy use in our buildings	55%	Further improvements have been made to our building stock during 2015/16. This includes work on our heating and cooling systems, and insulation.
35% reduction in water consumption in our buildings	24%	Although we have continued to maintain an overall reduction based on our 2009/10 baseline, we are still experiencing unexplained consumption at some of our buildings. We are continuing to monitor and investigate.
27% reduction in CO <sub>2</sub> e emissions from business travel	30%	Continued implementation of our Travel and Subsistence Policy has resulted in a move away from staff using their own cars, towards more efficient hire cars and public transport. This also provides financial savings.
58% reduction in office waste arising	61%	Our strategic goal to digitise our operations has helped us to reduce office waste. There has been a significant reduction in the volume of paper waste disposed over the year.

During 2015/16 we have continued to maintain our externally accredited ISO 14001 Environmental Management System and Carbon Trust Standard.

**Sustainable procurement** – Our strategic sourcing team work in collaboration with our Corporate Responsibility Team assessing all procurement projects for threats and opportunities in relation to sustainable development (social, environmental and economic). This includes requirements for compliance with relevant Government Buying Standards, and maximising social value relevant to the contract. This approach not only delivers benefits for the Authority and wider communities, but also ensures compliance with the Public Services (Social Value) Act 2012.

We have continued our work with NHS Supply Chain. Details of annual performance in this area can be viewed within the NHS Supply Chain Annual Sustainability Report found at [www.supplychain.nhs.uk/about-us/sustainability/](http://www.supplychain.nhs.uk/about-us/sustainability/)

**Biodiversity** – During 2015/16 work has continued at our two main sites with green spaces. This includes planting key plant species, maintenance of a bee hive, and education programmes with staff and local community groups.



**Wellbeing** – We have continued to follow the criteria set out by the Better Health at Work Awards, and achieved the Gold Award during 2015/16 in recognition of the support, campaigns and guidance provided to staff. In particular we have continued to champion mental health, maintaining a network of trained mental health first aiders. We have also launched our domestic abuse champion network during 2015/16. This has been put in place in partnership with Northumbria Police.



NHSBSA colleagues using their volunteering time in the grounds of Wakefield Hospice.

**Community investment** – The NHSBSA offers all staff two days paid volunteering per year, and we have continued to help and encourage teams and individuals engage in volunteering activity, and make the link to personal development needs and opportunities. We have also made great strides in joining up all corporate responsibility activity, particularly in relation to community investment, wellbeing and diversity and inclusion. Committees and staff groups have collaborated on projects such as Project Choice, Newcastle College Learning Development Retail Scheme, Autism Connect and Dementia Action Alliance. We have also continued to maintain our payroll giving schemes.

**Table 5: Community investment measures**

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Staff signed up to payroll charity donation schemes	178	177	166	187	231	313
Staff volunteer days	N/A	N/A	85	103	104	173

### Further details

Full details of our performance and future plans can be found on our website [www.nhsbsa.nhs.uk/about.aspx](http://www.nhsbsa.nhs.uk/about.aspx), in our Corporate Responsibility Strategy and area-specific action plans, Diversity and Inclusion Strategy, Corporate Responsibility Annual Report and Equality Strategy Annual Report.

Nick Scholte  
 Chief Executive  
 NHS Business Services Authority  
 10 June 2016



## 2. Accountability report

## 2.1 Corporate governance report

### 2.1.1 Directors' report

**Composition of Board, directorships and significant interests** - A list of executive and non-executive directors and a declaration of their interests is shown in Section 2.1.3 Annual Governance Statement Table 1. No company directorships or significant interests were held by the Board members which may conflict with their management responsibilities.

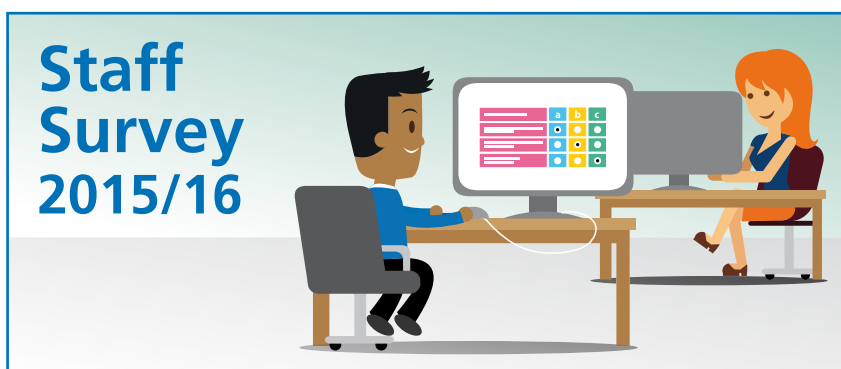
**Personal data related incidents** - A full summary of personal data related incidents is included in Section 2.1.3 Annual Governance Statement Table 4.

**Consulting and providing information** - We communicate with our people regularly, providing them with information and news through our weekly internal newsletter, The Loop. Our corporate intranet, The Hub, continues to develop and improve and is a central information portal for all of our colleagues. It features employee profiles and has search facilities and discussion areas, as well as the news stories featured in The Loop. Our internal news includes information and updates from all of our service areas, functions and locations, updates from Board meetings, latest business news and articles about what our colleagues are doing both inside and outside work. We're also developing other channels of internal communication, such as welcome screen messages that are displayed to all of our colleagues when they start their PC.

Our organisation's strategy is rolled out through organisation-wide communications and discussed team-by-team. Our strategic goals and organisational values are reflected in our individual colleagues' key objectives as part of their ORO (Ongoing Review and Objectives) performance appraisal process. This process includes regular formal review meetings and more informal one-to-one meetings taking place throughout the year.

Consultation is undertaken using a variety of methods including team meetings, subject specific workshops, online forums, etc. Formal consultation with trade unions is undertaken at the National Joint Committee when broad matters of common interest are negotiated and discussed. Other committees and groups also meet to discuss specific issues, such as health and safety, and equality and diversity.

We measure the engagement, motivation and satisfaction levels of our people through our annual staff survey. The 2015/16 survey shows that the overall engagement score has remained steady at 80%. This is very encouraging, particularly as we continue to make organisational changes and address the ongoing funding challenges set by central government.



### 2.1.2 Statement of Accounting Officer's responsibilities

The Accounting Officer for the Department of Health (DH) has appointed the Chief Executive of the NHSBSA as the Accounting Officer. As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's

policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible, in accordance with the responsibilities set out in HM Treasury's Managing Public Money and as assigned to me in the Accounting Officer Memorandum.

Under the National Health Service Act 2006 and directions made there under by the Secretary of State with the approval of Treasury, we are required to prepare a statement of accounts for each financial year in the form, and on the basis, determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NHSBSA and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year. As Accounting Officer, I have responsibility for ensuring the preparation of our accounts and transmission to the Comptroller and Auditor General.

In preparing the accounts, I am required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclosed and explained any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless inappropriate to presume that the NHSBSA will continue in operation.

My relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the NHSBSA, and for the keeping of proper records, are set out in Managing Public Money issued by the Treasury.

As Accounting Officer I can confirm that:

- as far as I am aware, there is no relevant audit information of which the NHSBSA's auditors are unaware
- I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the NHSBSA's auditors are aware of that information
- the annual report and accounts as a whole is fair, balanced and understandable
- I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## 2.1.3 Annual Governance Statement

### Introduction

The Accounting Officer for the NHS Business Services Authority (NHSBSA) is required to provide assurances about the stewardship of the organisation. These assurances are provided in this Governance Statement, in line with HM Treasury guidance.

The Accounting Officer for the NHSBSA is Nick Scholte, Chief Executive.



## Scope of responsibilities

The NHSBSA's Board is accountable for internal control, ensuring that its business is conducted in accordance with the law and proper standards. It also ensures that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively in accordance with HM Treasury's Managing Public Money. In discharging this responsibility the Board is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions. This includes ensuring a sound system of internal control is maintained throughout the year which supports the achievement of the NHSBSA's policies, aims and objectives and arrangements are in place for the management of risk.

As Accounting Officer for the NHSBSA, the Chief Executive has overall responsibility for ensuring that contracted administrators for any outsourced activity manage risks effectively, and for reviewing the effectiveness of the administrator's systems of internal control.

## The purpose of the Governance Framework

The NHSBSA operates an integrated governance framework. This framework comprises the systems and processes by which the NHSBSA leads, directs and controls its functions and accounts to, and engages with, the Department of Health (DH) and the wider NHS community. The NHSBSA takes its responsibilities seriously, striving to be a good corporate citizen. In aiming to embed this, the corporate governance framework is underpinned by the culture, values and behaviours adopted across the NHSBSA.

A significant element of the framework is the system of internal control, which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and 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 achieving our policies, aims and objectives
- evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework and system of internal control have been in place in the NHSBSA for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

## NHSBSA Governance Framework

The overarching Corporate Governance Framework has been approved and adopted by the Board and is subject to annual review. The framework incorporates the following elements:

- Statutory Instruments and Directions which describe and govern the NHSBSA's core operations, processes and structure.
- Code of Conduct and Accountability for NHS Boards, instilling a culture of accountability, probity and openness underpinning the work of the NHS.
- Matters determined by the Board which ensure that the NHSBSA has appropriate decision making processes in place, including:
  - Standing Orders

- Standing Financial Instructions
- Scheme of Delegation.
- Other management information which supports effective governance and operation, i.e. corporate policies and procedures.

The Corporate Secretary is responsible for ensuring that all decisions made are legal and comply with the NHSBSA's Corporate Governance Framework and the Corporate Governance Code where it applies to the NHSBSA.

## **NHSBSA Board**

The Board is responsible for the strategic direction and integrated governance of the NHSBSA, including the stewardship of its finances. In fulfilling these responsibilities the Board reserves certain decision making powers, including decisions on strategy and budgets, but other key duties have been delegated to the NHSBSA's two standing committees:

- Audit and Risk Management Committee.
- Remuneration and Terms of Service Committee.

The roles and responsibilities of these standing committees are described more fully below. All powers of the NHSBSA that have not been retained as reserved for the Board or otherwise delegated to a standing committee are exercised on behalf of the Board by the Chief Executive, unless otherwise specified in the NHSBSA's Standing Financial Instructions or Scheme of Delegation. The Chair is primarily responsible for leading the Board and ensuring its effectiveness with the Chief Executive responsible for day-to-day management. The documents which describe how the NHSBSA operates are included in the Corporate Governance Framework. This framework includes the Standing Financial Instructions and Scheme of Delegation which details which decisions the Board has reserved for itself and those which it has delegated and to whom.

## **Board membership and responsibilities**

Membership of the Board is currently made up of a non-executive Chair, three non-executive directors, Chief Executive and three executive directors, one of which is a finance director. The key roles and responsibilities of the Board are:

- to set and oversee the strategic direction of the NHSBSA
- continued appraisal of the financial and operational performance of the NHSBSA
- to discharge their duties of regulation and control
- to receive reports and updates from the Standing Committees
- to adopt the Annual Report and Accounts.

The Board has met nine times during the financial year and is responsible for approving the business plan and budget in advance of the financial year. Subsequent reporting is based on an exception principle ensuring that the Board focuses on key issues and utilises its time effectively.

The Board receives regular updates from its standing committees on the business covered, risks identified and actions taken. These updates are delivered by the non- executive Chair of the respective Committee.

At each meeting, the Board receives an integrated balanced scorecard which summarises:

- performance against the identified key performance indicators and strategic goals
- the current financial position
- people related issues
- customer satisfaction and complaints
- client engagement
- progress against key change projects.



The data presented to the Board is produced and quality assured by the NHSBSA Information Services Team adopting the Audit Commission's six data quality dimensions approach.

The NHSBSA's Senior DH Sponsor is also invited to Board meetings to ensure members of the Board, in particular non-executive directors, are able to get an understanding of the key stakeholders' views.





Board members must declare their interests to the Chair and Corporate Secretary in any matter relating to the NHSBSA's business at the time that they become aware of a potential conflict. Members will normally be excluded from the discussion after declaring an interest related to that issue. The minutes of the meeting will record the member's declaration.

Table 1 shows the number of meetings attended by Board members during the 2015/16 financial year and also highlights their declared business interests.

**Table 1: Board members**

Board member	Meetings attended	Register of interests
 <p><b>Non-executive Chair:</b> Silla Maizey</p>	9 out of 9	Chair and non-executive director Trustee, British Airways Retirement Plan  Director and Company Secretary, Saffron Solutions Ltd  Non-executive director, John Menzies plc.  Non-executive director, Crown Commercial Service
 <p><b>Non-executive, Chair of Remuneration and Terms of Service Committee, Senior Independent Director (from 1 December 2015):</b> Mark Ellerby</p>	8 out of 9	Independent industry advisor, Advent International  Non-executive director, Leeds Teaching Hospitals NHS Trust  Non-executive director Trustee, Dementia Forward
 <p><b>Non-executive, Chair of Audit and Risk Management Committee (from 1 December 2015):</b> Andrew Flanagan</p>	8 out of 9	Commissioner, Civil Service Commission  Member of Advisory Board, NHS NELCSU  Non-executive director, CIPFA Business Services Ltd  Non-executive director, Criminal Injuries Compensation Authority  Chair, Scottish Police Authority
 <p><b>Non-executive:</b> Malcolm Green</p>	8 out of 9	Non-executive director, Thrive Homes
 <p><i>Tenure ended 30 November 2015</i>   <b>Non-executive, Chair of Audit and Risk Management Committee, Senior Independent Director:</b> David Hulf</p>	6 out of 6	Non-executive director and Chair of Audit and Risk Committee, NS&I



	<b>Chief Executive:</b> Nick Scholte	9 out of 9	Nothing declared
	<b>Director of Service Delivery:</b> Alistair McDonald	8 out of 9	Nothing declared
	<b>Director of Finance and Corporate Services:</b> Patrick McGahon	8 out of 9	Nothing declared
	<b>Director of Change and Commercial Delivery:</b> Steven Pink	9 out of 9	Nothing declared

### NHSBSA Board review of effectiveness

The NHSBSA Board is required to consider its own effectiveness on a regular basis. In 2015/16, the Board engaged an independent and experienced assessor to undertake the review. The process involved a series of discussions and one-to-one interviews with all members of Board and regular attendees i.e. Corporate Secretary and Senior Sponsors from the DH. The review began in November 2015 and concluded with feedback to the Board at their meeting in March 2016. Areas highlighted for consideration by the Board included greater utilisation of the non-executive directors' experience, re-structuring of Board agendas, improved succession planning and including a Nominations Committee function as part of the Remuneration and Terms of Service Committee. The recommendations were accepted by the Board.

