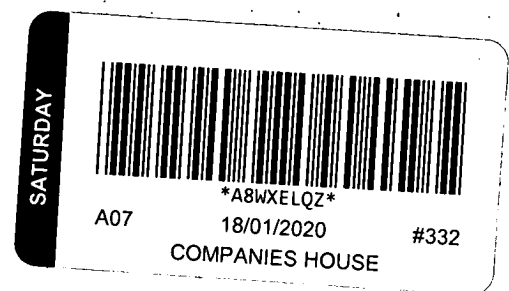


Registration number: 10881715

# Supply Chain Coordination Limited

## Annual Report and Financial Statements

for the Year Ended 31 March 2019



# Supply Chain Coordination Limited

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## Supply Chain Coordination Limited

### Company Information

<b>Chairman</b>	James Spittle
<b>Chief executive</b>	Jin Sahota
<b>Directors</b>	James Spittle Jin Sahota Heather Benjamin Steven Glew Melinda Johnson Heather Tierney-Moore Robert Houghton Miranda Carter Emily Lawson Colin McCready
<b>Company secretary</b>	Paul Webster
<b>Company number</b>	10881715
<b>Registered office</b>	Skipton House 80 London Road London SE1 6LH
<b>Auditors</b>	Comptroller & Auditor General 157-197 Buckingham Palace Road Victoria London SW1W 9SP

#### **Incorporation and other information**

Supply Chain Coordination Limited ("the company" or "SCCL") was incorporated on 25 July 2017 as Friars 728 Limited. With effect from 15 November 2017, the company changed its name to Supply Chain Coordination Limited. These company financial statements are presented for the year ended 31 March 2019. Comparatives are presented for the period from incorporation to 31 March 2018, which have not been subject to audit.

## Supply Chain Coordination Limited

### Chairman and Chief Executive Officer's Report

Welcome to the 2018/19 Annual Report and Accounts for Supply Chain Coordination Limited ("SCCL"), the management function of the NHS Supply Chain. This report reflects our progress during the first year of trading under the new operating model.

SCCL commenced operations in April 2018 to manage the Future Operating Model of the NHS Supply Chain, working on behalf of the NHS Business Services Authority ("NHS BSA"). NHS Supply Chain manages the sourcing, delivery and supply of healthcare products, services and food for NHS trusts and healthcare organisations across England and Wales. Previously the NHS Supply Chain contract was operated as a single contract. The Future Operating Model redefined how such a service could be improved, by engaging with specialist category procurement organisations, and segmenting the provision of logistics and IT services. From that vision, SCCL was established to manage the new operating model, ongoing performance of service providers, and to provide a single face to the customer. The vision for the business is to be an extended part of Trust Procurement Teams, working collaboratively with customers, to deliver products at best value, that are fit for purpose, safe for patients, and support improved clinical outcomes. By increasing customer use of NHS Supply Chain from 40% to 80% of the market, SCCL intends to deliver £2.4bn in savings over 5 years, which will directly benefit Trusts and frontline services.

In 2018/19 SCCL was responsible for the management of the NHS Supply Chain while the operational activity and subsequent financial result of trading was reported under the NHS BSA. This set of financial statements therefore reflect that management activity but from the year ending 31 March 2020 they will reflect both the management and trading as the trading activity migrated to SCCL on 1 April 2019.

#### Long Term Plan

Aligned to the NHS England Long Term Plan (published January 2019), SCCL is looking to actively evolve its business model to support the transition of the health system to deliver Integrated Care Systems ("ICS"), and support a greater focus on population health management. Over the course of its first year of operation, SCCL has established important foundations on that journey, including collaborations with national initiatives to reduce duplication and variation in procurement activities across the health system to help improve the delivery of patient care.

#### Customer Centricity

At the heart of the new operating model for the business, is a focus on our customers; being able to offer improved services, better value for money, eliminating duplication of effort within customer organisations, and working collaboratively. During 2018/19, SCCL commenced work to refine the vision, mission and values for the organisation to reinforce our customer focus. In parallel, work commenced on a three-year transformation journey, enabled by fundamental change in IT systems, which will further enhance services provided to customers.

#### 2018/19 Achievements

All achievements below are as a consequence of SCCL, working on behalf of the BSA, managing NHS Supply Chain. During its first year of operation, SCCL has overseen substantial transition activity, both within the SCCL organisation, and as the new partner providers took over the operations from the previous incumbent provider. In parallel, the business has enhanced its customer focus, and delivered savings back to the frontline of the NHS. Some SCCL principle achievements of the year are included below:

##### Customer

- Managed the delivery of annualised savings of £194m
- Managed the growth of market share by 12% over the year
- Overseeing customer satisfaction scores, with a strong Net Promoter Score of +34, and customer satisfaction score of 8.5 out of 10 at 31 March 2019
- Implementing a new account management process with customers, working more transparently and collaboratively, deploying resources in line with customer needs

## Supply Chain Coordination Limited

### Chairman and Chief Executive Officer's Report (continued)

#### *Finance*

- During 2018/19 SCCL had undertaken substantial transition activity in advance of taking over the NHS Supply Chain from 1 April 2019
- Through operating strong financial governance, SCCL has managed costs during 2018/19 to come in at substantially lower than expected for the year while delivering the Future Operating Model

#### *Procurement and Supplier Management*

- Integrated the operations of 10 new Category Tower Service Providers ("CTSPs") over the course of 2018/19 (one had previously transitioned during 2017/18). Savings from the CTSPs were delivered in line with targets set at the start of the year
- Tendered 47 new frameworks, and novating approximately 5,000 contracts, enabling all customers to access the benefits from such frameworks
- Delivered a project to pass on products to customers at cost from April 2019
- Embedded robust supplier management processes allowing for a two-way dialogue with key suppliers

#### *Supply and Distribution*

- Concluded the transition of the new national logistics operations to the new service provider in February 2019
- Sustained consistently high levels of service above targets of 98%
- Continued working towards Medical Device Regulation compliance, with full compliance due by May 2020

#### *Clinical and Product Assurance*

- Established a new Clinical and Product Assurance ("CaPA") function to support the assurance of newly procured products under the new operating model, bringing consistency and safety across the 11 Category Towers
- Launched the Assurance framework supported by wider NHS partners and trained the CTSPs on how to use the framework
- Supported national initiatives for wound care and continence, working as part of the national leadership team
- Supported the introduction of HealthTech Connect to our supplier and customer base, as a way to bring evidence backed innovation at scale to our customers working across the Health and Care system

#### *Systems and Data*

- Transitioned over 2,300 users to the new IT infrastructure supporting NHS Supply Chain, working with the new IT service provider
- Delivered a range of projects to conclude the integration of the new elements of the NHS Supply Chain operating model, and to provide new facilities for the business, for example business intelligence solutions
- Launched the start of a three-year transformation journey to replace the Order Management, Warehouse Management and Enterprise Integration components of the core NHS Supply Chain systems, starting with the development of a model office, due for launch in June 2019

#### *People and Governance*

- Having established the legal entity in 2017, over 250 people have been transferred or recruited into SCCL. A new office in Nottingham in the East Midlands was opened, which became operational in September 2018
- Launched core HR policies and processes to underpin the new SCCL organisation, across the areas of training, performance management, recruitment, remuneration, onboarding and organisational structure
- Engaged with the wider organisation to define a new set of Vision and Values for the organisation

## Supply Chain Coordination Limited

### Chairman and Chief Executive Officer's Report (continued)

- Recruited a new chair and three new Non-Executive Directors to the board with one Non-Executive Director recruited in May 2019, and two more Non-Executive Directors appointed in July 2019. A new Chief Financial Officer joined the company in December 2019.

#### *Other areas of note*

- GCF procurement project of the year - the project team were proud to be awarded best commercial project of the year from the Government's Commercial Function, competing in a category with 20 shortlisted submissions, in recognition of the early achievements of the new operating model
- EU Exit - as part of NHS England and Department of Health and Social Care ("DHSC") planning to support the NHS through the process of EU Exit, NHS Supply Chain has supported several key activities to deliver core components of the solution, supporting Trust and supplier preparations as appropriate

Alongside the achievements SCCL also had to overcome some major challenges which had an impact on delivering all elements of the operating model within 2018/19, these included:

- Delays in finalising and approving of the Supporting Technology and Logistics Final Business Cases and preparation of a response to the legal challenge referred to below, as well as the strategic change to insource Transactional Services resulted in resetting the original programme completion timeline by six months from October 2018 to March 2019.
- Successfully defending a legal challenge to the award of the Logistics contract from an unsuccessful bidder. This delayed the contract start date until the end of August 2018 (against an original plan of June 2018) and compressed the subsequent transition period.
- TUPE transfer of Finance staff on 1 April 2019 from DHL to SCCL, at the same time as VAT and Buy Price = Sell Price implementation, not long after NAO audit and at the same time as year-end processing.
- IT transition on 1 February 2019, transfer of services, assets, licences and staff from DHL to DXC and SCCL.
- Logistics transition on 24 February 2019, transfer of services and staff, physical assets, building leases and contracts from DHL to Unipart and Movianto, just ahead of expected EU Exit on 29 March 2019.
- Home Delivery Service experiencing initial issues during the first few days of start-up in February 2019.

#### **Looking ahead**

Whilst much has been achieved during the first year of transition, the target of delivering £2.4bn savings back to the NHS frontline over 5 years, will continue to drive further ambition and change both the way NHS Supply Chain operates, and the way it engages within the healthcare system. Financial, operational and demographic changes continue to bring pressure to our core customer base, further reinforcing the imperative of the organisation to achieve its objectives.

Looking ahead to 2019/20, SCCL has stated a clear set of objectives in the annual plan:

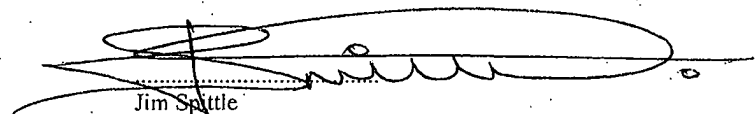
- (1) Deliver system benefits: deliver a minimum of £150m incremental in-year savings
- (2) Serve our customers: grow revenues and attain 50% market share
- (3) Assure quality: clinically assure all new or re-procured frameworks
- (4) Balance finances: balance our investment and operational expenses within our resource allocation
- (5) Build a capable organisation: proactively engage our colleagues

**Supply Chain Coordination Limited**

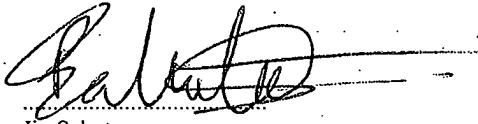
**Chairman and Chief Executive Officer's Report (continued)**

(6) Transform our technology: transform our information technology systems to support delivery of our strategy  
To achieve these objectives, we need to keep focused on meeting customer needs, resolving their challenges, and listening to them as we develop services for the future. As the NHS landscape evolves, we need to remain responsive to those changes, be open in our approach, and drive the business forwards to deliver on the promises we made.

Approved by the Board on 9 January 2020 and signed on its behalf by:



Jim Spittle  
Chairman



Jin Sahota  
Chief executive

## Supply Chain Coordination Limited

### Board Members

#### **James Spittle, Chairman**

James (Jim) Spittle was appointed as our first independent non-executive Chair in September 2018. Jim has enjoyed a highly successful career as a retailer for over 20 years working in retail operations, procurement and supply chains. He has worked for leading brands, spending many years with Tesco plc, before moving to Kingfisher where he spent eight years as Group Supply Chain Director.

