



ANNUAL REPORT 2009/2010





CONTENTS

| | |
|--|----|
| Foreword by Dr Chris Hodges, Chairman | 3 |
| Introduction by Sue Sharpe, CEO | 4 |
| Contract & Service Developments | 5 |
| Pharmacy Contract funding | 6 |
| Regulatory Issues | 10 |
| LPC & Contractor Support | 11 |
| NHS IT | 13 |
| Information Services | 14 |
| Pricing Audit Activities | 15 |
| Community Pharmacy Development Programme | 17 |
| Financial Statements | 18 |
| PSNC Committee | 30 |
| PSNC Organogram | 31 |

Foreword

The outbreak of swine flu in the spring of 2009 put immense pressure on the NHS, as the government and PCTs sought to ensure they could address the challenge of protecting services to patients, whilst increasing capacity to deal with large numbers of people infected by the disease.

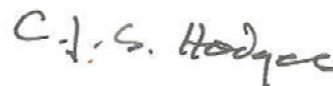
In the event, the spread of the virus was limited, the feared recurrence of a more virulent strain in the autumn did not materialise, and the NHS could take some learnings from the good and bad, experiences of service planning and provision around the country.

Once again, in areas where community pharmacies were engaged constructively, their services were used sensibly and effectively to contribute to distribution of anti-virals, minimising inconvenience for patients. And once again, we saw some disappointing examples of PCTs failing to use their local resources, ignoring not only pharmacies' ability to assist, but in some cases acting well outside their powers. Overall, community pharmacies made a notable contribution to dealing with the outbreak, and this was recognised by the government's "Flu Czar", or National Director for NHS Flu Resilience, Ian Dalton

The team at Aylesbury had a busy year. As well as supporting the pharmacy contribution to the swine flu outbreak, our team were working on development of Pharmaceutical Needs Assessments, and negotiations for implementation of some of the White Paper proposals. The new Cost of Service Inquiry got underway, and work continued to improve prescription pricing accuracy, and to prepare for introduction of the Electronic Prescription Service.

In addition, PSNC completed its work on revising the model LPC constitution and revised its own Constitution to ensure that it had a balance of independent and multiple members on the Committee. Elections to LPCs and the election of regional representatives to PSNC were held at the beginning of 2010.

Throughout a challenging and demanding year, I have been struck by the commitment and effectiveness of the team we have at PSNC. Though small in number, they are big in quality and dedication to their work for contractors. The job is tough and positive results do not come quickly or easily. But you have an excellent and determined team working for you, and I know they will achieve the best possible outcomes in the many areas we will be pursuing with a new government in the coming months.



Dr Chris Hodges
Chairman

Introduction

PSNC is a Committee of pharmacists. The independent pharmacy contractors who are our regional representatives are joined by pharmacists representing larger multiple organisations. Although the Committee agreed changes to its composition to take effect in April 2010 it continues to comprise pharmacists who understand the pressures, financial and operational, of running a community pharmacy.

Those pressures are immense, as dispensing volumes grow whilst the burden of additional NHS regulation and demands for new procedures and records also rise inexorably. Community pharmacies have made real progress in recent years: 1.7 million MURs were delivered in 2009-10. All the main political parties want to expand the role of the community pharmacist, and the experience of MURs has demonstrated how much the public value the information and advice the pharmacist can give them.

In my work with the profession I heard so many times that the skills of the pharmacist were under-used, and the profession wanted to develop its clinical role. Yet pharmacy is groaning under the strain of the current workload, and although we now have unprecedented opportunities to do this, and in particular to develop our services in promoting public health as well as medicines adherence and care of minor ailments, there is a clear need to ensure that the funding and staffing of pharmacies supports adoption of new roles.

The profession must get behind the programme of change if we are to capitalise on the opportunities we have created. We have been working with the Department of Health, on identifying the current costs of providing the community pharmacy service, and we were pleased to secure arrangements to protect funding following the decision to devolve the global sum to PCTs from April 2010.

In preparing this report it is clear how extensive our work is, and that pharmacy will need to show itself to be adaptive and responsive to changing demands.

A handwritten signature in black ink that reads 'Sue Sharpe'.

Sue Sharpe
CEO

Contract & Service Development

Early in 2010 two new Advanced services were added to the community pharmacy contract – Appliance Use Reviews and the Stoma Appliance Customisation service. Alongside these new services were changes to the Essential service requirements relating to the supply of appliances. Further information on these service developments and support materials developed by PSNC can be found at www.psn.org.uk/appliances.

During the year extensive negotiations took place between PSNC, NHS Employers and the Department of Health. The negotiations focussed on proposals in the 2008 Pharmacy White Paper, including the targeting of MURs, development of support for people prescribed a new medicine for a long-term condition, the updating of clinical governance and quality requirements in the core community pharmacy contract and the national commissioning of minor ailments services. Negotiations continued into 2010.

The number of MURs conducted continued to grow during the year with over 1.7 million delivered during the year. At the end of the year over 83% of pharmacies were claiming for the provision of MURs and over 23,000 pharmacists were accredited to provide MURs.

PSNC provided significant support to LPCs and pharmacy contractors following the development of the NHS Health Check service. A series of LPC seminars supported the dissemination of PSNC guidance on NHS Health Checks and a national template service specification was developed and agreed with the Department of Health.

Pharmacy Contract Funding

National contract funding guaranteed for 2009/10 totalled £2,300m before pre-registration training grants, an increase of £87m. Details of the payments used to allocate this sum are set out below. In addition the Minister allowed contractors to keep £125m of excess margin to set off against future infrastructure costs.

