Accountability Report

Simon Stevens
Accounting Officer
3 July 2018

The **Accountability Report** sets out how we meet key accountability requirements to Parliament. It comprises three key sections:

The Corporate Governance Report sets out how we have governed the organisation during 2017/18, including membership and organisation of our governance structures and how they support achievement of our objectives. The report includes the Directors' Report, the Statement of Accounting Officer's Responsibilities and the Governance Statement and starts from page 38.

The Remuneration and Staff Report sets out our remuneration policies for non-executive directors and executive directors and how these policies have been implemented for the reporting period, including salary information and pension liabilities. It also provides further detail on remuneration and staff and starts from page 76.

The Parliamentary Accountability and Audit Report brings together key information to support accountability to Parliament, including a summary of fees and charges, contingent liabilities and the Certificate and Report of the Comptroller and Auditor General to the House of Commons. The report starts from page 105.

Corporate Governance Report

Directors' Report

The Board

The NHS England Board is composed of the Chair, eight non-executive directors and four voting executive directors. These arrangements comply with the requirements of the NHS Act 2006 (as amended) that the Board should consist of at least five non-executive directors, other than the Chair, and that the number of executive directors should be less than the number of non-executive directors (including the Chair). A number of non-voting executive directors also regularly attend Board meetings.

Roles and responsibilities

The Board is the senior decision-making structure in NHS England. To support its strategic leadership to the organisation it:

- sets the overall direction of NHS England, within the context of the NHS mandate;
- approves the business plan, which is designed to support achievement of NHS England's strategic objectives and monitors NHS England's performance against it;
- holds NHS England's executive group to account for this performance and for the proper running of the organisation (including operating in accordance with legal and government requirements);
- determines which decisions it will make and which it will delegate via the Scheme of Delegation;
- ensures high standards of corporate governance and personal conduct;
- monitors the performance of the group against core financial and operational objectives;
- provides effective financial stewardship and;
- promotes effective dialogue between NHS England, government departments, other arm's length bodies, partners, CCGs, providers of healthcare and communities served by the commissioning system.

Appointment

The Chair, Vice Chair and non-executive directors are appointed by the Secretary of State for Health and Social Care, and executive directors are appointed by the Board. Board members bring a range of complementary skills and experience in areas such as: the patient and public voice; finance; governance; and health policy.

Any new appointments take account of the skills already represented on the Board and recognise where there are gaps which could be filled.

Under the Health and Social Care Act 2012, Chief Executive Officer of NHS England also has direct accountability to Parliament as its Accounting Officer for the £110 billion of funding allocated to the NHS in 2017/18.

Following the retirement of Professor Sir Bruce Keogh, Professor Stephen Powis was appointed National Medical Director, joining NHS England on 1 March 2018. One new non-voting executive director, Emily Lawson, was appointed to NHS England in November 2017, replacing Karen Wheeler who returned to the Civil Service at the end of her secondment in June 2017.

In February 2018, NHS England and NHS Improvement confirmed their commitment to bringing about significantly better alignment between the work of the two organisations. Although there is a legal barrier to a shared Chair and Chief Executive, the formal appointment of at least some non-executive directors to both Boards would be possible with changes to the secondary legislation regulating the Trust Development Authority. As a first signal of this commitment, the role of Associate (non-voting) Non-Executive Director has been created, with David Roberts (Vice Chair of NHS England) attending the NHS Improvement Board, and Richard Douglas (Non-Executive Director at NHS Improvement) attending the NHS England Board on this basis.

In May 2018 the NHS England and NHS Improvement Boards announced a range of further steps towards joint working, including the creation of a number of new executive leadership posts operating across both organisations. In light of this, work is underway to review any changes to the operation of each board and its committees required to support effective collaboration between the two organisations.

Register of Members' Interests

As part of NHS England's commitment to openness and transparency in its work and decision making, a Register of Members' Interests, drawing together Declarations of Interest made by all Board and Executive Group members, is maintained. The register is reviewed at each Board meeting, is open to public scrutiny and is published on NHS England's website[22].

Board and Executive members are required to notify and record any interests relevant to their role on the Board. In addition, members of the Board and Executive Group are required, at the commencement of each Board meeting and whenever relevant matters are raised, to declare any personal interest they may have in any business on the agenda and abstain from related Board and Committee discussion where that is deemed to be appropriate.

Details of related party transactions are set out in Note 17 of the Annual Accounts.

NHS England Board Members

Full details of NHS England Board members, both Non-Executive and Executive, including biographies and photographs, are available on the NHS England website[23].

22 www.england.nhs.uk/about/whos-who/reg-interests/
23 https://www.england.nhs.uk/about/board/members/

Board meeting attendance

The agenda, papers and minutes of NHS England Board meetings held in public, are published on the NHS England website[24]. The agenda and papers from Board meetings held in private are made available one year after the meeting, where this does not compromise commercial or other confidentiality requirements.

Member	Job Title	Number of eligible meetings attended during the year	Comments
Professor Sir Malcolm Grant	Chair	6/6	
David Roberts	Vice-Chair	6/6	
Lord Victor Adebowale	Non-Executive Director	5/6	
Wendy Becker	Non-Executive Director	5/6	
Professor Sir John Burn	Non-Executive Director	6/6	
Dame Moira Gibb	Non-Executive Director	6/6	
Noel Gordon	Non-Executive Director	5/6	
Michelle Mitchell	Non-Executive Director	6/6	
Joanne Shaw	Non-Executive Director	5/6	
Richard Douglas	Associate (non-voting) Non-Executive Director	0/1	Appointed 5 March 2018
Simon Stevens	Chief Executive	6/6	
Paul Baumann	Chief Financial Officer	6/6	
Professor Jane Cummings	Chief Nursing Officer	6/6	
Professor Sir Bruce Keogh	National Medical Director	4/4	Retired 28 January 2018
Professor Stephen Powis	National Medical Director	2/2	Joined 29 January 2018 in an honorary capacity. Employed from 1 March 2018
Ian Dodge	National Director: Strategy & Innovation	6/6	
Matthew Swindells	National Director: Operations & Information	6/6	
Karen Wheeler	National Director: Transformation & Corporate Operations	1/1	Member until 30 June 2017
Emily Lawson	National Director: Transformation & Corporate Operations	3/3	Appointed 1 November 2017

24 www.england.nhs.uk/about/whos-who/board-meetings/

Board diversity

NHS England had nine non-executive directors as at 31 March 2018, four of whom were female and five were male. Of the 12 members of NHS England's Executive Group, as at 31 March 2018, five were female and seven male. Detail relating to the ethnic diversity of the NHS England Board is included in the Staff report, at page 80.

Board performance

The NHS England Board regularly reviews its performance and works together to improve its effectiveness. To this end, it carried out an assessment of its effectiveness during 2017, which sought the views of a wide range of internal and external stakeholders. This review concluded that the Board had been effective in: supporting a strong working partnership between the Chair and Chief Executive; emphasising the focus on delivery of the Five Year Forward View; and ensuring clarity on the next stage of development of NHS England. The review also noted that a number of new non-executive directors had joined the Board, which had strengthened its diversity of views and backgrounds. The Board actively seeks this diversity, which provides the necessary challenge and support to the Board and Executive team alike.

The Board effectiveness review also identified areas for further development, including: planning the Board's forward agenda; division of responsibilities between the Board and Board committees; and clarity on the nature of decisions required by Board papers.

The review also emphasised the Board's role in nurturing the culture of NHS England through its continuing transformation, and in securing senior executive succession to sustain the success of the organisation. A number of actions were agreed as a result of the Board effectiveness review, and these will be taken forward as part of the work programme for the coming year.

Board Committees

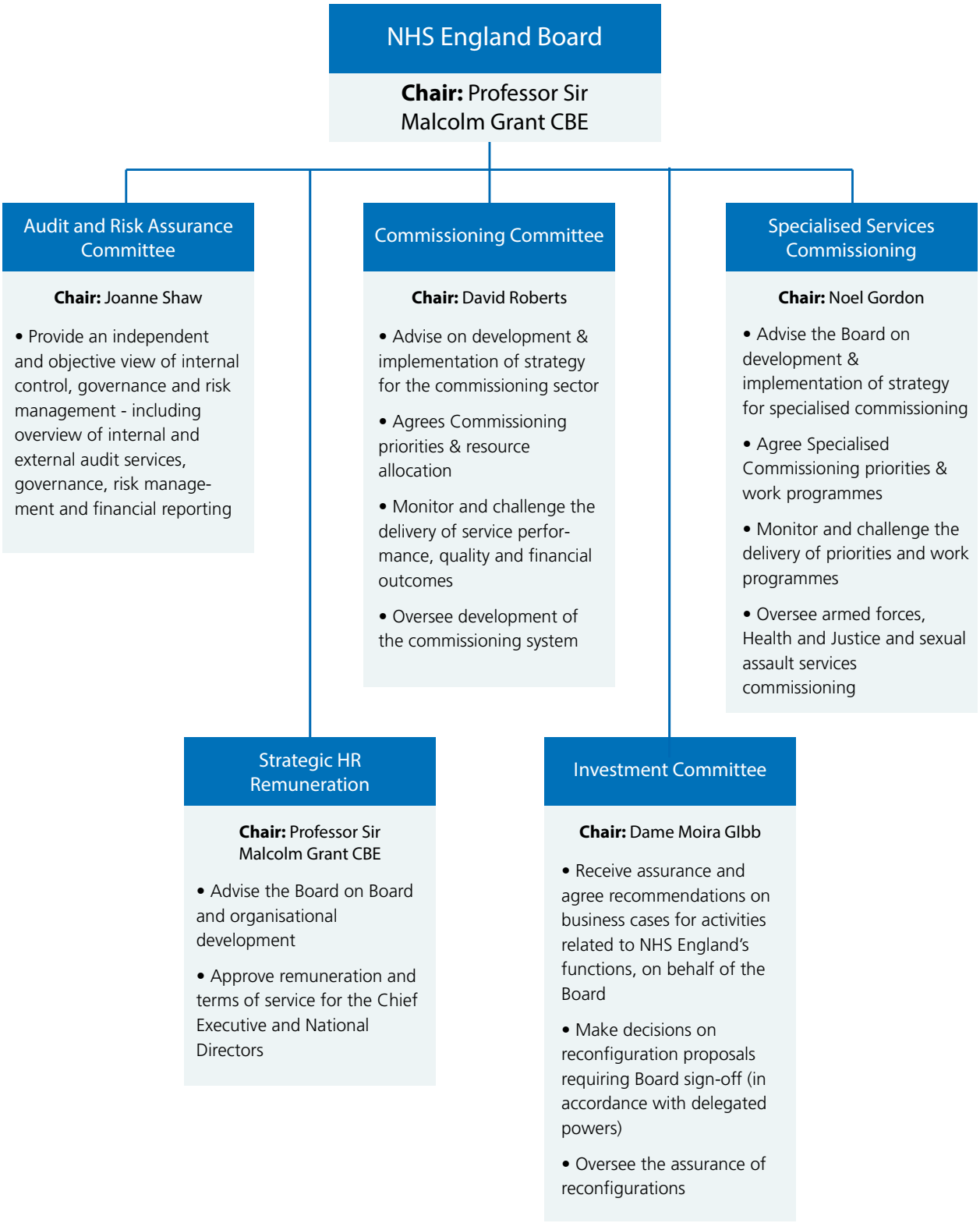
The Board is supported in its assurance and oversight of the organisation by five committees. This allows the Board to spend a significant proportion of its time on strategic decision-making, whilst obtaining proper assurance that decisions across the organisation have been made effectively based on the correct information.

The committees are part of NHS England's formal governance structure, with each providing a report to the Board following every meeting, ensuring the Board is kept informed of how they have discharged their delegated responsibilities. Additionally, each committee provides the Board with an annual report covering: a review of its activities in the previous year; a summary of the priorities for the coming year; a self-assessment of its effectiveness; and a review of its terms of reference.

The NHS England Chief Executive (Accounting Officer), as well as being a member of the Board, is similarly informed of each committee's activities through his personal participation and discussions with the relevant Committee Chair.

The Chair and CEO/Accounting Officer reserve and exercise the right to attend and participate in meetings of all committees. In addition, all non-executive directors have a standing invitation to attend and participate in any of the Board committee meetings.

NHS England Board and Committees



Audit and Risk Assurance Committee (ARAC)

Committee members

The Committee has met five times. The following table details core membership and the number of meetings attended by each member:

Member	Number of eligible meetings attended during the year	Comment
Joanne Shaw (Chair)	5/5	
David Roberts	4/4	Until 31 December 2017
Wendy Becker	5/5	
Gerry Murphy	5/5	Non-executive Chair of the Department of Health and Social Care's Audit Committee
John Burn	0/1	Joined January 2018

Committee attendees

Additional attendees are invited to attend meetings to assist with committee business. For 2017/2018, these have included National Directors, representatives from the National Audit Office (NAO), Deloitte LLP (internal auditors), DHSC and the NHS Counter Fraud Authority (NHSCFA).

Principal activities during the year

The Committee has provided progress reports to the Board on its key duties, which include:

- Assessing the integrity of NHS England's financial reporting.
- Considering and approving the NHS England Final Annual Report and Accounts for 2016/17.
- Considering reports provided by the NAO that relate to NHS England's accounts and the achievement of value for money.
- Agreeing the Internal Audit plan for 2017/18 and reviewing progress.
- Commissioning and receiving internal audit reports on the adequacy of internal control systems, risk management and corporate governance.
- Considering progress with implementing Internal Audit recommendations.
- Agreeing proposals for the future delivery of the Internal Audit service.
- Overseeing the organisation's arrangements for counter fraud, and agreeing plans for the delivery of a reactive counter fraud service.
- Reviewing issues with the delivery of Primary Care Services, described on page 67 of the Governance Statement.
- Reviewing Cyber security issues and the implementation of the General Data Protection Regulation (GDPR) regulations.
- Reviewing the organisation's risk profile, the management and mitigation of current and emerging risks and ensuring that all corporate risks have an accountable national director and delegated risk owner.

Planned activities during the coming year

In 2018/19, the Committee will:

- Consider and approve the NHS England Final Annual Report and Accounts for 2017/18.
- Review updates from the NAO on progress with their audit work.
- Consider the 2017/18 Annual Internal Audit Report and Head of Internal Audit opinion.
- Consider areas for review by Internal Audit and approve the 2018/19 plan of work and then review the audit work during the year.
- Consider corporate risks and the status of Internal Audit recommendations.
- Review the Economic Crime Strategy and proposals for the delivery of Proactive Counter Fraud work for 2018/19.
- Oversee other risk areas such as cyber security, primary care assurance, third party assurance and the developing governance arrangements between NHS England and NHS Improvement.

Commissioning Committee

Committee members

The Committee met 10 times during the year. The following table details core membership and the number of meetings attended by each member:

Member	Number of eligible meetings attended during the year	Comment
David Roberts (Chair)	9/10	Chair until 31 March 2018
Lord Victor Adebowale	6/10	
Noel Gordon	8/10	
Wendy Becker	3/4	Member since November 2017. Chair from 1 April 2018
Simon Stevens	9/10	
Paul Baumann	9/10	
Professor Jane Cummings	9/10	
Professor Sir Bruce Keogh	8/8	Member until 28 January 2018
Amanda Doyle (CCG representative)	9/10	
Ian Dodge	10/10	
Matthew Swindells	9/10	
Richard Barker	8/10	
Professor Stephen Powis	2/2	Joined 29 January 2018 in an honorary capacity. Employed from 1 March 2018
Michelle Mitchell	1/1	Member since 8 February 2018

Committee attendees

Additional attendees are invited to attend meetings to assist with committee business. For 2017/18, these have included:

- Chair of NHS England and other Non-Executive Directors.
- Director of Primary Care.
- Director of Commissioning Development.
- Director of Financial Planning and Delivery.
- Director of Strategic Finance.

Principal activities during the year

Over the year, the Committee has focussed on its three core areas:

- Delivery of the main system transformation programmes:
  - Next Steps on the Five Year Forward priorities including cancer; mental health and dementia; urgent and emergency care; learning disabilities; maternity; primary care; and the NHS's ten point efficiency plan with NHS Improvement.
  - STPs and ICSs.
- In year performance and finance:
  - Assurance of financial and service performance, both within NHS England and across the commissioning system.
- Oversight of the commissioning system and its development:
  - CCG improvement, assessment and assurance processes ensuring that CCGs meet their statutory duties.
  - Agreeing recommendations for CCGs taking on the delegation of primary medical care commissioning functions on behalf of the Board as well as the process and decision criteria for CCG mergers.

Planned activities during the coming year

The Committee agenda in 2018/19 will continue to be based around the Next Steps on the Five Year Forward View and the other priorities set out above.

Specialised Services Commissioning Committee

Committee members

The Committee met six times during the year. The following table details core membership and the number of meetings attended by each member:

Member	Number of eligible meetings attended during the year	Comment
Noel Gordon (Chair)	5/6	
Professor Sir John Burn	4/4	Member until 30 November 2017
Michelle Mitchell	6/6	
Dame Moira Gibb	1/1	Member since 8 February 2018
Simon Stevens	5/6	
Paul Baumann	6/6	
Professor Sir Bruce Keogh	5/5	Member until retirement from NHS England on 28 January 2018
Professor Stephen Powis	1/1	Joined 29 January 2018 in an honorary capacity. Employed from 1 March 2018
Ian Dodge	5/6	
Matthew Swindells	0/3	Member until 30 September 2017
John Stewart	6/6	

Committee attendees

Additional attendees have included the Chair of NHS England and others who have been invited to attend meetings to assist with committee business. For 2017/18, these have included: Director of Strategy and Policy, Specialised Commissioning; Medical Director, Specialised Commissioning; Finance Director, Specialised Commissioning; Operational Delivery Director, Specialised Commissioning; and Commercial Director, Specialised Commissioning.

Principal activities during the year

Over the year, the Committee has:

- Overseen the development and implementation of:
  - a set of strategic priorities for specialised services;
  - place-based commissioning of specialised services, building on the plans for STPs;
  - new approaches to service reviews and quality assurance;
  - proposals on improving performance and delivery assurance, alongside a strengthened approach to business intelligence;
  - a strategy for improving dialogue with patients and the public;
  - a framework for securing maximum value from medicines spend and related programme of action;

- a multi-year strategic approach to achieve affordable and accelerated hepatitis C elimination;
- refined commissioning policies, used to guide NHS England's decision making, including service development policy, Individual Funding Requests (IFR) policy and clinical trial policy;
- a review of health and justice commissioning in England;
- the approach to implementing the UK Strategy for Rare Diseases;
- a proposed new model of care for gender identity services.