Since 2001, he has held several executive roles and non-executive director roles, including at Cranfield University Advisory Board, the Chartered Institute of Logistics and Transport and as Chair of GS1 UK. A global alliance that is recognised in 112 countries, GS1 UK has 28,000 member companies representing virtually every sector of the UK economy ranging from multinationals and the NHS to SMEs.

#### **Jin Sahota, Chief Executive Officer**

Jin joined the Department of Health in February 2016 and led the Procurement Transformation Programme, operating across the NHS Supply Chain to develop the Future Operating Model. Jin has worked across a range of sectors within global organisations, holding senior board level positions in operations and end-to-end supply chain roles at Technicolor, Honeywell, Motorola and Psion.

Before joining the Department Jin was Senior Vice President Worldwide Operations at Technicolor Connected Home, based in Paris. He started his professional career with Psion Plc, working as their Operations and Business Manager for six years. Jin moved to Motorola, then Honeywell Electrical Devices and Systems as Head of Sourcing before leaving after two years to join Technicolor.

Jin has a MSc. in Operations Management from London Thames University, a Post Graduate Diploma in Management Studies from Portsmouth University, and is a Member of the Chartered Institute of Purchasing and Supply and the Chartered Management Institute.

#### **Colin McCready, Chief Financial Officer**

Colin joined SCCL as its Chief Financial Officer in December 2019. Colin joins from NHS Professionals (CFO and most recently interim CEO) where he led a transformation programme, delivering revenue growth, improved service delivery through technological investment and a more customer-focused organisation.

Prior to NHS Professionals, Colin held senior finance roles at public sector outsourcer Serco and professional services provider Control Risks.

A Chartered Global Management Accountant (CGMA) and Chartered Institute of Management Accountants (CIMA) Colin holds a Bachelor of Commerce (Finance Speciality) achieved at Queens University in Ontario, Canada.



## Supply Chain Coordination Limited

### Board Members (continued)

#### **Professor Heather Tierney-Moore OBE, Non-Executive Director**

Heather Tierney-Moore has worked in healthcare for over 30 years, initially training as a Registered General Nurse.

Most recently, Heather was Chief Executive of Lancashire Care NHS Foundation Trust, retiring in March 2019 after ten years in post. She has extensive clinical experience and has held a wide range of clinical leadership roles including Chief Nurse at Sheffield Teaching Hospitals NHS Foundation Trust and Nurse Director of Lothian NHS Board. Heather is currently Non-Executive Director for Community Integrated Care, a role she has held since 2016 and was Non-Executive Director of NHS Confederation from 2014-2016. She has also worked at national level on England and Scotland.

Heather Tierney-Moore was made Officer of the British Empire for services to Healthcare by the Queen in December 2001.

#### **Steven Glew FCA, Non-Executive Director**

Steven Glew is an experienced Finance Director with a wide range of experience covering retail, leisure and support services business. This broad experience includes supply chain, property, IT and HR leadership together with international business development. In 2006 Steven joined UKMail Group plc and in over ten years helped develop the business into the leading competitor to Royal Mail in the UK Postal market. His extensive experience of turnaround and growth situations started in 1994 as Finance Director of Tesco stores where he helped drive their transformation to leading UK retailer.

His non-executive experience includes helping guide the successful IPO of Supergroup plc, acting as Chairman of the Audit Committee and membership of the Remuneration Committee.

#### **Heather Benjamin, Non-Executive Director**

Heather Benjamin has led companies and served on Boards of Directors of private and commercial companies, not-for-profit organisations, and associations including regulated environments. This includes Cheque and Credit Clearing, Portsmouth Water and Walsingham Support. With expertise in logistics and supply chain for international supply chains along with her skills in developing and implementing strategies that grow revenues and funds and are outcome and high performance focussed, will reinforce the commercial expertise currently sitting within NHS Supply Chain. During her time as Chief Procurement Officer at Centrica, Heather helped drive transformation of £10 billion per annum spend.

In 2016 Heather was identified as 'one of the Top 100 Women to Watch' by Cranfield University research programme.

## **Supply Chain Coordination Limited**

### **Board Members (continued)**

#### **Melinda Johnson, DHSC Commercial Director**

Melinda Johnson joined the Department of Health in June 2017 as Commercial Director following a period of five years as Group Commercial Director at the Department for Transport. Whilst at Transport Melinda was also Director of Property, Digital, Security and Information. Melinda joined the Civil Service in 2005 to be a Deputy Director in Commercial at the Department for Education where she held various commercial roles.

Melinda is a fellow of the Chartered Institute of Procurement and Supply (CIPS). Melinda's early buying career was in IT procurement in organisations such as National Power. Melinda has worked in the wider public sector as well as being Head of Policy at CIPS for three years. An advocate of CIPS, Melinda completed four years on the CIPS Board, following her role on CIPS Council, and was Chair of CIPS Congress.

Melinda holds an MBA and has a post graduate qualification in Marketing. She is a Non-Executive Director of the British Quality Foundation.

#### **Robert Houghton, Non-Executive Director for Technology and Innovation**

Rob has spent over 20 years working in IT and change management in telecoms and financial services and holds a BSc (Hons) in Information Technology. Previous roles have included Software Development for BT, senior management positions with CSC in the UK, Middle East and Africa and Aviva in the UK and US. He has seven years' experience at board level and an established track record of success in leading major transformational change.

Most recently Rob took on the role of Group Chief Information Officer and Business Change Director for the Post Office. This involved a strategic assessment of a programme to replace technology across the entire estate - a transformation of the largest retail network in Europe. Rob also reviewed the security and audit processes, establishing a robust operating model and implementation team.

Rob is a regular speaker at technology and cyber security events around the world.

#### **Dr Emily Lawson, Director**

Emily joined NHS England as National Director for Transformation and Corporate Operations in November 2017. Responsible for a range of enabling corporate functions which support the effectiveness and efficiency of NHS England, with a focus on leading the transformation agenda for the organisation.

Working to transform the way NHS England and NHS Improvement work together to provide single system leadership to the NHS, Emily is leading an ambitious programme to align leadership and collective resources around a shared set of priorities that will add the most value to the NHS.

A Molecular Geneticist by background, Emily has led a number of large-scale organisational change programmes. Before joining NHS England, Emily was Chief People Officer at Kingfisher plc where she was part of the international leadership team. Prior to that, she was Group HRD at Morrisons and spent 15 years at McKinsey, where she worked across a number of sectors leading transformation.

Emily is also Deputy Chair of the 30% club, which aims to increase representation of women on UK plc boards, and to research and support greater diversity in the UK and global institutions.

## Supply Chain Coordination Limited

### Board Members (continued)

#### **Miranda Carter, Director**

Miranda Carter is currently Director of Provider Transformation at NHS England and NHS Improvement. Miranda joined Monitor in 2004 where she was responsible for the assessment of NHS foundation trust applications and reviewing NHS mergers & acquisitions. More recently she has taken responsibility for the provider transformation and provider policy teams within NHS England and Improvement focusing on the development of the provider sector within systems to support the delivery of the NHS long term plan commitments.

A qualified chartered accountant, Miranda started her career at Deloitte working in the UK and Hong Kong. In 1997 she joined PricewaterhouseCoopers and spent four years in the Transaction Services Department in London focusing on due diligence assignments. Her portfolio of financial experience is wide-ranging and includes mergers and acquisitions, due diligence and initial public offerings ("IPOs").

## Supply Chain Coordination Limited

### Strategic Report for the Year Ended 31 March 2019

The NHS currently spends £5.7bn on medical devices and clinical consumables. Lord Carter's report 'Unwarranted variation: A review of operational productivity and performance in NHS Acute Hospitals' reviewed operational efficiencies in the NHS providers and recommended improvements in the way NHS chooses, uses and purchases clinical supplies.

SCCL, the management company for the NHS Supply Chain, was established to manage the delivery and performance of the service providers making up the new operating model. SCCL's strategy is to be an extended part of Trust procurement teams, working for the NHS to collaboratively deliver improved quality and cost of services. SCCL aims to deliver £2.4bn savings over five years for the NHS using the following approach:

- Using world class category management, including clinical product evaluation and assurance, in the procurement of goods
- Extracting and creating value by using innovative sourcing strategies
- Ensuring price transparency through eliminating operating margin and passing on prices agreed with suppliers to NHS Trusts
- In turn, doubling the proportion of consolidated procurement for in scope categories from 40% to 80%

Our ability to deliver on this strategy will be influenced by our ability to work closely with our customers, delivering a service that meets the breadth of their clinical and non-clinical needs, as well as having a clear value proposition for suppliers. For customers, our intent is to provide:

- Best value products, delivered reliably, ready for customer use
- An easy to use, clinically assured product catalogue, that reflects the needs of clinicians and patients
- A collaborative, transparent way of engaging with the organisation, supported by individual Trust account plans
- A service provided for the NHS, by the NHS, that aligns with national, regional and local objectives across the system as it evolves

For our suppliers, we intend to provide:

- A consolidated, simplified way of engaging across the NHS, reducing supplier costs to operate
- Support for bringing new innovative products into the NHS, enabled by our connections with national and regional entities
- A highly resilient and robust supply chain to get supplier products to market
- A structured approach to supplier relationship management, supporting two-way dialogue for suppliers to improve their understanding and highlight issues

As SCCL, we have utilised a best of breed approach to evolving the NHS Supply Chain, working with partners with specialist industry expertise, incentivising and supporting them to support the delivery of the business objectives.

We are in the early stages of executing our strategy, with some key building blocks having been enabled during 2018/19. We remain committed to delivering our objectives and supporting our frontline NHS colleagues.

#### Financial Review

Financial results are shown in the Income Statement on page 34. The company had a profit before taxation of £nil (period ended 31 March 2018: £nil).

Financial position is shown in the Statement of Financial Position on page 35. As at 31 March 2019, the company had net assets of £21m (2018: £1).

Cash flow performance of the company is shown in the Statement of Cash Flows on page 36. For the year ended 31 March 2019, the company had net cash inflow of £158m (period ended 31 March 2018: inflow of £1) primarily relating to funding received in advance of 2019/20 which will be used to fund working capital.

#### Key Performance Indicators ("KPIs")

## Supply Chain Coordination Limited

### Strategic Report for the Year Ended 31 March 2019 (continued)

The company did not have any KPIs for the financial year ended 31 March 2019 or for the period ended 31 March 2018. The Board have reviewed operational KPIs associated with the NHS Supply Chain during the year.

From 1 April 2019, several financial and non-financial KPIs are being used to help measure business performance. These KPIs are associated with the operational management of the NHS Supply Chain, and include KPIs such as savings achieved.

#### **Risk Management**

The company's approach to risk management is discussed in the Governance and Risk Report on pages 17 to 23.

Approved by the Board on 9 January 2020 and signed on its behalf by:



Jin Sahota  
Chief executive

## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2019

The directors present their annual report and the financial statements for the year ended 31 March 2019.

#### Principal activity

The principal activity of the company is the management of the NHS Supply Chain operating model as an agent for the NHS BSA. NHS Supply Chain supports the NHS and other healthcare organisations in England and Wales by providing end to end supply chain solutions. The management function manages the performance of the 11 category tower service providers along with the logistics and IT providers. SCCL will leverage the collective buying power of the NHS to provide clinically assured products at the best value to meet the diverse needs of NHS organisations.