During 2015/16, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the NHSBSA has:

- achieved its financial targets
- consistently delivered against its agreed key performance indicators
- continued to operate its assurance process through the assurance map process
- maintained its robust performance reporting mechanism using a dashboard style approach
- maintained its risk management procedures using dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas
- maintained an effective, risk-based internal audit programme, ensuring internal audit recommendations are addressed appropriately.

The Board's two standing committees are described below.

### Audit and Risk Management Committee

The Committee is chaired by a non-executive director and met six times during 2015/16. Membership of this Committee is made up of three non-executive directors including the Chair, one of whom is required to have recent and relevant financial experience. David Hulf provided this experience and also chaired the Committee up until the end of his tenure on 30 November 2015.

Andrew Flanagan has chaired the Committee since 1 December 2015, and now provides the relevant financial experience. At the time of writing, one non-executive director post was vacant, but with the Committee being quorate with two.

There is also a requirement for regular attendance from the Director of Finance and Corporate Services and representatives from both internal and external audit. Nick Scholte, Chief Executive and Accounting Officer, is invited to attend at least one meeting during the year to discuss the assurance processes which support the production of the Annual Report and Accounts. Other staff are invited to attend meetings as appropriate (Table 2).

Table 2: Audit and Risk Management Committee	Meetings attended
<b>Non-executive directors:</b>	
David Hulf (Chair of Committee until 30 November 2015)	4 out of 4
Andrew Flanagan (Chair of Committee from 1 December 2015)	5 out of 6
Malcolm Green	6 out of 6
<b>Executive directors:</b>	
Patrick McGahon (Director of Finance and Corporate Services)	6 out of 6
<b>Executive directors (specific items):</b>	
Nick Scholte (Chief Executive)	3 out of 6
Alistair McDonald (Director of Service Delivery)	1 out of 6
Steven Pink (Director of Change and Commercial Delivery)	3 out of 6

Our DH Senior Programme Manager, Nigel Zaman, has also attended all six Committee meetings during 2015/16.

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the NHSBSA's governance and assurance arrangements, including the governance framework, risk management, controls and related assurances. Updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An annual report is submitted to the Board following the completion of the Annual Accounts process which summarises the work undertaken by the Committee during the previous year. In addition, the Committee receives an annual review of the NHSBSA Risk Management Framework. This was most recently undertaken in July 2015 and concluded that the framework was effective and fit-for-purpose.

The Audit and Risk Management Committee's key responsibilities are:

- monitoring financial governance and reviewing the draft financial statements
- reviewing the effectiveness of internal controls
- monitoring the effectiveness of risk management controls
- monitoring the effectiveness of fraud and security management
- seeking assurance regarding the control environment
- reviewing the effectiveness of internal audit arrangements.

These standing items are complimented by a series of risk-based presentations on 'Areas of Focus' providing an opportunity for members to seek more detailed assurance from senior leaders (see Assurance Arrangements).

The Committee has reviewed the Accounting Policies and the Annual Report and Accounts which includes the Annual Governance Statement as required by HM Treasury's Managing Public Money Annex 3.1. The Committee is satisfied that the Annual Report appropriately covers the key requirements of disclosure, such as Board governance, risk and assurance, and overall compliance with the Corporate Governance Code where it applies to the NHSBSA. The Committee in particular has reviewed with management the basis of areas of judgment within the Accounts and sought explanations for any key changes during the year. The area of particular focus was the inclusion of NHS Supply Chain trading from 1 October 2015.

### **Audit and Risk Management Committee review of effectiveness**

The Committee reviewed its effectiveness during March 2016 using an online survey. The questions were the same as those used in 2015 for comparison purposes. Overall, the results were positive with areas highlighted for consideration around members' training and skills required for the future.

### **Remuneration and Terms of Service Committee**

The Remuneration and Terms of Service Committee is a standing committee of the Board and comprises three non-executive directors, one of whom chairs the Committee. The Chief Executive and/or other executive directors attend these meetings on an 'as required' basis (Table 3).

<b>Table 3: Remuneration and Terms of Service Committee</b>	<b>Meetings attended</b>
<b>Non-executive directors:</b>	
Mark Ellerby (Chair of Committee)	3 out of 3
Silla Maizey (Chair of the Board)	3 out of 3
Malcolm Green (Member of Committee from 11 June 2015)	1 out of 2
<b>Executive directors (specific items):</b>	
Nick Scholte (Chief Executive)	3 out of 3

The key responsibilities of the Remuneration and Terms of Service Committee are to:

- determine the terms of service, remuneration and other benefits of the executive team and any other relevant employees, in accordance with the NHS Very Senior Manager Pay Framework and other relevant guidance issued by DH
- monitor systems to evaluate the performance of relevant employees
- oversee contractual arrangements for relevant employees
- nominate candidates for appointment as officer members of the Board
- monitor succession planning arrangements.

The Chair of the Committee provides updates to the Board following each meeting and confirmed minutes are shared at subsequent Board meetings. The Committee also reviews and approves the Remuneration Report of the Annual Report to ensure its accuracy.

### **Remuneration and Terms of Service Committee review of effectiveness**

The Committee reviewed its effectiveness during March 2016 using a questionnaire format. Results were very positive and confirmed the effectiveness of the Committee. The Committee agreed to take forward an action to create an induction pack for new members, improving transition of membership.

The full terms of reference for both of these Committees can be found in the NHSBSA's Corporate Governance Framework which is published on the NHSBSA website.

### **NHSBSA sponsorship arrangements**

The NHSBSA manages a complex range of business activities on behalf of the DH. Accountability arrangements with the Department comprise an overall Senior Departmental Sponsor, with individual sponsors providing policy direction for each core service stream.

A clear ongoing accountability framework is in operation, which includes formal reviews with Senior Sponsors. This is consolidated through a formal framework agreement between the NHSBSA and DH. Strategic, policy and operational issues are reviewed alongside the corporate risk register, assurance arrangements and the latest financial position. Additionally, regular scheduled meetings are held with the individual service sponsors.



## NHSBSA management

Other than those matters reserved for the Board, responsibility for the day-to-day management of the NHSBSA is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team of executive directors responsible for the areas shown below (Figure 1).

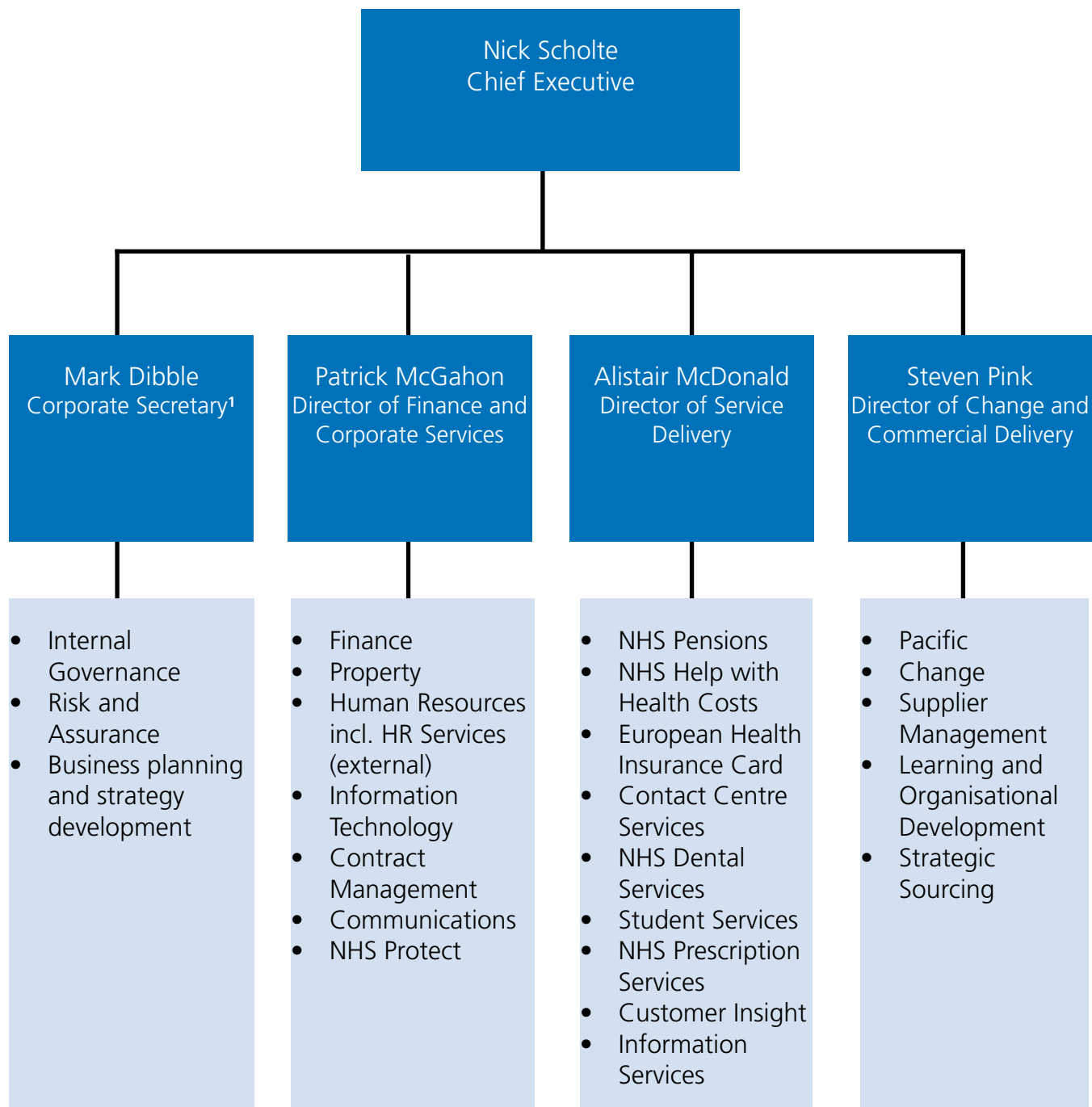


Figure 1: NHSBSA Leadership Team (¹ not a member of the Board)

## Key governance systems

The NHSBSA has identified the following areas which support the overarching governance arrangements:

- Risk management
- Assurance
- Managing information.

The Audit and Risk Management Committee regularly review these areas to ensure that they remain robust and effective. This enables the committee to provide assurances to the Board that appropriate risk identification and management processes are taking place across the organisation.



## Risk management

**Risk appetite** – Risk appetite can be defined as an organisation's unique attitude towards risk taking, which in turn dictates the amount of risk that it considers acceptable. The NHSBSA's aim is to ensure that its overall level of risk is balanced, sustainable and appropriate. The NHSBSA's risk appetite dictates that all risks classified as extreme, within our control, are mitigated until the residual risk rating falls to high, moderate or low. All risks are mitigated to an acceptable level.

**Process** – The NHSBSA Risk Management Framework comprises:

- Risk management policy
- Risk management methodology
- Risk and issue register.

These are applied consistently across the NHSBSA, with risks and issues being escalated up the hierarchy as dictated by our policy. These tiers consist of:

- Services / Corporate Teams – Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Head of Service.
- Project / Programme – Risks are reviewed and managed by Project Managers as part of the project governance process. Significant risks and issues are escalated to the Programme Manager and Portfolio Board and these are also reported to the Leadership Team on a monthly basis.
- Corporate – Each quarter the Leadership Team review the top-level Corporate Risk Register. This review is informed by collated versions of team and project risk registers, and a paper produced by the NHSBSA Risk Group. The Leadership Team is also free to identify further risks and issues at this meeting.
- Audit and Risk Management Committee – The Committee receives updates on the work undertaken in the area of risk and issue management. The Committee also receives a copy of the Corporate Risk Register, and 'Areas of Focus' presentations on specific risk/ issue areas. This process enables the Committee to provide assurances to the Board that appropriate risk management processes are in place and risk mitigation is taking place.

## Significant risks and issues

In a dynamic and complex business environment significant risks can always be encountered.

### Significant risks and issues managed and closed in year

**Impact of funding availability for 2015/16** – uncertainty around funding availability impacting on ability to deliver services and policy change.

*Mitigation details: Service levels were maintained and required change projects delivered. This was achieved through the creation and delivery of an efficiency plan in each business area, and negotiation and liaison with our sponsors, clients and customers.*

**Dental Contract Support Services Transformation** – delays in service transformation as a result of contractual milestones being missed.

*Mitigation details: Compass system went live at the end of 2015/16, following agreement with our supplier.*

**Procurement Services resources** – hosting arrangement resulted in underfunding of the service, resulting in service delivery risks.

*Mitigation details: The service was transferred to NHS England during the year, eliminating the issue for the Authority and client.*

**HR Shared Service client expectations and costs** – funding available for the shared service did not cover the service provided to clients.

*Mitigation details: Extensive service improvement programme was delivered. Service Level Agreement (SLA) negotiations were completed and agreed with clients.*

**Multi-service server failure** – age and condition of the systems supporting the server room at Bridge House created a risk of multiple service failures.

*Mitigation details: Server room containing end-of-life systems has been relocated with new air conditioning system installed.*

## Current risks

### Comprehensive spending review 2017/18-2019/20

The requirement from central government for ongoing cost reductions creates a risk that the NHSBSA is unable to maintain services and deliver required change projects. Negotiations continue with our sponsors around our services and related budgets.

### NHS Supply Chain savings target

Revised contractual arrangements for NHS Supply Chain created a new £300 million savings target for the service. We are therefore ensuring that we monitor the risk that this is not delivered, particularly with ongoing discussions over the future of NHS Supply Chain.

### Payment to NHS pensioners - NHS Pensions service reprocurement

Procurement approval requirements and the complexity of the service have created a risk that the NHSBSA will fail to award new contracts ahead of current contract expiry. The programme is being closely managed and monitored by the Leadership Team. We are working closely with our sponsors and approval stakeholders and gatekeepers.

### Guaranteed Minimum Pension (GMP) requirements

Changes in HMRC reporting of GMP data and a transfer of responsibility for calculation work post-2016 created a resource risk for the NHSBSA. Negotiations with our sponsors are ongoing to ensure the resources are available to deliver the new requirements.

### Information security

Although the organisation has not suffered any major issues in this area, the volumes and sensitivity of data we hold means the Leadership Team and Board have purposefully continued to monitor closely the organisation's approach to information and cyber security. Ongoing benchmarking against best practice standards, and ongoing scrutiny by our Audit and Risk Management Committee, ensures the risk is managed as threats continue to evolve on a day-by-day basis. Improvements are also being made through our digitisation programmes.