- Overseen Specialised Commissioning's approach to NHS England's clinical priority areas – cancer, mental health and learning disabilities – and specific service reviews, such as the congenital heart disease review.
- Reviewed and agreed the routine commissioning of new treatments.
- Provided assurance and oversight for:
  - the Cancer Drugs Fund;
  - specialised commissioning financial plans for 2017/18 and 2018/19;
  - operational decisions taken by NHS England's Specialised Commissioning Oversight Group (SCOG);
  - the Specialised Commissioning Patient and Public Voice Assurance Group;
  - the Health & Justice Oversight Group and the Armed Forces Oversight Group.

Planned activities during the coming year

The Committee's priority for 2018/19 will be to continue supporting the implementation of the strategic priorities for specialised services, as well as overseeing new areas of responsibility. This will require the Committee to provide assurance to the Board on:

- Financial control for specialised services and on achieving specialised services efficiency savings for 2018/19 to 2020/21.
- How specialised commissioning is supporting improvements in patient care in relation to NHS England's priorities, particularly for mental health, learning disabilities and cancer.
- The continued implementation of priority programmes, such as: service reviews; place-based commissioning; strengthening assurance of performance and delivery; the medicines value programme and quality assurance.
- Which new treatments will be routinely commissioned by NHS England for 2018/19 and 2019/20, taking advice from the Clinical Priorities Advisory Group (CPAG) and SCOG.
- The roll out of a genomics service across the NHS.

Investment Committee

Committee members

The Committee met six times during the year. In addition, it carried out its function by correspondence in April, May, September and December 2017. The following table details core membership and the number of meetings attended by each member:

Member	Number of eligible meetings attended during the year	Comment
Dame Moira Gibb (Chair)	6/6	
Wendy Becker	6/6	
Paul Baumann	5/6	
Ian Dodge	6/6	
Matthew Swindells	5/6	

Committee attendees

Additional attendees have included the Chair of NHS England and others invited to attend meetings to assist with committee business.
For 2017/18, these have included:

- Director of Strategic Finance.
- Director of Operations and Information.
- Acting Director, Specialised Commissioning.
- Head of Reconfiguration, London Region and Chair of the Oversight Group for Service Change and Reconfiguration (OGSCR).

Principal activities during the year

During 2017/18, the Committee has:

- Approved investment cases for use of the transformation fund across priority areas such as Mental Health and Diabetes, and agreed allocations to ICSs.
- Approved a number of business cases for revenue and/or capital expenditure.
- Reviewed the pipeline of service change and reconfiguration proposals presented by the OGSCR.
- Reviewed a number of reconfiguration proposals in advance of consultation, assessing quality and financial implications and ensuring compliance with applicable national guidance, legislation and best practice.

Planned activities during the coming year

In 2018/19, the Investment Committee will continue to scrutinise and approve expenditure on activities relating to NHS England functions within limits set in the SFIs. In particular, the Committee will support transformation by approving investments and continuing to oversee the assurance of service change and reconfiguration proposals from STPs.

Strategic HR and Remuneration Committee

Committee members

The Committee has met twice during the year. The following table details core membership and the number of meetings attended by each member:

Member	Number of eligible meetings attended during the year
Professor Sir Malcolm Grant (Chair)	2/2
Dame Moira Gibb	1/2
David Roberts	2/2
Wendy Becker	1/1 (member since November 2017)

Committee attendees

Additional attendees are invited to attend meetings to assist with committee business. For 2017/18, these have included:

- Chief Executive.
- Chief Financial Officer.
- National Director: Transformation and Corporate Operations.
- Acting People and Organisation Development Director.

Principal activities during the year

Over the year the Committee has received reports assuring it about the implementation of the revised DHSC and Arm's Length Bodies Executive and Senior Manager (ESM) pay framework and approved decisions relating to the targeted allocation of consolidated and non-consolidated pay awards to this group of senior staff for the financial year. It has focussed on workforce diversity and inclusion, overall staff experience and engagement and progress with talent management across NHS England. The Committee has also considered the proposals for the alignment of NHS England's support for the enablement of Next Steps on the NHS Five Year Forward View. Discussion of the outcomes from the staff survey was also undertaken with the full Board.

Planned activities during the coming year

During the coming year, the Committee will continue to focus primarily on reviewing organisational development plans and the alignment of NHS England's support for and enablement of Next Steps on the NHS Five Year Forward View and STPs across the system. The Committee will continue to review progress with talent management, workforce diversity and inclusion and overall staff experience and engagement throughout the year ahead. Finally, the Committee will make decisions in respect of the Chief Executive's pay and any issues pertaining to national directors.

Board disclosures

Disclosure of personal data-related incidents

During 2017/18, 37 Serious Incidents Requiring Investigation (SIRI) occurred relating to the loss or disclosure of personally sensitive data in NHS England and CSUs. All were logged and full investigations were undertaken, with details set out in Appendix 7 from page 184. Where appropriate, remedial actions were implemented for all incidents and the Information Commissioner's Office kept informed as appropriate.

Slavery and human trafficking

NHS England fully supports the Government's objectives to eradicate modern slavery and human trafficking. Our Slavery and Human Trafficking Statement for the financial year ending 31 March 2018 was published on our website[25] in May 2018.

Statement of disclosure to auditors

Each member of the Board, at the time the Directors' Report is approved, confirms:

- So far as the member is aware, there is no relevant audit information about which NHS England's external auditor is unaware.
- The member has taken all the steps that they ought to have taken, as a member, in order to make himself or herself aware of any relevant audit information and to establish that NHS England's external auditor is aware of that information.

Board statement

The Board confirms that the Annual Report and Accounts for 2017/18, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the business model, strategy and performance of NHS England.

25 www.england.nhs.uk/ourwork/safeguarding/our-work/modern-slavery/

Statement of Accounting Officer's responsibilities

The National Health Service Act 2006 (as amended) schedule A1 paragraph 15(4) states that the Chief Executive shall be the Accounting Officer of the National Health Service Commissioning Board (known as NHS England).

The responsibilities of the Accounting Officer, including responsibilities for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records (which disclose with reasonable accuracy at any time, the financial position of NHS England and enable them to ensure that the accounts comply with the requirements of the Accounts Direction) and for safeguarding NHS England's assets (and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities) are set out in the Accounting Officer appointment letter, supported by Managing Public Money[26] issued by HM Treasury (HMT) (Revised August 2015).

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

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (HMT, December 2017)[27] and in particular to:

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

As far as the Accounting Officer is aware, there is no relevant audit information of which NHS England's external auditor is unaware, and the Accounting Officer has taken appropriate steps to make himself aware of any relevant audit information and to establish that the external auditor is aware of that information.

The Accounting Officer takes responsibility for, and confirms that, the Annual Report and Accounts 2017/18 as a whole is fair, balanced and understandable.

26 www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf

27 www.gov.uk/government/uploads/system/uploads/attachment_data/file/577262/2017-18_Government_Financial_Reporting_Manual.pdf

Governance Statement

This governance statement covers NHS England, its system leadership role of the NHS, directly commissioned health services and oversight and assurance of the commissioning system.

As Accounting Officer, I have responsibility for the system of internal controls supporting and enabling the achievement of NHS England's aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with Managing Public Money and as set out in my Accounting Officer appointment letter. This includes assurance of a number of organisations which are part of the wider commissioning system, including those organisations which NHS England hosts. My responsibilities in relation to the assurance of CCGs are set out from page 69 of this Annual Report.

Under the Health and Social Care Act 2012 and related legislation, NHS England is responsible for ensuring its expenditure does not exceed the annual budget it is allocated. NHS England is not legally responsible for the financial performance of providers of NHS-funded care, nor for the DHSC's overall revenue and capital budgetary position.

The Government's mandate to NHS England

NHS England is accountable, through its Board, to the Secretary of State for Health and Social Care for delivery of the annual mandate. The mandate sets the strategic direction for NHS England and helps ensure the NHS is accountable to Parliament and the public. The Chair of the Board and Chief Executive meet the Secretary of State regularly to provide assurance on progress against mandate objectives, and our progress is reviewed annually by the Government via an assessment given to Parliament. A report on how we have delivered against the mandate objectives is given in Appendix 1 on page 160.

In addition, there is a framework agreement between NHS England and DHSC which sets out the mechanisms through which the relationship is jointly managed and the ways in which we work in partnership.

Governance arrangements and effectiveness

Governance framework

The governance manual brings together all the key strands of governance and assurance across NHS England, including: the Standing Orders; Standing Financial Instructions; Scheme of Delegation; Standards of Business Conduct policy; Risk Management Framework; and the Three Lines of Defence model. Separate operating frameworks exist for each CSU.

Assessment against the Corporate Governance in Central Government Departments: Code of Good Practice 2011 Compliance Checklist

As part of implementing best practice, an assessment is undertaken each year against the Corporate Governance in central government departments: Code of good practice 2017 (HM Treasury). The exceptions arising from this year's assessment are shown in Appendix 8 from page 187.

Board arrangements

Information on our Board and its Committees is set out from page 38.

Closer working with NHS Improvement

As set out at page 39, on 24 March 2018, NHS England made a joint announcement with NHS Improvement regarding plans to work in a more integrated way and to deliver better outcomes for patients, whilst improving performance and efficiency. This followed a meeting in common of the boards of NHS England and NHS Improvement, on 24 May 2018, at which further steps towards joint working were agreed. Both boards are aware of the need to transact their own business with their own board members and mindful of the legislative framework within which they operate. So in the planning and design of all closer working arrangements, steps will be taken to ensure that potential institutional conflicts of interest are appropriately managed.

Harris Review

Having regard to the wider implications of the Harris Review[28], which recommended an explicit assurance that all statutory duties and powers are understood and complied with, NHS England maintains a register of all of the statutory duties and powers conferred on it by the NHS Act 2006 (as amended). This provides clarity about the legislative requirements associated with each of the statutory functions for which it is responsible, including any restrictions on delegation of those functions. Responsibility for each duty and power has been clearly allocated to a national director and the register is regularly reviewed by the Director of Governance and Head of Legal Services.

28 www.gov.uk/government/publications/independent-review-into-delegation-of-approval-functions-under-the-mental-health-act-1983

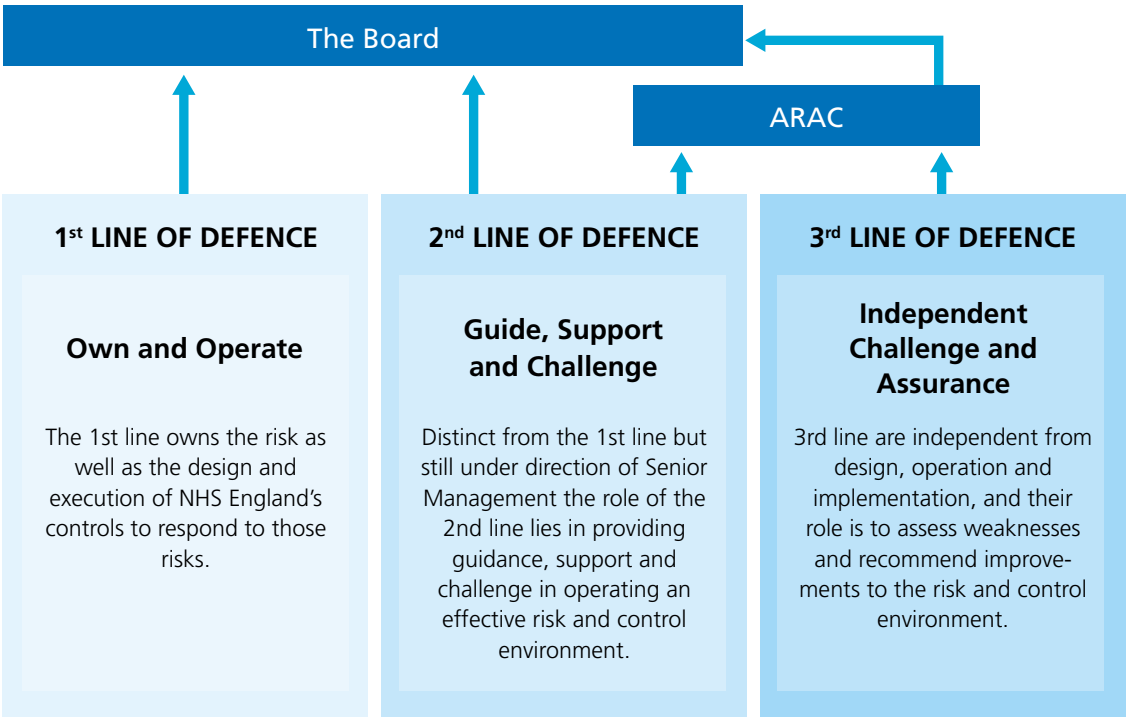
Corporate assurance

Assurance framework

The NHS England Corporate Assurance Framework, set out below, provides for continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved, cost effective, public services.

Assurance activity	What is it?	What Value does it give?
Organisational Change Framework	Guidelines for assessing and implementing major changes across NHS England.	Provides a consistent approach to thinking about the impact of organisational change, including people, infrastructure, financial and legal issues.
Risk Management Framework	The approach to managing risk, including tools and methodologies for identifying, assessing, documenting and reporting risk.	Provides a consistent approach across the organisation, allowing identification of cross-directorate risks and challenges. Provides a way for managers to identify risks with a route of escalation to those accountable.
SFI's, Standing Orders & Scheme of Delegation	Fulfil the dual role of protecting NHS England's interests and protecting officers from possible accusation that they have acted less than properly.	Designed to ensure that NHS England's financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.
Programme Management Framework	The policies, tools, methodology and resources that provide an approach to managing, controlling and assuring the delivery of projects and programmes in the NHS England portfolio.	Provides staff with a framework to manage, control and deliver projects and programmes. Provides the organisation with consistency of reporting and monitoring, confidence of delivery of outcomes, to enable decision-making and better resource control.
3rd Party Assurance Framework	Guidelines for the assurance required for managing 3rd party contracts.	Ensures directorates responsible for major contracts assign a Contract Manager and put arrangements in place to monitor supplier performance. Obtains assurance over the services provided.
Corporate Policy Framework	The methodology and approach for creating, maintaining and amending policies.	Provides an approach to help ensure policy documents are not developed in isolation, so they are balanced against the priorities of the organisation.

For the framework NHS England has adopted the Three Lines of Defence model, illustrated overleaf. This provides the mechanism for NHS England's employees to manage risk and control as well as provide assurance over the delivery of services.



We work with the support of our internal and external auditors to strengthen and embed our assurance framework. Each directorate and region has designated leads with responsibility for ensuring that risk management, implementation of internal audit actions and other key assurance activities are carried out, and approved by the relevant senior director, including appropriate regular reporting and exception escalation processes. The leads report directly to respective national and regional directors and link with the governance, audit and risk teams. This provides increased focus, accountability and improved communication at operating unit level across the organisation.

During 2017/18, the corporate governance team has worked with teams across the organisation to embed controls and underpin processes including:

- Obtaining regular management assurance from all senior managers, budget holders, Senior Responsible Owners and directors to confirm their compliance with the organisation's policies and processes.
- An annual attestation implemented for year-end requiring all staff to confirm they have complied with the requirements of the Standards of Business Conduct policy.
- Delivering substantial improvement in the timely completion of management actions arising from internal audit reviews.
- The introduction of electronic platforms for administering risk and internal audit actions; this will be extended to include staff declarations and assurance certifications in early 2018/19.
- Improving adherence to project and programme management controls.

Management assurance

The management assurance processes form a critical part of our control processes. All staff above Band 9 (including off-payroll workers covering a substantive position), Senior Responsible Owners and all other budget holders are required to provide assurance of compliance with controls and accountability requirements. The assurance certification process is undertaken at mid-year and end of year. This year has shown a significant increase in response rates (86% and 85% respectively in 2017/18, compared to 69% and 70% in 2016/17). Further work is ongoing to ensure that systematic action is taken in response to statements of non-compliance and to triangulate this information with other sources of compliance data.

Oversight of NHS England's priorities and related programmes

During 2017/18 the NHS England Board was provided with regular updates on implementation of key commitments included in Next Steps on the NHS Five Year Forward View.

The National Director of Operations & Information holds quarterly review meetings with regions to assess delivery at a geographic level.

The Corporate Executive Group (a sub group of the Executive Group) receives performance information on NHS England's corporate delivery and business functions.

The NHS England portfolio of programmes includes those forming our contribution to the Government Major Projects Portfolio and informatics programmes within the Personalised Heath and Care 2020 portfolio, are overseen by the cross-system Digital Delivery Board.

Whistleblowing

NHS England has arrangements in place to support whistleblowing for staff in both NHS England and external organisations. 'Voicing your Concerns for Staff', our internal whistleblowing policy, is accessible via our staff intranet and website. Emily Lawson, National Director of Transformation and Corporate Operations, is the 'Freedom to Speak Up' (FTSU) guardian for staff in NHS England, and Professor Sir Malcolm Grant, Chair of NHS England, is the Board lead. The FTSU network currently consists of 37 FTSU Guardians, of which 19 (37%) have reported a BME background.

NHS England has been a 'Prescribed Person' for primary care services under the Public Interest Disclosure Order 1999 since April 2016. This allows whistleblowers working in primary medical services, dental services, ophthalmic services and local community pharmacy services to disclose information to NHS England in addition to, or as an alternative to, their own employer. Information on how staff from primary care organisations can raise a concern with us is set out on our website[29]. This activity is overseen by designated regional whistleblowing leads reporting into the corporate governance team. The formal 2017/18 report of 'qualifying disclosures' in line with the Department for BEIS Whistleblowing Prescribed Persons guidance[30] is given at Appendix 3 on page 168.

NHS England received three internal whistleblowing concerns during 2017/18, all of which were investigated in accordance with our policy. CSUs reported an additional four concerns which are being investigated under the CSU's Raising a Concern Policy.

