Registration number: 10881715

Supply Chain Coordination Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2022

Supply Chain Coordination Limited

Contents

Supply Chain Coordination Limited

Company Information

Interim Chair	Heather Tierney-Moore OBE
Chief Executive Officer	Andrew New
Directors	Heather Tierney-Moore OBE (Non-Executive Director and Chair) Andrew New (Executive Director and Chief Executive Officer) (Appointed 1 September 2021) Colin McCready (Executive Director and Chief Finance Officer) Heather Benjamin (Non-Executive Director) Miranda Carter (Shareholder/Stakeholder Director) Robert Houghton (Non-Executive Director) Steven Glew (Non-Executive Director) (Resigned 1 March 2022) Melinda Johnson (Shareholder/Stakeholder Director) (Resigned 30 September 2021) Emily Lawson (Shareholder/Stakeholder Director) (Resigned 18 July 2021) James Spittle (Non-Executive Director and Chair) (Resigned 30 September 2021)
Company secretary	Paul Webster
Company number	10881715
Registered office	Wellington House 133-155 Waterloo Road London SE1 6LH
Auditors	Comptroller & Auditor General 157-197 Buckingham Palace Road Victoria London SW1W 9SP

Supply Chain Coordination Limited

Chair and Chief Executive Officer's Report

Achievements
The Covid-19 pandemic continued to dominate the healthcare landscape, with Supply Chain Coordination Limited (SCCL) to continuing to act as an agent on behalf of the Department of Health and Social Care (DHSC) to supply Personal Protective Equipment (PPE) as well as other clinical consumables and medical devices to the NHS. We have worked closely with NHS trusts, NHS Supply Chain service providers, NHS system partners and our suppliers to help the system move on from the pandemic, focussing on providing a resilient supply chain and delivering value for money.

Building a resilient supply chain
Since the outbreak of the pandemic there was an unprecedented demand for PPE as NHS trusts worked tirelessly to treat patients and protect their staff during the Covid-19 pandemic. Under direction from DHSC, NHS Supply Chain helped establish the government led PPE dedicated supply channel, responded to soaring demand for Intensive Care Unit products and worked closely with Public Health England and Movianto to support the vaccine roll-out.

A key lesson learnt from Covid-19 was that NHS Supply Chain has an important role to play in ensuring NHS trusts have the resilient supply chain needed to respond to periods of exceptional demand. The work undertaken to date has positioned us to support the NHS as it continues to deal with the effects of Covid-19, elective recovery and dealing with the waiting list backlog.

Offering a resilient procurement and supply chain service has become more complex due to the significant global challenges that are continuing to impact supply chains. These include a lack of raw materials, increasing competition and therefore costs and manufacturing and transport disruption.

This has led to an increasing number of Important Customer Notices being published and we continue to work closely with our suppliers to try and mitigate the impacts of the ongoing global supply chain delays and disruptions. We are working hard to understand how we can better communicate and engage with our NHS partners and improve joint working to manage these supply chain challenges and support health and care professionals to deliver excellent patient care.

Supply chain resilience for the NHS continues to be our biggest priority.

Evolving the operating model
The current operating model for NHS Supply Chain went live in 2018 to reduce unwarranted variation in NHS procurement spending, deliver savings and grow market share. We are achieving these objectives, but the healthcare system and its priorities have evolved since then, as has the marketplace for procurement.

As an organisation, we must be forward-looking and consider our potential to meet the evolving needs and priorities of the NHS. Since early 2021 we have been working with our stakeholders and NHS partners to shape the next iteration of our Target Operating Model.

In November 2021 we issued the Invitation to Tender (ITT) for Category Management Service Providers and undertook market engagement activities with potential providers. As part of the procurement process, we are looking to change our service provider model by implementing a new category management service with five distinct categories. Three of the new categories will be directly managed by the NHS Supply Chain central team and the remaining two will continue to be delivered through a service provider model, overseen by NHS Supply Chain. This is a key programme and business priority that will continue into 2022/23.

Supply Chain Coordination Limited

Chair and Chief Executive Officer's Report (continued)

Recruitment of a substantive CEO
Andrew New was appointed as Chief Executive Officer from 1 September 2021, prior to this the role was being filled on an interim basis by Colin McCready (CFO). Since his appointment, Andrew has launched a new vision and long-term strategy for the organisation. Our new vision is “to make it easier for the NHS to put patients first”, which is underpinned by our strategy to: Buy smart, Supply right and Partner expertly.

Share transfer to NHS England
On 1 October 2021, Supply Chain Coordination Limited the management function for NHS Supply Chain, became fully embedded into the NHS family, as ownership of its shares transferred from the Secretary of State for Health and Social Care to the NHS Commissioning Board, NHS England.

We remain a separate organisation to NHS England. The change in share ownership provides the central NHS Supply Chain team with greater opportunities to work more closely with the NHS, particularly on procurement, supply chain resilience and developing sustainable initiatives within our organisation.

Our offer to the NHS
Whilst savings delivery remains an important part of NHS Supply Chain’s contribution to the NHS, we recognise the value we bring to NHS trusts extends well beyond this. This is why through our business plan for 2022/23 (see Strategic Report on pages 6 to 9 for our 2021/22 Corporate Strategic Objectives), we are committed to further growing the resilience and capacity of our national supply chain; and expanding our clinical offer to ensure we are providing quality assured, safe products for both health and care professionals and their patients.

We are also focussed on supporting the NHS ambition to become the world’s first carbon net zero health system by 2045. Over the next year we will be implementing a minimum of 10% or more net zero and social value weighting across all future tenders.

We recognise the importance of continuing to listen to NHS trusts to understand their concerns in order to make improvements to the service they receive from NHS Supply Chain. We will work with our NHS partners to improve our communications, increase engagement, and make it easier to do business with us. We will also continue to develop the service offering our NHS trusts need, as we develop our working relationships with Integrated Care Systems to support their aspirations to drive greater value.

Approved by the Board on 24 March 2023 and signed on its behalf by:

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Heather Tierney-Moore
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Heather Tierney- Moore OBE
Chair

Supply Chain Coordination Limited

Board Members

Heather Tierney-Moore OBE, Chair

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

Heather is an experienced Non-Executive Director with a portfolio of advisory positions. 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 was a Non-Executive Director for Community Integrated Care, a role that she held between 2016 and September 2021 and was Non-Executive Director of NHS Confederation from 2014-2016. She has also worked at national level in England and Scotland.

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

Heather has stepped in as Interim Chair, following James Spittle stepping down in September 2021 and was appointed as Chair on 1 November 2022 for a three year term.

Andrew New, Chief Executive Officer

Andrew joined SCCL as CEO in September 2021. Prior to joining SCCL, Andrew was the Executive Director for Procurement and Supply Chain at JCB where he was responsible for the supply chain globally. Andrew has also held senior roles at Magnox Ltd (now a subsidiary to the Nuclear Decommissioning Authority) and Babcock International Group PLC, and brings experience across Retail, Leisure, Engineering and Property Sectors.

Andrew has extensive experience in business transformation programme leadership, total lifecycle cost management, customer and supplier engagement and deploying technology to optimise business operational performance.

He also holds a masters in Business Administration and Bsc in Chemical Physics from the University of Bristol.

Colin McCready, Chief Finance Officer

Colin joined SCCL as its Chief Finance Officer in December 2019. Colin joined from NHS Professionals (where he was the 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.

Colin held the position of Acting Chief Executive Officer from 27 November 2020 to 31 August 2021.

Board Members (continued)

Heather Benjamin, Non-Executive Director

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, Heather Benjamin 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. Heather's current portfolio includes Chair of Air Ambulances UK, Non Executive Director with Blue Light Commercial and Vice President of The Leaders Club. Heather 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.

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

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.

Rob is currently COO at Aspen, prior to this he was CEO of MS Amlin Business Services. This is a central services organisation operating IT, CyberSecurity, Data, Analytics, Investment and other services to the MS Amlin businesses and MSIJ group.

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

Miranda Carter, Shareholder/Stakeholder Director

Miranda Carter is Director of Provider Development at NHS England and NHS Improvement. In this role she is responsible for provider policy and provider transformation focusing on programmes to promote providers working as part of strong systems. She also oversees assurance to support significant mergers and acquisitions and oversight over material strategic changes in the provider sector.

Miranda joined Monitor in 2004 where she was responsible for the assessment of NHS foundation trust applications and reviewing NHS mergers and acquisitions.

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").

Miranda is the Acting Chair of the Audit and Risk Committee, appointed on 8 March 2022.

Supply Chain Coordination Limited

Strategic Report for the Year Ended 31 March 2022

Background
The impact of COVID-19 on global supply chains continued to be felt across the globe in 2021/22, causing disruption and increased pricing across manufacturing, supply, and logistics. NHS Supply Chain worked hard to reduce this impact on the NHS. Despite these global challenges, we delivered £400.5m in savings, whilst working hard to ensure the NHS received the right quality products to care for patients. Of the savings delivered, £310.1m were capital savings, and £90.4m were revenue savings.

2021/22 Corporate Objectives
Each year, we set our annual Corporate Objectives to ensure a coordinated approach across NHS Supply Chain for the coming year. These objectives are aligned to the needs of trusts, and ensure we are helping the NHS put patients first.

In 2021/22, we set out five Corporate Objectives:

- Anchor our business on the needs of the NHS
- Strengthen supply chain resilience
- Deliver clinically assured, safe products
- Support NHS sustainability goals
- Achieve success with a high performing workforce and highly efficient organisation

Performance and delivery

Engaging with our customers
Throughout 2021/22, we have continued to take the time to listen to trusts to understand their concerns in order to make improvements to the service they receive from NHS Supply Chain. Trusts told us we must do more to improve how we communicate with them, increase engagement, and make it easier to do business with us. Whilst there remains more to do, we have made some progress with the engagement that we are getting from our NHS partners. This includes re-configuration of the customer boards to strengthen customer representation and communication, development of new customer satisfaction surveys to improve engagement and inform service improvement, and an improved ordering experience for customers through developments to our eDirect channel.

Savings
In 2021/22, we also delivered £400.5m in customer savings, exceeding our business plan target. This, for the first time, reflects our new savings methodology, which is more closely aligned to the way trusts recognise savings.
There are eight methodologies for calculating savings under different circumstances and product types. Capital items are calculated as the difference in price paid by customers when compared against agreed Framework/Customer direct price from suppliers. Consumables items are calculated as the difference between the price paid, and the price one year before or other more specific measure for that trust.

Resilience
Our previous investment in our distribution network which led to the opening of Suffolk Park Regional Distribution Centre was a significant step forward to realising our ambition of providing additional warehousing capacity and improving our supply chain resilience for the NHS. It's key to our long-term strategy of increasing the usage of NHS Supply Chain. We continue to work closely with our suppliers to mitigate the impacts of the ongoing global supply chain delays and disruptions. Global supply chains continue to be disrupted due to the impacts of COVID-19, a lack of raw materials, increasing competition and therefore costs and manufacturing and transport disruption.

In addition, NHS Supply Chain is implementing the Boardman Review recommendation to map global supply chains by mapping the supply chains of 30 priority products. This helps us strengthen both sustainability and resilience across our supply chain, by flagging potential issues from modern slavery to supply chain disruption, and addressing them early.

Safety
Through our clinical assurance process, we have contributed to the quality of patient care in the NHS. Last year, we clinically assured all new NHS Supply Chain frameworks to ensure they offer products that are fit for purpose, safe, and meet end user needs. We also expanded our delivery of essential specifications. When trusts procure a product with an essential specification, they can be confident it has been manufactured to specifications agreed with clinicians. In 2021/22, 73% of new frameworks contained an essential specification.

Sustainability
The NHS set a bold ambition to become the world's first carbon net zero health system, improving both the environment, and the wider determinants of health. By delivering once on behalf of all trusts that work with us, NHS Supply Chain can make the NHS a more sustainable health system. Guided by our new Sustainability Strategy, we delivered 6,578 tonnes of $CO2$ savings across our supply chain in 2021/22.

Social value and Net Zero are an important part of our strategic plans. As set out in NHS Supply Chain's business plan, in 2022/23 we will implement a minimum of 10% or more net zero and social value weighting across all future tenders and have adopted the Government's Social Value Model from 1 April 2022, in line with guidance from NHS England.

Our Vision, Strategy, and 2022/23 Corporate Objectives
We have launched our new Vision and Strategy to guide our activities over the medium to long-term. Our Vision is "to make it easier for the NHS to put patients first", which is underpinned by our strategy to:

- Buy smart
- Supply right
- Partner expertly

Our 2022/23 Corporate Objectives are closely aligned to ensuring we take the first necessary steps to achieving our Vision and Strategy. These are:

- Partner with trusts to deliver excellent patient care
- Improve the way we work with trusts
- Embed category strategy excellence, whilst driving savings
- Strengthen resilience
- Develop our data strategy and pilot value use cases
- Create the future

Working towards our Target Operating Model

Our Target Operating Model underpins our Vision and Strategy. Following the design work undertaken in 2021/22, in 2022/23 we will work closely with the NHS Central Commercial Function as we implement our Target Operating Model, which will be fully operational by the end of 2024. A key focus next year will be implementing the re-design of our category management activities, including insourcing several of our category management service providers, and awarding contracts for outsourced providers. We will also undertake a detailed design of our logistics and IT model and commence procurement to select our future providers for these services.

Extensive collaboration with trusts, service providers, and suppliers has identified the need for our Target Operating Model to build new capabilities across our supply chain. These will focus on becoming more agile in responding to NHS need; simplify how we work with trusts; be more data and insight driven; and balance cost reduction with innovation, resilience, and sustainability. It will also enable us to develop stronger expertise in category management, focusing on maximising supplier performance, and becoming more competitive through supplier development and collaboration.

Financial review

Financial results are shown in the Income Statement on page 39. The company had a loss before taxation of £30.2m (2021: £nil).

Financial position is shown in the Statement of Financial Position on pages 40 to 41. As at 31 March 2022, the company had net assets of £118.1m (2021: £141.1m).

Cash flow performance of the company is shown in the Statement of Cash Flow on page 40. For the year ended 31 March 2022, the company had a net cash outflow of £411m, which was predominantly due to repayments for the COVID facility. For the year ended 31 March 2021, the company had a net cash inflow of £346.5m, which was predominantly due to an increase in borrowings to cover working capital requirements during Covid-19.

