HSC Business Services Organisation

Providing Support to Health and Social Care

Business Services Organisation

Annual Report and Accounts

For the year ended 31 March 2017

Business Services Organisation

Annual Report and Accounts

For the year ended 31 March 2017

Laid before the Northern Ireland Assembly under the Health and Social Care (Reform) Act (Northern Ireland) 2009, schedule 3, paragraph 10(5) by the Department of Health

on

23 June 2017

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Section A

PERFORMANCE REPORT

Statement from the Chair and Chief Executive

Welcome to the Annual Report and Accounts 2016-17 of the HSC Business Services Organisation (BSO). This has been another year of very significant change and development, not only within BSO, but in our external operating environment. It is in that context that we look back on what has been another busy and challenging, but productive year. Once again, our staff members have been recognised for their outstanding contributions to health and social care with a variety of regional and national awards. During the year, new systems and ways of working, including our Shared Services Centres (SSCs), have continued to stabilise and become embedded within Health and Social Care and the progress is outlined in the body of this report.

In the wider arena the UK voted in June 2016 to leave the EU. The outcome of this referendum could have major implications for health and social care in the medium to longer term. At a time when the Health and Social Care (HSC) system continues to face huge operational and financial pressures, the vote has added to the economic and political uncertainty. As well as funding and finance, a number of important issues will require resolution for the HSC. These include matters of staffing, access to treatment, regulation (employment, procurement and competition law, professional standards and education) and cross-border co-operation (in public health issues and the scientific research agenda).

At the end of October 2016, the Minister for Health published a ten-year vision for the future of Health and Social Care, entitled *Health and Wellbeing 2026: Delivering Together.* The Ministerial vision provided a long-awaited roadmap for radical reform and transformation of the HSC. The BSO is represented at senior level on the transformation oversight structures and appropriate work-streams to drive forward the required changes. During the past year, a NI Shared Services Project was established to consider the development of shared services across the entire public sector in Human Resources, Payroll, IT and Finance. BSO has been asked to support this project and has being doing so at a number of levels, with Chief Executive representation on programme board.

There have been a number of changes to the membership of the BSO Board during the year. Liam McIvor was appointed as Chief Executive in April 2016. We welcomed a new Director of Finance, Wendy Thompson in May 2016. Alexander Coleman who ably chaired the Board from

Statement from the Chair and Chief Executive

its establishment in 2009 stepped down when his term of office ended in November 2016. We pay tribute to him and to the other dedicated Non-Executive members of the BSO Board who completed their terms of office during the year. Sean Mahon, Brian McMurray and Gerald Strong all stepped down at the end of September 2016. Alan Hanna, Greg Irwin and Robin McClelland continue in their Non-Executive roles at the request of the Department of Health. Together with the members of the Senior Management Team, they have all helped to provide clear direction for the organisation through its many changes and challenges over the years. The Minister appointed Julie Erskine as the new Chair in December 2016 together with five new Non-Executive Directors. We welcomed Robert Bannon, Mark Campbell, Patricia Gordon, Jeremy Stewart and Professor Dorothy Whittington and thank them for the contributions they are already making.

As newly appointed Chair and Chief Executive of BSO, we are struck by the high levels of professionalism and enthusiasm evident across the organisation. Despite ongoing change and resource constraints, members of staff within BSO continue to meet the challenges with innovation and a determination to succeed. Working in partnership with our customers, BSO plays an increasingly significant part in the improvement of the health and well-being of the population of Northern Ireland.

We have much pleasure in presenting this report and look forward to the coming year and delivering even more for the people of Northern Ireland.

Mr Alexander Coleman
Chair
(to 30th November 2016)

Ms Julie Erskine
Chair
(from 1st December 2016)

Mr Liam McIvor
Chief Executive

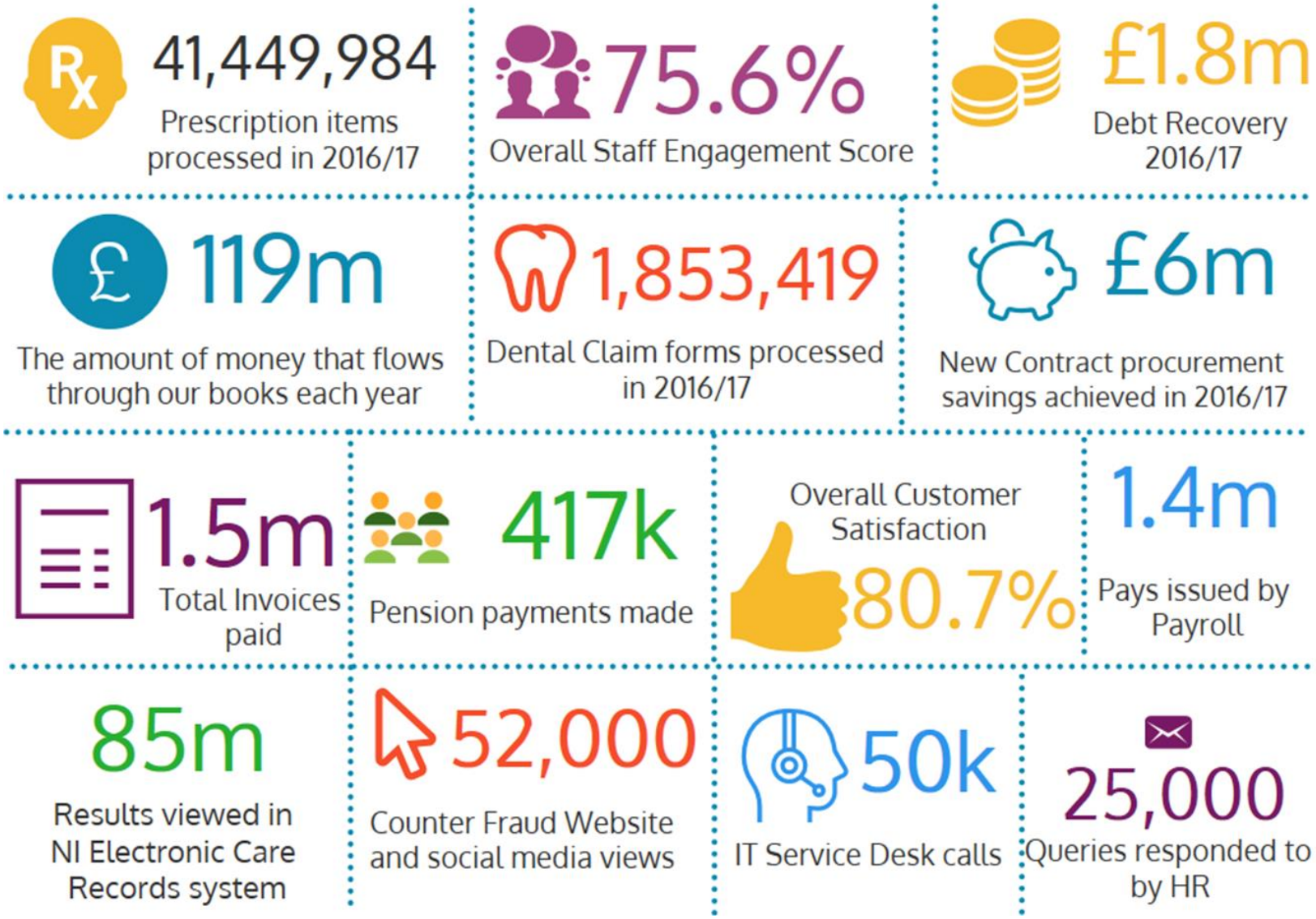
Purpose and Activities of the Organisation

Services Provided

The Business Services Organisation (BSO) was formed on 1 April 2009 under the Health and Social Care (Reform) Act (NI) 2009 as part of the second phase of the Review of Public Administration (RPA). The BSO was created to deliver a range of business and specialist professional support services to Health and Social Care.

These services include procurement, technology support, legal services and internal audit. Services are delivered from a number of locations throughout Northern Ireland, while the headquarters of the BSO is based at 2 Franklin Street, Belfast.

BSO Activity 2016-17 at a Glance



Our Mission:

"To deliver value for money and high quality business services to Health and Social Care, so contributing to the health and wellbeing of the population of Northern Ireland."

Strategic Objectives and Values 2015-18

In order to help us fulfil our Mission in an increasingly challenging environment, our Strategic Objectives for the three year period 2015-18 will be the focus of everything we do:

(i) To Deliver Value-for-Money Services to Our Customers

(ii) To Grow Our Services and Customer Base

(iii) To Pursue and Deliver Excellence through Continuous Improvement

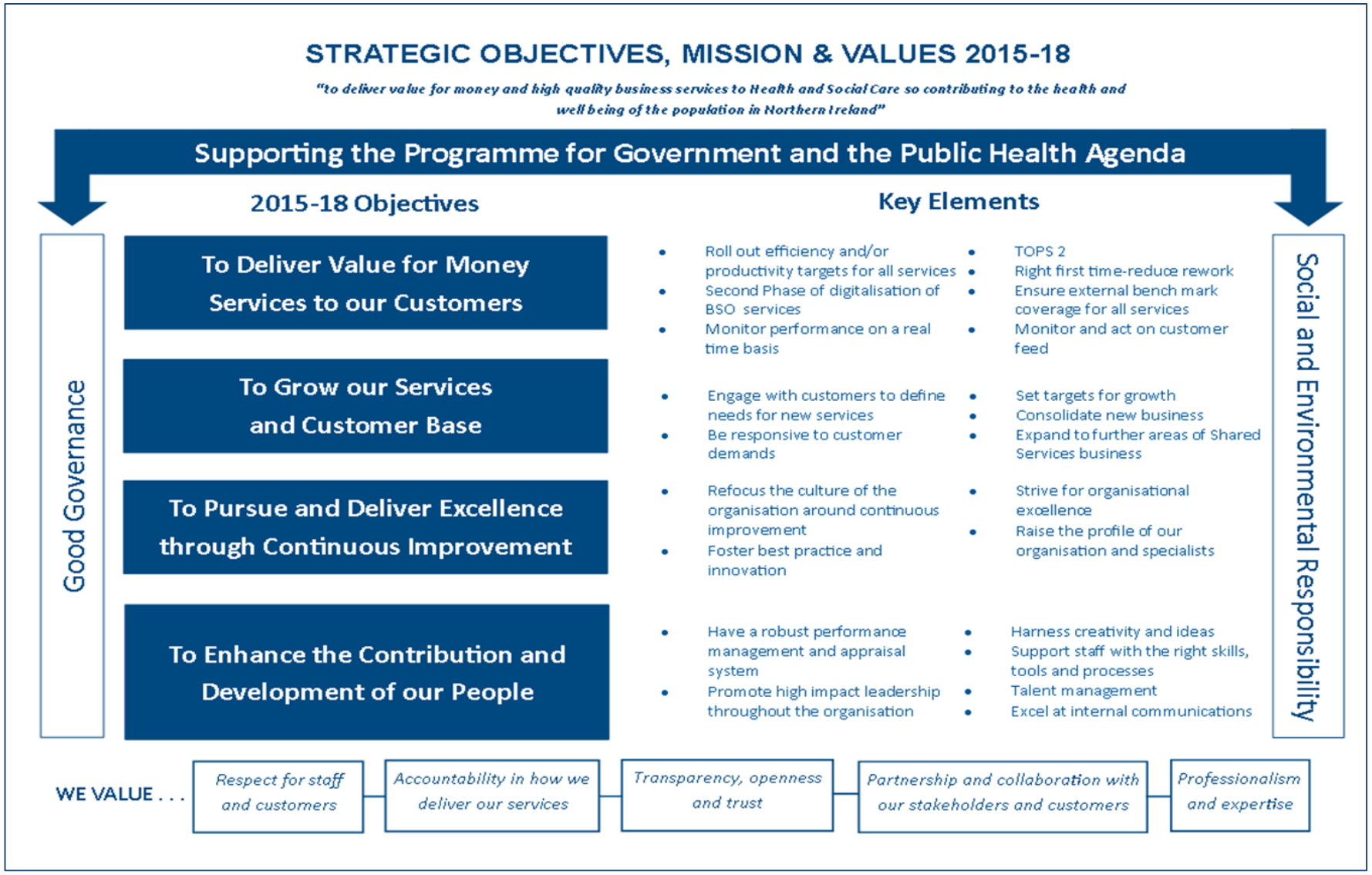
(iv) To Enhance the Contribution and Development of Our People**.**

Our Values ensure that we deliver to our Mission and are as follows:

- Respect for Staff and Customers
- Accountability in how we use Our Resources
- Transparency, Openness and Trust
- Partnership and Collaboration with Our Stakeholders and Customers
- Professionalism and Expertise.

The BSO Strategy for 2015-18 is diagrammatically represented overleaf.

BSO Strategy 2015-18



Strategic Issues and Risks

The BSO is an Arm's Length Body and is required to take its lead from wider strategic vision and goals of the Department of Health (DoH). Along with the wider HSC, BSO is conscious of the strategic context within which it operates and aims to support the over-arching Programme for Government and wider Public Health agendas. BSO aims to do this through a framework of good governance and which takes account of its social and environmental responsibilities.

A number of specific developments which occurred during 2016-17 which will affect future plans for the BSO have been outlined in the Chair and Chief Executive's Statement.

Risk Management is an organisation-wide responsibility. In the BSO, there are two key levels at which the risk management process is formally documented i.e. Corporate and Directorate Risk Registers. The BSO receives much of its assurance through its Corporate Risk and Assurance Report. This contains the risks to the achievement of Strategic Objectives, outlines the existing controls and assurances and identifies gaps in controls and assurances and outlines any necessary actions required to control these gaps. Progress on risk actions and changes to the risk profile were monitored monthly by the BSO Senior Management Team and quarterly by the BSO Board through 2016-17.

A Risk Workshop was held for the BSO Board in March 2017 which provided an opportunity to 'scan the horizon', refresh the organisational risk appetite and change the layout and reporting mechanisms of the Corporate Risk and Assurance Report. The Board identified a number of emerging risks to the BSO to be included in a Horizon Scan section of the Corporate Risk Register. The following areas were discussed: political instability; financial pressures; impact of EU Exit; NI Public Sector Shared Services; HSC Restructuring; changing Data Protection regulations; pace of clinical and IT developments; cyber security risks; changing stakeholder needs and expectations.

Further detail concerning Risk Management processes, issues and challenges to BSO in 2016-17 and anticipated future issues is contained in the Governance Statement section of this document.

PERFORMANCE ANALYSIS

How Did We Perform in 2016-17?

The current BSO Corporate Strategy to covers the three-year period from 2015-18 and includes our Strategic Objectives, Mission and Values.

The BSO had a wide range of challenging priorities and targets to meet in 2016-17. These requirements were aligned with our Strategic Objectives and incorporated into our Business Plan with appropriate key actions set against them. The following gives a flavour of our achievements against the Strategic Objectives throughout the year, including performance against those priorities and targets.

1. Delivering Value for Money Services to Our Customers.

KEY ACHIEVEMENTS:

- In May 2016, we *led a pilot in the use of electronic information exchange for a court case*. This pilot was referred to in the Civil Justice Review published in October 2016 and which recommended the implementation of paperless or paperlight courts.
- By June 2016, we had *further developed a service portfolio/catalogue* and supporting materials.
- By June 2016, we had *agreed a HSC contracting programme for 2016-17 with our stakeholders*.
- By June 2016, we had seen the *go-live of our new Service and Maintenance Contracts procurement service*. This will assist HSC organisations to secure improved value for this range of contracts
- By September 2016, we had *identified options for the award of a New Framework Agreement on IT (Technology Partnership Agreement)*.
- By November 2016, *we had commissioned and tested a new platform as part of the migration of BSO-provided IT services to the new shared Public Sector Data Centres*.
- By March 2017, we had *incorporated new areas of Shared Service* into our corporate benchmarking programme.

How Did We Perform in 2016-17?

2. Growing our Services and Customer Base

KEY ACHIEVEMENTS:

- By June 2016, we had *implemented and tested a new technology platform for the NI Fire and Rescue Service.*
- By July 2016, *we had completed and begun to move towards implementation of a Corporate Shared Services offering across the smaller regional HSC bodies.*
- By July 2016, we had prepared proposals/business case for *the implementation of Social Care Procurement across the HSC.*
- By January 2017, we had *prepared a detailed regional procurement plan for Social Care Procurement*.
- By March 2017, we had *participated in the Programme Board for Public Sector Shared Services.* Where appropriate, we had attended and presented at NI and UK wide Shared Services conferences.
- By March 2017, we had provided a *full range of financial management services to a number of arms-length bodies, including RQIA for the first time.*

3. Pursuing and Delivering Excellence through Continuous Improvement.

KEY ACHIEVEMENTS:

- By July 2016, we had gone live with *an extended Community Equipment and Continence Service providing store to door service for all patients and clients throughout the Western Trust area.*
- By March 2017, we had awarded *a new Energy Contract with annualised savings of circa £4.5m which also delivers a range of social benefits* linked to the Making Life Better strategy.

How Did We Perform in 2016-17?

- By March 2017, *99% of Enhanced Services Claims from GPs were being submitted electronically.*
- By September 2016, the Clinical Education Centre had initiated the design and delivery of the *regional Allied Health Professionals Supervision Training*.
- By October 2016, *19 new interpreters had been registered with the Regional Interpreting Service to meet demand for priority languages* such as Arabic, Bulgarian and Romanian.
- By March 2017, the Office for Research Ethics Committees NI had *achieved its target of 75% paperless ethical review at its full committee meetings and become 100% paperless in all other areas of the service.*
- By March 2016, we had *exceeded the standard of paying 95% of undisputed invoices within 30 days and the target of 70% within 10 days.*
- During 2016-17, our Counter Fraud and Probity Services introduced *an electronic option for claimants under the National Healthy Start Scheme.* This scheme is designed to provide reimbursement in relation to the supply of milk to children under five years of age.
- By March 2017, we had *saved the HSC sector over £2.9m in-year, through two initiatives instigated by the Directorate of Legal Services. These were in relation to the capping of Counsel Fees and challenging of third party solicitor costs*.

4. Enhancing the Contribution and Development of Our People.

KEY ACHIEVEMENTS:

- By September 2016, we had encouraged 300 members of staff to take responsibility for exercise and learn more about mindfulness, nutrition, sleep and recovery through the *Global Corporate Challenge*. *Participating members of staff noted improvements in their weight, sleep and recovery.*

How Did We Perform in 2016-17?

- By December 2016, we had *placed nine individuals in the BSO under the Disability Work Placement Scheme*. This scheme, run in conjunction with the HSC Board and Supported Employment Solutions (SES) is now in its third year.
- By March 2017, the *HSC Leadership Centre had delivered nine regional senior leadership programmes with attendees from HSC, DoH and the community and voluntary sectors*.

Sustainability Report

The Statutory Duty for Sustainable Development applicable to public authorities is set out at section 25 of the Northern Ireland (Miscellaneous Provisions) Act 2006 and applies to all Northern Ireland Departments and District Councils. The six priority areas are:

- Building a dynamic, innovative economy that delivers the prosperity required to tackle disadvantage and to lift communities out of poverty;
- Strengthening society so that it is more tolerant, inclusive and stable and permits positive progress in quality of life for everyone;
- Driving sustainable, long-term investment in key infrastructure to support economic and social development;
- Striking an appropriate balance between the responsible use and protection of natural resources in support of a better quality of life and a better quality environment;
- Ensuring reliable, affordable and sustainable energy provision and reducing our carbon footprint;
- Ensuring the existence of a policy environment which supports the overall advancement of sustainable development in and beyond Government.

We are committed to making a contribution to those areas which we can influence as we recognise that the current requirements on the planet's natural resources are not sustainable. As such, we realise that our organisation has its role in the protection of these resources and have implemented various methods in the achievement of our goals. The BSO has Environmental Management and Waste Management Policies which set out the Organisation's commitment to environmental issues and the responsible management and disposal of waste.

Another BSO contribution towards protecting resources is the inclusion of sustainable procurement considerations within our tendering processes. We continue to move our infrastructure onto a more sustainable footing by installing LED lighting, specifically within Campsie and Boucher Crescent this year. In addition we have installed new condensing boilers in Franklin Street and the Leadership Centre. We adopt good practice in the use and recycling of materials We also continue to develop the use of video and audio conferencing facilities and encourage staff to use the Cycle-to-Work and Bus Rail Translink *TaxSmart* schemes.

Social & Community Involvement

By April 2016, the HSC Leadership Centre had raised **£266.20** for 'Amethyst Outreach'. This charity aims to help homeless people by providing emotional support,food, clothing and bedding.

ITS took part in the '*Cycle Against Suicide'* event from Cookstown to Sligo during May 2016.

Recruitment and Shared Services staff raised **£190** by holding a "yellow day". All the staff wore yellow to raise money for the Tiny Life charity.

PaLS took part in the Tiny Life Dragon Race and held a BBQ in May 2016. These events raised **£1,570** for the Tiny Life charity which helps the premature baby unit in NI.

In September 2016 PaLS held a Coffee Morning in The Cottage, Ballymena and raised **£260** for '*We Are MacMillan Cancer Support'.* The contribution and attendance of Northern HSC Trust staff was also greatly appreciated.

In May 2016 the HSC Clinical Education Centre raised **£1,257** for MacMillan Cancer Support by fielding three relay teams in the Belfast Marathon.

Social & Community involvement

A total of **£2,806** was raised for Aware NI at the annual Charity Dinner Dance in October 2016. Donations from the Law Society, as well as family and friends of BSO staff all added to the money raised.

ITS had fun in November 2016 and raised **£1,200** for BBC *Children in Need* 2016 with music, dancing and cakes.

When donations were added to the money raised by the BSO Dinner Dance in October 2016, the total amount was £3306 for the chosen charity, AWARE NI. AWARE NI is the only charity in Northern Ireland that works exclusively to help people affected by depression. The funds raised will also be put towards the delivery of mental health and wellbeing courses to young people in schools.