#### Incorporation and other information

The company was incorporated on 25 July 2017 as Friars 728 Limited. With effect from 15 November 2017, the company changed its name to Supply Chain Coordination Limited. These financial statements are presented for the year ended 31 March 2019. Comparatives are presented for the period from incorporation to 31 March 2018.

#### Directors of the company

The directors, who held office during the year, were as follows:

James Spittle - Chairman (appointed 17 September 2018)

Jin Sahota - Chief executive

Heather Benjamin (appointed 1 December 2018)

Steven Glew (appointed 1 December 2018)

Michael Hyne (appointed 14 June 2018 and resigned 31 May 2019)

Melinda Johnson

Jeremy Marlow (resigned 11 July 2019)

Heather Tierney-Moore (appointed 1 December 2018)

Timothy Nolan (appointed 3 April 2018 and resigned 26 November 2018)

Michael Parr (resigned 30 August 2018)

Paul West (resigned 14 June 2018)

The following directors were appointed after the year end:

Robert Houghton (appointed 1 May 2019)

Miranda Carter (appointed 26 July 2019)

Emily Lawson (appointed 26 July 2019)

Colin McCready (appointed 3 December 2019)

The details of Board Directors who held office during the period and their remuneration are shown in the Remuneration Report on pages 24 to 29.

A register of Company Directorships and other significant interests held by Board members, which may conflict with their management responsibilities, is maintained by the company. The register is updated as and when members advise the Company Secretary of any changes in their circumstances. A positive signed declaration is made each financial year.

Details of indemnities provided to the Directors are included in the Governance and Risk Report on pages 17 to 23.

#### Dividends

## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2019 (continued)

The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 March 2019.

#### **Share capital**

On 3 April 2018, the company issued £13m of share capital. A further £8m of share capital was issued on 28 March 2019. These shares were issued at par for cash consideration. The company is wholly owned by the Secretary of State for Health and Social Care.

#### **Business review**

##### *Fair review of the business*

The company's financial results are shown in the Income Statement on page 34.

A review of the business and future developments is included in the Chairman and Chief Executive Officer's Report on pages 2 to 5 and the Strategic Report on pages 10 to 11.

A review of the company's key financial and other performance indicators during the year is included in the Strategic Report.

##### *Governance, internal controls and risk management*

The Board accepts and acknowledges that it is both accountable and responsible for ensuring that the company has in place appropriate and effective systems, procedures, policies and processes for internal controls.

Throughout the period covered by this report and up to the date of this report the Board believes that there have been appropriate governance and risk management frameworks in place. Where frameworks need to be more robust to maintain effective internal controls the Board has implemented additional processes whilst these frameworks are fully implemented and embedded.

Further information is disclosed in the Governance and Risk Report on pages 17 to 23.

##### **Political and charitable donations**

The company has not made any political or charitable donations during the current or prior period.

## **Supply Chain Coordination Limited**

### **Directors' Report for the Year Ended 31 March 2019 (continued)**

#### **Employees**

The company is committed to openness and transparency. Employees have access to information regarding company policies, business performance and other matters of concern to them as employees. The views of employees are considered when making decisions that might affect their interests through a newly established Colleague Engagement Forum.

All employees have access to a pension scheme. Details of the pension arrangements are set out in Note 17 to the financial statements.

#### **Equality and diversity**

The company maintains a policy of employing the best candidates available in every position, regardless of gender, ethnic group or background. This includes equality in recruitment and ongoing promotion within the company.

The company supports the recruitment of staff with disabilities having full regard to their aptitudes and abilities. The company will offer individual support to staff who become disabled during their employment and, where appropriate, offer opportunities for retraining and redeployment.

#### **Pension liabilities**

Details of the pension liabilities and administration of the pension schemes are shown in Note 17 to the accounts. Further details on individual Directors' pensions and the associated schemes can be found in the Remuneration Report on pages 24 to 29.

#### **Research and development**

The company does not enter into research and development activities.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development and performance are set out in the Chairman and Chief Executive Officer's Report and the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The company is wholly owned by the Secretary of State for Health and Social Care, who has provided a Revolving Credit Facility to the company, which is not repayable until 30 September 2020 and is likely to be extended for a further year. In addition, the company will receive funding from the Department of Health for the foreseeable future.

The Directors believe that the company is well placed to manage its business risks successfully. Having reviewed the company's current financial position, cash flow projections and loan facilities, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Important non adjusting events after the financial period**

On 1 April 2019, the assets, liabilities, obligations and rights of the NHS Supply Chain, managed by DHL Supply Chain on behalf of the NHS BSA were transferred to SCCL. The objective of this transfer was to implement the optimum performance of the NHS Supply Chain through exploiting the collective bargaining power of the NHS.



## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2019 (continued)

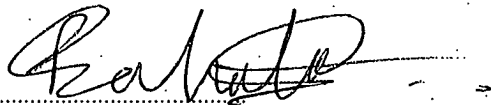
On 13 September 2019, the company repaid £40m of the loan balance due to the Secretary of State for Health and Social Care. Following this repayment, the principal of the loan was £102m.

#### Disclosure of information to the auditor

In the case of each director in office at the date of approval of this Director's Report:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 9 January 2020 and signed on its behalf by:



Jin Sahota  
Chief executive

## Supply Chain Coordination Limited

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

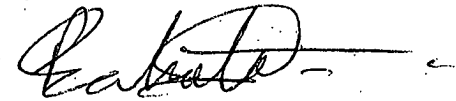
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholder to assess the company's position and performance, business model and strategy.

The directors confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit and loss of the company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the financial position of the company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board:



Jin Sahota  
Chief executive

## Supply Chain Coordination Limited

### Governance and Risk Report

The company is committed to achieving high standards of business integrity in all its activities and is accountable to the Secretary of State for Health and Social Care in this respect.

The company is not required to comply with the UK Corporate Governance Code, September 2016 (the Code), however the Board recognises that this represents good practice and seeks to comply with the Code in so far as is practicable.

#### **The Board**

The Board sets the strategic direction of Supply Chain Coordination Limited and works to improve the success of both the company, and its members as a whole.

As a unitary Board, all directors are involved in, and responsible for leading and steering the company on business strategy, development, oversight and control, and corporate governance. The Board also sets the strategic aims, ensuring that resources are available to enable the company to meet its objectives.

The Board delegates day-to-day responsibility to Executive Management, although a number of matters are reserved for the Shareholder and/or the Board. The Board has sufficient engagement with the business to allow it to lead the company with an in-depth understanding of its strengths and capabilities, and the challenges it faces.

The Board and the Shareholder reviewed the financial delegated responsibilities within the governance structure to ensure that there is sufficient oversight of all key aspects of the business, with well-established reporting lines and accountability.

The Shareholder and/or the Board approve:

- the annual business plan;
- the annual budget; and
- matters of major strategic importance.

The Board also oversees operational and financial performance, risk management and internal controls, compliance and major policy issues and the corporate risk register on a regular basis.

There are two Board Committees that support the work of the Board and enable Non-Executive Directors to share their expertise more widely with the Executive and Senior Management Team. A Non-Executive Director chairs each of the Board Committees. The work of the Committees continues to be reviewed to ensure that they focus on strategy, policy and governance, and add value and expert knowledge and oversight to these areas. Committee terms of reference have been reviewed and approved by each Committee.

Set out below is a summary of the role and composition of the Board and its Committees, with details of membership and attendance.

#### ***Board of Directors***

The Board of Directors are responsible for developing strategy and leading the company to achieve long-term success.

The Board comprises the Chairman, Shareholder Director Representative, two directors appointed by NHS Improvement, three independent Non-Executive Directors and the Chief Executive Officer. A Chief Financial Officer and three Non-Executive Directors have been appointed following the year end.

The Board has a formal schedule of matters reserved for the Shareholder which are outlined within the Articles of Association. The Board retains responsibility for strategic, major financial and key operational issues. Defined terms of reference have been approved for the Board and each of the Board Committees. Formal documentation of powers delegated to Executive Directors and clear reporting lines ensure that the Board receives all relevant information about the business, and that decisions are made by people at the right level with the authority to do so.

## Supply Chain Coordination Limited

### Governance and Risk Report (continued)

Membership and attendance: There were six scheduled Board meetings. Heather Benjamin (3/3), Steven Glew (3/3), Michael Hyne (3/5), Melinda Johnson (6/6), Jeremy Marlow (5/6), Tim Nolan (3/3); Michael Parr (2/2), Jin Sahota (6/6), James Spittle (4/4), Heather Tierney-Moore (3/3), Paul West (1/1)

*\*Attendance is shown in brackets against the available meetings that members could attend*

#### **Remuneration and Benefits Committee**

The Committee reviews and agrees reward policy principles for all people and Executive Remuneration and appointments as required and make recommendations to the company on all aspects of the performance, remuneration and terms of service.

Membership and attendance: Heather Benjamin (2/2), Shareholder Representative, Melinda Johnson (2/2) and Heather Tierney-Moore (2/2).

*\*Attendance is shown in brackets against the available meetings that members could attend.*

#### **Audit and Risk Committee**

The Audit and Risk Committee are responsible for the oversight of financial and narrative reporting, internal control, risk management systems, internal and external audit processes.

The Committee has an annual cycle of business to ensure that all aspects of the duties are covered. The Committee also reviews the Annual Report and other published information for regulatory compliance. It assesses the performance of the external auditors annually. It also monitors the external auditors' independence.

The main responsibilities of the Committee are:

- to monitor the integrity of the company's financial statements, processes and systems, internal and external audits and compliance and whistleblowing procedures; and
- to make recommendations to the Board on the adequacy and effectiveness of internal control and risk management systems.

Membership and attendance: Steven Glew (2/2) (Chair), Michael Hyne (2/2) and Heather Tierney-Moore (2/2).

*\*Attendance is shown in brackets against the available meetings that members could attend*

#### **Executive Team**

The Executive Team is responsible for the ongoing management of the company, considering day-to-day operational matters for running the business.

The Executive Team meets monthly and reviews performance of significant programmes to ensure risks are managed.

Membership: all Executive Directors (including Chief Executive Officer) and chaired by the Chief Executive Officer

#### **Board composition**

At 31 March 2019, the Board comprised of the Chairman, Shareholder Director, three Non-Executive Directors, the Chief Executive Officer and two Directors appointed by NHS Improvement.

The Board is supported by an Executive Team which includes eleven executives. The diversity and experience of the Board and Executive Team are essential to the effective leadership and success of the company. The biographies of the Board members are shown on pages 6 to 9, and demonstrate a range of corporate, financial and NHS experience relevant to the company's business.

The Board held six meetings during the year. All members of the Board are supplied in advance with appropriate, clear and accurate information covering matters which are to be considered.

## Supply Chain Coordination Limited

### Governance and Risk Report (continued)

The roles of the Chairman and the Chief Executive Officer are distinct and have been agreed by the Board. The Chairman chairs the Board and general meetings of the company, sets the agenda of such meetings and promotes the highest standards of integrity, probity and corporate governance throughout the company. He ensures that the Board receives timely and clear information, communicates effectively with the Shareholder Director, Shareholder and significant customers, and facilitates the effective contribution of Non-executive Directors and constructive relations between Executive and Non-Executive Directors.

The Chief Executive Officer is accountable for the day-to-day management of the company.

#### Board diversity

Appointments are made first and foremost based on merit, using objective criteria and taking into account the recognised benefits of all types of diversity and inclusion. The Board will continue to ensure this is taken into account when considering any new appointments. This is supported by the terms of reference of the Remuneration and Benefits Committee which state that potential candidates for the Board should be considered on merit and against objective criteria with due regard for the benefits of diversity and inclusion on the Board, including gender.