The calculation of the £87m uplift followed the established process as set out in the new contract book. The formula uplift recognises volume growth at marginal cost, general and staff cost inflation, and an efficiency discount imposed by the DH. As part of the increased regulatory burden, PSNC negotiated funding to reflect the costs associated with the CIP system, changes to CD regulations, EPS system upgrades, complying with NPSA alerts on anti-cancer and opioid dispensing, quota shortages and the ICO model publication scheme. The regulatory burden contributed £15m of the total.

As in previous years PSNC robustly represented contractors' concerns on funding levels to the Department of Health emphasising PSNC's commitment to delivering the White Paper aims. Following these representations, the Minister agreed not to adjust for £125m of excess margin pending the outcome of a joint Cost of Service Inquiry. PricewaterhouseCoopers (PwC) was appointed by the Department of Health and PSNC to conduct this inquiry, which is expected to report in autumn 2010. The joint cost of service inquiry will form the evidence base for negotiations for future funding. It is essential that the costs of the range of pharmacy businesses today are captured fully, as well as identifying the costs of future developments in the community pharmacy service.

PSNC continued its work with the Department of Health to monitor levels of buying profit to ensure that the guaranteed £500m was delivered; this continues to be measured by the profits available to the independent contractor. PSNC retains the services of expert statistical advisers to scrutinise the process and the results of the inquiries. Following the 2008/09 inquiry and as part of the settlement for 2009/10, an adjustment of £20m per quarter was necessary to Category M prices in October 2009.

Over the year PSNC continued to devote considerable effort to ensuring the Category M mechanism was operated appropriately. As in previous years this has focussed on seeking to achieve stable pricing and maintaining clear criteria for entry to and exit from the Category M list.

Two other significant challenges were faced in the year. The first was to ensure fair payments to contractors were maintained in the event of a flu pandemic. The second was dealing with the devolvement of the Global Sum.

From 1st April 2010 the remaining centrally held budget for pharmacy funding known as the Global Sum were devolved from the Department of Health to PCTs. Following the expression of serious concerns, PSNC secured agreement from Health Services Minister Mike O'Brien that this funding will be robustly protected while new funding arrangements are developed. The Department of Health has introduced a set of temporary measures designed to safeguard this funding which apply from April 2010. They include a revised advance payment arrangement and the opportunity for contractors to claim protection for lost fees and allowances resulting from changes in the period of treatment. In addition the adverse consequences of increasing prescription duration have been made clear to PCTs and SHAs by the Director of NHS Finance.

More information on the devolvement of the Global Sum can be found on the website at www.psn.org.uk/globalsum.

NHS remuneration **Amounts paid to Contractors**

The forecast outcome of the Global Sum for England in 2009/10 is £1,082m (£1,032m in 2008/09).

Professional Fees

The Professional Fee was set at 90 pence per item for the year.

Establishment Payment

For the six months from April to September 2009 the Establishment Payment for the year started at £23,278 pa for contractors dispensing at least 2,180 items per month, moving to £24,190 pa for contractors dispensing at least 2,460 items per month and finally to £25,100 pa for contractors dispensing at least 2,730 per month.

PSNC agreed with DH that the increase to the threshold should again be kept down to 3% from 2,180 to 2,240. This is lower than the underlying prescription volume and reflects PSNC's concern for lower volume contractors. Payment rates remained the same.

So for the six months from October 2009 to March 2010 The Establishment Payment for the year started at £23,278 pa for contractors dispensing at least 2,240 items per month, moving to £24,190 pa for contractors dispensing at least 2,530 items per month and finally to £25,100 pa for contractors dispensing at least 2,810 items per month.

Expensive Script Allowance

This continued to be paid at 2% of ingredient cost before discount on all prescriptions costing £100 or more.

Other Professional Fees

All other professional fees remained unchanged during the year.

Pre Registration Trainees

The grant payable in respect of pre-registration trainees was paid at a rate of £18,440 per annum.

ESPLPS

The upper threshold remained unchanged at 26,400 items pa but the annual target income increased from £70,397 to £73,165 from October 2009 (the regulation came into force in February 2010 but has provision to apply to ESPLPS from October 2009). Payments were made under the scheme at a cost of £5.4m (£5.0m in 2008/09).

Practice Payments

For the six months from April to September 2009 the payments totalled £300 for contractors dispensing less than 1100 items per month, moving to £3,600 for contractors dispensing at least 1,100 items per month and to £5,040 for contractors dispensing at least 1,600 items per month. Finally those contractors dispensing 2,180 items or over per month received 70.9 pence per item.

PSNC agreed with DH that the increase to the upper threshold should again be kept down to 3% from 2,180 to 2,240. This is lower than the underlying prescription volume and reflects PSNC's concern for lower volume contractors. Payment rates remained the same.

So from October 2009 to March 2010 those contractors dispensing 2,240 items or over per month received 70.9 pence per item.

All these amounts included a contribution to contractors for compliance with their obligations under the Disability Discrimination Acts.

Repeat Dispensing

All contractors were entitled to a Repeat Dispensing annual payment set at £1,500pa.

Transitional Payment

This is a banded payment. The rate payable for the year remained unchanged at £7.40 per 500 items.

EPS

Pharmacy contractors in England who were in a position to operate the Electronic Prescription Service were able to claim a £200 per month ongoing IT allowance.