Chief Executive

DATE: 13 June 2017

Section B

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

BSO Board

Chair

Mr Alexander Coleman (until 30 Nov 2016)

Ms Julie Erskine (from 1 Dec 2016)

Chief Executive

Mr Liam McIvor (from 25 April 2016)

Mr Hugh McPoland, Acting Chief Executive (from 1 April to 24 April 2016)

Non-Executive Directors

Mr Robert Bannon (from 1 Dec 2016)

Mr Mark Campbell (from 9 Jan 2017)

Ms Patricia Gordon (from 12 Dec 2016)

Mr Alan Hanna

Mr Greg Irwin

Mr Sean Mahon (until 30 Sept 2016)

Mr Robin McClelland

Mr Brian McMurray (until 30 Sept 2016)

Mr Gerald Strong (until 30 Sept 2016)

Mr Jeremy Stewart (from 1 Dec 2016)

Prof. Dorothy Whittington (from 1 Dec 2016)

Executive Directors

Mrs Andrea Henderson, Acting Director of Finance (from 1 June 2015 to 30 April 2016)

Mr Hugh McPoland, Director of Human Resources & Corporate Services

Mr Sam Waide, Director of Operations

Ms Wendy Thompson, Director of Finance (from 1 May 2016)

Directors

Mrs Karen Bailey, Director of Customer Care & Performance

Mr Alphy Maginness, Chief Legal Advisor

Register of Interests

The BSO holds a Register of Directors' Interests which contains the declared interests of both Executive and Non-Executive Directors, including company directorships. This is available to view at:

Chair and Chief Executive's Office
Business Services Organisation
2 Franklin Street
BELFAST
BT2 8DQ (Telephone: 028 9536 3863)

BSO Board

Committees of the BSO Board

The BSO Board has established three Committees to assist in carrying out its duties, namely the Remuneration and Terms of Service Committee, the Governance and Audit Committee and the Business Committee. Further details regarding the Committees can be found in the Governance Statement at the conclusion of this Accountability Report.

Audit and Assurance

The BSO's external auditor is the Northern Ireland Audit Office who have appointed PricewaterhouseCoopers LLP (PwC) to carry out the detailed audit work to support the Comptroller and Auditor General's opinion. The financial statements include a non-cash charge of £115,000 for the statutory audit of the 2016-17 Annual Accounts. Non-audit services in relation to the National Fraud Initiative to the value of £6,064 were provided to the BSO in 2016-17.

All Directors have confirmed that, to the best of their knowledge:

- There is no relevant audit information of which the BSO's auditors are unaware;
- They have taken steps as Directors in order to make themselves aware of any relevant audit information and to ensure that auditors are aware of that information;
- The Chief Executive and relevant committees have confirmed that the BSO's auditors have been made aware of any relevant audit information.

A Governance Statement is included later on in this Corporate Governance Report and is also available on request from the Director of Finance and on the BSO website (www.hscbusiness.hscni.net).

DIRECTORS' REPORTS

Chief Executive

The Heads of Shared Services, HSC Clinical Education and Leadership Centres continued to report directly to the Chief Executive of BSO during 2016-17. The Acting Head of Shared Services attended meetings of the Senior Management Team weekly and the Heads of HSC Leadership and Clinical Education Centres on a monthly basis.

Shared Services

BSO Shared Services provides defined corporate services to all HSC organisations for:

- Accounts Payable (Payments Shared Services);
- Accounts Receivable (Income Shared Services);
- Payroll, Travel and Subsistence;
- Recruitment and Selection.

In addition to the above specialist shared services centres, BSO Shared Services also provides common system and data administration operations for the Finance Procurement and Logistics (FPL) and the HR Payroll Travel and Subsistence (HRPTS) systems.

Business Services Team

Achievements in 2016-17 included:

- Consolidated the Shared Services & Business intelligence reporting, to facilitate the monitoring of shared services performance and communicate the enhancements achieved by the teams within shared services.
- On track with implementation of improvement projects incl. HSCNI Upgrade of Finance, Procurement and Logistics System and SAP HRPTS Fiori Portal
- Implemented a System and Call Management resolution services for:-
    - FPL
    - HRPTS
    - eRecruitment candidate support
    - SAP Fiori
    - Regional Interpreting Service
    - CRM / Sharepoint
- Delivered the HSCNI National Fraud Initiative Programme 2015-2016

Looking Ahead to 2017 - 18

- Delivery of the FPL Upgrade and SAP Fiori Portal to the HSCNI
- Implementation of GHX Marketplace and Supplier Self Service Portal to conclude Benefits Realisation schedule for BSTP Shared Services

Shared Services

Income Shared Services

Achievements in 2016-17 included:

- Significantly reduced Days Sales Outstanding across the region by over 80% from transition to Shared Services. A further reduction of 10 days within the 2016-17 financial year created a positive impact on HSC cash flow.
- The Accounts Receivable Shared Service Centre became a corporate member of the Chartered Institute of Credit Management (CICM) in September 2016 and achieved the CICM Quality Accreditation in March 2017.
- Over 50% of staff became CICM Affiliate Learners and successfully achieved the Credit Management qualification in January 2017.
- Significant improvement in customer satisfaction derived from the 2016/2017 customer survey.

Looking Ahead to 2017 - 18

- Income Shared Services will work with Equifax via the Public Sector Gateway using data analytics to make more informed and cost effective decisions on debt recovery strategy for HSC
- Working with Public Sector Shared Services Programme to contribute to Public Sector bench marking

Payments Shared Services

Achievements in 2016-17 included:

- Implementation of Benefits Realisation Programme to leverage scale and improve efficiency and effectiveness of Payments Shared Services.
- Significant savings within operations to realise the business case within BSTP.
- Substantial focus on Prompt Payment has allowed customers to target specific areas for internal improvement.
- Continuous improvement programme has reduced amount of paper waste within operation producing savings for customers.
- Substantial cleansing of supplier files to mitigate duplicate processing.

Shared Services

- Significant improvement in customer satisfaction derived from the 2016/2017 customer survey.

Looking Ahead to 2017- 18

- Migration of key suppliers to Cloud and Self Billing to achieve final business case outcomes
- Standardisation of financial information for HSCNI
- Transition offline authority framework to online forms

Recruitment Shared Services

Achievements included:

- Implementation of major improvement and standardisation plan to address the significant issues within HSCNI recruitment
- Collaboration with HSCNI to develop the eRec system to deliver enhanced reporting and improved performance
- Achievement of several key changes to the HSCNI recruitment process to add value and reduce over-processing.
- Successful implementation of training programme to develop and support staff

Looking Ahead to 2017- 18

- Lead on Innovation Workshop to explore the opportunities to develop and enhance current recruitment channels.
- Exploit social media to access candidates to achieve effective outcomes
- Develop good quality information to support workforce analysis across the HSCNI

Payroll, Travel and Subsistence

- Implemented significant changes to the HRPTS system including the 1% Pay Award and Pension Auto-Enrolment.
- Implemented a training programme to enhance the skills and knowledge of staff to specific payroll function

Shared Services

- Significant improvements achieved within pension processing team and several priority tasks progressed with HSCNI collaboration.

Looking Ahead to 2017-18

- Support HSCNI to migrate staff to HRPTS portal submissions ESS/MSS
- Support HSCNI to transition manual or offline processes to HRPTS via ETM04
- Direct resources to manage improvement of payroll operation in regards to quality and customer satisfaction.

HSC Regional Interpreting Service

The main aim of the Regional Interpreting Service (RIS) is to facilitate communication between Health and Social Care (HSC) Providers and Patients who do not speak English proficiently.

Key Achievements and Developments in 2016-17

- Demand for Interpreting continues to increase with over 100,000 requests for Interpreters processed during 2016-17 and over 98% of bookings successfully fulfilled
- 19 new Interpreters were registered in October 2016 to meet demand for priority languages such as Arabic, Bulgarian and Romanian
- The success of the 2016 Interpreting Service Online booking system was evidenced by the December 2016 Customer Survey which highlighted that 93% of HSC Staff rated the system as "Excellent" or "Good"

Looking Ahead to 2017-18

- RIS will undertake a programme of capacity building to meet increasing demand for priority languages such as Arabic and Bulgarian
- RIS will continue to deliver a programme of Working Well with Interpreters Training Sessions to Staff and Practitioners across the HSC. The training highlights the importance of access to HSC services, legislation, access criteria and cultural differences.

HSC Clinical Education Centre

The HSC Clinical Education Centre (CEC) provides in-service education for Nurses, Midwives and Allied Health Professionals (AHPs) across all HSC Trusts in Northern Ireland. We also provide education and training on a consultancy basis to voluntary and independent sector organisations.

Key Developments and Achievements in 2016-17

Service Level Agreement targets

The CEC exceeded its Service Level Agreement targets set for 2016-17. This is evidence of increased productivity and efficiency working within current resources. CEC remains flexible and responsive to its core clients. Following requests from the DoH we

- successfully initiated the design and delivery of the Regional AHP Supervision Training in September 2016
- designed and are in the process of delivering an Induction and Objective Structured Clinical Examination (OSCE) preparation programme to support the newly recruited International Nurses to meet Nursing and Midwifery Council (NMC) Registration requirements.

Use of Non-Recurrent Funding

During the year, by using non-recurrent funding, the CEC hosted and delivered a number of multi-disciplinary learning events:

- Transition from Child to Adult Services
- ECT Regional Workshop
- Falls Prevention
- Transfer of Learning
- Sepsis – 'Everyone's Business'
- Continuum of Restraint Interventions
- Solihull Regional Trainers Forum

HSC Clinical Education Centre

During 2016-17 CEC Nursing and Midwifery piloted the use of online evaluation. Following the success of the pilot, online evaluation was rolled out in September 2016 for all CEC programmes. As at the end of December 2016, the response rate has been very encouraging. There has been an average return rate of 72% across Nursing and Midwifery Unit programmes (Open Short Courses and Open Study days) and 79% across Allied Health Professional Unit programmes.

ISO

The HSC Clinical Education Centre achieved ISO 9001:2015 accreditation in November 2016. This accreditation was awarded for the quality management system in place for the design, planning, delivery and evaluation of education and training programmes for nurses, midwives and allied health professionals.

Looking Ahead to 2017-18

In 2017-18 the CEC will strengthen its relationships with the DoH and our core clients, the HSC Trusts to respond to the changing demands associated with a dynamic modern health and social care system. CEC intends to play a key supporting role in the transformational agenda. We will do this by working closely with the Ministerially appointed Nursing and Midwifery Task Group and the NMC as they review standards for Nurse and Midwifery Education.

HSC Leadership Centre

The HSC Leadership Centre (formerly the Beeches) was established in 1993 to provide a range of management and organisational support to health and social care organisations. The Centre offers a range of innovative, high quality and cost effective products and services to HSC organisations divided into three product areas:

- Consultancy – bespoke support to meet client needs;
- Brochure programmes - Management Development and Short Course programmes;
- IT – a wide range of programmes from basic IT skills through to the development of innovative IT solutions to support transformation change.

Key Developments and Achievements in 2016 -17

Leadership Programmes: In total HSCLC delivered nine regional senior leadership programmes in 2016-17 with attendees including HSC and DoH staff as well as representatives from the community and voluntary sector. These programmes were aimed at Directors/Medical Directors, Assistant Directors/Co-Directors/Senior Clinicians, and Middle Senior Manager/Heads of Services respectively. The overarching aim was to develop the leadership capacity both collectively and individually of leaders across the health and social care region and they were delivered in partnership with a range of industry leaders including colleagues from the public, private, community and voluntary sectors, academic partners and leading national and international speakers.

Overall, reaction to the programmes was extremely positive with a range of knowledge, skills and networks developed over the course of the programmes. The tangible results on the business and subsequent return on investment was evidenced by the respondents' willingness to recommend the programme to other colleagues. And given the success of the initiative, three of the nine – Acumen, *Proteus* and *Aspire* have been commissioned and commenced for 2017-18.

Business Improvement MSc/Post Graduate Diploma: HSCLC entered a new collaborative partnership with Ulster University (UU) to deliver a programme aimed at equipping students with skills so that they can improve the operational performance of their respective organisations.

HSC Leadership Centre

This is the first time the Centre has engaged in joint delivery with the University and there was an excellent subscription to the programme with 26 commencing from HSCLC and a further 8 from UU.

Clinical Leadership Fellow: The Leadership Centre was pleased to link with NIMDTA to secure one of the Clinical Leadership Fellows. Dr Ruth Thornbury was appointed from August 2016 and works between HSCLC and the HSC Safety Forum. The Fellowship is progressing well and has been a positive addition to the Leadership Centre for a second year running.

Looking Ahead to 2017 -18

*Senior Leadership Alumni***:** Several of the senior Leadership Development Programmes from 2016-17 have commenced their Alumni events, including AHPs, Social Work, Acumen and Proteus. These have provided participants with the opportunity to sustain networks developed during the programmes and further their leadership development. Feedback from the initial sessions has been very positive with participants highlighting the benefits of this continued contact. More events are scheduled for 2017-18.

Breakfast Seminars for 2017-18: A series of HSC Leadership events, talks and workshops**,** Lessons from Leaders, took place in 2016-17. Following on from their success a new series of Seminars is due to launch in 2017-18 when a range of speakers with varying leadership backgrounds will be invited to speak. These will showcase lessons worth learning from the HSC, Social Care and elsewhere and are built around the HSCLC core themes of Culture and Engagement, Service Reform and Efficiency and High Impact Leadership development.

*Outcomes Based Accountability***:** The Leadership Centre has commissioned the National Children's Bureau to deliver training to our Management Development consultants in Outcomes based Accountability (OBA). With the introduction of a Programme for Government 2016-21, the HSC system will require support in using an OBA framework to assist the planning and delivery of services. Once trained, our Consultants will be able to support HSC organisations to increase workforce capacity and capability in OBA methodology.

Operations Directorate

Mr Sam Waide

Director of Operations

This has been another successful year for our largest Directorate portfolio of service offerings within Business Services Organisation Operations. We continue to work with delivery partners in collaboration with local, national and international organisations to deliver high quality services across Health & Social Care in Northern Ireland. Our service offerings include Procurement and Logistics Service (PaLS), Family Practitioner Services (FPS), Pensions Administration, Counter Fraud & Probity Services (CFPS) and the Small Business Research Initiative (SBRI).

The Operations Directorate leadership team, management and staff have delivered significant additional outcomes to customers whilst being recognised externally for our quality of service. Recognition of our success includes:-

- Gartner benchmarking recognition of Functional Excellence
- BSO Customer Survey result of 97% satisfaction across the Directorate
- NI Winners in a Safety & Quality award for the Family Practitioner Services team
- UK and Ireland Finalists in Innovation Procurement and Sustainable Procurement
- External re-accreditation for our Community Equipment Service for patients
- External re-accreditation for Investors in People
- Institute of Director NI finalists 2016-17
- HSC Pension Regulatory Compliance on time and on budget
- 100% increase in Supplier Portal Usage by Ophthalmic providers

Operations Directorate

- 47% increase in the use of online procurement catalogues by customer users over the last two years
- Within Small Business Research Initiative, two successful field trials in medicines optimisation and five working prototype technology solutions successfully delivered for patients in their homes
- Additional Procurement & Pensions Administration services launched and being delivered to customers including NI Fire & Rescue Service & Health Trusts
- Key note speakers for Procurement in Dublin Supply Chain Events
- Thought Leadership articles for Institute of Directors, Chartered Institute for Purchasing & Supply and Organisation for Economic Cooperation and Development (OECD).

In addition, the Directorate has provided leadership in transitioning the Business Services Transformation Programme into business as usual functions within BSO, whilst ensuring that the remaining recruitment module and processes within the HR system have deployment plans for 2017-18.

The following sections demonstrate the diligent work, commitment and successful outcomes provided by staff across the Directorate, in a year where demand for services have increased, whilst funding continues to be constrained. Moving forward in 2017-18, the Directorate has a clear programme of work to pursue excellence, deliver value for money to our customers whilst developing the contribution of members of staff in growing our services.

Procurement and Logistics Service

Key Achievements and Developments in 2016-17

Whilst maintaining our normal business functions the Procurement and Logistics Service (PaLS) had a number of notable successes in service delivery as well as introducing three new services. These included:

- Go-live of our new *Service and Maintenance Contracts* procurement service which will help HSC organisations to secure improved value for this range of contracts.
- Commenced a project to implement a new *Social Care Procurement Service* to support HSC in meeting regulation changes in this area.
- Go-live of *an extended Community Equipment and Continence Service to Western HSC Trust* providing store to door service for all patients and clients throughout the Western Trust area
- Award of a *new Energy Contract* with annualised savings of circa £4.5m which also delivers a range of social benefits linked to the '*Making Life Better'* strategy.
- One of our procurement projects was a *finalist in two categories for the National Go Awards 2017*
- Establishment of a number of *new procurement frameworks* tailored to meet HSC needs.

Performance Metrics

Indicator	Corporate Target	SLA Target	Actual PaLS Performance
% Products Supplied on First Request	97.5%	95%	98.9%
Average Processing Time For Non-Stock Requisitions	3 days	5 days	4.3 days
Stock Turnover Ratio	1:9	N/A	1:13

Procurement and Logistics Service

Looking Ahead to 2017-18

There are two very significant challenges for PaLS in the year ahead. The first will be the establishment of our new Social Care Procurement Service and go-live with procurements in this area. The second is to complete successfully the re-accreditation process for our Centre of Procurement Expertise. Alongside these challenges will sit the day to day business of supporting the delivery of healthcare to the people of Northern Ireland and a drive to procure quality goods and services that offer value for money to Health and Social Care.

Rodney Smyth, Specialist Procurement Manager and Hannah Baxter, Procurement Manager, who were Highly Commended at the Go Awards England North for their procurement project on procuring Energy for HSC which saved £4.5m as well as delivering a range of social benefits including electric vehicles and access to SSE Arena facilities for HSC clients.

Family Practitioner Services (FPS)

Key Achievements and Developments in 2016-17

Family Practitioner Payment System (FPPS)
FPS processes and pays independent contractors in excess of £800m on behalf of the Health and Social Care Board. During 2016-17 we continued work on the integration and stabilisation of three new payment systems for General Medical, General Dental and General Pharmaceutical Services. Following the successful roll out of the self-service payment portal to GP Practices in 2015-16, we are to continuing to take forward the roll out of the portal to Dental and Pharmacy contractors.

During the 2016-17 year, by rolling out the self-service portals, FPS will realise further significant recurrent annual savings in excess of £170k.

FPS Processing Activity	2016/17
Pharmacy prescription forms paid	23,108,065
Pharmacy prescription items paid	41,449,984
Dental Claims paid	1,853,419
Dental Items paid	4,041,811
Medical registrations	53,174
Medical deductions	42,219
Medical amendments inc. address updates	164,324
Ophthalmic claims paid	735,954
Bowel Screening invitations issued	133,443

Family Practitioner Services (FPS)

- *Ophthalmic Practitioners Web-Based Portal* **-** by the end of the financial year, 90% of ophthalmic claims were submitted via the portal;

- *GP Practices* **–** by the end of the financial year, 99% of Enhanced Service Claims were submitted electronically;

- *Dental Practitioners* **–** by the end of the financial year over 90% of practices will have been offered access to the Dental Portal;

- *Pharmaceutical contractors* **–** by the end of the financial year automated payment of prescription items (known as auto-coding) exceeded 70%.

Looking Ahead to 2017-18

FPS will continue to work:

- with contractors on the rollout of Pharmacy portals

- with the Health and Social Care Board & BSO Information and Technology Services to identify and deliver further system improvements related to FPS payment systems, ePharmacy, Ophthalmic Claims System etc.

- on the replacement of the patient registration system (NHAIS) with the stakeholders represented on the Project Board.

Counter Fraud and Probity Services

Counter Fraud and Probity Services (CPFS) provide a range of specialist services to HSC bodies on behalf of the Department of Health.

Key Achievements in 2016-17

Client Satisfaction

The scores from the annual BSO Customer Satisfaction Survey indicate that our customers feel we provide them with a high level of service, consistently achieving 100% across many areas surveyed.

Fraud Prevention

The main focus of the Fraud Prevention Team during 2016-17 was to establish a series of networking opportunities with key NI Adult Safeguarding Partnership (NIASP) stakeholders. This work was aimed at raising awareness of the extended remit of CFPS to take action, where applicable, to investigate fraud or corruption within the social care sector. The Prevention Team was also engaged in establishing formal oversight arrangements in respect of secondary and social care, similar to the existing primary care arrangements.

Awareness activities undertaken during the year included:-

- 26 fraud awareness presentations (internal and external)
- One regional counter fraud campaign road show
- 12 fraud alerts;
- Three fraud bulletins
- 70 social media posts receiving 48,288 impressions
- 3,840 visitors to the CFPS website and 9590 page views (until 8 February 2017)
- Two fraud awareness animation videos developed.

Fraud Detection

The Access to Health Care team successfully conducted a pilot to verify patient entitlement to receive health care in Northern Ireland for those registered with a GP. This work provided assurance of entitlement for over 30,000 registered patients and identified almost 1600

individuals for removal from the patient list. The team also provided over 100 awareness sessions to HSC and GP staff on patient entitlement. The Data Analytics team provided valuable support to all areas of our services and our customers through various projects. Going forward the team will continue to provide an innovative and quality service to support our customers.

Fraud Investigation

During April 2016 to February 2017 the investigation team dealt with 72 new investigations and 99 ongoing cases. In this period the team secured 21 prosecutions/community resolutions. Additionally six Bench Warrants remain outstanding. The team also investigated, confirmed as non-resident and removed five patients from the GP registration system. Approximately £8.5k was also recovered.

