



Department
of Health



Knowsley Primary Care Trust

2012-13 Annual Report and Accounts

You may re-use the text of this document (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/

© Crown copyright

Published to gov.uk, in PDF format only.

www.gov.uk/dh

Knowsley Primary Care Trust

2012-13 Annual Report



Department
of Health

Annual Report and Accounts 2012-2013

Knowsley Primary Care Trust

Contents

Welcome	3
A history of NHS Knowsley	4
Who's who	5
About health in Knowsley	6
What NHS Knowsley has achieved	7/8
Your new and local NHS	9
Supporting our people	10
Emergency preparedness	11
Looking after you and your information	12
Working sustainability	13/15
Providing value	16/20
Remuneration report	21/29
Statement of the responsibilities of the signing officer	30
Statement of responsibilities in respect of the Accounts	31
Annual Governance Statement	32/39
Annual Accounts	40
Appendix	
Independent auditor's statement	41/43

Welcome...

...to the final Annual Report of Knowsley Primary Care Trust (PCT), charting the PCT's last year as the organisation accountable for 'commissioning' or buying and planning health services for everyone who lives in the borough.

During 2012-2013 the PCT – better known as NHS Knowsley - remained the body responsible for ensuring the continued high quality, safety and effectiveness of local healthcare. Alongside this, NHS Knowsley was playing an important role in helping to prepare for the changes set out in the government's Health and Social Care Act, effective from 1 April 2013.

To do this, NHS Knowsley worked closely with other PCTs in the area - known collectively as NHS Merseyside. By working together as a 'cluster', the PCTs were able to work more efficiently by reducing duplication of effort - including a single management team and board.

Working as NHS Merseyside has also meant PCTs could free up resources to better support the new, emerging organisations taking over from PCTs when they ceased to exist at the end of March 2013.

The majority of NHS Knowsley's duties and responsibilities pass to NHS Knowsley Clinical Commissioning Group from 1 April 2013. This new organisation has been operating in 'shadow form' since November 2011, carrying out much of the day to day work required of commissioning organisations – such as overseeing and monitoring health services provided by hospitals and clinics to ensure they are the best they can be for local people.


NHS Knowsley also worked to ensure the smooth handover of Public Health services to the local authority, who take on the responsibility of improving and protecting the health of the population it serves from 1 April 2013.

Nationally, two new organisations will work in partnership with local health organisations to ensure the health system achieves more year on year – Public Health England and NHS England, formerly the NHS National Commissioning Board.

Giving patients and members of the public more control over their own healthcare and in shaping their health services is also central to the NHS reforms. There will be a new local champion for patients called HealthWatch, which replaces the former Local Involvement Network, LINK.

We will talk about some of these changes in more detail throughout this report and about the achievements of the local NHS in this year of unparalleled change and transformation.

Most importantly, we would like to pay tribute to the continued hard work, commitment and innovation of PCT staff amidst a monumentally challenging period and we thank them all.

Signed..........Designated Signing Officer

Date: 6/6/2013.

Changes to NHS Knowsley over the past 2 years

- In 2011, NHS Knowsley 'clustered' with three other PCTs in the area - NHS Halton and St Helens, Liverpool PCT, and NHS Sefton - to form NHS Merseyside¹ as part of the government's reforms to the NHS set out in the Health and Social Care Act.
- From November 2011 NHS Knowsley Clinical Commissioning Group (KCCG) has been operating in 'shadow form', accountable to NHS Knowsley through NHS Merseyside.
- In January 2013, KCCG was 'authorised', or granted permission to take over the majority of NHS Knowsley's responsibilities following its abolition at the end of March 2013.

Who's who

Below is a list of people who made up our Board and our Audit Committee over the past year:

Board members

Non Executive Directors

Gideon Ben Tovim - Chair
Maureen Williams
David Merrill
Jim Wilson
Cllr Graham Wright
Peter Hinton
Paul Acres
Keith Cawdron

Executive Directors

Chief Executive/Accountable Officer - Derek Campbell
Accountable Officer - Clare Duggan (1 Oct 2012 – 31st Mar 2013)
Director of Finance - Phil Wadeson
Executive Nurse - Trish Bennett
Medical Director - Dr Steve Cox (1st Apr 2012 – 31 Aug 2012)
Acting Medical Director - Dr Kieran Murphy (1 Sept to 30 Sept 2012)
Acting Medical Director - Dr John Hussey (1 Oct 2012 – 31 Mar 2013)
Director of Human Resources and Organisational Development - Jane Raven
Director of Strategic Change - Clare Duggan (1 Apr 2012 – 30 Sept 2012)

Audit Committee 1 Apr 2012 – 30 Nov 2012

David Merrill – Chair
Cllr Graham Wright
Peter Hinton
Maureen Williams

Audit Committee 30 Nov – 31 Mar 2013

Cllr Graham Wright– Chair
Jim Wilson
Paul Acres
Peter Hinton

About health in Knowsley

Knowsley has a resident population of 145,900 and was created by local government re-organisation in 1974. There are four main urban blocks: Kirkby, Huyton, Halewood and Prescot/Whiston, as well as the more rural areas of Cronton, Tarbock and Knowsley Village.

The borough has high levels of deprivation (5th most deprived local authority area in England), high levels of unemployment and relatively low educational attainment levels. A high amount of people who die prematurely which is mainly due to lifestyle factors such as smoking and poor diet. However, life expectancy has risen for both men and women between 2008 and 2010 with men's life expectancy increasing by four months and women's by five months.

NHS Knowsley has worked over the last ten years to tackle the biggest influences on health such as stopping smoking and improving access to services. We aim to improve health and reduce the differences in health status between communities because of factors such as income, age or the area in which people live.

In the future the NHS in Knowsley will work even closer with partners from the council, patient groups and the voluntary and community sector to tackle the health issues that affect local people the most.

During 2011-2012 Knowsley Clinical Commissioning Group was established and we have worked closely to support this new organisation as it develops and starts to take responsibility for NHS budgets and commissioning of local services.

A new Health and Wellbeing Board is bringing these key partners together to set out joint priorities to improve the health and wellbeing of local people. The aim is to achieve more by combining their efforts to tackle the wider factors that affect health, such as education and housing.

What NHS Knowsley has achieved

Below are some examples of NHS Knowsley's work that have helped us to make huge steps over the last ten years to provide efficient, more convenient access to health and wellbeing services which meet the needs of local people.

Working together for better health - NHS Knowsley is committed to commissioning joined up community services through our unique partnership with Knowsley Borough Council. This integrated approach to health, social care, leisure and cultural services has helped us to bring care closer to home, delivering services in a way that makes sense to our patients and ensuring we support the individual needs of our population as comprehensively as we can.

Examples over the past decade include:

- **Activity for Life** – This is a GP referral scheme where patients are referred to a 12 week exercise programme. It supports people with health problems, such as cardio vascular disease. Our research found after a 12 week 'Activity for Life' programme 84% of participants showed improvement across 14 different measures to assess their level of health.
- **Knowsley Centre for Independent Living** - The Centre opened in December 2010 offering a one stop shop for support, advice and equipment for all care needs to support disabled people in Knowsley to live more independently.
- **Knowsley Disability Day Services** - Integration between health, social care, leisure and culture has enabled Knowsley to co-locate our Disability Day Services in Leisure Centres across the Borough.
- **Public Art** - The Arts and Heritage Service has worked closely with a number of public artists over the last few years to create art work for health and wellbeing buildings across the Borough. The team works with local school students, staff, community groups and other stakeholders.

Putting our residents at the heart of everything we do - NHS Knowsley strives to provide services that really meet the needs of Knowsley residents. We have invested time and money to communicate with and involve our patients and stakeholders in the decisions we make and the work we do to make sure our services meet the needs of our residents. This includes developing patient participation groups in all 34 GP practices.

Making sure Knowsley residents have 'Options' – the 'Options' service makes it easier to see a doctor at evenings and weekends or when you can't get to your own doctor. It incorporates four new GPs sites which send GP-led health teams out into the community to support hard-to-reach groups and offer evening and weekend appointments to all Knowsley residents. There is also a GP led Health Centre in Kirkby Town Centre with appointments available from 8am to 8pm, 7 days a week.

Delivering services when and where you need them - Over the last ten years Knowsley communities have benefitted from improved access, with more community based facilities and services being brought into the heart of the borough. To ensure we deliver top quality, safe and secure healthcare services we have continued working with our patients and service users to develop services so that they better meet their needs. This includes:

- Community Chronic Obstructive Pulmonary Disease (COPD) service
- Rapid Access COPD service
- Pulmonary Rehabilitation offered in local leisure centres
- Children's services delivered by Alder Hey in four Knowsley primary care resource centres to provide children's healthcare closer to home

Cardiovascular Disease - Over the last 15 years Knowsley has succeeded in reducing the number of people who die prematurely from Cardiovascular Disease (CVD) and related conditions. Whilst the gap between Knowsley and the national average has narrowed Knowsley still has a higher than average rate of people dying from CVD. Services to tackle CVD include:

- Free 'Knowsley at Heart' health checks, which assess people's risk of developing heart disease, stroke, type 2 diabetes and kidney disease. Knowsley at Heart has also been successful in helping to spread healthy heart message across Knowsley
- A "one stop" Community CVD Service providing diagnostics, treatment and management of CVD
- Cardiac and stroke rehabilitation
- Heart Failure Service

Cancer - Knowsley has worked hard to achieve the best cancer survival rates in the North West and has seen the biggest change in cancer mortality rates during the past five years. Since 1995-1997 the rate at which people die prematurely from cancer has decreased by 28% thanks to our innovative approaches to cancer detection and prevention.

Smoking - Thanks to our innovative stop smoking services, national figures in 2011-2012 showed that Knowsley had the highest number of quitters per head of population in the North West. Reducing levels of smoking is a challenge as Knowsley has one of the highest rates of smoking in the country with an estimated 34,900 smokers or 30 per cent of the adult population, leading to an increased risk for our residents of COPD, lung cancer and heart disease

Building for the Future – In its lifetime NHS Knowsley has invested over £40m to develop modern, purpose built facilities across the Borough which house not only traditional GP, dental and pharmacy services but also enable the delivery of a range other primary care services including minor surgery, audiology and blood testing allowing Knowsley to meet the demands of a modern day health service. Our estate not only offers facilities that will meet the future health needs of our residents but it is also helping to reduce the impact that our buildings make on the environment.

Your new and local NHS

During 2012-2013, NHS Knowsley Clinical Commissioning Group was granted authorisation to become a statutory body and take on the duties set out in the Health and Social Care Act from 1 April 2013, when it becomes the lead organisation for the majority of local healthcare.

It followed a rigorous assessment process during 2012 to determine if it was ready to take on these duties and powers, and confirmation that it had successfully achieved authorisation was announced in early 2013.

Made up mainly of local doctors and nurses, Clinical Commissioning Groups (CCGs) are best placed to know the health needs of the communities they serve. They will work with local people and a wide range of other partners to plan and buy services tailored to the health priorities experienced by people living in the area they cover.

CCGs are also members of the council's Health and Wellbeing Board (HWBB), which will be responsible for carrying out assessments to identify the borough's key health priorities – called a joint strategic needs assessment (JSNA) - and to develop a joint strategy to tackle them – the Health and Wellbeing Strategy (HWBS).

The CCGs made good progress whilst operating in shadow form, and have now published their plans and priorities for 2012-2013. A wide range of people were involved in the development of their plans – including patients and local residents - which complement those in the HWBS. The CCGs will regularly report on their progress.

You can find out more about KCCG – including its plans, priorities and achievements over the past year - by visiting its website www.knowsleyccg.nhs.uk or by calling 0151 244 4126.

Supporting our people

We have provided extra support to our staff over the past year to help them prepare for the new local NHS systems and structures and to keep them informed about what the transition meant for them.

This has included a specially designed development programme, where our staff could access group workshops or one to one tailored advice.

Briefing sessions, blogs, along with re-designed news bulletins and website information kept staff informed about the transition, as well as providing them with an opportunity to ask questions and receive feedback.

We are committed to being a fair and equal employer. Our workplace policies are in line with all relevant equality, diversity and human rights legislation to ensure none of our staff are disadvantaged by our working processes. NHS Merseyside has specific staff policies relating to the following:

- Employees with disabilities
- Equality and Diversity

Sickness absence rates

	2012-2013	2011-2012
Total days lost	420	6,321
Total staff years	113	985
Average working days lost	3.71	6.42
Number of persons retired early on ill health grounds (The sickness absence data in this table relates to the period January to December 2012)	0	0
Total additional pensions liabilities accrued in the year (£000s)	0	0

Emergency preparedness

NHS Knowsley is a Category 1 Responder as defined within the Civil Contingencies Act 2004. This means that the PCT plays an important role when preparing for, responding to and recovery from any local or significant emergencies in partnership with the local authorities, emergency services and other health bodies.

During 2012-2013, the PCT's emergency preparedness duties were assumed by NHS Merseyside who has worked closely with partner organisations including the local Health Protection Unit of the Health Protection Agency (HPA), the local authority, NHS partners and the emergency services, to protect the health of the population from communicable disease and environmental hazards.

Whilst acting on behalf of the PCT, NHS Merseyside has continued to develop the preparedness of local NHS Trusts through the delivery of a programme of auditing, workshops and exercises including mass casualties, pandemic influenza, winter preparedness and business continuity supported by ongoing training for staff.

During this period NHS Merseyside implemented a programme of transition in readiness of the reforms to the NHS on 1st April 2013. NHS Merseyside, acting on behalf of the PCT, has responded to a number of multi-agency incidents whilst managing urgent and emergency care pressures and maintaining the obligations of being a member of the Merseyside Resilience Forum and a Category 1 Responder.

Looking after you and your information

Managing and responding to risks

Our Governance Committee provides assurances to the NHS Merseyside Board that structures, systems and processes are in place which enable us to identify and manage significant risks that we may face. The committee is also responsible for monitoring quality against national and local standards on issues including patient safety and health and safety. For more details read our Annual Governance Statement later in this report.

It also ensures that any information we hold about your care is held securely and in line with data protection regulations. Where breaches happen, we work hard to strengthen our systems. In 2012-2013, NHS Knowsley had no serious untoward incidents involving the loss of personal data or confidentiality breaches to declare to the Care Quality Commission or to the Information Commissioner's Office.

PALS – helping you

Our Patient Advice and Liaison Service (PALS) is there to help people with any queries or concerns they have about their health or their treatment.

The team also runs our formal complaints service. All complaints are investigated and every person making a complaint receives a response from the Chief Executive. This process is another way of ensuring the high standards of our services, reviewing them when concerns are highlighted and changing them when it is appropriate, for the benefit of all our patients.

Our complaints policy is based on national policies and processes. Anyone calling the PALS team can expect a high standard service, which also reflects the measures of quality set out in the guidance 'Principles for Remedy'. This guidance, issued by the Parliamentary and Health Ombudsman, focuses on six key areas of best practice:

- Getting it right
- Being customer focused
- Being open and accountable
- Acting fairly and proportionately
- Putting things right
- Seeking continuous improvement

Information Charges

The PCT has complied with HM Treasury's guidance on setting charges for information required. This guidance is available as Appendix 6.3 to Treasury's MPM.

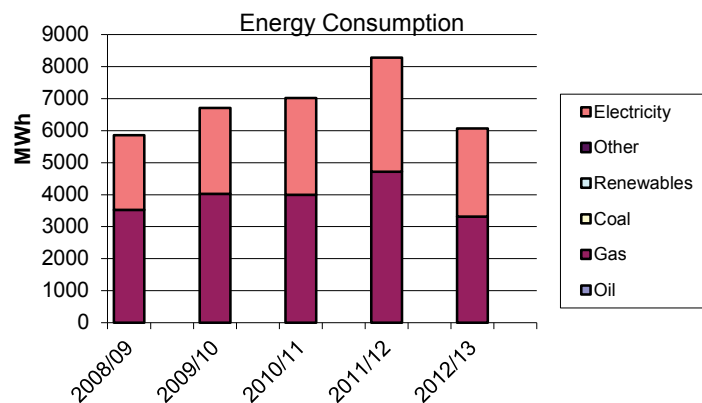
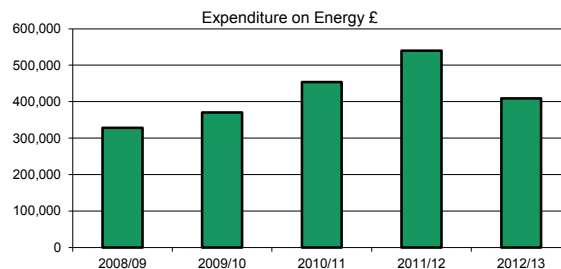
Working sustainability

The NHS aims to reduce its carbon footprint by 10% between 2009 and 2015 reducing the amount of energy used in our organisation contributes to this goal. Below are some of the ways we are working towards a more sustainable health service in Knowsley.

Carbon Collective

Knowsley PCT is a member of the Carbon Collective, a group of 13 NHS Trusts on Merseyside dedicated to reducing their carbon imprint. On 28th March 2012, it launched Simple Actions, a campaign that aims to support and encourage 50,000 NHS staff on Merseyside to cut waste, conserve energy, and reduce carbon. As part of a wider carbon reduction strategy, it aims to save up to £4 million a year to reinvest in services. The Carbon Collective is currently reviewing the potential for renewable energy across the North Mersey NHS and has just completed a review of taxi and courier use aimed at delivering reduced emissions from travel costs. In 2011/12 expenditure on energy by this Trust increased by 12% due to price increases of 21% Gas and 14% electricity. In 2012-2013 energy costs fell by 24%. This is due in part to having entered into a contract with a new supplier at cheaper costs but also as a result of reduction in consumption. The total cost saving of £131,000 is the equivalent of 23 hip operations.