### Organisational capability

The need to deliver our strategic goals requires a particular set of skills and knowledge. We therefore have a risk that we either do not currently have, or fail to retain, people with such skills. Our Learning and Organisational Development Team are working closely with the business to ensure our people are supported and we attract and retain the people we need to deliver our goals.

### Use of Electronic Prescription Service (EPS)

If usage rates of EPS do not continue to increase, the NHSBSA will not be able to make the desired levels of financial savings in NHS Prescription Services. Also, as this is a third party system, a system failure or reduction in use would cause a major pressure on NHS Prescription Services. Although we cannot directly address this risk, we continue to support the broader health and care system with the roll-out and support of EPS.

### IT infrastructure and systems

As existing NHSBSA software and hardware is becoming unsupported and / or contracts and licences are expiring, a risk has arisen around applications becoming unusable and / or difficult to fix in the event of a failure. This may result in service delivery failures. This risk has remained throughout the year, and continues to be addressed by our risk-based IT plan, addressing identified priorities in an organised manner.

## Current issues

### Funding for major programmes

A lack of clarity around funding has led to delays for our major programmes such as IT Infrastructure and Sourcing (ITIS) and digitisation. We continue to work with our sponsors to address this issue.

## Assurance arrangements

The NHSBSA uses an assurance map approach, using the best practice three lines of defence model, to identify the sources of assurance in place over each of the key functions and services we deliver. The three lines of defence represent:

- first line: management control and reporting
- second line: functional oversight and governance systems
- third line: independent review and regulatory oversight.

This model provides the basis upon which the leadership of the NHSBSA can determine the focus of assurance effort, assess the outcome of existing assurance activity and determine its assurance appetite. The assurance map is fully integrated with the risk management process with areas of



concern being reflected in the relevant business area risk register and escalated to the Corporate Risk Register, where required.

A schedule of two reviews of the overarching assurance map each year, by the Leadership Team and Audit and Risk Management Committee, has been implemented to ensure that the NHSBSA is accurately represented and that areas of concern are being addressed. This provides challenge to the business and oversight of the process in terms of the assurances highlighted.

The Audit and Risk Management Committee has continued a programme of 'Areas of Focus' exercises to assure itself on behalf of the Board regarding the robustness of the assurance maps and supporting evidence for each business area. During 2015/16 exercises were carried out in the following areas:

- Change Programme (resource risk)
- IT Resilience
- NHS Protect
- Contract Management
- HR Shared Services
- Data Governance
- Prescription Exemption Checking Service
- Cyber Security (patching risk)

The Committee has gained an increased awareness over the assurances in place for each of the areas reviewed.

### Third party assurance

The NHSBSA provides services to the wider NHS including making dental, prescription and student bursary payments on behalf of Clinical Commissioning Groups (CCGs), Area Teams and Welsh Audit Commission. To provide third party assurance over the controls in place for these payments the NHSBSA engage PwC to undertake an audit exercise in each area. This results in the production of ISAE3402 reports on the control, design and tests of operating effectiveness of the controls in place during the financial year, all of which have an unqualified opinion for 2015/16.

### Managing information



During 2015/16 the NHSBSA has continued to improve its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Information Governance Toolkit. Using this toolkit, the NHSBSA's rating for 2015/16 is an overall 'satisfactory' rating.

The NHSBSA has not had any security incidents classified as level 2 serious untoward incidents by the DH. However, using the DH categorisation framework, there were three incidents classed as minor to report for the year to date. These were not level 2 or above, and so they are not required to be formally reported to DH (Table 4).

Table 4: Information incidents		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	3
V	Other	0
	Total number of incidents	3

During 2015/16, the NHSBSA reported an information security incident to the Information Commissioner’s Office. This report was provided as part of a regular, early warning process to maintain awareness and highlight potential incidents under investigation. The incident did not develop into a serious untoward incident (SUI) and was eventually classified as a near miss. Appropriate action was taken to reduce the risk of reoccurrence.

In the course of the NHSBSA’s business, information is held and used about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence stringent controls are in place to ensure the security of this information.

Issues relating to information governance within the NHSBSA are coordinated by the Information Governance and Security Group which is chaired by the Director of Service Delivery who holds the position of both Caldicott Guardian and Senior Information Risk Owner (SIRO). The remit of the Caldicott Guardian is to ensure that any person identifiable information is held and used properly. The remit of the SIRO is to take ownership of the NHSBSA’s information risk policy, act as advocate for information risk to the Board and provide written advice to the Accounting Officer on the content of the Annual Governance Statement with regard to information risk.

### Data protection and freedom of information

As a Special Health Authority, the NHSBSA is subject to the requirements of the Data Protection Act (DPA) 1998 and the appropriate notifications have been filed with the Information Commissioner’s Office. This means that all subject access requests are responded to within the provisions of the Act, typically within 40 calendar days.

During 2015/16, we dealt with 478 DPA requests. All bar 23 were responded to within the required timeframe. The numbers of requests have increased by 48% when compared to the previous year.

The NHSBSA is also subject to the requirements of the Freedom of Information Act (FOI) 2000. This means that all requests for information are responded to within the provisions of the Act, typically within 20 working days.

During 2015/16, we dealt with 559 FOI requests. All bar 13 were responded to within the required timeframe. The numbers of requests have remained broadly the same when compared to the previous year.

As a public sector information holder, the NHSBSA complies with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. The NHSBSA can confirm that no charges were made for access to information during 2015/16.

## Whistleblowing

The NHSBSA has in place appropriate effective whistleblowing arrangements (i.e. policy and procedure) which have been updated to take account of the recommendations from the recent Sir Robert Francis report. The overall effectiveness of these arrangements is reviewed by the Audit and Risk Management Committee on an annual basis. This includes having an identified non-executive director with specific accountability for these arrangements.

## Health inequalities

The Health and Social Care Act 2012 created a legal responsibility for the Secretary of State for Health to have regard for the need to reduce health inequalities. As a Special Health Authority, the NHSBSA supports the Secretary of State in delivering these functions so far as our functions allow. We believe that our most significant contribution to reducing health inequalities can be delivered through our ability to provide accurate information and insight to our NHS commissioning colleagues.

## Handling complaints

The NHSBSA takes complaints seriously and believes in the value of learning from the complaints which are made about its staff and services to make improvements for customers.

During 2015/16, we have maintained our approach to handling complaints, learning lessons about our services and the way in which we respond to our customers.

During the year, our eligibility checking services for both dental treatment and prescriptions continued. Also, the introduction of the new NHS Pension Scheme and migration onto the new Pensions administration platform have caused some delays in processing. This has continued to affect the overall volume of complaints and we have continued to deal with each complaint appropriately, learning any lessons and improving the services wherever possible.

The total number of formal complaints resolved during 2015/16 was 1250 of which 396 (31.7%) were found to be justified. This compares with a total of 828 in 2014/15 of which 259 (31.3%) were found to be justified.

## Sources of assurance

### Audit and Risk Management Committee

One of the key sources of assurance provision for the NHSBSA's Board is from the Audit and Risk Management Committee. The key responsibilities are described in the Audit and Risk Management Committee section. The Committee meets these responsibilities by receiving regular reports on a range of audit and assurance topics. The following is a list of the key reports:

- **Risk Management Updates** – setting out and assessing the major risks and issues that we face, aligned with key areas of focus set out in the Business Plan and Strategy. These reports detail the movements in risks and issues between reporting periods and identify emerging risks and issues, and actions which have been taken or are planned to mitigate them.
- **Annual Risk Management Report** – outlining how our risk management arrangements have continued to operate effectively during the year and how they have been reviewed and strengthened.

- [Assurance Map Review](#) – two reviews of the overarching NHSBSA Assurance Map each year.
- [Areas of Focus presentations](#) – focusing on high-risk areas, or other topics highlighted, for example, through internal audits, the assurance maps.
- [Internal Audit progress report](#) – regular progress reports on the work undertaken by Internal Audit against the agreed plan.
- [External Audit reports](#) – regular progress reports on the work undertaken by External Audit.
- [Internal / External Audit Recommendations Tracker](#) – updates on progress made across the NHSBSA implementing audit recommendations.
- [Local Counter Fraud Specialist \(LCFS\) / Local Security Management Specialist \(LSMS\) Annual Reports](#) – reports detailing the work undertaken during the year mapped against the agreed workplans.
- [Whistleblowing Update Report](#) – updates on whistleblowing activity across the business each year.
- [Third Party Assurance Reports](#) – the outcome of the third party assurance engagements undertaken by PwC to review the control environment covering prescription, dental and student bursary payments. The outcome of these engagements is shared with clients, as appropriate, to provide third party assurance for the payments we make on their behalf.

## Other sources of assurance

Supporting the role of the Board and the Audit and Risk Management Committee, the NHSBSA's governance and control environment also includes the following elements:

- [Risk Management Process](#) – see Risk Management section.
- [Enhanced Performance Management Framework](#) – reviewed by the Leadership Team on a monthly basis and by the Board at each meeting. The framework provides a balanced scorecard approach covering the key areas of performance.
- [Information Governance and Security Group \(IGSG\)](#) – all information risks are reviewed by the IGSG on a regular basis. The group is also responsible for ensuring that the NHSBSA complies with information governance and security best practice and performs a self-assessment against a nationally developed toolkit.
- [Diversity and Inclusion Committee](#) – controls are in place to ensure that all of our obligations under equality, diversity and human rights legislation are adhered to. The Diversity and Inclusion Committee, which is chaired by the executive director diversity and inclusion champion, monitors performance against our Diversity and Inclusion Strategy and achievement of our equality objectives.
- [Statutory Function Discharge Review](#) – a full review is undertaken at least annually to ensure correct arrangements are in place, and legally compliant. The process would identify any irregularities, and is in line with the recommendations of the Harris Review.
- [NHS Pension Scheme](#) – as an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- [National Joint Health and Safety Committee](#) – controls are in place to ensure that we comply with relevant health and safety law and good practice. The National Joint Health and Safety Committee, which is chaired by the executive director safety, health and environment champion, monitors performance against our Health and Safety Strategy and Action Plan.

- **Community, Environment and Wellbeing (CEW) Committee** – our strategies and action plans in relation to community, environment and wellbeing are monitored by the CEW Committee, which is chaired by the executive director safety, health and environment champion. The NHSBSA must also deliver against the Greening Government Commitments, requiring regular performance updates provided to the DH, and subsequently central government.

### **Accounting Officer's review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with my annual opinion of the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

The Head of Internal Audit's opinion was that, based on the work completed to date, there is moderate assurance given to the Accounting Officer that the NHSBSA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2015/16.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the NHSBSA achieving its principal objectives have been reviewed. My review is informed by:

- The work of the Audit and Risk Management Committee which informs the Board about the outcome of its activities through submission of its minutes and its annual report to the Board.
- The findings of both the NAO and the internal audit reviews. The Audit and Risk Management Committee oversees progress towards the implementation of all such recommendations.
- The work of the LCFS to prevent, deter, investigate and report fraud activity. The Audit and Risk Management Committee receive the annual work plan and annual report of the LCFS and provide updates to the Board as appropriate.

A plan to ensure continuous improvement of the assurance system is in place and the Audit and Risk Management Committee continues to monitor improvements in the overall corporate assurance framework.

### **Significant governance issues**

There were no significant issues raised during 2015/16.

### **Conclusion**

My review confirms that the NHSBSA has a moderate system of governance that supports the achievement of its policies, aims and objectives and that continuous improvement is ongoing.



## 2.2 Remuneration and staff report

### 2.2.1 Remuneration report

The remuneration of the NHSBSA executive directors is set by the Remuneration and Terms of Service Committee on behalf of the NHSBSA Board, subject to approval by the Department of Health (DH). The Committee is chaired by a non-executive director. The NHSBSA Chair also attends.

This report for the year ended 31 March 2016 is produced by the Board. The Remuneration and Terms of Service Committee met on three occasions during the period 1 April 2015 to 31 March 2016.

The Remuneration and Terms of Service Committee operates within a framework laid down by the DH, and taking into account the recommendations of the Senior Salaries Review Body. Its remit is to determine, on behalf of the NHSBSA, the Terms of Service, remuneration and other benefits of the Chief Executive, executive directors and such other posts that are specifically designated by the Board to be within their purview, with the intention that relevant employees are fairly rewarded for their individual contributions to the organisation. This includes setting the terms for the recruitment of any new executive directors within the DH framework.

The Committee has an objective to satisfy itself that appropriate and effective succession planning arrangements are in place for relevant employees. During the last year, the Committee has made significant progress in ensuring that adequate arrangements are in place for our executive directors.

The Committee also ensures that an effective system is in place and being properly administered to monitor and evaluate the performance of relevant employees, including such assessments as may be required to determine their level of remuneration.

The remuneration of executive directors is reviewed at least annually by the Remuneration and Terms of Service Committee, taking account of NHS national awards, central DH directions or guidance and other relevant factors. The remuneration for the tenure of non-executive directors is determined by the Secretary of State for Health.

With the approval of the DH Remuneration Committee, we operate the NHS Very Senior Manager (VSM) pay framework.

#### Appointments

Non-executive directors are appointed to the NHSBSA Board by the Secretary of State for a fixed period of time. Executive directors have NHSBSA contracts of employment, in which 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 normal pay provisions.

#### Emoluments of Board members

The remuneration relating to all directors in post during 2015/16 is detailed in the tables below which identify the salary, other payments and allowances and pension benefits applicable to both executives and non-executives.