Subject to that overriding principle, the Directors believe that the Board's perspective and approach can be greatly enhanced through gender, age and cultural diversity. The Chair, together with members of the Remuneration and Benefits Committee, evaluates the composition and range of skills on the Board.

#### Board changes

During 2018/19, there were a number of changes to the Board reflecting that the company was becoming operational. Having been appointed as an interim Non-Executive Director, Tim Nolan resigned on the appointment of the three new Non-Executive Directors (Heather Benjamin, Steven Glew and Heather Tierney-Moore). James Spittle was appointed as Chair on 17 September 2018. Paul West resigned as one of the NHS Improvement appointed directors and was replaced by Michael Hyne in June 2018 and Michael Parr left the company, and therefore the Board, in August 2018.

A further three non-executive directors have been appointed since the year end (Robert Houghton, Miranda Carter and Emily Lawson), with Michael Hyne and Jeremy Marlow having resigned in May and July 2019 respectively. In addition, Colin McCready joined the company in December 2019 as Chief Financial Officer.

#### Directors' conflicts

The Companies Act 2006 provides that directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with a company's interests. Any potential conflict of interest between the role of an officer working for the Department of Health and Social Care or NHS Improvement and their role as either a Director or his or its representative in the company is registered and managed in an appropriate way.

Where potential conflicts exist, these are recorded in the Board or Board Committee minutes, along with any appropriate action taken to address them. All Board members have completed the Register of Directors' Interests.

#### Directors' and Officers' liability insurance

Supply Chain Coordination Limited is a member of the NHS Risk Pooling Scheme which includes Directors' and Officers' liability as permitted by the Companies Act 2006.

#### Openness and transparency

The company's whistleblowing policy has been in place since September 2018. A 24-hour confidential reporting line is in place so that our people can raise concerns at any time.

## Supply Chain Coordination Limited

### Governance and Risk Report (continued)

#### Risk governance

The Board is responsible for the company's systems of internal control and risk management and for reviewing each year the effectiveness of those systems. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The process in place for reviewing the systems of internal control includes procedures designed to identify and evaluate failings and weaknesses.

The Audit and Risk Committee is responsible for overseeing the effectiveness of risk management and internal control systems and regularly assess the principal risks facing the company.

#### Risk management framework

Risk management is the formal process of identifying and mitigating risk. It enables us to identify the possibility of future events happening which will impact the achievement of objectives, as well as the controls in place to mitigate this and develop action plans which will enable us to make better business decisions that take into account the effect of uncertainty (positive or negative).

The company is committed to creating and enabling a risk management culture that seeks to enhance the value delivered to customers, position the company for growth and protect our reputation. Thinking about risk consciously and managing it in a planned and effective way will support our objective of delivering a consistently good service.

As this was our first year of operation, we have developed our risk registers and reporting structures with the support of the Audit and Risk Committee, and these will continue to be developed during the next financial year.

Corporate risks are reviewed at Board level and are a consideration when producing documents for all Board level and Executive Committees.

The Executive Management team is responsible for delivering the company's strategy and managing risks which may prevent this being achieved. The Executive Management team in turn place reliance on their teams to monitor and manage operational risks on an ongoing basis, as well as identifying emerging risks.

Functional risk registers provide a framework for people to feed into this process, recognising their shared responsibility for effective management of risk in delivering our strategy. At an operational level, risks are reviewed together with the level of control necessary to mitigate, where possible, the level of risk.

The financial impact of certain risks has been transferred through insurance arrangements. The company is a member of the NHS Resolution Risk Pooling Scheme (Previously NHS Litigation Authority), which covers third party and employer liabilities, and property-related risk exposure.

#### Principal risks

During the financial year ending 31 March 2019, the primary focus for the management team were those principal risks which related to the programme to transition the new operating model and the set-up of the company as a stand-alone legal entity, rather than the more traditional operational business risks. The executive team actively managed these risks through to the point of successful transition and the principal risk register now reflects operational risks which are being managed. Amongst the principal risks actively managed through the last financial year were risks associated with:

- the move to the buy price = sell price model;
- the change in VAT status and the implications for customers;
- the transition of the logistics service to a new provider; and
- insufficient cash flow for the business.

In addition, the company actively managed the risks associated from the UK's then planned exit from the EU and the implications of that for the supply chain.

## Supply Chain Coordination Limited

### Governance and Risk Report (continued)

In the financial year commencing 1 April 2019, we have been managing a more normal set of operational business risks.

#### *Financial risk management*

The company's cash assets are held within the Government Banking Service. The company does not hold investments other than cash and does not utilise financial instruments in its operations.

The company's trade receivables are with a small number of customers which are mainly government funded entities.

The company manages liquidity risk by continuously monitoring cash flow requirements and managing the borrowings under the flexible loan facility provided by the Secretary of State for Health and Social Care.

#### **Internal controls**

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the company.

During 2018/19, the organisation has undertaken significant transformation. Internal controls have been in place to ensure compliance by staff of all applicable policies. A team has been set up to manage this on a day-to-day basis including the use of a quality management system. This should ensure that the internal controls in the next financial year are more robust.

SCCL have appointed internal auditors and we have agreed a schedule of work for 2019/20.

The Audit and Risk Committee monitors the effectiveness of controls through the receipt of written and verbal reports from functions, Executive Team members, Internal Auditors and the External Auditors as appropriate.

#### **Internal audit**

Internal audit plays a key role in providing independent assessment and challenge of the governance, risk and internal control frameworks at Supply Chain Coordination Limited.

We have appointed the Government Internal Audit Authority as our internal auditors, supported by KPMG. They have developed an internal audit plan for the year ending 31 March 2020. They have not been involved in the company during the year ending 31 March 2019.

Internal Audit will provide update reports to each Audit and Risk Committee with key findings from completed reviews as well as an update on the status of implementation of agreed management actions. Further, they will provide an annual report in relation to the organisation's framework of governance, risk management and internal control.

#### **Fraud detection and investigation**

Fraud is a pervasive corporate problem, affecting organisations of all sizes. The cost of fraud can be very high, both from actual money lost and the consequent erosion of public confidence. It is best practice that organisations have a framework for ensuring that fraud is prevented as far as possible, and that any fraud that does occur is detected quickly and dealt with appropriately.

Our strategy is designed to reduce SCCL's exposure to risks of internal fraud and support our external clients to reduce fraud and the resulting losses. We achieve our aims through three key themes: Acknowledge, Prevent and Pursue. These themes exist within the overall context of an anti-fraud culture promoted by SCCL through its leaders, governance arrangements and general approach to fraud.

## Supply Chain Coordination Limited

### Governance and Risk Report (continued)

**Acknowledge** - Acknowledging and understanding fraud risks:

- Committing support to tackling fraud.
- Being clear on what we are seeking to combat - we are clear about what constitutes fraud, bribery, theft and financial malpractice/irregularities.
- Assessing and understanding the risks - we are proactive in assessing and responding to the risks of fraud and corruption to which SCCL is exposed.

**Prevent** - Preventing and detecting fraud:

- Having an effective anti-fraud culture - we take a professional, integrated and proactive approach to countering fraud and are clear about the roles and responsibilities of our staff, partners and contractors.
- We have a framework which underpins the operation of SCCL and has a number of elements which exist to help protect SCCL against fraud. This includes documented policies and procedures to guide behaviour.
- Awareness training is essential in ensuring that staff understand the importance of tackling fraud, are able to recognise fraud and abuse, and know how and where to report suspicions of fraud. Continuous and active promotion of SCCL's robust stance against fraud and corruption should also be made to members of the public, contractors and partners to whom we work with to deliver services.
- Making use of information and technology.

**Pursue** - Being robust in pursuing and punishing fraud and recovering losses:

- Taking integrated action to investigate fraud.
- Pursuing appropriate and proportionate sanctions to punish those committing fraud.
- Seeking redress to recover losses.
- Learning from our experiences and those of others and taking remedial and positive action to improve controls to prevent future fraud losses.
- Collaborating with other agencies including the police.

#### **Information governance and General Data Protection Regulation ("GDPR")**

The protection of the information under SCCL's Governance is a critical aspect of the success of the new NHS Supply Chain arrangements. The business benefits of implementing and maintaining an appropriate level of information security good practice is recognised as a key business driver. It enables SCCL and the NHS Supply Chain to deliver the required benefits through the uninterrupted services that it provides, reassures users and patients that personal data entrusted to the NHS Supply Chain by them is kept secure and used appropriately, avoids reputational damage and the payment of penalties, or additional costs, resulting from an incident caused by poor information security practices, and demonstrate to peers, including customers, the NHS and Government authorities, that the organisation is meeting legislative and Governance requirements.

Working with the constituent parts of NHS Supply Chain, SCCL reviewed the controls inherited at transition and is implementing a strategic programme to improve security maturity using a process of continuing improvement. Using an effective control framework, users are made aware of their roles, responsibilities and accountabilities and on-going education maintains a level of awareness of the need for Information Security as an integral part of the day-to-day business.

The control framework targets good practice and leverages the global security experience and insight of DXC as our IT Service Partner, guidance issued by NHS Digital and recommendations from the National Cyber Security Centre. Risk management techniques are used to validate control selection and Threat Intelligence is utilised to focus priorities.

The company is registered as a Data Controller with the Information Commissioner and complies with the legislative requirements. There were no significant reportable information incidents during the year.

#### **Slavery and Human Trafficking Statement**



## **Supply Chain Coordination Limited**

### **Governance and Risk Report (continued)**

The company fully supports the Government's objectives to eradicate modern slavery and human trafficking and recognises its role in both combatting it and supporting victims. We are strongly committed to ensuring our supply chains and business activities are free from ethical and labour standards abuses.

We confirm the identities of all new employees and their right to work in the United Kingdom, and our policies additionally give a platform for our employees to raise concerns about poor working practices.

Our employees can raise concerns about inappropriate activity with us directly and confidentially through the Whistleblowing Policy. We consider any concerns for further investigation and offer support to individuals that have suffered fiscal or professional detriment as a result of whistleblowing.

Our procurement approach follows good practices such as the Crown Commercial Service standard, which includes a mandatory exclusion question regarding the Modern Slavery Act 2015. When procuring goods and services, we expect our suppliers to comply with the Modern Slavery Act 2015.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and applies to Supply Chain Coordination Limited.

## Supply Chain Coordination Limited

### Remuneration Report

#### Remuneration Policy

This Remuneration Report covers members of the Supply Chain Co-ordination Limited Board. The following elements of the Remuneration Report are subject to audit:

- Salaries (including performance pay) and allowances
- Compensation for loss of office
- Non-cash benefits
- Pension contributions
- Contract length
- Amounts payable to third parties for the services of senior managers

The Articles of Association state that the Secretary of State for Health and Social Care, or any senior civil servant acting with the Secretary of State's authority, must approve all appointments to the Board. The Secretary of State is represented by the Shareholder Director and their nominated representatives from the Department of Health and Social Care. Nominated individuals who support the work of the Board and its Committees are recorded in the Governance Report.

The Remuneration and Benefits Committee keeps the Board's skill and experience base under continued review, oversees searches and selection processes for new Directors and recommends new appointments to the Board. The remuneration and terms and conditions of the Chair and all Directors are approved by the Shareholder, taking into account relevant market data and benchmarking against other similar positions.

During the year, there have been five Board Director appointments that have been managed through open competition - the Chair and four Non-Executive Directors. A firm of recruitment consultants managed the appointment process of the Chair and Non-Executive Directors.

