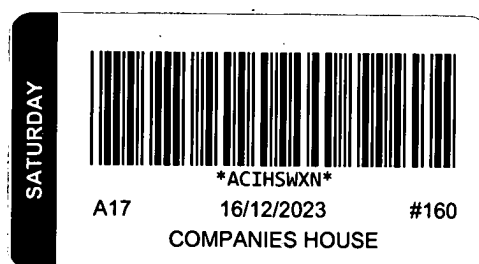


Registration number: 10881715

# Supply Chain Coordination Limited

## Annual Report and Financial Statements

### for the Year Ended 31 March 2023



# **Supply Chain Coordination Limited**

## **Contents**

Company Information	1
Strategic Report	2 to 5
Directors' Report	6 to 11
Statement of Directors' Responsibilities	12
Remuneration Report	13 to 19
Independent Auditor's Report	20 to 24
Income Statement	25
Statement of Financial Position	26 to 27
Statement of Cash Flows	28
Statement of Changes in Equity	29
Notes to the Financial Statements	30 to 60

# **Supply Chain Coordination Limited**

## **Company Information**

<b>Directors</b>	Heather Tierney-Moore OBE (Non-Executive Director and Chair)
	Andrew New (Executive Director and Chief Executive Officer)
	Miranda Carter (Shareholder/Stakeholder Director)
	Heather Benjamin (Non-Executive Director)
	Rommel Pereira (Non-Executive Director)
	Mark Swyny (Non-Executive Director)
<b>Company secretary</b>	Paul Webster
<b>Registered office</b>	Wellington House 133-155 Waterloo Road London SE1 6LH
<b>Auditors</b>	Comptroller & Auditor General 157-197 Buckingham Palace Road Victoria London SW1W 9SP

## **Supply Chain Coordination Limited**

### **Strategic Report for the Year Ended 31 March 2023**

The Directors present their Annual Report on the affairs of the company, together with the Financial Statements & Auditor's Report, for the year ended 31 March 2023.

The Directors have complied with Section 414C of the Companies Act 2006 in preparing the Strategic Report.

#### **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. Supply Chain Coordination Limited is also responsible for overseeing and coordinating the procurement through the management of 11 Category Tower Service Providers (CTSPs) 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.

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.

CTSPs 1, 2, 3, 5, 6 and 8 transferred at the start of May 2023, creating a combined organisation of just over 1,000 Full Time Equivalent Employees. The re-procurement of non-medical external service providers for CTSPs 9, 10 and 11 were awarded in March 2023 and went live in July 2023.

#### **Business review**

Significant global supply chain challenges continue to impact the NHS, causing disruption and increased pricing across manufacturing, supply and logistics. We worked with our suppliers, the Department of Health and Social Care and NHS England to manage any issues that arose. As a consequence, the number of Important Customer Notices published continued to rise over the last year. Important Customer Notices provide information about supply disruptions, delisted products, contractual changes, product updates and field safety notices.

Supply chain resilience for the NHS continues to be our biggest priority. Seeking to deliver the first stage of our Target Operating Model (TOM), £1bn savings in recurrent value by 2030, the company has delivered savings totalling £409.7m in 2022/23.

A number of important steps were achieved in implementing the next iteration of the company's TOM and our long-term vision to make it easier for the NHS to put patients first.

On 1 April 2022, operational responsibility for the Department of Health and Social Care (DHSC) Personal Protective Equipment (PPE) programme was transferred to the company. We acted as the agent in providing PPE requirements whilst the DHSC retained ownership of centralised PPE stock and management of any excess stock. The provision of COVID-19 PPE continued to be free and supplied through the auto replenishment model for NHS trusts and available to order via the dedicated PPE Portal for eligible primary care and adult social care providers. The PPE categories within the CTSPs transferred into the company on 1 February 2023, resulting in these different teams coming together.

Two of the CTSPs transferred into the company during the year:

- On 1 July 2022, Large Diagnostic Capital Equipment Including Mobile and Services (Category Tower 7) transitioned from DHL Life Sciences;
- On 1 November 2022, Orthopaedics, Trauma and Spine, and Ophthalmology (Category Tower 4) transferred from Collaborative Procurement Partnership.

## **Supply Chain Coordination Limited**

### **Strategic Report for the Year Ended 31 March 2023 (continued)**

By transferring these categories in-house, we will have direct control, allowing us to partner more expertly with stakeholders on the development of category strategies to provide a more resilient supply chain. We will be able to work more strategically with those suppliers whose product portfolios cross different categories which will simplify the way we work with suppliers, save the NHS money and allow us to invest in developing enhanced capacity and capability.

On 11 March 2023, the company awarded contracts for its Food and Facilities (including Office Solutions) categories, with the new contracts officially commencing on 5 July 2023. The two successful CTSPs were:

- Food - Foodbuy Europe Limited
- Facilities - NHS North of England Commercial Procurement Collaborative

#### **Our offer to the NHS**

Through continuing to implement our TOM and our long-term vision to make it easier for the NHS to put patients first, we will simplify our organisation.

Whilst savings delivery remains an important part of the company's contribution to the NHS, we recognise the value we bring to NHS trusts extends beyond this. Through our business plan for 2022/23 (see 2022/23 Corporate Strategic Objectives), we are committed to buying smart, supplying right and partnering expertly. We will continue to focus on the resilience and capacity of our national supply chain as well as ensure that we are providing quality assured, safe products for both health and care professionals and their patients.

We are also continuing to support the NHS's ambition to become the world's first carbon net zero health system by 2040 for the emissions we control directly and by 2045 for the emissions we influence, through the goods and services we buy from our partners and suppliers. To achieve this goal, the support of all our suppliers is required and we are aligning with NHS England to ensure that our suppliers understand the milestones along the way. In addition, we are implementing a minimum of 10% or more net zero and social value weighting across all of our future tenders.

Over the next year, the company will be deploying inventory management and point of care solutions to connect the NHS. Aligning with NHS England's priorities and operational planning guidance for 2023/2024, we are starting work on the deployment of In-Trust Inventory Management Systems. A consistent approach to delivering inventory management capability will give visibility of inventory to NHS trusts and allow integrated care systems to aggregate insight. It will also allow us to leverage a system-wide view to reduce inventory costs, improve resilience, support clinical time being focused on clinical activities, and provide a safer patient experience.

We recognise the importance of continuing to listen to our NHS partners and to collaborate to make improvements to the service they receive from us. We are continuing to work with our NHS partners to improve our communications, increase engagement and make it easier to work with us. We will also continue to develop our service offering based on the needs of our NHS partners.

## Supply Chain Coordination Limited

### Strategic Report for the Year Ended 31 March 2023 (continued)

#### Key Performance Indicators (KPIs)

The company used the following Key Performance Indicators to track and measure its performance in 2022/23.

KPI	FY22/23 Target	FY22/23 Outturn	FY22/23 Commentary
NHS System Savings	£347m	£409.7m	Revenue and capital savings based on a rolling 365 day baseline savings, validated by customers and recorded through the customer savings portal.
Price Pressure	<£67.5m	£42.7m	Management of inflationary price pressure.
Greenhouse Gases Removed	3,450 T	4,717 T	Tonnes of greenhouse gases removed by distinct measured projects delivered in-year.
Delivered Service Level	99.00%	99.58%	Percentage of customer orders delivered that have all the products requested.
Deliveries On Time	98.75%	99.55%	Percentage of customer orders delivered on time.
Safety Complaints Contained	100%	98%	Cumulative percentage of risk safety concerns / complaints contained.
Framework Assurance	100%	100%	Proportion of launched frameworks that go through the new clinical and product assurance process.
Essential Specification	60%	91%	Proportion of launched frameworks that comply with the new essential specification process.
Cost Improvement Programme	£12.0m	£16.2m	Delivery of the cost improvement programme across NHS Supply Chain.