The adjustments to opening position relate to the transfer of the Daventry warehouse and associated costs to DHSC. The Daventry warehouse is used solely for the purpose of storing and distributing PPE. Given SCCL acts as an agent on behalf of DHSC for this, SCCL are not deemed to have control of this warehouse and therefore have derecognised the warehouse and associated balances in their financial statements.

During the financial year, SCCL acted as an agent on behalf of DHSC and NHSE in the purchase of PPE consumables in response to the Covid-19 pandemic. As a result, SCCL has excluded certain balances from its financial statements, and recognised the net balance as a receivable due from DHSC and NHSE of £1.9bn in trade and other receivables in the Statement of Financial Position.

Agency Adjustments

	2022 £000	2021 £000
Revenue	(1,036,993)	(4,995,415)
Cost of sales	891,615	4,841,835
Administrative expenses	145,244	153,457
Finance costs	155	123
Trade debtors	(2,081,261)	(536,100)
Accrued income	(95,078)	(3,781,252)
Prepayments	(90,853)	(424,058)
VAT	160,411	(2,272)
Trade payables	172,261	31,603
GRNI	42,484	251,115
Accruals	1,873	45,383
Deferred income	-	790
Fixed assets	(23,295)	-
Provisions	4,001	-
	(1,909,436)	(4,414,791)

Key Performance Indicators (KPIs)

NHS Supply Chain used the following Key Performance Indicators to track and measure its performance in 2021/22.

KPI	FY21/22 Target	FY21/22 Outturn	FY21/22 Commentary
In-Year Savings	£397.8m	£400.5m	Revenue and Capital savings based on a rolling 365 day baseline savings, validated by customers and recorded through the customer savings portal.
Market Share	63%	68.2%	Total sales (excl. VAT & margin) made by NHS Supply Chain as a percentage of the total blended market size (£5.7bn).
Customer Satisfaction Score	>8.15	7.89	Average satisfaction score from survey of customers (incl. factors such as ease of ordering, and product availability).
Delivered service level	99.00%	99.18%	Percentage of customer orders delivered that have all the products requested.
Deliveries On-Time	98.75%	99.55%	Percentage of customer orders delivered in allocated time window.
Colleague Engagement	87%	84%	Percentage of colleagues across SCCL who are engaged with the company.
Financial Balance	>£0	>£0	Total costs versus total income.
Sustainability	121%	121%	Aggregated delivery against key sustainability targets (incl. single use plastic reduction, carbon reduction, and supplier labour standards / modern slavery assessments).

Risk management

The company's approach to risk management is discussed in the Governance and Risk Report on pages 17 to 24.

Approved by the Board on 24 March 2023 and signed on its behalf by:

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Andrew New

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Andrew New

Chief Executive Officer

Supply Chain Coordination Limited

Directors' Report for the Year Ended 31 March 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Principal activity
The principal activity of the company is the management and coordination of NHS Supply Chain services for the provision of everyday hospital consumables, clinical products, home-care and capital equipment and associated services and supplies. NHS Supply Chain supports the NHS and other healthcare organisations in England and Wales by providing end-to-end supply chain solutions. Supply Chain Coordination Limited is also responsible for overseeing and coordinating the procurement through the management of the 11 Category Tower Service Providers (CTSPs), along with the logistics and IT providers, as well as ensuring the provision of reliable logistics services for the delivery of products to NHS Trusts. The company leverages the collective buying power of the NHS to provide and deliver clinically assured medical devices and clinical consumables at the best value, focussing on patient safety within the NHS, to meet the diverse needs of NHS organisations.

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

Andrew New (appointed 1 September 2021)

Heather Tierney-Moore OBE

Colin McCready

Heather Benjamin

Miranda Carter

Robert Houghton

James Spittle (resigned 30 September 2021)

Steven Glew (resigned 1 March 2022)

Emily Lawson (resigned 18 July 2021)

Melinda Johnson (resigned 30 September 2021)

Colin McCready, our Chief Finance Officer stepped up as acting CEO for the period from 27 November 2020 to 31 August 2021. Our new CEO, Andrew New was appointed on 1 September 2021.

Our Chair, James Spittle, also stepped down from his role as SCCL Chair on 30 September 2021. Heather Tierney-Moore OBE has stepped in as Interim Chair. The Board would like to thank James for his dedication, leadership and support.

The details of Board Directors who held office during the year and their remuneration are shown in the Remuneration Report on pages 25 to 31.

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 24.

The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 March 2022 (2021: £Nil). No dividends have been recognised as a liability in the financial statements.

Share capital
At the end of the financial year, the company had 21,000,001 shares and was wholly owned by the National Health Service Commissioning Board, NHS England (NHSE) (31 March 2021: 21,000,001 shares). On 1 October 2021, all of these shares were transferred from the Secretary of State for Health and Social Care to NHSE.

Business review

Fair review of the business

FY22 has been a very busy year for the business, primarily due to supporting DHSC in the response to the Covid pandemic, by acting as an agent in the procurement of PPE and ICU consumables, whilst continuing to support the NHS and delivering savings of £400.5m (2021: £279.9m). This has been against a backdrop of business transformation with continued focus on our core tech refresh programme.

The company's financial results are shown in the Income Statement on page 39. The company has made a loss before taxation of £30.2m (2021: £Nil).

Several products bought during the height of the Covid-19 pandemic were purchased at inflated market price due to the challenging market conditions at the time. Subsequently, additional quantities were purchased to ensure the products did not run out. As at 31 March 2022, fluctuations in the market price of inventory between the point of purchase and the balance sheet date resulted in a £30m reduction in inventory value and overall loss for the year. There is an agreement in place with DHSC to enable SCCL to recover the £30m which will be recognised in the future accounting period.

A review of the business and future developments is included in the Chair and Chief Executive Officer's Report on pages 2 to 3 and the Strategic Report on pages 6 to 9.

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 24.

Political and charitable donations
The company has not made any political donations during the current or prior period. The company has made charitable donations to Ukraine in the form of inventory totalling £32k.

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 the established Colleague Engagement Forum.

All employees have access to a pension scheme. Details of the pension arrangements are set out in Note 24 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 24 to the financial statements. Further details on individual Directors' pensions and the associated schemes can be found in the Remuneration Report on pages 25 to 31.

Research and development

The company does not enter into research and development activities.

Going Concern

Executive Summary

The Directors of the company are required to consider whether it is correct to prepare the accounts on a going concern basis. This means that the company will be able to continue to operate for the foreseeable future.

The company is supported by a Revolving Credit Facility (RCF) of £250m which is fully drawn down and COVID Facility of £2bn, of which c£1.98bn was drawn down at year end. Both loans are provided by the Secretary of State for Health and Social Care and have been extended to 1 April 2024.

In addition, the company is provided with operational funding by its shareholder. Since 1 October 2021, the company’s immediate shareholder has been the NHS Commissioning Board, NHS England and NHS Improvement (NHSE).

Based on these confirmations, and other considerations pertaining to trading, cashflows and funding, the Directors can expect that SCCL will continue trading as a going concern for FY22/23 and will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of signing. Consequently, the financial statements of SCCL for the year ended 31 March 2022 have been prepared on a going concern basis.

Considerations
The Directors have taken into account the following factors in making their judgement:

Trading

Year-to-date trading suggests a combination of over delivery of income and cost savings will result in a surplus position that will be offset by reducing the operational funding from the shareholder.

The company is expected to continue trading at at least the current level during FY23/24. The company vision expects growth in market share, thus driving increased volumes and savings for NHS customers. The current budget for FY23/24 includes operational funding from shareholder of £243m, although this has not been agreed yet.

Given the customer base of the company is primarily the NHS, which has government funding, and also the same shareholder, there aren't expected to be any issues in terms of customers being unable to pay debts or the customer base falling into financial difficulties which leave them unable to pay.

Cashflows

BAU cashflows of the company have been relatively stable. Cashflow has been more significantly impacted by PPE cashflows and VAT swings (primarily due to PPE and invoicing to DHSC). Future BAU cashflows are also expected to be relatively stable. No significant cashflows in respect of PPE orders are expected in FY23/24, and thus the VAT impact is also expected to stabilise.

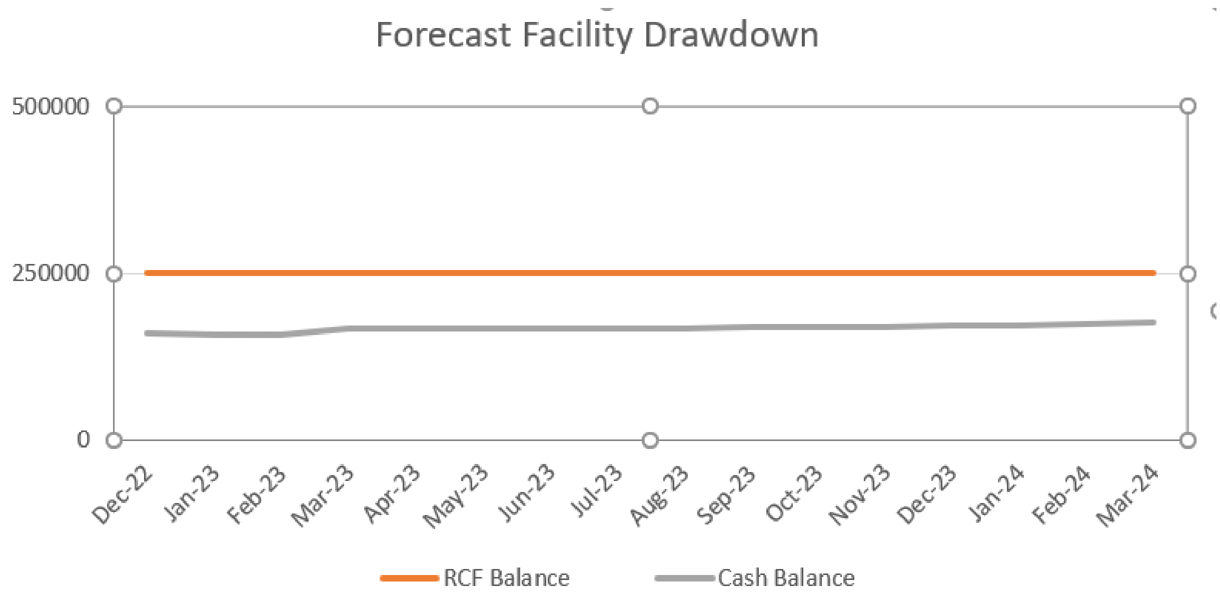
Debtor days (excluding DHSC PPE) are below internal targets and NHS Trusts have been asked to pay SCCL within 7 days. In addition, SCCL are working very hard to ensure suppliers are paid, due to the current economic climate.

SCCL will continue acting as an agent for PPE on behalf of DHSC during FY23/24. Cash flows are expected to take place in FY22/23 for all stock, with no stock for the PPE response in FY22/23 being purchased during the FY22/23. Any other costs associated with the Covid-19 response on behalf of DHSC will be recharged to DHSC, with the COVID Facility available for drawdowns if required.

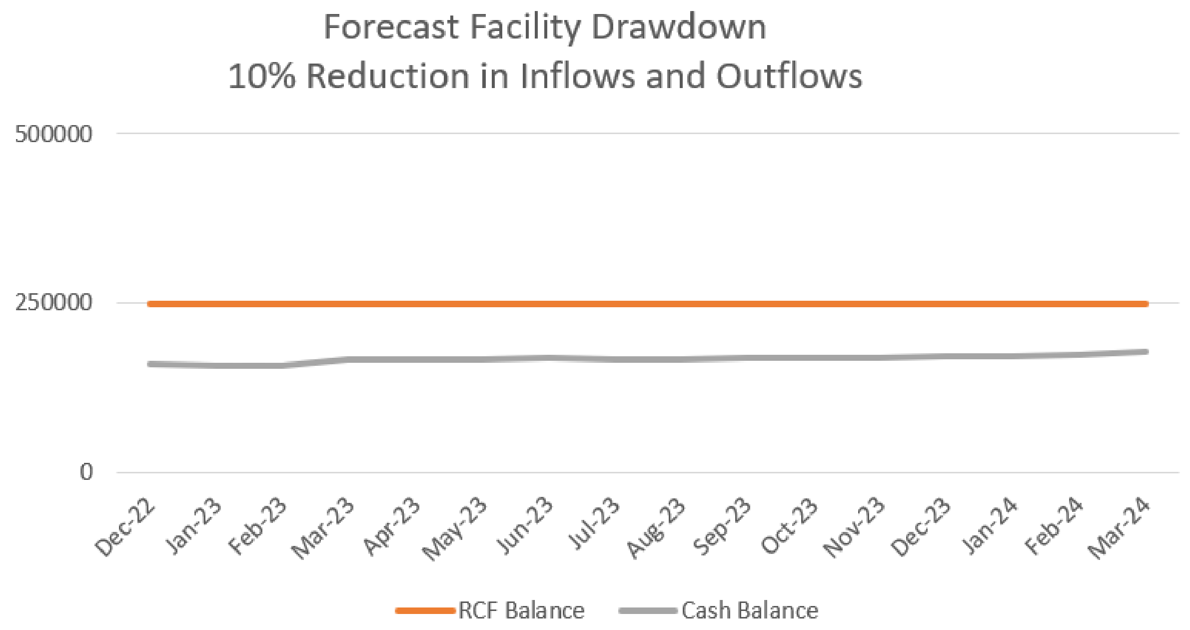
The company is supported by a Revolving Credit Facility (RCF) of £250m and remaining COVID Facility of £2bn, both of which are provided by the Secretary of State for Health and Social Care. Both facilities have been extended to 1st April 2024.

SCCL is recharging DHSC for PPE provided to Trusts. As this is invoiced to DHSC, the proceeds will be used to repay the COVID Facility. This is assumed to take place in December 2022. In both the forecast case and the sensitised cases, no further funding (outside of the operational funding) is required from a cash perspective.

The forecast cash flow assumes that the RCF will not be repaid, although in reality, this is assessed on an ongoing basis if there is surplus cash held by the company.



The sensitised cash flow forecast assumes that there is a 10% reduction in transactional activity, and also assumes that the RCF is not repaid.



Funding

As SCCL's business model is primarily based upon buy price = sell price, there is a shortfall in funding of its operational costs. To date, this funding has been provided by its shareholder, which since 1 October 2021 is NHSE. The exact funding amount has not yet been agreed for FY23/24.

Important non adjusting events after the financial period

On 27 June 2022, the company repaid £250m of the COVID facility, £150m on 25 October 2022 and a further £833m on 2 March 2023. The balance of the COVID facility at the date of signing is £750m.