Probity Services

The Probity team have Service Level Agreement targets with the HSCB which have been achieved. This year they carried out 473 post payment verification checks in relation to primary care expenditure. These included visits to GPs and ophthalmic practitioners, desktop reviews and checking clinics in respect of community pharmacies and desktop reviews of dental contractors. The team recovered £100k in 2016-17.

Patient Exemptions

CFPS carry out a range of random exemption checks on HSCNI dental and ophthalmic charges claimed. A review of the exemption checking process conducted in 2016-17 resulted in the introduction of a targeted approach to sampling. In total 50,000+ treatments were checked resulting in 7,000 cases requiring follow up and liaising directly with patients and agencies. Total recoveries for the year were £132k, a 70% increase on last year.

Healthy Start

We continue to administer the Northern Ireland component of the National Healthy Start Scheme, resulting in reimbursements of over £500k in relation to the supply of milk to children

under five years of age. During 2016-17 the Healthy Start Team introduced an electronic option for claimants.

Looking Ahead to 2017-18

Our goals for 2017-18 include the introduction of an online payment facility for Patient Exemptions and an increase in the number of practitioner reviews carried out by Probity Services. Additional activities will include participation in the secondary and social care groups, alongside the delivery of Service Level Agreement work programmes. New growth is planned through formalising a Service Level Agreement with the NI Fire and Rescue Service.

HSC Pensions Service

The HSC Pension Scheme provides retirement benefits to Health and Social Care employees, GPs, Dentists and employees of other approved organisations in Northern Ireland.

Key Achievements and Developments in 2016-17

During 2016-17, the HSC Pensions Service has:

- Processed 417,064 accurate and timely payroll payments to HSC Pensioners, which equated to 13,902 per WTE (Whole Time Equivalent) per member of staff.
- Provided 4,268 pension estimates, and also processed 445 refunds and 190 transfers of benefits.
- Managed 438 referrals to Occupational Health Service for application for ill health retirement.
- Successfully processed 2,151 GP certificates.
- Managed an automated call distribution system, handling approximately 36,452 calls per annum to assist members and pensioners so that queries are dealt with more efficiently.
- Managed the processing and payment of 1543 new pensioners to the pension scheme.

This year the Pension Board was fully operational. The Pension Board has the responsibility for assisting the scheme manager in securing compliance with all relevant pensions' law, regulations and directions as well as the relevant Pension Regulators codes of practice. This role is one of providing assurance in and governance of the scheme administration. The Pension Board has an equal number of employer and member representatives and is overseen by an independent chair.

This year we carried out the *'Choice 2'* exercise. In 2009 members of the 1995 section of the HSC Pension Scheme were given an option to move their accrued benefits to the 2008 section of the scheme: this was known as '*Choice'*. Following Pension Reform and its impact on retirement age, this choice ('*Choice 2*') was again offered to active members who were affected by a change in their retirement age. In this exercise we issued letters to 27,000 members with an uptake of only 318 members.

HSC Pensions Service

This year we have continued to issue our GP Practice Staff Newsletter, Employer Technical update and GP Locum Newsletters. We have also further expanded our communication strategy with the development of a Member Newsletter and an Employer Newsletter. All newsletters are tailored to the particular group they are targeted at and provide information on the many changes to the Pension Scheme. With the recruitment of a dedicated Pension Liaison Officer, a series of workshops have been successfully completed. This is in addition to a poster campaign to inform employers and employees of features of the Scheme and changes to it. During the year we upgraded our website and it is now much more user friendly and responsive to individual searches.

We participate in Inter-Judiciary Fora between England, Wales, Scotland and Isle of Man. The HSC Pension Service is also a member of the Northern Ireland Public Service Pension Group.

The HSC Pension Service has signed an SLA with Northern Ireland Fire and Rescue Service to provide Pension services for their Scheme members. Our software systems and websites are currently being updated to reflect these new arrangements.

HSC Pension Service is still one of the most cost effective Public Sector Pension Providers. Having partaken in the CIPFA benchmarking club we are the second most efficient provider in comparison with 46 other UK providers whilst still delivering on all SLA and KPI targets.

Looking Ahead to 2017-18

Following on from the successful introduction of the new CARE scheme, there are other important activities to be completed in the upcoming financial year:

- Protection Opt-out - Identify and issue communication to relevant members.
- GMP Reconciliation project.
- Annual Benefit statements.

Small Business Research Initiative

The Small Business Research Initiative (SBRI) is also known as Pre-Commercial Procurement (PCP). It is an innovation based, international programme to bring new technology based solutions to health and social care services and address some of our critical service problems. It is used when we know and understand our problem but when there is no ready-made solution available to procure.

This has an added benefit to the NI economy by enabling local suppliers to create new products for the wider market. The suppliers are also afforded insights into the hospital and community services so that solutions are designed in the real-world environment.

The SBRI programme is led in the NI Health and Social Care Services by Business Services Organisation and is delivered in partnership with InvestNI who support local businesses to bring solutions to the market and to gain the maximum leverage from winning an SBRI competition. The SBRI model operates an open procurement for a Phase One, where multiple suppliers are funded to develop their solution prototypes. There is then a further Phase Two procurement which is open only to Phase One suppliers. In this phase, successful suppliers are able to test their solutions in field trials within the Trusts.

Key Achievements and Developments in 2016-17

Successful outcomes during 2016-17 include:

- Two successful field trials of new technology solutions for medicines optimisation
- Three data analytics designed and developed within acute hospitals to deploy pharmacy staff
- Five working prototype technology solutions developed and delivered for patients in their homes
- A large international project with eight suppliers appointed to design solutions to assist patients post-stroke.

Customer Care and Performance Directorate

Mrs Karen Bailey

Director of Customer Care and Performance

The Customer Care and Performance Directorate drives improved performance and add value to our customers as well as having a number of operational services. There is a small Customer Care and Performance team which, in addition to corporate customer care and performance responsibilities, carries out a number of governance functions on behalf of the organisation. The operational teams include Information Technology, the Office of Research Ethics Committees NI, Equality and Human Rights and the Honest Broker Services.

Customer Care and Performance

The Customer Care and Performance team comprised an Assistant Director, a Customer Care and Performance Officer, and a Governance and Risk Officer. During the year the team continued to receive temporary administrative support.

This small team manages the following on behalf of the organisation:

- Customer Relations through the management of Service Level Agreements, client liaison, establishment and facilitation of customer partnership forums, customer surveys, monitoring arrangements and issue resolution;
- Corporate Performance Management Reporting through the Corporate Balanced Scorecard;
- Facilitation of Service Improvement and Quality initiatives, including benchmarking and creation of the Annual Quality Report;
- Strategic and business planning processes for the organisation;
- Aspects of governance and accountability, including co-ordination of Controls Assurance and risk management arrangements and reporting through the Corporate Risk Register and facilitation of Board Governance Assessment processes;
- Supporting the Accountability Review process and liaison with our Departmental Sponsor Branch;
- Aspects of corporate communications, including production of the monthly staff newsletter, *BSO Business Matters* and the BSO Annual Report.

Key Achievements and Developments in 2016-17

The team shared in the facilitation of a number of workshops at Board level in relation to planning and governance issues. The annual Board Risk Workshop was held in March 2017. This allowed Board Members an opportunity to consider the organisational risk appetite and nature of the Corporate Risk and Assurance Report for the incoming financial year. There was continued input from the team into the Corporate Induction process in relation to risk awareness training.

Customer Care and Performance

As part of the corporate governance agenda, the Customer Care and Performance team has supported the Board by the preparation of induction packs for the newly appointed non-executive Directors.

As part of its annual planning cycle, the team arranged and co-facilitated with the HSC Leadership Centre a Strategic and Business Planning Workshop for senior staff in October 2016. The key speaker was Mr Peter May, Permanent Secretary of the Department of Infrastructure. This was in keeping with the cross-cutting Departmental theme of the draft Programme for Government.

A Strategic Planning Event was also held for the Board members in November 2016 with the Deputy Secretary of Resources and Performance Management Group DoH, Ms Deborah McNeilly. The results of the annual BSO Customer Satisfaction Survey were also taken into account in planning services for 2017-18.

Looking Ahead to 2017-18

The Customer Care and Performance team looks forward to working closely with internal and external customers to ensure that the key priorities and objectives set out in the BSO Corporate Strategy and Annual Business Plan are delivered during the coming year.

Equality Unit

Key Achievements and Developments during 2016-17

Following on from the launch of our Good Relations Statement last year, we organised a training session on cultural awareness for staff working in the BSO and the other regional HSC organisations. It was delivered by the South Belfast Round Table and covered migration awareness; an introduction to asylum and refugee issues in the UK and NI in particular; and intercultural awareness. It sought to inform staff and enable them to challenge myths regarding migration issues.

After its launch last year, *Tapestry* – our Disability Staff Network – started its work in 2016-17, facilitated by the Equality Unit. The network, which is open to anyone with an interest in disability matters, undertook a range of actions under three themes: (i) raising awareness of the network (ii) raising awareness of disabilities, and (iii) becoming an employer of choice. These included:

- a series of coffee mornings to engage with staff across seven BSO office locations in November 2016;
- a staff awareness day on cancer held in January and one on arthritis and musculoskeletal conditions in March 2017;
- a *lunch and learn session* for line managers on reasonable adjustments;
- a staff survey on what makes an employer of choice for people with a disability or those who care for someone with a disability.

Together with the HSC Board and Supported Employment Solutions (SES), we continue to run the Disability Work Placement scheme, now in its third year. Nine individuals have been placed in the BSO since December 2016. Training to enhance their employability is scheduled for March 2017.

We supported the BSO Community Equipment and Continence Service team in strengthening staff capacity to identify and meet the needs of customers with sensory impairments. The team brought in RNIB and Action on Hearing Loss to deliver training with a practical focus.

Equality Unit

Looking Ahead to 2017-18

Tapestry will remain a major focus of the Equality Unit's work, in particular developing the agenda on reasonable adjustments and on carers, in line with feedback received from staff.

Together with our colleagues from the Health and Social Care (HSC) Trusts, we will review the outcome of our consultation on a draft gender identity and expression employment policy and seek to finalise the policy.

The Office for Research Ethics Committees (ORECNI)

The ORECNI is the administrative hub for HSC ethical review in Northern Ireland. The service is based on Research Ethics Committees comprised of volunteer members from both expert and lay backgrounds who provide ethical advice on the performance of research studies involving Health and Social Care and the wider NHS. The ORECNI and its Health and Social Care Research Ethics Committees (HSC RECs) are part of a UK wide network of NHS Research Ethics Committees and work closely with the Health Research Authority in England and the ethics service counterparts in Scotland and Wales. Our mission is: *"to maintain a Research Ethics Service to protect the rights, dignity and welfare of research participants within the HSC/NHS, and to protect the rights of researchers to perform ethical research and legitimate investigation".*

Key Achievements and Developments in 2016-17

During the financial year 2016-17, the ORECNI service considered a total 187 of new research applications involving human subjects, their tissue or data, which took place within the HSC and NHS. The service also reviewed 189 substantial amendments. The range of research reviewed included clinical trials of medicinal products or drugs, trials of medical devices or other interventions as well as social care studies. Research categories involving vulnerable subjects such as patients/service users with learning difficulties, mental impairment, and 'looked after' children were also reviewed. It also included ethical approval of research databases or datasets. The range of research is diverse and includes sponsorship from the HSC, from charities, commercial companies, and the universities. The service has met all legal timeframes required under the UK Clinical Trials Directive (2004) and National Standard Operating Procedures.

This year's BSO customer survey for the ORECNI produced very positive feedback on the service provided by the HSC RECs, and the ORECNI staff in particular.

During this year the service has managed to achieve its fastest times for ethical review and is working to full capacity for workload. It has achieved 100% in national KPIs relating to ethics review at full REC and post approval amendments and is the most efficient service in the UK.

The Office for Research Ethics Committees (ORECNI)

Furthermore the service has achieved its target of 75% paperless ethical review at its full committee meetings and is 100% paperless in all other areas of the service.
On 7 March 2017 a training event was organised by the ORECNI. Its primary aim was to provide annual training to its Health and Social Care Research Ethics Committees Members (HSC REC Members).
Four sessions were presented:

1. 'The changing landscape of information in medical records. What are the ethical challenges?' Professor Roy McClelland (Chair of the NI Privacy Advisory Group).
2. 'Ethical issues in modern day genetics research.' Dr Hilary Russell (Former HSC REC Chair and Retired Reader in Oncology)
3. 'Obtaining Fair Consent in different research types.' Dr Hugh Davies (HRA)
4. 'Landscape Overview- Brexit and Clinical Trials – likely impact?' Dr Siobhan McGrath, Head of the ORECNI.

The day was interesting and thought provoking and the trainees have fed back that it was the best day yet. It was well attended and leaves the service well informed for the future. The day was also attended by three of the HSC Public Health Agency Research and Development Division Programme Managers.

Looking Ahead to 2017-18

The challenges will include:

- Maintaining a paperless approach to ethics review.
- Continuing to achieve a fast ethical turnaround without compromising the quality of the ethical review.
- Training new committee members and staff so that the quality of the ethical review and customer service remains high.
- Planning for and managing an increased workload due to the expansion of the BSO Honest Broker Service.
- Recruiting more lay members to the HSC RECs.

Information Technology Services

Key Achievements and Developments in 2016-17

The scope of services and projects managed and delivered by ITS have more than doubled in the eight years since it was established in April 2009. Since its creation in 2009, ITS have successfully delivered approximately £250 million of IT spend on transformational IT projects and operational support. We provide a full range of managed IT services to all HSCNI regional Arms-Length Bodies and to the NI Fire and Rescue Service (NIFRS).

All regional technology led transformation projects replacement projects are delivered by ITS. Our teams are also responsible for the ongoing provision of a large number of 'Tier 1' and other services which are critical to the operation of Health and Social Care. There have been some notable developments in 2016-17:

- Our Technical Operations team has absorbed a high level of growth. Most of this was in preparation for the move to the new datacentres and technology platform. A major task in 2016-17 was to remove old and unsupported versions of software from the legacy platform so that only the current versions of software are moved to the new platform and supported.
- Mailboxes, client devices and Voice over Internet Protocol (VOIP) services have increased by 11%, 10% and 18% on previous year
- A continuation of the downward trend in incidents reported to our service desk. This demonstrates the effectiveness of proactive system and application monitoring and resilience afforded by an increasingly robust infrastructure environment
- A continuation in the upward trend in Service Requests due to an increased customer base and a growing service catalogue. The number of service requests have grown by 20% on the previous year. This also reflects the widespread implementation of the ISO20000 service management standard and processes which has encouraged the accurate capture and categorization of these elements of work.
- The number of Change Requests continued to rise also reflecting the increased implementation of best practice service management and ISO 20000 processes.

Information Technology Services

The Integration team supports over 1700 system-to-system interfaces. Their work continues on initiatives to improve the sharing, re-use and quality of data across HSC

- Systems. This includes new interfaces to enhance the data quality in a variety of regional systems, for example, the completion of a Patient GP data cleanse on PAS,
- A dedicated team led the technical refresh of NI Fire and Rescue Service HQ IT infrastructure with a new BSO ITS platform. This and other ITS led initiatives within NIFRS created annual contract savings of £385k.
- ITS continue to deliver innovations in community, social services and primary care including the introduction of patient facing services to enable users to book GP appointments and order repeat prescriptions online.
- Information and analytics are core disciplines for HSC planning and delivery and these capabilities are delivered by ITS The Data Warehouse team increased productivity in 2016-17 with a 2% increase in Business Objects Universes and a 13% increase in Business Objects Users on the previous year. The productivity of Data Warehouse productivity based on these measures has increased 466% and 124% respectively since 2011.
- The Emergency Department (ED) Pressures Dashboard was expanded to include additional sites and indicators https://www.nidirect.gov.uk/emergency-department-waiting-times
- Use of the NI Electronic Care Record (NIECR) has continued to grow with over 18 000 active accounts by February 2017. A number of interfaces added during the year and the NIMATS maternity system information is also now available in ECR.
- The national healthcare award-winning ‘eTriage’ Electronic Referral functionality has gone live in all Trusts in specific areas but with rollout to all areas still underway. Electronic Document Transfer was rolled out to 45% of GP Practices.
- Best practice standards in IT Service Management – ITS increased the scope of ISO 20000 accredited services in 2016 to include Desktop and Service Desk
- The annual BSO customer satisfaction survey took place in autumn 2016. The results demonstrate an on-going improvement in ITS performance as perceived by HSC customers.

Information Technology Services

Looking Ahead to 2017-18

The move to a fully managed service for the Northern Ireland Fire and Rescue Service is scheduled to complete in April 2017.

Three £30m plus clinical system replacement projects are in initiation stages and should commence in 2017-18.

Two Tier 3 datacentres which were delivered in August 2016. A new HP private cloud infrastructure platform (value approximately £6 million) has been commissioned and tested. The migration process for the 250 services from the legacy datacentres has begun and is planned to take one year finishing in March 2018.

We are also leading an infrastructure and applications review encompassing all technology and systems used across the HSC. The process of collecting and analysing the asset information has begun and is due to be completed in June 2017. The analysis of this information, including identifying the opportunities for investment and consolidation, will be completed in October 2017. ITS is also providing the IT lead for the Public Sector Shared Services project. This is looking at options for a broader shared service across all public sector organizations including HSC. This project is planned to produce a business case identifying options by December 2017.

Honest Broker Service

The Honest Broker Service (HBS) was established as a function within BSO in June 2014. The mission of the HBS is to facilitate access for ethically approved researchers, health planners and policy makers to anonymised and pseudonymised Northern Ireland Health and Social Care (HSC) data and to assist in the analysis of such data as required.

The aims of the HBS are to:

- facilitate ethically approved research that may contribute to the promotion, protection and maintenance of the health of the public;
- facilitate the planning, evaluation and delivery of health services;
- support activities related to the above aims across the full spectrum of health;
- contribute to knowledge regarding research methods relating to health data collection, linkage of health-related data and compilation and use of health related statistics generally; and
- Following appropriate governance, permit the outcomes of activities related to the above aims to be available for the benefit of the public and to contribute to knowledge on an open and equitable basis.

The HBS is managed jointly by the heads of the Regional Data Warehouse and the Information and Registration Unit within BSO who report on its performance to the Director of Customer Care and Performance. There are two members of staff who work full time within HBS; a statistician on secondment from the Northern Ireland Statistics and Research Agency and an ICT specialist.

The HSC Regional Data Warehouse (RDW) is a large, secure data store which receives regular data extracts from a range of key HSC Information Systems. It is managed by BSO and hosted within the HSC Regional datacentres. It ensures that authorised users have secure access to timely, robust and accurate management information, while complying with the requirements of the Data Protection Act (DPA). It enables sophisticated analysis of stored de-identified data using a Business Intelligence toolset and a Management Information Portal. HSC organisations have access to their own data collected for direct patient care, with any other organisation (for

example the Health and Social Care Board or DoH) only granted access through Data Access Agreements or through HBS.

HBS enables secure access to linked de-identified Warehouse data for HSC purposes, including Business Intelligence and management reporting facilities, and for approved HSC related research. HBS is now the preferred method of granting organisations access to data. All HBS processes are in line with Data Protection and confidentiality requirements, and with the Information Commissioner's Office (ICO) Codes of Practice.

Key Achievements and Developments in 2016-17

The Regional Data Warehouse is continually growing, expanding the types of dataset held and increasing the numbers of functions and HSC organisations covered.

The HBS website contains a link to all of the guidance and information required by researchers and HSC applicants. It is continuously reviewed and updated to reflect the development and growth of the service.

Looking Ahead to 2017-18

It is anticipated that the HBS will continue to grow and develop, presenting a real opportunity for researchers to make a valuable contribution to the future development of health and social care policy. In this way, the Honest Broker Service will ultimately improve the overall health of the people of Northern Ireland.

Finance Directorate

Wendy Thompson
Director of Finance

Andrea Henderson
Acting Director of Finance

Key Achievements and Developments in 2016-17

Year End Accounts

The BSO achieved its statutory breakeven requirements in 2016-17, arriving at a £45k surplus for the Organisation at the financial year end. During the 2016-17 financial year, the Financial Management Division continued to monitor the financial position of the organisation and moved in the latter part of the year to a rolling monthly forecasting process to enable us to effectively manage the break-even requirement.

Budget holders continue to have access to online, drill-down monthly financial information.

BSO's financial statements for 2016-17 (included as part of this document) were approved by the Board on 13 June 2017 and were given an unqualified opinion by the Northern Ireland Audit Office.

Finance Directorate

Client Accounting

The Directorate provided a range of financial management services during 2016-17 to a number of Arms-Length Bodies namely, NISCC, NIGALA, PCC, NIPEC,NIMDTA and for the first time in 2016-17, RQIA. The client accounting team also prepared full year end statutory accounts for all these bodies.

Financial Governance

The Directorate services and supports the Organisation's Governance and Audit Committee (GAC) which met four times during 2016-17.

BSO is an active participant in the National Fraud Initiative (NFI) and provides regular updates to the NIAO on developments in this regard. The Directorate is also responsible for the wider issue of fraud prevention and detection within the BSO. We work closely with Counter Fraud and Probity Services to ensure all fraud matters are being dealt with appropriately by the BSO.

Controls Assurance Standards

The Finance Directorate is required to achieve a substantive level of compliance in respect of the Financial Management Standard. This year a substantive level of compliance was again achieved.

Looking Ahead to 2017-18

In 2017-18 the challenge will be to continue to provide a high quality financial service delivering accurate, reliable and timely information to support the strategic decision-making processes within both BSO and the other arms length bodies we support.

** Mrs Andrea Henderson was acting Director of Finance until 30 April 2016. Ms Wendy Thompson took up post on 1 May 2016.*

Internal Audit

The BSO Internal Audit Unit provides an internal audit service to all 17 Arms-Length Bodies of the Department of Health (DoH), including BSO itself. We also provided services to one other small organisation during 2016-17. The Internal Audit service is configured in a two-sector model: South East Sector and North West Sector, with staff are based in Armagh, Ballymena, Belfast and Londonderry.