## Non-executive directors

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

*Subject to audit*

**Table 5: Non-executive director remuneration**

Name and title	2015-16						2014-15						Date of appointment/ re-appointment	Appointment ends
	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
<b>S Maizey</b> Chair	60-65	1.7	0	0	0	60-65	60-65	0	0	0	0	60-65	9 Sep 2013	8 Sep 2017
<b>M Ellerby</b> Non-executive director, Senior Independent Director and Chair of Remuneration and Terms of Service Committee	5-10	1.3	0	0	0	5-10	5-10	0	0	0	0	5-10	1 Apr 2014	31 Mar 2017
<b>A Flanagan</b> Non-executive director and Chair of Audit and Risk Management Committee	5-10 <sup>1</sup>	2.9	0	0	0	5-10	5-10	0	0	0	0	5-10	1 Apr 2014	31 Mar 2017
<b>M Green</b> Non-executive director	5-10	2.9	0	0	0	5-10	5-10	0	0	0	0	5-10	1 Apr 2014	31 Mar 2017
<b>D Hulf</b> Non-executive director and Chair of Audit and Risk Management Committee (until 30 Nov 2015)	5-10 <sup>1</sup>	2.1	0	0	0	5-10	10-15	0	0	0	0	10-15	1 Dec 2005 reappointed 1 Dec 2009	30 Nov 2015

<sup>1</sup> part year (full year equivalent: £10-15k)

## Senior manager remuneration

The following table sets out details of payments made and appointment term details for the Chief Executive and senior managers

*Subject to audit*

**Table 6: Senior manager remuneration**

Name and title	2015-16						2014-15						Date of appointment/ re-appointment	Appointment ends
	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)	Salary (bands of (£5,000))	Expense payments (taxable) total to nearest £100	Performance pay and bonuses (bands of £5000)	Long term performance pay and bonuses (bands of £5000)	All pension-related benefits (bands of £2,500)	TOTAL (bands of £5,000)		
	£000	£000 <sup>1</sup>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
<b>N Scholte</b> Chief Executive	150-155	8.7	0	0	35-37.5	195-200	150-155	4.8	0	0	17.5-20.0	175-180	1 Feb 2006	Permanent contract (6 months contract)
<b>A McDonald</b> Director of Service Delivery	105-110	5.0	0	0	10-12.5 <sup>2</sup>	120-125	115-120	5.0	0-5	0	2.5-5.0	125-130	1 May 2006	Permanent contract (6 months contract)
<b>P McGahon</b> Director of Finance and Corporate Services	115-120	5.0	0	0	32.5-35	155-160	115-120	5.0	0	0	45.0-47.5	165-170	5 Aug 2013	Permanent contract (6 months contract)
<b>S Pink</b> Director of Change and Commercial Delivery	130-135	5.1	0	0	47.5-50	185-190	130-135	5.0	0-5	0	30.0-32.5	170-175	30 Apr 2012	Permanent contract (6 months contract)

<sup>1</sup> all taxable expense payments relate to the provision of a lease car or transport allowance

<sup>2</sup> left pension scheme 31 January 2016

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, often referred to as the ‘fair pay disclosure’ (Table 7).

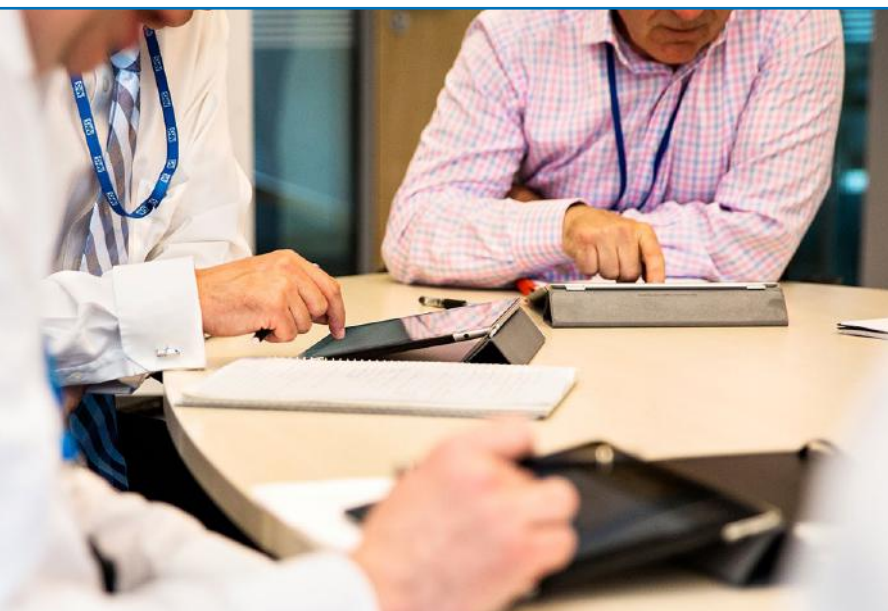
The banded remuneration of the highest paid director in the NHSBSA in the financial year 2015/16 was £150,000 – £155,000 (2014/15: £150,000 – £155,000). This was 8.6 times (2014/15: 8.8) the median remuneration of the workforce, which was £17,800 (2014/15: £17,425). The range of staff remuneration was £15,000-£20,000 to £150,000-£155,000.

In 2015/16 no employees received remuneration in excess of the highest paid director. This was also the case in 2014/15.

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

*Subject to audit*

<b>Table 7: Remuneration balance</b>	<b>2015/16</b>	<b>2014/15</b>
Band of highest paid director’s total remuneration (£000)	150-155	150-155
Median total (£)	17,800	17,425
Remuneration ratio	8.6	8.8



## Pension benefits

The table below sets out the pension benefits of the Chief Executive and senior managers of the NHSBSA:

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2016 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2016 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2016	Cash Equivalent Transfer Value at 31 March 2015	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
<b>N Scholte</b> Chief Executive	0-2.5	2.5-5	60-65	190-195	1,356	1,297	22
<b>A McDonald</b> Director of Service Delivery <sup>1</sup>	0-2.5	0-2.5	50-55	160-165	1,053	1,023	9
<b>P McGahon</b> Director of Finance and Corporate Services	0-2.5	(0-2.5)	40-45	115-120	718	691	9
<b>S Pink</b> Director of Change and Commercial Delivery	0-2.5	0 <sup>2</sup>	15-20	0 <sup>2</sup>	218	186	15

<sup>1</sup> left pension scheme 31 January 2016

<sup>2</sup> no lump sum is disclosed for S Pink as he is a member of the 2008 Section of the NHS Pension Scheme where there is no set minimum lump sum

As they don't receive pensionable remuneration, there are no entries in respect of pensions for non-executive directors.



## 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 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.

On 16 March 2016, the Chancellor of the Exchequer announced a change in the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate from 3.0% to 2.8%. This rate affects the calculation of CETV figures in this report. Due to the lead time required to perform calculations and prepare annual reports, the CETV figures quoted in this report for members of the NHS Pension scheme are based on the previous discount rate and have not been recalculated.

## 2.2.2 Staff report

### Staff numbers and costs

Details of staff numbers and costs are included in note 3.4 to the Accounts.

### Gender balance

Table 9 below provides details of the number of staff and gender at director, senior manager and other staff level.

<b>Table 9: Employee data (based on head count, not full-time equivalent)</b>	<b>Female</b>	<b>Male</b>	<b>Total (31 March 2016)</b>
Directors	1	7	8
Senior managers (band 8c and above)	21	39	60
Employees	1617	1157	2774

## Employee sickness

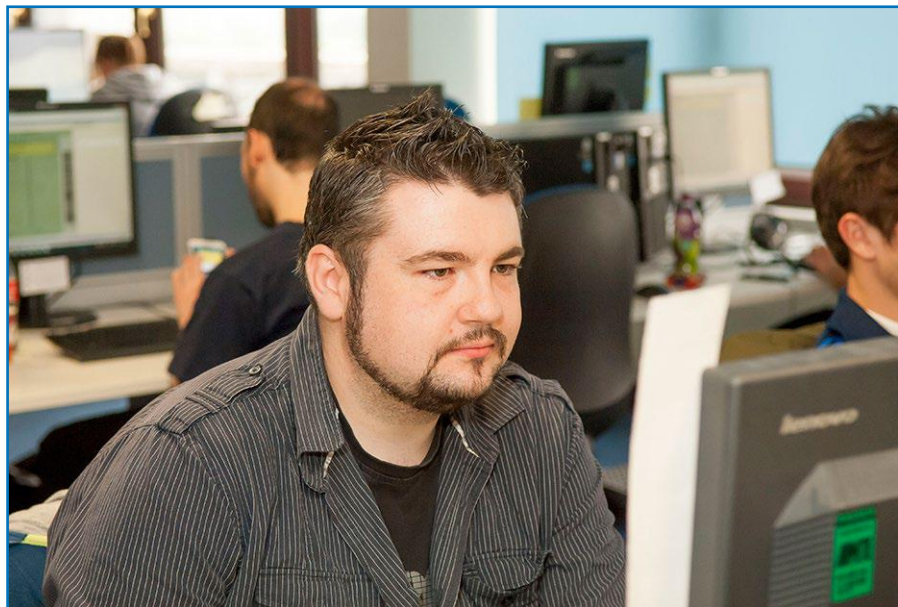
We have an absence management policy covering the whole organisation which provides a consistent framework approach. The policy is underpinned by an externally provided occupational health service and employee assistance programme. Based on returns to the end of March 2016, our overall level of short term sickness absence (seven days or less) for 2015/16 was 0.83% (2014/15 – 0.82%) and long term was 2.54% (2014/15 – 2.34%), totalling 3.37% for the year. This is a slightly poorer result than 2014/15 (3.16%) and 2013/14 (2.98%).

## Supporting disabled people

Work has continued to support our aim to employ a workforce which is representative of the diverse population we serve. We have maintained accreditation from the Disability Equality 'Two Ticks' scheme for our commitment to job applicants and staff with a disability, and we provide a Guaranteed Interview Scheme for job applicants with a disability. We have support measures in place through relevant policies and our Occupational Health Service to ensure the continuing employment of staff who have become disabled. Through our appraisal procedure and by monitoring our promotion statistics, we ensure that there are no barriers to the training, career development and promotion of employees with disabilities.

## Expenditure on consultancy and temporary staff

The total consultancy expenditure incurred on the provision of operating services was £0 (2014/15 – £0). The total contingent labour expenditure incurred on the provision of operating services was £2.2 million (2014/15 – £2.2 million).



## Off-payroll engagements

The following table summarises our off-payroll appointments.

<b>Table 10: Off-payroll appointments</b>	
Number of existing engagements for more than £220 per day and that last longer than six months as of 31 March 2016	9
	Of which...
Number that have existed for less than one year at time of reporting	6
Number that have existed for between one and two years at time of reporting	3
Number that have existed for between two and three years at time of reporting	0
Number that have existed for between three and four years at time of reporting	0
Number that have existed for four or more years at time of reporting	0
Number of new engagements, or those that reach six months in duration, for more than £220 per day and will last longer than six months between 1 April 2015 and 31 March 2016	9
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	9
Number for whom assurance has been requested	9
	Of which...
Number for whom assurance has been received	8
Number for whom assurance has not been received	1
Number that have been terminated as a result of assurance not being received	0
Number of off-payroll engagements of board members and / or senior officials with significant financial responsibility during the financial year	0
Total number of individuals that have been deemed board members and / or senior officials with significant financial responsibility during the financial year. This figure includes both off-payroll and on-payroll engagements.	10

All of the appointments have been subject to a risk based assessment regarding the payment of correct tax.

## Exit packages

Details of exit packages are included in note 3.4 to the Accounts.

## 2.3 Parliamentary, accountability and audit report

### 2.3.1 Regularity of expenditure

Details of losses and special payments are included in note 6 to the Accounts. *(Subject to audit)*.

### 2.3.2 Fees and charges

The NHSBSA does not have any income from fees and charges. *(Subject to audit)*.

### 2.3.3 Long term expenditure trends

The NHSBSA operates a programme of schemes as determined by the DH with funding allocated based on the portfolio of work they are expected to deliver in a particular financial year. As such, long term expenditure trends are not applicable as the NHSBSA has no control over the projects they deliver in a given year.

### 2.3.4 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.

### 2.3.5 External auditors

The National Audit Office (NAO) is appointed by Statute as external auditors for the NHSBSA accounts. The NAO do not undertake any non-audit services on behalf of the NHSBSA.

Nick Scholte  
Chief Executive  
NHS Business Services Authority  
10 June 2016



# Appendix 1

## Our Key Performance Indicators (KPIs)



## Appendix 1 - Our Key Performance Indicators (KPIs)

Contact Centre Services			
KPI domain	KPI name	Target	2015-16
Service delivery	% Calls answered in 20 seconds	30 sec	34 sec
Customer care	% Abandoned calls	3.00%	2.52%

- **Average speed of answer** impacted by relaxed KPI in last quarter, transitioning to new 120 sec KPI for 2016/17.

NHS Dental Services			
KPI domain	KPI name	Target	2015-16
Service delivery	Payment transfers in accordance with prescribed dates (All)	100.00%	100.00%
	% activity reports on first available schedule	99.90%	100.00%
	Reporting in accordance with publication timetable	100.00%	94.17%
	Non-confirmed eligibility checks (England)	192,000	192,060
	Non-confirmed eligibility checks (Wales)	12,000	12,000
	% of ATs on target to have a minimum of 2,000 questionnaires	100.00%	100.00%
	% of HBs on target to have a minimum of 2,000 questionnaires	100.00%	100.00%
	% clinical advisor cases completed within 3 months	90.00%	98.27%
	Carry out no fewer than 330 routine assessments by end March 2016 (England)	330	330
	Carry out no fewer than 83 clinical adviser reports by end March 2016 (Wales)	83	86
	Carry out no fewer than 20 routine orthodontic performance assessments by end March 2016 (Wales)	20	20
Quality of service	Accuracy of payment - sample based on POL data	99.90%	99.38%
	Accuracy of data capture	99.90%	99.98%
	Accuracy of published dental reports	100.00%	99.58%
Customer care	Issue initial response to customer complaints within 3 working days	100.00%	100.00%
	Issue final response to customer complaints within 10 working days	100.00%	100.00%
	Average speed of answer	30 sec	1m 16sec
	% abandoned calls	3.00%	5.67%
	% emails cleared within 2 working days	98.00%	97.26%

- **Reporting in accordance with publication KPI** - reports have been published on schedule for 11 of the 12 months. This target was missed in March 2016 as some reports were delayed as a result of extra data checks being carried out. These processes will be managed differently in the future and customers were notified of the delay.
- **Accuracy of published dental reports** KPI impacted by a single failure experienced through the year which occurred in September 2015 where one report was published with missing data. The issue was communicated to customers and measures have been implemented to ensure this is not repeated.
- **Average speed of answer, abandoned calls and emails** impacted by launch of new system (Compass) and related call volume increase in quarter 4. Performance now back within KPI.

