Operating Cost Statement for the year ended 31 March 2002

Continuing Operations

	Notes	**2001-02 £000**	2000-01 £000
Payments to Contractors	2	**776,442**	761,654
Patient Charges	4	**(335,970)**	(326,183)
Net operating cost		**440,472**	435,471
Net resource outturn	3	**440,472**	435,471

Statement of Recognised Gains and Losses for the year ended 31 March 2002

There were no recognised gains or losses for the year ended 31 March 2002

The notes at pages 4 to 7 form part of this account.

Balance Sheet as at 31 March 2002

	Notes	**31 March 2002 £000**	31 March 2001 £000
Current assets			
Debtors	5	**83,772**	81,717
Cash at bank and in hand	6	**7**	0
		83,779	81,717
Creditors: amounts falling due within one year	7	**(130,574)**	(124,595)
Total net assets		**(46,795)**	(42,878)
Taxpayers' equity			
General Fund	10	**(46,795)**	(42,878)
		(46,795)	(42,878)

The notes at pages 4 to 7 form part of this account.

Signed: Date:

Accountable Officer

Cash Flow Statement for the year ended 31 March 2002

	Notes	**2001-02** **£000**	2000-01 £000
Net cash outflow from operating activities	9	**436,548**	392,545
Financing			
Net Parliamentary funding		**436,555**	392,497
(Increase)/decrease in cash in the period		**(7)**	48

The notes at pages 4 to 7 form part of this account.

Notes to the Account

Accounting Policies

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

1.1 Accounting Convention

This account is prepared under the historical cost convention.

1.2 Operating Income

The main source of funding for the Authority's Pharmaceutical Services is Parliamentary grant from the Department of Health (Class II Vote 1) within an approved cash limit which is credited to the general fund.

1.3 Taxation

The Authority is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading.

1.4 Prior period adjustments

There was one prior period adjustment resulting from guidance by the National Audit Office and Department of Health. The debtor of £42.87million with the NHS was replaced by a charge to the general fund. This sum was in respect of funding expected in future years to pay outstanding creditors. Adjustments have been made to the opening debtors value, General Fund and the Cash Flow Statement.

This change did not effect the Operating Cost Statement.

1.5 Losses and Special Payments

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

1.6 Accounts

The Prescription Pricing Authority prepares two sets of annual accounts; one dealing with the administration of the Authority which accounts for £66 million of expenditure; and another dealing with the operation of Pharmaceutical Services. This account deals with the Pharmaceutical Services only.

1.7 Fixed Assets

There are no fixed assets associated with the Pharmaceutical Services accounts.

Programme Costs **2**

	2001-02 £000	2000-01 £000
Fees and on costs	**740,535**	729,747
Local authorised payments	**35,907**	31,907
	776,442	761,654

Reconciliation of net operating cost to net resource outturn and Revenue Resource Limit **3**

	2001-02 £000	2000-01 £000
Net operating cost	**440,472**	435,471
Prior period adjustment	**0**	0
Net resource outturn	**440,472**	**435,471**
Revenue resource limit	**440,472**	**435,471**
(Over)/under spend against limit	**0**	**0**

Other income **4**

	2001-2002 Not appropriated in aid £000	2001-2002 Total £000	2000-2001 Total £000
Patient charges at source	**335,526**	**335,526**	325,841
Patient charges recovered by Compliance Unit	**444**	**444**	342
Total	**335,970**	**335,970**	326,183

Debtors **5**

Amounts falling due within one year	2001-2002 £000	2000-2001 £000
NHS debtors	**0**	0
Provision for irrecoverable debts	**0**	0
Other debtors	**83,772**	81,717
	83,772	81,717

Analysis of Changes in Cash **6**

	At 31 March 2001 £000	Change during the year £000	At 31 March 2002 £000
Cash at OPG	0	**7**	**7**
Cash at commercial banks and in hand	0	**0**	**0**
	0	**7**	**7**

Creditors: Amounts falling due within one year **7**

	2001-2002 £000	2000 - 2001 £000
Pharmaceutical Service Contractors	**130,574**	124,595
	130,574	124,595

Movements in working capital other than cash **8**

	2001-2002 £000	2000 - 2001 £000
Increase/(decrease) in debtors	**2,055**	(38,910)
(Increase)/decrease in creditors	**(5,979)**	(4,016)
	(3,924)	(42,926)

Reconciliation of net operating cost to operating cash flows **9**

	2001-02 £000	2000-01 £000
Net operating cost	**440,472**	435,471
Adjustment for movements in working capital other than cash	**(3,924)**	(42,926)
Net cash flow from operating activities	**436,548**	392,545

Reserves **10** The movement on the General Fund in the year comprised:

	2001-02 £000
Balance at 31 March 2001	**0**
Prior period adjustment	**(42,878)**
Net operating costs for the year	**(440,472)**
Net Parliamentary funding	**436,555**
Balance at 31 March 2002	**(46,795)**

Losses and Special Payments **11** The Authority reported losses and special payments as shown in Appendix A.