Our use of energy and water

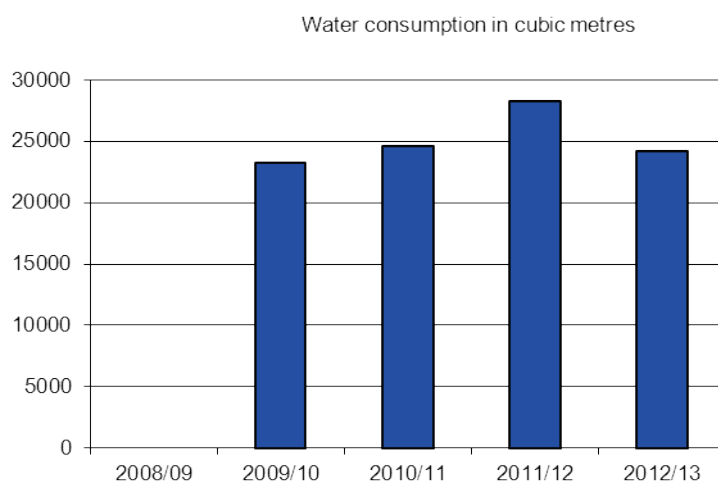


- We have not yet quantified plans to reduce our carbon emissions and improve our environmental sustainability
- Our total energy consumption has fallen during the year from 8,280 to 6067 MWh. Our relative energy consumption has changed during the year from 0.29 to 0.19 MWh/square metre
- We do not generate any energy. We have not made arrangements to purchase electricity generated from renewable sources
- We do not currently collect data on our annual Scope 3 emissions

The PCT has processes in place for reporting faults and leaks and staff are aware of their role in conserving water. The newest LIFT buildings include rainwater capture for toilet flushing. As a result expenditure on water consumption in 2012-2013 has reduced by 14% against 2011-2012.

The Trust continues to work alongside Knowsley MBC in the implementation of its Travel Plan, adopted in 2010. The ongoing process of change within the PCT has made it difficult to assess whether or not the changes identified in 2011-2012, when there had been a shift away from single occupant car travel towards more sustainable journeys has continued.

However expenditure on business miles in 2012-2013 reduced by 17% on that incurred in 2011-2012. During 2012-2013 our total expenditure on business travel was £69,208.

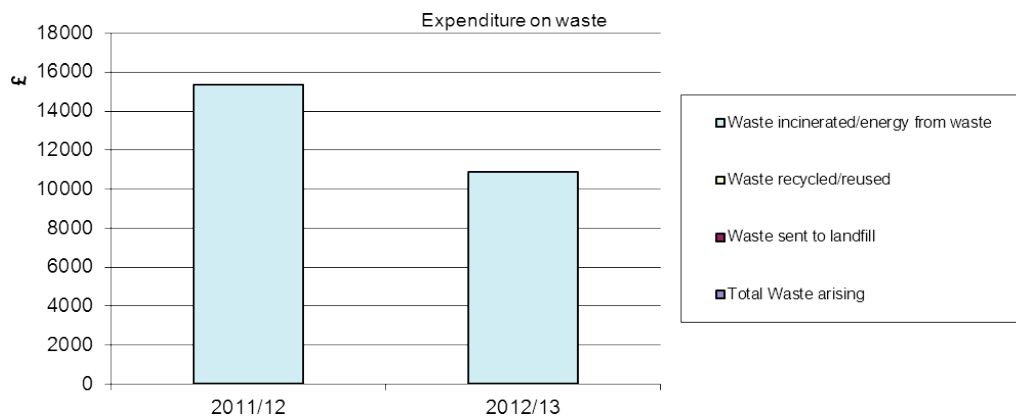


Our water consumption has reduced by 4,010 cubic meters in the recent financial year. In 2012-2013 we spent £80,544 on water.

Waste Management

All our Clinical waste is deemed hazardous and is therefore incinerated. All our other waste is collected and paid for as part of our rental agreements on properties and it is not possible to separately identify this.

Our expenditure on clinical waste in the last two years was incurred as follows:



Our Sustainable Development Management Plan

Our organisation has not updated its Sustainable Development Management plan within the current financial year, as the issues around sustainability will be considered within the PCT's successor organisation going forward. We consider therefore, neither the potential need to adapt the organisation's activities nor its buildings and estates as a result of climate change. Adaptation to climate change will pose a challenge to both service delivery and infrastructure in the future. It is therefore appropriate that the successor organisation consider it when planning how best to serve patients in the future.

Sustainability issues are not included in our analysis of risks facing our demised organisation. NHS organisations have a statutory duty to assess the risks posed by climate change. Risk assessment, including the quantification and prioritisation of risk, is an important part of managing complex organisations.

There was no Board level lead for Sustainability. Sustainability issues, such as carbon reduction, are not currently included in the job descriptions of all staff. However, our staff energy awareness campaign has been on-going. Staff awareness campaigns have been shown to deliver cost savings and associated reductions in carbon emissions.

Our organisation has a Sustainable Transport Plan

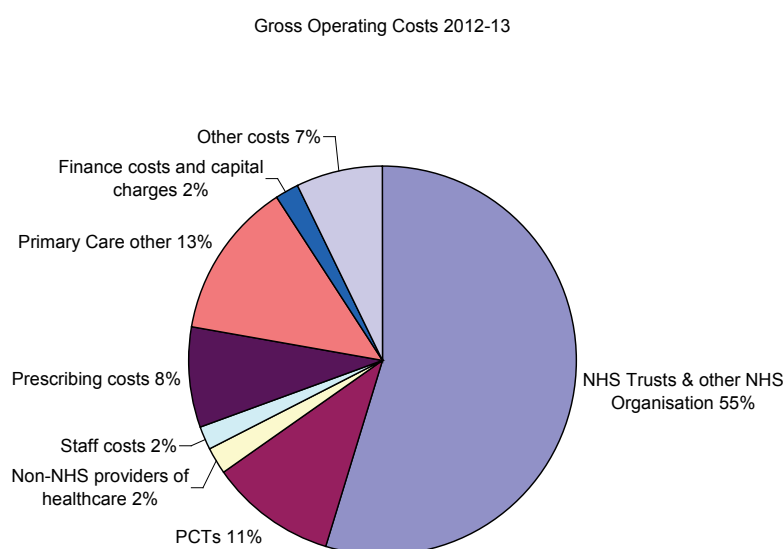
The NHS places a substantial burden on the transport infrastructure, whether through patient, clinician or other business activity. This generates an impact on air quality and greenhouse gas emissions. It is therefore important that we consider what steps are appropriate to reduce or change travel patterns through the Sustainable Transport Plan.

Providing value

We have achieved all of our statutory duties in relation to the management of our finances during the year. In 2012-13 the money we received from the government to provide and buy services, or our 'revenue resource limit', was £355m. This is an increase on 2011-12 of £344m or 3.2%. We also received additional income of £9.5m from a number of other sources.

How we spent our money in 2012-13

We spent £363m on achieving our objectives through the purchase and delivery of a variety of services.



The majority of our budget, £199m, was spent buying services from our main local hospitals, as well as many others around Cheshire, Merseyside and beyond. We also spent £77.6m on primary care, such as GPs and dentists, and the prescribing of drugs in the community. Significant investments were also made in community care (£44m, of which £43m is included under NHS Trusts & other NHS Organisations and PCTs above) and public health (£19.8m, of which £13m is included under NHS Trusts & Other NHS Organisations and PCTs above) with the balance being made up of other items of spend such as corporate costs and buildings.

In 2012/13, NHS Merseyside (a cluster comprising Halton & St Helens, Knowsley, Liverpool and Sefton PCTs) established a Cluster Strategic Reserve to promote system transformation and support efficiency improvement across the Merseyside Health economy.

The fund was made up of a 2% non-recurrent top-slice from PCT allocations slippage on the implementation of investment plans (£7.8m) and unused contingency provisions (£10.8m). Total resources amounted to £72.6m and the fund was fully utilised during the year. All NHS providers on Merseyside submitted bids and successfully accessed resources together with a number of voluntary organisations.

Knowsley PCT's contribution to the fund was £10.4m.

Like all PCT's within the Merseyside Cluster action was taken to deliver the commissioning plans developed across Merseyside which included a major expansion in rehabilitation services on the Aintree, Broadgreen and St Helens Hospital sites. Locally the delegation of budget responsibility to Knowsley CCG allowed it to take forward its commissioning plans which included the tendering of a new community diabetes service to start in April 2013. The last year of the PCT also saw the opening of St Chads Centre in the centre of Kirkby – providing new premises for 2 GP practices and for services from both the old St Chads Clinic and Kirkby Health Suite buildings.

Secondary care and community care

A significant proportion of our overall budget, £243m, was spent purchasing a wide range of hospital and community services from healthcare providers. £147.7m was spent on general and acute healthcare. Mental health and learning disabilities accounted for £29m spend and we continued to support investments in community services to a value of £44m. We spent £6m on Accident and Emergency and £8.5m on maternity services.

Primary Care

We spent £77.8m commissioning primary healthcare, of which £30.4m was spent prescribing drugs in the community. Throughout the year our Medicines Management Team has been actively supporting GPs and other prescribers to ensure that all prescribed medicines are effective, safe and provide best value.

The remaining £47.4m was spent on a range of other primary care services that are mainly provided by independent contractors including GPs, dentists, pharmacists and optometrists.

Staffing costs

We employed 101 (whole time equivalent) staff in 2012-13 costing £7.4m. This compares to 131 people we employed in 2011-12 at a cost of £8.5m.

Pension liabilities

Accounting treatment for pensions costs and liabilities is outlined in note 7.5 to of the Annual Accounts.

Off payroll engagements

The PCT, like many public and private sector organisations has from time to time employed individual who are not on their payroll and are therefore "off payroll".

The PCT can confirm that there were no off-payroll engagements at a cost of over £58,200 per annum that were in place as of 31 January 2012.

In addition, the PCT did not have any new off-payroll engagements between 23 August 2012 and 31 March 2013, costing more than £220 per day and lasting more than six months.

Areas of investment

Throughout 2012-13 we earmarked resources to improve health outcomes and reduce inequalities. This funding addressed a variety of public health schemes to support programmes to address long term health conditions, access to services and engagement with the public.

In primary care, we continued to invest in clinical commissioning group initiatives and schemes to improve people's access to services.

Capital projects

We continued to invest in capital projects during the year. Projects included the new Kirkby Town Centre LIFT building, which opened in March 2013. The total capital investment for this was £6.298m. The fit out of the Kirkby Town Centre LIFT totalled £298k. Other capital expenditure during the year (backlog maintenance, essential Health & Safety, LED lighting) totalled £712k.

Our financial duties

The PCT has a statutory duty to maintain spending within its 'resource limit', or total budget. For the financial year 2012-13, this is referred to as 'achieving operational financial balance'. There are three separate limits that we are measured against - revenue, cash and capital.

Revenue Resource Limits	To ensure spending on revenue is kept within the funded level.
Cash Limit	To ensure that we do not spend any more cash than we have been given.
Capital Resource Limit	To ensure spending on capital is kept within the funded level.
Better Payments Practice Code (BPPC)	To achieve 95% compliance with the BPPC

In 2012-13 we met all three financial limit requirements and we reported:

- £1.652m surplus against our revenue budget (resource limit) of £355m
- The PCT spent £355.8m in cash against a cash limit of £356m
- The PCT spent £7m against its capital budget (resource limit) of £7m

Better Payments Practice Code

The PCT met the 95% compliance target for the value of invoices paid, but did not meet the required 95% compliance on number of invoices paid with 91.81%

achievement for non NHS trade invoices, and 85.70% achievement for NHS trade invoices.

Prompt Payment Code

The PCT signed up to the Prompt Payment Code (PPC) in June 2010. The PPC is a payment initiative developed in 2009 by Government with the Institute of Credit Management “to tackle the crucial issue of late payment and help small businesses.” Details of the code can be found at www.promptpaymentcode.org.uk

Going Concern Basis

Under the provisions of The Health and Social Care Act 2012 (Commencement No.4. Transitional, Savings and Transitory Provisions) Order 2013, the PCT was dissolved on 1st April 2013. The PCT’s functions, assets and liabilities transferred to other public sector entities as of 1 April 2013. Where reconfigurations of this nature take place within the public sector, Government accounting requires that the activities concerned are to be considered as continuing operations, and so the closing entity prepares accounts on a “going concern” basis. The Statement of Financial Position (SoFP) has therefore been drawn up at 31 March 2013 on the same basis as in previous years, reporting balances on the same basis as would a continuing entity. In particular, there has been no general revaluation of assets or liabilities, and no disclosures have been made under IFRS 5 Non-current Assets Held for Sale and Discontinued Operation.

External Auditors

Our external auditor is PricewaterhouseCoopers LLP. The cost of its external audit services in 2012-13 was £85,675 including VAT.

Directors’ disclosure of information to Auditors

So far as each person serving as a director of the PCT at the date this report is approved is aware, there is no relevant audit information of which our auditors are unaware. Each director hereby confirms that they have taken all the steps that they ought to have in order to make themselves aware of any relevant audit information and to establish that our auditors are aware of that information.

Register of declared interests

A register of declared interests has been maintained by the PCT and is available for inspection on application to Clare Duggan, Area Team Director (Merseyside). Details of senior manager interests and personal relationships with outside bodies that have conducted business directly with the PCT during the year are set out in note 37 of the annual accounts which are included in this report.

Looking forward

In 2012-2013 we continued to focus on ensuring the principles of quality and productivity applied to our financial transactions to ensure we procured the best value health services for our local population. In doing this, we also supported our successor organisations in adopting these values and practices for the future.

Our financial plans supported the delivery of existing strategic plan commitments to improve against health inequalities targets locally. This investment is grounded in sensible, deliverable levels of funding locally and is not over reliant on reducing funding elsewhere within the system.

In our final year we worked as part of NHS Merseyside with Clinical Commissioning Groups and key partners to develop future cash releasing strategies locally whilst sustaining and improving the quality of existing services. This may be characterised by care closer to home, fewer acute beds, reduced unit costs, reduced variation, standardisation of pathways and more upstream interventions.

Remuneration report

Senior Managers' salaries and allowances

Senior Manager	Notes	Title	2012-13					2011-12			
			Salary (bands of £5000)	Other Remuneration (bands of £5000)	Bonus payments (bands of £5000)	Compensatio n for loss of office (bands of £5,000)	Benefit s in Kind (round ed to nearest £00)	Salary (£'000)	Other Remuneration (bands of £5000)	Bonus paymen ts (bands of £5000)	Benefits in Kind (rounded to nearest £00)
Gideon Ben Tovim, OBE	1	Chair	5-10	-	-	-	-	0-5	-	-	-
Professor Maureen Williams	1	Non Executive Director	0-5	-	-	-	-	0-5	-	-	-
Paul Acres	1	Non Executive Director	5-10	-	-	-	-	0-5	-	-	-
Keith Cawdron	1	Non Executive Director	0-5	-	-	-	-	0-5	-	-	-
Graham Wright	1	Non Executive Director	0-5	-	-	-	-	15-20	-	-	-
David Merrill	1	Non Executive Director	0-5	-	-	-	-	0-5	-	-	-
Jim Wilson	1	Non Executive Director	5-10	-	-	-	-	0-5	-	-	-
Peter Hinton	1	Non Executive Director	0-5	-	-	-	-	5-10	-	-	-

		2012-13						2011-12			
Senior Manager	Notes	Title	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Bonus payments (bands of £5000)	Compensatio n for loss of office (bands of £5,000)	Benefit s in Kind (round ed to nearest £00)	Salary (£'000)	Other Remuneration (bands of £5000)	Bonus paymen ts (bands of £5000)	Benefits in Kind (rounded to nearest £00)
Derek Campbell	1,2	Chief Executive	20-25	-	-	40-45	7	15-20	-	-	6
Phil Wadeson	1,3	Director of Finance	10-15	-	-	-	-	10-15	-	-	-
Trish Bennett	1,4	Director of Nursing	10-15	-	-	-	11	10-15	-	-	7
Clare Duggan	1,5	Accountable Officer	15-20	-	-	-	7	10-15	-	-	-
Dr Stephen Cox	1,6	Medical Director	5-10	-	-	-	-	10-15	0-5	-	-
Dr Kieran Murphy	1,7	Acting Medical Director	0-5	-	-	-	-	-	-	-	-
Dr John Hussey	1,8	Acting Medical Director	0-5	-	-	-	-	-	-	-	-
Jane Raven	1,2	Director of OD and HR	10-15	-	-	20-25	-	20-25	-	-	1
Sue Drew	9	Director of Public Health	50-55	-	-	-	-	90-95	-	-	-
Matt Ashton	10	Acting Director of Public Health	35-40	-	-	-	-	-	-	-	-
Paul Brickwood	11	Director of Finance and Commissioning	-	-	-	-	-	45-50	-	-	23
P Coogan	11	Non Executive Director	-	-	-	-	-	5-10	-	-	-

		2012-13						2011-12			
Senior Manager	Notes	Title	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Bonus payments (bands of £5000)	Compensatio n for loss of office (bands of £5,000)	Benefit s in Kind (round ed to nearest £00)	Salary (£'000)	Other Remuneration (bands of £5000)	Bonus paymen ts (bands of £5000)	Benefits in Kind (rounded to nearest £00)
P Conway	11	GP and Board Director	-	-	-	-	-	0-5	5-10	-	-
J Coulter	11	Director of Health and Social Care	-	-	-	-	-	60-65	-	-	-
I Davies	11	Deputy Chief Exec	-	-	-	-	-	85-90	-	-	8
F Gill	11	Non Exec Director	-	-	-	-	-	0-5	-	-	-
R Hawley	11	Chair Person	-	-	-	-	-	15-20	-	-	-
J Hughes	11	Director of Commissioning Development	-	-	-	-	-	10-15	-	-	-
MF Lockwood	11	Non Exec Director	-	-	-	-	-	5-10	-	-	2
C Mimmagh	11	Medical Director	-	-	-	-	-	20-25	-	-	-
P Morton	11	Non Exec Director	-	-	-	-	-	5-10	-	-	-
C O Hare	11	Non Exec Director	-	-	-	-	-	5-10	-	-	-
S Ramsey	11	Acting Chief Exec/Managing Director	-	-	-	-	-	90-95	-	-	51
H Argomandkha h	11	PEC Member	-	-	-	-	-	15-20	-	-	-
M Keenan	11	PEC Member	-	-	-	-	-	30-35	-	-	-

Notes:

Benefits in kind are in respect of lease vehicles and are shown in £ hundreds.