## Supply Chain Coordination Limited

### Strategic Report for the Year Ended 31 March 2023 (continued)

#### Risk management

Risk management is the formal process of identifying and mitigating risk. It enables the company to identify the possibility of future events happening which might impact on the achievement of its objectives, as well as the controls in place to mitigate either the likelihood or impact of such events. Risk management is used as a means to allow the company to make better business decisions.

The company operates a risk management system (utilising risk management software) that operates at several levels, and which is reviewed each year by our internal auditors.

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 senior leaders that regularly reviews all risks and recommends areas of focus and concern to the Executive Management Team.

The Audit and Risk Committee is responsible for overseeing the effectiveness of risk management and internal control systems and assesses the principal risks at each of its meetings. Principal risks are reviewed by the Board which also considers the company's risk appetite on an annual basis as part of the business planning process.

As at 31 March 2023, the company's principal risks included the following:

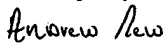
- cyber security;
- decision quality;
- business continuity planning;
- supply chain disruption;
- failure to deliver and fully embed the new target operating model;
- long-term investment;
- people & engagement;
- IT stability & modernisation;
- ways of working; and
- NHS Supply Chain customer credibility.

#### Section 172 Statement

The directors take a long term and ethical approach to decision making for the benefit of the company, its employees, customers, suppliers and those organisations dependent on its effective governance, specifically NHS Trusts.

The company has one shareholder, The National Health Service Commissioning Board and the objectives of the shareholder are therefore central to the decision-making of the company.

Approved by the Board on 12 December 2023 and signed on its behalf by:

DocuSigned by:  
  
471F14AF3CA1420...

Andrew New  
Chief Executive Officer

## **Supply Chain Coordination Limited**

### **Directors' Report for the Year Ended 31 March 2023**

The company's principal activities, review of the business, key performance indicators and principal risks and uncertainties are presented in the Strategic Report.

#### **Results and dividends**

Financial results are shown in the Income Statement on page 25. The company had a profit before taxation of £32,775,000 (Loss 2022: £30,206,000).

Financial position is shown in the Statement of Financial Position on page 26. As at 31 March 2023, the company had net assets of £139,709,000 (2022: £118,100,000).

Cash flow performance is shown in the Statement of Cash Flow on page 28.

The directors do not recommend a final dividend payment in respect of the financial year ended 31 March 2023 (2022: £Nil). No dividends have been recognised as a liability in the financial statements.

#### **Corporate Governance**

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

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

#### **Financial risk management**

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.

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.

#### **Going concern**

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£532m was drawn down at year end. Both loans are provided by the Secretary of State for Health and Social Care. Subsequent to the year end, the company agreed to renew the RCF, the agreement commences on 1 April 2024 and runs to 1 April 2026.

In addition, the company is provided with operational funding by its shareholder.

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 FY23/24 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 2023 have been prepared on a going concern basis.



## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2023 (continued)

#### Future developments

##### 2023/24 Corporate Strategic Objectives

Each year, the directors set the annual Corporate Objectives to prioritise resources and ensure a coordinated approach across the company for the coming year. These Corporate Objectives are aligned to the needs of the NHS and patients. In 2023/24, the following six Corporate Objectives have been set:

- 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

The 2023/24 Corporate Objectives are closely aligned to the company's Strategy of Buy Smart, Supply Right and Partner Expertly:

- |                    |   |
|--------------------|---|
| • Buy Smart        | Embed commercial excellence to drive innovation and savings |
| • Supply Right     | Strengthen resilience through connected supply chains       |
| • Partner Expertly | Collaborate with the NHS to create healthcare value         |
| • Partner Expertly | Make it easier for the NHS to partner with us               |
| • Partner Expertly | Drive better decision making through our data strategy      |

##### Savings

In 2023/24, in addition to Customer Savings delivered through product prices, we will begin to measure delivery of system savings through Value Based Procurement. We will also report on Healthcare Value, which will track the broader recurrent savings we deliver to our customers. This will focus on revenue savings delivery, along with recurrent in hospital efficiencies and will exclude capital savings. This measure will track our Strategy to deliver £1bn in recurrent value to the NHS by 2030.

##### Resilience

Throughout 2022/23, we continued to invest in our distribution network and opened Gorsey Point in Q1 2023/24 with planned completion of customer onboarding by Q2 2023/24. The new distribution centre in the north of England will increase our capacity from 7,500 pallet spaces in the existing Runcorn site, to 60,000 pallet spaces. This will significantly improve our resilience, provide greater flexibility in the way we operate our network and support future pandemic resilience plans.

In addition to establishing a new Resilience Team with a greater focus on medium term planning and forecasting, we have also undertaken a review of performance across our direct shipment (eDirect) channel. As we move into 2023/24, a key focus will be on implementing incremental improvements to direct shipment (both from a technology and a process lens) to improve the performance of this channel.

## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2023 (continued)

#### Improved ways of working with Trusts

In 2022/23, we delivered improvements to customer reporting tools, making it easier for customers to access self-serve dashboards that will drive insights into savings to support their own reporting requirements and future decision making. In addition, we have also made our Electronic Demand Capture (eDC) system more resilient, by rolling out modern devices that will provide future-proof reliability. This is alongside optimising the performance of our online catalogue by removing historic and legacy products, making it easier to navigate and find accurate information. A new Home Delivery Service (HDS) self-serve portal has also been developed and will be launched in 2023/24. This will enable patients to place repeat orders online.

We remain focused on driving improvements in the experience of the Trusts who work with us. This is supported by a new Voice of the Customer Team which was implemented in 2022/23 to ensure we are listening to and acting on feedback given to us by our Customers. We will also implement a new Customer Operations Panel in Q1 2023/24, where we will collaborate with customers to identify and address operational issues they are facing when working with us.

#### Sustainability

The NHS has set an ambitious target to become the world's first carbon net zero health system by 2040 for the emissions it controls and 2045 for the emissions it influences. The company is committed to supporting the NHS to deliver this.

The Climate-related Financial Disclosure Regulations, introduced in 2022, require disclosure of climate risks and opportunities facing businesses. This follows the recognition that the reporting of material climate-related information helps support investment decisions as we transition towards a low-carbon economy.

#### **1. Governance**

Climate related risks and opportunities are identified by the Head of Sustainability, and included within the organisations risk management processes, and are reviewed by the Audit & Risk Committee.

#### **2. Strategy**

The two most significant climate related risks are concentrated around service disruption and demand profile volatility. When it comes to business strategy, supply chain resilience has been recognised as a key area of focus and a new team is being stood up to develop strategies to understand and manage these risks:

##### Supply Risk

Using the Global Climate Risk Index, we have reviewed the country-of-origin data we hold against the level of risk facing these territories, from this we have determined the volumes of supply coming from high medium and low areas. The next step is to map these areas in more details and are working on tools to allow us to scale this in the future.