Advanced Services

Payment of £28 per MUR was payable from 1st April 2009 for contractors meeting the requirements for the service. The maximum allowable payment for the year was based on 400 MURs for contractors in England with the exception of pharmacies that had not made arrangements to



provide this service by October 2009 for whom the maximum remained at 200 MURs.

Container Allowance

The container allowance continued to be paid at 3.24 per item for the full year. No container inquiry was held.

Deduction Scale (discount clawback)

The Deduction scale, or discount claw back has recovered an average of 8.1% (8.3% for 2008/09) of total Net Ingredient Cost (NIC) over the course of the year.

Local Pharmaceutical Services (LPS)

In 2009/10 LPS contractors dispensed 0.5m items (0.5m in 2008/09). If these items had been dispensed under the normal national contract £1.1m in fees (£0.9m in 2008/09) would have been paid out and this amount is included in the Global Sum spend above.

Regulatory Issues

PSNC was represented on the Department of Health's Advisory Group on the NHS (Pharmaceutical Services) Regulations, which met during 2009 – 10 to advise on the regulatory framework needed to introduce Pharmaceutical Needs Assessments. PSNC also provided members of a sub-group, to develop guidance on those regulations. The Regulations were laid in March 2009 and came into force on 24 May 2010.

During the later part of the year, PSNC was also represented on the Advisory Group when discussions began on amending the market entry test, to align it to the Pharmaceutical Needs Assessments.

Other activities

In spring / summer 2009, PSNC concluded the two year project to produce a model LPC Constitution that is fit for purpose. Following agreement by PSNC, LPCs were provided with further support so that they could call special general meetings to replace their existing Constitution prior to the four yearly election timetable.

PSNC also amended its Constitution and Rules during the latter part of the year, to ensure that it provided balanced representation for the large multiples, the small to mid size multiples and the independent contractors.

Following the adoption of new Constitutions LPCs and PSNC held elections for Committees that were due to take office immediately after the year end.

LPC & Contractor Support

Keeping LPCs and contractors informed

PSNC Community Pharmacy News (CPN) was published each month keeping contractors informed on NHS community pharmacy matters with a downloadable electronic version of CPN available on the PSNC website. The PSNC contract workbook was distributed with CPN to help contractors with contract monitoring visits.

The PSNC website remains one of the most visited pharmacy sites for the latest news and resources. The LPC members' area of the site provides additional web resources for LPC members. During the year, a weekly email news service provided an additional channel for information. Contractors can sign up online at www.psnc.org.uk/enews to receive a weekly summary of the latest news and guidance featured on the PSNC website including pharmacy contract news, Drug Tariff news, NCSO updates, events information and much more.

LPCs were alerted to breaking news with frequent 'Health News' emails from PSNC. LPC members also received a monthly e-bulletin - LPC Upd@te - summarising news and information relating to LPC business.

Regular briefings and circulars were distributed to LPC Secretaries, keeping them fully informed on a wide range of matters including NHS policy, regulations and professional matters. Regional meetings of LPCs were supported by PSNC both financially and administratively giving the PSNC regional representative the opportunity to brief LPCs on national PSNC issues and for LPCs to ensure their regional representative is fully aware of local concerns and issues. Regional representatives were encouraged to provide a report to each meeting of the PSNC LPC and Implementation and Support sub committee

LPC Training

PSNC events for LPC members provided training on:

- World Class Commissioning
- Managing people effectively
- Influencing skills
- Excelling at commissioning
- NHS policy update
- Pharmaceutical Needs assessments
- New members seminars
- Setting up and maintaining an LPC website

Many hundreds of LPC delegates attend PSNC training events each year and the feedback shows the courses are highly rated.

Conferences for LPCs

The annual meeting of LPC Secretaries, organised by PSNC, took place on 17th June providing an opportunity for LPCs to receive updates from PSNC, discuss LPC administration and share good practice.

Community Pharmacy Conference

The PSNC Community Pharmacy Conference on 15th March was held at the International Convention Centre in Birmingham. All places were sold out with an audience of over 300 delegates. With a focus on PNAs and pharmacy funding there were speakers from the DH and NHS Employers as well as PSNC. The day also featured the health spokesmen from the Labour, Conservative and Liberal Democratic parties saying how they would develop pharmacy if elected.

New logo

During the year PSNC launched a new logo "Pharmacy the Heart of our Community" to promote the value and service of pharmacy to those outside the profession.



NHS IT

PSNC has continued to work to influence and help develop the strategy for the implementation of the NHS Electronic Prescription Service (EPS).

Initial Implementation of Release 2 of the service began during 2009 but progress has been slow. EPS Release 2 will introduce a range of new functionality including the potential for patients to nominate their preferred pharmacy. PSNC is working with the Department of Health to resolve a number of outstanding issues including business continuity arrangements.

In early 2010, PSNC commissioned an independent evaluation of the community pharmacy perspective of EPS to support influencing the future direction of the service.

Other IT Projects

During the year PSNC worked with the Department of Health, Connecting for Health and the Royal Pharmaceutical Society of Great Britain to agree the first set of Pharmacy Information Governance Requirements. Pharmacies were required to undertake a baseline assessment of their compliance with the requirements by 31st March 2010.

As pharmacies handle sensitive information about NHS patients, there was no possibility that pharmacies could be exempted from these requirements, therefore the priority for PSNC was to ensure that there were supporting resources available to make achieving compliance as efficient as possible and that the funding properly reflects the costs of these changes. A range of resources were developed including a pharmacy contractor workbook, a staff training guidance and a series of tools and templates to support compliance with each requirement.

PSNC has also input into the development of other national NHS IT projects including the NHS Care Records Service and the NHSmail service.