- 1 Knowsley PCT is party to the NHS Merseyside cluster arrangements with Sefton PCT, Halton and St Helens PCT and Liverpool PCT. Each of the PCTs contributes to a share of the costs of the clustering arrangements based on the size of each PCT's weighted population as follows:

PCT	Weighted Population	%
Liverpool	576,471	40.14
Halton and St Helens	360,186	25.08
Sefton	303,497	21.13
Knowsley	196,069	13.65

The salary costs for these individuals represents Knowsley PCT's share of their salary in respect of their work carried out for the NHS Merseyside Cluster.

- 2 Derek Campbell and Jane Raven were made redundant on 31 March 2013. The costs included above represent Knowsley PCT's share of their redundancy costs. The total amounts paid in respect of the redundancy entitlements were £295,714 to Derek Campbell and £179,588 to Jane Raven.
- 3 Phil Wadson was appointed as the joint Director of Finance for the Mersey Cluster and the Cheshire, Warrington and Wirral (CWW) Cluster for the period 1 September 2012 to 10 January 2013 and continued to support the CWW cluster to the end of January 2013. The Mersey Cluster have not recharged his salary costs for this period to the CWW Cluster. The salary figure in the above table represents the proportion of salary for his work at the NHS Merseyside Cluster alone and has been adjusted to reflect the remuneration cost had his salary been recharged. The proportion of his total salary which is attributable to the CWW Cluster is set out in the Remuneration Reports of the PCTs in the CWW Cluster.
- 4 Trish Bennett was appointed as the Director of Nursing to the Greater Manchester (GM) Local Area Team on 1 October 2012. The Mersey Cluster have not recharged her salary costs for this period to the GM Cluster. The salary figure in the above table represents the proportion of salary for her work at the NHS Merseyside Cluster alone and has been adjusted to reflect the remuneration cost had her salary been recharged. The PCTs in the GM Cluster have not included any salary or benefits in kind relating to Trish Bennett in their Remuneration Reports.
- Clare Duggan was appointed as the Accountable Officer for the Cluster on 1 October 2012. Prior to this she was the Director of Strategic Change.
- 5 Dr Steve Cox was the Medical Director 1 April to 31 August 2012. The payments above for Dr Cox have been made to the GP practice where he is a partner rather than to Dr Cox directly through the payroll.
- 6 Dr Keiron Murphy was appointed the Acting Medical Director from 1 September to 30 September 2012. He was not a senior manager for Knowsley PCT in 2011/12 so no comparatives are shown
- 7 Dr John Hussey was appointed as the Medical Director to the Merseyside Local Area Team on 1 October 2012. Following his appointment to the Local Area Team, Dr Hussey became the Acting Medical Director for the Mersey Cluster. He was not a senior manager for Knowsley PCT in 2011/12 so no comparatives are shown
- 8 Sue Drew was the Director of Public Health 1 April 2012 – 14 October 2012.
- 9 Matt Ashton was appointed the Acting Director of Public Health from 15 October 2012. He was not a senior manager for Knowsley PCT in 2011-12 so no comparatives are shown
- 10 No details relating to 2012/13 have been included for these individuals as they no longer meet the definition of a senior manager from 1 April 2012.

For any shared posts, the total remuneration of those senior managers for 2012-13 and the prior year is as follows:

Name	Title	2012/13			2011/12		
		Salary (bands of £5000)	Compensation for loss of office (bands of £5,000)	Benefits in Kind (rounded to nearest £00)	Salary (bands of £5000)	Other remuneration (bands of £5000)	Benefits in Kind (rounded to nearest £00)
Gideon Ben Tovim, OBE	Chair	40-45	-	-	35-40	-	-
Professor Maureen Williams	Non Executive Director	5-10	-	-	5-10	-	-
Paul Acres	Non Executive Director	35-40	-	-	40-45	-	-
Keith Cawdron	Non Executive Director	5-10	-	-	5-10	-	-
Graham Wright	Non Executive Director	30-35	-	-	20-25	-	-
David Merrill	Non Executive Director	10-15	-	-	10-15	-	-
Jim Wilson	Non Executive Director	35-40	-	-	35-40	-	-
Peter Hinton	Non Executive Director	5-10	-	-	5-10	-	-
Derek Campbell	Chief Executive	150-155	295-300	49	150-155	-	54
Phil Wadeson	Director of Finance	125-130	-	-	110-115	-	-
Trish Bennett	Director of Nursing	110-115	-	64	95-100	-	60
Clare Duggan	Accountable Officer	125-130	-	77	95-100	-	-

		2012/13			2011/12		
Name	Title	Salary (bands of £5000)	Compensation for loss of office (bands of £5,000)	Benefits in Kind (rounded to nearest £00)	Salary (bands of £5000)	Other remuneration (bands of £5000)	Benefits in Kind (rounded to nearest £00)
Dr Stephen Cox	Medical Director	40-45	-	-	95-100	5-10	-
Dr Kieran Murphy	Acting Medical Director	30-35	-	-	-	-	-
Dr John Hussey	Acting Medical Director	50-55	-	-	-	-	-
Jane Raven	Director of OD and HR	90-95	175-180	-	85-90	-	3

Pension Entitlements of Senior Managers as at 31st March 2013

Senior Manager	Title	A	B	C	D	E	F	G	H
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Derek Campbell	Chief Executive	-	-	-	-	-	-	-	0
Phil Wadson	Director of Finance	2.5-5	12.5-15	55-60	165-170	1,240	1,048	138	0
Trish Bennett	Director of Nursing	0-2.5	0-2.5	20-25	65-70	388	356	13	0
Clare Duggan	Accountable Officer	(0-2.5)	0	0-5	0	48	45	1	0
Dr John Hussey	Acting Medical Director	0-2.5	5-7.5	65-70	195-200	1403	1,166	88	0
Jane Raven	Director of OD and HR	0-2.5	2.5-5	10-15	30-35	201	169	23	0
Sue Drew	Director of Public Health	2.5-5	10-12.5	25-30	80-85	538	422	47	0
Matt Ashton	Director of Public Health	0-2.5	0-2.5	10-15	40-45	193	160	11	0

A = Real increase/(decrease) in pension at age 60 (bands of £2,500)

B = Real increase/(decrease) lump sum at age 60 (bands of £2,500)

C = Total accrued pension age 60 at 31st March 2013 (bands of £5,000)

D = Lump sum at age 60 related to accrued pension at 31st March 2013(bands of £5,000)

E = Cash Equivalent Transfer Value (CETV) at 31st March 2013

F = CETV at 31st March 2012

G = Real increase / (decrease) in CETV

H = Employer contribution to stakeholder pension

Notes:

The pension information above is the total pension entitlement for each Director and the value has not been split across other organisations

The movements in accrued pension and CETV have been adjusted where the Director has not been in post as a senior manager for the entire year.

Derek Campbell, Chief Executive, did not contribute into the NHS Pension Scheme in 2012/13

Only senior managers who are members of the standard NHS Pension scheme are included (Dr Stephen Cox and Dr Kieran Murphy are therefore excluded).

As non-executives do not receive pensionable remuneration there are no entries in respect of pensions for non-executive members.

Notes to the Remuneration Report

Cash Equivalent Transfer Value (CETV):

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase/Decrease in CETV:

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Treatment of pension liabilities in the PCT accounts:

NHS Pension Scheme: Note 7.5 to the Accounts gives details of the current NHS Pension Scheme arrangements and the accounting policy adopted in respect of pension liabilities.

Director – Highest Paid Ratio

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director of Knowsley PCT in the financial year 2012/13 was £90,000 – £95,000 (2011/12; £90,000 – £95,000). This was 2.8 times (2011/12; 2.6 times) the median remuneration of the workforce, which was £34,189 (2011/12; £35,184).

This calculation is based on full time equivalent employees in post at 31 March 2013 and includes staff who are being paid through the payroll system only. The calculation excludes agency workers who are not on the payroll system. The median remuneration is the total remuneration of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest paid director. A median will not be significantly affected by large or small salaries that may skew an average (mean) – hence it is more transparent in highlighting whether a director is being paid significantly more than the middle staff in the organisation.

In 2012/13: 1 (2011/12; 0) employees received remuneration in excess of the highest-paid director. Remuneration for these individuals ranged from £135,000 to £140,000.

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

Only the relevant cost to the PCT of the Cluster Directors has been included in the calculation of median pay.

The movement in the ratio can be explained by an increase in the remuneration of the most highly paid director and a reduction in the median remuneration. The highest paid director received allowances in 2012-13 which were not paid in 2011-12 resulting in higher remuneration.


Due to the impending demise of the PCT at 31 March 2013, the size and structure of the workforce has changed between years. This has resulted in the median remuneration decreasing between the years.

Statement of the responsibilities of the signing officer of the Primary Care Trust

The Department of Health's Accounting Officer designates the Signing Officer of the accounts of PCTs in England, an officer of the Department of Health, to discharge the following responsibilities for the Department, to ensure that for the year ended 31 March 2013:

- there were effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money was achieved from the resources available to the primary care trust;
- the expenditure and income of the primary care trust had been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems were in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the net operating cost, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the above responsibilities, as designated Signing Officer and through experience in my role as Accountable Officer until 31 March 2013.

Signed..........Designated Signing Officer

Name: CLARE DUGGAN

Date: 6/6/2013.

Statement of responsibilities in respect of the Accounts

Primary Care Trusts as NHS bodies are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the primary care trust and the net operating cost, recognised gains and losses and cash flows for the year. From 1 April 2013 responsibility for finalising the accounts falls to the Secretary of State. Formal accountability lies with the Department of Health's Accounting Officer, and her letter of 28 March 2013 designated the Signing Officer and Finance Signing Officer, to discharge the following responsibilities for the Department in preparing the accounts:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- ensure that the PCT kept proper accounting records which disclosed with reasonable accuracy at any time the financial position of the primary care trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State
- have taken reasonable steps for the prevention and detection of fraud and other irregularities

The Signing Officer and the Finance Signing Officer confirm to the best of their knowledge and belief, they have complied with the above requirements in preparing the accounts.

By order of the Permanent Secretary.

6.6.13 .Date..... *E. Duggan* Signing Officer

6.6.13 .Date..... *P. Cowden* Finance Signing Officer

Annual Governance Statement 2012-2013

Scope of responsibility

The Board is accountable for internal control. As Accountable Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum².

I am personally accountable to the Chief Executive of the NHS Northwest Strategic Health Authority which is part of the North of England SHA Cluster and attend regular review meetings. I also attend regular meetings with counterparts in partner organisations.

The governance framework of NHS Knowsley

The governance arrangements for NHS Knowsley have been in place since April 2012.

The NHS Merseyside Board is a sub-committee of Liverpool PCT, Halton and St Helens PCT, Knowsley PCT and Sefton PCT. The Cluster Board is established in accordance with Regulation 10 of the National Health Service (Functions of Strategic Health Authorities and Primary Care Trusts and Administrative Arrangements) (England) Regulations 2002, as amended (the "Regulations").

The Board comprises a diverse range of skills from Executive and Non-Executive Directors and there is a clear division of responsibility between running the board and running the PCTs business. The Chair is responsible for the leadership of the Board and ensures that Executives have had access to relevant information to assist them in the delivery of their duties. The NEDs have actively provided scrutiny and challenge at Board and sub-committee level. Each committee comprises membership and representation from appropriate officers and NEDs with sufficient experience and knowledge to support the committees in discharging their duties.

The Board has been well attended by all Executives and NEDs throughout the year ensuring that the Board has been able to make fully informed decisions to support and deliver the strategic objectives.

The Board's objectives are aligned to the objectives set out in the Shared Operating Model for PCT Clusters³. These are managed through the Board Assurance Framework process. The Board has been assured of its effectiveness in respect of delivering its objectives through this process which is supported by the Joint Integrated Governance Committee.

The Board is assured of its effectiveness in terms of performance management through the regular corporate performance reports on finance, reform and quality key performance indicators as set out in national guidance. Throughout the year performance has continued to be maintained or improved which represents a significant achievement.

The Board is supported by a sub-committee structure comprising the statutory committees listed below.

² Accountable Officer Memorandum for Chief Executives (2002)

³ Department of Health (2011) *Shared Operating Model for PCT Clusters* (London :TSO) at pg 4 paras 9, 10 and 11

Joint Integrated Governance Committee (JIGC):

This committee has delegated responsibility for identifying, reviewing and developing mitigation plans against any risks that arise as a consequence of the transition. The committee also reviews and scrutinises the Board Assurance Framework and Corporate Risk Register prior to any review by the Cluster Board. This committee reports to the NHS Merseyside Board on the development, implementation and monitoring of integrated governance by providing assurance on: “the systems and processes by which the PCT leads, directs and controls its functions in order to achieve organisational objectives, safety, and quality of services, and in which they relate to the wider community and partner organisations.

The committee has delegated responsibility for the approval of corporate policy and during the year has received updates and requests for approvals on the key following policies and processes

- Information Governance
- Serious Untoward Incidents
- Adult and Children Safeguarding
- Risk Management
- Board Assurance Framework for NHS Knowsley

The committee also reviewed and scrutinised the following:

- Transitional Risk Register
- Quality Handover Document
- PCT Transfer Scheme processes

This Committee was established in accordance with best practice and the recommendations of the Integrated Governance Handbook.⁴ The committee comprises Executive Directors, NEDs, Internal Audit and governance and risk officers to ensure that the committee is appropriately skilled and resourced to deliver its objectives.

The JIGC has been well attended by all Executives, NEDs and Officers throughout the year ensuring that there has been robust scrutiny and challenge at all times. This has enabled the JIGC to provide robust assurances to the Board and to inform the Board of key risk areas.

During the year the committee debated and agreed how risks would be escalated through services across the Cluster up to the Corporate Risk Register and BAF. The Committee debated and agreed this revised cluster wide methodology.

Key highlights:

During the year the JIGC:

- Provided assurance to the Board on the objectives and controls with the Board Assurance Framework and Corporate Risk Register.
- Provided assurance on the NHS Knowsley Board Assurance Framework
- Provided assurance of compliance with the Information Governance Toolkit (68%).
- Received and reviewed progress on the Transition

⁴ Department of Health (2006) *Integrated Governance Handbook – a handbook for executives and non-executives in healthcare organisations* (London: TSO)

- Reviewed the Quality Handover Document

The committee is supported by a Risk Management Sub Group, Information Governance Sub Group and Quality Improvement and Patient Safety sub group.

Audit Committee

The Audit Committee ensures compliance with statutory requirements and provides assurance to the NHS Merseyside Board on internal control and governance matters. The Audit Committee also provides an independent and objective review on the NHS Merseyside and local PCT financial systems, financial information and compliance with laws, guidance, and regulations governing the NHS.

The Committee has also received, reviewed and approved:

- Internal Audit reports and approved the internal audit plan
- External Audits reports and approved the external audit plan
- Counter Fraud Update and approved the Counter Fraud work plan
- Register of Interests
- Waivers
- Debtors
- Losses and Special Payments

The Audit Committee received reports to ensure that actions arising from audit reviews of key processes had been implemented or carried forward to be scrutinised by the Audit Committee.

Key highlights: During the year the Audit Committee:

- Provided significant assurance on incident reporting procedures
- Provided significant assurance on budgetary controls
- Provided assurances on the Transfer Scheme process
- Provided assurances on the Risk Management processes
- Provided assurances on independent contractor payment processes

The Audit Committee has been well attended by all NEDs, Internal Auditors, External Auditors and Officers throughout the year ensuring that there has been robust scrutiny at all times. This has enabled the Audit Committee to provide robust assurances to the Board and to inform the Board of any gaps in systems control.

Remuneration Committee:

The committee ensures compliance with statutory requirements and undertook reviews of Very Senior Managers remuneration and to comply with the requirements set out in the NHS Codes of Conduct and Accountability and the Higgs report.⁵ The Committee reviews and agrees appraisal and remuneration of executives: During the year the committee has reviewed a number of cases relating to redundancy.

The Remuneration Committee met in full quorum for all meetings during the year.

⁵ D. Higgs (January 2003) *Review of the Role and Effectiveness of non-executive directors* section 13.8 at page 61 – available at <http://www.berr.gov.uk/files/file23012.pdf>

The Board also has committees with responsibility for Human Resources and Organisation Development and Equality and Diversity.

Clinical Commissioning Group Sub Committees

The Board established six clinical commissioning sub committees that have evolved to become the Governing Bodies of CCGs. During 2012/13 these committees operated under robust Terms of Reference and Scheme of Delegation. The PCT Chief Executive established an Accountability Meeting with each CCG designated Accountable Officer and these meetings ran throughout the year.

Handover and Closedown

The Cluster Board established a Closedown Steering Group that was responsible for overseeing the programme of work to ensure the safe and effective handover of assets, liabilities and responsibilities to the successor organisations. To ensure that there was sufficient resource and capacity in the system to deliver the programme additional support was procured from Mersey Internal Audit Agency and from Hill Dickinson Solicitors.

The Group delivered the Transfer Scheme programme for all the PCTs complying with all Department of Health deadlines and ensuring there was on-going engagement and dialogue with all successor bodies. The Group provided regular updates to Audit Committee, Joint Integrated Governance Committee and the Board on a regular basis.

The Audit Committee received assurances in respect of the Closedown of the annual accounts.

The Board nominated three Non-Executive Directors that will be retained to support the new Audit Committee arrangements that have been established as sub committees of the Department of Health's Audit and Risk Committee.

NHS Knowsley agreed Retention and Exit Terms (RETS) packages for staff that would be retained with the Legacy Management Team hub to provide support to the close down programme.

Transition Assurance – NHS Knowsley provided monthly updates on progress with the Transition to the SHA and the Department of Health.