Supply Chain Coordination Limited

Directors' Report for the Year Ended 31 March 2022 (continued)

In April 2022, NHS Supply Chain formally launched the procurement process for category management services with planned award dates in early 2023 and implementation by the end of 2023. These services form part of its Target Operating Model (TOM) programme as an evolution of the existing approach.

On 1 July 2022, operational responsibility for Large Diagnostic Capital Equipment including Mobile and Services (Category Tower 7) transitioned from DHL Life Sciences to NHS Supply Chain. The aim of the transition is to help us provide greater ability to connect the needs of clinicians with the activities around the sourcing of products in this complex area.

On 1 November 2022, operational responsibility for Orthopaedics, Trauma and spine, and Ophthalmology (Category Tower 7) transitioned from DHL Life Sciences to NHS Supply Chain. The aim of the transition is to help us provide greater ability to connect the needs of clinicians with the activities around the sourcing of products in this complex area.

On 1 February 2023, Collaborative Procurement Partnership (PPE team) Tower 2 transitioned from DHL Life Sciences to NHS Supply chain. By consolidating PPE colleagues into a single central team, this acknowledges the importance of PPE as a category and merges our learning from Covid 19 with a team who already have a wealth of NHS knowledge, skills, and experience.

DHSC have provided confirmation after the period end that the £30m reduction in inventory value will be reimbursed. The reimbursement will be recognised in future accounting period.

Disclosure of information to the auditor

Each director has taken 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:

Andrew New

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Andrew New
Chief Executive Officer

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.

Approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:

Andrew New

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Andrew New
Chief Executive Officer

Supply Chain Coordination Limited

Governance and Risk Report

The company is committed to achieving high standards of business integrity in all its activities and was accountable in this respect during the financial year ending 31 March 2022 to its Board and Shareholder - the Secretary of State for Health and Social Care until 1 October 2021 and the National Health Service Commissioning Board, NHS England ("NHSE") after that date. The shareholding of the company was wholly transferred to NHSE on 1 October 2021.

The company is not required to comply with the UK Corporate Governance Code, September 2018 (the Code), however the Board recognises that this represents good practice and seeks to comply with the Code in so far as is practicable. There have been no areas where non-compliance has been identified.

The Board

The Board sets the strategic direction of the company, ensuring that resources are available to enable the company to meet its objectives.

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.

The Board delegates day-to-day responsibility for the management of the company to the Executive Management Team, 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.

The Board has a formal schedule of matters reserved for the Shareholder which are outlined within the Articles of Association. Defined terms of reference have been approved for the Board and each of the Board Committees. Formal documentation of powers delegated to the Executive Management Team 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.

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 Management Team. A Non-Executive Director chairs each of the Board Committees. The work of these 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 is responsible for developing strategy and leading the company to achieve long-term success.

During the financial year ending 31 March 2022, the Board comprised the Chairman, three Stakeholder/Shareholder Directors (one appointed by the Department of Health and Social Care and two by NHSE), four independent Non-Executive Directors, the Chief Executive Officer and Chief Finance Officer.

Board Changes
During the financial year 2021/22, there were a number of changes to the Board, as follows:

- James Spittle resigned as Chair on 30 September 2021;
- Heather Tierney-Moore became interim Chair on 30 September 2021;
- Emily Lawson resigned from her role as a Shareholder Director on 18 July 2021;
- Melinda Johnson resigned from her role as a Shareholder Director on 30 September 2021;
- Steven Glew resigned as a Non-Executive Director on 1 March 2022;
- Andrew New joined the company as Chief Executive Officer and joined the Board on 1 September 2021; and
- Colin McCready returned to his role as Chief Financial Officer upon the appointment of Mr New, having been acting Chief Executive Officer between November 2020 and August 2021, he remained on the Board throughout.

Membership and attendance: There were seven scheduled Board meetings during the financial year. Those meetings were attended by: Heather Benjamin (6/7), Miranda Carter (7/7), Steven Glew (6/6), Rob Houghton (7/7), Melinda Johnson (3/3), Emily Lawson (1/2), Colin McCready (7/7), James Spittle (3/3), Heather Tierney-Moore (7/7) and Andrew New (5/5).

**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 makes recommendations to the company on all aspects of the performance, remuneration and terms of service.

Committee changes
Emily Lawson and Melinda Johnson left the Committee when they left the Board.
Membership and attendance: There were four scheduled Committee meetings during the financial year. Those meetings were attended by: Heather Benjamin (4/4), Heather Tierney-Moore (4/4), Miranda Carter (4/4), Emily Lawson (0/1) and Melinda Johnson (0/1)

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

Audit and Risk Committee
The Audit and Risk Committee is responsible for the oversight of financial and narrative reporting, internal control, risk management systems and both 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
- make recommendations to the Board on the adequacy and effectiveness of internal control and risk management systems.

Committee changes
Steven Glew chaired the Committee until he left the Board. Heather Tierney-Moore left the Committee when she became the interim Chair and was replaced on the Committee by Rob Houghton.

Membership and attendance: There were three scheduled Committee meetings during the financial year. Those meetings were attended by: Steven Glew (3/3) (Chair), Miranda Carter (2/3), Colin McCready (3/3), Heather Tierney-Moore (2/2) and Rob Houghton (1/1).

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

Executive Management Team
The Executive Management Team is responsible for the ongoing management of the company, considering day-to-day operational matters for running the business. The diversity and experience of the Board and Executive Management Team are essential to the effective leadership and success of the company.

During the year, two members of the Executive Management Team left the company and so the team is currently made up of 9 executives from across the business and meets monthly to review the company's performance.

Chair and Chief Executive Officer
The roles of the Chair and the Chief Executive Officer are distinct and have been agreed by the Board. The Chair 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. The Chair ensures that the Board receives timely and clear information, communicates effectively with the Shareholder, Directors, stakeholders 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.

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, NHS Improvement and/or NHSE 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

The company is a member of the NHS Resolution 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. The Audit and Risk Committee receives a regular update on whistleblowing.

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 the company 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.

Principal risks are reviewed at Board level and at the Audit and Risk Committee.

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. The company has a risk steering committee made up of members of the senior leadership team that regularly reviews all risks and recommends areas of focus and concern to the Executive Management Team.

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, which covers third party and employer liabilities, and property-related risk exposure.

Principal risks

As at 31 March 2022, the company's principal risks included the following:

- Customer Value;
- Decision Quality;
- Transformation - The risk that the transformation plan cannot be delivered at the pace needed to meet SCCL's strategic objectives;
- Information Security - The risk that the company suffers a loss of IT services or system(s) that are critical to its operational services, and that these cannot be restored within the planned SLA timescales;
- GDPR compliance;
- Disaster recovery and business continuity management;
- Loss of IT services;
- Sustainability;
- Transition of PPE back to SCCL and its impact on SCCL's ability to deliver its Business Plan;
- NHS Supply Chain credibility;
- Supply Chain disruption; and
- Failure to agree, deliver and fully embed the new Target Operating Model.

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 primarily with a large number of customers which are mainly government funded entities, and are short-term in nature.

The company manages liquidity risk by continuously monitoring cash flow requirements and managing the borrowings 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 2021/22, the organisation has continued its transformation. Internal controls have been in place to ensure compliance by staff of all applicable polices. A team manages 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.

The Audit and Risk Committee monitors the effectiveness of controls through the receipt of written and verbal reports from functions, Executive Management 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 of the company.

In the financial year ending 31 March 2022, the company retained KPMG as our internal auditors.

Internal audit 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 provide an annual report in relation to the organisation's framework of governance, risk management and internal control. They delivered an internal audit plan for the year ending 31 March 2022 which resulted in nine completed reports. Those reports resulted in a number of actions that are being (or have been) taken forward by the Executive Management Team and reported on to the Audit and Risk Committee. A plan has been agreed for internal reviews for the new financial year. The annual report produced by the Head of Internal Audit gave the company a continued rating of significant assurance with minor improvement opportunities which reflects the continuing maturity of key governance and risk processes identified in the internal auditor’s work. All recommendations from the various reports are either complete or being actioned and the Audit and Risk Committee reviews progress of these actions on a regular basis.

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 controls and processes 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 controls and processes are designed to reduce the company'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 the company through its leaders, governance arrangements and general approach to fraud.

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; and
- 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 controls and processes which underpin the operations of SCCL and has constituent elements which exist to help protect the company against fraud. This includes documented policies and procedures to guide behaviour;
- awareness 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; promotion of the company'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; and
- making use of information and technology to safeguard company assets.

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; and
- collaborating with other agencies including the police.

During financial year 31 March 2022 no fraud was identified.

Information governance and General Data Protection Regulation (GDPR)

The company places a high priority on the protection of information and its secure handling. The implementation and maintenance of appropriate levels of information security good practice is recognised as a key business requirement, especially with regard to personally identifiable information (PII) and compliance with GDPR.

Good data governance enables the company and the NHS Supply Chain to deliver the benefits of 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, the company continues to update and improve its control framework that 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.

A Security Governance Forum regularly brings together all security representatives from across the whole NHS Supply Chain organisation to review security metrics and on-going projects and changes.

Membership of the Information Security Forum provides access to a comprehensive set of resources, which have been used to help in the on-going improvement of the company’s security controls and related core processes, including risk management. Risk management techniques are used to validate control selection and threat intelligence is utilised to focus priorities. 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 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

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 line. 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 Coordination Limited Board. The following elements of the Remuneration Report in respect of the Directors are subject to audit:

- salaries (including performance pay) and allowances;
- compensation for loss of office;
- non-cash benefits;
- pension contributions;
- contract length; and
- median earnings.

The Articles of Association state that the Shareholder, must approve all appointments to the Board.

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.

Following the resignation of the Chief Executive Officer in September 2020, the Chief Finance Officer was appointed on an interim basis as Acting Chief Executive Officer whilst an open competition recruitment process was undertaken. A firm of recruitment consultants managed the recruitment process for the position. The Chief Executive Officer was appointed on 1 September 2021 by the Government Commercial Organisation, a division of the Cabinet Office, and is seconded on an indefinite basis to SCCL.

The Remuneration and Benefits Committee oversees appropriate contractual arrangements for our people.

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.

Supply Chain Coordination Limited is not bound by NHS pay-scales.

The HMT Pay Pause was applied in the financial year.

The 2021/22 NHS salary award was not applied to NHS staff groups, with protected NHS terms because terms subject to collective bargaining (and where SCCL is not a party to those negotiations) after the date of transfer are not incorporated into contracts of employment under TUPE.

The DHL staff who transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited at various points through 2018/19 have an annual bonus scheme in place.

In May 2019 the Board approved a revised reward framework for newly appointed Supply Chain Coordination Limited employees which included an annual bonus scheme.

The annual bonus scheme arrangements are subject to various over-performance and stretch criteria and were paid on achievement in August 2021, related to the 2020/21 financial year. For members of the Executive Management Team and senior leaders, a portion (20%) of leadership's annual bonuses will be deferred each year and released pending on target company performance in the subsequent year, to encourage responsible and sustainable growth.

Company structure
The company's organisation structure was established from 1 April 2018. The final TUPE transfer from DHL NHS Supply Chain completed on 1 April 2019. The Executive Management Team continue to regularly review 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 31/03/22	Notice Periods
Chair and Non-Executive Directors			
James Spittle	17 Sep 2018	0	Initial period of 3 years. Either party can give 1 months' notice. Resignation effective from 30 September 2021.
Steven Glew	1 Dec 2018	0	Initial period of 3 years. Either party can give 1 months' notice. Resignation effective from 1st March 2022.
Heather Benjamin	1 Dec 2018	8	Initial period of 3 years, extended by 1 year. Either party can give 1 months' notice.
Heather Tierney-Moore OBE	1 Dec 2018	8	Initial period of 3 years. Appointed as Interim Chair effective 30 September 2021 until 31 December 2022. Either party can give 1 months' notice.
Robert Houghton	1 May 2019	8	Initial period of 3 years, extended to December 2022. Either party can give 1 months' notice.
Executive Directors			
Andrew New	1 Sept 2021	n/a	The CEO is employed by GCO and has been indefinitely seconded. The company is recharged for all employment and expense costs. Any potential conflicts of interest is registered and managed in an appropriate way (see Directors' conflict section).
Colin McCready	3 Dec 2019	n/a	Six months
Shareholder and Stakeholder Directors			
Melinda Johnson	4 Jan 2018	n/a	The Shareholder Director is a senior civil servant at DHSC 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). Resignation effective from 30 September 2021.
Emily Lawson	26 Jul 2019	n/a	The Stakeholder Director is an employee of NHS England ("NHSE") 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). Resignation effective from 18 July 2021.

Director	Date of Appointment as Company Director	Unexpired Term (months) as at 31/03/22	Notice Periods
Miranda Carter	26 Jul 2019	n/a	The Stakeholder Director is an employee of NHS England ("NHSE") 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).

For directors in office as at 31 March 2022, 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.

FY21/22	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)
Chair and Non-Executive Directors					
James Spittle (3)	25-30	nil	nil	nil	25-30
Steven Glew (4)	20-25	nil	nil	nil	20-25
Heather Benjamin	25-30	nil	nil	nil	25-30
Heather Tierney-Moore (OBE)	35-40	nil	nil	nil	35-40
Robert Houghton	25-30	nil	nil	nil	25-30
Executive Directors					
Andrew New (5)	100-105	0-5	nil	3-4	105-110
Colin McCready (6)	180-185	20-25	nil	22-23	225-230
Stakeholder Directors					
Melinda Johnson (7)	n/a	n/a	n/a	n/a	n/a
Emily Lawson (8)	n/a	n/a	n/a	n/a	n/a
Miranda Carter	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 relevant pension schemes for the directors. Contributions are shown in Note 9 Directors' Remuneration.

(3) Resigned 30 September 2021. Full year equivalent salary is £50k-55k.

(4) Resigned 1 March 2022. Full year equivalent salary is £25k-30k.

(5) On secondment from Government's Cabinet Office. Full Time Equivalent=1. Full year equivalent salary £185k-£190k.

(6)Appointed as Acting CEO from 1 November 2020 until August 2021 . Salary includes acting up allowance. Full Time Equivalent=1.

(7) Resigned 30 September 2021: No remuneration to disclose for the period.

(8) Resigned 18 July 2021: 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 £474,604.54 (2021: £635,338.44). The following table provides details of the remuneration and pension of Board members in post during the prior reporting period.