##### Operational Risk

Using a combination of the BBC climate tool and the UK Flood Risk Mapping tool we have reviewed where our assets are against the level of risk facing these areas.

We will use this as part of our evolving Estates strategy and build into decision making processes.

## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2023 (continued)

#### Demand Risk

Using the XDI Gross Domestic Climate Risk benchmarking we have reviewed the location of our customers and at the volumes moving into these areas. The next step is to work collaboratively with the highly impacted Integrated Care boards on adaption plans and strategies locally. As we see the impacts of climate change begin to manifest across the world, NHS Supply Chain is positioning itself to further build resilience specifically in this space to allow the NHS to continue to deliver care irrespective of the different climate scenarios we see come to pass, this includes an increased focus on supply chain transparency and mapping.

#### 3. Risk Management

To identify risk associated with the impacts of climate change we have split the impacts into three areas:

##### Inbound Global Supply "Buy Smart"

The procurement and inbound logistics of products into NHS Supply Chain, often featuring global shipping lanes and manufacture globally.

##### UK based Warehousing Operations "Supply Right".

Our owned and leased assets in the UK

##### Outbound Logistics to Customers "Partner Expertly"

The outbound logistics of products to our customers and impact on their infrastructure, both as a service interruption risk and a change in demand profile

The processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management statement and business planning process.

#### 4. Metrics and Targets

The climate change hazards reviewed are:

- Flooding - Surface and ground water, river flooding, coastal flooding
- Heat waves - High temperatures, drought, UV radiation, wildfire
- Cold Conditions
- Storms
- Vector and water borne diseases
- Air Quality - Aeroallergens, atmospheric conditions, ground level ozone

Each of the above are assessed using a High Medium and Low risk categorisation, based on data from the Global Climate Risk Index, the XDI Gross Domestic Climate Risk, and the BBC tool on UK Climate Projections

#### Emissions

In 2022 SCCL undertook a carbon footprinting exercise to begin to understand the size, scale, and complexity of our emissions. Where possible this has been done in line with GHG reporting principles, however, the following data has not been 3rd party verified and has a confidence of around 75%.

Scope	Tonnes CO2e
1	147,490
2	301
3	3,312,041

## **Supply Chain Coordination Limited**

### **Directors' Report for the Year Ended 31 March 2023 (continued)**

#### Working towards our TOM

The ongoing evolution of our TOM is critical to delivering our Strategy and Corporate Objectives. In 2022/23, we successfully transferred 180 colleagues into our company from CTSPs 4, 7, and the PPE elements of CTSPs 2 and 11.

CTSPs 1, 2, 3, 5, 6 and 8 transferred at the start of May 2023, creating a combined organisation of just over 1,000 Full Time Equivalent Employees. We will also complete the re-procurement of non-medical external service providers for CTSPs 9, 10 and 11, which were awarded in March 2023 and will go live in July 2023.

In 2023/24, we will complete the procurement and transition process of our re-procured logistics contract, which will allow us to strategically develop logistics capabilities to meet future needs, such as greater support for community and home delivery. Additionally, we will complete the procurement process and award contracts for our re-procured IT services to enable the faster pace of change needed to serve the NHS.

#### **Directors of the company**

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

Andrew New

Heather Tierney-Moore OBE

Colin McCready (resigned 14 July 2023)

Heather Benjamin

Miranda Carter

Robert Houghton (resigned 10 June 2023)

Rommel Pereira (appointed 1 January 2023)

Mark Swyny (appointed 1 January 2023)

The following director was appointed after the year end:

Duncan Kendal (appointed 1 September 2023)

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

The company has not made any political donations during the current or prior period. The company has not made any charitable donations during the current period but made a charitable donation to Ukraine in the prior period 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 25 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.

## Supply Chain Coordination Limited

### Directors' Report for the Year Ended 31 March 2023 (continued)

#### Pension liabilities

Details of the pension liabilities and administration of the pension schemes are shown in Note 25 to the financial statements.

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

Subsequent to the year end, the company entered a new Revolving Credit Facility agreement. This is effective from 1 April 2024 and expires on 1 April 2026.

On 25 April 2023, the company repaid £384.1m of the COVID facility and a further £131.6m on 31 July 2023. The balance of the COVID facility at the date of signing is £16.0m.

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.

CTSPs 1, 2, 3, 5, 6 and 8 transferred at the start of May 2023, creating a combined organisation of just over 1,000 Full Time Equivalent Employees. The re-procurement of non-medical external service providers for CTSPs 9, 10 and 11 were awarded in March 2023 and will go live in July 2023.

DHSC provided confirmation after the prior period end that the £30m reduction in inventory value included in the year ended 31 March 2022 will be reimbursed. The reimbursement is recognised in the year ended 31 March 2023.

These financial statements were approved by the Board and signed on its behalf on 12 December 2023.

#### 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 12 December 2023 and signed on its behalf by:

DocuSigned by:

*Andrew New*

421F14AF3CA1420.....

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 United Kingdom. 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 United Kingdom 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.

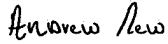
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 United Kingdom, 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 12 December 2023 and signed on its behalf by:

DocuSigned by:  
  
471F14AF3CA1420...  
.....  
Andrew New  
Chief Executive Officer

## **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.

The Chief Executive Officer was appointed on 1 September 2021 by the Government Commercial Organisation, a division of the Cabinet Office, and was seconded on an indefinite basis to SCCL. The Chief Executive Officer was directly employed as a permanent employee of SCCL from the 1st October 2022.

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 2022 annual salary award was a 3.5% base salary increase for eligible employees, non-consolidated payments of £500 were made to employees below the salary of £26,200 and £300 to employees below the salary of £45,000.

The DHL staff who transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited at various points through 2018/19 and 2022/2023 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 2022, related to the 2021/22 financial year.

#### **Company structure**

The company's organisation structure was established from 1 April 2018. The Executive Management Team continue to regularly review the operating model to ensure that it is able to deliver the ongoing strategic priorities of the company. As part of the operating model strategy during 2022/2023 several category tower service providers were insourced through TUPE transfer covering surgical consumables and infection control including PPE, rehabilitation and community including wound care, surgical products and services and diagnostic and capital equipment.

## 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 31/03/23	Notice Periods
<b>Chair and Non-Executive Directors</b>			
Heather Benjamin	1 Dec 2018	20	Second term extended by 2 years to November 2024. Either party can give 1 months' notice.
Heather Tierney-Moore OBE	1 Dec 2018	32	Appointed as Chair effective 1 November 2022 for a period of 3 years. Either party can give 1 months' notice.
Robert Houghton	1 May 2019	20	Second term extended by 2 years, to November 2024. Either party can give 1 months' notice.
Rommel Pereira	1 January 2023	33	Initial period of three years. Either party can give to the other one month's notice.
Mark Swyny	1 January 2023	33	Initial period of three years. Either party can give to the other one month's notice.
<b>Executive Directors</b>			
Andrew New	1 Sept 2021	n/a	GCO contract transferred to SCCL on 1st October 2022. A permanent employee of SCCL. Six months
Colin McCready	3 Dec 2019	n/a	Six months
<b>Shareholder and Stakeholder Directors</b>			
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 2023, 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.