More information about the various NHS IT projects can be found on the PSNC website (www.psn.org.uk/IT)

Information Services

The PSNC Information Team provide advice to pharmacy staff members on a range of issues including prescription, Drug Tariff and pharmacy contract queries. The Team responds to telephone calls and email queries and has developed a range of resources to support pharmacy staff including the PSNC Dispensing Resources Guide, prescription charge cards and the online Drug Tariff Resource Centre on the PSNC website.

The Team also closely monitor changes to the Drug Tariff and are responsible for administering applications to the Department of Health for the NCSO concession, the addition of products to the 'List of Drugs for which Discount is not Deducted' and requests for a change in a product's calendar pack or special container status.

During the year a key work area for the team has been supporting pharmacies with branded medicine supply problems. As well as supporting pharmacists in sourcing stock where there was urgent patient need, the Information Team have worked to gather evidence of the problem to support PSNC's discussions with the Department of Health and manufacturers.

Pricing Audit Activities

The accuracy of prescription pricing continues to be a concern for pharmacy contractors particularly with regard to prescriptions priced by NHS Prescription Services (part of NHSBSA) using the Capacity Improvement Programme (CIP).

PSNC has continued to undertake pricing audit activities at National Prescription Research Centre's (NPRC) in North London and in addition has developed the Pricing Audit Team (PAT) based at Aylesbury to undertake additional checks.

PSNC's pricing audit work includes:

- Random routine pricing checks on contractor bundles
- Switching checks
- Analysis of Schedules of Payment to identify pricing anomalies
- Special pricing checks upon request of a contractor where there is evidence to suggest that there has been a pricing problem

NHS Prescription Services target level for accuracy is 99.8% net cash variance (0.2% error). PSNC pricing audit analysis shows that this target was not met every month and that there is an ongoing trend towards underpayments although there are some overpayments. Previously a key area for error has been 'prescription switching'. However, checks undertaken by PSNC show that there has been improved accuracy in this area

It is a priority for PSNC to ensure that contractors are properly reimbursed for significant errors that may have occurred during the implementation of CIP. Following negotiations with the Department of Health during the year a CIP error payment package was agreed for contractors who had prescription payments processed via CIP in the period up to 31 March 2009. This payment acknowledged the unsatisfactory level of errors in that period.

PSNC continues to work collaboratively with NHS Prescription Services to identify common trends in pricing errors and to ensure that processes are reviewed and revised to improve pricing accuracy. During the year a range of actions designed to improve accuracy have been introduced including enhancements to the intelligent character recognition.

In order to improve accuracy on high impact/high values PSNC agreed to a revision of prescription sorting requirements to be undertaken by contractors. These were introduced from April 2010 dispensed prescriptions. PSNC has assisted contractors by giving advice regarding these revised arrangements before they are introduced.

In order to improve transparency of payments and to assist contractors in making checks of their payments PSNC pushed for details of items with a net ingredient cost (NIC) of £100 or over to be itemised on the Schedule of Payment. This revised Schedule was introduced for prescriptions dispensed from April 2010 onwards.

Looking to the future work is underway at PSNC to redevelop the pricing audit computer system to enable a wider range and increased level of pricing audit checks to be undertaken in the future.

Community Pharmacy Development Programme

Now in its ninth year, PSNC's Community Pharmacy Development Programme has continued its success in supporting and promoting community pharmacy by providing events and resources for LPC members and contractors.

The Programme is designed to develop and raise the profile of community pharmacy and to help LPCs and pharmacy contractors to build and strengthen their relationship with industry partners.

PSNC is grateful to all of its eight Programme Partners for demonstrating their commitment to community pharmacy and for their generous support during this busy year. We look forward to working with our industry partners in the future.

Our Community Pharmacy Development Partners during 2009-10 were:





Financial Statements for the Year Ended 31st March 2010

Including National Prescription Research Centre

| | |
|--|----------------|
| Income & Expenditure Account | Page 15 |
| Balance Sheet | Page 16 |
| Notes to the Financial Statements | Page 17 |
| Report of the Auditors | Page 23 |
| Cash Flow Statement | Page 25 |

Auditors: Landau Morley LLP
Chartered Accountants & Registered Auditors
Lanmor House
370/386 High Road
Wembley
Middlesex
HA9 6AX