29 www.england.nhs.uk/ourwork/whistleblowing/
30 www.gov.uk/government/uploads/system/uploads/attachment_data/file/604935/whistleblowing-prescribed-persons-guidance.pdf

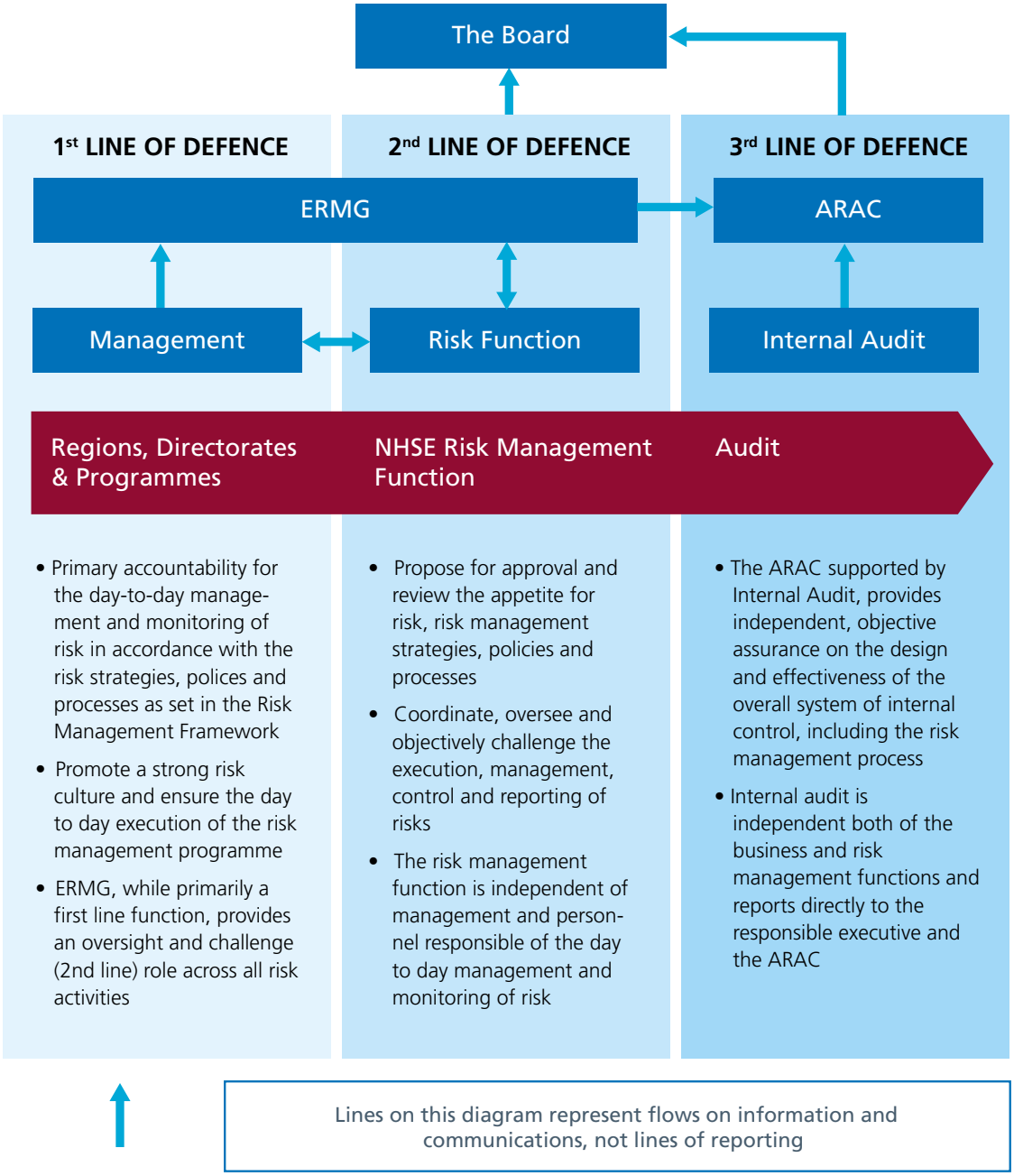
Assuring the quality of data and reporting

At each meeting, the Board receives reports covering finance and operational performance for NHS England and the wider commissioning system. This performance information is subject to scrutiny by both management and the Commissioning Committee.

The Board is confident that the data presented in these performance reports has been through appropriate review and scrutiny and that it continues to develop with changing organisational needs.

Managing risk

During 2017/18 we implemented an enhanced risk management framework to ensure that NHS England employees follow a single process for identifying and managing risks which threaten delivery of services and achievement of objectives. This framework mirrors the three lines of defence of our overarching assurance framework.



Our Executive Risk Management Group (ERMG) is responsible for providing assurance to the ARAC that the executive team are managing risks across the organisation. ERMG oversees implementation of NHS England's risk management framework and reviews those risks escalated to it.

ARAC is responsible for reviewing the establishment and maintenance of an effective system of governance, risk management and internal control, covering all of NHS England's activities.

NHS England's Board has responsibility for ensuring the delivery of the organisation's objectives, including its statutory functions. The Board identifies the strategic challenges to delivering these objectives and the principal risks it needs to manage. During 2017/18, the Corporate Risk Register included:

- System efficiency savings and financial sustainability – significant pressures remain relating to funding levels for the whole of the NHS. We will continue to work with DHSC and NHS Improvement to support the delivery of efficiencies and secure financial sustainability over the period of the spending review.
- Operational performance – the health system faces significant ongoing challenges in the delivery of NHS Constitution access standards. Through our regional teams, we are working with NHS Improvement and DHSC to support the most challenged systems.
- Cyber security – the NHS and NHS England itself faces the need to protect information and the delivery of patient services from the threat of sustained cyber attack.
- Protecting NHS information – we recognise that sharing appropriate information is essential to the delivery of an efficient and effective service and we are taking action to further assure our processes.
- Primary care support services – any poorly performing primary care support services have a potential impact on the efficiency and effectiveness of our front line services. We are working with the relevant third party provider to ensure improved service delivery.
- Transforming primary care – we continue to work to secure additional general practice services and invest in new ways of improving primary care for patients.
- Supporting STPs to transform local health economies – through our regional teams we are supporting the ongoing development of STPs to provide the capability and capacity to deliver successful transformation.

At the end of the year NHS England initiated work to improve the content and format of the Corporate Risk Register and to consider the implications for risk management of planned closer working with NHS Improvement. Management of existing risks and identification of new risks continue, and reporting to ARAC will resume once this review is completed. The board will also have an opportunity to consider NHS England's risk profile later in the year.

Risk appetite

Risk appetite is a balance of the amount and type of risk that the NHS England is prepared to take in pursuit of achieving its strategic vision in the Five Year Forward View with our partners.

In its approach to delivering the strategy set out in the Next Steps on the NHS Five Year Forward View, NHS England has made clear that whilst it understands it must live within the existing legal framework set by the NHS Act 2006 (as amended), it is striving to create new ways of working, integration of services and new models of care. Risk appetite is therefore identified as part of our approach. There are some risks which we are not prepared to take - notably those relating to patient safety - and some areas where our appetite is greater, particularly where this enables innovation.

Clinical assurance

Assuring the quality of services

The quality of commissioned services is assessed periodically by the CQC. It is also assured at the local and regional levels as appropriate through the lead CCG. Our Director of Commissioning Operations (DCO) teams, Regional teams and through the national Quality Assurance Group (QAG).

Membership of the QAG, which reports to the Executive Group, includes the Regional Medical Directors and Regional Chief Nurses, some of whom hold joint posts with NHS Improvement.

The QAG discusses quality risks and issues of national importance within NHS England's remit and agrees national action to mitigate and manage these. In 2017/18 the group has:

- Shared learning and intelligence between regional and national teams relating to quality risks/issues. For example, sharing learning from the major incidents that occurred in London and Manchester.
- Strengthened joint working between NHS England and NHS Improvement. For example, through the members holding joint posts who also sit on NHS Improvement's National Quality Committee and the continued work of the joint Patient Safety Group (a sub-group of the QAG).
- Overseen the development and publication in December 2017 of internal operational guidance for NHS England employees – 'Applying the Serious Incident Framework' – enabling teams to carry out existing duties with confidence in what often can be a challenging and complex area.
- Contributed to the development of national policy and ensured operational alignment with this. For example, contributed to the National Quality Board review of Quality Surveillance Groups (QSGs) and Risk Summits and implemented the resulting guidance published in July 2017.
- Provided feedback on national consultations regarding key pieces of work. For example, in March 2018 responded to the national consultation on 'Facing the Facts, Shaping the Future: A draft health and care workforce strategy for England to 2027'.
- Continued work to strengthen NHS England's internal processes for responding to and learning from Coroners' Regulation 28 Reports to Prevent Future Deaths, with plans to work with NHS Improvement to ensure system oversight of learning and actions from all relevant reports.
- Used clinical leadership to draw attention across the system to specific quality issues.

QSGs provide a network in every locality and region which systematically brings together different parts of the system (including commissioners and regulators) to share quality information, seek assurance and coordinate actions to drive quality improvements. Risk Summits also provide a mechanism for partners to come together, this time to give specific and focussed consideration to concerns raised, generally in relation to a single provider. There are currently 28 local QSGs, reporting to four regional QSGs, which in turn report to the national QAG. Quality risks and issues are identified and managed at the local level and escalated (if necessary) to the regional level (Regional QSGs) and/or national level (QAG).

Other assurance

Cyber and data security

NHS England continues to work with Government agencies such as NHS Digital, the National Security Centre and external suppliers of data and systems to NHS England (including but not limited to Atos and BT), to ensure that we are up to date with the latest threats and that our data is stored and protected appropriately. NHS Digital's Care Computer Emergency Response Team (CareCERT) offers advice and guidance to all health and social care organisations to respond to cyber security threats. Suppliers to NHS England have been informed that it is imperative that all security patches are implemented in a timely and controlled manner to assist in the negation of cyber attacks. NHS England Corporate ICT is also closely linked in with EPRR to ensure that any required communication flows and IT advice are available if required in the event of any substantial attack.

In addition to corporate activity, NHS England is actively leading work with other system partners to ensure that a robust approach is taken on cyber security across the service. Whilst NHS Improvement has a statutory role for Providers and CQC in regulation, there is a need for a coherent approach across the service with the use of levers, investment, regulation and engagement aligned. This includes:

Use of levers

- NHS England can help to drive appropriate behaviours as part of a clear contractual framework across the system - such as the NHS Standard Contract for providers or defining operating models for GP IT, where it has system wide responsibilities.
- Helping direct any investment DHSC makes available across the service to address infrastructure weaknesses in the service.
- Establishing board level leadership for commissioners on cyber-readiness whilst working in conjunction with NHS Improvement on providers.
- Preparing for the impact of a cyber security attack through the creation of the joint DHSC and NHS England 'Cyber Handbook' on improving preparedness for incident response and link into EPRR processes.

Establishing a clear contractual and regulatory framework

- With our input, DHSC has published the single 'Statement of Requirements', based on the data security standards that underpin the NHS England Standard NHS Contract requirements. This sets out expectations across Providers, CCGs and GP practices.

- The 10 Data Security Standards have been included in the NHS England GP IT Operating Model that is being updated to ensure that these are embedded into operational procedures of primary care. This operating model defines the accountabilities of CCGs on cyber readiness and also on GP practices for any equipment that they install. The adherence to the operating model will be captured through the Information Governance (IG) Toolkit and Primary Care Digital Maturity Assessment Tool.
- We are supporting sign up to CareCERT Collect to ensure that alerts are received and acted upon by local organisations. The purpose is to create a "closed-loop" to ensure that a positive response to an alert is received. NHS England and NHS Improvement will then follow up critical CareCERT alerts to confirm that organisations have taken the necessary action (as per National Data Guardian recommendations). There has been a specific focus driving uptake with 100% of Providers signed up.

Addressing infrastructure weaknesses

- £61 million capital funding was allocated to address critical vulnerabilities in Major Trauma Centres and Ambulance Trusts as part of the Government response to the National Data Guardian Review. NHS England has been leading on allocation of this fund during 2017/18 and working with system partners such as NHS Digital to ensure this is addressing key vulnerabilities identified through independent assessments.

Engaging with local leaders

- The National Data Guardian review recommended that NHS England and NHS Improvement should run engagement programmes on local leadership - recognising the critical role that local leadership plays in an organisation's cyber resilience. NHS England is already working with Health Education England, as part Building a Digital Ready Workforce to work with STPs on cyber-related readiness.
- We have engaged with CCG Audit Chairs on the assurances they need to seek as part of their role in oversight of strategic risks (such as cyber). These assurances include:
  - an accountable person on the CCG Board;
  - the Board being provided with assurance for the Data Security requirements for Primary Care IT and for Providers;
  - the undertaking of assurance reviews with regional teams with regard to:
    - the Implementation of High CareCERT alerts;
    - independent assessments undertaken with associated remediation plan;
    - data security training provision to all staff.
  - local cyber champions/leads are now in place within each of the NHS England regional teams. The intention is to create a wider network of cyber leads in conjunction with the Chief Clinical Information Officer (CCIO) and Chief Information officer (CIO) networks and working in partnership with the British Computer Society (BCS) so that we have a register of professionally qualified individuals.

Improving threat surveillance and incident response:

- The creation of the 'Cyber Handbook', developed jointly with DHSC and NHS England.

Information governance

Work has continued to embed the IG operating model and framework to ensure the provision of a high quality and effective IG service for NHS England.

A compliance programme has been established to ensure NHS England's readiness for the General Data Protection Regulation (GDPR) which came fully into force on 25 May 2018. NHS England has made necessary changes to systems, processes, policies and procedures, in line with new data protection law.

A Data Protection Officer has been appointed to provide advice and guidance to NHS England on compliance with its duties under the new regulation. An audit has also been conducted by Deloittes LLP, and affirmative action has been taken to address all recommended actions.

NHS England continues to work closely with CSUs to obtain assurance regarding their data processing activities. Independent audits were commissioned which identified a number of areas of good practice. Action plans are being implemented to address the recommendations that were provided to further improve compliance. NHS England worked closely with CSUs to ensure GDPR programmes were in place and to monitor progress towards full compliance by 25 May 2018.

NHS England continues to work closely with NHS Digital to implement assurance processes which will ensure that the collection and provision of data for commissioners is managed appropriately. A web based Population Health Management Information Governance Support tool is being developed to help organisations understand their legal basis for requesting data and will ensure that they are fully aware of the action they need to take to meet the high standards required to manage patient information for commissioning purposes.

Business critical models

NHS England recognises the importance of quality assurance across the full range of its analytical work. In partnership with analysts in DHSC, we have developed an approach that is fully consistent with the recommendations in Sir Nicholas Macpherson's review of quality assurance of government analytical models (2013).

NHS England analysts take part in workshops to ensure consistent performance and quality assurance across the full range of analytical work. For business critical models, where an error would have a significant reputational, financial or patient care impact, NHS England operates a joint approach with DHSC and other arm's length bodies which includes the maintenance of a register of business critical models and audit of the quality assurance strategy associated with them, overseen by a joint committee of experienced analysts. This committee reviews the quality assurance arrangements for business critical models, based on a self-reported template. Models are regularly reassessed, and to date all relevant NHS England models in the register have passed.

Business critical models operated by NHS England:

Name of model	Type
High level allocations model	Allocation
CCG, primary medical care and specialised allocation model	Allocation
Quality Outcomes Framework model	Financial evaluation
Pricing analysis tool	Financial evaluation
Referral to treatment system model	Forecasting

NHS England has included in its Internal Audit programme for 2018/19 a review of business critical models in order to identify any other operational models, on which we rely, and to test their robustness.

Service auditor reporting and third party assurances

NHS England relies on a number of third party providers (such as NHS SBS, NHS BSA, NHS Digital and Capita) to provide a range of transactional processing services ranging from finance to data processing. Our requirements for the assurance provided by these organisations are reviewed every year. Appropriate formal assurances are obtained to supplement responsibilities for relationship or service provision and routine customer/supplier performance oversight arrangements.

During the year service auditor reports have been specifically commissioned to provide assurance over the operation of our control environment and we are working, where appropriate, with our suppliers to implement ISAE 3402 or similar standards to make sure that the relevant internal controls and control procedures operated by our service organisations have operated effectively. Service providers are requested to address any control weaknesses identified during the ISAE 3402 reporting process within an appropriate timescale.

For 2017/18 we have enhanced the service auditor requirements for our contract with Capita. A report covering the design of the control environment, delivered in November 2017, demonstrated significant improvements; however, a further report covering how embedded those controls are, delivered in April 2018, returned a qualified opinion. We continue to work with Capita to improve the controls in place.

Internal audit

NHS England's internal audit service plays a crucial role in the independent review of the effectiveness of management controls, risk management and governance by:

- auditing the application of risk management and the internal control framework;
- reviewing key systems and processes;
- providing advice to management on internal control implications of proposed and emerging changes;
- being available to guide managers and staff on improvements in internal controls;
- focusing audit activity on key business risks.

Our internal audit service, provided by Deloitte LLP, operates in accordance with Public Sector Internal Audit Standards and to an annual internal audit plan approved by ARAC.

During 2017/18 we undertook a formal competitive tendering exercise for the future provision of the internal audit service, which led to the reappointment of Deloitte LLP. Internal audit updates the plan to reflect changes in risk, and any revisions are reviewed and approved by ARAC.

The internal audit service submits regular reports on the effectiveness of NHS England's systems of internal control and the management of key business risks, together with recommendations for improvement by management (including an agreed timetable for action). The status of audit recommendations is reported to each meeting of ARAC, and during the year the timeliness of implementing recommendations has increased from 39% to 70%.

The Head of Internal Audit opinion for 2017/18 is set out from page 74 of this Annual Report.

External audit

During the year ARAC has worked constructively with the NAO Director responsible for Health and his team. The work of external audit sits outside NHS England's governance arrangements but independently informs NHS England's consideration and evaluation of controls, governance and risk. The work of external audit is monitored by ARAC through regular progress reports. These include summaries of value for money work that is either directly relevant to NHS England or may provide useful insights to ARAC.

The Certificate and Report of the Comptroller and Auditor General is set out from page 109 of this Annual Report.

Control issues

During the year, we have worked to build further controls into a number of management processes identified as requiring improvement:

Strengthening establishment controls

An electronic system has been implemented across NHS England giving each department access to their establishment, and a standardised request form allows changes to be made as necessary. Reconciliation work has taken place between budget holders, management accountants and the Workforce Systems Team in order to ensure data is accurate and cross-checked. As a result, there is now far greater assurance around processes for maintaining the establishment, and a further audit will be undertaken during 2018/19.

Improving control processes for off-payroll workers

During 2017/18 we have further embedded our enhanced control processes for off payroll workers, which were introduced in April 2017. These processes are based on using the Electronic Staff Record (ESR) as a single means of managing workforce information. We have also commissioned further assurance work to ensure compliance with HMRC requirements.

Payroll services contract

Over the course of the last 12 months, NHS England and CSUs have experienced performance issues with the current payroll provision. The service is contracted with CGI under the RM887 framework and provided by a third party subcontractor, NHS Shared Business Services.

The service management of these issues has required the implementation of a service improvement plan with NHS SBS, leading to termination of the current contractual arrangements for delivery. This termination has allowed NHS England and the CSUs the opportunity to undertake a wider detailed review of the service and options for future delivery. The Board will consider these options in due course.