Information Services			
KPI domain	KPI name	Target	2015-16
Service delivery	Customer information reports and systems published within target	100.00%	98.75%
	Parliamentary Business Requests answered within deadline	100.00%	100.00%
	Prescription Freedom of Information (FOI) requests provided within 20 working days of receipt	100.00%	97.92%
	MPI Subject Access Requests (SARs) provided within 40 calendar days of receipt	100.00%	98.21%
	MPI Freedom of Information (FOI) provided within 20 working days of receipt	100.00%	97.96%
	Information Systems (ISP) available to external stakeholders	99.50%	99.72%
	Information Systems (ePACT) available to external stakeholders	99.50%	99.29%
	Management Information (MI) reports published within target deadlines	100.00%	100.00%
Quality of service	Prescription processing information accuracy	98.50%	99.09%

- **Customer information reports and systems published** KPI impacted by three failures in the year, all relating to single reports being produced one or two days late. All were communicated to customers and no impact to end users was reported.
- **Prescription Freedom of Information (FOI) requests** KPI impacted by two failures during the year. One resulted from lack of clarity to what was required and the second related to data being provided that did not fulfil the request and was reprocessed. Lessons have been learnt from these experiences and improved processes implemented.
- **MPI Subject Access Requests (SARs)** KPI impacted by three instances during the year where communication failures across departments resulted in delays being experienced. Processes have been reviewed and are effective on the whole, and specific training/awareness has been provided where required.
- **MPI Freedom of Information (FOI)** KPI impacted by three failures during the year which were human administration errors. Learning opportunities have been identified and carried out for the individuals involved.
- **Information Systems (ePACT)** KPI missed for 7 months of the year. Old technology is currently in operation where high use of the system generates memory capacity issues. The system was restored immediately with minimal impact to the customer on all occasions. Project started to replace technology.

Low Income Scheme (LIS)			
KPI domain	KPI name	Target	2015-16
Service delivery	% claim applications processed within 15 day target	99.25%	99.97%
	% days to process good cause cases within target	99.25%	99.96%
	% days to process review cases within target	99.25%	100.00%
	% refunds processed within 5 days	99.25%	99.97%
Quality of service	% accuracy of processed applications	97.00%	97.82%
	% accuracy of refunds	97.00%	98.92%
Customer Care	% abandoned Calls	3.00%	2.84%
	Average speed of answer	30 sec	41 sec
	Clear emails within 2 working days of receipt	98.00%	98.96%

- **Average speed of answer** impacted by relaxed KPI in last quarter, transitioning to new 120 sec KPI for 2016/17.

## Prescription prepayment certificates (PPCs) and maternity, medical and Tax Credit exemption certificates

KPI domain	KPI name	Target	2015-16
Service delivery	% PPC, Matex and Medex applications processed and distributed within 6 days	99.00%	100.00%
	% Tax Credits issued to Royal Mail within target	99.00%	100.00%
Quality of service	% accuracy of processed PPC, Matex and Medex applications	98.00%	98.47%
Customer Care	% abandoned calls	3.00%	1.99%
	Average speed of answer	30 sec	27 sec
	Clear emails within 2 working days of receipt	98.00%	98.93%

## Prescription Exemption Checking Service (PECS)

KPI domain	KPI name	Target	2015-16
Service delivery	% penalty charge notice (PCN) letters sent against plan	100.00%	95.51%
	% surcharge letters sent against system generated surcharge	100.00%	100.00%
	% making payments	7.50%	24.08%
Quality of service	% accuracy of PECS patient data capture	97.50%	98.78%
Customer care	% calls abandoned	3.00%	1.73%
	% emails answered within 2 days	98.00%	96.08%
	% letters cleared within 5 days	100.00%	100.00%

- **PCN letters sent** KPI impacted to accommodate the Medical/Maternity exemption interim process in April 2015. Patients who had claimed exemption in these categories were not sent PCNs for a period until a solution was developed.
- **Email** KPI impacted due to Contact Centre telephony issues throughout August and September and the resulting significant increase in emails.

## NHS Prescription Services

KPI domain	KPI name	Target	2015-16
Service delivery	Successful payments and file transfers	100.00%	100.00%
	% Drug Tariff electronic and paper published within agreed target / schedule	100.00%	100.00%
	Prescription search requests completed within agreed target	90.00%	99.81%
	Health benefits requests completed to target	99.00%	99.96%
	Batch retrieval requests within agreed target	85.00%	84.96%
Quality of service	% Accuracy of prescription processing affecting payment only	98.80%	99.26%
	Net cash variance	99.8% - 100.2%	99.99%
	Absolute cash variance	99.20%	99.52%
	% Accuracy of drug database (CDR and MDR) team workload	99.90%	99.99%
	% Accuracy of Drug Tariff team workload	99.90%	99.99%
	% Accuracy of Organisational Database	99.60%	99.94%
Customer care	% NHS Dictionary of Medicines and Devices (dm+d) enquiries resolved within 10 working days	98.00%	99.98%

- **Batch retrieval** KPI impacted due to a high volume of requests submitted in one month. Worked with third party storage provider partner to address issues and were within target for the remainder of the year.

## European Health Insurance Card (EHIC)

KPI domain	KPI name	Target	2015-16
Service delivery	% EHIC applications processed and distributed within target	99.00%	99.87%
Quality of service	% accuracy of processed applications	98.00%	98.85%
Customer care	Average speed of answer	30 sec	20 sec
	% abandoned calls	3.00%	1.32%
	Clear emails within 2 working days of receipt	98.00%	99.43%

## NHS Pensions

KPI domain	KPI name	Target	2015-16
Service delivery	Awards - 99.5% by 1 calendar month following due date	99.50%	95.78%
	Sub awards - 98% by 1 calendar month following due date	98.00%	92.76%
	Child Allowance - 98.5% by 1 calendar month following due date	98.50%	100.00%
	Death Gratuity - 99% by 1 calendar month following due date	99.00%	100.00%
	Widowers Pension - 97% by 1 calendar month following due date	97.00%	100.00%
	Transfer Value Out - payment 99.7% within 6 calendar months	99.70%	81.15%
	Refunds - 99.95% by 1 calendar month following date of receipt of application	99.95%	94.78%
	5-Yr Rejoinder - Cash Equivalent Transfer Value - within 3 calendar months	99.00%	100.00%
	Pensions on Divorce Cash Equivalent Transfer Value - 95% within 3 calendar months	95.00%	96.73%
	Transfer Value In - estimate 98% within 2 calendar months	98.00%	90.01%
	Transfer Value Out - estimate 95% within 3 calendar months	95.00%	95.78%
	Practitioner Estimate - 97.5% within 40 working days	97.50%	75.93%
	Officer Estimate - 95% within 40 working days	95.00%	86.61%
	Pensions Contributions - directions - by 19th (reported 1 month in arrears)	95.00%	97.02%
	Pensions Contributions - GP practices - by 19th (reported 1 month in arrears)	95.00%	95.19%
	Pensions Contributions - main employers - by 19th (reported 1 month in arrears)	98.00%	99.01%
	Pensions Contributions - GP and dental staff - by 19th (reported 1 month in arrears)	95.00%	97.84%
	Pensions Contributions - Clinical Commissioning Groups (CCGs) and Clinical Support Groups (CSGs) - by 19th (reported 1 month in arrears)	98.00%	99.49%
	Pensions Contributions - New Fair Deal - by 19th	95.00%	94.83%
	Pensions Contributions - independent providers - by 19th	95.00%	95.99%
	Performance of EP - payment issued for printing in voucher cases in 3 working days	100.00%	100.00%
	Performance of EP - BACS automatic notifications paid within 7 working days	100.00%	100.00%
	Payments to pensioners (Paymaster Contract)	100.00%	100.00%
Quality of service	Pensions accuracy (Case Administration and Payments) - pre-release errors	98.50%	98.89%
	Performance of EP - all pensions calculations - accuracy	99.90%	100.00%

- KPIs impacted by implementing 2015 Pension Scheme and new Pensions operating system, resulting in increased manual processing requirements. We're working through fixes required in the new system to address issues and backlog of work. The Leadership Team and Pensions Board have agreed to prioritise award payments. High Annual Allowance volumes and a need for cross-skilling have also impacted on resource capacity in the year.



## NHS Student Bursaries (SB)

KPI domain	KPI name	Target	2015-16
Service delivery	% initial payments to new students within target	100.00%	100.00%
	% subsequent payments to continuing students within target	100.00%	100.00%
	To ensure delivery against the monthly capacity clearance plan is no greater than a 5% deficit	-5.00%	2.66%
	% Disabled Student Allowance applications processed within target	100.00%	100.00%
	% Practice Placement Expenses paid within target	100.00%	100.00%
	% tuition invoices paid within target	100.00%	100.00%
	% bursary amendments following withdrawal/suspension processed within target	100.00%	100.00%
	% payments to resumers within target	100.00%	100.00%
	% accounts updated within target following change of circumstance	100.00%	100.00%
	% authorised extensions paid within target	100.00%	100.00%
	Provide quarterly updates to bursary forecasts	100.00%	100.00%
	Provide monthly database and principle reports	100.00%	75%
	Provide reports at intervals during the year in accordance with frameworks and agreed timescales	100.00%	100.00%
Quality of service	% Absolute Cash Variance (post-payment financial accuracy)	99.00%	99.12%
Customer care	Average speed of answer	30 sec	27 sec
	% calls abandoned	3.00%	1.77%
	% informal complaints resolved within 10 working days	99.00%	99.22%
	% formal complaints (Stage 1) resolved within 25 working days	99.00%	100.00%
	% formal complaints (Stage 2) resolved within 15 working days	99.00%	87.5%
Budget	To ensure overpayment financial values, as a result of withdrawals, does not exceed 1% of the bursary expenditure	1.00%	0.80%

- **Monthly database and principle reports** KPI impacted by 3 months' performance linked to a range of factors including system issues and unexpected volumes of data requests.
- **Formal complaints (Stage 2)** KPI impacted in November 2015 with 3 of the 4 complaints resolved outside the target, giving a monthly result of 25%. Due to the low numbers involved, any complaint that does miss the target can have a large impact on the overall result. The complaints received were of a particularly complex nature and took longer than anticipated to complete.

SWB Education Support Grants (ESG)			
KPI domain	KPI name	Target	2015-16
Service delivery	% payments made to Higher Education Institutions (HEIs) within target	100.00%	100.00%
Quality of service	% Net Cash Variance (NCV) payment to HEIs	99% - 101%	100.00%
Customer care	% complaints responded to within 10 working days	100.00%	N/A
	% formal complaints (Stage 1) resolved within 25 working days	100.00%	N/A
	% formal complaints (Stage 2) resolved within 15 working days	100.00%	N/A

Social Work Bursaries (SWB)			
KPI domain	KPI name	Target	2014-15
Service delivery	% payments made to new students within target	100.00%	100.00%
	% bursary amendments following withdrawal / suspension processed within target	100.00%	100.00%
	% Disabled Student Allowance applications processed within target	100.00%	100.00%
	% invoices processed within 20 working days	100.00%	100.00%
Quality of service	% accuracy of processed applications	97.50%	99.60%
	% NCV of processed applications	99%-101%	100.00%
Customer care	Average speed of answer	30 sec	27 sec
	% calls abandoned	3.00%	1.80%
	% informal complaints resolved within 10 working days	100.00%	100.00%
	% enquiries responded to within 10 working days	100.00%	100.00%
	% formal complaints (Stage 1) resolved within 25 working days	100.00%	N/A
	% formal complaints (Stage 2) resolved within 15 working days	100.00%	100.00%
Budget	% money owed due to change of circumstances	1.00%	0.12%

Note: NHS Protect services are provided under a Memorandum of Understanding (MOU) with DH. A separate NHS Protect Annual Report is available on the NHS Protect section of the NHSBSA website.



# Appendix 2

## Sustainability report

**Table 1: Greenhouse gas emissions**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Non-financial Indicators (t CO<sub>2</sub>e)*</b>							
Gross emissions Scope 1** (direct)	1.7k	1.3k	1.0k	1.1k	0.5k	0.7k	0.4k
Gross emissions Scope 2*** (indirect)	5.4k	5.1k	4.7k	3.9k	2.7k	3.2k	2.8k
Gross emissions Scope 3**** (indirect – business travel)	0.8k	0.8k	0.8k	0.7k	0.6k	0.4k	0.4k
<b>TOTAL</b>	<b>7.9k</b>	<b>7.2k</b>	<b>6.5k</b>	<b>5.7k</b>	<b>3.8k</b>	<b>4.3k</b>	<b>3.6k</b>
Building CO <sub>2</sub> e per FTE	2.91	2.69	2.65	1.55	1.37	1.44	1.24
Business travel CO <sub>2</sub> e per FTE	0.18	0.21	0.27	0.20	0.19	0.15	0.14
<b>Related energy consumption (kWh)</b>							
Gas	8.4m	6.0m	4.6m	5.6m	2.5m	2.4m	2.1m
Electricity: Grid	11.0m	10.1m	9.4m	8.4m	6.1m	5.9m	5.6m
Gas Oil	N/A	N/A	N/A	0.2m	N/A	N/A	N/A
<b>Self-generated energy (kWh)</b>							
PV	N/A	N/A	N/A	65k	65k	35k	31k
<b>Financial indicators*****</b>							
Expenditure on energy	£1.2m	£1.1m	£1.1m	£1.0m	£0.8m	£0.7m	£0.7m
Expenditure on carbon reduction commitment	N/A	<£2k	<£2k	£66k	£63k	£46k	£3k
Expenditure on official business travel	£1.1m	£1.1m	£1.0m	£1.1m	£1.3m	£1.0m	£0.9m
<b>TOTAL</b>	<b>£2.3m</b>	<b>£2.2m</b>	<b>£2.1m</b>	<b>£2.2m</b>	<b>£2.2m</b>	<b>£1.7m</b>	<b>£1.6m</b>

Notes: \* emissions accounting includes all Scope 1 and 2 emissions along with separately identified Scope 3 emissions related to official business travel. Details of carbon accounting within the NHSBSA, in support of HM Treasury Guidance, are available on request. Greening Government carbon conversion factors have been used.

Scope 1\*\*: gas used in buildings (Approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering), gas oil, fugitive emissions from air conditioning units in buildings we own and/or control, transport emissions from vehicles we own or on finance lease.

Scope 2\*\*\*: electricity used in buildings (approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering).

Scope 3\*\*\*\*: transport emissions from hire cars, grey fleet, taxis (some figures are approximated using spend data), buses

*(figures are approximated using spend data), air (data prior to June 2010 is estimated using data from 2010-11), rail (data prior to June 2010 is estimated using data from 2010-11).*

*\*\*\*\*\* minor estimates have been included for areas without direct billing, for example, where the energy bills are part of the service charge for a building.*

*Figures for 2014/15 Scope 1, 2 and 3 emissions have been updated.*

### **Performance commentary including measures**

There has been a continued decrease in both Scope 1 and 2 emissions with further improvement to building operational performance. Business travel has also decreased due to a shift from employees using private vehicles to more efficient modes.

### **Controllable impacts commentary**

Our main impacts are from the operation of our offices (electricity and gas), and to a lesser extent our business travel, having offices, customers, clients and sponsors spread around England.

### **Overview of influenced impacts**

Our key influential impacts are related to our supply chain. Further details of our approach can be seen in section 1.2.3 – Good Business – Corporate Responsibility.