## Supply Chain Coordination Limited

### Remuneration Report (continued)

#### Remuneration of Board members (subject to audit)

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

FY22/23	Salary £000 (Bands of £5,000)	Bonus £000 (Bands of £5,000)	Benefits in Kind £ (1)	Pension Contribution £000 (2)	Total Remuneration £000 (Bands of £5,000)
<b>Chair and Non-Executive Directors</b>					
Heather Benjamin	25-30	nil	nil	nil	25-30
Heather Tierney-Moore (OBE)	50-55	nil	nil	nil	50-55
Robert Houghton	25-30	nil	nil	nil	25-30
Rommel Pereira (3)	5-10	nil	nil	nil	5-10
Mark Swyny (4)	5-10	nil	nil	nil	5-10
<b>Executive Directors</b>					
Andrew New (5)	95-100	0-5	nil	11	110-115
Colin McCready	185-190	25-30	nil	22	235-240
<b>Stakeholder Directors</b>					
Miranda Carter	nil	nil	nil	nil	nil

(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 10 Directors' Remuneration.

(3) Appointed 1 January 2023 - Full year equivalent salary £25k-£30k

(4) Appointed 1 January 2023 - Full year equivalent salary £25k-£30k

(5) Employed from 1 October when the secondment from the Cabinet Office was made permanent. Full Time Equivalent=1. Full year equivalent salary £185k-£190k.

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 £465k (2022: £475k). The following table provides details of the remuneration and pension of Board members in post during the prior reporting period.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

<b>FY21/22</b>	<b>Salary £000 (Bands of £5,000)</b>	<b>Bonus £000 (Bands of £5,000)</b>	<b>Benefits in Kind £ (1)</b>	<b>Pension Contribution £000 (2)</b>	<b>Total Remuneration £000 (Bands of £5,000)</b>
<b>Chair and Non-Executive Directors</b>					
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
<b>Executive Directors</b>					
Andrew New (5)	100-105	0-5	nil	3	105-110
Colin McCready (6)	180-185	20-25	nil	22	225-230
<b>Stakeholders Directors</b>					
Melinda Johnson (7)	nil	nil	nil	nil	nil
Emily Lawson (8)	nil	nil	nil	nil	nil
Miranda Carter	nil	nil	nil	nil	nil

(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 10 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.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

#### Median earnings (subject to audit)

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. The movement in the ratios of pay is driven by the in-year insourcing of employee populations from the Towers which were under different pay arrangements and structures.

	2023	2022
Highest paid director's total remuneration (£000)	215-220	205-210
Median total remuneration (£)	44,696	46,641
Ratio	4.87	4.45
25th Percentile remuneration (£)	32,487	33,524
Ratio	6.69	6.19
75th Percentile remuneration (£)	67,581	74,250
Ratio	3.22	2.79

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.

The median earnings calculation includes agency workers and other non-permanent workers for the years ended 31 March 2023 and 31 March 2022.

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.

	Total salary and allowances	Total bonus payments
<b>2022/23</b>		
Staff average	-6.76%	-38.76%
Highest paid director	2.74%	22.22%

The company is required to disclose lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits. Full-time employee salaries range from £19,000 (2022: £21,500) to that of the highest earning employee disclosed above.

	Lower Quartile	Median	Upper Quartile
<b>2022/23</b>			
Salary	29,000	40,000	59,021
Total Pay and Benefits	32,487	44,696	67,581
<b>2021/22</b>			
Salary	31,000	43,474	64,000
Total Pay and Benefits	33,524	46,641	74,250

## **Supply Chain Coordination Limited**

### **Remuneration Report (continued)**

#### **Pension**

##### ***NHS Pension Scheme***

Pension benefits are provided through the NHS Pension Scheme (comprising the NHS Pension Scheme and the NHS Pension Scheme 2015) 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 or after 1 October 2018 and who were not prohibited from re-joining the NHSPS or joining the NHSPS 2015.

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

Details of the benefits payable and rules of the individual schemes can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions). Both schemes are unfunded, defined benefit schemes that cover 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 schemes are 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 schemes are accounted for as if they were defined contribution schemes: the cost to the company of participating in the schemes is taken as equal to the contributions payable to the schemes 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 25 to the financial statements.

##### ***Civil Service Pension Scheme***

Pension benefits are provided through the Civil Service Pension Scheme (the Principal Civil Service Pension Scheme and alpha) for any employees who TUPE transferred from DHL NHS Supply Chain to Supply Chain Coordination Limited on or after 1 October 2018 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 individual schemes can be found on the Civil Service Pensions website at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk). Both schemes are unfunded, defined benefit schemes that cover Government Department employers and other bodies, allowed under the direction of the Cabinet Office.

The schemes are 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 schemes are accounted for as if they were defined contribution schemes: 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 25 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.

## Supply Chain Coordination Limited

### Remuneration Report (continued)

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 25 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.

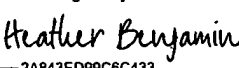
Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

Under legislation governing auto enrolment, for the financial year 6 April 2022 to 5 April 2023, 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.

Approved by the Board on 12 December 2023 and signed on its behalf by:

DocuSigned by:

  
.....2A843ED99C6C433.....

Heather Benjamin  
Remuneration Committee Chair

## **Supply Chain Coordination Limited**

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

#### **Opinion on financial statements**

I have audited the financial statements of Supply Chain Coordination Limited for the year ended 31 March 2023 which comprise Supply Chain Coordination Limited's:

- Statements of Financial Position as at 31 March 2023;
- 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 the financial statements:

- give a true and fair view of the state of Supply Chain Coordination's affairs as at 31 March 2023 and its profit for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), except for the matter disclosed in the Auditors' Responsibilities for the Audit of the Financial Statements section, applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 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.

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 the 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.

## **Supply Chain Coordination Limited**

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

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, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Opinion on other matters**

In my opinion the parts of the Remuneration Report to be audited have been properly prepared in accordance with the HM Treasury Financial Reporting Manual.

#### **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.

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:

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

#### **Responsibilities of the directors for the financial statements**

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

- maintaining proper accounting records;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006;
- ensuring that the Remuneration Report is prepared in accordance with the HM Treasury Financial Reporting Manual; and

## **Supply Chain Coordination Limited**

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

- 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.

I have not performed the procedures prescribed by ISA (UK) 501 Audit evidence - specific considerations for selected items in relation to attendance at physical inventory counting. I have judged it necessary to depart from this requirement within ISA (UK) 501 because the requirement is for specific procedures to be performed and, in the specific circumstances of my audit of the financial statements of Supply Chain Coordination Limited, that procedure would be ineffective in achieving the aim of the requirement, which is to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. I have deemed that this procedure would be ineffective as management's procedures for counting inventory are performed on a rolling basis and not at a point in time to support the year-end inventory balance. In accordance with the requirements of ISA (UK) 200 Overall objectives of the independent auditor and the conduct of an audit in accordance with International Standards on Auditing (UK), I have therefore performed alternative audit procedures (testing, performed directly by my engagement team, of the existence and condition of inventory items) to achieve the aim of obtaining sufficient appropriate audit evidence regarding the existence and condition of inventory.

#### ***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 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.
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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;



## **Supply Chain Coordination Limited**

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

- inquired of management, Supply Chain Coordination Limited's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant specialists, including IT experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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, 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.