The Board received an update on progress with the Transition that covered all parts of the reforms at each public meeting.

The Joint Integrated Governance Committee received updates on progress with the Transition.

As part of the handover process the successor bodies were advised of any on-going risks that will require continued review through the following processes.

- **Quality Handover** – NHS Knowsley provided information that was included in the NHS Merseyside Quality Legacy Document was signed off by the Board in January 2013 and the programme of quality handover to the CCGs concluded on 31st March 2013. The Quality Legacy Document was scrutinised by the Joint Integrated Governance Committee prior to submission to the Board.
- **Corporate Handover** – NHS Knowsley provided information that was included in the NHS Merseyside Corporate Handover document. This document provides a

summary of key factors relevant to all new bodies and provided sign posts to other key documents. This also included a summary of key risks.

- **Public Health Legacy Document** – NHS Knowsley produced a Public Health Legacy Document for the relevant Local Authority.

Risk Assessment

NHS Knowsley has a comprehensive Risk Management Strategy, which is updated at regular intervals. The following key elements are contained within the Strategy:

- Risk Management Strategy, Aims and Objectives
- Roles, Responsibilities and Accountability
- The Risk Management Process – Risk Identification, Risk Assessment, Risk Treatment, Monitoring and Review, Risk Prevention
- Risk Grading – Criteria
- Training & Support

NHS Knowsley has established a number of mechanisms for identifying and managing risks including risk profiling methodology, incident reporting, complaints and litigation data, and staff concerns/whistle-blowing.

Risk management and the ensuing development of risk registers is generally achieved using a dual 'top-down' and 'bottom-up' approach to identifying and managing risks. The 'top-down' element has been addressed through the development of a Board Assurance Framework and Corporate Risk Register identifying strategic high-level risks. These two documents are based on models which have previously been accepted as meeting audit requirements.

The 'bottom-up' element of the risk management system best fits with organisational structures and this has therefore been based on the directorate arrangements and subsequently on the NHS Merseyside director portfolios and integrated teams. All functional leads have identified their arrangements for developing and reviewing risk registers and escalating risks.

In addition to risk registers being developed and reviewed at team and directorate level, there is an escalation process to the Corporate Risk Register. The Corporate Risk Register is centrally managed and maintained, and is reviewed at Joint Integrated Governance Committee and the Trust Board. Directorate risk registers are also collated centrally to ensure a comprehensive system is in place, and are periodically reviewed by the Risk Management Working group and/or the Joint Integrated Governance Committee. All risk registers use the same risk scoring matrices to ensure consistency in describing risks across the organisation; these matrices are based on the NPSA matrices but have been customised for local use to reflect the trust's tolerance to risk.

The Corporate Risk Register is structured to reflect key domains, e.g. Quality & Safety, Finance, Human Resources, Performance and Delivering Reform.

Key new risks identified during 2012/13 are those associated with the organisational changes necessary as part of the transition to the new commissioning arrangements. A programme approach was taken to managing these risks, with project plans and risk registers developed for the different workstreams, and an overarching transition programme board which reviewed progress using a risk-based exception reporting format. Throughout

the year issues have been reported operationally to the executive team and governance oversight provided by the Joint Integrated Governance Committee and Board.

NHS Knowsley has put in place policies, procedures, guidance and support to ensure that personal and corporate information is handled legally, securely, efficiently and effectively, in order to deliver high quality services. Performance is monitored through the completion of the annual Information Governance (IG) Toolkit return and reports to the Information Governance Working Group and Joint Integrated Governance committee.

Controls include:

- Mandatory induction and refresher IG training for all staff
- Identifying the movement of personal data and assessing associated risks, and minimising where possible
- Ensuring the encryption of all confidential data stored on portable devices
- Reporting, investigation and escalation of all information governance incidents

Risk & Control Framework

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Risk Management agenda is coordinated and managed by the Joint Integrated Governance Committee as previously described.

The Board has developed the strategic objectives, and the evaluation of the risks to achieving these objectives are set out in the Board Assurance Framework which is regularly reviewed and scrutinised by the Joint Integrated Governance Committee and the Trust Board.

The Board Assurance Framework is a key document whose purpose is to provide the Board with 'reasonable' assurance that internal systems are functioning effectively. It is a high level document that is used to inform and give assurance to the Board that the risks to achieving key objectives are recognised and that controls are in place or being developed to manage these risks.

Risks are rated, and controls that will address these risks are identified, gaps in control or assurance are noted and action plans to close gaps summarised and updated. Potential and actual sources of assurance are identified and the latter are also rated for the level of assurance provided. A summary of the assurance levels for all assurance framework entries is updated each quarter and accompanies the full document.

The Corporate Risk Register provides the Board with a summary of the principal risks facing the organisation, with a summary of the actions needed and being taken to reduce these risks to an acceptable level. The information contained in the Corporate Risk Register should be sufficient to allow the Board to be involved in prioritising and managing major

risks. The risks described in the Corporate Risk Register will be more wide-ranging than those in the Board Assurance Framework, covering a number of domains.

Where risks to achieving organisational objectives are identified in the Corporate Risk Register or other risk registers, these are added to the Board Assurance Framework; and where gaps in control are identified in the Board Assurance Framework, these risks are added to the Corporate Risk Register. The two documents thus work together to provide the Board with assurance and action plans on risk management in the organisation.

The Corporate Risk Register is updated and presented for review and scrutiny at the same time as the Board Assurance framework.

The PCT commissions a range of training programmes which include specific mandatory training for particular staff groups which aims to minimise the risks inherent in their daily work. Information Governance training is mandatory for all staff.

Targeted training is provided to designated risk leads to support development of risk registers, and one to one sessions are available for all managers responsible for updating the Board Assurance Framework.

The Head of Audit issues an annual opinion to the Board on the effectiveness of the Assurance Framework in providing the Board with the assurances regarding its systems of internal control. The Head of Internal Audit Opinion was that

The Head of Audit's opinion on the Assurance Framework determined that. A Consolidated Cluster Assurance Framework has been established which is designed and operating to meet the requirements of the Annual Governance Statement and provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work; The Head of Audit Opinion is that **Significant Assurance** can be given that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls put the achievement of particular objective at risk

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee and the Joint Integrated Governance Committee.

The Board receives the minutes of all committees including the Audit Committee and the Joint Integrated Governance Committee

The Joint Integrated Governance Committee approves relevant policies and the Audit Committee monitors action plans arising from Internal Audit reviews.

Internal Audit is a key component of internal control. The Audit Committee approves the annual internal audit plan, and progress against this plan is reported to each meeting of the Committee. The individual reviews carried out throughout the year assist the Director of Audit to form his opinion, which in turn feeds the assurance process.

My review confirms that NHS Knowsley has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and the Board has complied with the Corporate Governance Code.

6.6.13 .Date.....*e Duggan*.....Signing Officer

6.6.13 .Date.....*P Cowden*.....Finance Signing Officer

Annual accounts 2012-13

The following pages (appendix) contain our full financial accounts for 2012-13. It highlights some key financial information for the year and offers comparisons with figures for 2011-12.

- Our performance against our statutory duty to break even is summarised on page 18.
- The external auditor's opinion as to whether the summary financial statements are consistent with the annual accounts and can be found on page 41.

Independent auditor's statement

Independent Auditors' Report to the officer responsible for preparing the accounts of Knowsley Primary Care Trust

We have audited the financial statements of Knowsley Primary Care Trust ("the PCT") for the year ended 31 March 2013 which comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is the accounting policies directed by the Secretary of State for Health with the consent of the Treasury as relevant to the National Health Service in England set out therein.

Respective responsibilities of the officer responsible for preparing the accounts and auditors

As explained more fully in the Statement of the Responsibilities of the Signing Officer set out on page 30 the officer responsible for preparing the accounts is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with accounting policies directed by the Secretary of State, with the consent of the Treasury, as being relevant to the National Health Service in England. Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the officer responsible for preparing the accounts of Knowsley Primary Care Trust in accordance with Part II of the Audit Commission Act 1998 as set out in paragraph 45 of the Statement of Responsibilities of Auditors and of Audited Bodies (Local NHS Bodies) published by the Audit Commission in March 2010 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the PCT's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the PCT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the PCT's affairs as at 31 March 2013 and of its net operating costs for the year then ended; and

- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England.

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Governance Statement does not comply with the Department of Health's requirements set out in "2012/13 Governance Statements – Guidance" issued on 31 January 2013 or is misleading or inconsistent with information of which we are aware from our audit; or
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because the PCT, or an officer of the PCT, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

Conclusion on the PCT's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the PCT and auditors

The PCT is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the PCT has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the PCT has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we

considered, whether all aspects of the PCT's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the PCT has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance issued by the Audit Commission in November 2012. We have considered the results of the following:

- our review of the Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the PCT; and
- our locally determined risk-based work included reviewing the governance arrangements, financial management, asset and information management and workforce management.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of Knowsley Primary Care Trust in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Chambers, Engagement Lead

For and on behalf of PricewaterhouseCoopers LLP

Appointed Auditors

Manchester

6 June 2013

- The maintenance and integrity of Knowsley Primary Care Trust's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On request this report can be provided in different formats, such as large print, audio or Braille versions and in other languages



Department
of Health



Knowsley Primary Care Trust

2012-13 Accounts

You may re-use the text of this document (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/

© Crown copyright

Published to gov.uk, in PDF format only.

www.gov.uk/dh

Knowsley Primary Care Trust

2012-13 Accounts

Independent Auditors' Report to the officer responsible for preparing the accounts of Knowsley Primary Care Trust

We have audited the financial statements of Knowsley Primary Care Trust ("the PCT") for the year ended 31 March 2013 which comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is the accounting policies directed by the Secretary of State for Health with the consent of the Treasury as relevant to the National Health Service in England set out therein.

Respective responsibilities of the officer responsible for preparing the accounts and auditors

As explained more fully in the Statement of the Responsibilities of the Signing Officer set out on page 30 the officer responsible for preparing the accounts is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with accounting policies directed by the Secretary of State, with the consent of the Treasury, as being relevant to the National Health Service in England. Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the officer responsible for preparing the accounts of Knowsley Primary Care Trust in accordance with Part II of the Audit Commission Act 1998 as set out in paragraph 45 of the Statement of Responsibilities of Auditors and of Audited Bodies (Local NHS Bodies) published by the Audit Commission in March 2010 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the PCT's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the PCT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the PCT's affairs as at 31 March 2013 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England.

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as being relevant to the National Health Service in England;
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Governance Statement does not comply with the Department of Health's requirements set out in "2012/13 Governance Statements – Guidance" issued on 31 January 2013 or is misleading or inconsistent with information of which we are aware from our audit; or
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because the PCT, or an officer of the PCT, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

Conclusion on the PCT's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the PCT and auditors

The PCT is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the PCT has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the PCT has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the PCT's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the PCT has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance issued by the Audit Commission in November 2012. We have considered the results of the following:

- our review of the Governance Statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the PCT; and
- our locally determined risk-based work included reviewing the governance arrangements, financial management, asset and information management and workforce management.

As a result, we have concluded that there are no matters to report.

Certificate

We certify that we have completed the audit of the financial statements of Knowsley Primary Care Trust in accordance with the requirements of Part II of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Chambers

Peter Chambers, Engagement Lead

For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
Manchester
6 June 2013

- The maintenance and integrity of Knowsley Primary Care Trust's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Department
of Health

**STATEMENT OF THE RESPONSIBILITIES OF THE SIGNING OFFICER OF THE
PRIMARY CARE TRUST**

The Department of Health's Accounting Officer designates the Signing Officer of the accounts of PCTs in England, an officer of the Department of Health, to discharge the following responsibilities for the Department, to ensure that for the year ended 31 March 2013:

- there were effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money was achieved from the resources available to the primary care trust;
- the expenditure and income of the primary care trust had been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems were in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the net operating cost, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the above responsibilities, as designated Signing Officer and through experience in my role as Accountable Officer until 31 March 2013.

Signed.....*Clare Duggan*.....Designated Signing Officer

Name: *CLARE DUGGAN*

Date: *6.6.2013*



Department
of Health

STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Primary Care Trusts as NHS bodies are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the primary care trust and the net operating cost, recognised gains and losses and cash flows for the year. From 1 April 2013 responsibility for finalising the accounts falls to the Secretary of State. Formal accountability lies with the Department of Health's Accounting Officer, and her letter of 28 March 2013 designated the Signing Officer and Finance Signing Officer, to discharge the following responsibilities for the Department in preparing the accounts:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- ensure that the PCT kept proper accounting records which disclosed with reasonable accuracy at any time the financial position of the primary care trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State.
- have taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Signing Officer and the Finance Signing Officer confirm to the best of their knowledge and belief, they have complied with the above requirements in preparing the accounts.

By order of the Permanent Secretary.

6.6.2013 Date *e. Duggan* Signing Officer

6.6.13 Date *R. Wades* Finance Signing Officer

**Statement of Comprehensive Net Expenditure for year ended
31 March 2013**

	NOTE	2012-13 £000	2011-12 £000
Administration Costs and Programme Expenditure			
Gross employee benefits	7.1	7,425	8,523
Other costs	5.1	352,274	338,599
Income	4	(9,384)	(8,191)
Net operating costs before interest		350,315	338,931
Investment income	9	(87)	(215)
Other (Gains)/Losses	10	9	0
Finance costs	11	3,308	3,188
Net operating costs for the financial year		353,545	341,904
Transfers by absorption -(gains)		0	0
Transfers by absorption - losses		0	0
Net (gain)/loss on transfers by absorption		0	0
Net Operating Costs for the Financial Year including absorption transfers		353,545	341,904
Of which:			
Administration Costs			
Gross employee benefits	7.1	6,605	7,150
Other costs	5.1	5,306	5,927
Income	4	(1,830)	(1,845)
Net administration costs before interest		10,081	11,232
Investment income	9	0	(215)
Other (Gains)/Losses	10	0	0
Finance costs	11	0	0
Net administration costs for the financial year		10,081	11,017
Programme Expenditure			
Gross employee benefits	7.1	820	1,373
Other costs	5.1	346,968	332,672
Income	4	(7,554)	(6,346)
Net programme expenditure before interest		340,234	327,699
Investment income	9	(87)	0
Other (Gains)/Losses	10	9	0
Finance costs	11	3,308	3,188
Net programme expenditure for the financial year		343,464	330,887
Other Comprehensive Net Expenditure			
		2012-13 £000	2011-12 £000
Impairments and reversals put to the Revaluation Reserve		572	(64)
Net (gain) on revaluation of property, plant & equipment		(428)	0
Net (gain) on revaluation of intangibles		0	0
Net (gain) on revaluation of financial assets		0	0
Net (gain)/loss on other reserves		0	0
Net (gain)/loss on available for sale financial assets		0	0
Net (gain) /loss on Assets Held for Sale		0	0
Release of Reserves to Statement of Comprehensive Net Expenditure		0	0
Net actuarial (gain)/loss on pension schemes		0	0
Reclassification Adjustments			
Reclassification adjustment on disposal of available for sale financial assets		0	0
Total comprehensive net expenditure for the year*		353,689	341,840

**Statement of Financial Position at
31 March 2013**

		31 March 2013	31 March 2012
	NOTE	£000	£000
Non-current assets:			
Property, plant and equipment	12	44,487	41,099
Intangible assets	13	0	17
Investment property	15	0	0
Other financial assets	21	631	631
Trade and other receivables	19	2	2
Total non-current assets		<u>46,120</u>	<u>41,749</u>
Current assets:			
Inventories	18	0	0
Trade and other receivables	19	1,267	2,116
Other financial assets	36	0	0
Other current assets	22	0	0
Cash and cash equivalents	23	48	4
Total current assets		<u>1,315</u>	<u>2,120</u>
Non-current assets held for sale	24	0	0
Total current assets		<u>1,315</u>	<u>2,120</u>
Total assets		<u>46,435</u>	<u>43,869</u>
Current liabilities			
Trade and other payables	25	(12,458)	(17,341)
Other liabilities	26,28	0	0
Provisions	32	(559)	(849)
Borrowings	27	(949)	(768)
Other financial liabilities	36.2	0	0
Total current liabilities		<u>(13,966)</u>	<u>(18,958)</u>
Non-current assets plus/less net current assets/liabilities		<u>32,469</u>	<u>24,910</u>
Non-current liabilities			
Trade and other payables	25	0	0
Other Liabilities	28	0	0
Provisions	32	(224)	(223)
Borrowings	27	(40,271)	(34,882)
Other financial liabilities	36.2	0	0
Total non-current liabilities		<u>(40,495)</u>	<u>(35,085)</u>
Total Assets Employed:		<u>(8,026)</u>	<u>(10,175)</u>
Financed by taxpayers' equity:			
General fund		(10,826)	(13,163)
Revaluation reserve		2,800	2,988
Other reserves		0	0
Total taxpayers' equity:		<u>(8,026)</u>	<u>(10,175)</u>

The notes on pages 5 to 44 form part of this account.