## Table 2: Waste

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Non-financial Indicators (tonnes)*</b>							
Landfilled	504	466	261	161	189	193	188
Recycled / reused / composted (non-prescription / dental form waste)	634	471	322	516	309	201	196
ICT waste recycled externally	2	0	16	36	2	3	0
Recycled / reused / composted (prescription / dental form waste)	200	586	114	350	302	137	125
Incinerated / energy from waste	26	23	50	17	94	87	75
<b>TOTAL</b>	<b>1366</b>	<b>1546</b>	<b>763</b>	<b>1080</b>	<b>896</b>	<b>621</b>	<b>584</b>
Office waste per FTE	0.46	0.39	0.29	0.28	0.24	0.19	0.18
<b>Financial Indicators **</b>							
Landfilled	-	-	-	£26.7k	£5.0k	£3.1k	£3.1k
Recycled / reused / composted (non-prescription / dental form waste)	-	-	-	£31.0k	£18.5k	£18.7k	£16.2k
Recycled / reused / composted (prescription / dental form waste)	-	-	-	-	£31.6k	£29.0k	£22.5k
ICT waste recycled externally	-	-	-	-	0	0	0
Incinerated / energy from waste	-	-	-	£2.6k	£14.3k	£15.1k	£14.0k
<b>TOTAL</b>	<b>£36k</b>	<b>£36k</b>	<b>£39k</b>	<b>£60k</b>	<b>£69k</b>	<b>£66k</b>	<b>£56k</b>

\* waste (tonnes): approx. 1% has been estimated where we are a minor tenant in large office blocks, and waste is managed through the Service Agreement.

\*\* minor estimates included aligned to non-financial estimates listed here, and due to some data reporting issues for 2009/10. All waste costs are included together up to 2012/13 due to level of reporting possible, with 2012/13 data split. Prescription / dental form and non-prescription / dental form recycling costs have been combined. ICT waste costs are included within managed service contract costs so have not been included here.

Financial figures for 13/14 and 15/16 for waste disposal have been updated to account for double reporting within landfill costs.

### Performance commentary including measures

During 2014/15, we continued to achieve our office waste reduction target.

### Controllable impacts commentary

Our key controllable impact is the production of office waste. Our strategic goal to digitise our services and move away from paper-based processes supports ongoing reduction in office waste produced.

### Overview of influenced impacts

Our key influential impact is related to the use of prescriptions. The roll out of the Electronic Prescription Service (EPS) is reducing large numbers of paper prescriptions being printed and transported to our premises to be scanned, stored and then recycled. We are continuing to promote the further take-up of EPS. We are also working with our suppliers to reduce waste in our supply chain. Further details of our approach can be seen in section 1.2.3 – Good Business – Corporate Responsibility.

### Table 3: Finite resource consumption

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Non-financial Indicators (m<sup>3</sup>)*</b>							
Water from office estate	25.9k	24.2k	24.5k	24.9k	17.4k	18.7k	19.7k
Water from non-office estate	0.2k	0.3k	0.3k	0.2k	0.3k	0.5k	0.2k
<b>TOTAL</b>	<b>26.2k</b>	<b>24.5k</b>	<b>24.8k</b>	<b>25.1k</b>	<b>17.7k</b>	<b>19.2k</b>	<b>19.9k</b>
Water - m <sup>3</sup> per FTE (office estate)	10.34	9.99	10.99	9.58	7.09	7.46	7.70
Paper - reams of A4**	48k	48k	34k	29k	26k	35k	27k
Paper - reams per FTE	16	16	12	11	10	14	10
<b>Financial Indicators ***</b>							
Mains water supply and treatment	£93.3k	£96.7k	£83.7k	£90.2k	£74.0k	£86.2k	£69.0k

\* water (m<sup>3</sup>): approx. 1% has been estimated where we are a minor tenant in large office blocks, and there is no direct metering.

\*\* paper (reams): reams of A4 reported here refer to office paper purchased by the NHSBSA directly. It does not include paper purchased on our behalf e.g. leaflets, scheme documents etc. linked to our outsourced services.

\*\*\* minor estimates have been included for areas without direct billing, for example, where the water bills are part of the service charge for a building.

#### Performance commentary including measures

We have seen a further increase in water consumption at our largest building, Bridge House, during 2015/16. The cause of this increase is unknown and investigations continue. Paper usage has continued to decrease due to the further introduction of PIN activated printers across the estate and digitisation of our services.

#### Controllable impacts commentary

Our key controllable impact is water use in our buildings. We continue to monitor office paper and our strategy to digitise our services should deliver further reductions.

#### Overview of influenced impacts

Our key influential impacts are related to our supply chain. We are also working with our suppliers to reduce resource consumption in our supply chain. Further details of our approach can be seen in section 1.2.3 – Good Business – Corporate Responsibility.

No. of office buildings with water m <sup>3</sup> per FTE (2015/16)		
<4 (best practice)	>4 and <6 (good practice)	>6 (poor practice)
0	2	8



# Certificate and report of the Comptroller and Auditor General

## The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of NHS Business Services Authority for the year ended 31 March 2016 under the National Health Service 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 Service 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 Business Services Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by NHS Business Services 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 Business Services Authority's affairs as at 31 March 2016 and of the net operating cost for the year 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 parts of the Remuneration and Staff report and the Parliamentary, accountability and audit report to be audited have been properly prepared in accordance with Secretary of State directions made under the National Health Service Act 2006; and
- the information given in the Performance report and Accountability report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and parts of the Remuneration and Staff Report and the Parliamentary, accountability and audit 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.

Sir Amyas C E Morse  
Comptroller and Auditor General

Date: 29 June 2016

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





# Financial statements and notes to the accounts

Account of NHS Business Services Authority 2015-16

**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2016**

	Notes	<b>2015-16</b> £000	2014-15 £000
Income from sale of goods and services	2.2	<b>805,340</b>	0
Other operating income	3.1	<b>101,655</b>	106,366
<b>Total operating income</b>		<b>906,995</b>	106,366
Staff Costs	3.4	<b>80,937</b>	78,785
Purchase of goods and services	2.2	<b>712,113</b>	0
Other operating expenditure	3.2	<b>232,666</b>	134,029
<b>Total operating expenditure</b>		<b>1,025,716</b>	212,814
<b>Net operating expenditure</b>		<b>118,721</b>	106,448
<b>Total Net Expenditure</b>		<b>118,721</b>	106,448
<b>Other Comprehensive Net Expenditure</b>			
Net (gain) on revaluation of property, plant and equipment		<b>0</b>	(1,595)
Adjustment for notional costs		<b>(90)</b>	(90)
<b>Total comprehensive net expenditure for the year</b>		<b>118,631</b>	104,763

The notes on pages 75 to 99 form part of these accounts.

Account of NHS Business Services Authority 2015-16

Statement of Financial Position at 31 March 2016

	Notes	31 March 2016 £000	31 March 2015 £000
<b>Non Current Assets</b>			
Property, Plant and Equipment	4.2	35,419	32,913
Intangible Assets	4.1	40,952	45,442
Other Financial Assets	4.3	89,970	172,581
<b>Total non-current assets</b>		<b>166,341</b>	<b>250,936</b>
<b>Current Assets</b>			
Inventories	4.4	76,790	0
Trade and other receivables	4.5	164,483	14,936
Cash and cash equivalents	4.6	31,860	26,835
<b>Total current assets</b>		<b>273,133</b>	<b>41,771</b>
<b>Total Assets</b>		<b>439,474</b>	<b>292,707</b>
<b>Current Liabilities</b>			
Trade and other payables	4.7	133,310	37,882
Borrowings	4.7	0	7
Provisions for liabilities and charges	4.8	2,232	176
<b>Total current liabilities</b>		<b>135,542</b>	<b>38,065</b>
<b>Net current assets/liabilities</b>		<b>137,591</b>	<b>3,706</b>
<b>Total assets less current liabilities</b>		<b>303,932</b>	<b>254,642</b>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	4.8	605	609
<b>Total non-current liabilities</b>		<b>605</b>	<b>609</b>
<b>Total Assets Less Liabilities:</b>		<b>303,327</b>	<b>254,033</b>
<b>Taxpayers' Equity</b>			
General Fund		298,471	249,177
Revaluation Reserve		4,856	4,856
<b>Total Taxpayers' Equity:</b>		<b>303,327</b>	<b>254,033</b>

The notes on pages 75 to 99 form part of these accounts.

Nick Scholte  
Chief Executive  
10 June 2016

Account of NHS Business Services Authority 2015-16

**Statement of Changes in Taxpayers' Equity  
For the year ended 31 March 2016**

	<b>General Fund £000</b>	<b>Revaluation Reserve £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2015</b>	249,177	4,856	<b>254,033</b>
<b>Changes in taxpayers' equity for 2015-16</b>			
Total net expenditure for the year	(118,721)	0	<b>(118,721)</b>
Non-cash charges – notional costs	90	0	<b>90</b>
<b>Total recognised income and expense for 2015-16</b>	<b>(118,631)</b>	<b>0</b>	<b>(118,631)</b>
Net Parliamentary Funding	167,925	0	<b>167,925</b>
<b>Balance at 31 March 2016</b>	<b>298,471</b>	<b>4,856</b>	<b>303,327</b>

	<b>General Fund £000</b>	<b>Revaluation Reserve £000</b>	<b>Total Reserves £000</b>
<b>Balance at 31 March 2014</b>	426,808	3,261	<b>430,069</b>
<b>Changes in taxpayers' equity for 2014-15</b>			
Total net expenditure for the year	(106,448)	0	<b>(106,448)</b>
Net gain on revaluation of property, plant and equipment	0	1,595	<b>1,595</b>
Non-cash charges – notional costs	90	0	<b>90</b>
<b>Total recognised income and expense for 2014-15</b>	<b>(106,358)</b>	<b>1,595</b>	<b>(104,763)</b>
Net Parliamentary Funding	(71,273)	0	<b>(71,273)</b>
<b>Balance at 31 March 2015</b>	<b>249,177</b>	<b>4,856</b>	<b>254,033</b>

The notes on pages 75 to 99 form part of these accounts.

Account of NHS Business Services Authority 2015-16

Statement of Cash Flows for the year ended 31 March 2016

	Notes	2015-16 £000	2014-15 £000
<b>Cash flows from operating activities</b>			
Net operating costs		<b>(118,721)</b>	(106,448)
Other cashflow adjustments	5.3	<b>17,822</b>	(3,382)
Movement in Working Capital	5.1	<b>(61,167)</b>	10,182
Provisions utilised	4.8	<b>(13)</b>	(231)
<b>Net cash (outflow) from operating activities</b>		<b>(162,079)</b>	(99,879)
<b>Cash flows from investing activities</b>			
Interest received	3.1	<b>2,486</b>	4,553
Purchase of property, plant and equipment	4.2	<b>(7,904)</b>	(5,593)
Purchase of intangible assets	4.1	<b>(6,286)</b>	(15,865)
Proceeds from disposal of property, plant and equipment		<b>0</b>	4
Payments for financial assets	4.3	<b>(40,000)</b>	0
Proceeds from disposal of financial assets	4.3	<b>50,890</b>	190,000
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(814)</b>	173,099
<b>Cash flows from financing activities</b>			
Net Parliamentary Funding		<b>167,925</b>	(71,273)
<b>Net financing</b>		<b>167,925</b>	(71,273)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,032</b>	1,947
<b>Cash and cash equivalents at 31 March 2015</b>	5.2	<b>26,828</b>	24,881
<b>Cash and cash equivalents at 31 March 2016</b>	5.2	<b>31,860</b>	26,828

The notes on pages 75 to 99 form part of these accounts.



## Account of NHS Business Services Authority 2015-16

### Notes to the Accounts

#### 1. Accounting Policies

As directed by the Secretary of State for Health, the following financial statements have been prepared in accordance with the DH Group Manual for Accounts 2015-16 issued by the Department of Health, and comply with HM Treasury's Government Financial Reporting Manual 2015-16 (FReM). The accounting policies contained in the DH Group manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

#### 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.

#### Movement of assets within the DH Group

Transfers as part of reorganisation fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCI, and is disclosed separately from operating costs.

Other transfers of assets and liabilities within the Group are accounted for in line with IAS 20 and similarly give rise to income and expenditure entries.

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the 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.

## Account of NHS Business Services Authority 2015-16

### 1. Accounting Policies (continued)

#### 1.2 Income

Income is accounted for applying the accruals convention. Income is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured.

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

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. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

The main source of funding for the Supply Chain trading division of the Authority is income from sales to NHS customers. Additional income comes from similar sales to non-NHS customers.

The funding of Social Work Bursary payments and Education Support Grant comes from the DH Policy Team. This income is treated as operating income.

#### 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

All assets falling into the following categories are capitalised:

Property, Plant and 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

Land and buildings used for the Authority's services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the Statement of Financial Position date. The latest revaluation was carried out by an independent RICS qualified valuer from the DVS Valuation Office Agency as at 31 March 2015. Fair values are determined as follows:

Land and non-specialised buildings – market value for existing use

Specialised buildings – depreciated replacement cost

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of Comprehensive Net Expenditure

## Account of NHS Business Services Authority 2015-16

### 1. Accounting Policies (continued)

#### 1.5 Intangible Assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets are capitalised when they have a cost of at least £5,000. Intangible assets acquired separately are initially recognised at fair value. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to use the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the intangible asset and use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is charged to the Statement of Comprehensive Net Expenditure (SoCNE) in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at amortised historic cost to reflect the opposite effects of development costs and technological advances.

#### 1.6 Depreciation, amortisation and impairments

Land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged on a straight line basis to write off the costs or valuation of tangible and intangible non-current assets, less any residual value, over their estimated useful lives. The 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 or, where shorter, the lease term.

At each Statement of Financial Position date, the Authority checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the SoCNE to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

#### 1.7 Inventories

Inventories are valued at the lower of cost and estimated net realisable value using a weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

#### 1.8 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **Account of NHS Business Services Authority 2015-16**

### **1. Accounting Policies (continued)**

#### **1.9 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 including losses which would have been made good through insurance cover had the Authority not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

#### **1.10 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.

##### **Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. 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.

#### **1.11 Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

## Account of NHS Business Services Authority 2015-16

### 1. Accounting Policies (continued)

#### 1.12 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

##### **The Authority as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Authority's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

##### **The Authority as lessor**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Authority's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Authority's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### 1.13 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 rates of -1.55%, -1.00% and -0.80% for cash flows due in 0-5 years, 5-10 years and over 10 years respectively (2014/15: -1.50%, -1.05% and 2.20%) in real terms. In the case of early retirement costs the rate is 1.37% (2014/15: 1.30%).