I obtained an understanding of Supply Chain Coordination Limited's framework of authority and other legal and regulatory frameworks in which Supply Chain Coordination Limited operates. I focused 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 Companies Act 2006, employment law, pensions legislation and tax Legislation.

## Supply Chain Coordination Limited

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

#### *Audit response to identified risk*

To respond to the identified risks resulting from the above procedures:

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

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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](http://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 I identify during my audit.



**Peter Morland (Senior Statutory Auditor)**

12 December 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 2023

	Note	2023 £ 000	2022 £ 000
Revenue	4	3,171,488	2,793,773
Cost of sales		<u>(2,858,614)</u>	<u>(2,526,271)</u>
Gross profit		312,874	267,502
Administrative expenses		(305,287)	(296,470)
Other operating income	5	<u>54,816</u>	<u>-</u>
Operating profit/(loss)	7	62,403	(28,968)
Other losses	6	-	(286)
Finance costs	8	<u>(29,628)</u>	<u>(952)</u>
Profit/(loss) before tax		32,775	(30,206)
Income tax (expense)/receipt	12	<u>(11,166)</u>	<u>7,217</u>
Profit/(loss) for the year		<u>21,609</u>	<u>(22,989)</u>

The above results were derived from continuing operations.

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

# Supply Chain Coordination Limited

## Statement of Financial Position as at 31 March 2023

	Note	31 March 2023 £ 000	31 March 2022 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	13	42,638	66,025
Right of use assets	14	86,831	87,433
Intangible assets	15	23,026	237
Deferred tax assets	12	-	7,217
Trade and other receivables	17	-	1,258
Total non-current assets		152,495	162,170
<b>Current assets</b>			
Inventories	16	154,896	105,163
Contract assets		6,172	938
Trade and other receivables	17	1,252,311	2,593,702
Cash and cash equivalents	18	233,856	140,494
Total current assets		1,647,235	2,840,297
<b>Current liabilities</b>			
Trade and other payables	19	(566,204)	(389,886)
Deferred income	20	(69,521)	(52,670)
Contract liabilities		(145,261)	(103,562)
Current portion of long term lease liabilities	22	(6,906)	(5,199)
Total current liabilities		(787,892)	(551,317)
<b>Net current assets</b>		859,343	2,288,980
<b>Non-current liabilities</b>			
Loans and borrowings	21	(781,673)	(2,233,920)
Long term lease liabilities	22	(75,957)	(74,120)
Provisions	23	(13,280)	(13,671)
Contract liabilities		(887)	(2,731)
Deferred income	20	-	(7,951)
Deferred tax liabilities	12	(332)	-
Trade and other payables	19	-	(657)
Total non-current liabilities		(872,129)	(2,333,050)
<b>Total net assets</b>		139,709	118,100

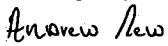
The notes on pages 30 to 60 form an integral part of these financial statements.

## Supply Chain Coordination Limited

### Statement of Financial Position as at 31 March 2023 (continued)

		31 March 2023 £ 000	31 March 2022 £ 000
	Note		
<b>Equity</b>			
Share capital	26	21,000	21,000
Retained earnings		<u>118,709</u>	<u>97,100</u>
<b>Total equity</b>		<u><u>139,709</u></u>	<u><u>118,100</u></u>

Approved by the Board on 12 December 2023 and signed on its behalf by:

DocuSigned by:  
  
.....  
471F14AF3CA1420.....  
Andrew New  
Chief Executive Officer

Company registration number: 10881715

The notes on pages 30 to 60 form an integral part of these financial statements.

## Supply Chain Coordination Limited

### Statement of Cash Flows for the Year Ended 31 March 2023

		2023 £ 000	(Restated) 2022 £ 000
	Note		
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		21,609	(22,989)
Tax paid		(433)	(2,028)
Finance costs presented under financing activities		5,020	952
<b>Adjustments to cash flows from non-cash items</b>			
- Depreciation and amortisation	7	9,583	9,325
- Depreciation on right of use assets	7	9,592	5,875
- Finance costs	8	24,608	-
- Interest grant	5	(24,608)	-
- Income tax (receipt)/expense	12	11,166	(7,217)
- Adjustment for IFRS15 eliminations		-	445
- Non cash disposal of assets	7	-	286
- Adjustment to depreciation		573	-
<b>Working capital adjustments</b>			
- (Increase)/decrease in inventories	16	(49,733)	55,927
- Decrease in trade and other receivables	17	1,342,649	2,578,946
- Decrease/(increase) in contract assets		(5,234)	(727)
- (Decrease)/increase in trade and other payables	19	171,922	(114,073)
- Increase in contract liabilities		39,855	19,671
- (Decrease)/increase in provisions	23	(391)	662
- Increase in deferred income	20	8,900	43,063
<b>Net cash flow generated from /(used in) operating activities</b>		<u>1,565,078</u>	<u>2,568,118</u>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment		(14,960)	(24,205)
Proceeds from sale of tangible fixed assets		<u>5,975</u>	<u>-</u>
<b>Net cash flow used in investing activities</b>		<u>(8,985)</u>	<u>(24,205)</u>
<b>Cash flows from financing activities</b>			
Interest expense on leases	8	(1,068)	(652)
Interest paid		(3,951)	(441)
Repayment of lease liabilities	22	(5,465)	(4,032)
Repayment of loans and borrowings	21	(1,452,247)	(3,300,000)
Drawdowns of loans and borrowings	21	<u>-</u>	<u>350,000</u>
<b>Net cash flow generated from/(used in) financing activities</b>		<u>(1,462,731)</u>	<u>(2,955,125)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>93,362</u>	<u>(411,212)</u>
Cash and cash equivalents at 1 April	18	<u>140,494</u>	<u>551,706</u>
Cash and cash equivalents at 31 March	18	<u>233,856</u>	<u>140,494</u>

\*Restatement made to comparative figures to present £952k of finance costs separately from non-cash items.

The notes on pages 30 to 60 form an integral part of these financial statements.

## Supply Chain Coordination Limited

### Statement of Changes in Equity for the Year Ended 31 March 2023

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2021	<u>21,000</u>	<u>120,089</u>	<u>141,089</u>
Loss for the year	<u>-</u>	<u>(22,989)</u>	<u>(22,989)</u>
Total comprehensive expenditure	<u>-</u>	<u>(22,989)</u>	<u>(22,989)</u>
At 1 April 2022	21,000	97,100	118,100
Profit for the year	<u>-</u>	<u>21,609</u>	<u>21,609</u>
Total comprehensive income	<u>-</u>	<u>21,609</u>	<u>21,609</u>
At 31 March 2023	<u>21,000</u>	<u>118,709</u>	<u>139,709</u>

The notes on pages 30 to 60 form an integral part of these financial statements.

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023**

#### **1 General information**

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

The principal activity of the company is set out in the Strategic Report.

#### **2 Accounting policies**

##### **(a) Basis of preparation**

The financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards and interpretations adopted by the United Kingdom ("adopted IFRS") 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.

##### **(b) Going concern**

The accounts have been prepared on a going concern basis, taking into account the following:

The company is wholly owned by the NHS Commissioning Board and supported by a revolving credit facility of £250m which is fully drawn down and a COVID Facility of £5.5bn, of which c£532m was drawn down at the year end (2022: c£1.98bn). Both loans are provided by the Secretary of State for Health and Social Care. Subsequent to the year end, the company agreed to renew the credit facility, the agreement commences on 1 April 2024 and runs to 1 April 2026. In addition, the company is provided with operational funding by its shareholder.