FY20/21	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)
Chair and Non-Executive Directors					
James Spittle	50-55	nil	nil	nil	50-55
Steven Glew	25-30	nil	nil	nil	25-30
Heather Benjamin	25-30	nil	nil	nil	25-30
Heather Tierney-Moore OBE	25-30	nil	nil	nil	25-30
Robert Houghton	25-30	nil	nil	nil	25-30
Executive Directors					
Jin Sahota (3)	245-250	0-5	nil	3-4	255-260
Colin McCready (4)	180-185	20-25	nil	22-23	225-230
Stakeholders Directors					
Melinda Johnson	n/a	n/a	n/a	n/a	n/a
Emily Lawson	n/a	n/a	n/a	n/a	n/a
Miranda Carter	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 relevant pension schemes for the directors. Contributions are shown in Note 9 Directors' remuneration.

(3) Resigned on 26 November 2020. Remuneration is charged to SCCL by the Cabinet Office. Salary includes PILON for period not required to work from 30 November 2020, accrued holiday entitlement not taken and excess hours payments worked Q1 FY20/21 in line with Cabinet Office policy. Full year equivalent salary is £195k-£200k. Pension contribution relate to payment of conributions to the correct scheme, and excludes a refund in respect of payments made to the incorrect scheme for FY18/19 and FY19/20.

(4) Appointed as acting CEO from 1 November 2020. Salary includes acting up allowance. Full Time Equivalent=1.

Median earnings

The company is required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

	2022	2021
Highest earner's total remuneration (£000)	205-210	205-210
Median total remuneration (£)	46,641	42,447
Ratio	4.45	4.89
25th Percentile remuneration (£)	33,524	
Ratio	6.19	
75th Percentile remuneration (£)	74,250	
Ratio	2.79	

(1) Salaries for senior management are disclosed in bands of £5,000 in accordance with EPN 647 Guidance. The mid-point of this band is used for the purposes of calculating the ratio of earnings of the highest paid director to median earnings.

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.

For the year ended 31 March 2021, the highest paid director was the acting CEO and therefore has been used as the comparator to calculate the ratio.

The median earnings calculation includes agency workers and other non-permanent workers for the years ended 31 March 2022 and 31 March 2021.

The company is required to disclose the percentage change in total salary and bonuses for the highest paid director and the staff average. Prior year disclosure not required.

2021-22	**Total salary and allowances**	**Total bonus payments**
Staff average	0.47%	-6.46%
Highest paid director	0.81%	7.39%

The company is required to disclose lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits.

2021-22	**Lower Quartile**	**Median**	**Upper Quartile**
Salary	31,000	43,474	64,000
Total Pay and Benefits	33,524	46,641	74,250
2020-21	**Lower Quartile**	**Median**	**Upper Quartile**
Salary	30,349	42,500	63,563
Total Pay and Benefits	32,847	46,065	72,551

Pension

NHS Pension Scheme

Pension benefits are provided through the NHS Pension Scheme (NHSPS) for any employees who TUPE transferred from NHS Business Services Authority (NHS BSA) to Supply Chain Coordination Limited on 1 April 2018 and for employees with New Fair Deal protection as former NHS employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited on either 1 October 2018, 1 December 2018 or 1 April 2019 and who were not prohibited from re-joining the NHSPS.

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

Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at 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 for Health and Social Care, 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 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 24 to the financial statements.

Civil Service Pension Scheme

Pension benefits are provided through the Civil Service Pension Scheme for any employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited on either 1 October 2018, 1 December 2018 or 1 April 2019 with Fair Deal protection as former Civil Servants.

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

Details of the benefits payable and rules of the Schemes can be found on the Civil Service Pensions website at 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.

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 24 to the financial statements.

Mercer DB Master Trust

Pension benefits are provided through the Mercer DB Master Trust (the MDBMT) (previously known as the Federated Pension Plan (FPP)) for any employees as former NHS employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited with New Fair Deal protection on either 1 October 2018, 1 December 2018 or 1 April 2019 but who were unable to re-join 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 1995 section). The MDBMT was certified as a “broadly comparable” pension scheme to the NHSPS.

No current Board members have an interest in the MDBMT.

The benefits payable under the scheme are broadly comparable to those provided by the NHSPS at the time the members joined the scheme. Further details can be obtained from the Trustees of the Mercer DB Master Trust. The MDBMT is a funded defined benefit pension scheme which can be used to enable NHS employers, GP practices and other bodies, to provide pension benefits to employees who would normally have re-joined 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 are not expected to 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 24 to the financial statements.

NEST

People employed directly by Supply Chain Coordination Limited 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, Civil Service Pension Scheme or Mercer DB Master Trust 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 2020 to 5 April 2021, employees are required to contribute a minimum of 3% p.a. of their Qualifying Earnings. Under our NEST arrangement, employees generally have the option to increase their contributions up to a maximum of 6% p.a. SCCL pays 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.

One Board member has an interest in the NEST Pension Scheme.

Approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:

Heather Tierney-Moore

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Heather Tierney-Moore OBE

Chair

Supply Chain Coordination Limited

Sustainable Development Strategy

During 2020/21 whilst responding to the global Covid-19 pandemic, SCCL still had a focus on sustainable development. SCCL's Management Executive Team develeoped the business' approach to sustainability, which was agreed by the Board of Directors during 2020.

NHSE also launched its own strategy "Delivering a 'Net Zero' National Health Service" in the autumn of 2020, setting the vision to remove 31 million tonnes of carbon dioxide equivalent from NHS operations by 2045, stating that for the emissions SCCL and its logistics partners control directly, the NHS Carbon Footprint, we should be net zero by 2040, with an ambition to reach an 80% reduction by 2028 to 2032. In addition, for the emissions that we can influence, the NHS Carbon Footprint Plus, we should be net zero by 2045, with an ambition to reach an 80% reduction by 2036 to 2039. As part of this, we need to review and discuss how NHS Supply Chain will be contributing to the strategic objectives of NHSE, as well as delivering on its own commitments.

NHS Supply Chain are committed to delivering health sustainably. We are committed to leveraging the strength of our people, our operations, and our supply chain to drive better health outcomes and create sustainable economic, social and environmental value for stakeholders. The sustainable development ambition of NHS Supply Chain reflects a long-term commitment to deliver sustainable environmental, social and economic change. There are pillars underpinning our strategy, which include:

- Human rights and labour standards: This relates to upholding and promoting the basic rights and freedoms of those who work across the entirety of the NHS Supply Chain, including our response to international issues such as modern slavery, child labour, forced labour and trafficking, as well as our position on labour standards such as health and safety and employment terms.
- Waste and the circular economy: This relates to the management of waste across the entirety of the NHS Supply Chain, and includes the impact of packaging, food and other waste that is generated across our offices, distribution centres and the broader supply chain. This pillar also explores the application of circular economy principles to minimise resource input and further reduce waste.
- Plastic products and packaging: this pillar focuses on the use of plastics across NHS Supply Chain and our supply chain, ranging from SCCL-procured/distributed products and components, plastic materials used for packaging, as well as the broader issue of single use plastics and the cumulative impacts of these products on the environment.
- Climate change, energy and greenhouse gas emissions: this reflects NHS Supply Chain's holistic response to climate change, air pollution and the carbon agenda. This includes direct energy consumption, carbon footprint, fuel usage and greenhouse gas emissions associated with our own operations, infrastructure and fleet, however does not relate to the impact of supplier operations on climate change.

Our business plan had the following targets and results for the financial year FY21/22:

- Single Use Plastics: During 2021/22 SCCL managed to achieve a reduction of 563 tonnes against a target of 350 tonnes of single use plastics through conversion to alternatives or inclusion of recycled content aimed at catering commitments, waste containers and reductions in packaging content.
- Greenhouse Gas Reductions: During 2021/22 SCCL reduced CO2 emissions by 6,578 tonnes against a target of 5,100 tonnes of CO2 equivalent through conversion of lighting in regional distribution centres, a more efficient transport fleet and agreeing Scope three reductions with our suppliers.

  During January and December 2021 NHS Supply Change through all it's sites had a cumulative consumption of Electricity 9,497,297 kwh and Gas 14, 307,233 kwh.

  There was also a target to invite 500 suppliers to participate in the Carbon, Waste and Water questionnaire (Carbon Disclosure Project) being driven by Greener NHS to set further targets for the medium/long term. During 2021/22 we were able to support the NHS to invite 500 suppliers to complete CDP (206 responded and completed CDP).

- Human Rights, Labour Standards and Social Responsibilities: 760 Suppliers were invited to complete an Assessment for Modern Slavery and Labour Standards against a target of 300 new suppliers to the supplier portal for the Labour Standards Assessment and also the Modern Slavery Assessment. During 2021/22, 34% of our suppliers are SMEs against a target of 30%.
  In addition, whilst office occupancy was down, we recycled 66% of office waste agaisnt a target of 50%. Also, 22% of staff took a volunteering day against a 15% target.
- Waste and the Circular Economy: The target for 2021/22 was to produce three feasibility studies for recycling or remanufacturing aimed at office furniture, low tech rehabilitation aids and remanufactured devices. During 2021/22 Circular Economy principles were applied to 5 projects with the additions of Surgical Instruments and Clinical Waste Containers as a service.

NHS Supply Chain has a unique role in supporting the NHS deliver its goal of becoming carbon neutral by 2045. We will deliver our contribution of a net zero supply chain through the four pillars of our sustainability strategy:

- Tackle climate change
  Our supply chain accounts for a significant part of our trusts' carbon footprints. The biggest contribution to our carbon footprint comes from Scope Three emissions from our suppliers and products.
  In 2022/23, we aim to reduce the carbon emissions across our supply chain by 2,900 tonnes through:
- Mapping Scope Three emissions to identify our total carbon footprint, and that of our suppliers and products, and then working with our highest carbon emitting suppliers to reduce their impact.
- Ensuring our existing suppliers with spend over £5 million produce a carbon reduction plan and regularly report progress. We will also require future suppliers with this level of spend to do the same.
- Continuing to work with our Logistics Provider to introduce more environmentally friendly fleet solutions as part of our fleet refresh programme, along with new technologies in our warehousing to reduce our gas consumption, such as installing LED lighting.

We will also ensure we embed sustainability across our internal ways of working. In 2022/23, we will reduce the number of business miles taken by our colleagues by fully transitioning to hybrid working, and using technology as our standard solution for working with all stakeholders. We will also convert our Nottingham head office, Equinox House, to 100% renewable energy, and ensure we only purchase and use 100% recycled copier paper across all our locations.

- Reduce single use plastics
  In 2022/23, we aim to remove 190 tonnes of single use plastics from our supply chain. Examples of how we will deliver this include reducing the amount of plastic in high content plastic containers; introducing sustainable alternatives across our catering consumables product range; and introducing a new framework to deliver clinical waste containers as a service.
- Support the circular economy
  Circular economy initiatives, which include utilising re-manufactured and recycled products, present an opportunity to further deliver against our long-term net zero target. In 2022/2023, we will identify opportunities to introduce recycled or re-manufactured products onto our product catalogue that contribute to our carbon footprint targets
- Tackle modern slavery and uphold labour standards
  Following extensive work last year to identify the most vulnerable product categories at risk of poor labour standards, in 2022/23, we will require a further 500 suppliers operating in those markets to complete a Modern Slavery Assessment, and an additional 500 suppliers to complete a Labour Standards Assessment. In addition, we will implement the Boardman Review recommendation to map global supply chains by mapping 45 products based on our risk assessment methodology, down to category level. This will help identify any risks posed to labour standards or environmental impacts, allowing us to take mitigative action where required.
- Embed social value in our activities. Social value is an important part of our modern slavery and labour standards pillar. In 2022/23, we will:

Sustainable Development Strategy (continued)

- Implement a minimum of 10% net zero and social value weighting across all our future tenders.
- Continue our pledge to allow our colleagues to take up to 3 days paid leave to volunteer at an organisation of their choice to support their local communities and set a target of 20% of colleagues undertaking at least 1 day volunteering.
- In recognition of the important role small and medium sized businesses have in our local communities, we will continue to ensure 33% of our spend remains with them.

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

Qualified opinion on financial statements
I have audited the financial statements of Supply Chain Coordination Limited for the year ended 31 March 2022 which comprise Supply Chain Coordination Limited's:

- Statement of Financial Position as at 31 March 2022;
- Income Statement, Statement of Cash Flows and Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of my report, the financial statements:

- give a true and fair view of the state of Supply Chain Coordination Limited's affairs as at 31 March 2022 and its loss for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion
I have qualified my opinion on the financial statements in respect of the following matter:

In the prior year SCCL was unable to provide sufficient appropriate audit evidence over the ownership and condition of SCCL's consumable inventory valued at £159m and capital inventory balances of £1.7m (note 15) at 31 March 2021. As a result, I have been unable to obtain sufficient assurance over the opening balance for inventory in the 2021-22 financial statements, and have modified my audit opinion accordingly.

Since opening inventories enter into the determination of the financial performance and cashflows, I am unable to determine whether adjustments might have been necessary in respect of the cost of sales and profit of the financial year reported in the income statement and the net cash flows from operating activities reported in the cash flow statement.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Supply Chain Coordination Limited in accordance with the ethical requirements that are relevant to my audit of 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
In auditing the financial statements, I have concluded that Supply Chain Coordination Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included consideration of the forecasts and cashflows upon which the assessment was based. I also considered the implications of the transfer of shareholding of the company from the Department of Health and Social Care to the National Health Service Commissioning Board, NHS England and NHS Improvement, and the impact on applicable loan arrangements and future funding.

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Supply Chain Coordination Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor’s report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I report by exception

In the light of the knowledge and understanding of Supply Chain Coordination Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors’ Report.

In respect solely of the matters referred to in the Basis for qualified opinion on financial statements section of my report above:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; and
- I have not received all of the information and explanations I require for my audit;

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

- the financial statements and the parts of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director’s remuneration specified by law are not made; or
- a corporate governance statement has not been prepared by the parent company.

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

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing Supply Chain Coordination Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion.
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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of Supply Chain Coordination Limited's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, Supply Chain Coordination Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Supply Chain Coordination Limited's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Supply Chain Coordination Limited's controls relating to Supply Chain Coordination Limited's compliance with the Companies Act 2006;
- discussing among the engagement team and involving relevant internal and external specialists, including IT and VAT experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

As a result of these procedures, I considered the opportunities and incentives that may exist within Supply Chain Coordination Limited for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Supply Chain Coordination Limited’s framework of authority as well as other legal and regulatory frameworks in which Supply Chain Coordination Limited operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Supply Chain Coordination Limited. The key laws and regulations I considered in this context included the Companies Act 2006, employment law, health and safety legislation, pensions legislation and tax legislation.