#### 1.14 Financial Instruments

##### **Financial assets**

Financial assets are recognised on the Statement of Financial Position when the 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 SoCNE. 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 SoCNE on de-recognition.



## Account of NHS Business Services Authority 2015-16

### 1. Accounting Policies (continued)

#### 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.

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 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 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.

### 1.15 Accounting standards that have been issued but have not yet been adopted

The HM Treasury FReM does not require the following Standards and Interpretations to be applied in 2015-16. These standards are still subject to HM Treasury FReM interpretation, with IFRS 9 and IFRS 15 being for implementation in 2018-19, and the government implementation date for IFRS 16 still subject to HM Treasury consideration.

- IFRS 9 *Financial Instruments* – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 15 Revenue for Contracts with Customers - Application required for accounting periods beginning on or after 1 January 2017, but not yet adopted by the FReM: early adoption is not therefore permitted
- IFRS 16 *Leases* – Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM: early adoption is not therefore permitted.

## Account of NHS Business Services Authority 2015-16

### 2.1 Operating segments

The Authority's activities are considered to fall within three segments: Supply Chain consumables trading, the payment of Social Work Bursaries and Education Support Grant (ESG), and the Authority's operating expenditure relating to the provision of services to the wider NHS.

Details of the income and expenditure and assets and liabilities of the segments are shown below. The segments' shares of assets and liabilities are disclosed in more detail within the relevant notes to the accounts.

	Supply Chain		Bursaries		Service Provision		Consolidation Adjustments		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Statement of Comprehensive Net Expenditure</b>	Notes									
Income from sale of goods and services	0	0	0	0	0	0	0	0	(805,340)	0
Other operating income	0	(81,208)	(73,903)	(81,208)	(30,048)	(25,158)	2,296	0	(101,655)	(106,366)
<b>Total operating income</b>	<b>(805,340)</b>	<b>0</b>	<b>(73,903)</b>	<b>(81,208)</b>	<b>(30,048)</b>	<b>(25,158)</b>	<b>2,296</b>	<b>0</b>	<b>(906,995)</b>	<b>(106,366)</b>
Staff costs	0	0	0	0	80,937	78,785	0	0	80,937	78,785
Purchase of goods and services	712,113	0	0	0	0	0	0	0	712,113	0
Other operating expenditure	90,484	0	73,903	81,208	70,575	52,821	(2,296)	0	232,666	134,029
<b>Total operating expenditure</b>	<b>802,597</b>	<b>0</b>	<b>73,903</b>	<b>81,208</b>	<b>151,512</b>	<b>131,606</b>	<b>(2,296)</b>	<b>0</b>	<b>1,025,716</b>	<b>212,814</b>
<b>Net Operating Expenditure/(Income)</b>	<b>(2,743)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>121,464</b>	<b>106,448</b>	<b>0</b>	<b>0</b>	<b>118,721</b>	<b>106,448</b>
<b>Statement of Financial Position</b>										
Assets	234,296	0	7,358	8,689	197,820	284,018	0	0	439,474	292,707
Liabilities	(110,921)	0	(4,572)	(5,902)	(20,654)	(32,772)	0	0	(136,147)	(38,674)
Assets less Liabilities	<b>123,375</b>	<b>0</b>	<b>2,786</b>	<b>2,787</b>	<b>177,166</b>	<b>251,246</b>	<b>0</b>	<b>0</b>	<b>303,327</b>	<b>254,033</b>
<b>2.2 Supply Chain</b>										
Income from sale of goods and services									2015/16	2014/15
									£000	£000
Purchase of goods and services									805,340	0
Gross operating income									712,113	0
Operating costs									93,227	0
Net operating income/(expenditure)									90,484	0
									2,743	0

The Master Services Agreement covering Supply Chain services was renegotiated during the year. Under the revised agreement, from 1 October 2015, control over the consumables trading element of the service passed from the Service Provider back to NHSBSA. All related working capital balances were included in the NHSBSA's Statement of Financial Position from this date, and all related trading from this date is included in the NHSBSA's Statement of Comprehensive Net Expenditure.

## Account of NHS Business Services Authority 2015-16

### 3.1 Other operating income

	2015-16 £000	2014-15 £000
Department of Health (DH) invoiced funding	5,788	5,272
Services to other DH Group Bodies	9,163	6,139
Services provided to UK Devolved Administrations and Crown Dependencies	2,672	2,516
Supply Chain interest charges	2,486	4,553
Social Work Bursary and ESG funding from the Department of Health	73,903	81,208
Other income	7,643	6,678
<b>Total Operating income</b>	<b>101,655</b>	<b>106,366</b>

### 3.2 Other operating expenditure (Non-Staff)

	2015-16 £000	2014-15 £000
Non-executive members' remuneration	108	108
Rentals under operating leases	2,015	2,204
Establishment expenses	10,521	10,566
Transport	671	649
Premises	7,609	7,419
External contractors	115,755	26,945
Non-cash: Depreciation	5,409	5,253
Amortisation	10,765	8,135
Impairments and reversals PPE	0	693
(Profit)/loss on disposal of PPE	0	(4)
(Profit)/loss on disposal of intangible fixed assets	0	0
Change in carrying value of Financial Assets (Note 4.3)	1,979	(12,834)
	<b>18,153</b>	1,243
Auditors' remuneration - audit fees	140	85
Legal and Professional fees	3,717	3,488
Other costs	74	114
Social Work Bursaries and ESG	73,903	81,208
<b>Total non-staff costs</b>	<b>232,666</b>	<b>134,029</b>

External contractors includes £88,188k relating to **Supply Chain** (2014-15 £nil)

Legal and Professional fees includes the notional fee for the audit of the NHS Pension Scheme accounts of £90k (2014-15 £90k)

## Account of NHS Business Services Authority 2015-16

### 3.3 Operating leases

#### Authority as lessee

	2015-16 £000	2014-15 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	<u>2,015</u>	<u>2,204</u>
<b>Total future minimum lease payments</b>	<u>2,015</u>	<u>2,204</u>
<b>Payable:</b>		
Within one year	1,193	1,286
Later than one year and not later than five years	2,560	2,711
Later than five years	5,387	6,027
<b>Total</b>	<u>9,140</u>	<u>10,024</u>

### 3.4 Staff numbers and related costs

#### Executive members and staff costs:

	Total 2015-16 £000	Permanently employed £000	Other £000	Total 2014-15 £000
Salaries and wages	65,870	61,826	4,044	65,351
Social security costs	4,244	4,244	0	4,272
Employer contributions to NHS Pensions	6,996	6,996	0	6,627
Other pension costs	619	619	0	697
Termination costs	5,073	5,073	0	4,292
<b>Total</b>	<u>82,802</u>	<u>78,758</u>	<u>4,044</u>	<u>81,239</u>
Capitalised staff costs	(1,865)			(2,454)
	<u>80,937</u>			<u>78,785</u>

#### The average number of persons employed during the year was :

	Total Number	Permanently employed Number	Other Number	2014-15 Number
<b>Total</b>	<u>2,591</u>	<u>2,521</u>	<u>70</u>	<u>2,562</u>

The whole time equivalent number of staff whose cost was capitalised was 30 (2014-15: 40)

#### Note on expenditure of staff benefits

The amount spent on staff benefits during the year totalled £Nil (2014-15 £Nil).

Account of NHS Business Services Authority 2015-16

3.4 Staff numbers and related costs (cont)

Exit Costs

2015-16	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Cost of compulsory redundancies £000	Cost of other departures agreed £000	Total cost of exit packages £000
<£10,000	15	3	18	49	13	62
£10,000 - £25,000	41	8	49	711	130	841
£25,000 - £50,000	9	17	26	352	645	997
£50,000 - £100,000	15	24	39	1,015	1,699	2,714
£100,000 - £150,000	4	1	5	476	105	581
£150,000 - £200,000	0	0	0	-	-	-
>£200,000	0	0	0	-	-	-
Total number of exit packages by type	<b>84</b>	<b>53</b>	<b>137</b>	<b>2,603</b>	<b>2,592</b>	<b>5,195</b>

There were no special payments made during the year.

	Agreements Number	Total value of agreements £000
Voluntary redundancies incl. early retirement	53	2,478
Mutually agreed resignations	0	-
Early retirements in the efficiency of services	0	-
Contractual payments in lieu of notice	29	114
Exit payments	0	-
Non-contractual payments	0	-
	<b>82</b>	<b>2,592</b>

2014-15	Number of other departures agreed	Cost of other departures agreed £000
<£10,000	5	36
£10,000 - £25,000	9	143
£25,000 - £50,000	30	1,120
£50,000 - £100,000	22	1,590
£100,000 - £150,000	7	863
£150,000 - £200,000	1	186
>£200,000	2	550
Total number of exit packages by type	<b>76</b>	<b>4,488</b>

There were no compulsory redundancies during the year and no special payments were made.

	Agreements Number	Total value of agreements £000
Voluntary redundancies inc early retirement	76	4,341
Mutually agreed resignations	0	-
Early retirements in the efficiency of services	0	-
Contractual payments in lieu of notice	5	147
Exit payments	0	-
Non-contractual payments	0	-
	<b>81</b>	<b>4,488</b>

## Account of NHS Business Services Authority 2015-16

### 3.5 Pension costs

Most past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

#### **a) Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

#### **b) Accounting valuation**

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2016, is based on valuation data as 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

#### **Civil Service Pension Scheme**

Some past and present employees are covered by the provisions of the Civil Service Pension Scheme (CSPS). The defined benefit elements of the scheme are unfunded and non-contributory except in respect of dependents' benefits. The Authority recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the CSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSPS. In respect of the defined contribution elements of the scheme, the Authority recognises the contributions payable for the year.



## Account of NHS Business Services Authority 2015-16

### 3.6 The Late Payment of Commercial Debts (Interest) Act 1998

No payments were made under the legislation during the year (2014-15 - £Nil).

### 3.7 Other gains and losses

	2015-16	2014-15
	£000	£000
Profit on disposal of plant and equipment	0	4
<b>Total</b>	<b>0</b>	<b>4</b>

## Account of NHS Business Services Authority 2015-16

### 4.1 Intangible assets

#### 4.1.1 Intangible assets 2015-16

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2015	3,846	85,486	18,942	108,274
Additions - purchased	532	571	5,183	6,286
Reclassifications	196	21,235	(21,442)	(11)
Disposals	(673)	(26,935)	0	(27,608)
<b>Gross cost at 31 March 2016</b>	<b>3,901</b>	<b>80,357</b>	<b>2,683</b>	<b>86,941</b>
<b>Amortisation</b>				
Accumulated amortisation at 1 April 2015	715	62,117	0	62,832
Charged during the year	990	9,775	0	10,765
Disposals	(673)	(26,935)	0	(27,608)
<b>Accumulated amortisation at 31 March 2016</b>	<b>1,032</b>	<b>44,957</b>	<b>0</b>	<b>45,989</b>
Net book value at 31 March 2015	3,131	23,369	18,942	45,442
<b>Net book value at 31 March 2016</b>	<b>2,869</b>	<b>35,400</b>	<b>2,683</b>	<b>40,952</b>

#### 4.1.2 Intangible assets 2014-15

	Software licences £000	Information Technology £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2014	2,260	77,943	16,449	96,652
Additions - purchased	2,082	1,080	12,703	15,865
Reclassifications	0	9,740	(10,210)	(470)
Disposals	(496)	(3,277)	0	(3,773)
<b>Gross cost at 31 March 2015</b>	<b>3,846</b>	<b>85,486</b>	<b>18,942</b>	<b>108,274</b>
<b>Amortisation:</b>				
Accumulated amortisation at 1 April 2014	878	57,592	0	58,470
Charged during the year	333	7,802	0	8,135
Disposals	(496)	(3,277)	0	(3,773)
<b>Accumulated amortisation at 31 March 2015</b>	<b>715</b>	<b>62,117</b>	<b>0</b>	<b>62,832</b>
Net book value at 31 March 2014	1,382	20,351	16,449	38,182
<b>Net book value at 31 March 2015</b>	<b>3,131</b>	<b>23,369</b>	<b>18,942</b>	<b>45,442</b>

**Supply Chain** and **Bursaries** had no Intangible assets during the accounting period (2014-15 - £Nil)

## Account of NHS Business Services Authority 2015-16

### 4.2 Property, Plant and Equipment

#### 4.2.1 Property, Plant and Equipment 2015/16

	Land	Buildings excluding dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2015	4,934	23,111	2,517	35	34,603	7,154	<b>72,354</b>
Additions - purchased	0	2,117	0	0	4,137	1,650	<b>7,904</b>
Reclassifications	0	0	0	0	11	0	<b>11</b>
Disposals	0	(675)	(2,095)	(24)	(3,277)	(554)	<b>(6,625)</b>
Revaluation	0	0	0	0	0	0	<b>0</b>
<b>Gross cost at 31 March 2016</b>	<b>4,934</b>	<b>24,553</b>	<b>422</b>	<b>11</b>	<b>35,474</b>	<b>8,250</b>	<b>73,644</b>
<b>Depreciation</b>							
Accumulated depreciation at 1 April 2015	0	5,724	2,252	35	28,318	3,112	<b>39,441</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
Disposals	0	(675)	(2,095)	(24)	(3,277)	(554)	<b>(6,625)</b>
Impairments	0	0	0	0	0	0	<b>0</b>
Charged during the year	0	1,498	98	0	2,469	1,344	<b>5,409</b>
<b>Accumulated depreciation at 31 March 2016</b>	<b>0</b>	<b>6,547</b>	<b>255</b>	<b>11</b>	<b>27,510</b>	<b>3,902</b>	<b>38,225</b>
Net book value at 31 March 2015	4,934	17,387	265	0	6,285	4,042	<b>32,913</b>
<b>Net book value at 31 March 2016</b>	<b>4,934</b>	<b>18,006</b>	<b>167</b>	<b>0</b>	<b>7,964</b>	<b>4,348</b>	<b>35,419</b>