The Internal Audit Service strives to add value and improve the operation of client organisations. This is done by delivering a risk based audit plan for each client organisation and providing assurance on the adequacy and effectiveness of risk management, control and governance. The Internal Audit Partnership Forum met twice during the year. Its purpose is to provide a mechanism for our customers to ensure the on-going development of the service in line with their needs and to clearly agree the services required. The Internal Audit Service is accredited to the ISO 9001:2008 quality standard and is an approved Association of Chartered Certified Accountants (ACCA) Gold status Employer Training and Professional Development Service.

Key Achievements and Developments in 2016-17

The key objective of the Service is to ensure the delivery of the Internal Audit Annual Plans to all customer organisations. The Internal Audit Service issued all 2016-17 audit reports by the end of March 2017. Feedback from client organisations highlighted continued satisfaction with the service and particularly the professionalism of the audit team.

In February 2016, an IT Audit Manager joined the Unit, as a temporary resource. During 2016-17, a number of IT audits were conducted and this in-house resource has also assisted in developing the use of data analytics in the Unit. We also developed our approach to sharing learning across the HSC in 2016-17, through a general annual report to clients.

Looking Ahead to 2017-18

BSO Internal Audit's focus in 2017-18 will be on the delivery of our complex, risk based audit programmes to support and add value to our customer organisations. The areas of development for Internal Audit in 2017-18 will be the further embedding of IT auditing within the Unit, including improved use of technology in the audit approach.

Legal Services Directorate

Mr Alphy Maginness

Chief Legal Advisor

Key Achievements and Developments

Throughout 2016-17 the Directorate of Legal Services (DLS) continued to provide high quality, cost-effective legal services exclusively to all Health and Social Care bodies.

During 2016-17 overall activity levels increased by 6.9% compared to those during 2015-16, with a total of 90,598 hours (an overall increase of 22.7% in the last 5 years).

The following key events occurred in the course of the year:

(i) DLS continued the accreditation to the ISO and Lexcel Quality awards following external assessment in October 2016. In addition DLS continues to be an Investor in People (IiP). Reaccreditation to IiP was achieved across BSO in December 2015.

(ii) A Quality of Service survey conducted among clients by the BSO revealed a satisfaction level of over 90% for DLS.

(iii) DLS continued to provide advice and representation in all core areas of law in addition to training on a wide range of legal issues, with over 40 training sessions having taken place throughout the year.

(iv) The Directorate also represented the HSC Board in the Historical Institutional Abuse Inquiry which commenced in January 2014. The oral hearings concluded in July 2016 and the Inquiry Report was published in January 2017.

(v) A total of £1,800,000 has been recovered on behalf of clients in 2016-17 which amounts to over £5.1m in the last 5 years.

(vi) In January 2015 DLS rolled out a new Counsel Panel which includes a cap on Counsel Fees. This has realised savings of £755,000 in 2016/17; this equates to around £3.6 m having been saved in the last five years. DLS also challenges third party solicitor costs which achieved a saving of over £2.2m in 2016-17. Together these two initiatives have saved the HSC sector over £ 2.9 m this year.

Looking Ahead to 2017-18

Continuing financial pressures, coupled with increasing activity levels from clients has meant that the year 2016-17 was both challenging and demanding. The excellent ratings from the client survey are again evidence of the high quality of service provided by all DLS staff. The Directorate continues to identify efficiencies where possible and will endeavour to maintain the high standards of service to clients it has set over the years.

Human Resources and Corporate Services

Mr Hugh McPoland

Director of Human Resources & Corporate Services

Key Achievements and Developments in 2016-17

In 2016 the HR Department focussed on continuing to grow our customer base and worked collaboratively with a number of client organisations to support the expansion of shared services. This included successfully implementing the change processes associated with the delivery of corporate services to regional HSC organisations in 2016. During this time the HR department also worked closely with the newly formed GP Federation. We continue to support the organisation on a range of strategic people issues including the development of robust HR policies and procedures and terms and conditions. This year also saw a review of the retained recruitment service within HR to support improvements in the BSO Recruitment Shared Services Centre. A new structure was implemented, systems training provided and local processes reviewed to ensure that managers, staff and the public, receive an efficient and high quality service.

Performance

Alongside general activity to support managers and ensure that all staff are paid accurately and on time, the HR department dealt with over 25,000 queries generated by staff throughout the year. We continue to provide Contracts of Employment within nine days of receipt of new start papers and achieved a rate of 97.7% against this key performance metric. In addition to managing a significant numbers of employment matters which have been successfully resolved

at an informal stage, 17 employment investigations have been facilitated by HR with just under 20 formal processes initiated under the Grievance and Disciplinary procedures. The continuation of the VES scheme in 2016 meant that HR provided advice and estimates for a range of staff and client organisations which resulted in 25 applications being processed across the organisations we serve. There is a continued growth in appraisal compliance with 88.4% of staff completing an appraisal.

Face to face training to support managers carry out their responsibilities in the eRec system was provided to 170 managers with 14 separate events delivered to client organisations. During this time 472 requisitions for posts were quality assured by the retained recruitment team and over 170 posts evaluated in conjunction with Trade Union colleagues.

Staff Survey

In 2016 HR carried out further work to analyse in detail the results of the BSO staff Survey. This included further analysis of the experience of staff working at Band 3 level in the organisation. A series of focus groups were facilitated to examine what it means to work in BSO. HR is providing ongoing support to Directorates in taking forward Directorate specific action plans. More general, organisational specific initiatives include the review of the appraisal process, induction for new staff, career opportunities, communication and health and wellbeing being delivered centrally in HR.

Intern scheme

The past year saw a lower intake than expected for the scheme with 31 (42 2015/16) placements populated across the HSC. As a result of this work has been undertaken by HR to review all aspects of the scheme. Collaboration is underway with a number of universities to ensure that our intake in 2017 provides sufficient numbers of candidates to fill all places.

Other Regional initiatives

We continue to work collaboratively on regional HR policies such as Whistleblowing, Partial Retirement policy, Shared Parental Leave. Members of BSO HR staff are also involved in the

international regional recruitment initiative which has enabled the HSC to employ overseas Nurses and Medical Staff.

Organisation and Workforce Development

Following IiP reaccreditation in December 2015, the past year has seen the roll out the IiP Action plan with a continued focus on Staff Engagement and Health and Wellbeing. The *Vetter* Staff Suggestion Scheme was launched during this time and a staff engagement workshop took place in December 2016 .There was a continuation of lunchtime learning sessions with Sandra Janoff holding a session in Belfast and attendees linking in from satellite offices.

There have been a number of training initiatives across the BSO. This is the second year of the *"Career Pathways*" Initiative and a new cohort of staff commenced this programme in January 2017. The BSO has introduced a new "*Building Potential"* programme for staff at bands one to four and there has been a continuation of the "*Moving Forward*" suite of programmes. There is continued encouragement for individual staff development demonstrated by uptake on the Acumen, Aspire, *Proteus* and Succession Planning programmes.

Employee Health and Wellbeing

During 2016-17 we focussed on enhancing the contribution and development of our people. Through the HRPTS system, we were able to identify reasons for absence and direct our resources accordingly. We have provided our staff with access to a number of health and well-being programmes on mindfulness and personal resilience. By offering these courses we encouraged BSO staff to take responsibility for their health and well-being.

Another initiative that took place during the year was the *Global Corporate Challenge*. This challenged 294 staff to take on average 10,000 steps per day over 100 days, promoting exercise as well as learning more about mindfulness, nutrition, sleep and recovery. Staff noted improvements in their weight, sleep and recovery. This was such a success that the BSO intend to participate again during 2017-18. The end of challenge report highlighted that the BSO needed to promote more awareness around nutrition and healthy eating. In light of this, BSO provided all staff with portions of fresh fruit once a week during the month of February 2017. Again this proved successful with the staff.

Human Resources and Corporate Services

The BSO appreciates that our staff face major challenges in difficult times. To help staff cope during these difficult times, the BSO provided staff access to screening and well-being assessments. As well as the mental health programmes that were run during the year, BSO arranged for Cancer Focus to provide screening programmes for staff. Part of this also included staff accessing a skin scanner that would indicate some skin damage caused by the sun.

Looking ahead to 2017-18

We will continue to invest in health and well-being initiatives during 2017-18 ensuring our staff our equipped both mentally and physically to deal with the challenges that come their way. Whilst the BSO met its absence target for 2015-16, we have not achieved our 2016-17 target. We will however, continue to monitor our absence through the HRPTS system and provide more information to our managers to help them make decisions relating to attendance management.

Taking forward actions to address the key themes arising out of the staff survey remains a key priority for the year ahead. This includes a comprehensive review of the appraisal process to consider how best to engage with our staff on their performance, contribution and development within the organisation. HR is also developing a new initiative aimed at creating a talent pool within the organisation. This will provide staff with opportunities to expand their portfolio outside of the potential constraints of their current role. This year HR provided Employee Relations training for managers and staff in PaLS aimed developing awareness and skills and confidence in dealing with these matters. This training will be rolled out across the organisation in 2017.

HR will also contribute to the development of the corporate communication strategy and in 2017 will actively utilise social media.

BSO will be actively contributing to the development of the HSC Leadership Strategy as an output of the Ministerial vision, *Delivering Together 2026.* We will work closely at a regional level and with customer organisations on an implementation framework.

Coaching and mentoring will form an integral part of the HR Strategy in the year ahead and there will be a review of the Appraisal /Performance Management system within the BSO.

Corporate Services

Complaints

BSO has a published policy and associated procedure for handling complaints which received a satisfactory assurance following an audit report during the year.

Within this financial year the Corporate Services team dealt with 108 complaints, 89 of which have been responded to, with 19 still being processed. This is a significant increase compared to other years and many revolve around the Payroll Shared Services and difficulties encountered by HSC employees in regard to tax codes and the process for dealing with over and under payments. Lessons learned reviews are carried out after each complaint where appropriate. Quarterly reports are analysed to identify trends and reported to the Business and Development Committee of the Board. A formal Annual Complaints Report is produced for consideration by the full Board.

Data Breaches

During the period 2016-17 there were two instances regarding data breaches reported to the Information Commissioner's Office which, on investigation, decided to take no further action.

Business Continuity

The corporate management arrangements relating to the Business Continuity Plan were tested and the outcome of a corporate desktop exercise was reported to the BSO Board in February 2017.

BUSINESS SERVICES ORGANISATION

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES.

Under Health and Social Care (Reform) Act (Northern Ireland) 2009, the Department of Health has directed the Business Services Organisation to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Business Services Organisation of its income and expenditure, changes in taxpayers equity and cash flows for the financial year.

In preparing the financial statements the Accounting Officer is required to comply with the requirements of Government Financial Reporting Manual (FREM) and in particular to:

- observe the Accounts Direction issued by the Department of Health including 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 FREM have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Business Services Organisation will continue in operation.
- keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Business Services Organisation.
- pursue and demonstrate value for money in the services the Business Services Organisation provides and in its use of public assets and the resources it controls.

The Permanent Secretary of the Department of Health as Principle Accounting Officer for Health and Social Care Resources in Northern Ireland, has designated Liam McIvor of the Business Services Organisation as the Accounting Officer for the Business Services Organisation. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Business Services Organisation's assets, are set out in the Accountable Officer Memorandum, issued by the Department of Health.

GOVERNANCE STATEMENT

Governance Statement

1. Scope of Responsibility

The Board of BSO is accountable for internal control. As Accounting Officer and Chief Executive of the Board, I have responsibility for maintaining a sound system of internal governance that supports the achievement of the Organisation's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am responsible in accordance with the responsibilities assigned to me by the Department of Health.

There are a range of processes and structures in place to facilitate appropriate accountability. These include:

- ***Management Statement and Financial Memorandum*** to ensure accountability between the DoH and the BSO. Formal accountability meetings are in place in addition to on-going informal liaison.

- ***Service Level Agreements with Client Organisations*** to manage the working relationships with, or within, the Health and Social Care Board (HSCB), Public Health Agency (PHA), HSC Trusts and other Health and Social Care Organisations.

- ***Partnership Forums and Shared Services Regional Customer Forums***
  Partnership Forums with client organisations, take place at least twice a year. These Forums follow an agreed Terms of Reference by which business is conducted.

1.2 In addition to the main BSO function, the following Regional Programmes and Administered Services fall within the BSO's accounting boundary:

Business Services Transformation Programme/Business Systems Forum to coordinate, direct, resource and oversee the implementation of the BSTP and related projects in order to deliver the expected outcomes and benefits within the agreed financial resources and timescales.

Regional ICT Programme Individual ICT projects are commissioned from BSO Information Technology Services (ITS) by HSCB within the context of the Regional HSC e-Health Strategy. BSO is responsible for ensuring that programme funding is spent in line with the annual spend projections agreed between BSO and HSCB, with any exceptions reported to HSCB.

Administered Services

On instruction from the DoH, BSO undertakes payment arrangements for a range of services, namely, Bursaries for Nurse Training, Healthy Start Initiative, Supplement for Undergraduate Medical and Dental Education (SUMDE) and Regional Training Schemes for which total funding of approximately £14.1m is received via the Revenue Resource Limit (RRL). BSO also makes payments for Interpreting Services on behalf of HSCB totaling approximately £3.6m.

2. Compliance with Corporate Governance Best Practice

The BSO applies the principles of good practice in Corporate Governance and continues to further strengthen its governance arrangements. The BSO does this by undertaking continuous assessment of its compliance with Corporate Governance best practice, for example, through compliance with the relevant Control Assurance Standards and by assessing the BSO Governance arrangements against the Department of Health's Board Governance self-assessment Assessment tool.

The BSO undertook its annual Board Governance self-assessment in April 2016 and an Action Plan is in place. The Board Governance self-assessment tool focuses on four key areas: Board Composition and Commitment, Board Evaluation Development and Learning, Board Insight and Foresight and Board Engagement and Involvement. A Board Impact Case Study also forms part of this exercise.

The self-assessment for 2016/17 did not indicate any significant governance issues.

The BSO also receives assurance from external and internal auditors through the Report to those Charged with Governance and Internal Audit Reports.

3. Governance Framework

The BSO Board exercises strategic control over the operation of the organisation through a system of corporate governance which includes:-

- a Corporate Plan supported by an Annual Business Plan;
- a schedule of matters reserved for Board decisions;
- a scheme of delegation, which gives decision making authority, within set parameters, to the Chief Executive and other officers;
- standing orders and standing financial instructions;
- the operation of a Governance and Audit Committee;
- the operation of a Remuneration Committee and Terms of Service Committee;
- the operation of the Business and Development Committee;
- the Management of Information Systems.

3.1 The Role of the BSO Board is to establish the Organisation's strategic direction and aims, in conjunction with the Senior Management Team, to ensure accountability to the public for the Organisation's performance and also ensure that the organisation is managed with probity and integrity. The BSO Board has three sub committees:

- Governance and Audit
- Remuneration and Terms of Service
- Business and Development

Attendance records are maintained for all sub committees and these are detailed in the table overleaf. Each subcommittee has an approved Terms of Reference which is reviewed on an annual basis to ensure that the Committee is discharging its role and performance responsibilities.

Table 1: Attendance records for BSO Board and Sub Committees

Board/Committee	Number of meetings	% Attendance
BSO Board	12	90
Governance and Audit	4	100
Remuneration and Terms of Service	2	100
Business and Development	5	100

It should be noted that significant changes in membership of the Board/Committees have taken place during 2016/17. At times, this resulted in Non-Executive Directors being coopted onto Committees to ensure a quorum. The attendance figures in Table 1 reflect the attendance of Non-Executive Directors who remained in their term of office on the date of meeting.

3.2 Role of the Governance and Audit Committee (GAC)

The GAC, under the Chairmanship of a Non-Executive Director, meets not less than four times a year in line with its Terms of Reference. Its main role is to provide an independent and objective view of internal control by overseeing internal and external audit services, reviewing financial systems, ensuring compliance with the BSO Standing orders and Standing Financial Instructions and reviewing the Financial Statements including schedule of losses. The work of internal and external audit is fundamental in providing assurances on the ongoing effectiveness of the system of internal control. Following each meeting, the Chair presents a summary report of the meeting to the BSO Board highlighting any specific governance issues. Minutes of the Committee are submitted to the BSO Board for information/noting once approved by the Committee. The GAC Chair also provides the BSO Board with an annual report in June.

The GAC completes the National Audit Office Audit Committee Self-Assessment Checklist on an annual basis to assess its effectiveness. The 2016/17 assessment was carried out in October 2016 and a gap was identified relating to significant changes in GAC membership in the 2016/17 year. This has subsequently been resolved.

3.3 ***Role of the Remuneration and Terms of Service***

The Remuneration and Terms of Service Committee is chaired by the Chairman of the BSO Board and its role is to advise the Board about appropriate remuneration and terms of service for the Chief Executive and other Senior Executives, guided by DoH policy and best practice. In addition, the Committee oversees the proper functioning of the performance appraisal systems. The Committee met twice during 2016/17.

3.4 ***Role of the Business and Development Committee***

The Business and Development Committee is chaired by a Non-Executive Director and is required to meet quarterly. The role of this Committee is to increase the capacity of the BSO Board to oversee the running of the Organisation and provide assurance to Non-Executive Directors that sufficient time is being spent scrutinising organisational performance. The Committee focuses on information management, Service Level Agreement performance, management of complaints, adverse incidents and freedom of information.

Following each meeting, the Chair presents a summary report of the meeting to the BSO Board highlighting any specific issues. Minutes of the Committee are submitted to the BSO Board for information/noting once approved by the Committee.

4. Business Planning and Risk Management

Business planning and risk management is at the heart of governance arrangements to ensure that statutory obligations and ministerial priorities are properly reflected in the management of business at all levels within the organisation.

4.1 Business Planning

The BSO as an Arm's Length Body is required to take its lead from the wider Department of Health strategic vision and goals and contributes to the priorities set out by the NI Programme for Government. Therefore, the business planning process is carried out in accordance with DoH guidance the outcome of which results in the production of a Corporate Strategy. This Corporate Strategy sets out the mission, core

values and long term objectives that will shape the strategic direction and priorities for a three year period. The BSO has four long term corporate objectives which are set out on page 13 of this Annual Report and Accounts. The Corporate Strategy is supported by an Annual Business Plan which contains key priorities, targets and actions grouped under strategic objectives focusing on the organisation's core purpose. The plan includes appropriate objectives and targets relating to corporate governance, quality, resources and service delivery/improvement.

To date, it has been the practice for the DoH to utilise the BSO Annual Business Plan as a basis for accountability reviews and checks progress periodically throughout the year. The BSO also uses the Business Plan internally to guide action and update performance management metrics and risk registers. These Plans are also useful to customers to show the strategic direction of BSO. Strategic and business plans are driven beyond the BSO corporate planning process into the operational layers of the organisation. Each business area within the BSO has its own local business plan which reflects the Strategic Objectives and feeds into the corporate Business Plan. These local business plans have formed the basis of work for Directors, Assistant Directors, Managers and Staff across the organisation and of individual and team performance appraisals.

4.2 Risk Management

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

The BSO's Risk Register is an integral part of the Assurance Process and is used as a mechanism for the Board, Governance and Audit Committee and SMT to assess the effectiveness of controls and assurances which have been identified to manage risks to the achievement of BSO objectives.

The Chief Executive is responsible for ensuring that the BSO has a systematic programme of risk identification, assessment, management and quality improvement

processes and procedures. These are approved and monitored by the Governance and Audit Committee on behalf of the BSO. The Director of Finance is the Board's Accountable Officer for Risk Management, which is delivered through the Directorate of Customer Care and Performance. However, operational responsibility for risk is led by BSO Directors who are responsible for the management of risks within their respective Directorates.

The BSO has a Risk Management Strategy and associated policies and procedures in place which describe the arrangements for embedding risk management into the activities of the BSO. These were reviewed in 2015, and approved by SMT and the Governance and Audit Committee. The strategy and policies are scheduled again for review in 2017.

The BSO's aim is to ensure good risk management is evident and sustained throughout the organisation by the involvement of all staff in the identification and management of risk in their service area. Staff are involved in identifying and assessing risks for their service area; the outcome of which is reported through completion of the following:

Corporate Risk Register which is managed by SMT and quantifies strategic risks and outlines controls / assurances and action plans approved by the BSO Board to ensure the focused and effective management of these risks.

Service Area Risk Register which is managed at service level and quantifies all risks, sets out controls in place and determines the residual risk that remains. It is comprised of all the identified risks for each service within a service area and it is the direct responsibility of the various Assistant Directors/Heads of Service to manage the risks in their respective areas.

Assurance regarding the effectiveness of the risk management policy is gained through:

- Annual risk management systems audit by Internal Audit
- Annual controls assurance risk management questionnaire which is verified by Internal Audit.

Risk Awareness training is included in the formal BSO Corporate Induction programme and one to one training is also provided as the need arises.

5. Information Risk

Central to the safeguarding of information held by BSO is the effective management of information risks. Risks to the management of information / data security are identified and managed by individual directorates and that work is coordinated through the Information Governance Management Group, representatives of which are drawn from across the BSO.

Regular reports are provided to SMT and the BSO Board through the Business and Development Committee. The Chief Legal Adviser is the Data Guardian for the Organisation whilst the Director of Human Resources and Corporate Services is the senior Information Risk Officer.

The Information Governance Management Group oversees all aspects of information governance including Freedom of Information, ICT Security, Information Management Controls Assurance Standard, Records Management and all information management related Policies. It also monitors progress in respect of the completion and updating of Information Asset Registers, Information Flow Mapping and Corporate Records Inventory.

Operationally, there are controls in place at directorate level to manage access to personal data. All of the regional systems and those which support the FPS payments are governed by data subject access requirements. All key systems are password protected and subject to automatic protocols which require regular change.