The financial statements on pages 1 to 4 were approved by the Audit Sub Committee of the Department of Health on 5th June 2013 and signed on its behalf by

Signing Officer:



Date:

6.6 2013

**Statement of Changes In Taxpayers Equity for the year ended
31 March 2013**

	General fund	Revaluation reserve	Other reserves	Total reserves
	£000	£000	£000	£000
Balance at 1 April 2012	(13,163)	2,988	0	(10,175)
Changes in taxpayers' equity for 2012-13				
Net operating cost for the year	(353,545)	0	0	(353,545)
Net gain on revaluation of property, plant, equipment	0	428	0	428
Net gain on revaluation of intangible assets	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0
Net gain on revaluation of assets held for sale	0	0	0	0
Impairments and reversals	0	(572)	0	(572)
Movements in other reserves	0	0	0	0
Transfers between reserves	44	(44)	0	0
Release of Reserves to SOCNE	0	0	0	0
Reclassification Adjustments				
Transfers between Revaluation Reserve & General Fund in respect of assets transferred under absorption	0	0	0	0
Net actuarial gain/(loss) on pensions	0	0	0	0
Total recognised income and expense for 2012-13	(353,501)	(188)	0	(353,689)
Net Parliamentary funding	355,838	0	0	355,838
Balance at 31 March 2013	(10,826)	2,800	0	(8,026)
Balance at 1 April 2011	(15,734)	2,924	0	(12,810)
Changes in taxpayers' equity for 2011-12				
Net operating cost for the year	(341,904)	0	0	(341,904)
Net Gain / (loss) on Revaluation of Property, Plant and Equipment	0	0	0	0
Net Gain / (loss) on Revaluation of Intangible Assets	0	0	0	0
Net Gain / (loss) on Revaluation of Financial Assets	0	0	0	0
Net Gain / (loss) on Assets Held for Sale	0	0	0	0
Impairments and Reversals	0	64	0	64
Movements in other reserves	0	0	0	0
Transfers between reserves	0	0	0	0
Release of Reserves to Statement of Comprehensive Net Expenditure	0	0	0	0
Reclassification Adjustments				
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0
On disposal of available for sale financial assets	0	0	0	0
Net actuarial gain/(loss) on pensions	0	0	0	0
Total recognised income and expense for 2011-12	(341,904)	64	0	(341,840)
Net Parliamentary funding	344,475	0	0	344,475
Balance at 31 March 2012	(13,163)	2,988	0	(10,175)

**Statement of cash flows for the year ended
31 March 2013**

	NOTE	2012-13 £000	2011-12 £000
Cash Flows from Operating Activities			
Net Operating Cost Before Interest		(350,315)	(338,931)
Depreciation and Amortisation		1,730	1,612
Impairments and Reversals		1,804	(1,427)
Other Gains / (Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		0	0
Government Granted Assets received credited to revenue but non-cash		0	0
Interest Paid		(3,308)	(3,188)
Release of PFI/deferred credit		0	0
(Increase)/Decrease in Inventories		0	9
(Increase)/Decrease in Trade and Other Receivables		849	1,342
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		(5,016)	411
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions Utilised		(420)	(1,095)
Increase/(Decrease) in Provisions		123	100
Net Cash Inflow/(Outflow) from Operating Activities		(354,553)	(341,167)
Cash flows from investing activities			
Interest Received		87	215
(Payments) for Property, Plant and Equipment		(877)	(551)
(Payments) for Intangible Assets		0	0
(Payments) for Other Financial Assets		0	0
(Payments) for Financial Assets (LIFT)		0	(50)
Proceeds of disposal of assets held for sale (PPE)		249	118
Proceeds of disposal of assets held for sale (Intangible)		0	13
Proceeds from Disposal of Other Financial Assets		0	0
Proceeds from the disposal of Financial Assets (LIFT)		0	0
Loans Made in Respect of LIFT		0	0
Loans Repaid in Respect of LIFT		0	0
Rental Revenue		0	0
Net Cash Inflow/(Outflow) from Investing Activities		(541)	(255)
Net cash inflow/(outflow) before financing		(355,094)	(341,422)
Cash flows from financing activities			
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(700)	(857)
Net Parliamentary Funding		355,838	344,475
Capital Receipts Surrendered		0	0
Capital grants and other capital receipts		0	0
Cash Transferred (to)/from Other NHS Bodies (free text note required)		0	0
Net Cash Inflow/(Outflow) from Financing Activities		355,138	343,618
Net increase/(decrease) in cash and cash equivalents		44	2,196
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		4	(2,192)
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
Cash and Cash Equivalents (and Bank Overdraft) at year end		48	4

1. Accounting policies

The Secretary of State for Health has directed that the financial statements of PCTs shall meet the accounting requirements of the PCT Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 PCTs Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the PCT Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the PCT for the purpose of giving a true and fair view has been selected. The particular policies adopted by the PCT are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

The PCT is within the Government Resource Accounting Boundary and therefore has only consolidated interests in other entities where the other entity is also within the resource accounting boundary and the PCT exercises in-year budgetary control over the other entity.

Under the provisions of The Health and Social Care Act 2012 (Commencement No. 4. Transitional, Savings and Transitory Provisions) Order 2013 Knowsley PCT was dissolved on 1st April 2013. The PCT's functions, assets and liabilities transferred to other public sector entities as outlined in Note 41.1 Events after the Reporting Period. Where reconfigurations of this nature take place within the public sector, Government accounting requires that the activities concerned are to be considered as continuing operations, and so the closing entity prepares financial statements on a "going concern" basis.

The SOFP has therefore been drawn up at 31 March 2013 on the same basis as in previous years, reporting balances on the same basis as would a continuing entity. In particular there has been no general revaluation of assets or liabilities, and no disclosures have been made under IFRS 5 Non-current Assets Held for Sale and Discontinued Operation.

A revaluation of the PCT's property portfolio has taken place during the year ended 31 March 2013 but this revaluation was carried out as part of the normal PCT cycle of revaluations and was not related to the closedown of the PCT.

1.1 Accounting Conventions

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment.

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

Acquisitions and Discontinued Operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one NHS body to another.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the PCT's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts 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 considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. 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 the revision and future periods if the revision affects both current and future periods.

The properties including LIFT have been valued individually and no account has been taken of any discount which may be necessary if all the properties were to be marketed at the same time.

In all instances the valuers assumed property value based upon vacant possession. No regard was given to the removal of any medical equipment in situ in the properties.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The PCT, under IFRIC 12 Service Concession arrangements, has reported the assets associated with the leased NHS LIFT buildings in Note 12.1, Property, plant and equipment, with the relevant liabilities reported in Note 34 PFI and LIFT. In doing this the PCT has judged that it is not likely to exercise the option to purchase the NHS LIFT estate at the end of the lease term. If this judgement is incorrect, and the PCT was reasonably certain that the option would be exercised, then the option to purchase the leased asset(s) would be included within the minimum lease payments. During the term of the lease, lifecycle costs each year will be expended direct to the SOCNE.

Legal charges held by the PCT are accounted for in two ways depending on the type of legal charge. There are deemed to be two types of legal charges, one where the housing association provides both the accommodation and the care, this falls within IFRIC 12 and is accounted for as property assets included in Note 12.1. If this judgement is incorrect then the legal charge would be deemed to be off-Statement of Financial Position and treated as a contingent asset instead. The second type is where the provision of care is provided independently to the accommodation, in these circumstances the legal charge is included as a contingent asset. If this judgement is incorrect, and the housing association does in fact provide both the accommodation and the care, then this would be accounted for as property assets and included in the Statement of Financial Position.

In regard to commissioning of healthcare, the PCT will account for the costs of completed spells only in the financial year the spell is fully completed. In doing this the PCT is not providing for those patient episodes of care that have commenced on or before 31st March 2012 but have not completed by 31st March 2013. It is deemed that the impact of not accounting for partially completed spells is immaterial and this treatment is consistent with prior years.

The PCT has historically accounted for the revaluation movement on land and buildings as one 'property' transaction through the revaluation reserve, identifying balances by 'property' only. Accounting under IFRS requires the separation of the revaluation reserve balance by property and this to be further analysed by asset i.e. land and buildings. The PCT has therefore reviewed the movement in the values of land and buildings via the published NHS indices from 2001-02 to 2008-09. The result of this review has then been used to apportion the balance held in the revaluation reserve between land and buildings as at 31 March 2010 and thereafter.

1. Accounting policies (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

Valuation of Property

As at 31st March 2013 the PCT's estate has been revalued by the District Valuer. This valuation report has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6TH Edition, insofar as these terms are consistent with the requirements of HM Treasury, the National Health Service and the Department of Health. In obtaining the values of the PCT's property, the DV have made the following assumptions:

The properties are free from encumbrances, mortgages, charges or other outgoings of an onerous nature which would affect their value;

Inspection of those parts that have not been inspected would not cause the valuer to alter the opinion of value;

No notional directly attributable acquisition costs have been applied to the fair value figures nor any deduction made for expected directly attributable selling costs in the valuation of non-operational properties;

No allowances have been made in respect of taxation which might arise in the event of disposal;

Gross Internal Areas (GIAs) have been supplied by the NHS body and adopted by the valuer without check measurements being undertaken. Where obvious errors in a GIA have been detected, the valuer will have separately drawn this to the attention of the NHS body;

Structural, soil and contamination surveys have not been carried out for any of the existing buildings or sites and the valuations have been prepared on the basis that no known deleterious materials or inappropriate techniques have been used in the construction of the subject buildings; and

No allowance has been made for contaminated land in the valuations where the basis of valuation is within existing use.

The DV revaluation reports have been assessed as reasonable by the PCT.

NHS LIFT

During the restatement of UK GAAP accounts for 2008-09 the PCT brought on to the Statement of Financial Position those assets owned by Renova Developments Limited but leased to the PCT under an NHS LIFT agreement.

The associated assets of the NHS LIFT buildings were brought into the financial statements of the PCT at fair value, which on transition date was deemed to be equivalent to the minimum future lease payments. The PCT then commissioned the District Valuer to provide values for these assets at the end of each subsequent financial year, including 31st March 2013. These latter valuations gave the PCT freehold values and residual values. The PCT has used these values in a discounting model to determine a leasehold value that is reflected in the financial statements. This leasehold value being required as the PCT does not expect to exercise a purchase option in the agreement. As such the valuation is subject to the DV valuations noted in these accounts and is sensitive to the residual value used in the valuation model.

In obtaining the values of the PCT's NHS LIFT buildings, the DV have made the assumptions as listed above.

Depreciation

The individual buildings within the PCT's estate are depreciated over one standard economic life assigned to the building by the DV as opposed to depreciating the components of the buildings over individual economic lives. Taking this approach does not have a material effect on the depreciation charged to the SOCNE.

Legal Charges

These legal charges were initially recognised at the value detailed in the legal charge document and then revalued at 1st April 2009 by the DV along with the rest of the PCT estate. The legal charges are depreciated over the remaining life of the building as determined by the DV.

Payables estimates

Quality Outcome Framework (QOF) - Payments due to GP practices in relation to the achievement of QOF is estimated using the previous years point outcome from QMAS (Quality and Outcomes Framework Management and Analysis System). If it is known that there are any material differences occurring during the year the previous years information is adjusted to reflect the change. If the GP practices perform better or worse than expected under the QOF indicators, this could result in the payable being either over or under-stated.

PPA (Prescription Pricing Authority) creditors - due to the time lag around the availability of data the PPA creditor is estimated using the January outturn position as reported by the PPA. Once received if February's data is materially different the payable will be adjusted. In calculating the payable the prescribing expenditure profile as determined by the PPA is used to determine the payable. The key risk is that the actual data is different to the estimates made, resulting in the PPA payable being either over or under-stated.

Provisions in relation to Continuing Health Care are based upon management estimates of the number and final cost of claims likely to be successful.

1.2 Revenue and Funding

The main source of funding for the Primary Care Trust is allocations (Parliamentary Funding) from the Department of Health within an approved cash limit, which is credited to the General Fund of the Primary Care Trust. Parliamentary funding is recognised in the financial period in which the cash is received.

Miscellaneous revenue is income which relates directly to the operating activities of the Primary Care Trust. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income.

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

Where revenue has been received for a specific activity to be delivered in the following financial year, that income will be deferred.

1.3 Care Trust Designation

The PCT is not designated as a Care Trust under s45 of the Health and Social Care Act 2001.

1.4 Pooled budgets

The PCT has entered into three pooled budget arrangements under the flexibilities provided by Section 75 of the NHS Act 2006 and S31 of the Health Act 1999.

Three pooled budgets are exclusively with, and hosted by, Knowsley MBC, and were set up in separate stages from 1st April 2003. These relate to the provision of Disabilities Services, Mental Health Services and Community Support Services. As a commissioner of healthcare services the PCT makes contributions to each of the pools which are then used to purchase healthcare services.

None of the pools are considered to be entities and, therefore, the PCT accounts for its share of the assets, liabilities, income and expenditure of each pool in accordance with the pooled budget funding agreements.

1.5 Taxation

The PCT is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.6 Administration and Programme Costs

Treasury has set performance targets in respect of non-frontline expenditure (administration expenditure).

From 2011-12, PCTs therefore analyse and report revenue income and expenditure by "admin and programme"

For PCTs, the Department has defined "admin and programme" in terms of running costs.

The broad definition of running costs includes any cost incurred that is not a direct payment for the provision of healthcare or healthcare related services. Expense incurred under NHS transition redundancy programmes is however classed as "programme" under Treasury budgetary control arrangements and so is recorded as such in the financial statements.

1. Accounting policies (continued)

1.7 Property, Plant & Equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the PCT;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

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

Land and buildings used for the PCT's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of Comprehensive Net Expenditure

Subsequent expenditure

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

1. Accounting policies (continued)

1.8 Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the PCT's business or which 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 PCT; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at amortized historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.9 Depreciation, amortisation and impairments

Freehold land, properties under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, on a straight line basis. The estimated useful life of an asset is the period over which the PCT expects to obtain economic benefits or service potential from the asset. This is specific to the PCT and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

At each reporting period end, the PCT checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. 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 expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve. A transfer is required from the revaluation reserve to retained earnings of an amount representing the lower of the impairment charged and the balance for the asset in the revaluation reserve.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1. Accounting policies (continued)

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Donated income is deferred only where conditions attached to the donation have not been met.

NHS Knowsley does not hold any donated assets as at 31st March 2012 or 31st March 2013.

1.11 Government grants

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Government grant income is deferred only where conditions attached to the grant have not been met.

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset in the revaluation reserve is transferred to the general fund.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.13 Inventories

The PCT no longer holds any inventories following the TCS transfer of community services.

1.14 Cash and cash equivalents

Cash is 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 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.15 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings including losses which would have been made good through insurance cover had PCTs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). The losses and special payments note is compiled on an accruals basis excluding any provisions in relation to such payments.

1.16 Clinical Negligence Costs

From 1 April 2000, the NHS Litigation Authority (NHSLA) took over the full financial responsibility for all Existing Liabilities Scheme (ELS) cases unsettled at that date and from 1 April 2002 all Clinical Negligence Scheme for Trusts (CNST) cases. Provisions for these are included in the accounts of the NHSLA. Although the NHSLA is administratively responsible for all cases from 1 April 2000, the legal liability remains with the PCTs.

The NHSLA operates a risk pooling scheme under which the PCT pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure in the year that it is due. The total value of clinical negligence provisions carried by the NHSLA on behalf of the PCT is disclosed at Note 32.

1. Accounting policies (continued)

1.17 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period. However, due to the demise of the PCT at 31 March 2013 all employees are required to use all leave entitlement in the year and there will be no accrual for leave earned not taken.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the PCT commits itself to the retirement, regardless of the method of payment.

1.18 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Net Expenditure on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.19 Other expenses

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

1.20 Grant making

Under section 256 of the National Health Service Act 2006, the PCT has the power to make grants to local authorities, voluntary bodies and registered social landlords to finance capital or revenue schemes. A liability in respect of these grants is recognised when the PCT has a present legal or constructive obligation which occurs when all of the conditions attached to the payment have been met.

1.21 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income are valued at fair value at the end of the reporting period. The PCT is not a participant in the trading scheme.

1. Accounting policies (continued)

1.22 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PCT, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.23 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The PCT as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the PCT's net operating cost.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The PCT as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the PCT's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the PCT's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.24 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure.

1.25 Provisions

Provisions are recognised when the PCT has a present legal or constructive obligation as a result of a past event, it is probable that the PCT will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of minus 1.8% for short term (0-5 years), minus 1% for medium term (6-10 years) and 2.2% for long term provisions (over 10 years). The rate applicable for post employment benefits is 2.35%.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the PCT has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the PCT has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1. Accounting policies (continued)

1.26 Financial Instruments

Financial assets

Financial assets are recognised when the PCT becomes party to the financial instrument contract or, in the case of trade receivables, 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 initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Net Expenditure. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Statement of Comprehensive Net Expenditure on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the Statement of Financial Position date, the PCT assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1. Accounting policies (continued)

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the PCT 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.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Statement of Comprehensive Net Expenditure. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

After initial recognition, all other 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.

1.27 Private Finance Initiative (PFI) and NHS LIFT transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes (including NHS LIFT) where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The PCT therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

a) Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

b) PFI and LIFT assets, liabilities, and finance costs

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the PCT's approach for each relevant class of asset in accordance with the principles of IAS 16.

LIFT assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at the present value of the minimum lease payments in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the PCT's approach for each relevant class of asset in accordance with the principles of IAS 16."

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

A LIFT liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a finance lease liability in accordance with IAS 17.

The PCT does not have any PFI assets

1. Accounting policies (continued)

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to 'Finance Costs' within the Statement of Comprehensive Net Expenditure.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Net Expenditure.

c) Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the PCT's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by the PCT to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the PCT's Statement of Comprehensive Net Expenditure.

Other assets contributed by the PCT to the operator

Assets contributed (e.g. cash payments, surplus property) by the PCT to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. Subsequently, when the asset is made available to the PCT, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1. Accounting policies (continued)

1.28 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the financial statements for 2012-13, were they applied in that year:

- IAS 27 Separate Financial Statements - subject to consultation
- IAS 28 Investments in Associates and Joint Ventures - subject to consultation
- IFRS 9 Financial Instruments - subject to consultation - subject to consultation
- IFRS 10 Consolidated Financial Statements - subject to consultation
- IFRS 11 Joint Arrangements - subject to consultation
- IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
- IFRS 13 Fair Value Measurement - subject to consultation
- IPSAS 32 - Service Concession Arrangement - subject to consultation

2 Operating segments

The PCT currently operates as part of a cluster of four PCT's with one common Board of Directors. This Board determines the allocation and use of resources and monitors the cluster, and hence the PCT's, performance. As such, the Board is considered to be the chief operating decision maker (CODM) and only those elements of cost that are used by the CODM for the purposes of allocating resources and measuring performance are detailed below.