The Remuneration and Benefits Committee oversees appropriate contractual arrangements for our people. The Committee met twice during the financial year and was chaired by Heather Benjamin, Commercial Non-Executive Director.

In May 2018, the Shareholder Director and Board approved revised delegated financial limits. Remuneration approval for all Directors and people earning more than £150,000 base salary per year is reserved to the Secretary of State for Health and Social Care or any senior civil servant acting with the Secretary of State's authority.

Executive salary surveys and periodic assessments are conducted by independent remuneration consultants. Affordability is also taken into account. Uplift to salary for Directors is approved at the Remuneration and Benefits Committee which is attended by the Shareholder Director Representative.

SCCL is not bound by NHS pay-scales; however, we are currently expected to implement the pay award decisions within the NHS framework for transferred staff on NHS terms. Salary awards and terms and conditions applying to NHS staff groups were applied in-year following the acceptance of changes to the Agenda for Change framework.

There are 205 staff who transferred from DHL NHS Supply Chain to SCCL at various points through the year who have annual bonus and commission-related pay scheme in place. These arrangements are subject to various performance criteria and will be payable on achievement in June 2019, related to the 2018/19 financial year.

People appointed post 1 April 2018 have been employed on company terms and conditions of service.

#### Company structure

The company's organisation structure was established from 1 April 2018 and during the year has been resourced through TUPE transfers from NHS BSA, DHL NHS Supply Chain and new hires.

The Executive Team regularly reviews the existing operating model to ensure that it is able to deliver the ongoing strategic priorities of the company.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

#### Service contracts

The individual contracts for Non-Executive Directors set out the fees and duration for their term of office. Fees are not pensionable. There is also no compensation provision for early termination. Notice periods are shown in the table below.

Director	Date of Appointment as Company Director	Unexpired Term (months) as at 31/03/19	Notice Periods
<b>Chair and Non-Executive Directors</b>			
James Spittle	17 Sep 2018	30	Initial period of 3 years. Either party can give 1 months' notice.
Steven Glew	01 Dec 2018	32	Initial period of 3 years. Either party can give 1 months' notice.
Heather Benjamin	01 Dec 2018	32	Initial period of 3 years. Either party can give 1 months' notice.
Heather Tierney-Moore OBE	01 Dec 2018	32	Initial period of 3 years. Either party can give 1 months' notice.
<b>Executive Directors</b>			
Jin Sahota	25 Jul 2017	12	The CEO is an employee of the Cabinet Office and is seconded to SCCL until 31 March 2020. The company recharges for all employment and expense costs. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).
<b>Shareholder and Stakeholder Directors</b>			
Melinda Johnson	04 Jan 2018	n/a	The Shareholder Director is a senior civil servant at the Department of Health and Social Care and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).
Jeremy Marlow	27 Feb 2018	n/a	The Company Director is an employee of NHS Improvement ("NHSI") and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).
Michael Hyne	14 Jun 2018	n/a	The Company Director is an employee of NHSI and receives no remuneration from the company. There were also no recharges. Any potential conflict of interest is registered and managed in an appropriate way (see Directors' conflict section).

## Supply Chain Coordination Limited

### Remuneration Report (continued)

For Directors in office as at 31 March 2019, the details of service contracts, unexpired term and notice periods are shown in the previous table. Early termination, other than for misconduct, would result in the individual receiving compensation.

There are no other service agreements, letters of appointment or material contracts, between the company and any of the Directors. There are no arrangements or understandings between any Director and any other person pursuant to which any Director was selected to serve. There are no family relationships between the Directors.

#### Remuneration of Board members

The following table provides details of the remuneration and pension of Board members in post during the reporting period.

	Salary £000 (Bands of £5,000)	Bonus £000 (Bands of £5,000)	Benefits in Kind £ (1)	Pension Contribution £000 (2)	Total Remuneration £000 (Bands of £5,000)
<b>Chair and Non-Executive Directors</b>					
James Spittle (3)	25-30	nil	nil	nil	25-30
Steven Glew (4)	5-10	nil	nil	nil	5-10
Heather Benjamin (4)	5-10	nil	nil	nil	5-10
Heather Tierney-Moore OBE (4)	5-10	nil	nil	nil	5-10
Timothy Nolan (5)	10-15	nil	nil	nil	10-15
<b>Executive Directors</b>					
Jin Sahota (6)	195-200	10-15	nil	20-25	230-235
Michael Parr (7)	105-110	nil	nil	5-10	110-115
Melinda Johnson (8)	n/a	n/a	n/a	n/a	n/a
Jeremy Marlow (9)	n/a	n/a	n/a	n/a	n/a
Michael Hyne (10)	n/a	n/a	n/a	n/a	n/a
Paul West (11)	n/a	n/a	n/a	n/a	n/a

(1) Benefits are noted to the nearest £100.

(2) Employer pension contributions relate to employer contributions to the NHS Pension Plan and PCSPS. Contributions are shown in Note 7 Directors' remuneration.

(3) Appointed on 17 September 2018: wrote equivalent (WYE) range c45,000-55,000 - for comparative purposes only.

(4) Appointed on 1 December 2018: wrote equivalent (WYE) range c20,000-30,000 - for comparative purposes only

(5) Resigned 26 November 2018: wrote equivalent (WYE) range c20,000-30,000 - for comparative purposes only

(6) On secondment until 31 March 2020. Salary is recharged.

(7) Resigned 30 August 2018: Salary includes a payment in lieu of notice amounting to £55,000 - WYE range c105,000-110,000 - for comparative purposes only.

(8) Appointed on 4 January 2018. No remuneration to disclose for the period.

(9) Appointed on 27 February 2018 and resigned on 11 July 2019: No remuneration to disclose for the period.

(10) Appointed on 14 June 2018 and resigned on 31 May 2019: No remuneration to disclose for the period.

(11) Resigned on 14 June 2018: No remuneration to disclose for the period.

Salary includes gross salary, overtime and any allowances to the extent that it is subject to UK taxation excluding voluntary settlements. The monetary value of benefits in kind covers any payments or other benefits provided by the company, which are treated by HM Revenue and Customs as a taxable emolument.

Total remuneration for the directors was £116,096.85. This excludes the salary of the Chief Executive Officer, which is charged to SCCL by the Cabinet Office, but then is recharged to Productive Transformation Projects ("PTP") by SCCL and therefore does not impact the financial results of the company.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

#### Median earnings

Reporting bodies are required to disclose the relationship between the remuneration of the most highly paid individual in their organisation and the median earnings of the organisation's workforce. The table below details median earnings for the company.

	2018/19
Highest earner's total remuneration (£000) (1)	210-215
Median total remuneration (£)	49,242
Ratio	4.32

(1) Salaries for senior management are disclosed in bands of £5,000 in accordance with EPN 430 Guidance

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

The median calculation does not include agency workers or other non-permanent workers.

#### Pension

##### *NHS Pension Scheme*

Pension benefits are provided through the NHS Pension Scheme ("NHSPS") for any employees who TUPE transferred from NHS BSA to SCCL on 1 April 2018 and for employees with New Fair Deal protection who TUPE transferred from DHL NHS Supply Chain to SCCL on either 1 October 2018 or 1 December 2018 and who were not prohibited from rejoining the NHSPS.

No current Board members have an interest in the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years. As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. Full details of this are included in Note 17 to the financial statements.

##### *Civil Service Pension Scheme*

Pension benefits are provided through the Civil Service Pension for any employees who TUPE transferred from DHL NHS Supply Chain to SCCL on either 1 October 2018 or 1 December 2018.

The Chief Executive Officer has an interest in the Civil Service Pension Scheme in that he is a member of the scheme. Details of the benefits payable under these provisions can be found on the Civil Service Pensions website at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

The scheme is an unfunded, defined benefit scheme that covers Government Department employers and other bodies, allowed under the direction of the Cabinet Office. The scheme is not designed to be run in a way that would enable companies to identify their share of the underlying scheme assets and liabilities.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years. As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. Full details of this are included in Note 17 to the financial statements.

#### *Federated Pension Plan*

Pension benefits are provided through the Federated Pension Plan ("FPP") for any employees who TUPE transferred from DHL NHS Supply Chain to SCCL with New Fair Deal protection on either 1 October 2018 or 1 December 2018. The FPP is a broadly comparable pension scheme provided to members who are unable to rejoin the NHS Pension Scheme (e.g. due to being over 60 at the time of TUPE transfer or if in receipt of their pension benefits from the NHSPS).

No current Board members have an interest in the Federated Pension Plan.

The benefits payable and rules of the scheme are broadly comparable to those provided by the NHSPS. Further details can be obtained from PAN Group, the trustees of the Plan. The Scheme is a funded defined benefit pension scheme used to enable NHS employers, GP practices and other bodies, to provide pension benefits to employees who would have rejoined the NHSPS but are unable to as they were either over age 60 when their employment commenced or were in receipt of their pension benefits.

Whilst the scheme is fully sectionalized, the presence of at least one other "non-associated" employer in the same section of the scheme means that it is not possible for individual companies in the same section to identify their individual shares of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every three years. As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. Full details of this are included in Note 17 to the financial statements.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

#### *NEST*

People employed directly by SCCL on or after 1 April 2018 or who transferred from DHL NHS Supply Chain without New Fair Deal pension protection are not eligible to be members of the NHS Pension Scheme or Civil Service Pension Scheme and are automatically enrolled in the workplace pension scheme provided by NEST, unless they decide to opt out.

NEST is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts in relation to the period covered by these accounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

Under legislation governing auto enrolment, for the financial year 6 April 2018 to 5 April 2019, employees are required to contribute a minimum of 3% p.a. of their base salary. Employees have the option to increase their contributions up to a maximum of 6% p.a. SCCL matches double the contribution rate selected by each employee, up to a maximum of 12%.

In April 2018, the company put in place a Life Assurance Plan to provide a lump sum benefit payable on a member's death at a multiple of four times basic salary. For employees who opt out of the pension arrangements, the Life Assurance Plan will provide a lump sum benefit payable on an employee's death at a multiple of one times basic salary.

No current Board members have an interest in the NEST Pension Scheme.

## Supply Chain Coordination Limited

### Sustainable Development Strategy

During our first year of operation, we have continued with the corporate social responsibility approach that was embedded within the organisation previously running the NHS Supply Chain. As SCCL, we will redefine those objectives to meet the evolving expectations of our stakeholders, have clear metrics in place to monitor progress; and connect our Corporate Social Responsibility ("CSR") objectives to the company culture.

During 2018/19 we recruited a supplier resilience and sustainability manager to continue the existing programme of work across our logistics network and buying teams. Our focus in this first year was to maintain the inherited standards and compliance with regulatory requirements. The areas of work already ongoing include:

- Reducing carbon emissions: our haulage vehicles meet the most stringent emissions standards for Europe;
- Reducing waste: we collect and recycle packaging materials within our warehouse operations;
- Safeguarding natural resources: we embed appropriate regulations and government pledges into our procurement activities. For example, we created a programme to replace all 'virgin white' copier paper used by the NHS with a recycled alternative saving on energy in production, water usage and trees;
- Behaving ethically and responsibly: including utilising the Labour Standards and Assurance Scheme (LSAS) within our buying practises, and adhering to the UK Modern Slavery Act 2015;
- Contributing to the development of local communities: supporting Small and Medium Enterprises (SME), and promoting diversity as a strength within our business. Over the course of the year, we were delighted to have exceeded the government target for SME participation in the business, reaching 35% compared to the target of 33%. We have also encouraged our employees to select and support a charity - Macmillan was the charity chosen and supported by the business for 2018/19.