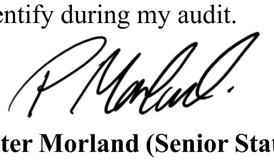
Audit response to identified risk
As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias, including judgments over the valuation and ownership of inventory; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor’s responsibilities
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.



Peter Morland (Senior Statutory Auditor)

24 March 2023

For and on behalf of the
Comptroller & Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Supply Chain Coordination Limited

Income Statement for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	2,793,773	2,366,695
Cost of sales		(2,526,271)	(2,121,012)
Gross profit		267,502	245,683
Administrative expenses		(296,470)	(244,190)
Operating (loss)/profit	6	(28,968)	1,493
Other (losses)/gains	5	(286)	395
Finance costs	7	(952)	(1,888)
Loss before tax		(30,206)	-
Income tax receipt/(expense)	11	7,217	(1,705)
Loss for the year		(22,989)	(1,705)

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 2022

	Note	31 March 2022 £ 000	31 March 2021 £ 000
Non-current assets			
Property, plant and equipment	12	66,025	51,145
Right of use assets	13	87,433	57,346
Intangible assets	14	237	523
Deferred tax assets	11	7,217	-
Trade and other receivables	16	1,258	1,621
Total non-current assets		162,170	110,635
Current assets			
Inventories	15	105,163	161,090
Contract assets	4	938	211
Trade and other receivables	16	2,593,702	5,172,285
Cash and cash equivalents	17	140,494	551,706
Total current assets		2,840,297	5,885,292
Current liabilities			
Trade and other payables	18	(389,886)	(495,537)
Deferred income	19	(52,670)	(15,732)
Contract liabilities	4	(103,562)	(86,377)
Current portion of long term lease liabilities	21	(5,199)	(7,325)
Loans and borrowings	20	-	(141)
Total current liabilities		(551,317)	(605,112)
Net current assets		2,288,980	5,280,180
Non-current liabilities			
Loans and borrowings	20	(2,233,920)	(5,183,920)
Long term lease liabilities	21	(74,120)	(41,348)
Provisions	22	(13,671)	(13,009)
Contract liabilities	4	(2,731)	(245)
Deferred income	19	(7,951)	(1,826)
Trade and other payables	18	(657)	(9,378)
Total non-current liabilities		(2,333,050)	(5,249,726)
Total net assets		118,100	141,089
Equity			
Share capital	25	21,000	21,000
Retained earnings		97,100	120,089
Total equity		118,100	141,089

The notes on pages 44 to 87 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Financial Position as at 31 March 2022 (continued)

Approved by the Board on 24 March 2023 and signed on its behalf by:

DocuSigned by:
Colin McCready
........48231963BFB4486..............
Colin McCready
Chief Finance Officer

Company registration number: 10881715

Supply Chain Coordination Limited

Statement of Cash Flows for the Year Ended 31 March 2022

	Note	2022 £ 000	2021 £ 000
Cash flows from operating activities			
Profit/(loss) for the year disposal of assets		(22,989)	(1,705)
Tax paid		(2,028)	(29,066)
Adjustments to cash flows from non-cash items			
- Depreciation and amortisation	6	9,325	6,471
- Depreciation on right of use assets	6	5,875	11,266
- Finance costs	7	952	1,888
- Income tax (receipt)/expense	11	(7,217)	1,705
- Adjustment for IFRS15 eliminations		445	-
- Non cash disposal of assets	6	286	-
Working capital adjustments			
- Decrease in inventories	15	55,927	22,705
- Decrease/(increase) in trade and other receivables	16	2,578,946	(4,839,782)
- Increase in contract assets	4	(727)	(211)
- (Decrease)/increase in trade and other payables	18	(114,073)	191,031
- Increase in contract liabilities	4	19,671	29,042
- (Decrease)/increase in provisions	22	662	(562)
- Increase/(decrease) in deferred income	19	43,063	(8,042)
Net cash flow generated from /(used in) operating activities		2,568,118	(4,615,260)
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(24,205)	(11,472)
Net cash flow used in investing activities		(24,205)	(11,472)
Cash flows from financing activities			
Interest expense on leases	7	(652)	(906)
Interest paid		(441)	(353)
Repayment of lease liabilities	21	(4,032)	(7,470)
Repayment of loans and borrowings	20	(3,300,000)	-
Drawdowns of loans and borrowings	20	350,000	4,981,920
Net cash flow generated from/(used in) financing activities		(2,955,125)	4,973,191
Net increase in cash and cash equivalents		**(411,212)**	**346,459**
Cash and cash equivalents at 1 April	17	551,706	205,247
Cash and cash equivalents at 31 March	17	140,494	551,706

The notes on pages 44 to 87 form an integral part of these financial statements.

Supply Chain Coordination Limited

Statement of Changes in Equity for the Year Ended 31 March 2022

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2020	21,000	121,794	142,794
Loss for the year	-	(1,705)	(1,705)
Total comprehensive income	-	(1,705)	(1,705)
At 1 April 2021	21,000	120,089	141,089
Loss for the year	-	(22,989)	(22,989)
Total comprehensive income	-	(22,989)	(22,989)
At 31 March 2022	21,000	97,100	118,100

1 General information

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

The address of its registered office is:
Wellington House
133-155 Waterloo Road
London
SE1 6LH

The principal activity of the company is the management and coordination of NHS Supply Chain services for the provision of everyday hospital consumables, clinical products, home-care and capital equipment and associated services and supplies. NHS Supply Chain supports the NHS and other healthcare organisations in England and Wales by providing end-to-end supply chain solutions. Supply Chain Coordination Limited is also responsible for overseeing and coordinating the procurement through the management of the 11 category tower service providers, along with the logistics and IT providers, as well ensuring the provision of reliable logistics services for the delivery of products to NHS Trusts. The company leverages the collective buying power of the NHS to provide and deliver clinically assured medical devices and clinical consumables at the best value, focussing on patient safety within the NHS, to meet the diverse needs of NHS organisations.

These company financial statements are presented for the year ended 31 March 2022 and comparatives are presented for the year ended 31 March 2021.

These financial statements were authorised for issue by the Board on 24 March 2023.

2 Accounting policies

(a) Statement of compliance
The company financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS").

(b) 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 years presented, unless otherwise stated.

(c) 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.

2 Accounting policies (continued)

(d) Going concern

Executive Summary
The Directors of the company are required to consider whether it is correct to prepare the accounts on a going concern basis. This means that the company will be able to continue to operate for the foreseeable future.

The company is supported by a Revolving Credit Facility (RCF) of £250m which is fully drawn down and COVID Facility of £5.5bn, of which c£1.98bn was drawn down at year end. Both loans are provided by the Secretary of State for Health and Social Care and have been extended to 1 April 2024.

In addition, the company is provided with operational funding by its shareholder. Since 1 October 2021, the company's immediate shareholder has been the NHS Commissioning Board, NHS England and NHS Improvement (NHSE).

Based on these confirmations, and other considerations pertaining to trading, cashflows and funding, the Directors can expect that SCCL will continue trading as a going concern for FY22/23 and will be able to meet its liabilities as they fall due for a period of at least twelve months from the date of signing. Consequently, the financial statements of SCCL for the year ended 31 March 2022 have been prepared on a going concern basis.

Considerations
The Directors have taken into account the following factors in making their judgement:

Trading

Year-to-date trading suggests a combination of over delivery of income and cost savings will result in a surplus position that will be offset by reducing the operational funding from the shareholder.

The company is expected to continue trading at at least the current level during FY23/24. The company vision expects growth in market share, thus driving increased volumes and savings for NHS customers. The current budget for FY23/24 includes operational funding from shareholder of £240m, with a futher £8m to be requested if required.

Given the customer base of the company is primarily the NHS, which has government funding, and also the same shareholder, there aren't expected to be any issues in terms of customers being unable to pay debts or the customer base falling into financial difficulties which leave them unable to pay.

2 Accounting policies (continued)

Cashflows

BAU cashflows of the company have been relatively stable. Cashflow has been more significantly impacted by PPE cashflows and VAT swings (primarily due to PPE and invoicing to DHSC). Future BAU cashflows are also expected to be relatively stable. No significant cashflows in respect of PPE orders are expected in FY23/24, and thus the VAT impact is also expected to stabilise.

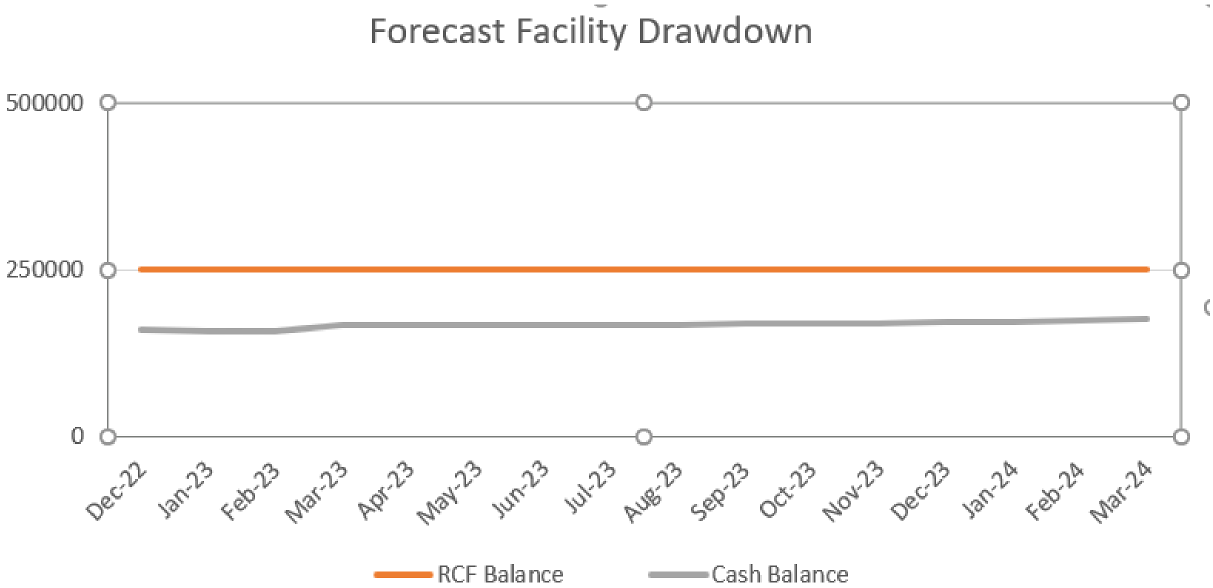
Debtor days (excluding DHSC PPE) are below internal targets and NHS Trusts have been asked to pay SCCL within 7 days. In addition, SCCL are working very hard to ensure suppliers are paid, due to the current economic climate.

SCCL will continue acting as an agent for PPE on behalf of DHSC during FY23/24. Cash flows are expected to take place in FY22/23 for all stock, with no stock for the PPE response in FY22/23 being purchased during the FY22/23. Any other costs associated with the Covid-19 response on behalf of DHSC will be recharged to DHSC, with the COVID Facility available for drawdowns if required.

The company is supported by a Revolving Credit Facility (RCF) of £250m and remaining COVID Facility of £2bn, both of which are provided by the Secretary of State for Health and Social Care. Both facilities have been extended to 1st April 2024.

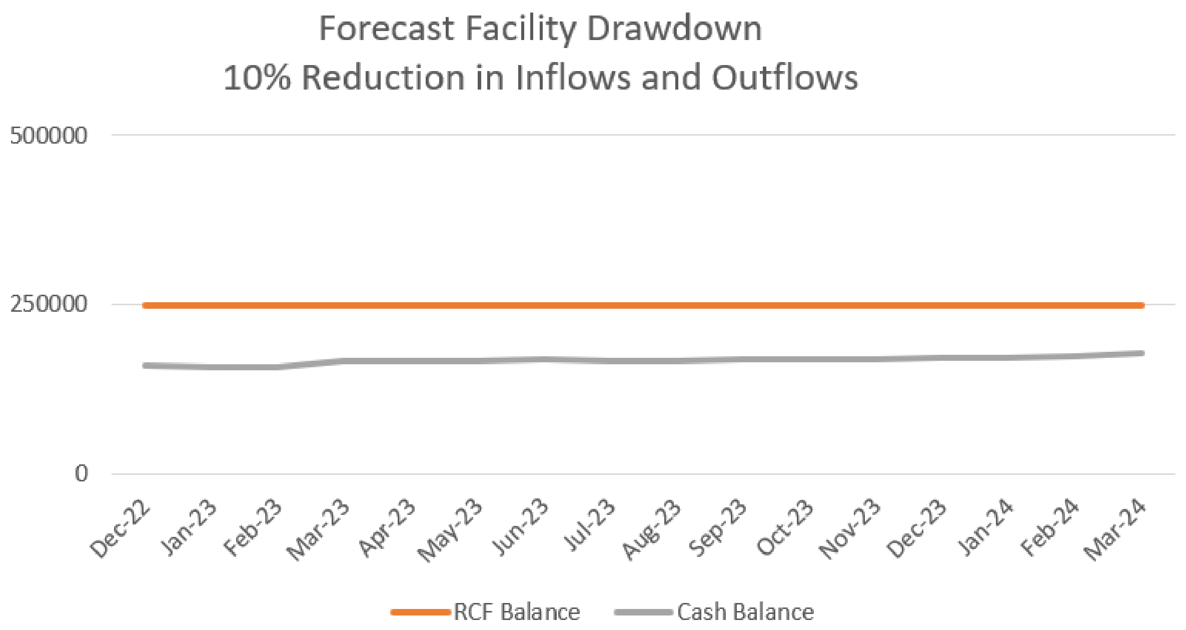
SCCL is recharging DHSC for PPE provided to Trusts. As this is invoiced to DHSC, the proceeds will be used to repay the COVID Facility. £833m has been repaid to DHSC in March 23 towards the COVID Facility, with the remaining balance to be paid during FY 23/24. In both the forecast case and the sensitised cases, no further funding (outside of the operational funding) is required from a cash perspective.

The forecast cash flow assumes that the RCF will not be repaid, although in reality, this is assessed on an ongoing basis if there is surplus cash held by the company.