Under the TCS initiative, services historically provided by PCT have transferred to other providers. As at 31 March 2013, therefore, the PCT comprises only one segment, namely:

- Commissioner, which is responsible for the procurement of healthcare services on behalf of Knowsley residents.

As at 31 March 2012 the PCT the PCT comprised of one segment, as detailed above.

The operating segments were identified based upon information which is regularly reported to the Board. Note the CODM does not consider the statement of financial performance in a disaggregate form.

3. Financial Performance Targets

3.1 Revenue Resource Limit

The PCTs' performance for the year ended 2012-13 is as follows:

	2012-13 £000	2011-12 £000
Total Net Operating Cost for the Financial Year	0	341,904
Net operating cost plus (gain)/loss on transfers by absorption	353,545	0
Adjusted for prior period adjustments in respect of errors	0	0
Revenue Resource Limit	355,197	343,521
Under/(Over)spend Against Revenue Resource Limit (RRL)	1,652	1,617

3.2 Capital Resource Limit

The PCT is required to keep within its Capital Resource Limit.

	2012-13 £000	2011-12 £000
Capital Resource Limit	7,059	480
Charge to Capital Resource Limit	7,049	478
(Over)/Underspend Against CRL	10	2

3.3 Provider full cost recovery duty

The PCT is required to recover full costs in relation to its provider functions.

	2012-13 £000	2011-12 £000
Provider gross operating costs	0	0
Provider Operating Revenue	0	0
Net Provider Operating Costs	0	0
Costs Met Within PCTs Own Allocation	0	0
Under/(Over) Recovery of Costs	0	0

3.4 Under/(Over)spend against cash limit

	2012-13 £000	2011-12 £000
Total Charge to Cash Limit	355,838	344,473
Cash Limit	356,053	344,571
Under/(Over)spend Against Cash Limit	215	98

3.5 Reconciliation of Cash Drawings to Parliamentary Funding (current year)

	2012-13 £000
Total cash received from DH (Gross)	311,877
Less: Trade Income from DH	(20)
Less/(Plus): movement in DH working balances	0
Sub total: net advances	311,857
(Less)/plus: transfers (to)/from other resource account bodies (free text note required)	0
Plus: cost of Dentistry Schemes (central charge to cash limits)	6,868
Plus: drugs reimbursement (central charge to cash limits)	37,113
Parliamentary funding credited to General Fund	355,838

4 Miscellaneous Revenue

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 £000
Fees and Charges	3	0	3	1
Dental Charge income from Contractor-Led GDS & PDS	1,594	0	1,594	1,387
Dental Charge income from Trust-Led GDS & PDS	0	0	0	0
Prescription Charge income	1,838	0	1,838	1,813
Strategic Health Authorities	459	29	430	490
NHS Trusts	165	25	140	47
NHS Foundation Trusts	4	3	1	199
Primary Care Trusts Contributions to DATs	0	0	0	0
Primary Care Trusts - Other	2,115	1,276	839	1,764
Primary Care Trusts - Lead Commissioning	0	0	0	0
English RAB Special Health Authorities	0	0	0	0
NDPBs and Others (CGA)	0	0	0	0
Department of Health - SMPTB	0	0	0	0
Department of Health - Other	20	0	20	10
Recoveries in respect of employee benefits	346	346	0	332
Local Authorities	891	39	852	237
Patient Transport Services	0	0	0	0
Education, Training and Research	0	0	0	3
Non-NHS: Private Patients	0	0	0	0
Non-NHS: Overseas Patients (Non-Reciprocal)	0	0	0	0
NHS Injury Costs Recovery	0	0	0	0
Other Non-NHS Patient Care Services	0	0	0	0
Charitable and Other Contributions to Expenditure	0	0	0	0
Receipt of donated assets	0	0	0	0
Receipt of Government granted assets	0	0	0	0
Rental revenue from finance leases	1,326	0	1,326	1,268
Rental revenue from operating leases	237	0	237	173
Other revenue	386	112	274	467
Total miscellaneous revenue	9,384	1,830	7,554	8,191

5. Operating Costs

5.1 Analysis of operating costs:

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 Total £000
Goods and Services from Other PCTs				
Healthcare	37,579		37,579	33,180
Non-Healthcare	725	725	0	1,078
Total	38,304	725	37,579	34,258
Goods and Services from Other NHS Bodies other than FTs				
Goods and services from NHS Trusts	92,490	398	92,092	89,090
Goods and services (other, excl Trusts, FT and PCT))	1	1	0	417
Total	92,491	399	92,092	89,507
Goods and Services from Foundation Trusts	106,599	426	106,173	102,501
Purchase of Healthcare from Non-NHS bodies	7,406	0	7,406	5,805
Social Care from Independent Providers	0	0	0	0
Expenditure on Drugs Action Teams	1,601	0	1,601	1,596
Non-GMS Services from GPs	796	0	796	757
Contractor Led GDS & PDS (excluding employee benefits)	8,545	0	8,545	8,482
Salaried Trust-Led PDS & PCT DS (excluding employee benefits)	109	0	109	146
Chair, Non-executive Directors & PEC remuneration	99	99	0	92
Executive committee members costs	4	4	0	55
Consultancy Services	591	543	48	495
Prescribing Costs	30,382	0	30,382	31,171
G/PMS, APMS and PCTMS (excluding employee benefits)	27,069	0	27,069	25,748
Pharmaceutical Services	976	0	976	1,104
Local Pharmaceutical Services Pilots	0	0	0	0
New Pharmacy Contract	8,104	0	8,104	7,788
General Ophthalmic Services	1,572	0	1,572	1,565
Supplies and Services - Clinical	923	0	923	878
Supplies and Services - General	86	86	0	357
Establishment	439	439	0	673
Transport	1	1	0	3
Premises	4,694	1,043	3,651	4,134
Impairments & Reversals of Property, plant and equipment	1,804	0	1,804	(1,427)
Impairments and Reversals of non-current assets held for sale	0	0	0	0
Depreciation	1,722	44	1,678	1,604
Amortisation	8	8	0	8
Impairment & Reversals Intangible non-current assets	0	0	0	0
Impairment and Reversals of Financial Assets	0	0	0	0
Impairment of Receivables	5	5	0	5
Inventory write offs	0	0	0	0
Research and Development Expenditure	0	0	0	61
Audit Fees	86	86	0	143
Other Auditors Remuneration	0	0	0	32
Clinical Negligence Costs	0	0	0	0
Education and Training	193	95	98	182
Grants for capital purposes	100	0	100	0
Grants for revenue purposes*	5,428	0	5,428	0
Impairments and reversals for investment properties	0	0	0	0
Other	12,137	1,303	10,834	20,876
Total Operating costs charged to Statement of Comprehensive Net Expenditure	352,274	5,306	346,968	338,599
Employee Benefits (excluding capitalised costs)				
Employee Benefits associated with PCTMS	0	0	0	0
Trust led PDS and PCT DS	0	0	0	0
PCT Officer Board Members	771	706	65	688
Other Employee Benefits	6,654	5,899	755	7,835
Total Employee Benefits charged to SOCNE	7,425	6,605	820	8,523
Total Operating Costs	359,699	11,911	347,788	347,122
Analysis of grants reported in total operating costs				
For capital purposes				
Grants to fund Capital Projects - GMS	100	0	100	0
Grants to Local Authorities to Fund Capital Projects	0	0	0	0
Grants to Private Sector to Fund Capital Projects	0	0	0	0
Grants to Fund Capital Projects - Dental	0	0	0	0
Grants to Fund Capital Projects - Other	0	0	0	0
Total Capital Grants	100	0	100	0
Grants to fund revenue expenditure				
To Local Authorities	4,308	0	4,308	0
To Private Sector	0	0	0	0
To Other	1,120	0	1,120	0
Total Revenue Grants	5,428	0	5,428	0
Total Grants	5,528	0	5,528	0

*Note this was a new disclosure line in 2012/13. The figure for grants for revenue purposes was £5,308,000 in 2011/12 and this is included in the other category for 2011/12.

	Total	Commissioning Public Health Services	
PCT Running Costs 2012-13			
Running costs (£000s)	10,120	7,749	2,371
Weighted population (number in units)*	196,069	196,069	196,069
Running costs per head of population (£ per head)	52	40	12
PCT Running Costs 2011-12			
Running costs (£000s)	11,123	8,040	3,083
Weighted population (number in units)	196,069	196,069	196,069
Running costs per head of population (£ per head)	57	41	16

* Weighted population figures are not available for 2012-13 as the weighted capitation formula for PCT allocations was not updated for 2012-13. This was because it was decided to give all PCTs the same percentage growth in their allocations in this transitional year rather than differential growth based on a weighted capitation formula

Therefore, 2011-12 weighted populations have been used when calculated the Running Costs per head of population in 2012-13

5.2 Analysis of operating expenditure by expenditure classification	2012-13	2011-12
	£000	£000
Purchase of Primary Health Care		
GMS / PMS/ APMS / PCTMS	27,069	25,748
Prescribing costs	30,382	31,171
Contractor led GDS & PDS	8,545	8,482
Trust led GDS & PDS	109	146
General Ophthalmic Services	1,572	1,565
Department of Health Initiative Funding	0	0
Pharmaceutical services	976	1,104
Local Pharmaceutical Services Pilots	0	0
New Pharmacy Contract	8,104	7,788
Non-GMS Services from GPs	0	0
Other	1,026	956
Total Primary Healthcare purchased	<u>77,783</u>	<u>76,960</u>
Purchase of Secondary Healthcare		
Learning Difficulties	1,856	1,719
Mental Illness	27,122	24,554
Maternity	8,543	8,447
General and Acute	147,697	143,605
Accident and emergency	6,068	5,696
Community Health Services	43,982	41,981
Other Contractual	7,751	3,388
Total Secondary Healthcare Purchased	<u>243,019</u>	<u>229,390</u>
Grant Funding		
Grants for capital purposes	100	0
Grants for revenue purposes	5,428	0
Total Healthcare Purchased by PCT	<u>326,330</u>	<u>306,350</u>
PCT self-provided secondary healthcare included above	0	0
Social Care from Independent Providers	0	0
Healthcare from NHS FTs included above	106,173	102,376

The purpose of this note is to analyse the PCTs total expenditure on patient treatment for its own patients only. The note provides details of both primary and secondary healthcare purchased by the PCT for its patients. This includes GP Services, Prescribing, Planned & Unplanned Secondary Care and all other commissioned healthcare.

6. Operating Leases

				2012-13	2011-12
				Total	Total
				£000	£000
6.1 PCT as lessee					
Payments recognised as an expense					
Minimum lease payments				395	444
Contingent rents				0	0
Sub-lease payments				0	0
Total				395	444
	Land	Buildings	Other		
	£000	£000	£000		
Payable:					
No later than one year	0	377	2	379	342
Between one and five years	0	1,507	2	1,509	1,354
After five years	0	1,677	0	1,677	1,964
Total	0	3,561	4	3,565	3,660
Total future sublease payments expected to be received				0	0

As part of the above balance the PCT has one material operating lease agreement, with Ascon Investments regarding Prescott Resource Centre. The lease has approximately 11 years left and has a minimum lease payment of £1,549,000 (£1,729,000 2011/12).

The General Medical Services (GMS) contract entered into by NHS Knowsley with GPs includes conditions relating to the use of GP premises. Under IFRIC 4 *Determining whether an arrangement contains a lease*, the PCT has determined that those conditions are operating leases. As the GMS contract does not have a defined term, it is not possible to analyse the financial impact of the arrangement(s) over future financial years. The amount included within G/PMS, APMS and PCTMS relating to the GMS payments in the SOCNE for 2012/13 is £588,637 (2011/12 £555,927).

6.2 PCT as lessor

		2012-13	2011-12
		£000	£000
Recognised as income			
Rental Revenue		237	173
Contingent rents		0	0
Total		237	173
Receivable:			
No later than one year		237	173
Between one and five years		0	0
After five years		0	0
Total		237	173

7. Employee benefits and staff numbers

7.1 Employee benefits

	2012-13			Permanently employed			Other		
	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000
Employee Benefits - Gross Expenditure									
Salaries and wages	5,588	5,588	0	4,670	4,670	0	918	918	0
Social security costs	413	413	0	345	345	0	68	68	0
Employer Contributions to NHS BSA - Pensions Division	604	604	0	505	505	0	99	99	0
Other pension costs	0	0	0	0	0	0	0	0	0
Other post-employment benefits	0	0	0	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0	0	0	0
Termination benefits	820	0	820	772	0	772	48	0	48
Total employee benefits	7,425	6,605	820	6,292	5,520	772	1,133	1,085	48
Less recoveries in respect of employee benefits (table below)	(346)	(346)	0	(346)	(346)	0	0	0	0
Total - Net Employee Benefits including capitalised costs	7,079	6,259	820	5,946	5,174	772	1,133	1,085	48
Employee costs capitalised	0	0	0	0	0	0	0	0	0
Gross Employee Benefits excluding capitalised costs	7,425	6,605	820	6,292	5,520	772	1,133	1,085	48
Recognised as:									
Commissioning employee benefits	7,425			6,292			1,133		
Provider employee benefits	0			0			0		
Gross Employee Benefits excluding capitalised costs	7,425			6,292			1,133		

	2012-13			Permanently employed			Other		
	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000
Employee Benefits - Revenue									
Salaries and wages	292	292	0	292	292	0	0	0	0
Social Security costs	22	22	0	22	22	0	0	0	0
Employer Contributions to NHS BSA - Pensions Division	32	32	0	32	32	0	0	0	0
Other pension costs	0	0	0	0	0	0	0	0	0
Other Post Employment Benefits	0	0	0	0	0	0	0	0	0
Other Employment Benefits	0	0	0	0	0	0	0	0	0
Termination Benefits	0	0	0	0	0	0	0	0	0
TOTAL excluding capitalised costs	346	346	0	346	346	0	0	0	0

Employee Benefits - Prior- year

	Total £000	Permanently employed £000	Other £000
Employee Benefits Gross Expenditure 2011-12			
Salaries and wages	5,928	5,330	598
Social security costs	491	441	50
Employer Contributions to NHS BSA - Pensions Division	731	657	74
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	1,373	1,373	0
Total gross employee benefits	8,523	7,801	722
Less recoveries in respect of employee benefits	(332)	(332)	0
Total - Net Employee Benefits including capitalised costs	8,191	7,469	722
Employee costs capitalised	0	0	0
Gross Employee Benefits excluding capitalised costs	8,523	7,801	722
Recognised as:			
Commissioning employee benefits	8,523		
Provider employee benefits	0		
Gross Employee Benefits excluding capitalised costs	8,523		

7.2 Staff Numbers

	2012-13			2011-12		
	Total Number	Permanently employed Number	Other Number	Total Number	Permanently employed Number	Other Number
Average Staff Numbers						
Medical and dental	1	1	0	2	2	0
Ambulance staff	0	0	0	0	0	0
Administration and estates	95	93	2	120	116	4
Healthcare assistants and other support staff	0	0	0	6	6	0
Nursing, midwifery and health visiting staff	0	0	0	1	1	0
Nursing, midwifery and health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	5	5	0	0	0	0
Social Care Staff	0	0	0	0	0	0
Other	0	0	0	2	2	0
TOTAL	101	99	2	131	127	4
Of the above - staff engaged on capital projects	0	0	0	0	0	0

7.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	420	6,321
Total Staff Years	113	985
Average working Days Lost	3.71	6.42

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	0	0
Total additional pensions liabilities accrued in the year	£000s 0	£000s 0

7.4 Exit Packages agreed during 2012-13

Exit package cost band (including any special payment element)	2012-13			2011-12			Total number of exit packages by cost band
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed		
	Number	Number	Number	Number	Number	Number	
Less than £10,000	1	0	1	0	1	1	
£10,001-£25,000	0	0	0	0	7	7	
£25,001-£50,000	1	0	1	0	13	13	
£50,001-£100,000	1	0	1	0	9	9	
£100,001 - £150,000	1	0	1	0	1	1	
£150,001 - £200,000	4	0	4	0	0	0	
>£200,000	0	0	0	0	0	0	
Total number of exit packages by type (total cost)	8	0	8	0	31	31	
	£s	£s	£s	£s	£s	£s	
Total resource cost	934,853	0	934,853	0	1,373,000	1,373,000	

This note provides an analysis of Exit Packages agreed during the year. Redundancy and other departure costs have been paid in accordance with the provisions of the AfC terms and conditions. Where the PCT has agreed early retirements, the additional costs are met by the PCT and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

The total cost of the exit package for the Cluster Director of HR and OD is included within the above table. The Cluster Director of HR and OD is a joint appointment with Liverpool PCT, Sefton PCT and Halton and St Helen's PCT. Knowsley PCT has recharged a percentage of the Cluster Director of HR and OD exit package costs to these PCTs based on unified weighted population, details are 40.14% Liverpool PCT; 21.13% Sefton PCT and 25.08% Halton and St Helen's PCT. The Cluster Chief Executive is also a joint appointment across the four Mersey PCTs. The exit package for the Cluster Chief Executive is detailed in the accounts of Liverpool PCT and has been excluded from the exit package note in these accounts. The exit package costs for the Chief Executive have been recharged across the PCTs on the same basis as outlined above.

Further details about the Director of HR and OD and the Chief Executive are included in the Remuneration Report.

7.5 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that 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, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

8. Better Payment Practice Code

8.1 Measure of compliance

	2012-13 Number	2012-13 £000	2011-12 Number	2011-12 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	6,457	44,173	8,266	40,623
Total Non-NHS Trade Invoices Paid Within Target	5,928	42,388	7,584	39,172
Percentage of NHS Trade Invoices Paid Within Target	91.81%	95.96%	91.75%	96.43%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,259	239,098	2,112	228,346
Total NHS Trade Invoices Paid Within Target	1,936	238,607	1,823	224,036
Percentage of NHS Trade Invoices Paid Within Target	85.70%	99.79%	86.32%	98.11%

The Better Payment Practice Code requires the PCT to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later.