Based on the above funding and other considerations pertaining to trading and cashflows, the Directors expect that the company will continue trading as a going concern for FY23/24 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.

##### **(c) 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.



## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### (d) Revenue

Revenue comprises the fair value of 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 on 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 the revenue when or as the entity satisfies its performance obligations.

##### (d) (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 is recognised in the accounting period in which performance obligations are completed.

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

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

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

##### ***(d) (ii) Measurement and performance obligations***

Measurement will depend on the successful completion of performance obligations included within each contract.

- 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;
- Maintenance contracts during the contract period on a straight line basis; and
- Delivery of the service over the lease term for revenue from leasing of capital equipment.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### (e) Property, plant and equipment

Tangible fixed assets are stated at historic cost less accumulated depreciation.

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.

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.

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.

##### (f) Intangible assets

###### (f) (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.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### *(f) (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

##### *(g) 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.

##### *(g) (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 or fair value through profit or loss 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.

##### *(g) (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.

##### *(g) (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.

##### *(g) (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.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### *(g) (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.

##### *(g) (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.

##### *(h) 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.

##### *(i) 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.

##### *(j) 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.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 2 Accounting policies (continued)

##### (k) Tax

Tax in the Income Statement comprises current and deferred tax.

##### *(k) (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.

##### *(k) (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.

##### *(k) (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.

##### (l) 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.

##### **(l) (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.

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **2 Accounting policies (continued)**

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.

##### **(l) (ii) 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.

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.

##### **(m) 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.

##### **(n) Government grants**

Government grants are credited to the Income Statement when conditions attached to the grant are met.

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

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

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

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

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

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

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

##### **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.

##### **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 was recognised in the prior years 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 tax on the transfer of the inventory has been blocked from recovery, the output tax accounted for by SCCL on the related onward sale potentially should not have been paid over to HMRC. A claim seeking to recover the amount paid has been submitted in March 2023. All of this balance has been provided for.

In addition, there are further historical amounts relating to capital inventory, for which an output tax claim has been submitted to HMRC in June 2023. 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.



## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 4 Revenue

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

	2023	2022
	£ 000	£ 000
Sale of goods	2,644,595	2,274,986
Rendering of services	285,180	298,073
Leasing of equipment	4,197	4,271
Other revenue	237,516	216,443
	<u>3,171,488</u>	<u>2,793,773</u>

Other revenue is operational funding received from NHSE for the financial year.

#### 5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2023	2022
	£ 000	£ 000
Interest grant	24,609	-
Stock impairment compensation	30,207	-
	<u>54,816</u>	<u>-</u>

#### 6 Other losses

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

	2023	2022
	£ 000	£ 000
Loss on disposal of property, plant and equipment	<u>-</u>	<u>(286)</u>

#### 7 Operating profit

Operating profit is arrived at after charging:

	2023	2022
	£ 000	£ 000
Depreciation on property, plant and equipment	9,110	9,039
Depreciation on right of use assets	9,592	5,875
Amortisation expense	473	286
Loss on disposal of property, plant and equipment	<u>-</u>	<u>286</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 8 Finance costs

	2023 £ 000	2022 £ 000
Interest on borrowings	28,560	300
Interest expense on leases - Property	1,065	648
Interest expense on leases - Other	3	4
Total finance costs	<u>29,628</u>	<u>952</u>

#### 9 Staff costs

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

	2023 £ 000	2022 £ 000
Wages and salaries	28,380	27,141
Social security costs	3,279	2,430
Pension costs	2,820	2,154
Redundancy costs	309	301
Recharges	-	4,762
	<u>34,788</u>	<u>36,788</u>

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

	2023 No.	2022 No.
Permanent staff	587	402
Agency and temporary staff	99	110
	<u>686</u>	<u>512</u>

#### 10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023 £ 000	2022 £ 000
Remuneration	432	449
Contributions paid to pension schemes	33	25
	<u>465</u>	<u>474</u>

Remuneration relates to salaries and available performance bonuses.

In respect of the highest paid director:

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 10 Directors' remuneration (continued)

	2023	2022
	£ 000	£ 000
Remuneration	215	207
Company contributions to pension schemes	22	22

For the period from 1 April 2022 to 31 September 2022 the Chief Executive Officer was remunerated by the Cabinet Office, and the company was recharged for his time and expenses.

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

#### 11 Auditors' remuneration

	2023	2022
	£ 000	£ 000
Audit of the financial statements	525	535
<b>Other fees to other auditors</b>		
Internal audit services	130	101

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 12 Income tax

##### Tax charged in the Income Statement

	2023 £ 000	2022 £ 000
<b>Current taxation</b>		
UK corporation tax	3,617	-
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	7,549	(7,217)
Tax expense/(receipt) in the Income Statement	<u>11,166</u>	<u>(7,217)</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit/(loss) before tax	<u>32,775</u>	<u>(30,206)</u>
Corporation tax at standard rate	6,227	(5,739)
Increase from effect of expenses not deductible in determining taxable profit	1,505	1,080
Increase from effect of capital allowances depreciation	521	-
Decrease from effect of different UK tax rates on some earnings	-	(1,732)
Amounts not recognised	-	(826)
Other tax effects for reconciliation between accounting profit and tax expense	<u>2,913</u>	<u>-</u>
Total tax charge/(credit)	<u>11,166</u>	<u>(7,217)</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 12 Income tax (continued)

##### Deferred tax

Deferred tax movement during the year:

	At 1 April 2022 £ 000	Recognised in income £ 000	At 31 March 2023 £ 000
Fixed assets	(1,827)	2,283	456
Temporary timing differences	(71)	-	(71)
IFRS 16 adjustment	17	-	17
Losses	(5,336)	5,266	(70)
Net tax (assets)/liabilities	<u>(7,217)</u>	<u>7,549</u>	<u>332</u>

Deferred tax movement during the prior 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	<u>-</u>	<u>(7,217)</u>	<u>(7,217)</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 13 Property, plant and equipment

	Leasehold Improvements £ 000	Fixtures and Fittings £ 000	Medical equipment £ 000	Work in Progress £ 000	Other equipment £ 000	Total £ 000
<b>Cost or valuation</b>						
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 1 April 2022	6,675	6,365	23,118	26,019	28,164	90,341
Additions	11	-	-	14,949	-	14,960
Disposals	-	-	(17,477)	-	-	(17,477)
Transfers	-	45	-	(1,441)	1,396	-
Reclassification	-	-	-	(23,262)	-	(23,262)
At 31 March 2023	<u>6,686</u>	<u>6,410</u>	<u>5,641</u>	<u>16,265</u>	<u>29,560</u>	<u>64,562</u>
<b>Depreciation</b>						
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 1 April 2022	1,461	1,096	12,270	-	9,489	24,316
Charge for the year	672	641	3,112	-	4,685	9,110
Eliminated on disposal	-	-	(11,502)	-	-	(11,502)
At 31 March 2023	<u>2,133</u>	<u>1,737</u>	<u>3,880</u>	<u>-</u>	<u>14,174</u>	<u>21,924</u>
<b>Carrying amount</b>						
At 31 March 2023	<u>4,553</u>	<u>4,673</u>	<u>1,761</u>	<u>16,265</u>	<u>15,386</u>	<u>42,638</u>
At 31 March 2022	<u>5,214</u>	<u>5,269</u>	<u>10,848</u>	<u>26,019</u>	<u>18,675</u>	<u>66,025</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 13 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.