#### 4.2.2 Property, Plant and Equipment 2014/15

	Land	Buildings excluding dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2014	3,734	20,523	2,517	49	34,427	7,842	<b>69,092</b>
Additions - purchased	0	3,737	0	0	1,054	802	<b>5,593</b>
Reclassifications	0	58	0	0	412	0	<b>470</b>
Disposals	0	(1,602)	0	(14)	(1,290)	(1,490)	<b>(4,396)</b>
Revaluation	1,200	395	0	0	0	0	<b>1,595</b>
<b>Gross cost at 31 March 2015</b>	<b>4,934</b>	<b>23,111</b>	<b>2,517</b>	<b>35</b>	<b>34,603</b>	<b>7,154</b>	<b>72,354</b>
<b>Depreciation</b>							
Accumulated depreciation at 1 April 2014	0	5,274	2,158	49	27,169	3,241	<b>37,891</b>
Reclassifications	0	0	0	0	0	0	<b>0</b>
Disposals	0	(1,602)	0	(14)	(1,290)	(1,490)	<b>(4,396)</b>
Impairments	0	693	0	0	0	0	<b>693</b>
Charged during the year	0	1,359	94	0	2,439	1,361	<b>5,253</b>
<b>Accumulated depreciation at 31 March 2015</b>	<b>0</b>	<b>5,724</b>	<b>2,252</b>	<b>35</b>	<b>28,318</b>	<b>3,112</b>	<b>39,441</b>
Net book value at 31 March 2014	3,734	15,249	359	0	7,258	4,601	<b>31,201</b>
<b>Net book value at 31 March 2015</b>	<b>4,934</b>	<b>17,387</b>	<b>265</b>	<b>0</b>	<b>6,285</b>	<b>4,042</b>	<b>32,913</b>

Supply Chain and Bursaries had no Property, Plant and Equipment during the accounting period (2014-15 - £Nil)

## Account of NHS Business Services Authority 2015-16

### 4.2 Property, Plant and Equipment (continued)

#### 4.2.3 Economic Lives of Non-current Assets

	Min Life Years	Max Life Years
<b>Intangible assets</b>		
Software licences	1	5
Information technology	5	5
<b>Property, Plant and Equipment</b>		
Buildings excl. dwellings	3	65
Plant and machinery	5	10
Transport equipment	5	7
Information technology	5	8
Furniture and fittings	5	10

#### 4.2.4 Impairments

##### a) Impairments charged in the year to the Statement of Comprehensive Net Expenditure

	2015-16		2014-15	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Impairments arose from:				
Enhancement expenditure written off on revaluation	0	0	693	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>693</b>	<b>0</b>

##### b) Impairments charged in the year to the revaluation reserve

	2015-16		2014-15	
	Property, plant and equipment £000	Intangible assets £000	Property, plant and equipment £000	Intangible assets £000
Charged to the revaluation reserve:	0	0	0	0

## Account of NHS Business Services Authority 2015-16

### 4.3 Financial Assets

	<b>Supply Chain Working Capital 2015-16 £000</b>	Supply Chain Working Capital 2014-15 £000
Value at 1 April	172,581	349,747
Additions	40,000	0
Disposals	(120,632)	(190,000)
Changes in carrying value	(1,979)	12,834
<b>Value at 31 March</b>	<b><u>89,970</u></b>	<b><u>172,581</u></b>

The above asset represents the working capital loaned to the outsourced provider to run the NHS Supply Chain capital service.

The asset is classified as 'loans and receivables' (Note 9) and carried at amortised cost, calculated using the effective interest method. Changes in carrying value during the year are taken to operating costs (Note 3.2).

The working capital is due to be repaid to NHSBSA on or before the end of the outsourced arrangement on 30 September 2018. The total amount now due is £95,000k (2015 - £175,632k) and the carrying value has been calculated on the assumption that the whole amount will be repaid on 30 September 2018. Any change in assumption around the repayment date would result in an increase in the carrying value up to a maximum of £95,000k.

The working capital was previously split into two elements; consumables and capital, which were interest bearing and non-interest bearing respectively. The carrying value of the two elements at 31st March 2015 was: Consumables £80,632k and Capital £91,949k (final repayable value £95,000k). A further loan of £40,000k in April 2015 increased the final repayable Consumables and Capital balances to £100,632k and £115,000k respectively. Following a renegotiation of the contract, the consumables element was returned to NHSBSA control from 1 October 2015. £100,632k of the balance was therefore considered repaid, leaving only the capital element of £115,000k outstanding. This repayment comprised cash of £30,890k, and inventories, receivables and payables with a net value of £69,742k. A repayment of £20,000k was received in March 2016 leaving the amount due at £95,000k.

## Account of NHS Business Services Authority 2015-16

### 4.4 Inventories

	31 March 2016	31 March 2015
	£000	£000
Opening balance	0	0
Additions	788,903	0
Cost of sales	(712,113)	0
<b>Closing balance</b>	<b>76,790</b>	<b>0</b>

All inventories relate to **Supply Chain** goods held for resale

### 4.5 Receivables

	31 March 2016	Current 31 March 2015
	£000	£000
Trade receivables	108,114	4,330
Provision for impairment of receivables	(1,600)	(842)
Prepayments and accrued income	35,864	7,413
Other receivables	22,105	4,035
<b>Trade and other receivables</b>	<b>164,483</b>	<b>14,936</b>
<b>Segmental split</b>		
Supply Chain	151,026	0
Service Provision	9,436	9,099
Bursaries	4,021	5,837
	<b>164,483</b>	<b>14,936</b>

There are no non-current receivables (2015 - Nil)



## Account of NHS Business Services Authority 2015-16

### 4.6 Cash and Cash equivalents

	2015-16 £000	2014-15 £000
Balance at 1 April	26,835	24,881
Net change in the year	5,025	1,954
Balance at 31 March	<u>31,860</u>	<u>26,835</u>

#### Comprising:

	31 March 2016 £000	31 March 2015 £000
Held with the Government Banking Service	31,859	26,834
Commercial banks and cash in hand	1	1
Cash and Cash equivalents as in Statement of financial position	31,860	26,835
Bank overdraft	0	(7)
Cash and Cash equivalents	<u>31,860</u>	<u>26,828</u>

#### Segmental split

Supply Chain	6,480	0
Service Provision	22,043	23,976
Bursaries	3,337	2,852
	<u>31,860</u>	<u>26,828</u>

### 4.7 Trade and other payables

	Current	
	31 March 2016 £000	31 March 2015 £000
Trade payables	59,863	3,026
Tax and social security	1	0
Accruals and deferred income	20,719	21,175
Other payables	52,727	13,681
<b>Trade and other payables</b>	<u>133,310</u>	<u>37,882</u>

#### Segmental split

Supply Chain	110,921	0
Service Provision	19,905	31,980
Bursaries	2,484	5,902
	<u>133,310</u>	<u>37,882</u>

#### 4.7.1 Borrowings

	Current	
	31 March 2016 £000	31 March 2015 £000
Bank Overdraft	0	7
<b>Total</b>	<u>0</u>	<u>7</u>

There are no non-current trade and other payables (2015 - Nil)

## Account of NHS Business Services Authority 2015-16

### 4.8 Provisions for liabilities and charges

	Current	
	31 March 2016	31 March 2015
	£000	£000
Pensions relating to other staff	4	12
Legal claims	61	85
Other	2,167	79
<b>Total</b>	<b>2,232</b>	<b>176</b>

	Non-current	
	31 March 2016	31 March 2015
	£000	£000
Pensions relating to other staff	0	3
Legal claims	32	33
Other	573	573
<b>Total</b>	<b>605</b>	<b>609</b>

#### Segmental split

	31 March 2016	31 March 2015
	£000	£000
Supply Chain	0	0
Service Provision	749	785
Bursaries	2,088	0
<b>Total</b>	<b>2,837</b>	<b>785</b>

	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 April 2014	24	127	1,027	1,178
Arising during the year	0	33	0	33
Utilised during the year	(9)	(42)	(180)	(231)
Reversed unused	0	0	(195)	(195)
At 1 April 2015	15	118	652	785
Arising during the year	0	10	2,088	2,098
Utilised during the year	(11)	(2)	0	(13)
Reversed unused	0	(33)	0	(33)
<b>At 31 March 2016</b>	<b>4</b>	<b>93</b>	<b>2,740</b>	<b>2,837</b>

#### Expected timing of cash-flows:

Within one year	4	61	2,167	2,232
Later than one year and not later than five years	0	6	573	579
Later than five years	0	26	0	26

Other provisions at 31 March 2016 relate to Leasehold Property Decommissioning, based on professional valuations (£652k), and Social Work Bursary tuition fee entitlement (£2,088k). Social Work Bursary tuition fee entitlement was included in accruals in previous years.

#### Contingencies at 31 March 2016

At 31 March 2016, there were no known contingent assets or liabilities (2015: £nil).

## Account of NHS Business Services Authority 2015-16

### 4.9 Events after the reporting period

There have been no adjusting or non-adjusting events after the reporting period.

The Accounts were authorised for issue on 29 June 2016 by the NHSBSA Chief Executive and Accounting Officer.

### 4.10 Capital commitments

The Authority had contracted capital commitments as at 31 March for which no provision has been made:

	<b>31 March 2016</b>	31 March 2015
	<b>£000</b>	£000
Property, plant and equipment	<b>3,474</b>	2,311
Intangible assets	<b>2,942</b>	5,261
<b>Total</b>	<b>6,416</b>	7,572

## Account of NHS Business Services Authority 2015-16

### 5.1 Movements in working capital

	2015-16 £000	2014-15 £000
(Increase)/decrease in receivables within 1 year	9,453	(1,956)
(Increase)/decrease in inventories	278	0
Increase/(decrease) in payables within 1 year	<u>(70,898)</u>	<u>12,138</u>
<b>Total</b>	<b><u>(61,167)</u></b>	<b><u>10,182</u></b>

The above movements are net of balances received on taking control of the Supply Chain consumables business on 1st October 2015 - see note 4.3

### 5.2 Analysis of changes in net debt

	As at 1 April 2014 £000	Cash flows £000	As at 1 April 2015 £000	Cash flows £000	As at 31 March 2016 £000
GBS cash at bank	24,871	1,963	26,834	5,025	<b>31,859</b>
Commercial cash at bank and in hand	10	(9)	1	0	<b>1</b>
Bank overdraft	0	(7)	(7)	7	<b>0</b>
<b>Total</b>	<b><u>24,881</u></b>	<b><u>1,947</u></b>	<b><u>26,828</u></b>	<b><u>5,032</u></b>	<b><u>31,860</u></b>

### 5.3 Other cashflow adjustments

	2015-16 £000	2014-15 £000
Depreciation	5,409	5,253
Amortisation	10,765	8,135
Impairments and reversals	0	693
(Profit)/Loss on disposal of assets	0	(4)
Change in carrying value of Financial Assets	1,979	(12,834)
Notional Costs	90	90
Interest Received	(2,486)	(4,553)
Provisions - Arising in Year	2,098	33
Provisions - Reversed unused	<u>(33)</u>	<u>(195)</u>
<b>Total</b>	<b><u>17,822</u></b>	<b><u>(3,382)</u></b>

## Account of NHS Business Services Authority 2015-16

### 6. Losses and special payments

	2015-16		2014-15	
	No of cases	£000	No of cases	£000
<b>Losses</b>				
'Cash' losses	0	0	0	0
Stores losses	31	306	0	0
Fruitless payments	0	0	0	0
Claims waived or abandoned	0	0	161	257
	<b>31</b>	<b>306</b>	<b>161</b>	<b>257</b>
<b>Special Payments</b>	<b>85</b>	<b>141</b>	<b>96</b>	<b>441</b>

### 7. Related Party Transactions

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

The Department of Health is regarded as a related party. During the year the Authority had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department including NHS England, Public Health England, Health Education England and NHS Trusts and Foundation Trusts.

During the year none of the Department of Health Ministers, Authority board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with NHSBSA. Compensation paid to directors has been disclosed in the Remuneration Report.

### 8. Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of contracted out Pensions and IT services totalling £15,244k over 1 years 4 months as at 31 March 2016. (2015: £11,453k). £11,328k (2015: £8,588k) of this commitment is payable within one year.

The Authority has entered into a non-cancellable contract for the provision of contracted out Dental and IT infrastructure services totalling £8,908k (2015: £23,690k) over the remaining 9 months as at 31 March 2016. All (2015: £11,991k) of this commitment is payable within one year.

## 9. 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 that 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.

### 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. The credit risk associated with Supply Chain working capital is assessed as low due to the controls and governance in place to manage the 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.

#### 9.1 Financial Assets

	At 'fair value through profit and loss'	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Trade receivables	0	4,330	0	4,330
Other receivables	0	3,193	0	3,193
Cash at bank and in hand	0	26,835	0	26,835
Other financial assets	0	175,723	0	175,723
<b>Total at 31 March 2015</b>	<b>0</b>	<b>210,081</b>	<b>0</b>	<b>210,081</b>
Trade receivables	0	107,566	0	107,566
Other receivables	0	21,053	0	21,053
Cash at bank and in hand	0	31,860	0	31,860
Other financial assets	0	120,487	0	120,487
<b>Total at 31 March 2016</b>	<b>0</b>	<b>280,966</b>	<b>0</b>	<b>280,966</b>

#### 9.2 Financial Liabilities

	At 'fair value through profit and loss'	Other	Total
	£000	£000	£000
Trade Payables	0	3,026	3,026
Other payables	0	13,681	13,681
Borrowings	0	7	7
Other financial liabilities	0	21,784	21,784
<b>Total at 31 March 2015</b>	<b>0</b>	<b>38,498</b>	<b>38,498</b>
Trade Payables	0	59,863	59,863
Other payables	0	52,728	52,728
Borrowings	0	0	0
Other financial liabilities	0	23,216	23,216
<b>Total at 31 March 2016</b>	<b>0</b>	<b>135,807</b>	<b>135,807</b>



## Account of NHS Business Services Authority 2015-16

### 9 Financial Instruments (continued)

#### 9.3 Maturity of financial liabilities

	<b>31 March 2016</b>	31 March 2015
	<b>£000</b>	£000
In one year or less	<b>135,234</b>	37,925
In more than one year but not more than five years	<b>573</b>	573
In more than five years	<b>0</b>	0
<b>Total</b>	<b><u>135,807</u></b>	<u>38,498</u>

#### 9.4 Fair values

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

## Account of NHS Business Services Authority 2015-16

### 10. Intra-government balances

	Receivables amounts falling due within one year £000	Receivables amounts falling due after more than one year £000	Payables amounts falling due within one year £000	Payables amounts falling due after more than one year £000
Balances with other central government bodies	5,464	0	1	0
Balances with local authorities	153	0	0	0
Balances with NHS bodies inside the departmental group	93,350	0	1,322	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	65,516	0	131,987	0
<b>At 31 March 2016</b>	<b>164,483</b>	<b>0</b>	<b>133,310</b>	<b>0</b>
Balances with other central government bodies	1,912	0	2	0
Balances with local authorities	0	0	0	0
Balances with NHS bodies inside the departmental group	5,118	0	53	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	7,906	0	37,827	0
At 31 March 2015	14,936	0	37,882	0

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