8.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2012-13 £000	2011-12 £000
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

9. Investment Income

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 £000
Rental Income				
PFI finance lease revenue (planned)	0	0	0	0
PFI finance lease revenue (contingent)	0	0	0	0
Other finance lease revenue	0	0	0	0
Subtotal	0	0	0	0
Interest Income				
LIFT: equity dividends receivable	0	0	0	0
LIFT: loan interest receivable	87	0	87	215
Bank interest	0	0	0	0
Other loans and receivables	0	0	0	0
Impaired financial assets	0	0	0	0
Other financial assets	0	0	0	0
Subtotal	87	0	87	215
Total investment income	87	0	87	215

10. Other Gains and Losses

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 £000
Gain/(Loss) on disposal of assets other than by sale (PPE)	0	0	0	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	(8)	0	(8)	0
Gain/(Loss) on disposal of Financial Assets - other than held for sale	0	0	0	0
Gain (Loss) on disposal of assets held for sale	(1)	0	(1)	0
Gain/(loss) on foreign exchange	0	0	0	0
Change in fair value of financial assets carried at fair value through the SoCNE	0	0	0	0
Change in fair value of financial liabilities carried at fair value through the SoCNE	0	0	0	0
Change in fair value of investment property	0	0	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0	0	0
Total	(9)	0	(9)	0

11. Finance Costs

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 £000
Interest				
Interest on obligations under finance leases	18	0	18	18
Interest on obligations under PFI contracts:				
- main finance cost	0	0	0	0
- contingent finance cost	0	0	0	0
Interest on obligations under LIFT contracts:				
- main finance cost	2,739	0	2,739	2,694
- contingent finance cost	544	0	544	469
Interest on late payment of commercial debt	0	0	0	0
Other interest expense	0	0	0	0
Total interest expense	3,301	0	3,301	3,181
Other finance costs	0	0	0	0
Provisions - unwinding of discount	7	0	7	7
Total	3,308	0	3,308	3,188

12.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account £000	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
2012-13	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2012	3,341	44,885	0	0	206	0	537	1,266	50,235
Additions of Assets Under Construction	0	0	0	0	0	0	0	0	0
Additions Purchased	409	6,426	0	0	175	0	0	298	7,308
Additions Donated	0	0	0	0	0	0	0	0	0
Additions Government Granted	0	0	0	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale	(176)	(440)	0	0	0	0	0	0	(616)
Disposals other than for sale	0	0	0	0	0	0	0	0	0
Upward revaluation/positive indexation	26	402	0	0	0	0	0	0	428
Impairments/negative indexation	(21)	(551)	0	0	0	0	0	0	(572)
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Transfers (to)/from Other Public Sector Bodies	0	0	0	0	0	0	0	0	0
At 31 March 2013	3,579	50,722	0	0	381	0	537	1,564	56,783
Depreciation									
At 1 April 2012	367	7,644	0	0	130	0	510	485	9,136
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale	(96)	(270)	0	0	0	0	0	0	(366)
Disposals other than for sale	0	0	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	260	1,544	0	0	0	0	0	0	1,804
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged During the Year	43	1,515	0	0	12	0	27	125	1,722
Transfers (to)/from Other Public Sector Bodies	0	0	0	0	0	0	0	0	0
At 31 March 2013	574	10,433	0	0	142	0	537	610	12,296
Net Book Value at 31 March 2013	3,005	40,289	0	0	239	0	0	954	44,487
Purchased	3,005	39,379	0	0	239	0	0	954	43,577
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	910	0	0	0	0	0	0	910
Total at 31 March 2013	3,005	40,289	0	0	239	0	0	954	44,487
Asset financing:									
Owned	1,754	7,203	0	0	239	0	0	954	10,150
Held on finance lease	200	2,767	0	0	0	0	0	0	2,967
On-SOFP PFI contracts	1,051	30,319	0	0	0	0	0	0	31,370
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2013	3,005	40,289	0	0	239	0	0	954	44,487

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account £000's	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	1,217	1,754	0	0	6	0	0	11	2,988
Movements	(33)	(155)	0	0	0	0	0	0	(188)
At 31 March 2013	1,184	1,599	0	0	6	0	0	11	2,800

The in year movement in the Revaluation Reserve of (£188k) relates specifically to the impact of the DV desktop valuation of Land & Buildings, the write out of reserves held for an asset which was sold in 2012/13 and the addition of the Kirkby Town Centre LIFT scheme.

12.2 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account £000	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
2011-12	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2011	3,351	44,252	0	0	441	5	537	1,266	49,852
Additions - purchased	0	559	0	0	0	0	0	0	559
Additions - donated	0	0	0	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	(235)	(5)	0	0	(240)
Disposals other than by sale	0	0	0	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0	0	0	0
Impairments	(15)	(90)	0	0	0	0	0	0	(105)
Reversals of impairments	5	164	0	0	0	0	0	0	169
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	0	0	0	0	0	0	0	0
At 31 March 2012	3,341	44,885	0	0	206	0	537	1,266	50,235
Depreciation									
At 1 April 2011	328	7,686	0	0	235	2	470	360	9,081
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale	0	0	0	0	(120)	(2)	0	0	(122)
Disposals other than for sale	0	0	0	0	0	0	0	0	0
Upward revaluation/positive indexation	0	0	0	0	0	0	0	0	0
Impairments	0	174	0	0	0	0	0	0	174
Reversal of Impairments	0	(1,601)	0	0	0	0	0	0	(1,601)
Charged During the Year	39	1,385	0	0	15	0	40	125	1,604
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	0	0	0	0	0	0	0	0
At 31 March 2012	367	7,644	0	0	130	0	510	485	9,136
Net Book Value at 31 March 2012	2,974	37,241	0	0	76	0	27	781	41,099
Purchased	2,974	36,331	0	0	76	0	27	781	40,189
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	910	0	0	0	0	0	0	910
At 31 March 2012	2,974	37,241	0	0	76	0	27	781	41,099
Asset financing:									
Owned	1,984	7,807	0	0	76	0	27	781	10,675
Held on finance lease	200	2,764	0	0	0	0	0	0	2,964
On-SOFP PFI contracts	790	26,670	0	0	0	0	0	0	27,460
PFI residual: interests	0	0	0	0	0	0	0	0	0
At 31 March 2012	2,974	37,241	0	0	76	0	27	781	41,099
Revaluation Reserve Balance for Property, Plant & Equipment									
	Land	Buildings	Dwellings	Assets under construction & payments on account £000's	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2011	1,227	1,680	0	0	6	0	0	11	2,924
Movements	(10)	74	0	0	0	0	0	0	64
At 31 March 2012	1,217	1,754	0	0	6	0	0	11	2,988

12.3 Property, plant and equipment

As at 31st March 2013 the PCTs estate has been independently revalued by District Valuer at fair value via a desktop valuation. This valuation report has been prepared in accordance with the terms of the Royal Institute of Chartered Surveyors' Valuation Standards, 6th Edition, insofar as these terms are consistent with the requirements of HM Treasury, the National Health Service and the Department of Health

The PCT does not own any special assets as at 31st March 2013 (nil as at 31st March 2012).

The following table details the minimum and maximum economic lives of the property, plant and equipment assets held by the PCT.

	Minimum Life (Years)	Maximum Life (years)
Buildings excl Dwellings	22	56
Plant & Machinery	3	10
Furniture & Fittings	2	10

13.1 Intangible non-current assets

	Software internally generated £000	Software purchased £000	Licences & trademarks £000	Patents £000	Development expenditure £000	Total £000
2012-13						
At 1 April 2012	0	34	0	0	0	34
Additions - purchased	0	0	0	0	0	0
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Additions Leased	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(34)	0	0	0	(34)
Revaluation & indexation gains	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
In-year transfers to/from NHS bodies	0	0	0	0	0	0
At 31 March 2013	0	0	0	0	0	0
Amortisation						
At 1 April 2012	0	17	0	0	0	17
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(25)	0	0	0	(25)
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	8	0	0	0	8
In-year transfers to NHS bodies	0	0	0	0	0	0
At 31 March 2013	0	0	0	0	0	0
Net Book Value at 31 March 2013	0	0	0	0	0	0
Net Book Value at 31 March 2013 comprises						
Purchased	0	0	0	0	0	0
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Total at 31 March 2013	0	0	0	0	0	0

Revaluation reserve balance for intangible non-current assets

	Software internally generated £000's	Software purchased £000's	Licences & trademarks £000's	Patents £000's	Development expenditure £000's	Total £000's
At 1 April 2012	0	0	0	0	0	0
Movements (specify)	0	0	0	0	0	0
At 31 March 2013	0	0	0	0	0	0

13.2 Intangible non-current assets

	Software internally generated £000	Software purchased £000	Licences & trademarks £000	Patents £000	Development expenditure £000	Total £000
2011-12						
At 1 April 2011	0	86	0	0	0	86
Additions - purchased	0	0	0	0	0	0
Additions - internally generated	0	0	0	0	0	0
Additions - donated	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	(52)	0	0	0	(52)
Disposals other than by sale	0	0	0	0	0	0
Revaluation & indexation gains	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
In-year transfers to/from NHS bodies	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	0	0	0	0	0
At 31 March 2012	0	34	0	0	0	34
Amortisation						
At 1 April 2011	0	48	0	0	0	48
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	(39)	0	0	0	(39)
Disposals other than by sale	0	0	0	0	0	0
Revaluation or indexation gains	0	0	0	0	0	0
Impairments charged to operating expenses	0	0	0	0	0	0
Reversal of impairments charged to operating expenses	0	0	0	0	0	0
Charged during the year	0	8	0	0	0	8
In-year transfers to NHS bodies	0	0	0	0	0	0
Less cumulative dep written down on revaluation	0	0	0	0	0	0
At 31 March 2012	0	17	0	0	0	17
Net Book Value at 31 March 2012	0	17	0	0	0	17
Net Book Value at 31 March 2012 comprises						
Purchased	0	17	0	0	0	17
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Total at 31 March 2012	0	17	0	0	0	17

13.3 Intangible non-current assets

The Intangible assets that were held by the PCT relate to software licences only. These licences are no longer in use and have now been written off. All software licences were held at cost and amortised over a 5 year life. It is deemed that IT assets will not appreciate in value therefore no indexation is applied. These licenses have been written off in year as no longer used.

Economic Lives of Non-Current Assets

	Min Life Years	Max Life Years
Intangible Assets		
Software Licences	0	0
Licences and Trademarks	0	0
Patents	0	0
Development Expenditure	0	0

14. Analysis of impairments and reversals recognised in 2012-13

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000
Property, Plant and Equipment impairments and reversals taken to SoCNE			
Loss or damage resulting from normal operations	0	0	0
Over-specification of assets	0	0	0
Abandonment of assets in the course of construction	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0
Unforeseen obsolescence	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
Changes in market price	1,804	0	1,804
Total charged to Annually Managed Expenditure	1,804	0	1,804
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve			
Loss or damage resulting from normal operations	0	0	0
Over Specification of Assets	0	0	0
Abandonment of assets in the course of construction	0	0	0
Unforeseen obsolescence	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
Changes in market price	572	0	0
Total impairments for PPE charged to reserves	572	0	0
Total Impairments of Property, Plant and Equipment	2,376	0	1,804
Intangible assets impairments and reversals charged to SoCNE			
Loss or damage resulting from normal operations	0	0	0
Over-specification of assets	0	0	0
Abandonment of assets in the course of construction	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0
Unforeseen obsolescence	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
Changes in market price	0	0	0
Total charged to Annually Managed Expenditure	0	0	0
Intangible Assets impairments and reversals charged to the Revaluation Reserve			
Loss or damage resulting from normal operations	0	0	0
Over-specification of assets	0	0	0
Abandonment of assets in the course of construction	0	0	0
Unforeseen obsolescence	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
Changes in market price	0	0	0
Total impairments for Intangible Assets charged to Reserves	0	0	0
Total Impairments of Intangibles	0	0	0
Financial Assets charged to SoCNE			
Loss or damage resulting from normal operations	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
Total charged to Annually Managed Expenditure	0	0	0
Financial Assets impairments and reversals charged to the Revaluation Reserve			
Loss or damage resulting from normal operations	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
TOTAL impairments for Financial Assets charged to reserves	0	0	0
Total Impairments of Financial Assets	0	0	0
Non-current assets held for sale - impairments and reversals charged to SoCNE.			
Loss or damage resulting from normal operations	0	0	0
Abandonment of assets in the course of construction	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0
Unforeseen obsolescence	0	0	0
Loss as a result of catastrophe	0	0	0
Other	0	0	0
Changes in market price	0	0	0
Total charged to Annually Managed Expenditure	0	0	0
Total impairments of non-current assets held for sale	0	0	0
Inventories - impairments and reversals charged to SoCNE			
Loss or Damage Resulting from Normal Operations	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0
Unforeseen Obsolescence	0	0	0
Loss as a Result of a Catastrophe	0	0	0
Other (Free text note required)*	0	0	0
Changes in Market Price	0	0	0
Total charged to Annually Managed Expenditure	0	0	0
Total impairments of Inventories	0	0	0
Investment Property impairments charged to SoCNE			
Loss or Damage Resulting from Normal Operations	0	0	0
Total charged to Departmental Expenditure Limit	0	0	0
Unforeseen Obsolescence	0	0	0
Loss as a Result of a Catastrophe	0	0	0
Other (Free text note required)*	0	0	0
Changes in Market Price	0	0	0
Total charged to Annually Managed Expenditure	0	0	0
Total Investment Property impairments charged to SoCNE	0	0	0
Investment Property impairments and reversals charged to the Revaluation Reserve			
Loss or Damage Resulting from Normal Operations	0	0	0
Over Specification of Assets	0	0	0
Abandonment of Assets in the Course of Construction	0	0	0
Unforeseen Obsolescence	0	0	0
Loss as a Result of a Catastrophe	0	0	0
Other (Free text note required)*	0	0	0
Changes in Market Price	0	0	0
TOTAL impairments for Investment Property charged to Reserves	0	0	0
Total Investment Property Impairments	0	0	0
Total Impairments charged to Revaluation Reserve	572	0	0
Total Impairments charged to SoCNE - DEL	0	0	0
Total Impairments charged to SoCNE - AME	1,804	0	1,804
Overall Total Impairments	2,376	0	1,804
Of which:			
Impairment on revaluation to "modern equivalent asset" basis	1,804	0	1,804
Donated and Gov Granted Assets, included above -			
PPE - Donated and Government Granted Asset Impairments: amount charged to SoCNE - DEL*	0	0	0
Intangibles - Donated and Government Granted Asset Impairments: amount charged to SoCNE - AME*	0	0	0

15 Investment property

	31 March 2013 £000	31 March 2012 £000
At fair value		
Balance at 1 April 2012	0	0
Additions Through Subsequent Expenditure	0	0
Other Acquisitions	0	0
Disposals	0	0
Property Reclassified as Held for Sale	0	0
Loss from Fair Value Adjustments - Impairments	0	0
Gain from Fair Value Adjustments - Reversal of Impairments	0	0
Gain from Fair Value Adjustments	0	0
Transfers (to)/from Other Public Sector Bodies	0	0
Other Changes	0	0
Balance at 31 March 2013	0	0
Investment property capital transactions in 2012-13		
Capital expenditure	0	0
Capital income	0	0
	0	0

16 Commitments

16.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2013 £000	31 March 2012 £000
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

16.2 Other financial commitments

The PCT has no non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements)

	31 March 2013 £000	31 March 2012 £000
Not later than one year	0	0
Later than one year and not later than five year	0	0
Later than five years	0	0
Total	0	0

17 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	376	0	537	0
Balances with Local Authorities	76	0	676	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	195	0	887	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	620	2	10,358	0
At 31 March 2013	1,267	2	12,458	0
prior period:				
Balances with other Central Government Bodies	843	0	1,066	0
Balances with Local Authorities	59	0	1,027	0
Balances with NHS Trusts and Foundation Trusts	761	0	1,187	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government*	453	2	14,061	0
At 31 March 2012	2,116	2	17,341	0

*Note in prior year the figure for current receivables was incorrectly shown as £665, this should have been £453 as detailed above. The figure for current payables was incorrectly shown as £14,204, this should have been £14,061 as detailed above.

18 Inventories	Drugs £000	Consumables £000	Energy £000	Work in progress £000	Loan Equipment £000	Other £000	Total £000	Of which held at NRV £000
Balance at 1 April 2012	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0
Inventories recognised as an expense in the period	0	0	0	0	0	0	0	0
Write-down of inventories (including losses)	0	0	0	0	0	0	0	0
Reversal of write-down previously taken to SoCNE	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	0	0
Balance at 31 March 2013	0	0	0	0	0	0	0	0

19.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
NHS receivables - revenue	571	482	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	0	910	0	0
Non-NHS receivables - revenue	125	121	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	260	396	2	0
Provision for the impairment of receivables	(13)	(8)	0	0
VAT	146	212	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	178	3	0	2
Total	1,267	2,116	2	2
Total current and non current	1,269	2,118		
Included above:				
Prepaid pensions contributions	0	0		

The significant majority of trade is with other NHS bodies, including other Primary Care Trusts as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

The PCT believes the credit quality of all non-NHS receivables [not past their due date] to be sufficient that none of the receivables shall be impaired.

19.2 Receivables past their due date but not impaired

	31 March 2013 £000	31 March 2012 £000
By up to three months	175	342
By three to six months	10	10
By more than six months	41	35
Total	226	387

19.3 Provision for impairment of receivables

	2012-13 £000	2011-12 £000
Balance at 1 April 2012	(8)	(7)
Amount written off during the year	0	4
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(5)	(5)
Balance at 31 March 2013	(13)	(8)

The PCT conducted an impairment review of all receivables as at 31st March 2013. Following the review the provision for impairment of receivables was increased to £12,845. The decision was made taking in to account the age, debtor profile and value of the outstanding balance.