#### 14 Right of use assets

	Equipment £ 000	Property £ 000	Vehicles £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 April 2021	8	75,616	808	76,432
Additions	-	35,904	74	35,978
Disposals	-	-	(16)	(16)
At 1 April 2022	8	111,520	866	112,394
Additions	8	8,963	19	8,990
Disposals	(8)	-	-	(8)
At 31 March 2023	8	120,483	885	121,376
<b>Depreciation</b>				
At 1 April 2021	6	18,635	445	19,086
Charge for the year	2	5,738	135	5,875
At 1 April 2022	8	24,373	580	24,961
Charge for the year	3	9,475	114	9,592
Eliminated on disposal	(8)	-	-	(8)
At 31 March 2023	3	33,848	694	34,545
<b>Carrying amount</b>				
At 31 March 2023	5	86,635	191	86,831
At 31 March 2022	-	87,147	286	87,433

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.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 15 Intangible assets

	Software licenses £ 000
<b>Cost or valuation</b>	
At 1 April 2021	1,142
At 1 April 2022	1,142
Transfers	23,262
At 31 March 2023	24,404
<b>Amortisation</b>	
At 1 April 2021	619
Amortisation charge	286
At 1 April 2022	905
Amortisation charge	473
At 31 March 2023	1,378
<b>Carrying amount</b>	
At 31 March 2023	23,026
At 31 March 2022	237

There are no indicators of impairment.

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

Included within the carrying value of intangible assets is work in progress of £19,557k (2022: £nil).

#### 16 Inventories

	31 March 2023 £ 000	31 March 2022 £ 000
Finished goods and goods for resale	154,896	105,163

	31 March 2023 £ 000	31 March 2022 £ 000
At start of the year	105,163	161,090
Purchases	2,670,853	2,635,496
Sales	(2,623,696)	(2,632,113)
Adjustments	2,576	(59,310)
At end of the year	154,896	105,163



## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 16 Inventories (continued)

During the year, £1,224k of inventory has been written down (2022: £32,746k).

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 provided confirmation during the year that the £30m Covid reduction seen at 31 March 2022 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 has been recognised during the year to 31 March 2023 and has been disclosed in other operating income (see Note 5) as stock impairment compensation.

#### 17 Trade and other receivables

	31 March 2023 £ 000	31 March 2022 £ 000
Trade receivables	378,896	289,305
Provision for impairment of trade receivables	<u>(2,971)</u>	<u>(550)</u>
Net trade receivables	375,925	288,755
Accrued income	717,887	1,947,158
Prepayments	157,239	108,911
Other receivables	32,578	303,067
Provision for impairment of other receivables	<u>(31,318)</u>	<u>(54,189)</u>
	<u>1,252,311</u>	<u>2,593,702</u>

Trade and other receivables due after one year total £nil (2022: £1,258,000).

#### 18 Cash and cash equivalents

	31 March 2023 £ 000	31 March 2022 £ 000
Cash at bank	<u>233,856</u>	<u>140,494</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 19 Trade and other payables

	31 March 2023 £ 000	31 March 2022 £ 000
Trade payables	248,003	191,357
Accrued expenses	249,254	190,745
Amounts due to related parties	33,302	5,611
Social security and other taxes	4,072	617
Outstanding defined contribution pension costs	415	283
Other payables	31,158	1,273
	<u>566,204</u>	<u>389,886</u>

Trade and other payables due after one year total £nil (2022: £657,000).

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 28 Financial risk review.

#### 20 Deferred income

	31 March 2023 £ 000	31 March 2022 £ 000
Deferred income	69,521	52,670
	<u>69,521</u>	<u>52,670</u>

Deferred income to be recognised in more than one year is £nil (2022: £7,951k).

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 21 Loans and borrowings

	31 March 2023 £ 000	31 March 2022 £ 000
<b>Non-current loans and borrowings</b>		
Credit facilities	<u>781,673</u>	<u>2,233,920</u>

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

	<b>Revolving Credit Facility £ 000</b>	<b>COVID Facility £ 000</b>	<b>Total £ 000</b>
<b>2023</b>			
At start of period	250,000	1,983,920	2,233,920
Repaid	-	(1,452,247)	(1,452,247)
At end of period	<u>250,000</u>	<u>531,673</u>	<u>781,673</u>
	<b>Revolving Credit Facility £ 000</b>	<b>COVID Facility £ 000</b>	<b>Total £ 000</b>
<b>2022</b>			
At start of period	250,000	4,933,920	5,183,920
Drawdowns	-	350,000	350,000
Repayments	-	(3,300,000)	(3,300,000)
At end of period	<u>250,000</u>	<u>1,983,920</u>	<u>2,233,920</u>

Interest of £nil has been accrued on the Revolving Credit Facility (2022: £nil).

The repayment date of the Revolving Credit Facility is 1 April 2024 (2022: 1 April 2023). 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.

The COVID Facility was increased to £5.5bn in November 2020. In July 2022 the repayment date was extended to 1 April 2024. No interest is payable on this facility for the year ended 31 March 2022. However, in the current year, due to an increase in the interest rate to 2.17% (2022: 0.12%) notional interest payable has been calculated for the year of £24,609k. This amount will be reimbursed in the form of a grant by the counterparty.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 22 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 2023 £ 000	31 March 2022 £ 000
Less than one year	7,951	6,240
More than 1 year and less than 5 years	30,132	27,388
More than 5 years and less than 10 years	25,862	28,109
More than 10 years	26,806	26,096
Total lease liabilities (undiscounted)	<u>90,751</u>	<u>87,833</u>
Less unearned interest	<u>7,888</u>	<u>8,514</u>
Discounted lease liabilities	<u>82,863</u>	<u>79,319</u>
<b>Analysed as:</b>		
Current	6,906	5,199
Non-current	<u>75,957</u>	<u>74,120</u>
	<u>82,863</u>	<u>79,319</u>

##### Total cash outflows related to leases

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

	31 March 2023 £ 000	31 March 2022 £ 000
<b>Payment</b>		
Right of use assets	5,465	5,725
Interest	<u>1,069</u>	<u>776</u>
Total cash outflow	<u>6,534</u>	<u>6,501</u>

The company has leases for an office, vehicles and some office equipment. It also leases some warehouses through 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 0.95% for leases recognised during the calendar year 2022 and 3.51% for leases recognised during calendar year 2023, 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.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 22 Leases (continued)

##### (b) Where the company acts as a lessor

During the year, the company has leased 29 MRI and CT scanning machines to NHS Trusts (2022: 30). In March 2023, 22 of the 29 machines were sold to various NHS Trusts at net book value with the remaining 7 continuing to be leased to other NHS Trusts.

##### Finance leases

The company has classified 7 (2022: 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 £146,594 (2022: £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.

	31 March 2023 £ 000	31 March 2022 £ 000
<b>Finance lease receivable</b>		
Due in one year	-	399
Due in two years	-	399
Due in three years	-	399
Due in four years	-	399
Due in five years	-	181
Due in more than five years	-	-
Total undiscounted lease receivable	-	1,777
Less unearned finance income	-	(156)
Net investment in the lease	-	1,621
Analysed as:	-	-
Current	-	399
Non-current	-	1,222

##### Operating leases

The company has classified 28 (2022: 28) 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 £4,095,000 (2022: £4,096,000), 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.