Improving procurement practices and compliance

Substantial investment has been made in both technology and working practices during 2017/18 to further refine and embed the business case and approval arrangements implemented in 2016/17 and thereby ensure that the efficiency and effectiveness of these processes is maximised. This work included significant amendments to the Standing Financial Instructions to implement enhancements identified from feedback and an ongoing programme of working closely with budget holders to develop effective procurement pipelines. The impact of these arrangements has been to increase accountability, aid effective planning and drive value for money. Progress continues to be made in improving adherence to prior approval requirements, and discipline in selection of designated service providers for specific categories of spend.

The existing contract management toolkit has been revised and enhanced to provide a suite of tools that will enable the effective management of contracts by contract managers across NHS England, with expert support provided by the commercial team as required. These revised arrangements, which ensure accountability through contracts being owned by defined individuals supported by training and dedicated commercial support, are being rolled out from April 2018.

NHS England's internal conflicts of interest policy

The Standards of Business Conduct policy was revised and reissued in June 2017 to reflect the new system wide guidance on conflicts of interest issued in February 2017. Further work is planned to ensure that the policy is applied consistently throughout all areas of the business.

Staff currently proactively submit the declarations required by the policy. An electronic platform will be introduced during 2018/19 which will enable us to prompt, deliver and monitor compliance with the standards set out in the policy more systematically.

Strengthening conflicts of interest management in CCGs

We have continued to support CCGs to strengthen their approach to conflicts of interest management. In June 2017, NHS England published revised statutory guidance on managing conflicts of interest for CCGs[31]. The statutory guidance was updated to ensure it was fully aligned with Managing Conflicts of Interest in the NHS[32], published in February 2017. NHS England has delivered further support and training this year to help CCGs to identify and manage conflicts of interest. This has included webinars and the roll out of an online conflicts of interest training package for CCGs. We are continuing to monitor CCGs' compliance with the statutory guidance through the CCG Improvement and Assessment Framework. CCGs are also required to undertake an annual internal audit of conflicts of interest.

Primary Care Commissioning

NHS England retains accountability for the commissioning and contract management of primary care service providers, even where it has delegated this to CCGs. The commitment to strengthen assurance arrangements of delegated CCGs was included in the planning guidance refresh published in February 2018 and the agreed framework for strengthening assurance over delegated responsibilities for primary care, which is due for publication shortly.

The requirements include:

- A self-reported assessment of CCG compliance with published primary medical care policies from each lead commissioner. This will be delivered through the Primary Care Activity Report collection process, which will run from the beginning of April 2018, with reporting expected around July 2018.
- Each CCG publishing a report covering the outcomes achieved through their delegated responsibilities and the way in which assurances have been gained locally. Scoping of the report requirements is underway.
- Delegated CCGs' to include an assessment of compliance against their delegated functions in their internal audit plans.

NHS Shared Business Services incident

In March 2016, NHS SBS, who previously provided primary care support services in three geographical areas, notified NHS England of a backlog of unprocessed clinical correspondence. During the investigation approximately 709,000 items of clinical correspondence were identified and needed to be individually reviewed. As of the 31 March 2018 reviews to establish the impact on patients had been completed on 99.96% of the 709,000 items. The NAO published a report, Investigation: clinical correspondence handling at NHS Shared Business Services[33] in June 2017, which led to a Public Accounts Committee (PAC) hearing in October 2017. The subsequent recommendations made by the Committee following that hearing have been implemented and were presented to the Public Accounts Committee on 26 March 2018. The Clinical Review process has identified one case where the patient did not receive treatment in a timely manner which affected their health. The Information Commissioner has been kept informed throughout.

31 www.england.nhs.uk/publication/managing-conflicts-of-interest-revised-statutory-guidance-for-ccgs-2017/
32 www.england.nhs.uk/publication/managing-conflicts-of-interest-in-the-nhs-guidance-for-staff-and-organisations/
33 www.nao.org.uk/wp-content/uploads/2018/02/Investigation-into-clinical-correspondence-handling-in-the-NHS.pdf

Primary Care Support England (PCSE) clinical correspondence incident

NHS England notified the PAC in October 2017 that it had learned of a further items of clinical correspondence that had not been appropriately redirected. NHS England identified a total of 423,784 items requiring repatriation. Items which required GP action were sent to the corresponding practices for assessment of whether there had been any actual harm to patients. As of the 31 March 2018 reviews to establish the impact on patients had been completed on 99.69% of the 423,784 items.

The NAO published a report on this matter, Investigation into clinical correspondence handling in the NHS[34] on 2 February 2018, to update on the NHS Shared Business Services incident and review the Primary Care Support clinical correspondence Incident. The PAC hearing took place in March 2018. No cases of patient harm as a consequence of this incident have been identified. Details of the related information governance incidents are included in Appendix 7 on page 184. The Information Commissioner has been kept informed throughout.

Other PCSE service issues

The PCSE contract with Capita came into effect on the 1 September 2015. As the NAO confirmed in its recent report, NHS England's management of the primary care support services contract with Capita[34a], in its first two years of operation the contract has saved the taxpayer £60 million. Since that time, Capita has sought to consolidate services previously delivered from numerous local offices using different systems into a national standard service delivered to primary care contractors. PCSE has amalgamated delivery centres across the country so that there are now four major sites processing all activity across England. This is a complex task that continues to require careful management to minimise the impact on stakeholders.

The contract is managed by a dedicated team within NHS England, with the focus on seeking assurance of service quality and obtaining value for money. Through close working relationships with Capita, progress has been made on identifying early performance issues and agreements are in place for rectification.

NHS England continues to work with national stakeholders to understand issues of concern and through the contract to bring a focus on key deliverables. We are aware of dissatisfaction expressed by national representative bodies, in relation to recognised issues such as updates to the performers list, administration of GP pensions[34b], movement of records and timely payments. All of these issues have been a key focus for performance improvement under the contractual agreements in place with Capita, and there have been improvements in the last year. However, both NHS England and PCSE know there is still more to achieve, and the ongoing focus in the coming year will be to ensure sustained delivery, and deal with the findings of the NAO report.

34 www.nao.org.uk/wp-content/uploads/2018/02/Investigation-into-clinical-correspondence-handling-in-the-NHS.pdf
34a https://www.nao.org.uk/wp-content/uploads/2018/05/NHS-England-management-of-the-primary-care-support-services-contract-with-capita.pdf
34b PCSE breached a statutory deadline (30 April 2017) to provide BSA with an up to date pensions record for GP pensions for the year 2015/16. The Pensions Regulator has been informed.

Assurance of the commissioning system

Specialised commissioning

Specialised services support people with a range of rare and complex conditions. They often involve treatments provided to patients with rare cancers, genetic disorders or complex medical or surgical conditions. They deliver cutting-edge care and are a catalyst for innovation, supporting pioneering clinical practice in the NHS.

The Specialised Services Commissioning Committee sets the strategic direction for specialised commissioning and provides assurance over quality, performance and value for money. The Committee also assures decisions made by the Specialised Commissioning Oversight Group (SCOG), which has operational oversight of the £16.6 billion specialised commissioning budget, and the Clinical Priorities Advisory Group (CPAG), which makes recommendations on the commissioning position of treatments and interventions for adoption, or otherwise, by NHS England.

Other direct commissioning

NHS England has a statutory duty to directly commission non-specialised healthcare services (primary care, public health commissioning, armed forces and health and justice commissioning). We discharge this duty through our central and regional teams, and in the case of primary medical care services through CCGs, ensuring that:

- healthcare services are planned locally and effectively, based on the needs of the population;
- services are secured to meet the population's needs;
- the quality of healthcare is monitored.

Within the context of planning and securing services, specific annual objectives are agreed to meet the needs of the population.

Quality monitoring and delivery assurance is overseen by specific oversight groups, which individually report to the Commissioning Committee. We target our resources to focus national oversight on the areas of greatest priority and risk. The three Oversight Groups for public health, armed forces and health and justice focus on key strategies, with regular reports on quality, performance and finance. The Primary Care Oversight Group focuses key operational matters, with detailed operational discussions being held by the Primary Care Delivery Oversight Group. The Commissioning Committee receives regular reports, along with in depth reviews of specific areas on a rotating basis.

During 2017/18, direct commissioning for non-specialised services accounted for £7.8 billion of total commissioning expenditure (this excludes delegated expenditure by CCGs on primary medical care which totalled £6.1 billion).

Co-commissioning of primary medical services

Since April 2015, CCGs have had the opportunity to assume greater responsibility for general practice commissioning via one of three co-commissioning models: greater involvement, joint commissioning and delegated commissioning. Giving CCGs more control and say over primary medical services is part of a wider strategy to support the development of place-based commissioning and new care models.

As of March 2018, 174 of the CCGs have delegated arrangements (representing 84% coverage), and 23 CCGs (11%) have joint commissioning arrangements.

NHS England's Board has committed to support the majority of CCGs to take on the delegated model in future, and additional delegation arrangements have now been agreed with 14 CCGs to be taken forward during 2018/19. Additionally, delegation agreements have been made with a number of newly-merged CCGs, replacing their previous agreements.

As of 1 April 2018, 178 CCGs have delegated arrangements for primary medical services (91%). In addition, 10 CCGs (5%) have a joint commissioning arrangement with NHS England and 7 CCGs (3.6%) are operating under the 'greater involvement' model.

Sustainability and Transformation Partnerships

As detailed in 'Next Steps on the Five Year Forward View' STPs are not statutory bodies. They supplement rather than replace the accountabilities of individual organisations, and the way STPs work will vary according to the needs of different parts of the country.

Place-based health and care systems are defined and assessed primarily by how they practically tackle their shared local health, quality and efficiency challenges. The success of STPs and their constituent organisations is determined by the results they are able to achieve.

In 2017/18 systems have strengthened their governance to include NHS bodies, local government and the third sector.

The most mature systems have put in place mechanisms for joint decision-making and collective risk sharing. They have also become more transparent, involving non-executive directors, lay members and other community representatives.

CCGs

NHS England is accountable for overseeing and assuring the commissioning system to ensure that it is working effectively. NHS England has a statutory duty to performance assess each of the 207 CCGs every year to determine how well it has discharged its functions. CCGs are independent membership organisations, each of which has an appointed accountable officer. They are clinically led and responsible for commissioning high quality healthcare services for their local communities.

NHS England allocates a large proportion of the funding it receives from the DHSC to CCGs and supports them to commission services on behalf of their patients. In turn, CCGs are responsible for demonstrating probity and good governance in managing their finance and performance. Together they account for £81.2 billion of total commissioning expenditure.

Our assurance and oversight functions seek to ensure that CCGs are delivering the best outcomes for their patients and have a high standard of financial management, are administering resources prudently and economically and safeguarding financial propriety and regularity. Parliament has also provided for specified limited rights of intervention by NHS England into CCG functions.

CCG Improvement and assessment

NHS England's CCG Improvement and Assessment Framework (IAF) was introduced in 2016/17 to align key national objectives and priorities and inform the way we manage our relationships with CCGs. The 2017/18 framework builds on this work. It focuses on a manageable number of the highest priorities facing the NHS, but also acknowledges the rapidly changing environment required to transform the health and care system. It has been designed to align with NHS England's mandate and planning guidance to reach beyond CCGs and enable local health systems and communities to assess their own progress from ratings published on the MyNHS website.

The framework plays an important part in the continued delivery of the Five Year Forward View, as set out in the Next Steps document, helping to diagnose issues and apply the most effective support and resources. As STPs develop further, careful attention will be given to the alignment of STP metrics and the CCG IAF.

Legislation requires an annual performance assessment to be carried out at an individual CCG level. NHS England also has the option of using its statutory powers, conferred by section 14Z21 of the NHS Act 2006 (as amended) to support CCG improvement where a CCG is failing or is at risk of failing to discharge its functions. Details of CCG directions can be found on the NHS England website[35].

In July 2017, 23 CCGs assessed as inadequate were placed in special measures. NHS England's special measures regime is an internal management approach to CCGs facing the most significant challenge in the areas of financial and operational performance. During 2017/18, 3 of these CCGs successfully exited the regime.

There are two routes by which a CCG would enter special measures: a rating of inadequate at the annual year-end assessment or an in-year assessment by the relevant regional director that there are significant issues with CCG's leadership, quality and/or financial performance.

When a CCG enters into special measures, a tailored support package is put in place that is delivered through local networks, delivery partners or intensive support teams. The CCG must develop an improvement plan which is agreed with and overseen by NHS England.

86 CCGs have been reported by their auditors to the Secretary of State under Section 30 of the Local Audit and Accountability Act 2014 due to forecasting that expenditure would exceed income during the financial year.

Commissioning capability programme

A new Capability Programme has been introduced that uses a place-based approach to support CCG commissioning teams across health systems to deliver the Next Steps on the NHS Five Year Forward View. The programme is aligned to the IAF and uses existing assessment processes to build capabilities in managing the challenging issues facing commissioners today and to prepare for the future strategy in their local system. NHS England's regional teams work to target improvements in a number of key areas such as CCG leadership, financial planning, strategy development and delivery and innovation for new care models.

35 www.england.nhs.uk/ccg-details/

To ensure the programme builds from existing assessments and is of high quality, the initial focus is to support CCGs currently deemed inadequate (beginning with six local systems) with a 12-week intensive package that is bespoke to each system's context and challenges.

CCG annual reports

CCGs published their individual annual reports via their websites in June 2018. A list of CCGs and links to their websites can be found on the NHS England website[36].

A review of the CCG governance statements found that the primary focus of comments from CCG internal auditors over the year was in the areas of finance, corporate governance, commissioning, information and communications technology and clinical governance. This is in line with expectations and issues previously highlighted by CCGs in earlier exception reports.

Commissioning support units

The five CSUs each operate through an approved annual business and finance plan that sets out their intentions for the year. The plans themselves are developed by the CSUs but are reviewed by the NHS England CSU Team before receiving formal approval by NHS England.

Operational performance and adherence to plans are monitored through monthly returns by each CSU to the CSU Team as part of an operational assurance dashboard. The dashboard provides information to NHS England on aspects of CSU delivery and includes a governance assurance statement signed off by the Managing Director. This ensures NHS England receives assurance from the Managing Director every month of compliance by the CSU with NHS England SFIs, internal controls and gives a clear sight of accountability.

Each of the CSUs is also monitored on an ongoing basis through scrutiny of spending decisions through business case approval and use of off payroll workers. In addition there are two targeted governance meetings a year with each of the CSUs. These meetings test adherence to best practice and focus upon how governance can be enshrined throughout the organisation and wider. The first meeting consists of a detailed examination of the internal processes, systems and management assurance processes within the CSU. Each meeting is with their senior Executive Team, as well as officers with specific responsibilities. The meetings are documented, and evidence is provided to demonstrate the CSU approach. The second governance meeting focuses on specific issues that may have arisen from the first meeting or issues identified by NHS England in the year. This process has ensured NHS England and the CSUs have agreed and focused action plans in relation to any issues that may arise.

Management actions to rectify gaps are undertaken by the CSUs, led by the CSU Finance Director and Managing Director, overseen by the CSU Team. Where appropriate there are reports provided to ARAC and the Commissioning Committee. In 2017/18, CSUs will again meet all of their financial targets and finish the year in a balanced budget position.

CSUs have continued to use the service auditor reporting approach to provide assurance to their customers. Any exceptions relating to the processes CSUs operate for their customers are reported using this approach. The service auditor reporting approach demonstrates continuing improvements across CSUs.

36 www.england.nhs.uk/ccg-details/

CSUs continued to respond to the needs of CCGs and other customers. New work requirements and some existing contracts were put out to competition during the year. They have responded well to this challenge, winning contracts and demonstrating a high level of resilience when contract values have been reduced. They have also managed internal changes, where work has been taken in-house by some customers or where existing contracts have been awarded to an alternative CSU. The impact of this type of change has seen commissioning support providers consolidating their workforce numbers and developing innovative approaches to areas such as data analytics and transformational change.

Review of economy, efficiency and effectiveness of the use of resources

Allocations

The Chief Financial Officer's report, on page 31, provides an update on how we are meeting our responsibility to allocate NHS funds and our ongoing plan to secure future financial sustainability.

NHS England gains assurance about the use of financial resources by commissioners (within the bounds of the NHS Act 2006 (as amended), and recognising the freedoms allowed to GP-led commissioners) through the annual planning process and the in-year monitoring process.

In late 2016 NHS England, together with NHS Improvement, significantly streamlined the annual NHS planning and contracting round with two year operational plans, underpinned by two-year pricing arrangements and a two-year NHS Standard Contract. This was designed to provide greater stability and certainty for planning local health services.

The 2018/19 planning process has seen a limited update to these multi-year plans to reflect the additional funding provided by Government and any significant changes in activity and cost trends in individual health economies.

As well as being tasked to deliver individual CCG and NHS provider control totals, individual organisations are working together through STPs to develop system-wide plans that reconcile and explain how providers and commissioners will work together to improve services and manage within their collective budgets. NHS England and NHS Improvement have asked the most advanced integrated health systems to lead this process proactively and autonomously and have provided them with additional freedoms and flexibilities to enable them to do so.

Financial performance monitoring

In 2017/18 the financial position across the commissioning system has continued to be reported on a monthly basis using the Integrated Single Financial Environment (ISFE) reporting system. This enables a detailed monthly review by the Finance Leadership team and Chief Financial Officer, leading to regular updates to the Commissioning Committee and the Board.

Individual CCG and direct commissioning variances from the plan are rated against business rules, and analysis received from CCGs includes narrative and presentation of any risks and mitigations in addition to the reported forecast position.

Quarterly financial performance information at an organisational level is published on NHS England's website[37].

37 www.england.nhs.uk/publications/financial-performance-reports/

During 2017/18 NHS England and NHS Improvement have introduced a set of regular joint leadership meetings to enable improved monitoring of system wide financial performance.

NHS England central programme costs

Last year NHS England ran a two year business planning process and allocated funding to central programmes over two years. These allocations have been updated by exception where necessary.

Cabinet Office efficiency controls

As part of the Government's control of expenditure, NHS England is subject to specified expenditure controls.

As a consequence, business cases are approved before spending can occur in a range of areas in order to secure best value for money and ensure efficiency is being maximised. For expenditure above certain thresholds in specified categories (e.g. consultancy), approval is also sought from DHSC and for some cases this also requires approval from Ministers, the Cabinet Office and/or HMT. These arrangements are currently under review to ensure that they enable NHS England to operate efficiently and to recognise the strength of NHS England's internal processes.