Regular mandatory training is delivered to all BSO staff, providing them with an up to date understanding of information governance issues and risks. Lessons are also learned through informal audits initiated by the Information Governance Management Group which are carried out within Directorates by nominated members of the Group.

Governance Statement

6. Public Stakeholder Involvement

The BSO is not required by statute to establish appropriate governance arrangements to involve and consult with service users, however, the BSO recognise that effective involvement is a key component in the delivery of a high quality service. Customer Forums have been established and customer and staff surveys undertaken to ensure that appropriate and proportionate measures are in place to make certain that service delivery arrangements are informed by the views of our stakeholders. The BSO Board holds several of its meetings outside Belfast each year to enhance public access to its meetings.

7. Assurance

The BSO Assurance Framework was approved by the Board in October 2013 and provides a mechanism for the effective and focused management of the principal risks to meeting the BSO Strategic objectives. In addition, a Schedule of Assurances mapped out to each BSO area of service was presented to the Governance and Audit Committee in April 2015 and reviewed in October 2016.

The BSO receives assurances through the following key internal control frameworks: reports from sub committees to the Board, risk management process, monitoring of the corporate Annual Business Plan, controls assurance standards, performance frameworks, business continuity exercises, budgetary control process, audit control process, performance appraisals, mid-year and annual governance statements, adverse incidents and complaints, customer partnership forums, customer and staff surveys. Policies and procedures are reviewed regularly to ensure they are fit for purposed.
The BSO Board has considered the quality of information/data being presented to the Board and how this could be maintained / improved. The agreed process for ensuring the quality of data presented to the BSO Board assigns responsibility to each BSO Director for the quality of data within their own remit or area of expertise.

Governance Statement

7.1 Compliance with Circular HSS (F) 67/2006

In 2006 the DHSSPS issued a circular on the arrangements for dealing with payments to legal representatives for claims and the controls expected. As the sole provider of legal services to the HSC, the BSO Directorate of Legal Services is required to comply with this circular.

The Chief Legal Adviser has confirmed that the BSO is compliant with the requirements outlined in the Departmental Circular HSS (F) 67/2006.

7.2 The BSO assessed its compliance with the applicable Controls Assurance Standards which were defined by the Department and against which a degree of progress is expected during 2016/17.

The Organisation achieved the following levels of compliance for 2016/17:

Table 2: Controls Assurance Standard – Outcomes

Standard	DoH Expected Level of Compliance	Overall Level of Compliance Achieved	Reviewed by
Buildings, Land, Plant	Substantive	Substantive	Self-Assessed
Emergency Planning	Substantive	***Substantive**	Internal Audit
Environmental Management	Substantive	Substantive	Self-Assessed
Fleet and Transport	Substantive	Substantive	Self-Assessed
Financial Management	Substantive	***Substantive**	Internal Audit
Fire Safety	Substantive	Substantive	Self-Assessed
Governance	Substantive	***Substantive**	Internal Audit
Health & Safety	Substantive	Substantive	Self-Assessed
Human Resources	Substantive	***Substantive**	Internal Audit
ICT	Substantive	Substantive	Self-Assessed
Purchasing and Supply	Substantive	Substantive	Self-Assessed
Information Management	Substantive	Substantive	Self-Assessed
Risk Management	Substantive	***Substantive**	Internal Audit
Security Management	Substantive	Substantive	Self-Assessed
Waste Management	Substantive	Substantive	Self-Assessed

Governance Statement

The three core standards of Risk Management, Governance, and Financial Management, in addition to scoring for Human Resources and Emergency Planning (all marked ***** above) have been verified by Internal Audit.

The Controls Assurance assessments have identified areas for improvement in the systems and processes to maintain compliance. Action plans are in place to achieve progress in 2017/18.

8. Sources of Independent Assurance

The BSO obtains Independent Assurance from the following sources:

8.1 *Internal Audit*

The BSO utilises an internal audit function which operates to defined standards and whose work is informed by an analysis of risk to which the body is exposed and annual audit plans are based on this analysis.

In 2016-17 Internal Audit reviewed the following systems:

Assignment	Overall Level of Assurance
Asset Management	Satisfactory
Business Services Team	Satisfactory
Clinical Negligence – Financial Planning (joint audit BSO/ HSCB)	Satisfactory
Complaints Management	Satisfactory
Contract Management	Limited: For 2 out of the 10 contracts tested Satisfactory: For 8 out of the 10 contracts tested
Counter Fraud Services and BSO Fraud Processes	Limited: Fraud processes within Counter Fraud & Probity Services Satisfactory: BSO fraud response processes
Data Centres	Satisfactory
Financial Review (including Human Resources)	Satisfactory
FPL IT	Satisfactory
FPS IT	Satisfactory
FPS Ophthalmic Payments	Satisfactory
Honest Broker Services	Satisfactory

Income Shared Services	Satisfactory
PaLS Procurement	Satisfactory
Payments Shared Services	Satisfactory
Payroll Shared Services Follow-up Review (August 2016)	Limited
Payroll Shared Services (March 2017)	Unacceptable: Payroll system and Function Stability Limited: Payroll Processing
Pensions Processing (including Shared Services and Pensions Services)	Limited: Payroll processing
Performance Management	Satisfactory
Risk Management	Satisfactory
Recruitment Shared Services Follow Up (August 2016)	Limited
Recruitment Shared Services (February 2017)	Limited

In their annual report, the Internal Auditor reported that there is a **satisfactory** system of internal control designed to meet the BSO's objectives for the year ended 31 March 2017.

However, in providing their opinion, internal audit noted the Unacceptable assurance provided in relation to the Payroll system and Payroll Shared Service Centre Function Stability and a Limited assurance (similar to all Payroll Shared Service Centre audits in recent years) in respect of the Payroll Processing in the Payroll Shared Service Centre. Further details in respect of the Payroll Shared services audit along with other limited audits are set out below:

Contracts Management

This audit received an overall satisfactory assurance however, a limited opinion was issued in respect of two (of the ten) contracts reviewed. A limited assurance was issued as adequate processes were not in place to ensure that all expenditure was covered. Internal Audit also highlighted that formality was not in place in regard to verification of all contract charges to ensure correct procurement processes are followed by contract managers.

Counter Fraud Services and BSO Fraud Processes

This audit was conducted in two parts: Counter Fraud Services and BSO Fraud processes. The Counter Fraud Services element of the audit received a limited opinion as internal audit identified significant gaps in CFPS processes for formally managing fraud investigations and performance managing the service.

Payroll Shared Services

The internal audit opinion in respect of this audit was split. A limited assurance was provided in relation to Payroll Processing in the Shared Service Centre (similar to all Payroll Shared Service Centre audits in recent years) and an unacceptable assurance was issued in respect of the Payroll System and Function stability. In their report, internal audit highlighted that a limited assurance had been provided over payroll processing given that the vast majority of employees were consistently paid on a timely basis. However, the need for urgent action to stabilise the HSC payroll service and improve the control environment was also highlighted.

In particular, internal audit noted that of most concern, was: the sustained system stability and employer superannuation contribution accuracy issues, Payroll Shared Services Centre staffing and also the continued lack of consistent management of overpayments. Furthermore, significant issues noted by internal audit included: the management of customer queries; maternity pay calculations; and variance monitoring and also that fifteen out of the eighteen outstanding recommendations from previous audits had not been fully implemented.

The Payroll Shared Services Centre internal audit report did acknowledge progress made since the last audit in specific areas, (pension processing, authorisation frameworks and checking for duplicates in additional payments processing). The report also acknowledged that during the sample period, the Payroll Shared Services Centre was facing significant pressures arising out of system issues.

Pensions Processing (including Shared Services and Pensions Services)

This audit received a limited assurance due to the high volume of errors identified in information provided to HSC Pension Service by Payroll Shared Services, on which pension payments are based. Internal audit also noted a lack of: documented procedures across the pension process, clarity over processes for managing knowledge and procedures for promulgating advice and guidance and a consistent approach to determining the total superannuable remuneration period.

Recruitment Shared Services

This audit received a limited assurance as while continued progress to improve the system of internal control in the service was noted by internal audit, there were a number of remaining significant issues which required further progress. These remaining issues related to: system change requests, improvements required over the accuracy of information recorded on manual files and the e-recruit system and the lack of a formal consistent process for managing queries.

Internal audit noted that at the date of audit (February 2017), twelve (71%) of the seventeen recommendations made had been fully implemented while five (29%) were partially implemented.

Recommendations to address these control weaknesses have been or are being implemented.

Prior Year Recommendations

During 2016/17, 83% of internal audit recommendations received by the BSO were fully implemented, a further 15% were partially implemented and 2% were not implemented. The audit control process reported progress on recommendations to the GAC and to SMT and this will continue during 2017/18. The Internal Audit Plan for 2017/18 will continue to focus on addressing those areas deemed to pose the highest risk to the attainment of the Organisation's objectives.

8.2 ***External Audit***

The Financial Statements of the BSO are audited by the Northern Ireland Audit Office who provide independent assurance to the Northern Ireland Assembly. Any control weaknesses identified in the course of conducting the audit are communicated to the Governance and Audit Committee in the Report to those Charged with Governance. A representative from the Northern Ireland Audit office attends the BSO GAC meetings.

8.3 ***Attainment /Reaccreditation***

The BSO continues to promote the value of external assurance gained through benchmarking services, attainment / reaccreditation of recognised awards such as Centre of Procurement Expertise (COPE), Investors in People (IIP), Lexcel, Mark of Excellence Award and International Standards Organisation (ISO). They form part of the assurance process which assist the BSO in providing assurance to others that risks are effectively managed and the organisation is on track to achieve its strategic vision, aims and objectives.

9. Review of Effectiveness of the System of Internal Governance

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

Governance Statement

10. Internal Governance Divergences

10.1 Update on prior year control issues which have now been resolved and are no longer considered to be control issues

Legacy Finance System

BSO received a charge relating to access to a legacy finance system after the exit date of the annual licence. BSO has subsequently engaged with the legacy system provider and agreed a resolution acceptable to both parties.

10.2 Update on prior year control issues which continue to be considered control issues

HSC Data Centres

The legacy Regional ITS data centres are hosted in the Royal Victoria Hospital (RVH) and Belfast City Hospital (BCH) in an environment provided by the Belfast Trust Estates Department. There were a number of serious interruptions to service between 2011 and 2013 primarily caused by instability in the facilities provided to the data centre such as power and cooling. Further incidents which related to hardware failure and unplanned interruption of power in July 2014 and September 2015 respectively also took place.

The stability of power supplies to the legacy data centers and the priority of the data centers within the overall estates environment still remains a concern. However, a number of actions have been taken in response to these events including enhancing the management and automation of the facilities (power and cooling) within the legacy data centres to improve the resilience of the data centres. BSO continues to operate a third copy of the data outside the two data centres. This replicates the overnight backup process off site from the data centres to storage in Centre House and provides an "insurance copy" for disaster situations.

BSO is part of the shared public Data Centres project along with the Department of Finance and Translink. BSO commissioned the new tier 3 data centres in August 2016.

BSO ITS have also built a new HP private cloud platform which finished testing and handover in February 2017. A formal project with Trust representation has been set up to oversee the migration process for 120+ services to the new platform and data centres. The migration of over 120 services will complete in March 2018 with the first service going live in May 2017. The new data centers represent a significant increase in resilience and reliability over the legacy Tier 2 data centers particularly in relation to facilities such as power, cooling and addressing the potential impact of adverse weather events such as snow or lightning strike which have all effected services in the past.

Interface from Payroll Systems to Pensions Systems.

In order to process individual pension records and comply with Government Actuary Department (GAD) requirements in terms of member statistics, the BSO HSC Pensions Service (HSCPS) Altair system receive an electronic interface from HRMS (payroll) updating member records on a monthly basis. With the roll out of HRPTS it was therefore fundamental that the same data is interfaced from HRPTS to Altair to continue accurate processing. At the onset of procuring a new payroll solution this interface requirement was identified and included as part of the new system requirements. In May 2012 an initial specification was submitted to HCL Axon detailing Altair data interface requirements based on the current interface with HRMS. Despite protracted testing and discussion with the supplier the interface was still not operational however a final Change Request was agreed and the interface went live on 25 May 2016.

Although the interface is operating as per design, errors are occurring due to incomplete pension information in the HRPTS system. A number of employees across all HSC organisations do not have the pension 'start date' recorded in HRPTS. Pensions and Payroll are working through the errors to correct the data in HRPTS.

To mitigate against the delay in functionality, HSCPS will provide manual updates to GAD to ensure that the Scheme Accounts will receive an unqualified audit report.

FPS replacement systems

All Family Practitioner Payments Systems (FPPS) are “live”. However, a level of risk exists around delayed and/or inaccurate payments, whilst these systems are embedded.

The portal to the early dental adopters was rolled out by 31 August 2016. However, there are a number of on-going ‘Business as Usual’ payment issues relating to the Dental payment system. Identification and quantification of these issues is complex due to the following:

- nature of the claims being submitted by EDI and paper;
- complex rules governing the payments;
- wide range of items described in the Statement of Dental Remuneration that contractors can claim; and
- errors created by contractors/practice staff when submitting claims for payment.

BSO ITS and FPS have agreed a System Stabilisation Plan which is being implemented in 3 tranches. Firstly all year end fixes will be implemented by April 2017, second tranche fixing immediate system concerns will be implemented by June 2017 and third tranche involving system transformation will commence by August 2017.

PaLS Contracts Exception Report

A referral has been made by BSO to the Competition and Markets Authority (CMA) in relation to a regional tender for the provision of secure facilities for the storage of records and related ancillary services. BSO PaLS had concerns in relation to increased charges submitted by bidders and as a result of legal advice, decided to postpone the tender process pending the conclusion of the CMA investigation. In the interim a Direct Award Contract (DAC) has been put in place and PaLS has commenced the renewal process. Feedback from the Competition and Markets Authority indicates that the issues experienced by HSC are common across UK but that they cannot prioritise resources to an investigation at this point.

NIPACS

An existing contract, managed by BSO and funded through the HSCB, relates to the managed service for the regional picture archiving and communication system (PACS) and radiology information system (RIS) solution, which captures, stores, distributes and displays digital medical images and associated media across all hospital trusts in Northern Ireland ("the NIPACS Contract"). An element of this service is provided by a sub-contract arrangement between the NIPACS contractor and a third party sub-contractor.

Ongoing contractual discussions between BSO and the NIPACS contractor have revealed a potential disparity between the NIPACS contractor and its sub-contractor in respect of their respective interpretation of the sub-contract between them, indicating that the sub-contractor may have incorrectly overcharged the NIPACS contractor. BSO has no contractual relationship with the sub-contractor, however the sub-contractor's charge is included in the amount charged to BSO by the NIPACS contractor pursuant to the NIPACS contract. This expenditure is recharged in full to HSCB.

This dispute between the NIPACS contractor and its sub-contractor remains unresolved. BSO continues to assert its contractual right to full access to information regarding the substantiation of charges made or to be made under the NIPACS Contract, whilst remaining outside of any dispute resolution process relating to the sub-contract.

10.3 Identification of new issues and challenges in the current year and anticipated future issues.

There have been three new issues identified following the signing of the mid-year assurance statement on 27 October 2016:

Underpayment of Employers superannuation contributions

During February 2017 it was brought to the attention of the BSO Payroll Shared Services Centre, by one of the HSC bodies, that there was a potential error in how the

HRPTS system was calculating employers' superannuation contributions during periods of sickness and ordinary and stretch maternity leave.

Subsequent significant investigations resulted in the identification of a material regional liability in respect of underpayments of these contributions dating back to the introduction of the new HRPTS system in each individual HSC body. Each HSC body has been advised of their share of the estimated liability, and work has begun to identify the required systems changes to address this issue going forward. BSO is also working with the region to identify how the system specification error arose, which requires a review of each entity's individual system cut-over processes.

HRPTS system performance

Following the implementation of the 1% pay award and pension auto-enrolment in October/ November 2016, the HRPTS system began to experience significant systems performance issues, leading to delays in interface to general ledger and the need to invoke contingency arrangements in respect of one of the payroll runs. These issues persisted through to February 2017, despite BSO ITS team working with the system supplier who initiated a series of fixes to resolve the issues. BSO continue to closely monitor systems performance and a resolution plan has been put in place by the systems supplier, and the final phase of this is due to complete by end of September 2017.

Recruitment and selection shared services

Recruitment and selection shared services received a limited assurance from internal audit in February 2017. Progress on the implementation of recommendations in relation to this service continues to be made, and more details are provided in the internal audit section (Section 8.1) of this statement.

11. Leases

During the 2015/16 financial year, BSO incurred expenditure of £104k in relation to the extension of a lease, for which Department of Finance approval was not granted. The temporary lease extension was required as refurbishment of new premises was not completed within anticipated timescales. BSO exited this lease in January 2016.

12. Financial Challenges

The outlook for 2017-18 is increasingly constrained, particularly in respect of resource funding. In a statement to the House of Commons on 24 April 2017 the Secretary of State for Northern Ireland outlined an indicative Budget position for NI departments. This position was based on the advice of the Head of the NI Civil Service (NICS) in conjunction with the NICS Board. The purpose of this statement was to provide clarity to departments as to the basis for departmental allocations in the absence of an Executive, so that Permanent Secretaries can plan and prepare to take more detailed decisions in that light. The departmental allocations set out by the Secretary of State provide the basis on which departments are now planning for 2017-18. However, the Secretary of State was clear that the indicative budget position did not constrain the ability of an incoming Executive to adjust its priorities during the year. He also advised that some £42 million Resource DEL and £7 million Capital DEL was left unallocated in order to maintain flexibility for a new Executive to allocate resources to meet further priorities as they deem appropriate. Therefore, while there is the potential for an incoming Executive to adjust these plans and also to allocate the unallocated resources, individual departments cannot anticipate any additional funding at this stage until such decisions are made.

Across the HSC sector it is expected that that the significant financial challenges faced will intensify and extensive budget planning work to support the 2017-18 financial plan is ongoing between the BSO and Department of Health (DOH). However, as with other financial years the BSO remains committed to achieving financial break-even.

Governance Statement

13. Conclusion

The BSO has a rigorous system of accountability which I can rely on as Accounting Officer to form an opinion on the probity and use of public funds, as detailed in Managing Public Money NI (MPMNI).

Further to considering the accountability framework within the Body and in conjunction with assurances given to me by the Head of Internal Audit, I am content that the BSO has operated a sound system of internal governance during the financial year 2016/17.

REMUNERATION AND STAFF REPORT

Remuneration Report

A Committee of Non-Executive Board members exists to advise the full Board on the remuneration and terms and conditions of service for Senior Executives employed by the Business Services Organisation.

While the salary structure and the terms and conditions of service for Senior Executives is determined by the Department of Health,(DoH), the Remuneration and Terms of Service Committee has a key role in assessing the performance of Senior Executives and, where permitted by DoH, agreeing the discretionary level of performance related pay.

A circular on the 2016-17 Senior Executive pay award had not been received from the DoH by 31 March 2017, therefore related payments have not been made to Executive Directors.

The 2014-15 Senior Executive's pay award was set out in DHSSPS circular HSC (SE) 1/2015 and was paid in line with the Remuneration Committee's agreement on the classification of Executive Directors' performance, categorised against the standards of 'fully acceptable' or 'incomplete' as set out within the circular.

The salary, pension entitlement and the value of any taxable benefits in kind paid to both Executive and Non-Executive Directors is set out within this report. None of the Executive or Non-Executive Directors of the BSO received any other bonus or performance related pay in 2016-17. It should be noted that Non-Executive Directors do not receive pensionable remuneration and therefore there will be no entries in respect of pensions for Non-Executive members.

Non-Executive Directors are appointed by the DoH under the Public Appointments process and the duration of such contracts is normally for a term of four years. Three of the BSO's Non-Executive Directors had an extension of six months approved by the DoH from 1 April 2016 and during the year another three had an extension for two months to run from 1 April to 31 May 2017.

Remuneration Report

Executive Directors are employed on a permanent contact unless otherwise stated in the following remuneration tables.

Early Retirement and Other Compensation Schemes

There were no early retirements or payments of compensation for other departures relating to current or past Senior Executives during 2016-17.