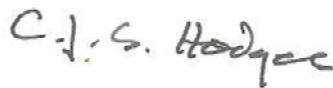
Income & Expenditure Account

| | Notes | 2010 | | 2009 | |
|---|-------|------------------|--------------------|------------------|--------------------|
| | | £ | £ | £ | £ |
| Income | 1 | | | | |
| Levies from Local Pharmaceutical Committees received and outstanding | | | 2,931,260 | | 2,832,939 |
| Expenditure | 1 | | | | |
| Administration | | | | | |
| Staff employment | 2 | 1,762,155 | | 2,034,291 | |
| Rent, rates and other property costs | | 127,524 | | 125,964 | |
| Printing, stationery, postage and telephone | | 86,366 | | 86,380 | |
| Prescription collection and carriage | | 2,273 | | 3,223 | |
| Travelling and meeting expenses | | 337,485 | | 191,637 | |
| Sundry | | 1,905 | | 1,633 | |
| | | <u>2,317,708</u> | | <u>2,443,128</u> | |
| Finance | | | | | |
| Audit fees | | 7,165 | | 7,863 | |
| Depreciation, including scrapage & profit or loss on disposal of fixed assets | | 61,560 | | 73,212 | |
| | | <u>68,725</u> | | <u>81,075</u> | |
| | | | <u>(2,386,433)</u> | | <u>(2,524,203)</u> |
| | | | 544,827 | | 308,736 |
| Service | | | | | |
| Professional fees | | <u>377,906</u> | | <u>108,550</u> | |
| Communication | | | | | |
| Public relations | | 177,618 | | 176,987 | |
| PSNC News | | 40,671 | | 95,295 | |
| Conferences | | - | | <u>101,529</u> | |
| | | 218,289 | | 373,811 | |
| Less: Partnership contribution | | (176,043) | | (175,000) | |
| | | <u>42,246</u> | | <u>198,811</u> | |
| | | | <u>(420,152)</u> | | <u>(307,361)</u> |
| Operating surplus/(deficit) | | | 124,675 | | 1,375 |
| Other income | | | | | |
| Interest receivable | | | <u>16,484</u> | | <u>76,434</u> |
| Surplus before tax | | | 141,159 | | 77,809 |
| Tax charge | 3 | | <u>50,182</u> | | <u>53,014</u> |
| Surplus after tax | | | <u>90,977</u> | | <u>24,795</u> |

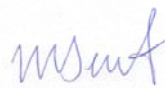
Balance Sheet

| | Notes | 2010 | | 2009 | |
|---|-------|-----------|-------------|-----------|-------------|
| | | £ | £ | £ | £ |
| General fund | | | | | |
| Balance at 1 April 2009 | | | 416,889 | | 392,094 |
| Surplus for the year | | | 90,977 | | 24,795 |
| | | | <hr/> | | <hr/> |
| Balance at 31 March 2010 | | | 507,866 | | 416,889 |
| | | | <hr/> <hr/> | | <hr/> <hr/> |
| Represented by: | | | | | |
| Fixed assets | | | | | |
| Tangible assets | 4 | | 298,675 | | 327,354 |
| Current assets | | | | | |
| Debtors | 5 | 71,767 | | 52,632 | |
| Cash at bank and in hand | | 1,924,169 | | 1,627,218 | |
| | | <hr/> | | <hr/> | |
| | | 1,995,936 | | 1,679,850 | |
| Current liabilities | | | | | |
| Creditors | 6 | 1,777,145 | | 1,590,315 | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 218,791 | | 89,535 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 517,466 | | 416,889 |
| Provisions for liabilities and charges | | | | | |
| Deferred tax | 7 | | (9,600) | | 0 |
| | | | <hr/> | | <hr/> |
| Net assets | | | 507,866 | | 416,889 |
| | | | <hr/> <hr/> | | <hr/> <hr/> |

These financial statements were approved by the Pharmaceutical Services Negotiating Committee on 20th July 2010 and signed on its behalf by:



C HODGES
Chairman of the Committee



M DENT
Head of Finance

Notes to the Financial Statements

1 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The following principal accounting policies have been applied:

Income and expenditure

Both income and expenditure are accounted for on the accruals basis.

Land and buildings

The committee elected to adopt the transitional rules under FRS15 'Tangible fixed assets' not to revalue land and buildings in future periods. Accordingly the property was last revalued in 1994 and continues to be carried at that valuation.

Depreciation

Depreciation is calculated on the written down values of furniture and fittings and computer and office equipment, and on a straight-line basis on motor vehicles at the following rates:

| | |
|-------------------------------|-------|
| Furniture and fittings | - 15% |
| Computer and office equipment | - 25% |
| Motor Vehicles | - 25% |

Freehold buildings were depreciated on a straight-line basis over sixty years up to 31 March 1994 being their estimated useful life. From 1 April 1994 they have been depreciated on a straight line basis over fifty years, being their estimated useful life.

Taxation

Any surplus arising from the activities of the Pharmaceutical Services Negotiating Committee is subject to UK Corporation Tax.

Deferred taxation

Deferred tax in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such differences are expected, with reasonable probability, to continue in the foreseeable future.

Pension costs

The amounts paid during the year are charged to the profit and loss account. Details are shown in note 9 of these accounts.

Operating leases

Operating leases are charged to the profit and loss account as incurred.

| | 2010 | 2009 |
|-------------------------|-------------------------|-------------------------|
| | £ | £ |
| 2 Employees | | |
| Staff costs consist of: | | |
| Wages and salaries | 1,073,911 | 1,070,048 |
| Social security costs | 112,767 | 104,525 |
| Pension costs | 534,397 | 822,732 |
| Other employment costs | <u>41,080</u> | <u>36,986</u> |
| | <u><u>1,762,155</u></u> | <u><u>2,034,291</u></u> |

The salary of the Chief Executive Officer is in the band of £175,000 to £200,000

| | 2010 | 2009 |
|--|----------------------|----------------------|
| | £ | £ |
| 3 Taxation | | |
| The charge is based on the surplus before tax, as follows: | | |
| UK corporation tax at 21% (2009: 21%) | 44,633 | 51,320 |
| Transfer to/(from) deferred taxation | 9,600 | |
| (Overprovision)/Under provision in prior year | (4,051) | 1,694 |
| | <u>50,182</u> | <u>53,014</u> |
| | <u><u>50,182</u></u> | <u><u>53,014</u></u> |