The sensitised cash flow forecast assumes that there is a 10% reduction in transactional activity, and also assumes that the RCF is not repaid.

2 Accounting policies (continued)



Funding

As SCCL's business model is primarily based upon buy price = sell price, there is a shortfall in funding of its operational costs. To date, this funding has been provided by its shareholder, which since 1 October 2021 is NHSE. The exact funding amount has not yet been agreed for FY23/24.

(e) Application of new standards from 1 April 2021

There are a number of amendments to standards which have been issued by the IASB that the company has adopted during the year ended 31 March 2022:

- IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendment - Definition of Material);
- IAS 1 'Presentation of Financial Statements' (Amendment - Definition of current and non-current liabilities);
- Revised Conceptual Framework for Financial Reporting.

None of the above amendments have a material impact on the financial statements of the company for the year ended 31 March 2022.

(f) New standards and amendments to standards that are not yet effective

There are a number of standards and amendments to standards which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The following amendments are effective for periods beginning on or after 1 April 2022:

- IAS 1 'Presentation of Financial Statements' (Amendments - Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies);
- IAS 8 'Accounting Policies' (Amendment - Changes in Accounting Estimates and Errors);
- IAS 12 'Income Taxes' (Amendments - Deferred Tax related to Assets and Liabilities arising from a Single Transaction);

2 Accounting policies (continued)

None of the above amendments are expected to have a material impact on the financial statements of the company for the year ended 31 March 2023.

(g) 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 'Revenue from Contracts with Customers' are applied to revenue recognition criteria using the following five step model:

1. Identify the contract(s) 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

(g) (i) Recognition

The company earns revenue from the following:

- the provision of everyday hospital consumables, clinical products and home-care supplies to NHS Trusts and other healthcare organisations;
- the sale and leasing of capital equipment and associated maintenance services;
- the management and coordination of NHS Supply Chain services; and
- the management of service contracts with entities such as UK Health Security Agency (UK HSA) which were previously managed by Public Health England (PHE).

Revenue arising from the provision of everyday hospital consumables, clinical products and home-care supplies is recognised in the accounting period when control of the product has been transferred, which is taken to be upon delivery of the product to the customer.

Revenue from the sale of capital equipment is recognised in the accounting period when performance obligations are met. Depending on the contract with the customer, this is taken to be on delivery to the customer, or successful installation by a qualified engineer of the equipment at the customer site.

Revenue from the sale of maintenance contracts associated with capital equipment is recognised in the accounting period in which performance obligations are completed Such obligations are completed upon the delivery of the contracted services to the customer.

Revenue from the leasing of capital equipment is recognised in each accounting period covering the lease term and depends on whether the lease is considered to be a finance lease or operating lease.

Where the lease is considered to be a finance lease, revenue is recognised in the income statement based on a pattern reflecting a constant periodic rate of return on the company’s net investment outstanding in respect of the finance lease.

2 Accounting policies (continued)

Where the lease is considered to be an operating lease, revenue is recognised on a straight-line basis.

The company receives funding from its shareholders to cover its operational costs in managing and co-ordinating the NHS Supply Chain services. Such funding is recognised in the accounting period in line with the costs incurred to deliver the contracted services.

Revenue from the management of service contracts with UK HSA is recognised in the accounting period when the contracted service is delivered to the customer.

Principal versus agent

If more than one party is involved in providing the goods and services to the customer, then these arrangements are reviewed to determine whether the company acts as a principal or an agent. The company acts as a principal if it controls a promised good or services before transferring that good or service to the customer. The 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.

Based on the IFRS 15 principles, considerations and assessment performed, management have concluded that SCCL acted as agent in regard to the obligations relating to the PPE and ICU consumables purchased and transferred to DHSC. This also included all related costs of PPE purchase, such as freight, detention and demurrage, warehouse costs of storage and professional fees associated with purchase and storage, as it is believed that these costs are directly associated with the product purchases and so should be considered in the overall assessment. The following key facts have been noted:

- SCCL were requested by DHSC (under instruction) to purchase selected PPE and ICU consumables, with approval for purchase requiring DHSC sign off prior to purchase, and with all goods being supplied directly to DHSC and the NHS;
- SCCL utilised existing framework contracts with suppliers for the purchase of PPE and ICU consumables. SCCL negotiated prices with suppliers for these products due to the pandemic. Whilst this indicates signs of a principal arrangement, all purchases were with approval from the DHSC, and costs reimbursed by DHSC;
- SCCL were used by the DHSC PPE Cell given existing commercial contracts held by SCCL to aid a rapid response to the pandemic. Other Government departments were also used in a similar way and transactions with those bodies have been treated as 'agency transactions';
- All obligations and risks relating to PPE inventory sit with DHSC rather than SCCL;
- DHSC have borne the risks of non-delivery or damage to products ordered; and
- All products have been delivered to DHSC rented storage facilities and distributed to the NHS (as end customer) based on direction from the DHSC PPE Cell. DHSC has borne the risks and costs associated with storage and warehouse facilities.

(g) (ii) Measurement and performance obligations

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer, and excludes amounts collected on behalf of third parties. Measurement will depend on the successful completion of performance obligations included within each contract. These would include:

2 Accounting policies (continued)

- Delivery to the customer for the provision of everyday hospital consumables, clinical products and home-care supplies;
- Delivery to the customer or successful installation by a qualified engineer for the sale of capital equipment, depending on the type of equipment;
- Delivery of the service during the contract period for the sale of maintenance contracts and provision of services to manage and coordinate the NHS Supply Chain; and
- Delivery of the service over the lease term for revenue from leasing of capital equipment.

(g) (iii) Fee arrangements

Fee arrangements are included in revenue from the sale of products or provision of services. These arrangements will occur for fixed point of sale transactions, where the revenue is recognised when control is transferred and performance obligations are met on delivery of products or services to customers.

(g) (iv) Contract assets

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.

(g) (v) Contract liabilities

Contract liabilities 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.

(h) 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.

(i) Property, plant and equipment

(i) (i) 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.

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.

Other property, plant and equipment which is held for operational use is valued at depreciated historical cost where the directors consider this approximates to the fair value.

(i) (ii) 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.

(i) (iii) 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.

(i) (iv) 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 method and rate**
Leasehold improvements	5 - 10 years
IT equipment	3 - 10 years
Furniture and fittings	5 - 10 years
Right of use assets	Life of lease
Medical equipment	7 - 10 years

The useful economic life of medical equipment which is leased, is determined by the length of the lease.

2 Accounting policies (continued)

(i) (v) Impairment
Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and, at least, at each Statement of Financial Position date. 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.

(j) Intangible assets

(j) (i) Recognition
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.

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

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.

(j) (ii) 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 method and rate**
Computer Software Licences	3 - 5 years

(k) 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.

2 Accounting policies (continued)

(k) (i) 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 'Financial Instruments' 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 primarily comprise cash and cash equivalents, contract assets and trade and other receivables, they are classified as amortised cost assets.

(k) (ii) Cash and cash equivalents

Cash comprises cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

(k) (iii) 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 related parties who are members of the DHSC Group, 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 for these customers. The company also has small amounts of trade receivables due from private entities and a provision is recognised against these customers where necessary.

(k) (iv) 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.

(k) (v) 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.

2 Accounting policies (continued)

(k) (vi) 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.

(l) Inventories

Inventories are valued at weighted average cost. Cost comprises direct materials. At each reporting date, inventories are assessed for impairment. If impaired, the carrying amount is reduced to its selling price less costs to sell, and the impairment loss is recognised immediately in the Income Statement.

Inventories also include some capital equipment, which is held at cost. The capital equipment is assessed regularly for impairment. If any impairment is identified, the equipment is written down to the net realisable value and the impairment loss is recognised in the Income Statement.

(m) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(n) Finance income and costs

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

Apart from a small amount of lease income, the company has no finance income.

(o) 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.

(o) (i) 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.

(o) (ii) 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.

2 Accounting policies (continued)

(o) (iii) 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.

(p) Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(p) (i) Where the company acts as a lessee

The company recognises a right of use asset and a lease liability at the commencement date of the lease. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, including rent deposits, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset.

The right of use asset is also subject to regular impairment reviews, in line with owned assets, and is adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the company's incremental borrowing rate ("IBR"), since the interest rate implicit in the leases cannot be readily determined. The company uses, as its IBR, the rate that is published by HM Treasury, annually in its public expenditure papers. The management consider that this rate best reflects the IBR, given that the company only has borrowings provided to it by its parent entity.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the company's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

After the commencement date, the company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

(p) (ii) Short-term leases and low-value assets

The company has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) (iii) Where the company acts as a lessor

When the company acts as a lessor, it determines, at lease inception, whether each lease is a finance lease or an operating lease.

2 Accounting policies (continued)

To classify each lease, the company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards of ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If the arrangement contains lease and non-lease components, the company applies IFRS 15 'Revenue from Contracts with Customers' to allocate consideration in the contract.

At the commencement of the lease term, the company records a finance lease in the Statement of Financial Position as a receivable at an amount that is equal to the net investment in the lease. The net investment in a lease is the gross investment in a lease discounted using the interest rate implicit in the lease.

The gross investment in a lease consists of the undiscounted amounts of the lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Assets held under operating leases are presented in the Statement of Financial Position and depreciated over the period of the lease on a straight-line basis. Operating lease payments received are recognised in the Income Statement over the lease term on a straight-line basis.

(q) 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.

(r) Superannuation Schemes

(r) (i) 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 the Mercer DB Master Trust (previously known as the 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

2 Accounting policies (continued)

The Mercer DB Master Trusts (previously known as 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.

(r) (ii) 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 Income Statement 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:

Agency transactions
Management has determined that the company has acted as an agent on behalf of DHSC in respect of sourcing and purchasing certain items in response to the global Covid pandemic, such as PPE and ICU consumables. This assessment has been carried with reference to IFRS 15 'Revenue from contracts with customers'. Consequently, the company has not recognised any associated revenue, cost of sales, administrative expenses or trade and other payables associated with these transactions. The company has recognised a receivable from DHSC in respect of these transactions in its Statement of Financial Position.

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

Similarly, as part of the Covid response, the company commenced a lease agreement on 11 August 2020 for a warehouse in Daventry which was used to store solely PPE products. Given the warehouse is used solely for PPE, and SCCL act as an agent on behalf of the DHSC for PPE, the warehouse is not deemed to be controlled by SCCL, and therefore should not be accounted for on SCCL's Statement of Financial Position in accordance with IFRS 16. The company has not recognised the right of use, liability, depreciation or the finance costs associated with this lease. The company has recognised a receivable from DHSC for the lease costs to be recharged to DHSC.

IFRS 15 Revenue Recognition

Based on the IFRS 15 principles, considerations and assessment performed, management have concluded that SCCL acted as agent in regard to the obligations relating to the PPE and ICU consumables purchased and transferred to DHSC. This also included all related costs of PPE purchase, such as freight, detention and demurrage, warehouse costs of storage and professional fees associated with purchase and storage, as it is believed that these costs are directly associated with the product purchases and so should be considered in the overall assessment.

Key facts in regard to the IFRS 15 have been noted in Accounting policies - Principal versus agent section.

Taxation

Taxation of the absorption gain on the acquisition of NHS Supply Chain on 1 April 2019 required a management judgement in FY20 to assess whether the balance was subject to corporation tax by HMRC. Management assessed that for the purposes of the statutory accounts and the corporation tax return, the whole absorption gain was subject to corporation tax. The associated tax liability was paid to HMRC, but discussions remain ongoing with HMRC in respect of whether the absorption gain is subject to corporation tax, and consequently whether a refund will be received. In December 2022 this matter was closed by HMRC, and no refund will be received.

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.

The company has recognised provisions for impairment of inventories, impairment of trade receivables and dilapidations which requires management to make judgements. These judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

The impairment of inventory provision has been netted off against the inventory on the statement of financial position.

The impairment of trade receivables provision and the VAT provision have both been netted off against the trade and other receivables balances on the statement of financial position.

The dilapidation provision has been disclosed separately on the statement of financial provision in the provision line.

A provision for VAT receivable was recognised in the prior year in respect of VAT amounts due to be reclaimed on certain inventory items following the acquisition of the NHS Supply Chain from the NHS BSA. Whilst the input VAT on the transfer of the inventory has been blocked from recovery by SCCL, the output VAT currently accounted for by SCCL on the related onward sale should not have been paid over to HMRC. An exercise is currently ongoing to verify and validate the amount of the net claim due to be made, which once submitted will then be the subject of negotiation with HMRC.

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

In addition, there are further historical amounts relating to capital inventory, maintenance contracts, and stock relating to EU Exit, for which input VAT is expected to be claimed from HMRC. These historical balances relate to items purchased prior to the transfer of NHS Supply Chain from NHS BSA. All of this balance has been provided for. Work is ongoing to prepare claims for submission to HMRC for these amounts.

4 Revenue

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

	2022 £ 000	2021 £ 000
Sale of goods	2,274,986	2,065,892
Rendering of services	298,073	63,586
Leasing of equipment	4,271	4,347
Other revenue	216,443	232,327
Professional fees	-	543
	2,793,773	2,366,695

Other revenue relates to operational funding received from DHSC and NHSE. DHSC funding was received for period March 21 - September 2021 and NHSE funding was received for period October 21 - March 22. Recharge income for which expenditure has been recharged on to related parties is also included in other revenue. Recharge income of £4,725,000 (2021: £187,000) is shown in the Income Statement.

The company acted as an agent on behalf of DHSC in respect of certain items sourced in response to the Covid pandemic, including PPE and ICU consumables. These items were sourced and procured by the company under direction from DHSC, and the cost of these items was recharged to DHSC. In accordance with IFRS 15 'Revenue from contracts with customers', no income has been recognised for the consumables, as no margin has been charged. Professional costs associated with acting as an agent on behalf of DHSC totalling £nil (2021: £543,000) have been recharged to DHSC.

4 Revenue (continued)

Disaggregated revenue information for each segment is provided below.