Membership of the Remuneration and Terms of Service Committee:

Mr Alexander Coleman – Chair (to 30 November 2016)
Ms Julie Erskine – Chair (from 1 December 2016)
Mr Greg Irwin - Non-Executive Director
Mr Sean Mahon – Non- Executive Director (to 30 September 2016)
Mr Gerry Strong – Non-Executive Director (to 30 September 2016)
The Committee is supported by the Chief Executive and the Director of Human Resources

Remuneration Report

Senior Employees' Remuneration (Audited)

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Business Services Organisation were as follows:

	2016-17					2015-16				
Name	**Salary £000s**	**Bonus / Performance Pay £000**	**Benefits in kind (rounded to nearest £100)**	**Pension Benefits £'000**	**Total £'000**	**Salary £000s**	**Bonus / Performance Pay £000**	**Benefits in kind (rounded to nearest £100)**	**Pension Benefits £'000**	**Total £'000**
Non-Executive Members										
Alexander Coleman Resigned 30/11/16	10-15	-	-	-	10-15	20-25	-	-	-	20-25
Robin McClelland	5-10	-	-	-	5-10	5-10	-	-	-	5-10
Greg Irwin	5-10	-	-	-	5-10	5-10	-	-	-	5-10
Hilary McCartan Resigned 11/2/16	-	-	-	-	-	5-10	-	-	-	5-10
Geraldine Fahy Resigned 16/3/16	-	-	-	-	-	5-10	-	-	-	5-10
Sean Mahon Resigned 30/9/16	3-5	-	-	-	3-5	5-10	-	-	-	5-10
Brian McMurray Resigned 30/9/16	3-5	-	-	-	3-5	5-10	-	-	-	5-10
Gerald Strong Resigned 30/9/16	3-5	-	-	-	3-5	5-10	-	-	-	5-10
Alan Hanna	5-10	-	-	-	5-10	5-10	-	-	-	5-10
Julie Erskine Appointed 1/12/16	0-3	-	-	-	0-3	-	-	-	-	-

Dorothy Whittington Appointed 1/12/16	0-3	-	-	-	0-3	-	-	-	-	-
Jeremy Stewart Appointed 1/12/16	0-3	-	-	-	0-3	-	-	-	-	-
Mark Campbell Appointed 1/12/16	0-3	-	-	-	0-3	-	-	-	-	-
Robert Bannon Appointed 1/12/16	0-3	-	-	-	0-3	-	-	-	-	-
Patricia Gordon Appointed 1/12/16	0-3	-	-	-	0-3	-	-	-	-	-
Executive Members										
David Bingham **	-	-	-	-	-	105-110	-	200	28	125-130
Liam McIvor *	85-90	-	200	9	95-100	-	-	-	-	-
Hugh McPoland **	75-80	-	2,000	-	75-80	75-80	-	1,500	8	85-90
Sam Waide	80-85	-	7,200	1	85-90	80-85	-	6,500	21	110-115
Wendy Thompson***	65-70	-	3,200	19	90-95	-	-	-	-	-
Andrea Henderson***	65-70	-	-	-3	60-65	75-80	-	-	45	120-125
Patrick Anderson***	-	-	-	-	-	80-85	-	-	3	85-90
Alphy Maginness	80-85	-	100	9	90-95	80-85	-	100	10	90-95
Karen Bailey	75-80	-	-	8	80-85	75-80	-	-	9	80-85

* Liam McIvor was appointed as Chief Executive on 25 April 2016.

** David Bingham (Chief Executive) left on 31 March 2016, Hugh McPoland (Director of Human Resources) acted up into the role of Chief Executive from 1st to 24th April 2016 and Liam McIvor took up post on 25 April 2016.

**** Patrick Anderson (Director of Finance) left on 31 May 2015; Andrea Henderson (Assistant Director of Finance) acted up into the role of Director of Finance from 1 June 2015 to 30 April 2016 and Wendy Thompson took up post on 1 May 2016.

Remuneration Report

Pensions of Senior Management (Audited)

Name	Real increase in pension and related lump sum at age 60 £000s	Total accrued pension at age 60 and related lump sum £000s	CETV at 31/03/16 £000s	CETV at 31/03/17 £000s	Real increase in CETV £000s
David Bingham	-	-	-	-	-
Liam McIvor	0-2.5 plus lump sum of 0-2.5	30-35 plus lump sum of 90-95	595	634	19
Hugh McPoland	-	-	-	-	-
Sam Waide	0-2.5	2.5-5	32	29	1
Wendy Thompson	0-2.5 plus lump sum of 2.5-5	5-10 plus lump sum of 20-25	123	141	16
Alphy Maginness	0-2.5 plus lump sum of 2.5-5	25-30 plus lump sum of 85-90	643	685	21
Karen Bailey	0-2.5 plus lump sum of 2.5-5	25-30 plus lump sum of 85-90	499	531	16
Andrea Henderson	0-2.5 plus lump sum of (-)0-2.5	15-20 plus lump sum of 35-40	211	216	(1)

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

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 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 the 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 HPSS 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 prescribed by the institute and Faculty of Actuaries.

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

Fair Pay Statement

The Hutton Fair Pay Review recommended that, from 2011-12, all public service organisations publish their top to median pay multiples each year. The DoH issued Circular HSC (F) 23/2012 and subsequently issued Circular HSC (F) 23/2013, setting out a requirement to disclose the relationship between the remuneration of the most highly paid director in the organisation and the median remuneration of the organisation's workforce. Following application of the guidance contained in Circular (F) 23/2013, the following can be reported:

Band of Highest Paid Director's Total
Remuneration: £95-100k
Median Total Remuneration: £21,478
Ratio: 4.4

STAFF REPORT

Staff Report

Staff Profile and Composition

The following shows staff earning more than £67k as at 31.03.2017:

Staff Gender Breakdown within BSO 2016-17 Senior Management (excl. Board Members)	
Female	**9**
Male	**8**

Staff Numbers and Related Costs

Staff Costs

		2017		2016
Staff costs comprise:	Permanently employed staff	Others	Total	Total
	£	£	£	£
Wages and salaries	37,103,940	3,829,256	40,933,196	40,278,763
Social security costs	3,377,996	-	3,377,996	2,570,570
Other pension costs	5,467,434	-	5,467,434	5,270,578
Sub-Total	45,949,370	3,829,256	49,778,626	48,119,911
Capitalised staff costs	(445,995)	(96,871)	(542,866)	(513,301)
Total staff costs reported in Statement of Comprehensive Expenditure	45,503,375	3,732,385	49,235,760	47,606,610
Less recoveries in respect of outward secondments			(973,930)	(902,073)
Total net costs			**48,261,830**	**46,704,537**

The BSO participates in the HSC Superannuation Scheme. Under this multi-employer defined benefit scheme both the BSO and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DoH. The BSO is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis.

Staff Report

As per the requirements of IAS 19, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions. A full valuation as at 31 March 2012 was certified in February 2015 and is used in the 2016-17 accounts.

Average number of persons employed

The average number of whole time equivalent persons employed during the year was as follows:

	2017			2016
	Permanently employed staff No.	**Other No.**	**Total No.**	**Total No.**
Administrative and clerical	1,380	130	1,510	1,498
Total average number of persons employed	**1,380**	**130**	**1,510**	**1,498**
Less average staff number relating to capitalised staff costs			18	14
Less average staff number in respect of outward secondments			35	50
Total net average number of persons employed			**1,457**	**1,434**

The staff numbers disclosed as Other in 2016-17 relates to temporary members of staff.

Staff report

Reporting of early retirement and other compensation scheme – exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band	
	2017	2016	2017	2016	2017	2016
<£10,000	-	-	-	1	-	1
£10,000-£25,000	-	-	1	1	1	1
£25,000-£50,000	-	-	7	3	7	3
£50,000-£100,000	-	-	1	4	1	4
£100,000-£150,000	-	-	-	-	-	-
£150,000-£200,000	-	-	-	-	-	-
>£200,000	-	-	-	-	-	-
Total number of exit packages by type	-	-	9	9	9	9
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Total resource cost	-	-	317	457	317	457

Redundancy and other departure costs have been paid in accordance with the provisions of the HSC Pension Scheme Regulations and the Compensation for Premature Retirement Regulations, statutory provisions made under the Superannuation Act 1972. Exit costs are accounted for in full in the year in which the exit package is approved and agreed and are included as operating expenses at note 3. Where early retirements have been agreed, the additional costs are met by the employing authority and not by the HSC pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Staff Benefits

Refer to pages 99 to 102.

Retirements due to ill health

During 2016-17 there were no early retirements from BSO agreed on the ground of ill-health. (2015-16: Nil).

Staff Report

Staff Absence

The cumulative sickness and absenteeism rate for the organisation as at the end of March 2017 was 4.28% which was above the Departmental target of 3.96%.

Staff Communication and Employee Involvement

The BSO communicates with staff using a range of channels. Team briefings are intended to facilitate a clear communication of the connection between an individual's contribution and corporate success. The monthly newssheet *"BSO Business Matters"* has continued to be developed as a means of disseminating corporate information. Further details on employee engagement are contained within the report of the Director of Human Resources and Corporate Services.

Equality

The BSO is committed to promoting equality of opportunity for all. Details of good practice and training initiatives, including those relating to disability issues are contained within the Equality and Human Rights section of the report of the Director of Customer Care and Performance.

Health and Well-Being

Full details of BSO Health and Well-Being initiatives are contained within the report of the Director of Human Resources and Corporate Services.

Health and Safety

Full details of BSO Health and Safety training for BSO staff are contained within the report of the Director of Human Resources and Corporate Services.

Learning and Development

Full details of Learning and Development for BSO staff are contained within the report of the Director of Human Resources and Corporate Services.

Community and Social Involvement

Information on Community and Social Involvement undertaken by BSO staff is contained within the Performance Analysis section of the Performance Report.

Staff Report

Expenditure on Consultancy

The BSO did not undertake any projects involving external consultancy during the 2016-17 financial year (2015-16 : £88,400).

Off Payroll Staff Resources

	Number of staff
Off Payroll staff as at 1 April 2016	0
New engagements during the year	0
Number of engagements transferred to department's payroll	0
Number of engagements that have come to an end during the year	0
Off Payroll staff as at 31 March 2017	0

ACCOUNTABILITY AND AUDIT REPORT

ACCOUNTABILITY REPORT

Assembly Accountability Disclosure Notes

i) Losses and Special Payments

Type of loss and special payment		2016-17 Number of Cases	2016-17 £	2015-16 £
Cash losses				
	Cash Losses - Theft, fraud etc	-	-	514
	Cash Losses - Overpayments of salaries, wages and allowances	-	-	-
	Cash Losses - Other causes	3	200	-
		3	**200**	**514**
Claims abandoned				
	Waived or abandoned claims	-	-	-
		-	**-**	**-**
Administrative write-offs				
	Bad debts	-	-	14,870
	Other	-	-	-
		-	**-**	**14,870**
Fruitless payments				
	Late Payment of Commercial Debt	3	80	-
	Other fruitless payments and constructive losses	2	273,637	11,493
		5	**273,717**	**11,493**
Stores losses				
	Losses of accountable stores through any deliberate act	-	-	-
	Other stores losses	1,336	8,896	64,254
		1,336	**8,896**	**64,254**
Special Payments				
	Compensation payments			
	- Clinical Negligence	-	-	-
	- Public Liability	-	-	-
	- Employers Liability	-	-	-
	- Other	-	-	-
		-	**-**	**-**
	Ex-gratia payments	**-**	**-**	**-**
	Extra contractual	**-**	**-**	**-**
	Special severance payments	**-**	**-**	**-**
TOTAL		**1,344**	**282,813**	**91,131**

ACCOUNTABILITY REPORT

Special Payments

There were no other special payments or gifts made during the year.

Other Payments and Estimates

There were no other payments made during the year.

Losses and Special Payments over £250,000

The BSO had no losses or made no special payments over £250,000.

ii Fees and Charges

There were no other fees and charges during the year.

iii Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS37, the BSO also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The BSO had no remote contingent liabilities. Refer to note 21 of the financial statements for details of a contingent asset.

Chief Executive Date 13 June 2017

Section C

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

BUSINESS SERVICES ORGANISATION

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

FOREWORD

The accounts for the year ended 31 March 2017 have been prepared in a form determined by the Department of Health based on guidance from the Department of Finance's Financial Reporting manual (FReM) and in accordance with the requirements of the Health and Social Care (Reform) Act (Northern Ireland) 2009.

BUSINESS SERVICES ORGANISATION

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

CERTIFICATE OF THE DIRECTOR OF FINANCE, CHAIRMAN AND CHIEF EXECUTIVE

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 117 to 162) which I am required to prepare on behalf of the Business Services Organisation have been compiled from and are in accordance with the accounts and financial records maintained by the Business Services Organisation and with the accounting standards and policies for HSC bodies approved by the DoH.

Director of Finance

Date 13 June 2017

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 117 to 162) as prepared in accordance with the above requirements have been submitted to and duly approved by the Board.

Chairman

Date 13 June 2017

Chief Executive

Date 13 June 2017

BUSINESS SERVICES ORGANISATION

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Business Services Organisation for the year ended 31 March 2017 under the Health and Social Care (Reform) Act (Northern Ireland) 2009. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Changes in Taxpayers' Equity, Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Assembly Accountability disclosures that are described in those reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care (Reform) Act (Northern Ireland) 2009. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Business Services Organisation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Business Services Organisation; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Business Services Organisation's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Care (Reform) Act (Northern Ireland) 2009, as amended and Department of Health directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report and Assembly Accountability disclosures to be audited have been properly prepared in accordance with Department of Health directions made under the Health and Social Care (Reform) Act (Northern Ireland) 2009; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report and Assembly Accountability disclosures to be audited are not in agreement with the accounting records; 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 Department of Finance's guidance.

Report

I have no observations to make on these financial statements.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

20th June 2017

BUSINESS SERVICES ORGANISATION

STATEMENT of COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2017

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which includes changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	NOTE	2017 £	2016 £
Income			
Income from activities	4.1	100,966,760	97,315,883
Other income (excluding interest)	4.2	17,820,341	16,614,974
Deferred income	4.3	-	-
Total operating income		118,787,101	113,930,857
Expenditure			
Staff costs	3	(49,235,760)	(47,606,610)
Purchase of goods and services	3	(47,662,306)	(46,406,027)
Depreciation, amortisation and impairment charges	3	(14,300,562)	(12,128,174)
Provision expense	3	(138,395)	(158,938)
Other expenditures	3	(45,411,302)	(43,177,300)
Total operating expenditure		(156,748,325)	(149,477,049)
Net Expenditure		**(37,961,224)**	**(35,546,192)**
Finance income	4.2	-	-
Finance expense	3	-	-
Net expenditure for the year		**(37,961,224)**	**(35,546,192)**
Revenue Resource Limit (RRL) received from DoH	24.1	38,005,832	35,617,585
Surplus / (Deficit) against RRL		**44,608**	**71,393**

OTHER COMPREHENSIVE EXPENDITURE

	NOTE	2017 £	2016 £
Items that will be classified to net operating costs:			
Net gain/(loss) on revaluation of property, plant & equipment	5.1/8/5.2/8	268,158	189,265
Net gain/(loss) on revaluation of intangibles	6.1/8/6.2/8	3,129,377	(352,366)
Net gain/(loss) on revaluation of financial instruments	7/8	-	-
Items that may be reclassified to net operating costs:		-	-
Net gain/(loss) on revaluation of investments		-	-
TOTAL COMPREHENSIVE EXPENDITURE for the year ended 31 March 2017		**(34,563,689)**	**(35,709,293)**

The notes on pages 121 to 162 form part of these accounts.

BUSINESS SERVICES ORGANISATION

STATEMENT of FINANCIAL POSITION as at 31 March 2017

This statement presents the financial position of the BSO. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		2017		2016	
	NOTE	£	£	£	£
Non Current Assets					
Property, plant and equipment	5.1/5.2	35,419,613		29,299,965	
Intangible assets	6.1/6.2	50,499,443		52,766,035	
Financial assets	7	-		-	
Trade and other receivables	12	-		-	
Other current assets	12	-		-	
Total Non Current Assets			**85,919,056**		**82,066,000**
Current Assets					
Assets classified as held for sale	9	-		-	
Inventories	10	3,727,192		3,926,428	
Trade and other receivables	12	24,846,352		22,374,578	
Other current assets	12	1,868,424		1,492,775	
Intangible current assets	12	-		-	
Financial assets	7	-		-	
Cash and cash equivalents	11	3,520,573		5,108,241	
Total Current Assets			33,962,541		32,902,022
Total Assets			**119,881,597**		**114,968,022**
Current Liabilities					
Trade and other payables	13	(32,072,876)		(32,953,854)	
Other liabilities	13	-		-	
Intangible current liabilities	13	-		-	
Financial liabilities	7	-		-	
Provisions	15	(239,508)		(146,076)	
Total Current Liabilities			(32,312,384)		(33,099,930)
Total assets less current liabilities			**87,569,213**		**81,868,092**
Non Current Liabilities					
Provisions	15	(470,141)		(499,392)	
Other payables > 1 yr	13	(1,919,857)		-	
Financial liabilities	7	-		-	
Total Non Current Liabilities			(2,389,998)		(499,392)
Total assets less total liabilities			**85,179,215**		**81,368,700**
Taxpayers' Equity and other reserves					
Revaluation reserve		8,142,613		4,745,078	
SoCNE Reserve		77,036,602		76,623,622	
Total equity			**85,179,215**		**81,368,700**

The financial statements on pages 117 to 162 were approved by the Board on 13 June 2017 and were signed on its behalf by:

Signed (Chairman) Date 13 June 2017

Signed (Chief Executive) Date 13 June 2017

The notes on pages 121 to 162 form part of these accounts.

BUSINESS SERVICES ORGANISATION

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 March 2017

The Statement of Cash Flows shows the changes in cash and cash equivalents of the BSO during the reporting period. The statement shows how the BSO generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the BSO. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the BSO future public service delivery.

	NOTE	2017 £	2016 £
Cashflows from operating activities			
Net surplus after interest/Net operating cost		(37,961,224)	(35,546,192)
Adjustments for non cash costs		14,667,576	12,514,515
(Increase)/decrease in trade and other receivables		(2,847,423)	3,026,120
Less movements in receivables relating to items not passing through the NEA			
Movements in receivables relating to the sale of property, plant & equipment		-	-
Movements in receivables relating to the sale of intangibles		-	-
Movements in receivables relating to finance leases		-	-
(Increase)/decrease in inventories		199,236	156,356
Increase/(decrease) in trade payables		1,038,879	(1,893,071)
Less movements in payables relating to items not passing through the NEA			
Movements in payables relating to the purchase of property, plant & equipment		(690,304)	1,766,317
Movements in payables relating to the purchase of intangibles		13,183	3,212,680
Movements in payables relating to finance leases		-	-
Use of provisions	15	(74,214)	(50,530)
Net cash outflow from operating activities		(25,654,291)	(16,813,805)
Cashflows from investing activities			
(Purchase of property, plant & equipment)	5	(11,606,802)	(7,169,881)
(Purchase of intangible assets)	6	(2,480,730)	(8,538,313)
Proceeds of disposal of property, plant & equipment		10,155	8,287
Proceeds on disposal of intangibles			-
Proceeds on disposal of assets held for resale			-
Net cash outflow from investing activities		(14,077,377)	(15,699,907)
Cash flows from financing activities			
Grant in aid		38,144,000	37,590,000
Cap element of payments - finance leases and on balance sheet (SoFP) PFIs and other service concession arrangements		-	-
Net financing		38,144,000	37,590,000
Net increase (decrease) in cash & cash equivalents in the period		(1,587,668)	5,076,288
Cash & cash equivalents at the beginning of the period	11	5,108,241	31,953
Cash & cash equivalents at the end of the period	11	3,520,573	5,108,241

The notes on pages 121 to 162 form part of these accounts.

BUSINESS SERVICES ORGANISATION

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by BSO, analysed into the 'Statement of Comprehensive Net Expenditure Reserve' (i.e. those reserves that reflect a contribution from the Department of Health Social Services and Public Safety). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The Statement of Comprehensive Net Expenditure Reserve (SoCNE Reserve) represents the total assets less liabilities of the BSO, to the extent that the total is not represented by other reserves and financing items.

	NOTE	SoCNE Reserve £	Revaluation Reserve £	Total £
Balance at 31 March 2015		**74,345,442**	**4,908,179**	**79,253,621**
Changes in taxpayers' equity 2015-16				
Grant from DoH		37,590,000	-	37,590,000
Transfers between reserves				
(Comprehensive expenditure for the year)		(35,546,192)	(163,101)	(35,709,293)
Transfer of asset ownership				
Non cash charges - auditors remuneration	3	118,000	-	118,000
Non cash charges – notional costs	3	116,372	-	116,372
Balance at 31 March 2016		**76,623,622**	**4,745,078**	**81,368,700**
Changes in taxpayers' equity 2016-17				
Grant from DoH		38,144,000	-	38,144,000
Transfers between reserves		-	-	-
(Comprehensive expenditure for the year)		(37,961,224)	3,397,535	(34,563,689)
Transfer of asset ownership		-	-	-
Non cash charges - auditors remuneration	3	115,000	-	115,000
Non cash charges – notional costs	3	115,204	-	115,204
Balance at 31 March 2017		**77,036,602**	**8,142,613**	**85,179,215**

BUSINESS SERVICES ORGANISATION

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTES TO THE ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES

1. Authority

These accounts have been prepared in a form determined by the Department of Health based on guidance from the Department of Finance's Financial Reporting manual (FReM) and in accordance with the requirements of Article 90(2) (a) of the Health and Personal Social Services (Northern Ireland) Order 1972 No 1265 (NI 14) as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003.

The accounting policies follow IFRS to the extent that it is meaningful and appropriate to the BSO. Where a choice of accounting policy is permitted, the accounting policy which has been judged to be most appropriate to the particular circumstances of the BSO for the purpose of giving a true and fair view has been selected. The BSO's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts, unless otherwise stated.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

1.2 Currency

These accounts are presented in UK Pounds sterling.

1.3 Property, Plant and Equipment

Property, plant and equipment assets comprise Land, Buildings, Dwellings, Transport Equipment, Plant & Machinery, Information Technology, Furniture & Fittings, and Assets under construction.

Recognition

Property, plant and equipment must be capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the entity;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £1,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

On initial recognition property, plant and equipment are measured at cost including any expenditure such as installation, directly attributable to bringing them into working condition. Items classified as “under construction” are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

Valuation of Land and Buildings

Land and buildings are carried at the last professional valuation, in accordance with the Royal Institute of Chartered Surveyors (Statement of Asset Valuation Practice) Appraisal and Valuation Standards in so far as these are consistent with the specific needs of the HSC.

The last valuation was carried out on 31 January 2015 by Land and Property Services (LPS) which is an independent executive body within the Department of Finance and Personnel. The valuers are qualified to meet the ‘Member of Royal Institution of Chartered Surveyors’ (MRICS) standard.

Professional revaluations of land and buildings are undertaken at least once in every five year period and are revalued annually, between professional valuations, using indices provided by LPS.

Land and buildings used for the Arms Length Body (ALB) services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Fair values are determined as follows:

- Land and non-specialised buildings – open market value for existing use
- Specialised buildings – depreciated replacement cost
- Properties surplus to requirements – the lower of open market value less any material directly attributable selling costs, or book value at date of moving to non-current assets.