4 **Tangible Assets**

| | Freehold Land and Buildings | Furniture and Fittings | Computer and Office Equipment | Motor Vehicles | Total |
|-----------------------|--|---------------------------------------|--|---------------------------|--------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 April 2009 | 250,000 | 85,822 | 82,309 | 126,055 | 544,186 |
| Additions | | 12,874 | 6,592 | 21,970 | 41,436 |
| Disposals | | (19,003) | (14,910) | (21,766) | (55,679) |
| At 31 March 2010 | 250,000 | 79,693 | 73,991 | 126,259 | 529,943 |
| Depreciation | | | | | |
| At 1 April 2009 | 75,000 | 37,621 | 45,445 | 58,766 | 216,832 |
| Provided for year | 5,000 | 8,087 | 10,200 | 31,565 | 54,852 |
| Disposals | | (11,836) | (12,256) | (16,324) | (40,416) |
| At 31 March 2010 | 80,000 | 33,872 | 43,389 | 74,007 | 231,268 |
| Net Book Value | | | | | |
| At 31 March 2010 | 170,000 | 45,821 | 30,602 | 52,252 | 298,675 |
| At 31 March 2009 | 175,000 | 48,201 | 36,864 | 67,289 | 327,354 |

The Committee has elected to adopt the transitional rules under FRS15 'Tangible Fixed Assets' not to revalue land and buildings in future periods. The members do not consider the market value of the land to be adversely different from the value stated in the accounts.

Freehold Land and Buildings were revalued at 31 March 1994 on an open market basis following professional advice. The freehold property is registered in the name of PSNC Property Limited which holds it as nominee for the Committee.

Depreciation is being provided on the freehold buildings from 1 April 1994 over their remaining useful lives of 50 years. The historical cost of freehold is £191,332. The unrealised revaluation surplus which arose of £58,668 has been carried forward within the general fund.



| | 2010 | 2009 |
|------------------|-------------|-------------|
| | £ | £ |
| 5 Debtors | | |
| Other debtors | 1,672 | 2,401 |
| Prepayments | 70,095 | 50,231 |
| | <hr/> | <hr/> |
| | 71,767 | 52,632 |
| | <hr/> <hr/> | <hr/> <hr/> |

All amounts shown under debtors fall due for payment within one year.

| | 2010 | 2010 |
|---|-------------|-------------|
| | £ | £ |
| 6 Creditors: amounts falling due within one year | | |
| Levies received in advance | 540,193 | 506,069 |
| Other creditors | 1,133,099 | 992,514 |
| Corporation tax | 44,633 | 51,320 |
| Other taxation and social security | 59,220 | 40,412 |
| | <hr/> | <hr/> |
| | 1,777,145 | 1,590,315 |
| | <hr/> <hr/> | <hr/> <hr/> |
| 7 Deferred tax | | |
| Accelerated capital allowances | 9,600 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

No deferred tax has been provided on the revaluations of freehold land and buildings as there is no intention to dispose of the property.

8 Commitments under operating leases

As at 31 March 2010 the Committee had annual commitments under non-cancellable operating leases as set out below:

| | 2010 | | 2009 | |
|----------------------------|--------------------|-------|--------------------|-------|
| | Land and Buildings | Other | Land and Buildings | Other |
| | £ | £ | £ | £ |
| Operating leases expiring: | | | | |
| Within one year | 38,500 | | | |
| Within 2-5 years | 18,752 | 5,060 | 38,500 | 5,001 |
| After 5 years | - | | 18,752 | |
| | 57,252 | 5,060 | 57,252 | 5,001 |

The charge for the year for operating leases was £ 70,166 (2009: £55,454)

9 Pension Scheme Costs

The Pharmaceutical Services Negotiating Committee, together with the National Pharmacy Association, operates two pension schemes, a defined benefit pension scheme which provides benefits based on final pensionable pay which closed to new members in 2001, and a money purchase scheme with Scottish Widows which started in 2001. The assets of the defined benefit scheme are held separately from those of the Pharmaceutical Services Negotiating Committee, being invested with insurance companies.

The defined benefit scheme contributions are determined by a qualified actuary on the basis of triennial valuations, using the projected attained age method. The most recent such valuation was as at 31 January 2009. This actuarial valuation suggests that the market value of PSNC's share of the scheme's assets was £4,100,000 and that the actuarial value of those assets represented 79% of the benefits that has accrued to members, after allowing for expected future increases in earnings. These figures have been provided by the scheme's actuary but have not been verified by PSNC or their auditors and thus full FRS17 disclosure was deemed inappropriate.

Employer's contributions by PSNC were made at 17% of salary for employees remaining in the scheme. Employees' contributions remained at 7% of salary. Further monthly payments of £31,831 were made into the scheme by PSNC according to a schedule agreed by the scheme's employers and the Pensions Regulator. These additional payments are required to close the scheme's shortfall within a reasonable timeframe. A provision for additional contributions of £600k is being held by PSNC. The level of transfer of funds into the scheme depends on all employers providing a pro-rata contribution. The total pension charge for 2010 was £459,484 (2009: £755,832).

The employer's contributions to the money purchase scheme are 9.5% together with 5% in respect of employees' contributions. The total pension charge for 2010 was £74,913 (2009: £66,900).

10 Related party transactions

Payments to members of PSNC during the year can be analysed as follows:

Included in travelling and meeting expenses of £337,485 (2009: £191,637) are payments made to Committee members during the year in relation to allowances for time spent on Committee matters and associated travel costs of £213,034 (2009: £63,469).

| Amount | No of Members |
|--------------------|----------------------|
| £0 to £10,000 | 27 |
| £10,001 to £20,000 | 6 |
| | <hr/> |
| | 33 |
| | <hr/> <hr/> |

The 2009 figure for payments made to committee members is affected by the release of accruals for unclaimed expenses.