Counter fraud

NHS England investigates allegations of fraud related to our functions, where these are not undertaken by the newly formed NHS Counter Fraud Authority (NHSCFA), in addition to ensuring that appropriate anti-fraud arrangements are in place. During 2017/18 NHS England contracted Deloitte LLP to provide accredited counter fraud specialists to investigate any cases of suspected fraud and undertake pro-active counter fraud work proportionate to its risks. During the year, NHS England established its own in-house team of Counter Fraud Specialists to investigate allegations of fraud and conduct fraud awareness activities. The NHS England Counter Fraud Team was fully operational by year end. It is anticipated that this change in delivery model will further enhance the effectiveness of the service.

ARAC receives regular updates regarding the development of the counter fraud function, progress against the proactive counter fraud work plan and the outcome of reactive investigations. The Director of Financial Control has day-to-day operational responsibility for the NHS England counter fraud function, and the Chief Financial Officer provides executive support and direction.

NHSCFA conducted a follow up assessment against the Standards for Commissioners: Fraud, Bribery and Corruption in 2017/18. Further improvements were recommended in a number of areas, and NHS England is taking appropriate action in relation to the NHSCFA's recommendations. ARAC receives a report at least annually against the standards.

The NHSCFA undertakes a periodic high-level estimate of the potential scale of fraud affecting the whole NHS. Its Strategic Intelligence Assessment for 2016/17 is due to be published shortly, but its latest Business Plan contained an unverified fraud estimate of £1.29 billion which NHSCFA together with its partners have responsibility for tackling.

Significant progress has been made in this area in recent years, and a number of initiatives continue to tackle the fraud risk in primary care, including the Prescription Exemption Checking Service, the Dental Benefit Eligibility Checking Service and others managed by NHSBSA on behalf of NHS England. These schemes are designed to have a significant deterrent impact but also resulted in net recoveries of £21.6 million in 2017/18. The continued development of the counter fraud service in the coming years will further safeguard NHS England's resources.

Head of Internal Audit opinion

The Head of Internal Audit reports that, based on the internal audit work undertaken and in the context of the overall environment for NHS England for 2017/18, the framework for governance has in his opinion been adequate in 2017/18. The design of the risk management framework at the year-end provides the foundation of a framework to take the organisation forward; however, there is a need to implement a number of actions for the risk management framework to form the basis of a robust framework for an organisation of the size, scale and complexity of NHS England. With respect to the internal control environment, significant effort and progress has been made in addressing outstanding internal audit actions. On this basis, the framework for internal control has been appropriately implemented in the organisation through the 2017/18 year, except for the need to address significant weaknesses in PCSE, third party assurance, conflicts of interest and off-payroll workers, all of which NHS England are aware of.

All of the recommendations raised by internal audit have been accepted by management; actions have been agreed to address these, and considerable focus continues to be placed on the implementation of the actions in a timely manner. For example, a detailed action plan and tracking mechanism has been established to oversee implementation progress for PCSE actions, and an Off-Payroll Workers (OPW) Process and Development Project has been established to address known issues in relation to IR35 compliance and oversee that key actions from our 2017/18 OPW report are being addressed.

In addition, the following factors should be taken into consideration with respect to this assessment:

- Some weaknesses in internal controls in core processes were identified and reported during the internal audit work completed during the year, which were assessed as being fundamental to the system of controls in these areas. These include Grant Management, NHS Digital Governance, General Data Protection Regulations readiness, Third Party Assurance, PCSE, Travel and Expenses, conflicts of interest, risk management, procurement and Off-Payroll Workers. Management actions have been agreed to address all of these observations. However, given the nature of the agreed management actions, not all of these have been completed by year end. Where possible, interim solutions have been put in place, whilst activity remains focussed on the implementation of the agreed actions.
- There were a number of areas of concern identified by NHS England management, for example with respect to NHS SBS, PCSE, payroll and off payroll workers. Projects have remained in place to rectify the identified gaps, or management have requested that we complete additional work in these areas.

- There remains significant reliance on third party providers of core services including:
  - NHS SBS for the Integrated Single Financial Environment (ISFE), transaction processing, procurement and payroll services;
  - NHS BSA for human resources and procurement services;
  - Capita for Primary Care Support Services; and
  - NHS Digital for data processing.

There remains a requirement to further embed the third party assurance framework to obtain assurance over the delivery of services.

Overall summary

Over this year we have continued to strengthen our approach to governance, assurance and controls. We welcome the acknowledgement of the improvements made to overall internal controls - especially the significant progress in the management of internal audit actions to ensure that recommendations are implemented in a timely manner - and we are committed to addressing the further improvements required in PCSE, off payroll workers and third party assurance.

We will be developing our approach to risk management in the coming months to ensure that it remains appropriate for our needs, and in the context of working with NHS Improvement we will consider and action as appropriate any modifications required to our governance arrangements.

Remuneration and Staff Report

Staff report - NHS England

As at 31 March 2018, NHS England directly employed 6,158 people[38]. Of these, 4,711 people were permanently employed on recurrent open-ended contracts of employment, based around the country within seven directorates. A further 1,447 people were employed on payroll on fixed term contracts of employment and 859 individuals were engaged in an off-payroll capacity which includes agency staff and secondees.

Breakdown of number of people employed by directorate

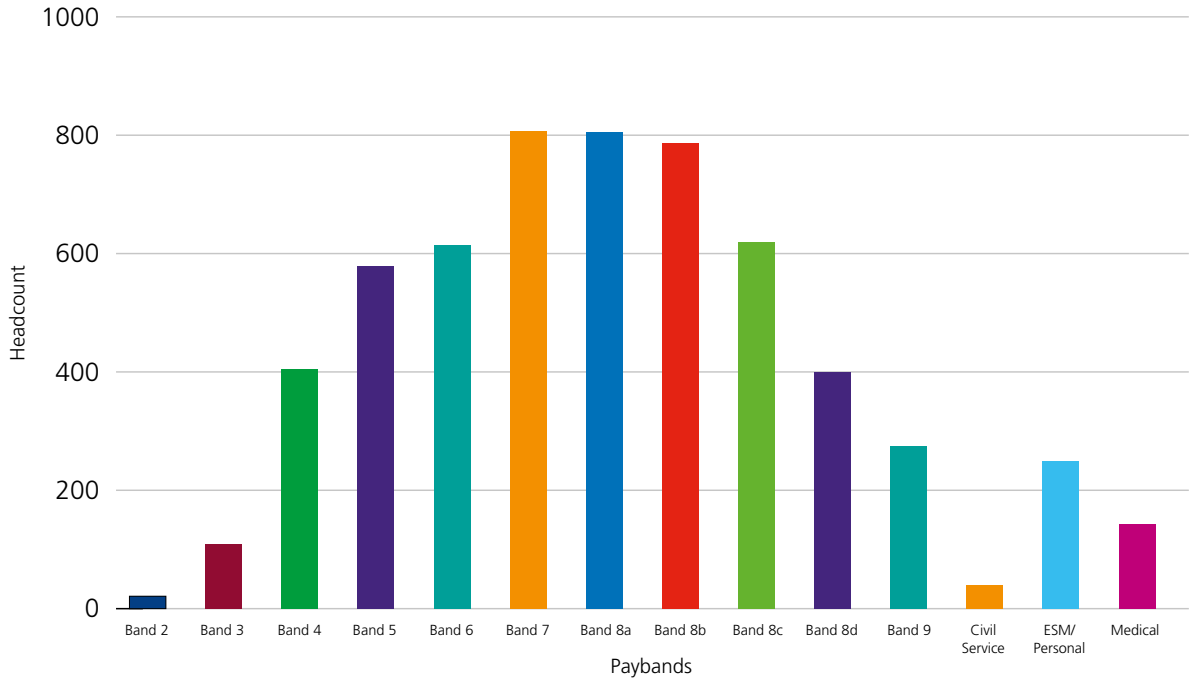
Member		No of people employed
Operations and Information - Central		907
Operations and Information - London		537
Operations and Information - Midlands & East		1,076
Operations and Information - North		1,147
Operations and Information - South		833
Finance, Commercial and Specialised Commissioning:		526
Finance	244	
Specialised Commissioning	282	
Medical		104
Nursing		242
Strategy and Innovation		274
Transformation & Corporate Operations		491
Chair and Chief Executive's Office		21
Total		**6,158**

Detail on staff numbers and costs for NHS England and the Consolidated Group, including CSUs, are presented from page 88.

38 Commissioning Support Unit staff are employed via the NHS Business Services Authority and therefore not included in this analysis. The analysis of Commissioning Support Unit staff is presented from page 86

All staff by pay band

At the same time as reducing our real terms running costs, NHS England has intentionally seen an increase in permanent and fixed term headcount of 14% since 2016/17 as we continue to reduce reliance on more expensive agency and contract labour and deliver our national programmes. The biggest increases in headcount can be seen at Bands 8a to 8c (salary range £40,428 - £69,168 per annum)



The term 'senior manager' denotes all staff remunerated at or above the pro-rata salary of £79,415 per annum (this includes the top tier of Band 8d; 189 of our 419 Band 8d staff are remunerated in the top tier). This is consistent with the definition used within Cabinet Office and HM Treasury returns.

Total On Payroll by Payband

Paybands	Headcount	% of workforce	Variance +/- from 2016/17
Band 2	21	0.3%	-0.1%
Band 3	106	1.7%	+0.6%
Band 4	395	6.4%	+0.3%
Band 5	608	9.9%	-
Band 6	645	10.5%	+0.4%
Band 7	858	13.9%	-0.2%
Band 8a	880	14.3%	+0.4%
Band 8b	829	13.5%	+0.6%
Band 8c	655	10.6%	+0.4%
Band 8d	419	6.8%	-
Band 9	292	4.7%	-0.3%
Civil Service	39	0.6%	-
ESM/ Personal	262	4.3%	-0.3%
Medical	149	2.4%	+0.1%
Total	**6,158**	**100%**	

Our people

Our people are integral to our success. In this section, we concentrate on the organisational activities undertaken to ensure the development of our people and our actions to support delivery of the Next Steps on the NHS Five Year Forward View.

Improving our workforce diversity and inclusion

We continue on our quest to achieve our workforce-related equality objective 'to improve the recruitment, retention, progression, development and experience of the people employed by NHS England to enable the organisation to become an inclusive employer of choice'.

Following the appointment of a new Head of Diversity, we have recruited a new diversity and inclusion team, and they have supported the development of a renewed Diversity and Inclusion strategy. This sets out actions and targets and lays out the plans to deliver across the four priority areas of culture change, targeted talent management, access and data.

We have continued to actively engage with, promote, support and encourage the work of our staff networks. Our existing networks – the Black and Minority Ethnic (BME) staff network; Lesbian, Gay, Bisexual, Trans + (LGBT+) network, Disability and Wellbeing Network (DAWN) and Women's Development network play a growing role in enabling staff to feel supported, engaged and heard. A new staff carer's network has been established during 2017/18. Staff networks continue to have a strong influence on our people policies and practices, for example DAWN's continued involvement in supporting improvements to our reasonable adjustments, the LGBT+ Network's support for language to be more trans-and-non-binary gender sensitive, and the BME network's support for development of BME focused talent management programmes. Furthermore, networks have collaborated, as part of the Equality Impact Assessment and Insight processes, to ensure that core people policies such as Flexible Working and Supporting Employee Performance are more inclusive of under-represented groups.

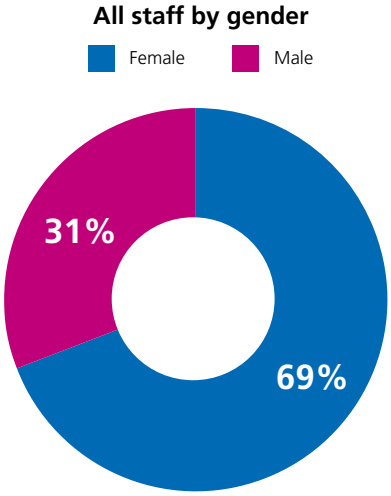
In line with our workforce equality objectives, we continue to seek external review, challenge and accreditation of NHS England's actions as an employer. NHS England participated in the annual Stonewall Workplace Equality Index, being placed 174 out of the 434 participating organisations. This represents a rise of 178 places over the last three years and reflects the work of the LGBT+ Staff Network along with the work we have put in to better recognise and support colleagues from a range of backgrounds. We have also continued to implement and report against the Workforce Race Equality Standard along with other arm's length bodies.

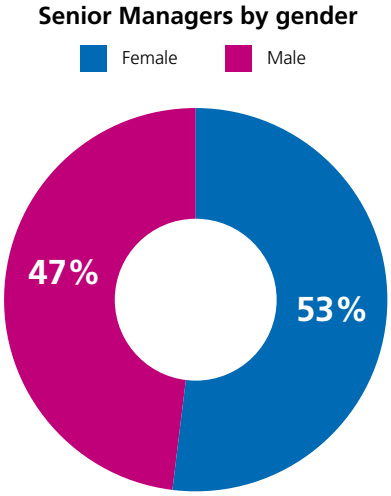
Recruitment and retention of disabled persons

We are proud to be a Disability Confident Employer as recognised by the Department for Work and Pensions; this reflects our desire and our responsibility to ensure that people with disabilities are supported in their employment. NHS England has a number of policies and activities in place to aid the recruitment and retention of disabled staff and those with long term conditions, ensuring that we give full and fair consideration to applications for employment made by people from all backgrounds and offering tailored support for people with disabilities and long term conditions. These include Equality, Diversity and Inclusion in the Workplace; Recruitment and Selection and Flexible Working policies.

A Reasonable Adjustment Task and Finish Group has also been established to undertake a strategic review of current systems and processes, to ensure staff members who have a disability or long term condition are treated fairly and are not discriminated against and to check that reasonable adjustments are effectively implemented across the organisation. The group is comprised of key stakeholders, including those with lived experience from our DAWN network. This group has been established to educate and raise awareness of reasonable adjustments and take positive action, to help create an inclusive environment for all. This includes ensuring reasonable adjustments are understood and delivered to support retention, career development and the promotion of those with disabilities and long term conditions.

All staff by gender and senior managers by gender



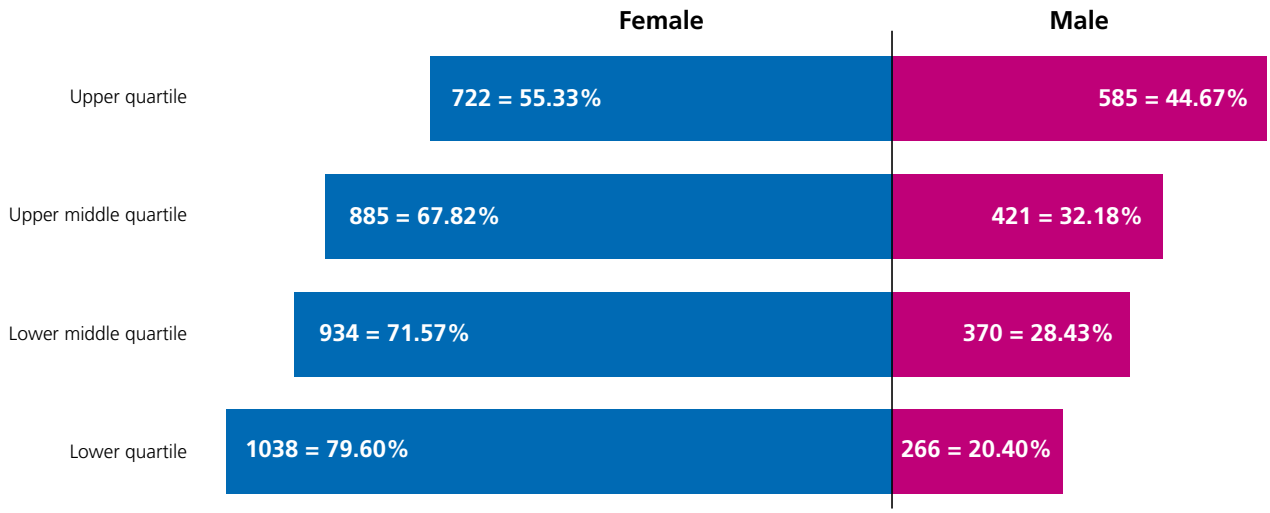


The gender proportions of the total on payroll workforce remain largely unchanged, although the proportion of females in senior manager roles has increased by 2% over the year (2016/17: 51% female, 49% male). The gender diversity of Board members is set out on page 41.

Gender pay gap

Based on the Government's methodology, using snap shot data as of 31 March 2017, NHS England had a mean gender pay gap of 21.2%, calculated as the percentage difference between the average hourly salary for men and the average annual salary for women. The median gender pay gap of 21.5% is calculated as the percentage difference between the mid-point hourly salaries for men and women.

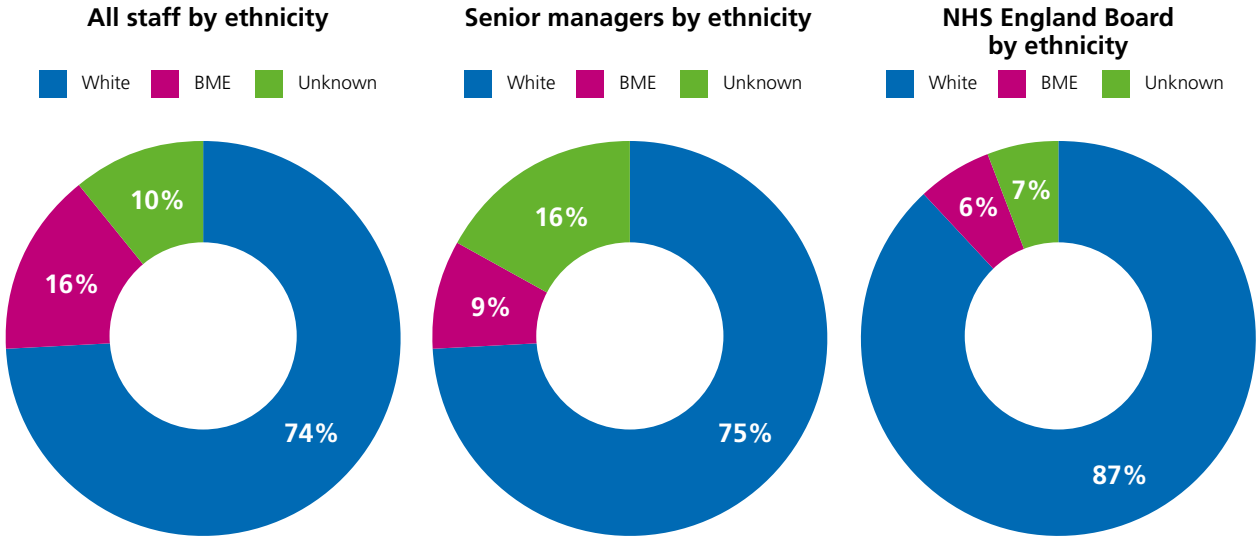
The proportion of males and females in each pay quartile are detailed below:



51% of the population of England are women, and 55% of NHS England's upper quartile senior staff are women. However, 79.6% of employees in the lower quartile are female.