Related Parties **12** The Authority is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party. During the year the Authority has had a significant number of material transactions with the Department.

Contingent Liability **13** The Authority withheld fee payments totalling £106,159 from contractors at 31 March 2002 on authorisation from Health authorities investing potential irregularities. This compared to £265,944 at 31 March 2001 of which, £23,521 remains held, the balance being agreed not to be paid. It is possible that payment will not be released therefore no provision has been made within the accounts for this sum..

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Fraud **14** The losses involving fraud include cases of both court convictions and charges pending where there is firm evidence that fraud has occurred. These cases have arisen in 2001-2002 and may relate to sums in contention paid in previous financial years.

The Director of Counter Fraud Services has assumed responsibility for the estimation of levels of fraud, corruption and error across the NHS. In 1999 the annual losses arising from fraudulent evasion of NHS prescription charges was estimated by the DCFS to be £59m. In addition the DCFS estimated that a further £10m per annum is lost from unintentional evasion. The DCFS has not been able to produce comparative figures for 2002 although has stated that the level of evasion of prescription charges is less than in previous years.

Penalty Charges **15** Penalty charges took effect from prescriptions dispensed after 1 December 2000. Due to category D, such prescriptions were not processed until April 2001 and work by the compliance unit will not take place until after this date. The Authority will account for these penalty charges in the financial year in which the compliance unit establishes that a charge is due rather than accounting for them in the financial year in which the prescriptions to which the charges relate were dispensed. These charges are reflected in the main administration account of the Authority.

Hospital Charges **16** From 1 April 2002 the Prescription Pricing Authority will take over responsibilities for recharging hospital trusts the cost of their prescribing dispensed in the community, from health authorities. This will involve transferring opening balances from health authorities on 1 April 2002.

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

PRESCRIPTION PRICING AUTHORITY

1. The Secretary of State directs that an account shall be prepared for the financial year ended 31 March 2001 and subsequent financial years in respect of the Prescription Pricing Authority.
The basis of preparation and the form and content shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The account of the Prescription Pricing Authority comply with:

(a) generally accepted accounting practice in the United Kingdom (UK GAAP):

(b) the accounting and disclosure requirements of the Companies Act;

(c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS and are in force for the financial year for which the accounts are to be prepared;

(d) accounting guidance approved by the FRAB and contained in the Resource Accounting Manual, but specifically excluding schedules 1 and 5;

(e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

FORM AND CONTENT

3. The account of the Prescription Pricing Authority for the year ended 31 March 2001 and subsequent years shall comprise an operating cost statement, a balance sheet, a cash flow statement and a statement of recognised gains and losses as long as these statements are required by FRAB, including such notes as are necessary to ensure a proper understanding of the accounts.

4. For the financial year ended 31 March 2002 and subsequent years, the account of the Prescription Pricing Authority shall give a true and fair view of the state of affairs as at the end of the financial year and the net operating costs, recognised gains and losses and cashflows during the year.

5. The Foreword, the Balance Sheet and the Statement on the system of internal control shall be signed by the chief executive of the Authority and dated. All other papers should be initialled.

MISCELLANEOUS

6. The direction shall be reproduced as an appendix to the published accounts.

7. The notes to the accounts shall, inter alia, include details of the accounting policies adopted.

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

Signed : Dated :

SCHEDULE 1

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

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.

2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the information relating to NHS bodies shall be contained in the foreword.

3. The operating cost statement and cashflow statement shall have regard to the format prescribed in the Resource Accounting Manual.

4. The balance sheet shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act.

5. NHS bodies are not required to provide the historical cost information described in paragraph (33) of Schedule 4 to the Companies Act.

Accounting Standards

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

SCHEDULE 2

ADDITIONAL REQUIREMENTS

1. The foreword shall include a statement that the account has been prepared to comply with a Direction given by the Secretary of State in accordance with section 98(2) of the NHS Act 1977.

2. The foreword shall also contain a description of the statutory background and main functions of the Prescription Pricing Authority together with a fair review of their operational and financial activities and a summary of their performance against targets.