## **Supply Chain Coordination Limited**

### **Independent Auditor's Report to the Members of Supply Chain Coordination Limited**

I have audited the financial statements of Supply Chain Coordination Limited ('the company') for the year ended 31 March 2019 which comprise the Income Statement, the Statement of Financial Position, The Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- have been prepared in accordance with the Companies Act 2006.

#### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Supply Chain Coordination Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern**

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

#### **Responsibilities of the Directors' for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Supply Chain Coordination Limited

### Independent Auditor's Report to the Members of Supply Chain Coordination Limited (continued)

#### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing ("ISAs") (UK).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### Other information

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

#### Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act.
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and

## Supply Chain Coordination Limited

### Independent Auditor's Report to the Members of Supply Chain Coordination Limited (continued)

- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

#### Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept; or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.



Greg Wilson (Senior Statutory Auditor)  
For and on behalf of Comptroller & Auditor General, Statutory Auditor

157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

16 January 2020

## Supply Chain Coordination Limited

### Income Statement for the Year Ended 31 March 2019

	Note	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Revenue	4	19,048	-
Administrative expenses	5	<u>(19,048)</u>	<u>-</u>
Operating profit/(loss)		<u>-</u>	<u>-</u>
Profit/(loss) before tax		-	-
Income tax expense	9	<u>(17)</u>	<u>-</u>
Loss for the year/period		<u><u>(17)</u></u>	<u><u>-</u></u>

The above results were derived from continuing operations.

The company has no other comprehensive income other than that included in the results above and therefore a separate Statement of Comprehensive Income has not been presented.

## Supply Chain Coordination Limited

### Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 £ 000	31 March 2018 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	8,017	-
Intangible assets	11	1,094	-
<b>Total non-current assets</b>		<u>9,111</u>	<u>-</u>
<b>Current assets</b>			
Trade and other receivables	12	2,135	-
Cash and cash equivalents	13	158,361	-
<b>Total current assets</b>		<u>160,496</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	14	(6,438)	-
Provisions	16	(169)	-
<b>Total current liabilities</b>		<u>(6,607)</u>	<u>-</u>
<b>Non-current liabilities</b>			
Loans and borrowings	15	(142,000)	-
Deferred tax liabilities	9	(17)	-
<b>Total non-current liabilities</b>		<u>(142,017)</u>	<u>-</u>
<b>Total liabilities</b>		<u>(148,624)</u>	<u>-</u>
<b>Total net assets</b>		<u>20,983</u>	<u>-</u>
<b>Equity</b>			
Share capital	18	21,000	-
Retained earnings		(17)	-
<b>Total equity</b>		<u>20,983</u>	<u>-</u>

Approved by the Board on 9 January 2020 and signed on its behalf by:



Jin Sahota  
Chief executive

Registration number: 10881715

The notes on pages 38 to 66 form an integral part of these financial statements.

## Supply Chain Coordination Limited

### Statement of Cash Flows for the Year Ended 31 March 2019

	Note	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
<b>Cash flows from operating activities</b>			
Loss for the year/period		(17)	-
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	656	-
Income tax expense	9	17	-
		<u>656</u>	-
Working capital adjustments			
Increase in trade and other receivables	12	(2,135)	-
Increase in trade and other payables	14	6,438	-
Increase in provisions	16	169	-
		<u>5,128</u>	-
Net cash flow from operating activities		<u>5,128</u>	-
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment	10	(8,625)	-
Acquisition of intangible assets	11	(1,142)	-
		<u>(9,767)</u>	-
Net cash flows from investing activities		<u>(9,767)</u>	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares, net of issue costs	18	21,000	-
Proceeds from draw down of borrowings	15	142,000	-
		<u>163,000</u>	-
Net cash flows from financing activities		<u>163,000</u>	-
Net increase in cash and cash equivalents		158,361	-
Cash and cash equivalents at 1 April		-	-
Cash and cash equivalents at 31 March	13	<u>158,361</u>	<u>-</u>

The notes on pages 38 to 66 form an integral part of these financial statements.

## Supply Chain Coordination Limited

### Statement of Changes in Equity for the Year Ended 31 March 2019

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 25 July 2017 and 1 April 2018		-	-	-
Loss for the year		-	(17)	(17)
Total comprehensive income		-	(17)	(17)
New share capital issued	18	21,000	-	21,000
At 31 March 2019		21,000	(17)	20,983

The notes on pages 38 to 66 form an integral part of these financial statements.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 1 General information

The company is a private company limited by share capital, incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

Skipton House  
80 London Road  
London  
SE1 6LH  
United Kingdom

The company was incorporated on 25 July 2017 as Friars 728 Limited. With effect from 15 November 2017, the company changed its name to Supply Chain Coordination Limited. The company did not start trading until 1 April 2018. The principal activity of the company is the management of the NHS Supply Chain as an agent for the NHS BSA.

These company financial statements are presented for the year ended 31 March 2019. Comparatives are presented for the period from incorporation to 31 March 2018.

These financial statements were authorised for issue by the Board on 9 January 2020.

#### 2 Accounting policies

##### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRSs").

##### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules. Historical cost is generally based on the fair value of consideration given in exchange for assets.

In preparing the financial statements in conformity with IFRS, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from those estimates.

The functional and presentational currency is Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.



## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### Going concern

The financial statements have been prepared on a going concern basis as set out in the Directors' Report on pages 12 to 15.

##### Application of new and revised IFRSs

At the date of authorisation of these financial statements, the company had not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 Leases

##### *General impact of IFRS 16 Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the company will be 1 April 2019.

As at 31 March 2019, the company had operating leases in respect of a building and some cars, and did not act as a lessor.

##### *Impact of the new definition of a lease*

The company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered into or modified before 1 April 2019. The company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract).

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

For the period ended 31 March 2019, the company only had operating leases in respect of a building and some cars. There are not expected to be further assets recognised due to the new definition of a lease. From 1 April 2019, the trading of the NHS Supply Chain was transferred to the company. The impact of IFRS 16 on this business has yet to be assessed.

##### *Impact on Lessee Accounting - Operating Leases*

IFRS 16 will change how the company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the company will:

- Recognise right-of-use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the Income Statement;
- Separate the total amount of cash paid into a principal portion (presented within operating activities) and interest (presented within financing activities) in the Statement of Cash Flows.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

Lease incentives, such as a rent free period, will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (those with a lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 March 2019, the company has non-cancellable operating lease commitments of £4.1m, which relates to the lease of a building in Nottingham and some cars. The company will therefore recognise right-of-use assets of £3.7m and a corresponding lease liability of £3.7m in respect of these leases. The impact on profit or loss is to decrease operating expenses by £3.9m and to increase depreciation by £3.7m and increase interest expense by £0.2m.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to increase the cash generated by operating activities by £3.5 million and to decrease net cash used in financing activities by the same amount.

#### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

#### Recognition

The company earns revenue from managing the sale of medicines and other items on behalf of other parties. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. The company also earns revenue from the provision of services relating to acting as an agent in the provision of goods. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### *Principal versus Agent*

There are arrangements where it needs to be determined whether the NHS Supply Chain acts as a principal or an agent, as more than one party is involved in providing the goods and services to the customer. A company acts as a principal if it controls a promised good or services before transferring that good or service to the customer. A company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the company has in establishing the price for the specified good or service, whether the company has inventory risk and whether the company is primarily responsible for fulfilling the promise to deliver the service or good.

Where the company is acting as a principal, revenue is recorded on a gross basis. Where the company is acting as an agent, revenue is recorded at a net amount reflecting the margin earned.

##### *Sale of goods and services*

Revenue is measured based on the consideration to which the company expects to be entitled in a contract to a customer, and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

##### *Fee arrangements*

Below are details of fee arrangements and how these are measured and recognised, for revenue from the sale of products, and the provision of services:

- For fixed price point of sale revenue is recognised when control is transferred and performance obligations are met on delivery of products to customers.
- For variable or contingent fee arrangements from services revenue, revenue is recognised when control is passed, either at a point in time or over a period of time, when performance obligations have been satisfied.

##### *Performance obligations*

The main performance obligations to customers consist of delivery of products. Due to the retail nature of the business, judgements made in evaluating when control has passed are limited.

The main performance obligations in contracts consist of delivery of services. For all contracts the stage of completion and delivery of performance obligations are measured at the balance sheet date by reviewing the stage of completion with reference to the contract.

##### *Contract assets and receivables*

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, contract assets are recognised. Contract assets are included in the Statement of Financial Position and represent the right to consideration for products delivered.

##### *Contract liabilities*

Contract liabilities and customer deposits are recognised in the Statement of Financial Position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### *Segmental reporting*

For the year ended 31 March 2019, the Directors are of the opinion that the company is engaged in a single segment of business as it sets up to take on the operational management of the NHS Supply Chain from 1 April 2019.

##### **Operating expenses**

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

##### **Business Combinations**

IFRS 3 Business Combinations is the international accounting standard governing business combination transactions. Where entities are deemed to operate under common control, business reconfigurations are outside of the scope of IFRS 3. Given such a transaction, IFRS 3 requires an entity to develop an accounting policy for common control transactions and to apply it consistently. The HM Treasury's Financial Reporting Manual 2018/19 (FRM) requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which those transactions took place.

The assets and liabilities transferred are recognised in the accounts as at the date of transfer and prior year comparatives are not restated. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain or net loss corresponding to the net assets and liabilities transferred is recognised in the Income Statement and is disclosed separately from operating costs.

In absorption transfer accounting for property, plant and equipment and intangible assets, the cost and accumulated depreciation and amortisation balances from the transferring entity's accounts are preserved on recognition in the acquirer's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the receiving entity makes a transfer from retained earnings to its revaluation reserve.

##### **Property, plant and equipment**

##### *Initial recognition*

Property, plant and equipment is 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 company;
- it is expected to be used for more than twelve months;
- the cost of the item can be measured reliably; and
- either:
  - the item cost at least £5,000; or
  - collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly similar purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
  - the items form part of the initial set-up costs of a building, irrespective of their individual or collective cost.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

Where an asset includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful economic lives.

All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land and buildings are stated at cost in the Statement of Financial Position, less any subsequent depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially misstated.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historical cost, which the directors consider approximates to the fair value.

#### *Subsequent expenditure*

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

#### *Depreciation*

Depreciation is recognised on a straight-line basis so as to write off the cost or valuation of assets less their residual values over their useful lives as follows:

Asset class	Depreciation period
Buildings	10 - 50 years
Leasehold improvements	10 years
IT equipment	3 - 5 years
Furniture and fittings	5 - 10 years

#### *Impairment*

At each Statement of Financial Position date, the company reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. 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 the loss is charged directly to the Income Statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to the Income Statement to the extent of the decrease previously charged there, and thereafter to the revaluation reserve.

#### *Disposals*

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### **Intangible assets**

Intangible non-current assets are non-monetary assets without physical substance that are capable of sale separately from the rest of the company's business or arise from contractual or other legal rights. They are recognised only:

- when it is probable that future economic benefits will flow to, or service potential be provided to, the company;
- where the cost of the asset can be measured reliably; and
- where the cost is at least £5,000.

Intangible non-current assets acquired separately are measured at cost. Software that is integral to the operation of hardware is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware is capitalised as an intangible asset.