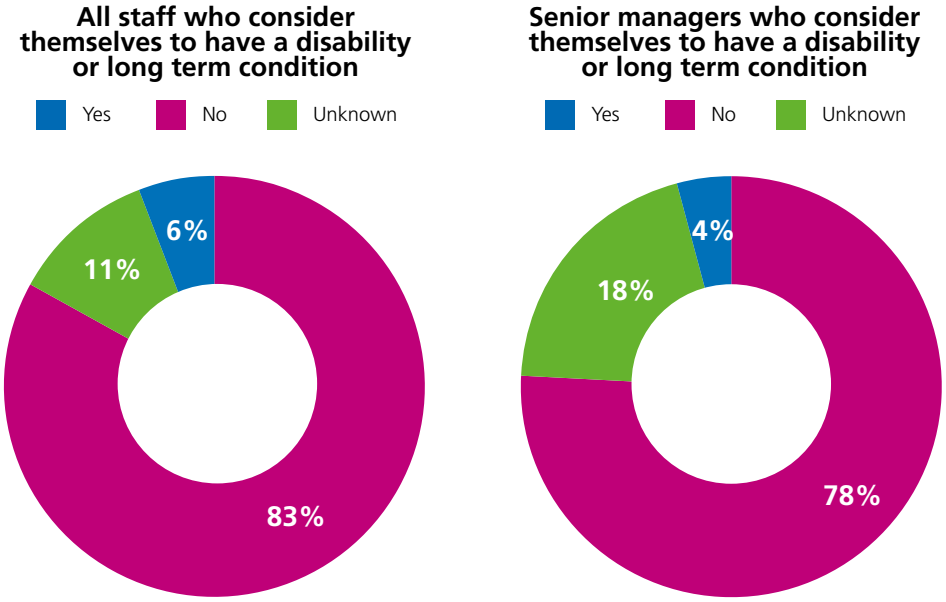
This and other analysis therefore shows that the major driver of our pay gap, as defined by Government, is having a lower proportion of men in lower pay bands relative to their share of the population.

All staff by ethnicity



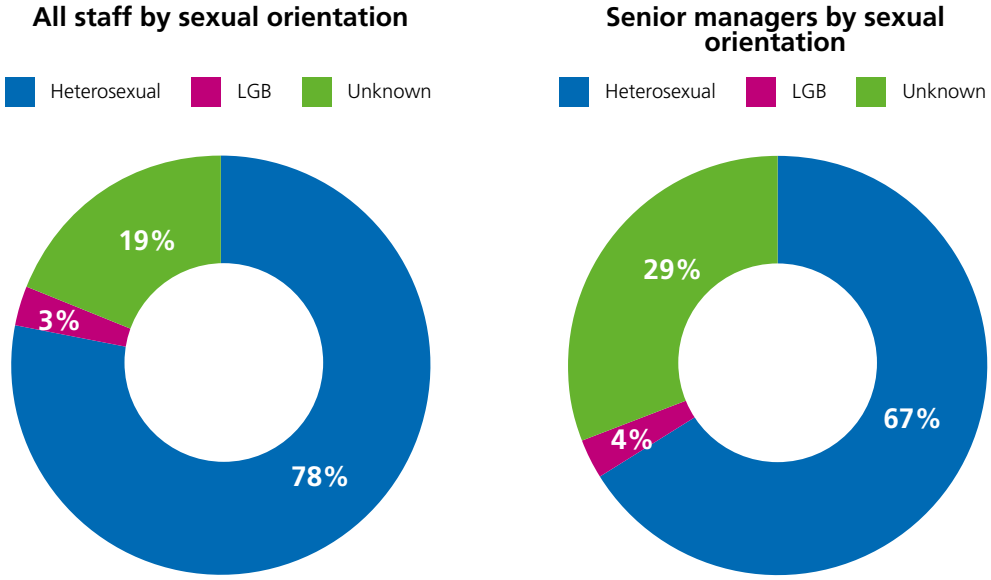
The proportion of people employed by NHS England that consider themselves to be from a BME heritage has increased by 2% over the year for all staff and 1% for senior managers (2016/17: 14% all staff, 8% senior managers and 6% NHS England Board). This is a consequence of sustained and focussed effort with the BME staff network to improve our workplace diversity and inclusion and provides evidence of progress towards the achievement of our workforce equality objective to address data gaps and increase disclosure rates.

All staff who consider themselves to have a disability or long term condition and senior managers



We have worked closely with the DAWN staff to close the gaps in workforce diversity data and encourage people to self-classify. This year an additional 1% of all staff and 3% of senior managers have chosen to disclose whether they have a disability or long-term condition (2016/17: 12% all staff, 21% senior managers). Whilst the proportion of senior managers disclosing a disability or long-term condition has remained constant, there has been a marginal increase in the percentage of staff disclosing a disability or long-term condition (2016/17: 5% all staff, 4% senior managers).

All staff by sexual orientation and senior managers by sexual orientation



Disclosure rates relating to sexual orientation have increased by 2% during the year. The number of staff reporting that they are lesbian, gay or bisexual has remained constant at 3%[39], although there has been an increase of 1% in the number of senior managers reporting that they are lesbian, gay or bisexual (2016/17: 3% all staff, 3% senior managers).

Our people commitments

Our long-term success relies on us having talented, capable, dedicated and patient-focussed people at our core. Over the last year we have continued to shape and strengthen our processes and infrastructure to help to make NHS England a more inclusive employer by making more use of the diverse talents and capabilities of our staff to deliver our business plan. Progress made in each of our 'People Commitment' areas is detailed below.

Talent management and development

Our stretch assignment programme has continued to go from strength to strength, with 64 individuals placed successfully during the year, primarily at middle management grades. Opportunities for stretch assignments are promoted via our staff networks and engagement groups, with approximately one third of assignments being undertaken by individuals from a BME background.

Our coaching and mentoring service provides four key services to the organisation: leadership and governance, service management and network development, research and best practice and consultancy support. The internal service has continued to grow and there are currently 38 qualified coaches, 45 coaches-in-training, a further 12 beginning the qualification and 83 mentors. We have successfully increased the number of coaches and mentors from under represented groups. During the year approximately 330 people received coaching.

Line management development programme

The Line Management Development Programme (LMDP) has proved an important part of our strategy to ensure consistently strong people management practice around the organisation. Key elements of the strategy include:

- Clarifying expectations of our managers.
- Establishing robust policies and procedures to guide good practice, for example; Supporting Employee Performance, Personal Development Reviews and Respect at Work.
- Improving self-awareness using 360° feedback.

During the year 238 staff have graduated from the LMDP, with a further 184 people on current cohorts. When this is combined with managers who attended one of our one day line management workshops (847), this equates to approximately 28% of our total middle/senior manager population who have had this line management training. The positive impact of the programme is evident within the staff survey engagement scores, where 88% staff agreed with the statement 'my immediate line manager treats me with dignity and respect'.

39 It is not possible to record whether staff members classify themselves as transgender on the NHS electronic staff record (ESR), this is a national functionality restriction within ESR and not something that NHS England is able to address locally.

A pilot Senior Line Management Development Programme was also launched in 2017/18 for 16 of our most senior leaders to help build a skilled and cohesive senior management cadre across NHS England.

Apprenticeships

NHS England is embracing apprenticeships as an opportunity to build key capabilities and improve the diversity of our workforce. Our vision is to offer apprenticeships to people of all ages, backgrounds and pay bands and across all of our professions. Our Apprenticeship Scheme was launched in May 2017. We currently employ 20 apprentices across the organisation. In addition we have received around 70 expressions of interest from existing members of staff to undertake apprenticeships once contracting arrangements are in place with national suppliers. This will enable us to offer further apprenticeship opportunities across the organisation.

Workplace health, safety and wellbeing

In October 2017, we made a commitment to become a 'Mindful Employer'. Over the next two years we will ensure that we show a positive and enabling attitude to employees and job applicants with mental health issues. This year, to date, we have trained another 196 Mental Health First Aiders (MHFA) bringing us to a total of 791 members of staff trained as MHFAs since 2014. In addition to delivering training, we have focussed on engagement events with existing MHFAs and have encouraged the development of local MHFA networks.

NHS England discharges its statutory duties to consult with employees on matters that may affect their health, safety or welfare at work. In this regard, a health and safety committee is constituted under the relevant health and safety acts and regulations, with appointed representatives from both management and trade unions.

In recognition of our working carers, we have collaborated with our Carers Network, to produce a Carers Strategy for NHS England and a Carers Toolkit. The Toolkit has been devised specifically to stimulate conversations around individual, team and organisational support for working carers.

Staff engagement and experience

Staff survey

During 2017/18 we ran an interim pulse and full census survey across the whole organisation. Using an external provider, we were able to benchmark the experience of our colleagues with other organisations, in addition to reviewing results for variations based upon protected characteristics. Over the last three years there has been a 13% increase in the engagement of our staff which is now at 76%. This is a very positive reflection of the work of our local staff engagement teams and our line managers, comparing favourably to the ORC UK benchmark of 74% and is comparable with the wider NHS average.

Staff engagement groups

We have 32 local staff engagement groups operating across NHS England, enabling a locally bespoke approach to staff engagement. Local groups feed into a National Network to share best practice across the organisation, connect local leads, bring corporate engagement into

local groups and connect the groups to the Board via the National Director: Transformation and Corporate Operations. This group contributes to the development of our people policies and is more widely engaged in issues affecting staff and impacting on the organisation. The staff survey results are owned locally by these groups and respective action plans developed, with successes celebrated and best practice shared.

Staff recognition

During the last year we have continued to build on the success of our staff recognition scheme 'Everyone Counts Awards', recognising a further 33 colleagues and six teams who have gone the extra mile and been trues advocates of our values and behaviours.

Facility time

Facility time is paid time off for union representatives to carry out Trade Union activities. The information below relates to Trade Union facility time within NHS England.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
15	6,158

NHS England is currently working in partnership with recognised Trade Unions to ensure that a full disclosure, stating information relating to the percentage of time spent on facility time and percentage of pay bill spent on facility time and paid trade union activities in line with the Trade Union Regulations 2017 (Facility Time Publication Requirements) is published on the NHS England website.

Our improvement and change activities

Organisational change programmes

As we continue to transform the organisation, our National Partnership Forum, with the recognised Trade Unions representing NHS England staff, enables us to inform, involve and consult with staff on our future plans.

Progress in 2017 has included realigning our national directorates so they are better able to deliver our priorities and aligning our support to the STPs through the Regional and DCO teams.

In the South region we have been testing closer working with NHS Improvement and in the North we have been using continuous improvement methodology to review some of our systems and processes to identify ways in which we can become more efficient and reduce duplication.

We have assessed our current informatics portfolio and analytical capabilities across NHS England and CSUs and have created implementation plans that will ensure we harness our existing analytical capabilities.

Looking forward to 2018/19

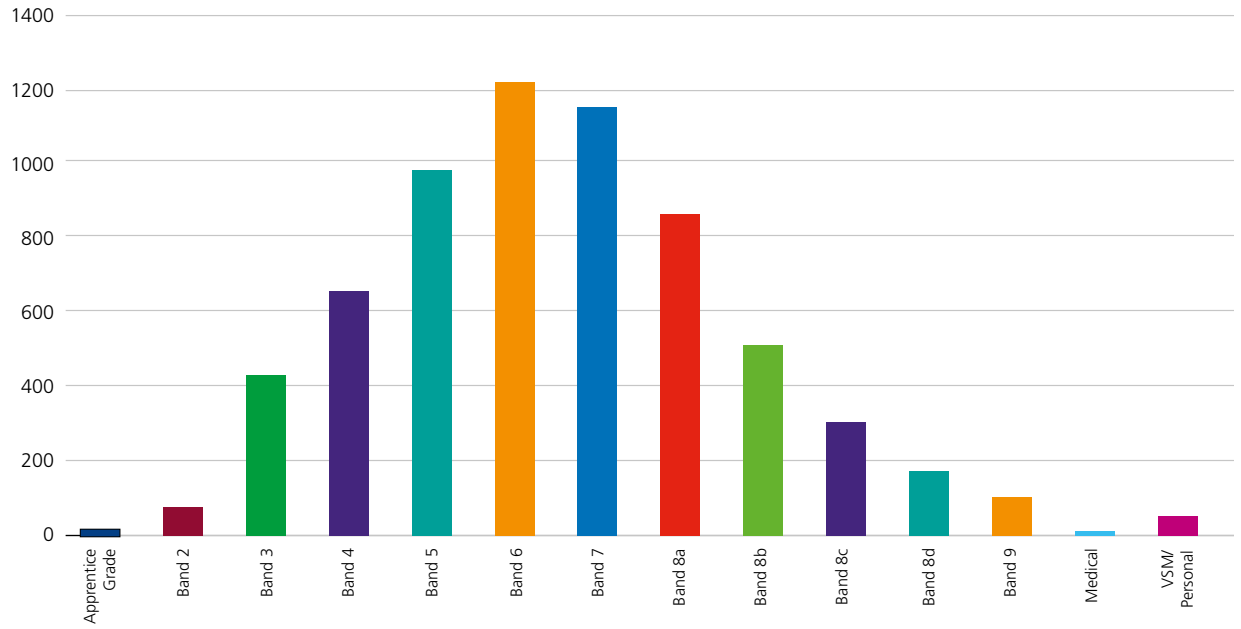
Our approach to People and Organisation Development for 2018/19 will focus upon talent management, leadership, engagement, capability and culture as NHS England continues to evolve.

We will design a future operating model, which will also enable our staff to provide direct support to STPs and the integration of health and care systems.

Staff report - CSUs

As at 31 March 2018, CSUs directly employ a total 6525 people. Of these, 6080 people were permanently employed on recurrent, open-ended contracts of employment, based around the country within the 5 separate organisations. In addition, a further 445 people were employed on payroll on fixed term contracts of employment. A further 931 individuals are engaged in an off-payroll capacity these include agency staff and secondees.

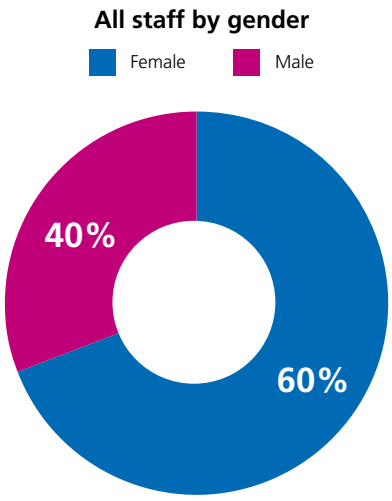
All CSU staff by pay band

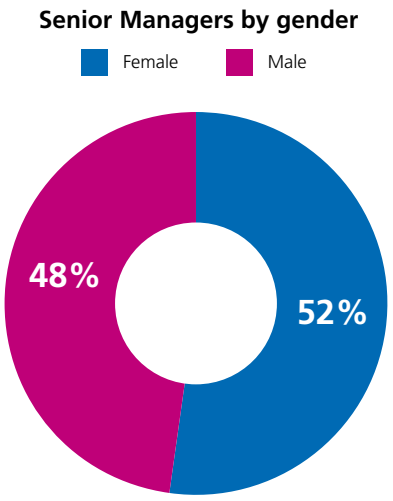


The term 'senior manager' denotes all staff remunerated at or above the pro-rata salary of £79,415 per annum (this includes the top tier of Band 8d; 74 of the 172 CSU Band 8d staff are remunerated in the top tier). This is consistent with the definition used within Cabinet Office and HM Treasury returns.

Paybands	Headcount	% of workforce
Apprentice Grade	3	0.0%
Band 2	86	1.3%
Band 3	428	6.6%
Band 4	652	10.0%
Band 5	989	15.2%
Band 6	1212	18.6%
Band 7	1154	17.7%
Band 8a	856	13.1%
Band 8b	510	7.8%
Band 8c	301	4.6%
Band 8d	172	2.6%
Band 9	102	1.6%
Medical	6	0.1%
VSM/ Personal	54	0.8%
Total	**6,525**	**100%**

All CSU staff by gender and senior managers by gender





Details of the individual gender pay gap for each CSU is obtainable on the Government's gender pay gap service website[40].