Report of the Auditors

We have audited the financial statements on pages 1 to 7 which have been prepared under the accounting policies set out on page 3.

This report is made solely to the Committee's members, as a body, in accordance with Chapter 3 of Section 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Committee's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's members as a body, for our audit work, for this report, or for the opinions we have formed.

Pharmaceutical Services Negotiating Committee Members' responsibilities

The Pharmaceutical Services Negotiating Committee Members are responsible for preparing the financial statements and have decided to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Committee and of the income and expenditure of the Committee for that period. In preparing these financial statements, the Committee members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 Committee will continue in operation.

The Committee members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Committee. They are also responsible for safeguarding the assets of the Committee and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the committee members are aware:

- There is no relevant information of which the committee's auditor is unaware ; and
- The Committee members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Respective responsibilities of Pharmaceutical Services Negotiating Committee Members and Auditors

As described above the Committee members are responsible for the preparation of the financial statements. Our responsibility is to audit the financial statements

and report to you our opinion as to whether the financial statements give a true and fair view.

In addition we report to you if in our opinion, the Committee have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding committee members remuneration and other transactions is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the committee members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Committee's affairs as at 31 March 2010 and of its income and expenditure for the year then ended and have been properly prepared from the accounting records of the Pharmaceutical Services Negotiating Committee.



Landau Morley LLP
Chartered Accountants & Registered Auditors
Lanmor House
370/386 High Road
Wembley
Middlesex
HA9 6AX

**Cash Flow Statement**

| | 2010 | 2009 |
|---|-----------------|------------------|
| | £ | £ |
| Funds generated from operations | | |
| Surplus for year before tax | 141,159 | 77,809 |
| <i>Items not involving the movement of funds:</i> | | |
| Depreciation including scrappage | 64,673 | 54,885 |
| (Profit)/Loss on sale of fixed assets | (3,112) | 18,327 |
| | <u>61,561</u> | <u>73,212</u> |
| | 202,720 | 151,021 |
| Funds from other sources | | |
| Sale of fixed assets | 8,555 | 41,950 |
| | <u>211,275</u> | <u>192,971</u> |
| Application of funds | | |
| Tax paid | 47,269 | 43,823 |
| Purchase of fixed assets | 41,436 | 88,848 |
| | <u>(88,705)</u> | <u>(132,671)</u> |
| Increase in working capital | | |
| Creditors | 193,517 | 5,536 |
| Debtors | (19,136) | 74,829 |
| | <u>174,381</u> | <u>80,365</u> |
| Increase in cash and bank balances | <u>296,951</u> | <u>140,665</u> |



PSNC Committee

Governance

All members of the PSNC adhere to corporate governance principles adopted by the Committee in April 2003. Members are also required to adhere to a Code of Conduct. The corporate governance principles and Code of Conduct are available on the PSNC website.

Additionally members are required to complete a written Declaration of Interests which members have a duty to keep up to date. All Declaration of Interests are available for inspection at PSNC meetings.

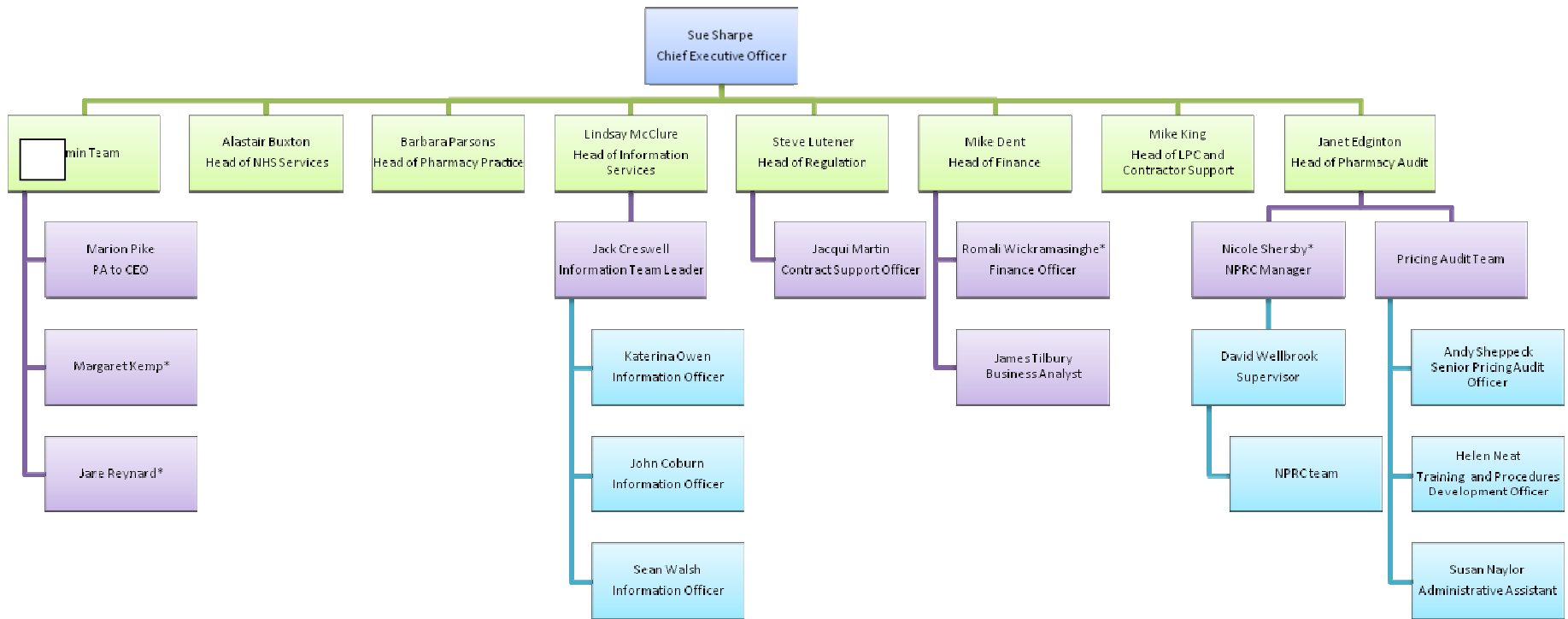
The Code of Conduct, corporate governance principles and a declaration of interests form are issued with the papers for each meeting of PSNC.