Segment analysis by primary geographical markets	**2022 NHS £ 000**	**2022 Non-NHS £ 000**	**2022 Total £ 000**	**2021 NHS £ 000**	**2021 Non-NHS £ 000**	**2021 Total £ 000**
United Kingdom	2,608,574	178,676	**2,787,250**	2,180,373	183,541	**2,363,914**
Europe	-	6,523	**6,523**	-	2,781	**2,781**
	2,608,574	185,199	**2,793,773**	2,180,373	186,322	**2,366,695**

Segment analysis by product service	**2022 NHS £ 000**	**2022 Non-NHS £ 000**	**2022 Total £ 000**	**2021 NHS £ 000**	**2021 Non-NHS £ 000**	**2021 Total £ 000**
Sale of goods	2,089,787	185,199	**2,274,986**	1,879,570	186,322	**2,065,892**
Rendering of services	298,073	-	**298,073**	63,586	-	**63,586**
Leasing of equipment	4,271	-	**4,271**	4,347	-	**4,347**
Other revenue	216,443	-	**216,443**	232,327	-	**232,327**
Professional fees	-	-	**-**	543	-	**543**
	2,608,574	185,199	2,793,773	2,180,373	186,322	2,366,695

4 Revenue (continued)

	2022 NHS £ 000	2022 Non-NHS £ 000	2021 NHS £ 000	2021 Non-NHS £ 000
Analysis of revenue generated in United Kingdom				
Point in time	2,604,303	178,676	2,176,026	183,541
Over time	4,271	-	4,347	-
Revenue from contracts with customers	2,608,574	178,676	2,180,373	183,541

	2022 NHS £ 000	2022 Non-NHS £ 000	2021 NHS £ 000	2021 Non-NHS £ 000
Analysis of revenue generated in Europe				
Point in time	-	6,523	-	2,781
Over time	-	-	-	-
Revenue from contracts with customers	-	6,523	-	2,781

4 Revenue (continued)

Performance obligations

The company's performance obligations are summarised in note 2(g) Revenue recognition.

Contract assets and liabilities

	31 March 2022 £ 000	31 March 2021 £ 000
Contract assets	938	211
Contract liabilities	(103,562)	(86,377)
Net unbilled contract liabilities	(102,624)	(86,166)

In addition to the balances above, the company has also recognised non-current contract liabilities of £2,731,000 (2021: £245,000).

Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract receivables (loans and advances) represent the company's unconditional right to consideration for the goods or services supplied and performance obligations delivered. Contract liabilities (deposits from customers) relate to consideration received when the company still has an obligation to deliver goods or services for that consideration.

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2022 £ 000	2021 £ 000
Loss on disposal of property, plant and equipment	(286)	-
Gain from changes in provisions (see note 22)	-	[illegible]
	(286)	395

6 Operating profit

Operating profit is arrived at after charging:

	2022 £ 000	2021 £ 000
Depreciation expense	9,039	6,185
Depreciation on right of use assets - Equipment	2	3
Depreciation on right of use assets - Property	5,738	11,072
Depreciation on right of use assets - Vehicles	135	191
Amortisation expense	286	286
Loss on disposal of property, plant and equipment (see note 5)	286	-

6 Operating profit (continued)

Current year depreciation on right of use assets - Property has been reduced by £2.1m which is the prior year depreciation for the Daventry Warehouse. The reduction is the result of the derecognition of the Daventry warehouse from SCCL's financial statements. The Daventry warehouse is used solely for the purpose of storing and distributing PPE. Given SCCL acts as an agent on behalf of DHSC for this, SCCL are not deemed to have control over this warehouse and therefore have derecognised the warehouse and associated balances in their financial statement.

7 Finance costs

	2022 £ 000	2021 £ 000
Interest on borrowings	300	982
Interest expense on leases - Property	648	901
Interest expense on leases - Other	4	5
Total finance costs	952	1,888

Current year interest expense on lease - Property has been reduced by £123,000 which is prior year interest for the Daventry Warehouse. The reduction is the result of the derecognition of the Daventry Warehouse from SCCL's financial statements. The Daventry warehouse is used solely for the purpose of storing and distributing PPE. Given SCCL acts as an agent on behalf of DHSC for this, SCCL are not deemed to have control over this warehouse and therefore have derecognised the warehouse and associated balances in their financial statement.

8 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	27,141	27,352
Social security costs	2,430	2,210
Pension costs	2,154	1,974
Redundancy costs	301	92
Recharges	4,762	187
	36,788	31,815

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 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, analysed by category was as follows:

8 Staff costs (continued)

	2022 No.	2021 No.
Permanent staff	402	366
Agency and temporary staff	110	129
	512	495

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	449	541
Contributions paid to pension schemes	25	26
Payment in lieu of notice	-	68
	474	635

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	207	253
Company contributions to pension schemes	22	4

For the periods from 1 April 2020 to 26 November 2020, and from 1 September 2021 to 31 March 2022, the Chief Executive Officer was remunerated by the Cabinet Office, and the company was recharged for his time and expenses.

During the year ended 31 March 2019, the Chief Executive Officer was enrolled in the incorrect pension scheme. For the year ended 31 March 2020, pension contributions for the highest paid director relate to the payments that should have been made had enrolment in the correct pension scheme taken place at the correct date. A refund for contributions paid in the year ended 31 March 2019 and 31 March 2020 has been paid during the year ended 31 March 2021.

Disclosures relating to directors' remuneration are included in the Remuneration Report.

10 Auditors' remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	535	610
Other fees to other auditors		
Internal audit services	101	130

11 Income tax

Tax charged in the Income Statement

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	-	673
Deferred taxation		
Arising from origination and reversal of temporary differences	(7,217)	1,032
Tax (receipt)/expense in the Income Statement	(7,217)	1,705

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Loss before tax	(30,206)	-
Corporation tax at standard rate	(5,739)	-
Increase in current tax from adjustment for prior periods	-	268
Increase from effect of expenses not deductible in determining taxable profit	1,080	612
Decrease from effect of different UK tax rates on some earnings	(1,732)	-
Amounts not recognised	(826)	825
Total tax (credit)/charge	(7,217)	1,705

11 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 April 2021 £ 000	Recognised in income £ 000	At 31 March 2022 £ 000
Fixed assets	-	(1,827)	(1,827)
Temporary timing differences	-	(71)	(71)
IFRS 16 adjustment	-	17	17
Losses	-	(5,336)	(5,336)
Net tax (assets)/liabilities	-	(7,217)	(7,217)

Deferred tax movement during the prior year:

	At 1 April 2020 £ 000	Recognised in income £ 000	At 31 March 2021 £ 000
Fixed assets	607	(607)	-
Temporary timing differences	(1,658)	1,658	-
IFRS 16 adjustment	19	(19)	-
Losses	-	-	-
Net tax (assets)/liabilities	(1,032)	1,032	-

12 Property, plant and equipment

	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Medical equipment £ 000	Work in Progress £ 000	Other equipment £ 000	Total £ 000
Cost or valuation						
At 1 April 2020	1,332	407	23,939	21,940	7,867	55,485
Additions	59	-	-	11,413	-	11,472
Transfers	5,284	5,958	-	(16,551)	5,309	-
At 1 April 2021	6,675	6,365	23,939	16,802	13,176	66,957
Additions	-	-	-	24,205	-	24,205
Disposals	-	-	(821)	-	-	(821)
Transfers	-	-	-	(14,988)	14,988	-
At 31 March 2022	6,675	6,365	23,118	26,019	28,164	90,341
Depreciation						
At 1 April 2020	165	51	6,955	-	2,456	9,627
Charge for the year	625	407	2,984	-	2,169	6,185
At 1 April 2021	790	458	9,939	-	4,625	15,812
Charge for the year	671	638	2,866	-	4,864	9,039
Eliminated on disposal	-	-	(535)	-	-	(535)
At 31 March 2022	1,461	1,096	12,270	-	9,489	24,316
Carrying amount						

12 Property, plant and equipment (continued)

	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Medical equipment £ 000	Work in Progress £ 000	Other equipment £ 000	Total £ 000
At 31 March 2022	5,214	5,269	10,848	26,019	18,675	66,025
At 31 March 2021	5,885	5,907	14,000	16,802	8,551	51,145

12 Property, plant and equipment (continued)

There are no indicators of impairment.

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

13 Right of use assets

	Equipment £ 000	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation				
At 1 April 2020	8	55,271	477	55,756
Additions	-	20,345	331	20,676
At 1 April 2021	8	75,616	808	76,432
Adjustment to the opening position	-	(16,759)	-	(16,759)
Additions	-	52,663	74	52,737
Disposals	-	-	(16)	(16)
At 31 March 2022	8	111,520	866	112,394
Depreciation				
At 1 April 2020	3	7,563	254	7,820
Charge for the year	3	11,072	191	11,266
At 1 April 2021	6	18,635	445	19,086
Adjustment to the opening position	-	(2,138)	-	(2,138)
Charge for the year	2	7,876	135	8,013
At 31 March 2022	8	24,373	580	24,961
Carrying amount				
At 31 March 2022	-	87,147	286	87,433
At 31 March 2021	2	56,981	363	57,346

The right of use assets are depreciated over the life of the lease on a straight line basis. Depreciation of right of use assets is included within Administrative expenses in the Income Statement.

There are no indicators of impairment.

The adjustment to the opening position relates to the transfer of the Daventry warehouse and associated costs to DHSC. The Daventry warehouse is used solely for the purpose of storing and distributing PPE. Given SCCL acts as an agent on behalf of DHSC for this, SCCL are not deemed to have control of this warehouse and therefore have derecognised the warehouse and associated balances in their financial statements.

The above adjustment to the opening position relates to a reduction in the carrying amount of property by £14,620,000, of which a decrease in additions costs of £16,759,000 has been offset by an associated depreciation expense of £2,138,000.

14 Intangible assets

	Software licenses £ 000	Total £ 000
Cost or valuation		
At 1 April 2020	1,142	1,142
At 1 April 2021	1,142	1,142
At 31 March 2022	1,142	1,142
Amortisation		
At 1 April 2020	333	333
Amortisation charge	286	286
At 1 April 2021	619	619
Amortisation charge	286	286
At 31 March 2022	905	905
Carrying amount		
At 31 March 2022	237	237
At 31 March 2021	523	523

There are no indicators of impairment.

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

15 Inventories

	31 March 2022 £ 000	31 March 2021 £ 000
Finished goods and goods for resale	105,163	161,090

	31 March 2022 £ 000	31 March 2021 £ 000
At start of the year	161,090	183,795
Purchases	2,635,496	1,091,946
Sales	(2,632,113)	(1,107,528)
Adjustments	(59,310)	(7,123)
At end of the year	105,163	161,090

During the year, £32,746,000 of inventory has been written down (2021: £7,123,000).

15 Inventories (continued)

Several products bought during the Covid-19 pandemic were purchased at inflated market price due to the challenging market conditions at the time and additional quantities were purchased to ensure the products did not run out. As at 31 March 2022, fluctuations in the market price of inventory between the point of purchase and the balance sheet date resulted in a £30m reduction in inventory value in accordance with IAS 2.

DHSC have provided confirmation after the year end that the £30m Covid reduction in inventory value will be reimbursed by DHSC in line with the overarching agreement entered into at the start of the Covid-19 pandemic. This reimbursement will be recognised in the subsequent period.

For the year ended 31 March 2021, the external auditor was unable to obtain assurance over the consumables and capital inventory balances, and thus provided a qualified audit opinion in this respect. As at 31 March 2021, the company held inventory on behalf of DHSC which was not segregated in the warehouse. Consequently, the external auditor was unable to gain assurance over which inventory belonged to SCCL, totalling £159m. In addition, the company were unable to obtain external confirmations for capital inventory held at third party locations, totalling £1.7m.

16 Trade and other receivables

	31 March 2022 £ 000	31 March 2021 £ 000
Trade receivables	289,305	217,809
Provision for impairment of trade receivables	(550)	(1,048)
Net trade receivables	288,755	216,761
Accrued income	1,947,158	4,857,894
Prepayments	108,911	89,278
Other receivables	303,067	59,486
Provision for impairment of other receivables	(54,189)	(51,134)
	2,593,702	5,172,285

Trade and other receivables due after one year total £1,258,000 (2021: £1,621,000).

Current year other receivables have increased by £254,000 as a result of the Daventry Warehouse derecognition. The Daventry warehouse is used solely for the purpose of storing and distributing PPE. Given SCCL acts as an agent on behalf of DHSC for this, SCCL are not deemed to have control of this warehouse and therefore have derecognised the warehouse and associated balances in their financial statements.

17 Cash and cash equivalents

	31 March 2022 £ 000	31 March 2021 £ 000
Cash at bank	140,494	551,706

18 Trade and other payables

	31 March 2022 £ 000	31 March 2021 £ 000
Trade payables	191,357	154,100
Accrued expenses	190,745	170,948
Amounts due to related parties	5,611	5,462
Social security and other taxes	617	2,064
Outstanding defined contribution pension costs	283	331
Other payables	1,273	162,632
	389,886	495,537

Trade and other payables due after one year total £657,000 (2021: £9,378,000).

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 27 Financial risk review.

19 Deferred income

	31 March 2022 £ 000	31 March 2021 £ 000
Deferred income	52,670	15,732
	52,670	15,732

In addition, deferred income to be recognised in more than one year is £7,951,000 (2021: £1,826,000).

20 Loans and borrowings

	31 March 2022 £ 000	31 March 2021 £ 000
Non-current loans and borrowings		
Other borrowings	2,233,920	5,183,920

	31 March 2022 £ 000	31 March 2021 £ 000
Current loans and borrowings		
Other borrowings	-	141

The following tables set out movement in the principal element of each borrowing that has been undertaken by the company.

2022	Revolving Credit Facility £ 000	COVID Facility £ 000	Total £ 000
At start of period	250,000	4,933,920	5,183,920
Drawdowns	-	350,000	350,000
Repaid	-	(3,300,000)	(3,300,000)
At end of period	250,000	1,983,920	2,233,920

2021	Revolving Credit Facility £ 000	EU Exit Loan £ 000	COVID Facility £ 000	Total £ 000
At start of period	102,000	100,000	-	202,000
Drawdowns	148,000	100,000	4,733,920	4,981,920
Transfers	-	(200,000)	200,000	-
At end of period	250,000	-	4,933,920	5,183,920

Interest of £nil has been accrued on the Revolving Credit Facility (2021: £141,000).

The repayment date of the Revolving Credit Facility was 30 September 2021 and extended to 31 December 2021 in October 2020, 1 April 2023 in February 2021 and 1 April 2024 in July 2022. Until 31 December 2021, no part of the loan was repayable unless the company had an operational cash balance of over £120m. The rate of interest applicable to the flexible loan facility is the interest rate determined by reference to the National Loan Fund rate for loans up to one year prevailing on the date of the first utilisation of the facility.