40 https://gender-pay-gap.service.gov.uk/

Employee benefits and staff numbers (subjected to audit)

Detail on staff numbers and costs for NHS England and the Consolidated Group, including CSUs, are presented in the following tables:

Average number of people employed

Parent	2017/18				
	Permanently employed number	CSU employed number	Other number	CSU other number	Total number
Total	5,278	6,095	871	482	**12,726**
Of the above: Number of whole time equivalent people engaged on capital projects	-	-	-	-	-

Parent	2016/17				
	Permanently employed number	CSU employed number	Other number	CSU other number	Total number
Total	4,696	6,111	1,019	823	**12,649**
Of the above: Number of whole time equivalent people engaged on capital projects	-	8	-	-	8

Employee benefits

Parent	2017/18				
	Permanent employees £000	CSU employees £000	Other £000	CSU other £000	Total £000
Employee benefits					
Salaries and wages	270,694	235,163	50,833	43,572	**600,262**
Social security costs	31,139	25,140	17	1	**56,297**
Employer contributions to NHS Pension scheme	34,980	30,198	24	1	**65,203**
Other pension costs	-	-	-	-	**-**
Apprenticeship Levy	1,357	1,329	-	-	**2,686**
Termination benefits	257	4,943	-	-	**5,200**
Gross employee benefits expenditure	**338,427**	**296,773**	**50,874**	**43,574**	**729,648**
Less: Employee costs capitalised	-	-	-	-	**-**
Net employee benefits excluding capitalised costs	**338,427**	**296,773**	**50,874**	**43,574**	**729,648**
Less recoveries in respect of employee benefits	(162)	-	-	-	**(162)**
Total net employee benefits	**338,265**	**296,773**	**50,874**	**43,574**	**729,486**

Parent

	2016/17				
	Permanent employees £000	CSU employees £000	Other £000	CSU other £000	Total £000
Employee benefits					
Salaries and wages	236,642	233,052	60,888	70,550	**601,132**
Social security costs	27,285	24,933	7	5	**52,230**
Employer contributions to NHS Pension scheme	31,278	29,501	25	6	**60,810**
Other pension costs	-	-	-	-	**-**
Apprenticeship Levy	-	-	-	-	**-**
Termination benefits	(395)	7,201	-	-	**6,806**
Gross employee benefits expenditure	**294,810**	**294,687**	**60,920**	**70,561**	**720,978**
Less: Employee costs capitalised	-	(196)	-	-	**(196)**
Net employee benefits excluding capitalised costs	**294,810**	**294,491**	**60,920**	**70,561**	**720,782**
Less recoveries in respect of employee benefits	(8)	-	-	-	**(8)**
Total net employee benefits	**294,802**	**294,491**	**60,920**	**70,561**	**720,774**

Average number of people employed

Consolidated Group

	2017/18				
	Permanently employed number	CSU employed number	Other number	CSU other number	Total number
Total	22,408	6,095	2,725	482	**31,710**
Of the above: Number of whole time equivalent people engaged on capital projects	-	-	-	-	-

Consolidated Group

	2016/17				
	Permanently employed number	CSU employed number	Other number	CSU other number	Total number
Total	20,909	6,111	3,174	823	**31,017**
Of the above: Number of whole time equivalent people engaged on capital projects	3	8	1	-	12

Employee benefits

Consolidated Group	2017/18				
	Permanent employees £000	CSU employees £000	Other £000	CSU other £000	Total £000
Employee benefits					
Salaries and wages	1,046,741	235,163	194,512	43,572	**1,519,988**
Social security costs	116,284	25,140	317	1	**141,742**
Employer contributions to NHS Pension scheme	134,388	30,198	242	1	**164,829**
Other pension costs	18	-	-	-	**18**
Apprenticeship Levy	2,824	1,329	-	-	**4,153**
Termination benefits	7,436	4,943	-	-	**12,379**
Gross employee benefits expenditure	**1,307,691**	**296,773**	**195,071**	**43,574**	**1,843,109**
Net employee benefits excluding capitalised costs	**1,307,691**	**296,773**	**195,071**	**43,574**	**1,843,109**
Less recoveries in respect of employee benefits	(6,793)	-	(82)	-	**(6,875)**
Total net employee benefits	**1,300,898**	**296,773**	**194,989**	**43,574**	**1,836,234**

Consolidated Group	2016/17				
	Permanent employees £000	CSU employees £000	Other £000	CSU other £000	Total £000
Employee benefits					
Salaries and wages	946,796	233,052	240,222	70,550	**1,490,620**
Social security costs	105,015	24,933	199	5	**130,152**
Employer contributions to NHS Pension scheme	121,997	29,501	172	6	**151,676**
Other pension costs	-	-	-	-	**-**
Apprenticeship Levy	-	-	-	-	**-**
Termination benefits	2,243	7,201	-	-	**9,444**
Gross employee benefits expenditure	**1,176,051**	**294,687**	**240,593**	**70,561**	**1,781,892**
Less: Employee costs capitalised	(130)	(196)	(116)	-	**(442)**
Net employee benefits excluding capitalised costs	**1,175,921**	**294,491**	**240,477**	**70,561**	**1,781,450**
Less recoveries in respect of employee benefits	(4,990)	-	(93)	-	**(5,083)**
Total net employee benefits	**1,170,931**	**294,491**	**240,384**	**70,561**	**1,776,367**

CSUs are part of NHS England and provide services to CCGs.

The employment contracts or secondment of almost all of these staff are held for NHS England on a "hosted basis" by the NHS Business Services Authority.

Sickness absence

From 1 January 2017 to 31 December 2017, the average number of sick days taken by whole time equivalent employees decreased by 0.4 days against the previous year.

Sickness absence for the period 1 January 2017 to 31 December 2017 was as follows:

	Whole time equivalent days available	Whole time equivalent days lost to sickness absence	Average sick days per whole time equivalent
NHS England	1,929,432	39,567	4.6
CSUs with 12 months of data	1,578,501	46,439	6.6
CSUs with fewer than 12 months of data	683,690	18,125	6.0

Exit packages, severance payments and off-payroll engagement

Expenditure on consultancy and contingent labour (subjected to audit)

Expenditure on consultancy is detailed in the Annual Accounts under Note 4: Operating Expenses. NHS England and CSUs procured consultancy services worth £27 million during the financial year. Across the group, there was a total spend of £85 million on consultancy services during the period, against £101 million the previous year.

Expenditure on contingent labour, including agency staff and secondees, is given on page 86: Employee Benefits and Staff Numbers under the 'other' column. Net expenditure for NHS England and CSUs in this area was £94 million in 2017/18, down from £131 million in 2016/17. Across the group, there was a total spend of £239 million on contingent labour during the year, down from £311 million the previous year.

Further detail on efficiency controls, and steps we have taken to improve procurement practices and compliance within NHS England during the year, can be found in our Governance Statement from page 65.

Off-payroll engagements

NHS England is committed to employing a capable, talented and diverse on-payroll workforce to support the delivery of its Business Plan. It is recognised that in some circumstances the use of off-payroll workers, working alongside NHS England's on-payroll workforce, represents the most effective use of NHS resources in the organisation's pursuit of specific business objectives. Use of fixed term or non-permanent roles can help reduce our future redundancy liabilities and costs. Furthermore, for some of our time-limited programmes, it makes sense to use short term contracts.

The following tables identify off-payroll workers[41] engaged by NHS England as at March 2018.

41 Note that these tables do not include medical appraisers who perform ad hoc short engagements to support the medical revalidation process. Appraisers are selected from a total pool of around 2,800 appraisers.

Table 1: Off-payroll engagements longer than six months

Off-payroll engagements as at 31 March 2018, covering those earning more than £245 per day and staying longer than six months are as follows:

	NHS England (number)	CSUs (number)	Total (number)
Number of existing engagements as of 31 March 2018	514	66	580
Of which, the number that have existed:			
for less than one year at the time of reporting	348	49	397
for between one and two years at the time of reporting	95	14	109
for between 2 and 3 years at the time of reporting	34	2	36
for between 3 and 4 years at the time of reporting	15	0	15
for 4 or more years at the time of reporting	22	1	23

All existing off-payroll engagements, outlined above, have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, assurance has been sought.

Table 2: New off-payroll engagements

New off-payroll engagements or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last longer than six months are as follows:

	NHS England	CSUs	Total
Total number of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	408	77	485
Of which….			
Number assessed as caught by IR35	58	42	100
Number assessed as NOT caught by IR35	350[42]	35	385
Number engaged directly (via PSC contracted to department) and are on departmental payroll	0	0	0
Number of engagements reassessed for consistency / assurance purposes during the year	13	63	76
Number of engagements that saw a change to IR35 status following the consistency review	3	2	5

Table 3: Off-payroll board member/senior official engagement

Off-payroll engagements of Board members and/or senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018 are shown in the table below:

	NHS England	CSUs	Total
Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year	0	0	0
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year.	277	38	315

42 The majority are medical OPWs who will be reassessed during 2018/19 to determine IR35 status

Exit packages including severance payments (subjected to audit)

NHS England operates robust internal controls in respect of such matters, and any proposed non-contractual severance payment would first have to be scrutinised and approved by the Executive HR Sub-Committee before being considered by the DHSC and HMT.

All contractual severance payments were subject to full external oversight by DHSC.

Exit packages agreed during the year

Parent	2017/18			2016/17		
	Compulsory redundancies number	Other agreed departures number	Total number	Compulsory redundancies number	Other agreed departures number	Total number
Less than £10,000	13	10	23	12	9	21
£10,001 to £25,000	8	22	30	34	15	49
£25,001 to £50,000	12	26	38	46	16	62
£50,001 to £100,000	8	15	23	16	12	28
£100,001 to £150,000	1	4	5	7	8	15
£150,001 to £200,000	1	4	5	13	2	15
Over £200,001	-	-	-	-	-	-
Total	**43**	**81**	**124**	**128**	**62**	**190**
Total cost (£000)	**1,453**	**3,628**	**5,081**	**6,372**	**2,919**	**9,291**

Consolidated Group	2017/18			2016/17		
	Compulsory redundancies number	Other agreed departures number	Total number	Compulsory redundancies number	Other agreed departures number	Total number
Less than £10,000	56	78	134	31	28	59
£10,001 to £25,000	48	61	109	49	37	86
£25,001 to £50,000	28	46	74	63	31	94
£50,001 to £100,000	24	33	57	23	18	41
£100,001 to £150,000	5	5	10	12	9	21
£150,001 to £200,000	19	5	24	16	3	19
Over £200,001	2	-	2	1	1	2
Total	**182**	**228**	**410**	**195**	**127**	**322**
Total cost (£000)	**7,983**	**6,946**	**14,929**	**9,057**	**4,878**	**13,935**

Exit packages agreed during the year: Other agreed departures

	2017/18		2016/17	
	Other agreed departures		Other agreed departures	
Parent	**number**	**£000**	**number**	**£000**
Voluntary redundancies including early retirement contractual costs	72	3,539	56	2,854
Contractual payments in lieu of notice	9	89	6	64
Exit payments following Employment Tribunals or court orders	-	-	-	-
Total	**81**	**3,628**	**62**	**2,918**

	2017/18		2016/17	
	Other agreed departures		Other agreed departures	
Consolidated Group	**number**	**£000**	**number**	**£000**
Voluntary redundancies including early retirement contractual costs	82	3,875	69	3,696
Mutually agreed resignations (MARS) contractual costs	48	1,423	-	-
Early retirements in the efficiency of the service contractual costs	4	386	1	48
Contractual payments in lieu of notice	92	1,162	53	1,061
Exit payments following Employment Tribunals or court orders	2	100	4	70
Non-contractual payments requiring HMT approval	-	-	-	3
Total	**228**	**6,946**	**127**	**4,878**

As a single exit package can be made up of several components, each of which will be counted separately in this table, the total number of exit packages will not necessarily match the total number in the table above.

These tables report the number and value of exit packages agreed in the financial year. The expense associated with these departures may have been recognised in part or in full in a previous period.

Redundancy and other departure costs have been paid in accordance with the provisions of NHS England.

Exit costs are accounted for in accordance with relevant accounting standards, and in full in the year of departure.

Where NHS England and CCGs have agreed early retirements, the additional costs are met by NHS England or the CCG rather than by the NHS Pension Scheme and are included in the tables.

Ill-health retirement costs are met by the NHS Pension Scheme and are not included in the tables. During the reporting period there were two ill-health retirements in NHS England. The total cost, which was met by NHS Pensions, was £161,236.

The Remuneration and Staff Report includes the disclosure of any exit payments payable to individuals named in that report.

Remuneration Report

Strategic HR and Remuneration Committee

Detail on the role and activity of the Strategic HR and Remuneration Committee is given in our Directors' Report at page 49.

Pay multiples (subjected to audit)

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

The banded remuneration of the highest paid member of the Board in the financial year 2017/18 was £215,000 to £220,000 (2016/17: £205,000-£210,000). This was 5.38 times the median remuneration of the workforce, which was £40,428 (2016/17: £38,812: 5.35). During 2017/18 the Chief Executive Officer (Simon Stevens) voluntarily took a £20,000 per annum pay cut for the fourth year in a row.

In 2017/18, two employees received remuneration in excess of the highest-paid member of the Board (2016/17: 2), one of whom is employed on a part time basis. Remuneration ranged from £6,844 (part time salary) - £220,430. (2016/17 figures: £1,452 (part time salary) to £220,430).

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

Policy on remuneration of senior managers

The framework for the remuneration of executive directors is set by DHSC through the Executive and Senior Managers (ESM) pay framework for arm's length bodies.

It is the policy of NHS England to pay salaries that are appropriate to recruit senior managers with the necessary skills, capability and experience necessary for the effective running of a more than £110 billion organisation, whilst recognising the importance of demonstrating pay restraint at a time of considerable pressure on NHS finances. Recommending appropriate remuneration for executive directors is undertaken by the Strategic HR and Remuneration Committee of the Board, with final decisions being made by the DHSC arm's length bodies' Remuneration Committee and HMT, where appropriate.

Performance related pay

The performance related pay arrangements for national (executive) directors are set out in the ESM pay framework for arm's length bodies; they follow guidance prescribed by DHSC and are in line with HMT requirements. As a local policy decision, since its inception, NHS England does not currently allocate any funding for performance related pay (PRP) non-consolidated bonus payments. In recognition of the current economic climate and the need to provide effective system leadership for the NHS, the decision was taken by the Strategic HR and Remuneration Committee not to allocate funds for PRP non-consolidated bonus payments for 2017/18.

Secondees are subject to the terms and conditions of their employing organisation.

Policy on senior managers' contracts

Contracts of employment for senior managers are open-ended and recurrent, unless otherwise specified. Notice periods follow the provisions of the ESM contract of employment, as applied by NHS England, of six months contractual notice. Termination payments are only able to be authorised where these are contractual and, subject to the value involved, may still require further approval from the DHSC Governance and Assurance Committee. Any proposed non-contractual special severance payment requires formal approval from DHSC and HMT.

No payments were made to any senior manager to compensate for loss of office.

No payments have been made to past directors and no compensation has been paid on early retirement. This is subject to audit.

Senior managers' service contracts (not subject to audit)

Name and Title	Date of appointment	Notice period	Provisions for compensation for early termination	Other details
Simon Stevens Chief Executive Officer	1 April 2014	6 months	Option to provide taxable pay in lieu of part or all of the notice period	
Paul Baumann CBE Chief Financial Officer	14 May 2012	6 months		
Professor Jane Cummings Chief Nursing Officer	1 April 2013	6 months		
Professor Sir Bruce Keogh National Medical Director	1 April 2015	6 months		Left NHS England on 28 January 2018
Ian Dodge National Director: Commissioning Strategy	7 July 2014	6 months		
Matthew Swindells National Director: Operations and Information	30 May 2016	6 months		
Emily Lawson National Director: Transformation and Corporate Operations	1 November 2017	6 months		
Professor Stephen Powis National Medical Director	1 March 2018	6 months		

Secondments

Name and Title	Date of appointment	Unexpired term at 31 March 2018	Notice period	Provisions for compensation for early termination	Other details
Karen Wheeler CBE National Director: Transformation and Corporate Operations	1 April 2014	0	N/A	N/A	3 year secondment from the DHSC, with the option to extend for 2 further years. Left NHS England on 30 June 2017

With NHS Improvement we jointly appointed Jennifer Howells, Regional Director – South West and Anne Eden, Regional Director – South East with effect from 1 October 2017. These positions are recognised by both organisations as senior leadership roles, with both Jennifer Howells and Anne Eden being members of the executive team at NHS Improvement and disclosed in the NHS Improvement Annual Report and Accounts.

Senior manager salary and pension entitlement 2017/18 (subjected to audit)

Name and Title	(a) Salary (bands of £5,000)	(b) Benefits in kind (taxable) rounded to nearest £100	(c) Performance pay and bonuses (bands of £5,000)	(d) Long term performance pay and bonuses (bands of £5,000)	(e) All pension-related benefits (bands of £2,500)	(f) TOTAL (a to e) (bands of £5,000)
	£000	£s	£000	£000	£000	£000
Simon Stevens Chief Executive Officer[43]	190-195	0	0	0	45.0-47.5	235-240
Paul Baumann CBE Chief Financial Officer	205-210	0	0	0	0	205-210
Professor Jane Cummings Chief Nursing Officer[44]	175-180 (pro-rata - allowance only)	0	0	0	0	175-180 (pro-rata allowance only)
Professor Sir Bruce Keogh National Medical Director[45]	155-160 (pro-rata)	0	0	0	0	155-160 (pro-rata)
Ian Dodge National Director Strategy and Innovation	165-170	0	0	0	37.5-40.0	205-210
Matthew Swindells National Director: Operations and Information[46]	205-210	0	0	0	0	205-210
Karen Wheeler CBE National Director: Transformation and Corporate Operations[47]	35-40 (pro-rata)	0	0	0	27.5-30.0 (pro-rata)	65-70 (pro-rata)
Emily Lawson National Director: Transformation and Corporate Operations[48]	90-95 (pro-rata)	0	0	0	0	90-95 (pro-rata)
Professor Stephen Powis National Medical Director[49]	15-20 (pro rata)	0	0	0	0	15-20 (pro rata)

43 On joining NHS England on 1 April 2014, Simon Stevens voluntarily reduced his pay by 10% from the substantive rate of pay for the post of Chief Executive, which would normally be within the range £210,000–£215,000. Mr Stevens has continued with this voluntary reduction in pay throughout 2017/18.

44 Professor Jane Cummings commenced receipt of an additional responsibility allowance from 15 September 2017 for covering the London regional director role. The figures shown reflect this part year receipt of the allowance. The full year equivalent salary is £185,000-£190,000.

45 Professor Sir Bruce Keogh received an overpayment of £42,818 paid in error between 1 April 2015 and 31 January 2016, and this was fully recovered in the 2017/18 financial reporting period. The amount of the overpayment is not included in the total remuneration figures disclosed. Professor Sir Bruce Keogh retired on 28 January 2018. The full year equivalent salary is £190,000-£195,000.

46 Matthew Swindells was pro-rata previous year as he did not join the post until 30 May 2016. There has also been a pay award which has increased his salary into the next salary band.

47 Karen Wheeler was seconded from DHSC and her salary recharged to NHS England. As such, she was subject to the terms and conditions of her employing organisation. Karen Wheeler left NHS England on 30 June 2017. The full year equivalent salary is £155,000-£160,000.

48 Emily Lawson joined NHS England on 1 November 2017, replacing Karen Wheeler. The full time equivalent salary is £190,000-£195,000. This includes an 8% additional responsibility allowance that recognises extra duties in relation to the PCS service. However, an additional amount of £10,876.92, relating to days worked prior to commencement on 1 November 2017, is included in the pro rata salary disclosed but not in the full time equivalent salary.

49 Professor Stephen Powis joined NHS England on 1 March 2018, replacing Professor Sir Bruce Keogh. The full year equivalent salary is £215,000-£220,000.

Senior manager salary and pension entitlement 2016/17 (subjected to audit)

Name and Title	(a) Salary (bands of £5,000)	(b) Benefits in kind (taxable) rounded to nearest £100	(c) Performance pay and bonuses (bands of £5,000)	(d) Long term performance pay and bonuses (bands of £5,000)	(e) All pension-related benefits (bands of £2,500)	(f) TOTAL (a to e) (bands of £5,000)
	£000	£s	£000	£000	£000	£000
Simon Stevens Chief Executive Officer[50]	190-195	0	0	0	42.5-45.0	235-240
Paul Baumann CBE Chief Financial Officer	205-210	0	0	0	45.0-47.5	250-255
Professor Jane Cummings Chief Nursing Officer	165-170	0	0	0	22.5-25.0	190-195
Professor Sir Bruce Keogh National Medical Director[51]	190-195	0	0	0	0	190-195
Richard Barker National Director: Commissioning Operations[52]	25-30 (pro-rata)	0	0	0	5.0-7.5 (pro-rata)	35 – 40 (pro-rata)
Ian Dodge National Director: Commissioning Strategy	165-170	0	0	0	37.5-40.0	205-210
Matthew Swindells National Director: Operations and Information[53]	170-175 (pro-rata)	0	0	0	0	170-175 (pro-rata)
Karen Wheeler CBE National Director: Transformation and Corporate Operations[54]	155-160	0	10-15	0	50-52.5	215-220

50 On joining NHS England on 1 April 2014, Simon Stevens voluntarily reduced his pay by 10% from the substantive rate of pay for the post of Chief Executive Officer, which would normally be within the range £210,000-£215,000. Mr Stevens has continued with this voluntary reduction in pay throughout 2016/17.