Modern Equivalent Asset

DoF has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. Land and Property Services (LPS) have included this requirement within the latest valuation.

Assets Under Construction (AUC)

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Assets are revalued and depreciation commences when they are brought into use.

Short Life Assets

Short life assets are not indexed. Short life is defined as a useful life of up to and including 5 years. Short life assets are carried at depreciated historic cost as this is not considered to be materially different from fair value and are depreciated over their useful life.

Where estimated life of fixtures and equipment exceed 5 years, suitable indices will be applied each year and depreciation will be based on indexed amount.

Revaluation Reserve

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited

to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

1.4 Depreciation

No depreciation is provided on freehold land since land has unlimited or a very long established useful life. Items under construction are not depreciated until they are commissioned. Properties that are surplus to requirements and which meet the definition of "non-current assets held for sale" are also not depreciated.

Otherwise, depreciation is charged to write off the costs or valuation of property, plant and equipment and similarly, amortisation is applied to intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. Assets held under finance leases are also depreciated over the lower of their estimated useful lives and the terms of the lease. The estimated useful life of an asset is the period over which the ALB expects to obtain economic benefits or service potential from the asset. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. The following asset lives have been used.

Asset Type	**Asset Life**
Freehold Buildings	25 – 60 years
Leasehold property	Remaining period of lease
IT Assets	3 – 10 years
Intangible assets	3 – 15 years
Other Equipment	3 – 15 years

1.5 Impairment loss

If there has been an impairment loss due to a general change in prices, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure within the Statement of Comprehensive Net Expenditure. If the impairment is due to the consumption of economic benefits the full amount of the impairment is charged to the Statement of Comprehensive Net Expenditure and an amount up to the value of the impairment in the revaluation reserve is transferred to the Statement of Comprehensive Net Expenditure Reserve. Where an impairment

loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited firstly to the Statement of Comprehensive Net Expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.6 Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure which meets the definition of capital restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

The overall useful life of the BSO's buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on those assets at the same rate as if separate components had been identified and depreciated at different rates.

1.7 Intangible assets

Intangible assets includes any of the following held - software, licences, trademarks, websites, development expenditure, Patents, Goodwill and intangible Assets under Construction. Software that is integral to the operating of hardware, for example an operating system is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the BSO's business or which arise from contractual or other legal rights. Intangible assets are considered to have a finite life. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the BSO; where the cost of the asset can be measured reliably. All single items over £5,000 in value must be capitalised while intangible assets which fall within the grouped asset definition must be capitalised if their individual value is at least £1,000 each and the group is at least £5,000 in value.

The amount recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date of commencement of the intangible asset, until it is complete and ready for use.

Intangible assets acquired separately are initially recognised at fair value.
Following initial recognition, intangible assets are carried at fair value by reference to an active market, and as no active market currently exists depreciated replacement cost has been used as fair value.

1.8 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order to meet this definition IFRS 5 requires that the asset must be immediately available for sale in its current condition and that the sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset and the sale is considered likely to be concluded within one year. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value, less any material directly attributable selling costs. Fair value is open market value, where one is available, including alternative uses.

Assets classified as held for sale are not depreciated.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount. The profit from sale of land which is a non depreciating asset is recognised within income. The profit from sale of a depreciating asset is shown as a reduced expense. The loss from sale of land or from any depreciating assets is shown within operating expenses. On disposal, the balance for the asset on the revaluation reserve is transferred to the Statement of Comprehensive net Expenditure reserve.

Property, plant or equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.9 Inventories

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

1.10 Income

Operating Income relates directly to the operating activities of the BSO and is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

Grant in aid

Funding received from other entities, including the Department and the Health and Social Care Board are accounted for as grant in aid and are reflected through the Statement of Comprehensive net Expenditure Reserve.

1.11 Investments

The BSO does not have any investments.

1.12 Other expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

1.13 Cash and cash equivalents

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

1.14 Leases

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

The BSO as lessee

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

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

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

Where a lease is for land and buildings, the land and building components are separated. Leased land may be either an operating lease or a finance lease depending on the conditions in the lease agreement and following the general guidance set out in IAS 17. Leased buildings are assessed as to whether they are operating or finance leases.

The BSO as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the BSO's net investment in the leases. Finance lease income is allocated to accounting periods

so as to reflect a constant periodic rate of return on the BSO's net investment outstanding in respect of the leases.

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

1.15 Private Finance Initiative (PFI) transactions

The BSO has had no PFI transactions during the year.

1.16 Financial instruments

- Financial assets

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

Financial assets are initially recognised at fair value.

- Financial liabilities

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

Financial liabilities are initially recognised at fair value.

- Financial risk management

IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the relationships with HSC Commissioners, and the manner in which they are funded, financial

instruments play a more limited role within the HSC Bodies in creating risk than would apply to a non public sector body of a similar size, therefore the ALBs are not exposed to the degree of financial risk faced by business entities.

ALBs have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the ALBs in undertaking activities. Therefore the HSC is exposed to little credit, liquidity or market risk.

- Currency risk

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

- Interest rate risk

The BSO has limited powers to borrow or invest and therefore has low exposure to interest rate fluctuations.

- Credit risk

Because the majority of the BSO's income comes from contracts with other public sector bodies, the BSO has low exposure to credit risk.

- Liquidity risk

Since the BSO receives the majority of its funding through its principal Commissioner which is voted through the Assembly, it is therefore not exposed to significant liquidity risks.

1.17 Provisions

In accordance with IAS 37, provisions are recognised when the BSO has a present legal or constructive obligation as a result of a past event, it is probable that the BSO will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

Where a provision is measured using the cash flows estimated to settle the obligation its carrying amount is the present value of those cash flows using DoF-issued discount rates of:

Rate	Time period	Real rate
Short-term	0-5 years	-2.7%
Medium-term	5-10 years	-1.95%
Long-term	10+ years	-0.80%

as at 31 March 2017. The discount rate to be applied for employee early departure obligations is +0.24% with effect from 31 March 2017.

The BSO has also disclosed the carrying amount at the beginning and end of the period, additional provisions made, amounts used during the period, unused amounts reversed during the period and increases in the discounted amount arising from the passage of time and the affect of any change in the discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the BSO has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the BSO has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with on-going activities of the entity.

1.18 Contingencies

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly. Under IAS 37, the BSO discloses contingent liabilities where there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the BSO, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the BSO. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

In addition to contingent liabilities disclosed in accordance with IAS 37, HSC Trusts and ALBs should disclose for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

1.19 Employee benefits

Short-term employee benefits

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been determined using individual's salary costs applied to their unused leave balances determined from a report of the unused annual leave balance as at 31 March 2017. It is not anticipated that the level of unused leave will vary significantly from year to year. Unused flexi leave is estimated to be immaterial to the BSO and has not been included.

Retirement benefit costs

Past and present employees are covered by the provisions of the HSC Superannuation Scheme.

The BSO participates in the HSC Superannuation Scheme. Under this multi-employer defined benefit scheme both the BSO and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DoH. The BSO is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. Further information regarding the HSC Superannuation Scheme can be found in the HSC Superannuation Scheme Statement in the Departmental Resource Account for the Department of Health.

The costs of early retirements are met by the BSO and charged to the Statement of Comprehensive Net Expenditure at the time the BSO commits itself to the retirement.

As per the requirements of IAS 19, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions. The 2012 valuation for the HSC Pension scheme will be used in the 2016-17 accounts

1.20 Reserves

S**tatement of Comprehensive Net Expenditure Reserve**

Accumulated surpluses are accounted for in the Statement of Comprehensive Net Expenditure Reserve.

Revaluation Reserve

The Revaluation Reserve reflects the unrealised balance of cumulative indexation and revaluation adjustments to assets other than donated assets.

1.21 Value Added Tax

Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

1.22 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the BSO has no beneficial interest in them. Details of third party assets are given in Note 23 to the accounts.

1.23 Government Grants

The note to the financial statements distinguishes between grants from UK government entities and grants from European Union.

1.24 Losses and Special Payments

Losses and special payments are items that the Assembly 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.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had HSC bodies not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

1.25 Accounting Standards that have been issued but have not yet been adopted

Under IAS 8 there is a requirement to disclose those standards issued but not yet adopted. The suggested wording (to be updated as necessary once 2016-17 standard wording received from DoF) is as follows;

The IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

Management consider that any other new accounting policies issued but not yet adopted are unlikely to have a significant impact on the accounts in the period of the initial application.

1.26 Impact of implementation of ESA 2010 on research and development expenditure

Following the introduction of the 2010 European System of Accounts (ESA10), there has been a change in the budgeting treatment (a change from the revenue budget to the capital budget) of research and development (R&D) expenditure. In order to reflect this new treatment which was implemented from 2016/17, additional disclosures have been included in the notes to the accounts.

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 2 ANALYSIS OF NET EXPENDITURE BY SEGMENT

The core business and strategic direction of the Business Services Organisation is the provision of both shared and support services to the HSC.

The BSO Board acts as the Chief Operating Decision Maker and receives financial information on the BSO under the following headings:

- BSO core – this segment incorporates Finance, Legal Services, Human Resources, Family Practitioner Services, Counter Fraud and Probity, HSC Pensions, Customer Care and Performance, HSC Leadership Centre and Clinical Education Centre, the Business Services Transformation Project and Shared Services.

- Information Technology Services (ITS) – this segment incorporates the functions transferred to the BSO from the Department of Health formally known as the Directorate of Information Services (DIS)

- Procurement and Logistic Services (PaLS) – this segment represents the procurement and supply services provided to HSC Trusts and other HSC Bodies

- Managed Services – the BSO manages several regional services on behalf of the HSC, such as Nursing Bursaries and Healthy Start. The costs of these services are represented in this segment.

The analysis by segment for 2016-17 is provided in the table below. Comparative figures are provided in a subsequent table.

BUSINESS SERVICES ORGANISATION

NOTE 2 ANALYSIS OF NET EXPENDITURE BY SEGMENT

Statement of Operating Costs by Operating Segment for the Year Ended 31 March 2017

	Note	BSO Core	ITS	PaLS	Managed Services	Total
Staff Costs		£	£	£	£	£
Wages & Salaries	3	29,303,905	8,100,732	9,820,743	2,010,380	49,235,760
		29,303,905	8,100,732	9,820,743	2,010,380	49,235,760
Other Expenditure						
IT Programme	3	-	10,377,898	-	-	10,377,898
SUMDE	3	-	-	-	1,292,368	1,292,368
Bursaries	3	-	-	-	11,641,263	11,641,263
Healthy Start	3	-	-	-	3,066,537	3,066,537
Regional Interpreting Services	3	-	-	-	3,400,379	3,400,379
Cost of Sales	3	-	-	47,266,170	-	47,266,170
Supplies and services - general	3	276,653	10,691	105,938	2,854	396,136
Establishment	3	8,609,968	785,044	460,809	7,004	9,862,825
Transport	3	324,016	54,855	829,053	57,256	1,265,180
Premises	3	1,182,083	442,964	1,033,168	130	2,658,345
Miscellaneous	3	764,640	117,811	34,690	580,345	1,497,486
Research & development	3	120,402	-	-	-	120,402
Depreciation	3	6,650,005	-	-	-	6,650,005
Amortisation	3	7,650,557	-	-	-	7,650,557
Impairments	3	-	-	-	-	-
(Profit)/ loss on disposal of assets (excluding profit on land)	3	(1,585)	-	-	-	(1,585)
Provisions provided for in year	3	138,395	-	-	-	138,395
Auditors Remuneration	3	115,000	-	-	-	115,000
Notional costs	3	115,204	-	-	-	115,204
		25,945,338	11,789,263	49,729,828	20,048,136	107,512,565
Income						
GB/Republic of Ireland Health Authorities	4	-	-	-	-	-
HSC Trusts	4	30,941,819	22,449,972	12,499,687	4,535,110	70,426,588
Sales	4	-	-	47,266,181	-	47,266,181
Recoveries in respect of outward secondments	4	368,597	65,815	78,909	460,609	973,930
Research & development	4	120,402	-	-	-	120,402
		31,430,818	22,515,787	59,844,777	4,995,719	118,787,101
Net Expenditure		(23,818,425)	2,625,792	294,206	(17,062,797)	(37,961,224)
Revenue Resource Limit (RRL)	24	23,425,033	(2,414,792)	(33,206)	17,028,797	38,005,832
Surplus/(deficit) against RRL as reported		(393,392)	211,000	261,000	(34,000)	44,608

BUSINESS SERVICES ORGANISATION

NOTE 2 ANALYSIS OF NET EXPENDITURE BY SEGMENT

Statement of Operating Costs by Operating Segment for the Year Ended 31 March 2016

	Note	BSO Core	ITS	PaLS	Managed Services	Total
Staff Costs		£	£	£	£	£
Wages & Salaries	3	28,758,216	7,697,729	9,050,239	2,100,426	47,606,610
		28,758,216	7,697,729	9,050,239	2,100,426	47,606,610
Other Expenditure						
IT Programme	3	-	9,758,379	-	-	9,758,379
SUMDE	3	-	-	-	1,135,601	1,135,061
Bursaries	3	-	-	-	11,605,224	11,605,224
Healthy Start	3	-	-	-	3,455,825	3,455,825
Regional Interpreting Services	3	-	-	-	3,615,105	3,615,105
Cost of Sales	3	-	-	45,849,689	-	45,849,689
Supplies and services - general	3	505,296	9,588	41,454	-	556,338
Establishment	3	7,744,322	464,654	404,249	196,249	8,809,474
Transport	3	320,181	54,560	776,124	69,300	1,220,165
Premises	3	1,239,052	466,541	889,131	-	2,594,724
Miscellaneous	3	235,004	7,954	9,210	503,772	755,940
Depreciation	3	4,661,672	-	-	-	4,661,672
Amortisation	3	7,466,502	-	-	-	7,466,502
Impairments	3	-	-	-	-	-
(Profit)/ loss on disposal of assets (excluding profit on land)	3	(6,969)	-	-	-	(6,969)
Provisions provided for in year	3	158,938	-	-	-	158,938
Auditors Remuneration	3	118,000	-	-	-	118,000
Notional costs	3	116,372	-	-	-	116,372
		22,558,370	10,761,676	47,969,857	20,580,536	101,870,439
Income						
GB/Republic of Ireland Health Authorities	4	-	-	-	-	-
HSC Trusts	4	31,086,475	21,003,356	10,366,616	4,664,884	67,121,331
Sales	4	-	-	45,907,453	-	45,907,453
Recoveries in respect of outward secondments	4	133,483	92,848	114,673	561,069	902,073
		31,219,958	21,096,204	56,388,742	5,225,953	113,930,857
Net Expenditure		(20,096,628)	2,636,799	(631,354)	(17,455,009)	(35,546,192)
Revenue Resource Limit (RRL)	24	20,346,946	(2,751,931)	639,705	17,382,865	35,617,585
Surplus/(deficit) against RRL as reported		250,318	(115,132)	8,351	(72,144)	71,393

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 3 OPERATING EXPENSES

	2017 £	2016 £
Staff costs [1]:		
Wages and salaries	40,390,330	39,765,462
Social security costs	3,377,996	2,570,570
Other pension costs	5,467,434	5,270,578
IT Programme	10,377,898	9,758,379
Supplement for Undergraduate Medical and Dental Education (SUMDE)	1,292,368	1,135,061
Bursaries	11,641,263	11,605,224
Healthy Start	3,066,537	3,455,825
Regional Interpreting Services	3,400,379	3,615,105
Cost of Sales	47,266,170	45,849,689
Supplies and services – general	396,136	556,338
Establishment	9,862,825	8,809,474
Transport	1,265,180	1,220,165
Premises	2,658,345	2,594,724
Interest charges	-	-
Miscellaneous	1,497,486	755,940
Research & development expenditure	120,402	-
Non cash items		
Depreciation	6,650,005	4,661,672
Amortisation	7,650,557	7,466,502
Impairments	-	-
(Profit) on disposal of property, plant and equipment (including land)	(1,585)	(6,969)
(Profit) on disposal of intangibles	-	-
Loss on disposal of property, plant and equipment (including land)	-	-
Loss on disposal of intangibles	-	-
Provisions provided for in year	138,395	158,938
Cost of borrowing provisions (unwinding of discount on provisions)		
Auditors remuneration	115,000	118,000
Notional property costs	115,204	116,372
Total	**156,748,325**	**149,477,049**

During the year the BSO purchased non audit services to the value of £6,064 from its auditor in relation to the National Fraud Initiative (2015/16: £nil).

[1] Further detailed analysis of staff costs is located in the Staff Report on page 103 within the Accountability Report

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

NOTE 4 INCOME

4.1 Income from Activities

	2017	2016
	£	£
GB/Republic of Ireland Health Authorities	-	-
HSC Trusts	53,700,579	51,408,430
Non-HSC:- Private patients	-	-
Sale of goods	47,266,181	45,907,453
Clients contributions	-	-
Total	100,966,760	97,315,883

4.2 Other Operating Income

	2017	2016
	£	£
Other income from non-patient services	16,726,009	15,712,901
Seconded staff	973,930	902,073
Charitable and other contributions to expenditure	-	-
Donations / Government Grant / Lottery Funding for non current assets	-	-
Profit on disposal of land	-	-
Interest receivable	-	-
Research and development	120,402	-
Total	17,820,341	16,614,974

4.3 Deferred income

	2017	2016
	£	£
Income released from conditional grants	-	-
Total	-	-

TOTAL INCOME	**118,787,101**	**113,930,857**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 5.1 Property, plant & equipment - year ended 31 March 2017

	Land £	Buildings (excluding dwellings) £	Dwellings £	Assets under Construction £	Plant and Machinery (Equipment) £	Transport Equipment £	Information Technology (IT) £	Furniture and Fittings £	Total £
Cost or Valuation									
At 1 April 2016	2,729,577	9,446,812	-	-	231,413	1,445,257	42,658,628	1,738,498	58,250,185
Indexation	135,211	36,843	-	-	5,036	27,201	177,548	-	381,839
Additions	-	-	-	4,055,282	31,500	103,350	8,090,332	16,642	12,297,106
Donations / Government grant / Lottery Funding	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	(4,055,282)	-	-	4,055,282	212,959	212,959
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(105,794)	(208,449)	(8,518)	(322,761)
At 31 March 2017	**2,864,788**	**9,483,655**	**-**	**-**	**267,949**	**1,470,014**	**54,773,341**	**1,959,581**	**70,819,328**
Depreciation									
At 1 April 2016	-	901,575	-	-	133,983	738,668	26,735,655	440,339	28,950,220
Indexation	-	15,537	-	-	3,419	15,625	79,100	-	113,681
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to the revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(105,662)	(200,011)	(8,518)	(314,191)
Provided during the year	-	321,816	-	-	30,400	145,409	6,027,403	124,977	6,650,005
At 31 March 2017	**-**	**1,238,928**	**-**	**-**	**167,802**	**794,040**	**32,642,147**	**556,798**	**35,399,715**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 5.1 (continued) Property, plant & equipment- year ended 31 March 2017

	Land £	Buildings (excluding dwellings) £	Dwellings £	Assets under Construction £	Plant and Machinery (Equipment) £	Transport Equipment £	Information Technology (IT) £	Furniture and Fittings £	Total £
Carrying Amount									
At 31 March 2017	**2,864,788**	**8,244,727**	**-**	**-**	**100,147**	**675,974**	**22,131,194**	**1,402,783**	**35,419,613**
At 31 March 2016	**2,729,577**	**8,545,237**	-	**-**	**97,430**	**706,589**	**15,922,973**	**1,298,159**	**29,299,965**
Asset financing									
Owned	2,864,788	8,244,727	-	-	100,147	675,974	22,131,194	1,402,783	35,419,613
Finance leased	-	-	-	-	-	-	-	-	-
On B/S (SoFP) PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
Carrying Amount									
At 31 March 2017	**2,864,788**	**8,244,727**	**-**	**-**	**100,147**	**675,974**	**22,131,194**	**1,402,783**	**35,419,613**

Any fall in value through negative indexation or revaluation is shown as impairment.
The total amount of depreciation charged in the Statement of Comprehensive Net Expenditure Account in respect of assets held under finance leases and hire purchase contracts is £Nil (2016: £Nil)

The fair value of assets funded from the following sources during the year was:

	2017 £	2016 £
Donations	-	-
Government Grant	-	-
Lottery funding	-	-

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 5.2 Property, plant & equipment - year ended 31 March 2016

	Land £	Buildings (excluding dwellings) £	Dwellings £	Assets under Construction £	Plant and Machinery (Equipment) £	Transport Equipment £	Information Technology (IT) £	Furniture and Fittings £	Total £
Cost or Valuation									
At 1 April 2015	2,600,000	9,147,510	-	2,537,551	201,855	1,416,394	35,025,810	1,799,109	52,728,229
Indexation	129,577	106,492	-		2,758	8,288	(17,432)	8,791	238,474
Additions	-	192,810	-	825,899	26,800	97,635	4,259,529	891	5,403,564
Donations / Government grant / Lottery Funding	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	(3,363,450)	-	-	3,433,743	(70,293)	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(77,060)	(43,022)	-	(120,082)
At 31 March 2016	**2,729,577**	**9,446,812**	**-**	**-**	**231,413**	**1,445,257**	**42,658,628**	**1,738,498**	**58,250,185**
Depreciation									
At 1 April 2015	-	554,992	-	-	102,899	676,280	22,710,376	313,556	24,358,103
Indexation	-	47,189	-	-	1,505	4,337	(5,886)	2,064	49,209
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	4,686	(4,686)	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to the revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(77,060)	(41,704)	-	(118,764)
Provided during the year	-	299,394	-	-	29,579	135,111	4,068,183	129,405	4,661,672
At 31 March 2016	**-**	**901,575**	**-**	**-**	**133,983**	**738,668**	**26,735,655**	**440,339**	**28,950,220**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 5.2 (continued) Property, plant & equipment- year ended 31 March 2016