Following initial recognition, intangible assets are carried at amortised historic cost, which the directors consider approximates to the fair value.

##### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life on a straight-line basis as follows:

Asset class	Amortisation period
Computer software: purchased	3 - 5 years

##### **Financial assets and liabilities**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### **Financial assets**

Financial assets are recognised on the Statement of Financial Position when the company becomes party to the financial instrument contract, other than in the case of trade receivables, when the financial asset is recognised 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 classified under IFRS 9 as amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) depending on the company's business model and the contractual cash flow characteristics of the instruments. As the company's financial assets comprise cash and cash equivalents and trade receivables, they are classified as amortised cost assets.

##### **Cash and cash equivalents**

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of note more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

The directors consider that cash and cash equivalents have a low credit risk as they are held exclusively within the Government Banking Service. As such, no expected credit loss has been recognised in the financial statements.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### *Trade and other receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The company's trade receivables are primarily with NHS England and the NHS Business Services Authority and are short-term in nature. The directors consider these entities as low risk due to being government funded, and so an expected credit loss has not been recognised in the accounts.

##### *Financial liabilities*

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

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

##### *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### *Borrowings*

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### **Inventories**

Inventories are valued at weighted average cost. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, inventories are assessed for impairment. If impaired, the carrying amount is reduced to its selling price less costs to complete and sell, and the impairment loss is recognised immediately in the Income Statement.

##### **Provisions**

Provisions are recognised when there exists a present legal or constructive obligation as a result of a past event, it is probable that the company 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, the carrying amount is the present value of those cash flows using appropriate discount rates dependent on the expected timing of cash flows.

##### **Finance income and costs**

Finance costs mainly relate to interest expense on borrowings. Interest expense is recognised in the Income Statement as it accrues.

The company has no finance income.

##### **Tax**

Tax in the Income Statement comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

##### *Current tax*

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

##### *Deferred tax*

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

##### *Value Added Tax (VAT)*

Amounts are stated net of VAT where output tax is charged or where input tax is recoverable. Where input tax is not recoverable, VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.



## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

##### Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

##### Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell, and value in use.

##### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### Superannuation Schemes

###### *Defined benefit schemes*

Employees who have been TUPE transferred to the company from NHS Business Services Authority and DHL NHS Supply Chain with New Fair Deal Protection are covered by the provisions of the NHS Pension Scheme, Civil Service Pension Scheme or Federated Pension Plan (a broadly comparable pension scheme for members who have New Fair Deal Protection and would have normally rejoined the NHSPS but are unable to as they are prohibited from rejoining by the Scheme Rules).

The NHS Pension Scheme is an unfunded, defined benefit pension scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

The Civil Service Pension Scheme is an unfunded, defined benefit pension scheme that covers Government department employers and other bodies allowed under admission agreements issued by the Cabinet Office. The scheme is not designed to be run in a way that would enable Government departments to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 2 Accounting policies (continued)

The Federated Pension Plan is a fully sectionalized multi-employer funded pension scheme that typically provides benefits that are certified as Broadly Comparable to various public service pension schemes. The company has a section to which "it is regarded as the principal employer" and it has allowed access to other employers (e.g. Unipart) as "participating employers" for benefits that are Broadly Comparable to the pension benefits the employees would have received if they had been allowed to rejoin the NHSPS. Whilst the scheme is fully sectionalized, the presence of at least one other "non-associated" employer in the same section of the scheme means that it is not possible for individual companies in the same section to identify their individual shares of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the company commits itself to the retirement, regardless of the method of payment.

#### *Defined contribution plan*

People directly employed by SCCL on or after 1 April 2018 or who transferred from DHL NHS Supply Chain without New Fair Deal pension protection are automatically enrolled into the NEST pension scheme. This is a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts in relation to the period covered by these accounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

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

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect items reported in the financial statements, along with the disclosure of contingent assets and liabilities as at the reporting date.

Estimates and associated assumptions are based on past experience, current facts and circumstances and, to some extent, future events and actions. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

Critical estimates and assumptions are made in particular, but not exclusively, with regard to the following:

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out in the Chairman and Chief Executive Officer's Report and the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The company is wholly owned by the Secretary of State for Health and Social Care, who has provided a Revolving Credit Facility to the company, which is not repayable until 30 September 2020. In addition, the company will receive funding from the Department of Health for the foreseeable future.

The Directors believe that the company is well placed to manage its business risks successfully. Having reviewed the company's current financial position, cash flow projections and loan facilities, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the company.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 4 Revenue

The analysis of the company's revenue from continuing operations is as follows:

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Rendering of services	17,556	-
Other revenue	1,492	-
	<u>19,048</u>	<u>-</u>

During the year, the company provided services to NHS BSA around the management of the NHS Supply Chain. In addition, the company managed the stock levels of certain medicines and supplies on behalf of Public Health England, charging a management fee for this service.

Other revenue relates to amounts in respect of expenditure, primarily wages, salaries and expenses, which are recharged to related parties.

#### 5 Administrative expenses

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Staff costs	14,616	-
Depreciation expense	608	-
Amortisation expense	48	-
Operating lease expense - property	189	-
Operating lease expense - other	183	-
Other	3,404	-
	<u>19,048</u>	<u>-</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Wages and salaries	11,890	-
Social security costs	739	-
Pension costs	495	-
Recharges	1,492	-
	14,616	-

Certain staff costs have been recharged to related parties as they are deemed to relate to costs which are not directly attributable to the company and the budgets are held elsewhere for this work. The salary of the CEO is also recharged. The revenue associated with these recharges is disclosed in Note 4 Revenue.

There have been further staff costs incurred which do not relate to the company at all and have been recharged. As these costs are not directly attributable to the company, they are not shown in the revenue or costs in the financial statements, and are not included in the disclosure above.

The average number of persons employed by the company (including directors) during the year/period, was as follows:

	Year ended 31 March 2019 No.	Period ended 31 March 2018 No.
Permanent staff	141	-
Agency and temporary staff	39	-
	180	-

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 7 Directors' remuneration

The directors' remuneration for the year/period was as follows:

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Remuneration	117	-
Contributions paid to pension schemes	7	-
Payment in lieu of notice	55	-
	<u>179</u>	<u>-</u>

Directors' remuneration excludes remuneration for the Chief Executive Officer. The CEO is remunerated by the Cabinet Office. SCCL are recharged for his time and expenses, which are reimbursed by DHSC.

Disclosures relating to Directors' Remuneration are included in the Remuneration Report on pages 24 to 29.

#### 8 Auditors' remuneration

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Audit of the financial statements	<u>65</u>	<u>-</u>

#### 9 Income tax

Tax charged/(credited) in the income statement:

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	<u>17</u>	<u>-</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled in the following table:

**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

**9 Income tax (continued)**

	Year ended 31 March 2019 £ 000	Period ended 31 March 2018 £ 000
Profit/(loss) before tax	<u>-</u>	<u>-</u>
Corporation tax at standard rate	-	-
Increase (decrease) from effect of different UK tax rates on some earnings	(2)	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	<u>19</u>	<u>-</u>
Total tax charge	<u>17</u>	<u>-</u>
<b>Deferred tax</b>		
Deferred tax assets and liabilities		
<b>2019</b>		<b>Liability £ 000</b>
Fixed Assets		<u>17</u>

**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

**9 Income tax (continued)**

Deferred tax movement during the year:

	At 1 April 2018 £ 000	Recognised in income £ 000	At 31 March 2019 £ 000
Fixed Assets	-	17	17

Deferred tax movement during the prior year:

	At 1 April 2018 £ 000	At 31 March 2019 £ 000
Fixed Assets	-	-

**10 Property, plant and equipment**

	Leasehold Improvements £ 000	Furniture, fittings and equipment £ 000	Other property, plant and equipment £ 000	Total £ 000
<b>Cost or valuation</b>				
At 25 July 2017 and 1 April 2018	-	-	-	-
Additions	1,300	400	6,925	8,625
At 31 March 2019	1,300	400	6,925	8,625
<b>Depreciation</b>				
At 25 July 2017 and 1 April 2018	-	-	-	-
Charge for the year	32	10	566	608
At 31 March 2019	32	10	566	608
<b>Carrying amount</b>				
At 31 March 2019	1,268	390	6,359	8,017
At 31 March 2018	-	-	-	-

There are no indicators of impairment.

Depreciation of property, plant and equipment is included within Administrative expenses in the Income Statement.



**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

**11 Intangible assets**

	<b>Software Licenses £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>		
At 25 July 2017 and 1 April 2018	-	-
Additions	1,142	1,142
At 31 March 2019	<u>1,142</u>	<u>1,142</u>
<b>Amortisation</b>		
At 25 July 2017 and 1 April 2018	-	-
Amortisation charge	48	48
At 31 March 2019	<u>48</u>	<u>48</u>
<b>Carrying amount</b>		
At 31 March 2019	<u>1,094</u>	<u>1,094</u>
At 31 March 2018	<u>-</u>	<u>-</u>

There are no indicators of impairment.

Amortisation of intangible assets is included within Administrative expenses in the Income Statement.

**12 Trade and other receivables**

	<b>31 March 2019 £ 000</b>	<b>31 March 2018 £ 000</b>
Trade receivables	72	-
Accrued income	1,666	-
Prepayments	67	-
Other receivables	330	-
	<u>2,135</u>	<u>-</u>

There are no trade and other receivables due after one year (2018: £nil).

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 13 Cash and cash equivalents

	31 March 2019 £ 000	31 March 2018 £ 000
Cash at bank	<u>158,361</u>	<u>-</u>

#### 14 Trade and other payables

	31 March 2019 £ 000	31 March 2018 £ 000
Trade payables	156	-
Accrued expenses	6,219	-
Outstanding defined contribution pension costs	42	-
Other payables	21	-
	<u>6,438</u>	<u>-</u>

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 20 Financial risk review.

#### 15 Loans and borrowings

	31 March 2019 £ 000	31 March 2018 £ 000
<b>Non-current loans and borrowings</b>		
Other borrowings	<u>142,000</u>	<u>-</u>

In March 2019, the company was provided a Revolving Credit Facility of £250m by the Secretary of State for Health and Social Care. As at 31 March 2019, the company had drawn down £142m. The final repayment date of the facility is on 30 September 2020. Until that date, no part of the loan is repayable unless the company has an operational cash balance of over £120m.

The rate of interest applicable to this flexible loan facility is the interest rate determined by the reference to the National Loan Fund rate for loans up to one year prevailing on the date of the first utilisation of this Facility.

On 13 September 2019, the company repaid £40m, leaving a drawn balance of £102m (see Note 23b).

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 16 Provisions

	Redundancy provision £ 000	Total £ 000
At 1 April 2018	-	-
Additional provisions	169	169
At 31 March 2019	169	169
Current liabilities	169	169

The company has reviewed its organisation structure in order to improve the efficiency of its business. The provision represents the obligation to pay employee exit costs. The liability is expected to be settled within one year.

#### 17 Pension and other schemes

Past and present employees are covered by the provisions of the four Pension Schemes, namely NHS Pension Scheme, Civil Service Pension Scheme, Federated Pension Plan and NEST.

##### *NHS Pension Scheme*

Details of the benefits payable and rules of the scheme can be found on the NHS Pension website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). The Scheme is an unfunded defined benefit pension scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their individual share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to that scheme for the accounting period.