51 Professor Sir Bruce Keogh received an overpayment of £42,818 paid in error between 1 April 2015 and 31 January 2016, this was initially planned for recovery in 2016, actual recovery will not be commencing until 2017/18. Professor Sir Bruce Keogh chose not to be covered by the NHS pension arrangements during the reporting year.

52 Richard Barker was in post from 1 January-30 May 2016, replacing Dame Barbara Hakin who retired on 31 December 2015. The figures shown reflect this part year adoption as a National Director for the period April-May 2016. The full year salary equivalent is within the range £175,000-£180,000.

53 Matthew Swindells joined in the post of National Director from 30 May 2016, his full time earnings were within the range £200,000-£205,000.

54 Karen Wheeler is seconded from DHSC and her salary recharged to NHS England. The non-consolidated bonus relates to 2015/16. The bonus is subject to moderation and any award paid the following financial year.

Pension benefits as at 31 March 2018 (subjected to audit)

Name and Title	Real increase in pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at pension age at 31 March 2018 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31 March 2018 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2017 [55]	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2018	Employers contribution to partnership pension
	£000	£000	£000	£000	£000	£000	£000	£000
Simon Stevens Chief Executive Officer	2.5-5.0	0	30-35	55-60	470	27	529	0
Paul Baumann CBE Chief Financial Officer[56]	N/A	N/A	N/A	N/A	508	N/A	N/A	N/A
Professor Jane Cummings Chief Nursing Officer[57]	0	0	75-80	235-240	1,616 (Restated)	1	1,669	0
Professor Sir Bruce Keogh National Medical Director[58]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ian Dodge National Director: Commissioning Strategy	2.5-5.0	N/A	10-15	N/A	78	10	113	0
Matthew Swindells National Director: Operations and Information[59]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Karen Wheeler CBE National Director: Transformation and Corporate Operations[60]	0-2.5	0	60-65	0	1,151	29	1,191	0
Emily Lawson National Director: Transformation and Corporate Operations[61]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professor Stephen Powis National Medical Director[62]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

55 As per previous submissions, the column Cash Equivalent Transfer Value at 31 March 2017 is the uninflated value whereas the real Increase in CETV is the employer funded increase.
56 Paul Baumann chose not to be covered by the NHS pension arrangements during the reporting year.
57 The CETV at 31 March 2017 has been restated for Professor Jane Cummings following receipt of revised information from NHS Pensions. Professor Jane Cummings ceased her contributions to the NHS Pension Scheme from 1 May 2017.
58 Professor Sir Bruce Keogh chose not to be covered by the NHS pension arrangements during the reporting year.
59 Matthew Swindells chose not to be covered by the NHS Pension arrangements during the reporting year.
60 Karen Wheeler left NHS England on 30 June 2017, therefore the Pension Benefits disclosed are pro-rata for the period 1 April 2017 to 30 June 2017.
61 Emily Lawson chose not to be covered by the NHS Pension arrangements during the reporting year.
62 Professor Stephen Powis chose not to be covered by the NHS Pension arrangements during the reporting year.

Cash equivalent transfer values (subjected to audit)

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 member's accrued benefits and any contingent spouse's (or other allowable beneficiary's) pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures 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. CETVs 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 does not include the increase in accrued pension due to inflation or 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 the period.

Policy on remuneration of non-executive directors

The remuneration of non-executive directors is set by DHSC upon appointment. All non-executive directors are paid the same amount, except the Chair, Vice-Chair and Chair of ARAC, to reflect the equal time commitment expected from each non-executive director. The Chair, Vice-Chair and Chair of ARAC are entitled to higher amounts to reflect the increased time commitment associated with their respective roles.

Some non-executive directors, including the Vice-Chair, have opted to waive their contractual remuneration. Non-executive directors do not receive PRP or pensionable remuneration.

Non-executive director service contracts

Name and Title	Date of Appointment	Unexpired Term at 31 March 18	Notice Period	Provisions for Compensation for Early Termination	Other Details
Professor Sir Malcolm Grant Chair	31 October 2011, reappointed to a second term on 31 October 2015	7 months	6 months	None	
David Roberts Vice-Chair	1 July 2014	3 months	None	None	Waived entitlement to remuneration
Lord Victor Adebowale CBE Non-executive director	1 July 2012, reappointed to a second term on 1 January 2015	9 months	None	None	
Professor Sir John Burn Non-executive director	1 July 2014	3 months	None	None	
Dame Moira Gibb Non-executive director	1 July 2012, reappointed to a second term on 1 January 2015	9 months	None	None	
Noel Gordon Non-executive director	1 July 2014	3 months	None	None	
Wendy Becker Non-executive director	1 March 2016	23 months	None	None	Waived entitlement to remuneration from Sept 16
Michelle Mitchell OBE Non-executive director	1 March 2016	23 months	None	None	
Joanne Shaw Non-executive director, ARAC Chair	1 October 2016	30 months	None	None	
Richard Douglas CB Associate non-executive director	1 March 2018	23 months	None	None	

Non-executive director remuneration (including salary entitlements)

Salaries and allowances 2017/18 (subjected to audit)

Name of non-executive director	2017/18					
	A: Salary (bands of £5,000	**B: Benefits in kind (taxable)** Rounded to nearest £100	**C: Performance pay and bonuses** (bands of £5,000)	**D: Long term performance pay and bonuses** (bands of £5,000)	**E: All pension-related benefits[63]** (bands of £2,500)	**F: TOTAL (A to E)** (bands of £5,000)
	£000	**£s**	**£000**	**£000**	**£000**	**£000**
Professor Sir Malcolm Grant Chair[64]	55-60 (pro-rata)	0	0	0	n/a	55-60 (pro-rata)
David Roberts Vice-Chair[65]	0	0	0	0	n/a	0
Lord Victor Adebowale CBE	5-10	0	0	0	n/a	5-10
Wendy Becker[66]	0	0	0	0	n/a	0
Professor Sir John Burn	5-10	0	0	0	n/a	5-10
Dame Moira Gibb	5-10	0	0	0	n/a	5-10
Noel Gordon	5-10	0	0	0	n/a	5-10
Michelle Mitchell[67]	5-10	0	0	0	n/a	5-10
Joanne Shaw[68]	25-30	0	0	0	n/a	25-30
Richard Douglas From 1 March 2018[69]	0-5 (pro-rata)	0	0	0	n/a	0-5 (pro-rata)

63 Non-executive directors do not receive pensionable remuneration, and therefore have no pension related benefits.

64 Professor Sir Malcolm Grant chose to take six weeks unpaid leave from 12 February 2018 to 23 March 2018. This period of unpaid leave is included in the pro rata salary disclosed. During the period of unpaid leave an overpayment of £3,188 was paid in error to Professor Sir Malcolm Grant which will be subject to recovery in 2018/19. The overpayment is not included in the total remuneration figures disclosed. The full year equivalent salary is £60,000-£65,000.

65 David Roberts has waived his entitlement to non-executive director remuneration. David Roberts also covered the role of Chair for the six week period of unpaid leave taken by Professor Sir Malcolm Grant, to which he waived his entitlement to remuneration. David Roberts is also an associate (non-voting) non-executive director at NHS Improvement.

66 Wendy Becker waived her enititlement to non-executive director remuneration from the 1 September 2016. In 2016/17 pension deductions were taken in error from Wendy Becker, initially these were planned to be refunded in 2017/18, the actual refund will now be made in 2018/19. The underpayment is not included in the total remuneration figures disclosed.

67 Pension contributions were taken in error from Michelle Mitchell during 2016/17. These were discovered and fully refunded in 2017/18. The underpayment is not included in the remuneration figures disclosed.

68 Joanne Shaw received a gross overpayment of £4,379 during the reporting periods 2016/17 and 2017/18, due to the incorrect payment of a High Cost Allowance. This has been fully recovered in the 2017/18 reporting period. The overpayment is not included in the remuneration figures disclosed.

69 Richard Douglas joined NHS England on 1 March 2018. The full year equivalent salary is £5,000-£10,000. Richard Douglas is also a non-executive director at NHS Improvement.

Salaries and allowances 2016/17

Name of non-executive director	2016/17					
	A: Salary (bands of £5,000)	**B: Benefits in kind (taxable)** Rounded to nearest £100	**C: Performance pay and bonuses** (bands of £5,000)	**D: Long term performance pay and bonuses** (bands of £5,000)	**E: All pension-related benefits[70]** (bands of £2,500)	**F: TOTAL (A to E)** (bands of £5,000)
	£000	**£s**	**£000**	**£000**	**£000**	**£000**
Professor Sir Malcolm Grant Chair	60-65	0	0	0	n/a	60-65
David Roberts Vice-Chair from October 2015[71]	0	0	0	0	n/a	0
Lord Victor Adebowale	5-10	0	0	0	n/a	5-10
Wendy Becker From 1 March 2016[72]	0-5	0	0	0	n/a	0-5
Professor Sir John Burn	5-10	0	0	0	n/a	5-10
Dame Moira Gibb	5-10	0	0	0	n/a	5-10
Noel Gordon	5-10	0	0	0	n/a	5-10
Michelle Mitchell From 1 March 2016	5-10	0	0	0	n/a	5-10
Joanne Shaw from 1 October 2016[73]	10-15	0	0	0	n/a	10-15

70 Non-executive directors do not receive pensionable remuneration and therefore have no pension related benefits.
71 David Roberts has waived his entitlement to non-executive director remuneration.
72 Wendy Becker waived her entitlement to non-executive director remuneration from 1 September 2016. NHS England has made employer pension contributions and pension deductions have been taken in error during the reporting period; this has resulted in an underpayment of £200 to Wendy Becker, which will be subject to full refund in 2017/18. The underpayment is not included in the total remuneration figures disclosed.
73 Joanne Shaw is Chair of the Audit and Risk Assurance Committee. Joanne Shaw received an overpayment of £2,600 paid in error during 2016/17, which will be subject to recovery in 2017/18. NHS England has made employer pension contributions and pension deductions have been taken in error during the reporting period; this has resulted in an underpayment of £900 to Joanne Shaw, which will be subject to full refund in 2017/18. Neither the underpayment nor overpayments are included in the total remuneration figures disclosed.

Parliamentary accountability and audit report

All elements of this report are subject to audit.

Remote contingent liabilities

There were no remote contingent liabilities with the exception of those ordinarily disclosed under IAS37.

Notation of gifts over £300,000

NHS England made no political or charitable donations of gifts during the current financial year, or previous financial periods.

Regularity of expenditure: 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 that individual cases are handled. The total number of NHS England losses and special payments cases, and their total value, are stated in the tables overleaf.

Details of any losses and special payments relating to CCGs can be found within individual CCG annual reports which are published on CCG websites. A list of CCGs, and links to their websites, can be found on the NHS England website[74].

74 www.england.nhs.uk/ccg-details

Losses and special payments

The total number of losses and special payments cases, and their total value, was as follows:

Losses

	Parent				Consolidated Group			
	Total number of cases 2017/18 Number	Total value of cases 2017/18 £000	Total number of cases 2016/17 Number	Total value of cases 2016/17 £000	Total number of cases 2017/18 Number	Total value of cases 2017/18 £000	Total number of cases 2016/17 Number	Total value of cases 2016/17 £000
Administrative write-offs	31	358	126	245	314	20,749	341	9,464
Fruitless payments	44	6	38	233	86	15	90	849
Stores losses	-	-	-	-	7	4	-	-
Bookeeping losses	71	5	-	-	71	5	-	-
Constructive loss	-	-	-	-	-	-	-	-
Cash losses	-	-	-	-	8	468	3	1
Claims abandoned	1	34	1	338	2	43	2	339
Total	**147**	**403**	**165**	**816**	**488**	**21,284**	**436**	**10,653**

2017/18 Disclosure: Administrative write offs

Included within Admininstrative write offs in the group is a loss declared by NHS Horsham and Mid Sussex CCG (£7,305k), NHS Crawley CCG (£5,106k), NHS Brighton & Hove CCG (£1,393k) relating to contract payments to providers which have been deemed to be irrecoverable. The value also includes a receivables impairment in Nene CCG (2017/18 £2,658k, 2016/17/nil) for outstanding debt with a local authority.

2017/18 Disclosure: Cash losses

NHS Newham CCG have declared a cash loss of £383k which relates to payments made in financial years 2014/15 to 2016/17 by a third party on behalf of the CCG through a contracting arrangement which is currenlty under investigation. As at 31st March 2018, the investigation was still on-going, and no conclusion has yet been reached as to the recoverability of the amount. There were no such payments made within financial year 2017/18.

2016/17 Disclosure : Claims abandoned

NHS England issued a loan to a GP practice under the provisions of s96 NHS Act 2006 in 2015/16. Due to a change in circumstances of the GP practice the loan is deemed to be irrecoverable and has therefore been written off in the 2016/17 financial year.

Special payments

	Parent				Consolidated Group			
	Total number of cases 2017/18 Number	Total value of cases 2017/18 £000	Total number of cases 2016/17 Number	Total value of cases 2016/17 £000	Total number of cases 2017/18 Number	Total value of cases 2017/18 £000	Total number of cases 2016/17 Number	Total value of cases 2016/17 £000
Compensation payments	5	30	-	-	10	95	10	410
Extra contractual Payments	6,950	3,839	7,330	2,451	6,961	5,373	7,341	2,974
Ex gratia payments	1	5	-	-	11	46	14	228
Special severance payments	-	-	-	-	-	-	1	3
Total	**6,956**	**3,874**	**7,330**	**2,451**	**6,982**	**5,514**	**7,366**	**3,615**

2017/18: Extra contractual payments

Included within extra contractual payments in the parent is a loss for £3 million to meet the expected cost of compensation payments in respect of operational issues with the delivery of Primary Care Support Services. Claims are reviewed on an individual basis and cover items such as claims for interest and charges, claims relating to lost earning as a result of issues with the National Performers List and other payment delays.

In 2016 Guildford and Waverley CCG ran a procurement process for the Surrey Children's Community Health Service on behalf of itself, five other CCGs, NHS England (together the "NHS Commissioners") and Surrey County Council.

The procurement process was challenged and, following legal advice and a mediation process, the parties involved agreed on an out of court settlement and a total payment of £1.560 million has been made in 2017/18 on behalf of all of NHS commissioners. As an organisation NHS England paid £220,000 of the settlement sum.

2016/17: Extra contractual payments

The parent case payments in the prior year are to support repatriation of clinical correspondence to GP practices. This in relation to the NHS Shared Business Services incident identified in the previous year and referred to in the 2016/17 Annual Report.

Cost allocation and setting of charges for information

NHS England certifies that it has complied with HM Treasury guidance on cost allocation and the setting of charges for information.

The fees and charges information is provided in accordance with the Government Financial Reporting Manual. It is provided for fees and charges purposes and not for IFRS purposes.

The financial objective of prescription and dental charges is to collect charges only from those patients that are eligible to pay. The following provides details of income generation activities whose full cost exceeded £1 million or was otherwise material:

2017/18

		Parent			Consolidated Group		
	Note	Income £000	Full cost £000	Surplus (deficit) £000	Income £000	Full cost £000	Surplus (deficit) £000
Dental	2 & 4	807,333	(2,944,521)	(2,137,188)	807,333	(2,944,521)	(2,137,188)
Prescription	2 & 4	567,594	(1,942,072)	(1,374,478)	575,963	(10,467,886)	(9,891,923)
Total fees & charges		**1,374,927**	**(4,886,593)**	**(3,511,666)**	**1,383,296**	**(13,412,407)**	**(12,029,111)**

2016/17

		Parent			Consolidated Group		
	Note	Income £000	Full cost £000	Surplus (deficit) £000	Income £000	Full cost £000	Surplus (deficit) £000
Dental	2 & 4	776,812	(2,909,509)	(2,132,697)	776,812	(2,909,509)	(2,132,697)
Prescription	2 & 4	547,961	(1,997,166)	(1,449,205)	554,935	(10,526,846)	(9,971,911)
Total fees & charges		**1,324,773**	**(4,906,675)**	**(3,581,902)**	**1,331,747**	**(13,436,355)**	**(12,104,608)**

The fees and charges information in this note is provided for fees and charges purposes as per the FReM and not for IFRS8 purposes. The financial objective of prescription and dental charges is to collect charges only from those patients that are eligible to pay.

Prescription charges[75] are a contribution to the cost of pharmaceutical services including the supply of drugs. In 2017/18, the NHS prescription charge for each medicine or appliance dispensed was £8.60. However, around 90% of prescriptions items[76] are dispensed free each year where patients are exempt from charges. In addition, patients who were eligible to pay charges could purchase pre-payment certificates at £29.10 for three months or £104.00 for a year. A number of other charges were payable for wigs and fabric supports.

Those who are not eligible for exemption are required to pay NHS dental charges which fall into three bands depending on the level and complexity of care provided. In 2017/18, the charge for Band 1 treatments was £20.60, for Band 2 was £56.30 and for Band 3 was £244.30.

75 https://www.gov.uk/government/speeches/nhs-prescription-charges-from-april-2017
76 https://files.digital.nhs.uk/publication/s/o/pres-disp-com-eng-2006-16-rep.pdf

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

Opinion on financial statements

I certify that I have audited the financial statements of the NHS Commissioning Board for the year ended 31 March 2018 under the Health and Social Care Act 2012. The financial statements comprise: the Group and Parent 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 undertaken an audit of the information in the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report, which is described in those reports as having been audited.
In my opinion:

- the financial statements give a true and fair view of the state of the group's and of NHS Commissioning Board's affairs as at 31 March 2018 and of the group's and the parent's net operating costs for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Care Act 2012 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the NHS Commissioning Board in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board and the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2012.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the NHS Commissioning Board's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the NHS Commissioning Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information I am required to report that fact. I have nothing to report in this regard.

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 Health and Social Care Act 2012
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report
- the information given in 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 the parts of the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report disclosures 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

12 July 2018

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