PSNC Membership from April 2009 to March 2010

| | | Attendance | Total Possible | |
|-------------|------|-------------------|-----------------------|--------------|
| P Beck | CCA | 6 | 6 | |
| P Bennett | | 6 | 6 | |
| D Bhatt | | 5 | 6 | |
| M Burdon | | 6 | 6 | |
| P Cattee | AIMp | 6 | 6 | |
| L Colling | CPA | 6 | 6 | |
| M Collins | | 6 | 6 | |
| I Cowan | CCA | 6 | 6 | |
| I Cubbin | | 6 | 6 | |
| R Darracott | | 6 | 6 | |
| D Evans | AIMp | 6 | 6 | |
| I Facer | NPA | 6 | 6 | |
| D Gill | | 6 | 6 | |
| C Hodges | | 6 | 6 | |
| D Joshi | | 6 | 6 | |
| T Kennerley | CCA | 6 | 6 | |
| A Lane | | 6 | 6 | |
| C Michaels | NPA | 6 | 6 | |
| A Murdock | CCA | 4 | 6 | |
| G Myers | | 5 | 6 | |
| P Parry | | 3 | 6 | |
| B Patel | | 6 | 6 | |
| H Patel | NPA | 5 | 6 | Joined 05/09 |
| I Patel | | 6 | 6 | |
| K Patel | | 5 | 6 | |
| Kirit Patel | | 5 | 6 | |
| R Patel | NPA | 5 | 6 | |
| U Patel | NPA | 6 | 6 | |
| B Pimlott | CCA | 4 | 6 | |
| M Shah | | 5 | 6 | |
| G Warner | | 6 | 6 | |

PSNC organogram

May 2010



* - part time



SUE SHARPE
Chief Executive Officer

ALASTAIR BUXTON

Head of NHS Services

- Lead on Essential and Advanced services
- Lead on nationally developed Enhanced services
- Monitoring developments in the NHS and healthcare
- Coordination of public affairs/parliamentary lobbying programme
- Coordination of press and external communications activity

MIKE DENT

Head of Finance

- Negotiating annual funding for contractors including cost inquiries
- Monitoring funding delivery including margin surveys policy and analysis
- Dealing with other funding related matters (devolving global sum, pandemic funding, Category M)
- Supporting LPCs on funding issues
- Controlling PSNC's finances

JANET EDGINTON

Head of Pharmacy Audit

- Lead on prescription pricing audit policy including development of electronic contractor payments audit system
- Management of the Pricing Audit Team, including margin survey processing
- Liaison with NHS Prescription Services
- Lead on Responsible Pharmacist Regulations, supervision and pharmacy staffing issues

MIKE KING

Head of LPC & Contractor Support

- Coordinating LPC training and development of support materials

- Editor of PSNC Community Pharmacy News and LPC Upd@te
- Coordinating training and support events for contractors
- Development of PSNC Regional groups

STEVE LUTENER

Head of Regulation

- Lead on regulatory matters
- Support PSNC on Constitutional matters
- Guidance to LPCs and contractors on NHS legislation
- Guidance to LPCs on Constitutional matters
- Internal Health and Safety

LINDSAY McCLURE

Head of Information Services

- Lead on Pharmacy IT
- Lead on Drug Tariff/Medicines Reimbursement policy
- Lead on Supply Chain policy
- Management of the Information Team

BARBARA PARSONS

Head of Pharmacy Practice

- Lead on locally commissioned services
- Lead on public health
- Lead on emergency preparedness, including pandemic 'flu
- Lead on education and research
- Management of PSNC Partnership Programme
- Management of PSNC Community pharmacy services database

Information Team

- Delivering PSNC's information service for pharmacy contractors
- Drug Tariff
 - Part VIII Usual Proposals
 - Discount not Deducted List
 - Special Containers and Calendar Packs
 - Part IX Appliance Issues
- Stock shortages including NCSO
- Development of contractor support materials on the above areas

Pricing Audit Team

The Pricing Audit Team are currently split over two offices, the National Prescription Research Centre (NPRC) based in Cockfosters, North London and the PSNC office in Aylesbury.

NPRC:

Audit the pricing of NHS prescriptions to assess the accuracy of NHS Prescriptions Services

- Routine checks
- Special checks for individual contractors

Aylesbury:

–Support the work carried out at NPRC

–Lead on prescription switching checks

–Lead on development and performance of new audit methodology for prescriptions received via the Electronic Prescription Service

–Undertake margins surveys in partnership with the Department of Health

Admin Team

- Administrative support to Aylesbury office
- Administration of PSNC events including:
 - LPC seminars
 - LPC Conference
 - PSNC Dinner
 - Community Pharmacy Conference
- Maintenance of PSNC database
- Organisation of PSNC committee meetings and agenda