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 22 Leases (continued)

	31 March 2023 £ 000	31 March 2022 £ 000
<b>Operating lease receivable</b>		
Due in one year	1,101	4,501
Due in two years	442	4,200
Due in three years	12	2,150
Due in four years	-	739
Due in five years	-	234
<b>Total operating lease receivable</b>	<u>1,555</u>	<u>11,824</u>

#### 23 Provisions

	<b>Dilapidations £ 000</b>
At 1 April 2022	13,671
Decrease (increase) through disposals	(391)
At 31 March 2023	<u>13,280</u>

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 a decrease to the provision.

	<b>Dilapidations £ 000</b>
At 1 April 2021	13,009
Increase in existing provisions	662
At 31 March 2022	<u>13,671</u>

#### 24 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.

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **24 Contingent liabilities (continued)**

A 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.

In preparing the annual accounts we have considered the need for disclosure of any contingent liabilities. In the normal course of business activities Supply Chain Coordination Limited is subject to legal challenges, such as supplier qualification to access procurement frameworks, and these are managed by Legal Counsel. At the time of signing there are some active claims but Accounts Legal Counsel do not consider there to be any claims or challenges that are likely to result in loss to the business and any potential loss would be unquantifiable at this time.

#### **25 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 the National Employment Savings Trust ('NEST').

SCCL contributes to the NHS Pension scheme for all eligible employees. One month contribution of £25,800, payable in April 2023 was outstanding on 31 March 2023 (2022: £21,600).

SCCL has made contributions of £47,000 into the Civil Service Pension Scheme (2022: £6,700) for all eligible employees.

No current employees are under Mercer DB scheme. Currently a monthly fee is paid to keep the scheme open due to former employees being part of the scheme. No contributions were made in the current year (2022: £3,900).

A defined contribution scheme, Nest Pension scheme, is open to eligible employees. Contributions of £2,266,000 have been made in the year (£1,713,000). One month's contribution of £244,000 payable in April 2023 was outstanding at 31 March 2023 (2022: £166,000).

##### **NHS Pension Scheme**

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

SCCL contributes to the NHS Pension scheme for all eligible employees. One month contribution of £25,800, payable in April 2023 was outstanding on 31 March 2023 (2022: £21,600).

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

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

##### Civil Service Pension Scheme

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

SCCL has made contributions of £47,000 into the Civil Service Pension Scheme (2022: £6,700) for all eligible employees.

##### Mercer DB Master Trust

The Mercer DB Master Trust is a sectionalized, multi-employer private sector pension scheme run by PAN Trustees. 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. No current employees are under Mercer DB scheme. Currently a monthly fee is paid to keep the scheme open due to former employees being part of the scheme. No contributions were made in the current year (2022: £3,900).

##### NEST

All SCCL 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. The NEST Pension scheme is open to eligible employees. Contributions of £2,266,000 have been made in the year (£1,713,000). One month's contribution of £244,000 payable in April 2023 was outstanding at 31 March 2023 (2022: £166,000).

#### 26 Share capital

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

	31 March 2023		31 March 2022	
	No.	£	No.	£
Ordinary shares of £1 each	<u>21,000,001</u>	<u>21,000,001</u>	<u>21,000,001</u>	<u>21,000,001</u>

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



## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **27 Commitments**

##### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £4,735,000 (2022: £4,892,000).

#### **28 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 29 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 21 Loans and borrowings).

**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

**28 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.

2023	Carrying amount £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000
<b>Non-derivative assets</b>				
Other current financial assets	1,099,345	6,796	381,783	710,766
Cash and short-term deposits	<u>233,856</u>	<u>233,856</u>	<u>-</u>	<u>-</u>

2023	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
<b>Non-derivative liabilities</b>						
Loans and borrowings	781,673	-	-	-	781,673	-
Trade and other payables	531,296	6,247	221,908	273,070	30,071	-
Lease liabilities	<u>82,862</u>	<u>-</u>	<u>1,722</u>	<u>5,183</u>	<u>26,873</u>	<u>49,084</u>

**Supply Chain Coordination Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

**28 Financial risk review (continued)**

<b>2022</b>	<b>Carrying amount £ 000</b>	<b>Less than 1 month £ 000</b>	<b>1-3 months £ 000</b>	<b>3 months - 1 year £ 000</b>	<b>1-5 years £ 000</b>
<b>Non-derivative assets</b>					
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	<u>140,494</u>	<u>140,494</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>2022</b>	<b>Carrying amount £ 000</b>	<b>Less than 1 month £ 000</b>	<b>1-3 months £ 000</b>	<b>3 months - 1 year £ 000</b>	<b>1-5 years £ 000</b>	<b>More than 5 years £ 000</b>
<b>Non-derivative liabilities</b>						
Non-current financial liabilities	-	-	-	-	-	-
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	<u>79,319</u>	<u>433</u>	<u>1,300</u>	<u>3,466</u>	<u>24,042</u>	<u>50,078</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 28 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 2023 (2022: £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.

#### 29 Related party transactions

Details of the remuneration paid to Board Directors can be found in the Remuneration report and in Note 10 Directors' remuneration.

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.

Year ended 31 March 2023	Income £ 000	Expenditure £ 000	Receivable £ 000	Payable £ 000
DHSC	86,351	22,575	563,041	30,071
UK HSA	42,323	-	198	-
NHS Resolution	1	192	-	-
NHS England	294,968	731	-	3,210
NHS Trusts	859,462	-	81,223	-
NHS Foundation Trusts	1,911,533	-	191,330	21
Other DHSC Group bodies	1,377	-	129	-
	<u>3,196,015</u>	<u>23,498</u>	<u>835,921</u>	<u>33,302</u>

## Supply Chain Coordination Limited

### Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

#### 29 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	-
	<u>2,630,105</u>	<u>8,986</u>	<u>336,244</u>	<u>12,665</u>

#### Loans from related parties

The COVID facility and Revolving Credit facility are both provided by the company's ultimate parent, DHSC.

For terms of loans from related parties please refer to note 21: Loans and borrowings.

Interest of £nil has been accrued on the Revolving Credit Facility (2022: £nil).

#### 30 Parent and ultimate parent undertaking

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

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

## **Supply Chain Coordination Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)**

#### **31 Non adjusting events after the financial period**

Subsequent to the year end, the company entered a new Revolving Credit Facility agreement. This is effective from 1 April 2024 and expires on 1 April 2026.

On 25 April 2023, the company repaid £384.1m of the COVID facility and a further £131.6m on 31 July 2023. The balance of the COVID facility at the date of signing is £16.0m.

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.

CTSPs 1, 2, 3, 5, 6 and 8 transferred at the start of May 2023, creating a combined organisation of just over 1,000 Full Time Equivalent Employees. The re-procurement of non-medical external service providers for CTSPs 9, 10 and 11 were awarded in March 2023 and will go live in July 2023.

DHSC provided confirmation after the prior period end that the £30m reduction in inventory value included in the year ended 31 March 2022 will be reimbursed. The reimbursement is recognised in the year ended 31 March 2023.

These financial statements were approved by the Board and signed on its behalf on 12 December 2023.