The government Financial Reporting Manual ("FReM") requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years." As a result, the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation. An outline of these follows:

##### *Accounting Valuation*

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department ("GAD")) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2018 is based on valuation data as at 31 March 2016, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 17 Pension and other schemes (continued)

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

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

The last full actuarial valuation undertaken for the NHS Pension scheme was completed for the year ending 31 March 2016. The scheme regulations allow for the level of contribution rates to be changed by the Secretary of State for Health and Social Care, with the consent of HM Treasury, and consideration of the advice of the scheme actuary and appropriate employee and employer representatives as deemed appropriate. Whilst the Employer contribution rate payable from April 2019 was determined by the valuation and the planned cost cap benefit increases, the full implementation of the recommended cost cap benefit changes has been delayed pending review following the outcome of the McCloud case and any remedy.

The next full actuarial valuation of the NHS Pension Scheme is to be carried out as at 31 March 2020. This is expected to set the employer contribution rate payable from April 2023 and will also consider the cost of the scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health and Social Care after consultation with the relevant stakeholders.

##### *Civil Service Pension Scheme*

Details of the benefits payable and rules of the scheme can be found on the Civil Service Pensions website at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk). The Scheme is an unfunded defined benefit pension scheme that covers Government Department employers and other bodies, allowed under admission agreements issued by the Cabinet Office. The scheme is not designed to be run in a way that would enable employers to identify their individual share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to that scheme for the accounting period.

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

##### *Accounting valuation*

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2018 is based on valuation data as at 31 March 2016, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 17 Pension and other schemes (continued)

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

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

The last full actuarial valuation undertaken for the Civil Service Pension scheme was completed for the year ending 31 March 2016. The scheme regulations allow for the level of contribution rates to be changed by the Cabinet Office, with the consent of HM Treasury, and consideration of the advice of the scheme actuary and appropriate employee and employer representatives as deemed appropriate. Whilst the Employer contribution rate payable from April 2019 was determined by the valuation and the planned cost cap benefit increases, the full implementation of the recommended cost cap benefit changes has been delayed pending review following the outcome of the McCloud case and any remedy.

The next full actuarial valuation of the Civil Service Pension Scheme is to be carried out as at 31 March 2020. This is expected to set the employer contribution rate payable from April 2023 and will also consider the cost of the scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Cabinet Office after consultation with the relevant stakeholders.

##### *Federated Pension Plan*

The Federated Pension Plan ("FPP") is a sectionalized, multi-employer private sector pension scheme run by PAN Trustees. The scheme holds a Passport from GAD confirming that its "NHSPS 1995 pension scheme benefits" structure provides benefits which are Broadly Comparable to the benefits of the 1995 section of the NHSPS. It is also expected to shortly hold a Passport from GAD confirming that its "NHSPS 2015 pension scheme benefits" structure provides benefits which are Broadly Comparable to the benefits of the 2015 section of the NHSPS. Further details can be obtained from PAN Group, the trustees of the Plan. The Scheme is a funded defined benefit pension scheme that is being used to enable SCCL and its contractors to provide pension benefits to employees who would have rejoined the NHSPS but were unable to as they are prohibited from rejoining by the NHSPS Rules, for example, if they were over age 60 when their employment commenced or were in receipt of their pension benefits. Pension benefits are provided at a level which is broadly comparable to the section of the NHSPS that they would otherwise have been in. Whilst the scheme is fully sectionalized, the presence of at least one other "non-associated" employer in the same section of the scheme means that it is not possible for individual companies in the same section to identify their individual shares of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme. The cost to the company of participating in the scheme is taken as equal to the contributions payable by the company to the scheme for the accounting period.

##### *NEST*

All SCCL employees directly employed by SCCL on or after 1 April 2018 or who transferred from DHL NHS Supply Chain without New Fair Deal pension protection are not eligible to be members of the NHSPS, CSPA or FPP and are auto-enrolled into the NEST pension scheme. This is a defined contribution plan.

#### 18 Share capital

##### Allotted, called up and fully paid shares

**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

**18 Share capital (continued)**

	31 March 2019		31 March 2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>21,000,001</u>	<u>21,000,001</u>	<u>1</u>	<u>1</u>

The Secretary of State for Health and Social Care subscribed for 13,000,000 ordinary £1 shares on 3 April 2018, and a further 8,000,000 ordinary £1 shares on 28 March 2019. These shares were issued at par for cash consideration.

**19 Operating lease commitments**

The total future value of minimum lease payments is as follows:

	31 March 2019 £ 000	31 March 2018 £ 000
Within one year	665	-
In two to five years	1,712	-
In over five years	<u>1,747</u>	<u>-</u>
	<u>4,124</u>	<u>-</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £372,000 (2018 - £Nil).

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 20 Financial risk review

This note presents information about the company's exposure to financial risks.

##### Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

In the normal course of business, exposure to credit risk arises from cash and investments with banks, and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of Financial Position. The company's cash assets are all held within the Government Banking Service. As the company does not hold investments other than necessary cash, the company is not exposed to significant credit risk in this regard.

The company's trade receivables are primarily with NHS England and the NHS Business Services Authority and are short-term in nature. The directors consider these entities as low risk due to being government funded and so an expected credit loss has not been recognised in the financial statements.

##### Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding.

The company mostly manages liquidity risk by continuously monitoring forecast cash flow requirements and management of the Revolving Credit Facility (see Note 15 Loans and borrowings).

**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

**20 Financial risk review (continued)**

**Maturity analysis for financial assets and financial liabilities**

The following tables set out the remaining contractual maturities of the company's financial assets and financial liabilities by type.

2019	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000
Non-derivative assets					
Other current financial assets	2,135	2,063	64	8	-
Cash and short-term deposits	158,361	-	-	-	158,361

The company held no financial assets as at 31 March 2018.

2019	Carrying amount £ 000	Less than 1 month £ 000	1-5 years £ 000
Non-derivative liabilities			
Non-current financial liabilities	142,000	-	142,000
Current financial liabilities	6,438	6,438	-

The company held no financial liabilities as at 31 March 2018.



## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 20 Financial risk review (continued)

##### Market risk

Market risk arises when changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the company's income or the value of its holdings of financial instruments.

The company's transactions are all undertaken in sterling and so it is not exposed to foreign exchange risk. It holds no significant investments other than bank deposits. Other than cash balances and the Revolving Credit Facility, the company's financial assets and liabilities are carried at fixed rates of interest and its operating cash flows are consequently independent of changes in market interest rates.

##### Capital risk management

The company's capital structure consists of £21m of funds from shareholders as at 31 March 2019 (2018: £1).

The company's primary objective when managing capital is to safeguard the company's ability to continue as a going concern.

In managing its capital, the company seeks to:

- (i) match the expected cash inflows from its assets with the expected cash outflows from the company's liabilities;
- (ii) maintain financial strength to support new business growth and satisfy the requirements of its customers, suppliers and regulators; and
- (iii) retain financial flexibility by maintaining strong liquidity.

#### 21 Related party transactions

The company is required to disclose transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence the company or to be controlled, indirectly controlled or significantly influenced by the company.

Supply Chain Coordination Limited is a private limited company, wholly owned by the Secretary of State for Health and Social Care, making it the company's ultimate controlling party.

Details of the remuneration paid to Board Directors can be found in the Remuneration Report on pages 24 to 29 and in Note 7 Directors' remuneration.

##### Summary of transactions with other related parties

The Secretary of State for Health and Social Care, as the company's ultimate controlling party, is regarded as a related party. During the year, the company had some material transactions with entities for which the Secretary of State for Health and Social Care is regarded as the parent Department. Most of these transactions have been with the Department of Health and Social Care ("DHSC"), the NHS Business Services Authority ("NHS BSA"), Public Health England, NHS England, NHS Trusts and NHS Foundation Trusts,

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 21 Related party transactions (continued)

	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	86	-	-	-
Public Health England	927	-	-	-
NHS England	-	-	32	-
NHS Resolution	-	14	-	-
NHS BSA	18,035	2,266	1,874	2,047
NHS Trusts	-	10	-	3
NHS Foundation Trusts	-	14	-	9
	<u>19,048</u>	<u>2,304</u>	<u>1,906</u>	<u>2,059</u>

Heather Tierney-Moore was the Chief Executive of Lancashire Care NHS Trust during the year and the Trust is a customer of the NHS Supply Chain. Whilst that does not involve any transaction with the company during this financial year, the Trust did spend approximately £4.7 million with NHS Supply Chain.

#### Loans from related parties

	Parent £ 000
2019	
At start of period	
Draw downs	<u>142,000</u>
At end of period	<u>142,000</u>

#### Terms of loans from related parties

The Secretary of State for Health and Social Care, the company's parent, has provided a Revolving Credit Facility of £250m to the company. As at 31 March 2019, the company had drawn down £142m. The final repayment date of the facility is on 30 September 2020. Until that date, no part of the loan is repayable, unless the company has an operational cash balance of over £120m.

The rate of interest applicable to this flexible loan facility is the interest rate determined by the reference to the National Loan Fund rate for loans up to one year prevailing on the date of the first utilisation of this Facility.

#### 22 Parent and ultimate parent undertaking

The company's immediate and ultimate parent is The Secretary of State for Health and Social Care.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)

#### 23 Non adjusting events after the financial period

##### (a) Acquisition of NHS Supply Chain

On 1 April 2019, the assets, liabilities, obligations and rights of the NHS Supply Chain, managed by DHL Supply Chain on behalf of the NHS BSA, were transferred to SCCL. The objective of this transfer was to implement the optimum performance of the NHS Supply Chain through exploiting the collective bargaining power of the NHS.

	£ 000
<b>Non Current Assets</b>	
Property, plant and equipment	16,685
<b>Current Assets</b>	
Inventories	187,393
Trade and other receivables	373,147
Cash and cash equivalents	68,606
<b>Total Current Assets</b>	<u>629,146</u>
<b>Current Liabilities</b>	
Trade and other payables	(380,826)
Loans	(70,136)
<b>Total Current Liabilities</b>	<u>(450,962)</u>
<b>Non Current Liabilities</b>	
Provisions	(12,269)
<b>Total Non Current Liabilities</b>	<u>(12,269)</u>
<b>Total Net Assets</b>	<u><u>182,600</u></u>

Property, plant and equipment of £16.7m primarily relates to MRI Scanners.

Inventories of £187.4m include £70.1m of stock which has been built up to prepare for the UK's exit from the European Union.

Trade and other receivables of £373.1m primarily comprises trade receivables of £245.0m, prepayments of £67.8m, accrued income of £38.6m, other debtors of £7.5m and the NHS England Device Centralisation Initiative of £12.2m. The NHS England Device Centralisation Initiative is an initiative where NHS Trusts receive various devices at cost price, and any margin is removed. £12.2m represents surplus funding remaining due to under utilisation of the fund.

Cash and cash equivalents of £68.6m relates to cash held at the bank.

Trade and other payables of £380.8m predominantly relates to trade creditors of £139.5m, accruals of £152.5m, other creditors of £5.8m and contract liabilities of £75.1m.

Loans of £70.1m are due to the NHS BSA relating to stock build in preparation for the UK's exit from the European Union and are repayable within one year.

Provisions of £12.3m relate to a dilapidations provision of £3.3m and £9.0m relating to a pension liability.

The business had turnover of £2,088m for the year ended 31 March 2019, which relates to the sale of medical equipment and consumables.

##### (b) Repayment of loan

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019 (continued)**

#### **23 Non adjusting events after the financial period (continued)**

On 13 September 2019, the company repaid £40m of the loan outstanding from the Secretary of State for Health and Social Care. The remaining principal of the loan following repayment was £102m.