	Land £	Buildings (excluding dwellings) £	Dwellings £	Assets under Construction £	Plant and Machinery (Equipment) £	Transport Equipment £	Information Technology (IT) £	Furniture and Fittings £	Total £
Carrying Amount									
At 31 March 2016	**2,729,577**	**8,545,237**	**-**	**-**	**97,430**	**706,589**	**15,922,973**	**1,298,159**	**29,299,965**
At 1 April 2015	**2,600,000**	**8,592,518**	**-**	**2,537,551**	**98,956**	**740,114**	**12,315,434**	**1,485,553**	**28,370,126**
Asset financing									
Owned	2,729,577	8,545,237	-	-	97,430	706,589	15,922,973	1,298,159	29,299,965
Finance leased	-	-	-	-	-	-	-	-	-
On SOFP PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
Carrying Amount									
At 31 March 2016	**2,729,577**	**8,545,237**	**-**	**-**	**97,430**	**706,589**	**15,922,973**	**1,298,159**	**29,299,965**
Asset financing									
Owned	2,600,000	8,592,518	-	2,537,551	98,956	740,114	12,315,434	1,485,553	28,370,126
Finance leased	-	-	-	-	-	-	-	-	-
On SOFP PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
Carrying Amount									
At 1 April 2015	**2,600,000**	**8,592,518**	**-**	**2,537,551**	**98,956**	**740,114**	**12,315,434**	**1,485,553**	**28,370,126**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 6.1 Intangible assets- year ended 31 March 2017

	Software Licences £	Information Technology £	Websites £	Development Expenditure £	Licences, Trademarks & Artistic Originals £	Patents £	Goodwill £	Payments on Account & Assets under Construction £	Total £
Cost or Valuation									
At 1 April 2016	6,035,117	79,798,461	-	-	-	-	-	1,209,742	87,043,320
Indexation	229,282	4,723,522	-	-	-	-	-	-	4,952,804
Additions	459,454	1,219,218	-	-	-	-	-	788,875	2,467,547
Donations / Government grant / Lottery Funding	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	347,838	-	-	-	-	-	(560,797)	(212,959)
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	(31,603)	-	-	-	-	-	-	(31,603)
At 31 March 2017	**6,723,853**	**86,057,436**	**-**	**-**	**-**	**-**	**-**	**1,437,820**	**94,219,109**
Amortisation									
At 1 April 2016	4,282,270	29,995,015	-	-	-	-	-	-	34,277,285
Indexation	213,645	1,609,782	-	-	-	-	-	-	1,823,427
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to the revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	(31,603)	-	-	-	-	-	-	(31,603)
Provided during the year	691,936	6,958,621	-	-	-	-	-	-	7,650,557
At 31 March 2017	**5,187,851**	**38,531,815**	**-**	**-**	**-**	**-**	**-**	**-**	**43,719,666**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 6.1 (continued) Intangible assets- year ended 31 March 2017

	Software Licences £	Information Technology £	Websites £	Development Expenditure £	Licences, Trademarks & Artistic Originals £	Patents £	Goodwill £	Payments on Account & Assets under Construction £	Total £
Carrying Amount									
At 31 March 2017	**1,536,002**	**47,525,621**	**-**	**-**	**-**	**-**	**-**	**1,437,820**	**50,499,443**
At 31 March 2016	**1,752,847**	**49,803,446**	**-**	**-**	**-**	**-**	**-**	**1,209,742**	**52,766,035**
Asset financing									
Owned	1,536,002	47,525,621	-	-	-	-	-	1,437,820	50,499,443
Finance leased	-	-	-	-	-	-	-	-	-
On B/S (SoFP) PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
Carrying Amount									
At 31 March 2017	**1,536,002**	**47,525,621**	**-**	**-**	**-**	**-**	**-**	**1,437,820**	**50,499,443**

Any fall in value through negative indexation or revaluation is shown as impairment.
The total amount of depreciation charged in the Statement of Comprehensive Net Expenditure Account in respect of assets held under finance leases and hire purchase contracts is £Nil (2016: £Nil)

The fair value of assets funded from the following sources during the year was:

	2017 £	2016 £
Donations	-	-
Government Grant	-	-
Lottery funding	-	-

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 6.2 Intangible assets - year ended 31 March 2016

	Software Licences £	Information Technology £	Websites £	Development Expenditure £	Licences, Trademarks & Artistic Originals £	Patents £	Goodwill £	Payments on Account & Assets under Construction £	Total £
Cost or Valuation									
At 1 April 2015	5,310,654	72,146,677	-	-	-	-	-	4,758,355	82,215,686
Indexation	(23,719)	(474,280)	-	-	-	-	-	-	(497,999)
Additions	748,182	4,095,144	-	-	-	-	-	482,307	5,325,633
Donations / Government grant / Lottery Funding	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	4,030,920	-	-	-	-	-	(4,030,920)	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At 31 March 2016	**6,035,117**	**79,798,461**	-	-	-	-	-	**1,209,742**	**87,043,320**
Amortisation									
At 1 April 2015	3,651,644	23,304,772	-	-	-	-	-	-	26,956,416
Indexation	(21,715)	(123,918)	-	-	-	-	-	-	(145,633)
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Impairment charged to the SoCNE	-	-	-	-	-	-	-	-	-
Impairment charged to the revaluation reserve	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
Provided during the year	652,341	6,814,161	-	-	-	-	-	-	7,466,502
At 31 March 2016	**4,282,270**	**29,995,015**	**-**	**-**	**-**	**-**	**-**	**-**	**34,277,285**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 6.2 (continued) Intangible assets- year ended 31 March 2016

	Software Licences £	Information Technology £	Websites £	Development Expenditure £	Licences, Trademarks & Artistic Originals £	Patents £	Goodwill £	Payments on Account & Assets under Construction £	Total £
Carrying Amount									
At 31 March 2016	**1,752,847**	**49,803,446**	-	-	-	-	-	**1,209,742**	**52,766,035**
At 1 April 2015	**1,659,010**	**48,841,905**	-	-	-	-	-	**4,758,355**	**55,259,270**
Asset financing									
Owned	1,752,847	49,803,446	-	-	-	-	-	1,209,742	52,766,035
Finance leased	-	-	-	-	-	-	-	-	-
On SOFP PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
Carrying Amount At 31 March 2016	**1,752,847**	**49,803,446**	**-**	**-**	**-**	**-**	**-**	**1,209,742**	**52,766,035**
Asset financing									
Owned	1,659,010	48,841,905	-	-	-	-	-	4,758,355	55,259,270
Finance leased	-	-	-	-	-	-	-	-	-
On SOFP PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
Carrying Amount At 1 April 2015	**1,659,010**	**48,841,905**	**-**	**-**	**-**	**-**	**-**	**4,758,355**	**55,259,270**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 7 FINANCIAL INSTRUMENTS

As the cash requirements of BSO are met through Grant-in-Aid provided by the Department of Health, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body.

The majority of financial instruments relate to contracts to buy non-financial items in line with the BSO's expected purchase and usage requirements and the BSO is therefore exposed to little credit, liquidity or market risk.

NOTE 8 IMPAIRMENTS

	2017			
	Property, Plant & Equipment	Intangibles	Financial assets	Total
	£	£	£	£
Total value of impairments for the period	-	-	-	-
Impairments which the revaluation reserve covers (shown in Other Comprehensive Expenditure Statement)	-	-	-	-
Impairments charged to Statement of Comprehensive Net Expenditure Account	-	-	-	-

	2016			
	Property, Plant & Equipment	Intangibles	Financial assets	Total
	£	£	£	£
Total value of impairments for the period	-	-	-	-
Impairments which the revaluation reserve covers (shown in Other Comprehensive Expenditure Statement)	-	-	-	-
Impairments charged to Statement of Comprehensive Net Expenditure Account	-	-	-	-

NOTE 9 ASSETS CLASSIFIED AS HELD FOR SALE

The BSO did not hold any assets classified as held for sale in 2015-16 or 2016-17

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 10 INVENTORIES

	2017 £	2016 £
Goods for resale	3,727,192	3,926,428
Total	**3,727,192**	**3,926,428**

NOTE 11 CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Balance at 1st April	5,108,241	31,953
Net change in cash and cash equivalents	(1,587,668)	5,076,288
Balance at 31st March	**3,520,573**	**5,108,241**

The following balances at 31 March were held at	**2017** **£**	**2016** **£**
Commercial banks and cash in hand	3,520,573	5,108,241
Balance at 31st March	**3,520,573**	**5,108,241**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 12 TRADE RECEIVABLES, FINANCIAL AND OTHER ASSETS

	2017 £	2016 £
Amounts falling due within one year		
Trade receivables	21,994,976	19,470,829
Deposits and advances	-	-
VAT receivable	2,851,376	2,903,749
Other receivables – not relating to fixed assets	-	-
Other receivables – relating to property, plant and equipment	-	-
Other receivables – relating to intangibles	-	-
Trade and other receivables	24,846,352	22,374,578
Prepayments and accrued income	1,868,424	1,492,775
Current part of PFI and other service concession arrangements prepayment	-	-
Other current assets	1,868,424	1,492,775
Carbon reduction commitment	-	-
Intangible current assets	-	-
Amounts falling due after more than one year		
Trade receivables	-	-
Deposits and advances	-	-
Other receivables	-	-
Trade and other receivables	-	-
Prepayments and accrued income	-	-
Other current assets falling due after more than one year	-	-
TOTAL TRADE AND OTHER RECEIVABLES	24,846,352	22,374,578
TOTAL OTHER CURRENT ASSETS	1,868,424	1,492,775
TOTAL INTANGIBLE CURRENT ASSETS	-	-
TOTAL RECEIVABLES AND OTHER CURRENT ASSETS	**26,714,776**	**23,867,353**

The balances are net of a provision for bad debts of £6k (2016: £27k).

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 13 TRADE PAYABLES AND OTHER LIABILITIES

	2017 £	2016 £
Amounts falling due within one year		
Other taxation and social security	-	8,621
Bank overdraft	-	-
VAT payable	-	-
Trade capital payables – property, plant and equipment	48,000	438,730
Trade capital payables – intangibles	-	1,667,323
Trade revenue payables	16,396,948	17,495,000
Payroll payables	-	-
Clinical negligence payables	-	-
BSO payables	-	-
Other payables	600,308	-
Accruals and deferred income	11,773,750	12,825,484
Accruals and deferred income – relating to property, plant and equipment	1,120,035	39,001
Accruals and deferred income – relating to intangibles	2,133,835	479,695
Trade and other payables	32,072,876	32,953,854
Current part of finance leases	-	-
Current part of long term loans	-	-
Current part of imputed finance lease element of on balance sheet (SoFP) PFI and other service concession arrangements contracts	-	-
Other current liabilities	-	-
Carbon reduction commitment		
Intangible current liabilities	-	-
Total payables falling due within one year	32,072,876	32,953,854
Amounts falling due after more than one year		
Other payables, accruals and deferred income	1,919,857	-
Trade and other payables	-	-
Clinical negligence payables	-	-
Finance leases	-	-
Imputed finance lease element of on balance sheet (SoFP) PFI and other service concession arrangements contracts	-	-
Long term loans	-	-
Total non current other payables	1,919,857	-
TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES	**33,992,733**	**32,953,854**

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 14 PROMPT PAYMENT POLICY

14.1 Public Sector Payment Policy - Measure of Compliance

The Department requires that BSO pay their non HSC trade creditors in accordance with applicable terms and appropriate Government Accounting guidance. The BSO's payment policy is consistent with applicable terms and appropriate Government Accounting guidance and its measure of compliance is:

	2017 Number	2017 Value £	2016 Number	2016 Value £
Total bills paid	211,076	136,577,541	137,779	137,122,756
Total bills paid within 30 day target	209,076	122,515,790	135,679	122,456,024
% of bills paid within 30 day target	**99%**	**90%**	**98%**	**89%**
Total bills paid within 10 day target	205,679	105,830,599	132,161	106,842,887
% of bills paid within 10 day target	**97%**	**77%**	**96%**	**78%**

14.2 The Late Payment of Commercial Debts Regulations 2002

	£
Amount of compensation paid for payment(s) being late	60
Amount of interest paid for payment(s) being late	20
Total	80

This is also reflected in the Accountability Report. New late payment legislation (Late Payment of Commercial Debts Regulations 2013) came into force on 16 March 2013. The effect of the new legislation is that a payment is normally regarded as late unless it is made within 30 days after receipt of an undisputed invoice.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 15 PROVISIONS FOR LIABILITIES AND CHARGES – 2017

Name	Pensions relating to former directors £	Pensions relating to other staff £	Clinical Negligence £	CSR Restructuring £	Other £	2017 £
Balance at 1 April 2016	75,000	460,719	-	-	109,749	645,468
Provided in year	3,350	17,097	-	-	153,750	174,197
(Provisions not required written back)	-	(13,371)	-	-	(22,431)	(35,802)
(Provisions utilised in the year)	(4,810)	(31,517)	-	-	(37,887)	(74,214)
Cost of borrowing (unwinding of discount)	-	-	-	-	-	-
At 31 March 2017	**73,540**	**432,928**	**-**	**-**	**203,181**	**709,649**

	CSR £
CSR utilised costs include the following:	
Pension costs for early retirement reflecting the single lump sum to buy over the full liability	-
Redundancy costs	-
	-

Comprehensive Net Expenditure Account Charges	2017 £	2016 £
Arising during the year	174,197	161,178
Reversed unused	(35,802)	(2,240)
Cost of borrowing (unwinding of discount)	-	-
Total charge within Operating costs	**138,395**	**158,938**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 15 (continued) PROVISIONS FOR LIABILITIES AND CHARGES – 2017

Analysis of expected timing of discounted flows as at 31 March 2017

	Pensions relating to former directors	Pensions relating to other staff	Clinical Negligence	CSR Restructuring	Other	2017
	£	£	£	£	£	£
Not later than one year	4,810	31,517	-	-	203,181	239,508
Later than one year and not later than five years	19,240	126,068	-	-	-	145,308
Later than five years	49,490	275,343	-	-	-	324,833
At 31 March 2017	**73,540**	**432,928**	**-**	**-**	**203,181**	**709,649**

Provisions have been made for 3 categories of potential liability: early retirement for directors and other staff and outstanding legal cases. The provision for early retirements relates to the future liabilities for the BSO based on information provided by the HSC Superannuation Branch. For other provisions the BSO has estimated an appropriate level of provision based on professional legal advice.

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 15 PROVISIONS FOR LIABILITIES AND CHARGES – 2016

Name	Pensions relating to former directors £	Pensions relating to other staff £	Clinical Negligence £	CSR Restructuring £	Other £	2016 £
Balance at 1 April 2015	71,108	437,803	-	-	28,149	537,060
Provided in year	8,701	54,432	-	-	98,045	161,178
(Provisions not required written back)	-	-	-	-	(2,240)	(2,240)
(Provisions utilised in the year)	(4,809)	(31,516)	-	-	(14,205)	(50,530)
Cost of borrowing (unwinding of discount)	-	-	-	-	-	-
At 31 March 2016	**75,000**	**460,719**	**-**	**-**	**109,749**	**645,468**

Analysis of expected timing of discounted flows as at 31 March 2016

	Pensions relating to former directors £	Pensions relating to other staff £	Clinical Negligence £	CSR Restructuring £	Other £	2016 £
Not later than one year	4,810	31,517	-	-	109,749	146,076
Later than one year and not later than five years	19,240	126,068	-	-	-	145,308
Later than five years	50,950	303,134	-	-	-	354,084
At 31 March 2016	**75,000**	**460,719**	**-**	**-**	**109,749**	**645,468**

Provisions have been made for 3 categories of potential liability: early retirement for directors, other staff and outstanding legal cases. The provision for early retirements relates to the future liabilities for the BSO based on information provided by the HSC Superannuation Branch. For other provisions the BSO has estimated an appropriate level of provision based on professional legal advice.

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 16 CAPITAL COMMITMENTS

Contracted capital commitments at 31 March not otherwise included in these financial statements	2017 £	2016 £
Property, plant and equipment	1,709,000	415,512
Intangible assets	3,525,000	8,318,240
	5,234,000	8,733,752

NOTE 17 COMMITMENTS UNDER LEASES

17.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

Obligations under operating leases comprise	2017 £	2016 £
Land		
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	-	**-**
Buildings		
Not later than one year	350,804	350,804
Later than one year but not later than five years	403,460	691,557
Later than five years	-	-
	754,264	**1,042,361**
Other		
Not later than 1 year	167,698	30,576
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	167,698	**30,576**

17.2 Finance Leases

BSO has no finance leases.

17.3 Operating Leases

BSO has not issued any operating leases.

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 18 COMMITMENTS UNDER PFI AND OTHER SERVICE CONCESSION ARRANGEMENT CONTRACTS

18.1 Off balance sheet PFI and other service concession arrangement schemes.

BSO had no commitments under PFI and other concession arrangement contracts at either 31 March 2017 or 31 March 2016.

18.2 On balance sheet (SoFP) PFI Schemes

The BSO has no on balance sheet (SoFP) PFI and other service concession arrangements schemes.

NOTE 19 OTHER FINANCIAL COMMITMENTS

The BSO did not have any other financial commitments at either 31 March 2017 or 31 March 2016.

NOTE 20 FINANCIAL GUARANTEES, INDEMNITIES AND LETTERS OF COMFORT

The BSO did not have any financial guarantees, indemnities and letters of comfort at either 31 March 2017 or 31 March 2016.

NOTE 21 CONTINGENT LIABILITIES

The BSO did not have any quantifiable contingent liabilities at either 31 March 2017 or 31 March 2016.

The BSO had a contingent asset at 31 March 2017 in relation to a contractual dispute regarding charges incurred by BSO, possibly resulting in a reimbursement to BSO. As at 31 March 2017 it was not possible to quantify the contingent asset.

NOTE 22 RELATED PARTY TRANSACTIONS

The BSO is an arm's length body of the Department of Health and as such the Department is a related party with which the BSO has had various material transactions during the year. In addition the BSO provides a range of shared services to all other HSC bodies.

During the year, none of the Board members, members of the key management staff or other related parties has undertaken any material transactions with the BSO with the exception noted below.

A non-executive director, Alan Hanna was also a non-executive director of the NIFRS up to the end of May 2016.

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2017

NOTE 23 THIRD PARTY ASSETS

The BSO holds the following bank accounts, which are not included in these financial statements

Name of Account	Details
BSO NIGALA	This account is used for the transfer of funds on behalf of the Northern Ireland Guardian ad Litem Agency (NIGALA), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of NIGALA and are covered by its audit process.
BSO NISCC BSO NISCC Registration	These accounts are used for the transfer of funds on behalf of the Northern Ireland Social Care Council (NISCC), for whom the BSO provides financial and other services. The income and expenditure relating to these accounts are included in the Annual Accounts of NISCC and are covered by its audit process.
BSO NIPEC	This account is used for the transfer of funds on behalf of the Northern Ireland Practice and Education Council for Nursing and Midwifery (NIPEC), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of NIPEC and are covered by its audit process.
BSO RQIA	This account is used for the transfer of funds on behalf of the Regulation and Quality Improvement Authority (RQIA), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of RQIA and are covered by its audit process.
BSO NIMDTA BSO NIMDTA Direct Debit	These accounts are used for the transfer of funds on behalf of the Northern Ireland Medical & Dental Training Agency (NIMDTA), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of NIMDTA and are covered by its audit process.

BUSINESS SERVICES ORGANISATION

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 24 Financial Performance Targets

24.1 Revenue Resource Limit

The BSO is given a Revenue Resource Limit which it is not permitted to overspend.

The Revenue Resource Limit (RRL) for BSO is calculated as follows:

	2017 Total £	2016 Total £
DoH (excludes non cash)	26,441,118	26,340,569
Other Government Department	-	-
Non cash RRL (from DoH)	14,667,576	12,514,515
Total agreed RRL	41,108,694	38,855,084
Adjustment for PFI and other service concession arrangements/IFRIC 12	(3,102,862)	(3,237,499)
Total Revenue Resource Limit to Statement Comprehensive Net Expenditure	38,005,832	35,617,585

24.2 Capital Resource Limit

The BSO is given a Capital Resource Limit (CRL) which it is not permitted to overspend.

	2017 Total £	2016 Total £
Gross Capital Expenditure	14,764,653	10,729,197
Less IFRIC 12/PFI and other service concession arrangements spend	(3,102,862)	(3,237,499)
(Receipts from sales of fixed assets)	(10,155)	(8,287)
Net capital expenditure	11,651,636	7,483,411
Capital Resource Limit	11,667,162	(7,531,603)
Overspend/(Underspend) against CRL	(15,526)	(48,192)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

24.3 Financial Performance Targets

The BSO is required to ensure that it breaks even on an annual basis by containing its surplus to within 0.25% of RRL and Income

	2017	2016
	£	£
Net Expenditure	(37,961,224)	(35,546,192)
RRL	38,005,832	35,617,585
Surplus/(Deficit) against RRL	44,608	71,393
Break Even cumulative position (opening)	1,385,489	1,314,096
Break Even cumulative position (closing)	1,430,097	1,385,489

RRL and Income

RRL	38,005,832	35,617,585
Income per note 4.1	100,966,760	97,315,883
Total for inclusion in materiality test	**138,972,592**	**132,933,468**

Materiality Test:

	2017	2016
	%	%
Break Even in year position as % of RRL and Income	0.03%	0.05%
Break Even cumulative position as % of RRL and Income	1.03%	1.04%

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

NOTE 25 POST BALANCE SHEET EVENTS

There are no post balance sheet events having a material effect on the accounts.

DATE AUTHORISED FOR ISSUE

The Accounting Officer authorised these financial statements for issue on 20 June 2017.

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