20 Loans and borrowings (continued)

On 1 April 2019, the company acquired the NHS Supply Chain. NHS Supply Chain had a £70m loan for EU Exit due to the Secretary of State for Health and Social Care, which became payable by the company. A further £30m was drawn in April 2019. The loan was due for repayment on 31 March 2020, but this was extended to 31 March 2021. In April 2020, the EU Exit Loan was increased by £100m to £200m, to aid the company in purchasing significant levels of personal protective equipment in response to the COVID-19 pandemic, under the direction of the DHSC PPE cell. No interest was payable on this facility.

In May 2020, the EU Exit Loan was transferred to a COVID Facility, repayable on 31 March 2021. The COVID Facility was originally set at £2bn, and later increased to £3.5bn. In September 2020, the COVID Facility was further increased to £4.5bn and its repayment date was extended to 31 December 2021. The Facility was further increased to £5.5bn in November 2020. In February 2021 the repayment date was extended to 1 April 2023 and to 1 April 2024 in July 2022. No interest is payable on this facility.

In April 2021, £600m of the COVID Facility was repaid, with a further £2.7bn repaid in September 2021. In June 2021, £200m was drawn down, with a further £150m drawn down in March 2022. As at 31 March 2022, £2.0bn was drawn down.

21 Leases

(a) Where the company acts as a lessee

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 March 2022 £ 000	31 March 2021 £ 000
Less than one year	6,240	8,160
More than 1 year and less than 5 years	27,388	22,604
More than 5 years and less than 10 years	28,109	9,140
More than 10 years	26,096	15,167
Total lease liabilities (undiscounted)	87,833	55,071
Less unearned interest	8,514	6,398
Discounted lease liabilities	79,319	48,673
Analysed as:		
Current	5,199	7,325
Non-current	74,120	41,348
	79,319	48,673

Current year lease liability has decreased by £9.3m as a result of the Daventry warehouse derecognition. The Daventry warehouse is used solely for the purpose of storing and distributing PPE. Given SCCL acts as an agent on behalf of DHSC for this, SCCL are not deemed to have control over this warehouse and therefore have derecognised the warehouse and associated balances in their financial statement.

21 Leases (continued)

Total cash outflows related to leases
Total cash outflows related to leases are presented in the table below:

Payment	**31 March 2022 £ 000**	**31 March 2021 £ 000**
Right of use assets	5,725	7,470
Interest	776	906
Total cash outflow	6,501	8,376

The company has leases for an office, vehicles and some office equipment. It also leases some warehouses though its procurement contracts. With the exception of short-term leases and leases for low-value underlying assets, each lease is reflected as a right of use asset and a lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the company's incremental borrowing rate ("IBR"), since the interest rate implicit in the leases cannot be readily determined.

The rate applied to new lease liabilities recognised in the Statement of Financial position is 0.91% for leases recognised during the calendar year 2021 and 0.95% for leases recognised during calendar year 2022 (2021 -1.27%) this rate is published by HM Treasury annually in its public expenditure papers.

The company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the company's finance function.

(b) Where the company acts as a lessor

During the year, the company has leased 30 MRI and CT scanning machines to NHS Trusts (2021: 31).

Finance leases
The company has classified 2 (2021: 2) of the leases as finance leases because the leases transfer all the risks and rewards incident to ownership of the scanning machines to the lessees.

During the year, the company has recognised interest income on finance lease receivables of £35,000 (2021: £35,000), which is disclosed within leasing of equipment revenue (see Note 4 Revenue).

The following table sets out a maturity of the finance lease receivables, showing the undiscounted lease payments to be received after the reporting date.

21 Leases (continued)

Finance lease receivable	31 March 2022 £ 000	31 March 2021 £ 000
Due in one year	399	399
Due in two years	399	399
Due in three years	399	399
Due in four years	399	399
Due in five years	181	399
Due in more than five years	-	183
Total undiscounted lease receivable	1,777	2,178
Less unearned finance income	(156)	(191)
Net investment in the lease	1,621	1,987
Analysed as:		-
Current	399	399
Non-current	1,222	1,588

Operating leases

The company has classified 28 (2021: 29) of the leases as operating leases because all the risks and rewards incident to ownership of the scanning machines are retained by the company and are not transferred to the lessees.

During the year, the company recognised rental income on operating leases of £4,096,000 (2021: £4,172,000), which is disclosed within leasing of equipment revenue (see Note 4 Revenue).

The following table sets out a maturity of the operating lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating lease receivable	31 March 2022 £ 000	31 March 2021 £ 000
Due in one year	4,501	4,172
Due in two years	4,200	4,008
Due in three years	2,150	3,761
Due in four years	739	1,964
Due in five years	234	624
Due in more than five years	-	220
Total operating lease receivable	11,824	14,749

22 Provisions

	Dilapidations £ 000	Total £000
At 1 April 2021	13,009	13,009
Increase in existing provisions	662	662
At 31 March 2022	13,671	13,671

All provisions are classified as non-current liabilities.

The provision for dilapidations relates to the estimated cost of future repairs and renovations that will need to be made in line with lease obligations for warehouses. There has been a review of the provisions for all leases resulting in an increase to the provision.

	Employee benefits £ 000	Dilapidations £ 000	Total £ 000
At 1 April 2020	395	6,787	7,182
Increase in existing provisions	-	6,389	6,389
Provisions utilised	-	(167)	(167)
Provisions released	(395)	-	(395)
At 31 March 2021	-	13,009	13,009

23 Contingent liabilities

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision.

Under IAS 37, contingent liabilities are not recognised in the statement of financial position but are required to be disclosed in a note in the accounts.

The contingent liability disclosed in this note is a VAT contingent liability.

Following discussions with HMRC, output tax was declared in the VAT return for period ending 30 June 2021, that related to supplies made in earlier VAT periods. It was agreed with HMRC in writing that SCCL would not need to submit an error correction notice for this instance, but should a similar event occur again an error correction notice would be required.

A post year end 3rd party review of our VAT compliance correctly stated that because SCCL had liaised and agreed the approach with HMRC, we did not submit an error correction. The 3rd party therefore consider there is a theoretical risk that HMRC change their position and consider this a careless inaccuracy. The penalty range for a careless error is 15-30% which would correspond to a theoretical penalty in this instance of up to £21m, and further interest of £2m.

Management considers the risk of this liability occurring to be remote. To be transparent, and following IAS37, we note this as a contingent liability for the financial year. Since year end, HMRC have made no further comments in respect of the output tax declared in the June 2021 VAT return since confirming the approach taken by SCCL.

24 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, Mercer DB Master Trust (previously known as the 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. 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 2020 is based on valuation data as at 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19 'Employee Benefits', 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 Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

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 latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

24 Pension and other schemes (continued)

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

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. 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 'Employee Benefits', 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.

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 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 was delayed pending review following the outcome of the McCloud case and any remedy.

24 Pension and other schemes (continued)

In February 2019 the Treasury published amending Directions to pause the cost cap element of the valuations due to uncertainty regarding the cost of schemes following the McCloud and Sargeant litigation. As there is now sufficient certainty, these Amending Directions were published in October 2021. GAD has now completed the 2016 valuation calculations and corresponding results were published on 17 December 2021. The Government Actuary confirmed in the final cost cap valuation report that there was no breach of the cost control mechanism for the Scheme, there are no changes to benefits or member contributions required and therefore no adjustments are required to the liability disclosed in the scheme accounts.

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.

Mercer DB Master Trust

The Mercer DB Master Trust (previously known as the Federated Pension Plan ("FPP")) is a sectionalized, multi-employer private sector pension scheme run by PAN Trustees. The scheme is awaiting a new 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 the trustees of the Plan, through Mercer. 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 Supply Chain Coordination Limited employees directly employed by the company 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, CSPS or the Mercer DB Master Trust and are auto-enrolled into the NEST pension scheme. This is a defined contribution plan.

25 Share capital

Allotted, called up and fully paid shares

	31 March 2022 No.	31 March 2022 £	31 March 2021 No.	31 March 2021 £
Ordinary shares of £1 each	21,000,001	21,000,001	21,000,001	21,000,001

On 1 October 2021, the shareholding of the company was wholly transferred to the National Health Service Commissioning Board, NHS England (NHSE).

26 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £4,892,000 (2021: £7,400,000).

27 Financial risk review

This note presents information about the company's exposure to financial risks and the company's management of capital.

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, it is not exposed to significant credit risk in this regard.

The company's trade receivables are primarily with related parties who are members of the DHSC Group and are short-term in nature (see Note 28 Related party transactions). The directors consider these entities as low risk due to being government funded and so an expected credit loss for these customers has not been recognised in the financial statements. The company also has trade receivables due from private entities and a provision is recognised against these customers where necessary.

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 its facilities (see Note 20 Loans and borrowings).

27 Financial risk review (continued)

Maturity analysis for financial liabilities and financial assets

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

2022 Non-derivative assets	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000
Non-current financial assets	1,258	-	-	-	1,258
Other current financial assets	2,275,604	24,805	360,693	1,890,106	-
Cash and short-term deposits	140,494	140,494	-	-	-

2022 Non-derivative liabilities	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000
Loans and borrowings	2,233,920	-	-	-	2,233,920	-
Trade and other payables	389,643	7,189	156,366	219,819	6,269	-
Lease liabilities	79,319	433	1,300	3,466	24,042	50,078

27 Financial risk review (continued)

2021 **Non-derivative assets**	**Carrying amount £ 000**	**Less than 1 month £ 000**	**1-3 months £ 000**	**3 months - 1 year £ 000**	**1-5 years £ 000**	**More than 5 years £ 000**
Non-current financial assets	1,621	-	-	-	1,453	168
Other current financial assets	5,135,189	167,072	190,162	4,777,955	-	-
Cash and short-term deposits	551,706	551,706	-	-	-	-

2021 **Non-derivative liabilities**	**Carrying amount £ 000**	**Less than 1 month £ 000**	**1-3 months £ 000**	**3 months - 1 year £ 000**	**1-5 years £ 000**	**More than 5 years £ 000**
Non-current financial liabilities	5,183,920	-	-	-	5,183,920	-
Loans and borrowings	141	141	-	-	-	-
Trade and other payables	504,915	52,741	299,073	143,723	9,378	-
Lease liabilities	48,673	670	2,079	4,576	20,278	21,070

27 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 primarily undertaken in sterling and so it is not exposed to significant foreign exchange risk. It holds no significant investments other than bank deposits. Other than cash balances and its facilities, 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 2022 (2021: £21m).

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:

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

28 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 until 30 September 2021, making it the company's ultimate controlling party. On 1 October 2021, the shareholding of the company was wholly transferred to the National Health Service Commissioning Board, NHSE. The Secretary of State for Health and Social Care remains the company's ultimate controlling party.

Details of the remuneration paid to Board Directors can be found in the Remuneration Report on pages 25 to 31 and in Note 9 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 entity. Most of these transactions have been with DHSC, UK HSA, NHS England, NHS Trusts and NHS Foundation Trusts.

28 Related party transactions (continued)

Year ended 31 March 2022	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	169,862	441	13,362	5,612
UK HSA	1,133	-	-	-
NHS Resolution	1	127	-	-
NHS BSA	-	77	-	-
NHS England	225,851	8,252	61,577	7,032
NHS Trusts	697,295	-	81,077	-
NHS Foundation Trusts	1,534,297	89	179,998	21
Other DHSC Group bodies	1,666	-	230	-
	2,630,105	8,986	336,244	12,665

Year ended 31 March 2021	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	202,515	155	3,803	5,462
UK HSA	838	-	-	-
NHS Resolution	-	97	-	-
NHS BSA	4	411	-	-
NHS England	287,031	-	24,831	-
NHS Trusts	553,565	-	48,147	-
NHS Foundation Trusts	1,069,891	2,705	109,284	-
Other DHSC Group Bodies	1,973	-	74	-
	2,115,817	3,368	186,139	5,462

28 Related party transactions (continued)

Loans from related parties

2022	Revolving Credit Facility £ 000	COVID Facility £ 000	Total £ 000
At start of period	250,000	4,933,920	5,183,920
Drawdowns	-	350,000	350,000
Repaid	-	(3,300,000)	(3,300,000)
At end of period	250,000	1,983,920	2,233,920

2021	Revolving Credit Facility £ 000	EU Exit Loan £ 000	COVID Facility £ 000	Total £ 000
At start of period	102,000	100,000	-	202,000
Drawdowns	148,000	100,000	4,733,920	4,981,920
Transfers	-	(200,000)	200,000	-
At end of period	250,000	-	4,933,920	5,183,920

The tables above set out the movement in the principal element of each borrowing that has been undertaken by the company.

Interest of £nil has been accrued on the Revolving Credit Facility (2021: £141,000).

For terms of loans from related parties please refer to note 20 Loans and borrowings.

29 Parent and ultimate parent undertaking

Until 30 September 2021, the company's immediate parent was The Secretary of State for Health and Social Care.

From 1 October 2021, the company's immediate parent was the National Health Service Commissioning Board.

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

30 Non adjusting events after the financial period

On 27 June 2022, the company repaid £250m of the COVID facility, £150m on 25 October 2022 and a further £833m on 2 March 2023. The balance of the COVID facility at the date of signing is £750m.

In April 2022, NHS Supply Chain formally launched the procurement process for category management services with planned award dates in early 2023 and implementation by the end of 2023. These services form part of its Target Operating Model (TOM) programme as an evolution of the existing approach.

On 1 July 2022, operational responsibility for Large Diagnostic Capital Equipment including Mobile and Services (Category Tower 7) transitioned from DHL Life Sciences to NHS Supply Chain. The aim of the transition is to help us provide greater ability to connect the needs of clinicians with the activities around the sourcing of products in this complex area.

On 1 November 2022, operational responsibility for Orthopaedics, Trauma and spine, and Ophthalmology (Category Tower 7) transitioned from DHL Life Sciences to NHS Supply Chain. The aim of the transition is to help us provide greater ability to connect the needs of clinicians with the activities around the sourcing of products in this complex area.

On 1 February 2023, Collaborative Procurement Partnership (PPE team) Tower 2 transitioned from DHL Life Sciences to NHS Supply chain. By consolidating PPE colleagues into a single central team, this acknowledges the importance of PPE as a category and merges our learning from Covid 19 with a team who already have a wealth of NHS knowledge, skills, and experience.

DHSC have provided confirmation after the period end that the £30m reduction in inventory value will be reimbursed. The reimbursement will be recognised in future accounting period.