20 NHS LIFT investments

	Loan £000	Share capital £000	Total £000
Balance at 1 April 2012	624	7	631
Additions	0	0	0
Disposals	0	0	0
Loan repayments	0	0	0
Revaluations	0	0	0
Loans repayable within 12 months	0	0	0
Balance at 31 March 2013	624	7	631
Balance at 1 April 2011	574	7	581
Additions	50	0	50
Disposals	0	0	0
Loan repayments	0	0	0
Revaluations	0	0	0
Loans repayable within 12 months	0	0	0
Balance at 31 March 2012	624	7	631

21.1 Other financial assets - Current

	31 March 2013 £000	31 March 2012 £000
Opening balance 1 April	0	0
Transfers (to)/from Other Public Sector Bodies in year	0	0
Other Movements	0	0
Closing balance 31 March	0	0

21.2 Other Financial Assets - Non Current

	31 March 2013 £000	31 March 2012 £000
Opening balance 1 April	631	581
Additions	0	50
Revaluation	0	0
Impairments	0	0
Impairment Reversals	0	0
Transferred to current financial assets	0	0
Disposals	0	0
Transfers (to)/from Other Public Sector Bodies in year	0	0
Total Other Financial Assets - Non Current	631	631

21.3 Other Financial Assets - Capital Analysis

	31 March 2013 £000	31 March 2012 £000
Capital Expenditure	0	0
Capital Income	0	0

22 Other current assets

	31 March 2013 £000	31 March 2012 £000
EU Emissions Trading Scheme Allowance	0	0
Other Assets	0	0
Total	0	0

23 Cash and Cash Equivalents

	31 March 2013 £000	31 March 2012 £000
Opening balance	4	(2,192)
Net change in year	44	2,196
Closing balance	48	4
Made up of		
Cash with Government Banking Service	48	3
Commercial banks	0	1
Cash in hand	0	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	48	4
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	48	4

Patients' money held by the PCT, not included above	0	0
---	---	---

24 Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2012	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	80	170	0	0	0	0	0	0	0	250
Less assets sold in the year	(80)	(170)	0	0	0	0	0	0	0	(250)
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2013	0	0	0	0	0	0	0	0	0	0
Liabilities associated with assets held for sale at 31 March 2013	0	0	0	0	0	0	0	0	0	0
Balance at 1 April 2011	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	115	3	0	0	13	131
Less assets sold in the year	0	0	0	0	(115)	(3)	0	0	(13)	(131)
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2012	0	0	0	0	0	0	0	0	0	0
Liabilities associated with assets held for sale at 31 March 2012	0	0	0	0	0	0	0	0	0	0
Revaluation reserve balances in respect of non-current assets held for sale were:										
At 31 March 2012	0									
At 31 March 2013	0									

On 22 March 2013 the PCT sold £250,000 of property which was surplus to requirements to a private buyer for £249,000. This resulted in a small loss on sale of £1,000.

25 Trade and other payables

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Interest payable	0	0	0	0
NHS payables - revenue	763	1,568	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	661	541	0	0
Family Health Services (FHS) payables	8,576	9,452	0	0
Non-NHS payables - revenue	0	0	0	0
Non-NHS payables - capital	206	73	0	0
Non-NHS accruals and deferred income	1,619	3,688	0	0
Social security costs	0	64	0	0
VAT	0	0	0	0
Tax	0	104	0	0
Payments received on account	0	0	0	0
Other	633	1,851	0	0
Total	12,458	17,341	0	0
Total payables (current and non-current)	12,458	17,341		

Included above:

to buy out the liability for early retirements over 5 Years (£000s)	0	0
number of cases Involved (number)	0	0
Outstanding pension contributions at year end (£000s)	1	78

26 Other liabilities

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
PFI/LIFT deferred credit	0	0	0	0
Lease incentives	0	0	0	0
Other <i>[specify]</i>	0	0	0	0
Total	0	0	0	0
Total other liabilities (current and non-current)	0	0		

27 Borrowings

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Bank overdraft - Government Banking Service	0	0	0	0
Bank overdraft - commercial banks	0	0	0	0
PFI liabilities:				
Main liability	0	0	0	0
Lifecycle replacement received in advance	0	0	0	0
LIFT liabilities:				
Main liability	942	762	40,200	34,784
Lifecycle replacement received in advance	0	0	0	0
Finance lease liabilities	7	7	71	78
Other (describe)	0	0	0	0
Total	949	769	40,271	34,862
Total other liabilities (current and non-current)	41,220	35,631		

28 Other financial liabilities

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Embedded Derivatives at Fair Value through SoCNE	0	0	0	0
Financial liabilities carried at fair value through SoCNE	0	0	0	0
Amortised Cost	0	0	0	0
Total	0	0	0	0
Total other liabilities (current and non-current)	0	0	0	0

29 Deferred income

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Opening balance at 1 April 2012	0	0	0	0
Deferred income addition	0	0	0	0
Transfer of deferred income	0	0	0	0
Current deferred Income at 31 March 2013	0	0	0	0
Total other liabilities (current and non-current)	0	0	0	0

30 Finance lease obligations

The PCT's Finance lease obligations are in relation to NHS LIFT and Southdene Primary Care Resource Centre land, was been brought back on to the PCT's SOFP in 2010-11. The PCT has two notional finance leases - Nutgrove Villa and St Josephs. The NHS LIFT finance lease obligations are disclosed in note 34.

Amounts payable under finance leases (Buildings)

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Included in:				
Current borrowings			0	0
Non-current borrowings			0	0
			0	0

Amounts payable under finance leases (Land)

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Within one year	27	27	7	7
Between one and five years	106	106	30	30
After five years	146	173	41	48
Less future finance charges	(201)	(221)	0	0
Present value of minimum lease payments	78	85	78	85
Included in:				
Current borrowings			7	7
Non-current borrowings			71	78
			78	85

Amounts payable under finance leases (Other)

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Included in:				
Current borrowings			0	0
Non-current borrowings			0	0
			0	0

Finance leases as lessee

	31 March 2013 £000	31 March 2012 £000
Future Sublease Payments Expected to be received	0	0
Contingent Rents Recognised as an Expense	0	0

31 Finance lease receivables as lessor

Amounts receivable under finance leases (buildings)

	Gross investments in leases		Present value of minimum lease payments	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Less allowance for uncollectible lease payments:				
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0

Amounts receivable under finance leases (land)

	Gross investments in leases		Present value of minimum lease payments	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Less allowance for uncollectible lease payments:				
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0

Amounts receivable under finance leases (other)

	Gross investments in leases		Present value of minimum lease payments	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Less allowance for uncollectible lease payments:				
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0

Finance Leases (as a Lessor)

	31 March 2013 £000	31 March 2012 £000
The unguaranteed residual value accruing to the PCT is	0	0
Accumulated allowance for uncollectible minimum lease payments receivable	0	0
Rental Income	1,326	1,268
Contingent rent	0	0
Other	0	0
Total rental income	1,326	1,268

Finance Lease Commitments

	31 March 2013 £000s	31 March 2012 £000s
Lease	0	0

32 Provisions

Comprising:

	Total £000s	Pensions to Former Directors £000s	Pensions Relating to Other Staff £000s	Legal Claims £000s	Restructuring £000s	Continuing Care £000s	Equal Pay £000s	Agenda for Change £000s	Other £000s	Redundancy £000s
Balance at 1 April 2012	1,072	0	243	0	0	365	0	0	71	393
Arising During the Year	529	0	0	0	0	529	0	0	0	0
Utilised During the Year	(420)	0	(27)	0	0	0	0	0	0	(393)
Reversed Unused	(428)	0	0	0	0	(357)	0	0	(71)	0
Unwinding of Discount	7	0	7	0	0	0	0	0	0	0
Change in Discount Rate	23	0	23	0	0	0	0	0	0	0
Transferred (to)/from other Public Sector bodies	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2013	783	0	246	0	0	537	0	0	0	0
Expected Timing of Cash Flows:										
No Later than One Year	559	0	22	0	0	537	0	0	0	0
Later than One Year and not later than Five Years	87	0	87	0	0	0	0	0	0	0
Later than Five Years	137	0	137	0	0	0	0	0	0	0

Amount Included in the Provisions of the NHS Litigation**Authority in Respect of Clinical Negligence Liabilities:**

As at 31 March 2013	70
As at 31 March 2012	46

Pensions relating to other staff

Pension provisions are based on information provided by the NHS Pensions agency and based on assumptions of life expectancy of individual members.

Continuing Care

The provision relates to continuing health care cases where redress is sought following the ombudsman's report "NHS Funding for long term care" where patients may have been denied continuing care funding.

33 Contingencies

	31 March 2013 £000	31 March 2012 £000
Contingent liabilities		
Equal Pay	0	0
Other	(196)	(179)
Amounts Recoverable Against Contingent Liabilities	0	0
Net Value of Contingent Liabilities	(196)	(179)
Contingent Assets		
Contingent Assets	713	713
Net Value of Contingent Assets	713	713

The PCTs contingent liabilities relate to a liability in relation to the pension agency review of payment injury awards and the potential for employees, past or current, to make a claim if they sustain injury or illness which meets the criteria between November 1985 and April 1998. The total provision is split between provisions, being 25% of the total potential cost and included in note 32, with the remaining 75% being a contingent liability as detailed above.

The contingent assets relate to 8 legal charges that are deemed to be off the Statement of Financial Position as detailed in Note 1.1

34 PFI and LIFT - additional information

	31 March 2013 £000	31 March 2012 £000
34.1 Charges to operating expenditure and future commitments in respect of ON and OFF SOFP PFI		
Total charge to operating expenses in year - OFF SOFP PFI	0	0
Service element of on SOFP PFI charged to operating expenses in year	0	0
Total	0	0

Payments committed to in respect of off SOFP PFI and the service element of on SOFP PFI

No Later than One Year	0	0
Later than One Year, No Later than Five Years	0	0
Later than Five Years	0	0
Total	0	0

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make materially different from those which the Trust is committed to make during the next year. The likely financial effect of this is:

	31 March 2013 £000	31 March 2012 £000
Estimated Capital Value of Project - off SOFP PFI	0	0
Value of Deferred Assets - off SOFP PFI	0	0
Value of Reversionary Interest - off SOFP PFI	0	0

34.2 Imputed "finance lease" obligations for on SOFP PFI contracts due**Analysed by when PFI payments are due**

No Later than One Year	0	0
Later than One Year, No Later than Five Years	0	0
Later than Five Years	0	0
Subtotal	0	0
Less: Interest Element	0	0
Total	0	0

Charges to operating expenditure and future commitments in respect of on and off SOFP LIFT

	31 March 2013 £000	31 March 2012 £000
Total Charge to Operating Expenses in year - OFF SOFP LIFT	0	0
Service element of on SOFP LIFT charged to operating expenses in year	1,210	833
Total	1,210	833

Payments committed to in respect of off SOFP LIFT and the service element of on SOFP LIFT.

	31 March 2013 £000	31 March 2012 £000
LIFT Scheme Expiry Date:		
No Later than One Year	1,057	857
Later than One Year, No Later than Five Years	4,864	3,705
Later than Five Years	36,790	29,029
Total	42,711	33,591

The estimated annual payments in future years are expected to be materially different from those which the NHS Trust is committed to make during the next year. The likely financial effect of this is:

	31 March 2013 £000	31 March 2012 £000
Estimated capital value of project - off SOFP LIFT	0	0
Value of Deferred Assets - off SOFP LIFT	0	0
Value of Residual Interest - off SOFP LIFT	0	0

Imputed "finance lease" obligations for on SOFP LIFT Contracts due

	31 March 2013 £000	31 March 2012 £000
No Later than One Year	4,069	3,401
Later than One Year, No Later than Five Years	16,092	13,638
Later than Five Years	67,206	58,764
Subtotal	87,367	75,803
Less: Interest Element	(46,225)	(40,257)
Total	41,142	35,546

The PCT has entered in to eight NHS LIFT lease plus agreements with Renova Developments Limited at various times since 20th October 2004. All current agreements will expire on or before January 2038. Contained within the lease plus agreements is the option for the PCT to purchase the buildings at a reduced market price at the end of each lease term. It is not known at this stage of the lease agreement whether or not the successor body will exercise this option however in accounting for NHS LIFT it is assumed this option will not be exercised.

Note that Prior to 1st April 2008 Renova Developments Limited was called Partners 4 LIFT Limited.

The NHS LIFT schemes are:

	Lease Start Date	Lease End Date
Towerhill PCRC	December 2006	November 2030
North Huyton PCRC	February 2008	January 2033
Longview PCRC	October 2006	September 2036
Manor Farm PCRC	December 2006	December 2036
Whiston PCRC	August 2007	July 2037
Halewood PCRC	November 2008	November 2034
Bluebell Lane PCRC	July 2010	June 2036
Kirkby Town Centre PCRC	January 2013	January 2038

The PCT has an investment in NHS LIFT which is a long-term joint venture between Renova Developments Limited (a subsidiary of Fulcrum Infrastructure Group owned by

The shareholding in NHS LIFT is as follows:

NHS Knowsley	5%
NHS Warrington	5%
NHS Halton & St Helens	10%
Community Health Partnerships	20%
Renova Developments Ltd	60%

The core business of Renova Developments Limited is to assist in the regeneration of the local community through the provision of modern, high quality health and social care facilities and provision of strategic facilities advice to the local statutory providers of health and social care

The annual lease rental payments for NHS LIFT assets are split between three elements: repayment of finance lease, the annual finance charge on the outstanding liability and contingent rent. The repayments of the finance lease is determined on a real (i.e. un-indexed) rather than nominal (indexed) basis, and the difference between these two bases represents the contingent rentals. These are then expensed as they are incurred.

35 Impact of IFRS treatment - 2012-13

	Total £000	Admin £000	Programme £000
Revenue costs of IFRS: Arrangements reported on SoP under IFRIC12 (e.g LIFT/PFI)			
Depreciation charges	1,293	0	1,293
Interest Expense	3,283	0	3,283
Impairment charge - AME	1,113	0	1,113
Impairment charge - DEL	0	0	0
Other Expenditure	2,423	0	2,423
Revenue Receivable from subleasing	(1,213)	0	(1,213)
Total IFRS Expenditure (IFRIC12)	6,899	0	6,899
Revenue consequences of LIFT/PFI schemes under UK GAAP / ESA95 (net of any sublease income)	(4,871)	0	(4,871)
Net IFRS change (IFRIC12)	2,028	0	2,028
Capital Consequences of IFRS : LIFT/PFI and other items under IFRIC12			
Capital expenditure 2012-13	6,298		
UK GAAP capital expenditure 2012-13 (Reversionary Interest)	0		

36 Financial Instruments

Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of the PCT are met through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the PCT's expected purchase and usage requirements and the PCT is therefore exposed to little credit, liquidity or market risk.

Currency risk

The PCT/Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The PCT/Trust has no overseas operations. The PCT/Trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

PCTs are not permitted to borrow. The PCT therefore has low exposure to interest-rate fluctuations

Credit Risk

Because the majority of the PCT's income comes from funds voted by Parliament the PCT has low exposure to credit risk.

Liquidity Risk

The PCT is required to operate within limits set by the Secretary of State for the financial year and draws down funds from the Department of Health as the requirement arises. The PCT is not, therefore, exposed to significant liquidity risks.

36.1 Financial Assets

	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
Receivables - NHS	0	571	0	571
Receivables - non-NHS	0	303	0	303
Cash at bank and in hand	0	48	0	48
Other financial assets	0	0	631	631
Total at 31 March 2013	0	922	631	1,553
Embedded derivatives	0	0	0	0
Receivables - NHS	0	482	0	482
Receivables - non-NHS	0	124	0	124
Cash at bank and in hand	0	4	0	4
Other financial assets	0	0	631	631
Total at 31 March 2012	0	610	631	1,241

36.2 Financial Liabilities

	At 'fair value through profit and loss' £000	Other £000	Total £000
Embedded derivatives	0	0	0
NHS payables	0	763	763
Non-NHS payables	0	9,415	9,415
Other borrowings	0	0	0
PFI & finance lease obligations	0	41,220	41,220
Other financial liabilities	0	559	559
Total at 31 March 2013	0	51,957	51,957
Embedded derivatives	0	0	0
NHS payables	0	1,568	1,568
Non-NHS payables	0	11,376	11,376
Other borrowings	0	0	0
PFI & finance lease obligations	0	35,631	35,631
Other financial liabilities	0	849	849
Total at 31 March 2012	0	49,424	49,424

37 Related party transactions

Knowsley Primary Care Trust is a corporate body established by order of the Secretary of state for Health. In accordance with the national policy of the 'clustering' of primary care trusts, with effect from 1 June 2011, NHS Merseyside (primary care trust cluster) assumed responsibility as the corporate body with the PCTs in the cluster operating under a single board. During financial year 2012-13 the following transactions took place between Knowsley Primary Care Trust and organisations that have a related party relationship with board members or senior staff of the cluster. For 2012-13 related party transactions are based on interests disclosed by members of the cluster board and senior staff, as these persons have control and significant influence over the organisation.

Details of related party transactions with individuals are as follows:

2012-2013

Role with PCT	Role within related party	Related party	2012-2013				
			Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000	Future Financial Commitments £'000
NHS MERSEYSIDE CLUSTER BOARD							
Gideon Ben-Tovim	Chair	Senior Fellow	15	-	-	-	-
Graham Wright (Cllr)	Non Executive Director	Elected Member	16,426	856	676	26	-
David Merrill	Audit Committee Chair, Non Executive Director	Lay member Research Review Panel	58,485	35	8	-	-
		Lay member Internal Patient Information Ratification Group	58,485	35	8	-	-
Maureen Williams	Non Executive Director	Fellow	32	-	-	-	-
Peter Hinton	Non Executive Director	Senior manager	32	-	-	-	-
Dr Steve Cox	Clinical Accountable Officer	Member	4	-	1	-	-
Clare Duggan	Accountable Officer	Member	5,038	-	-	-	-
Sue Drew	Director of Public Health	Director of Public Health	16,426	856	676	26	-
Matt Ashton	Director of Public Health	Director of Public Health	16,426	856	676	26	-
Phil Wadeson	Director of Finance	Director of Finance	27,986	74	-	-	-

Phil Wadeson (Director of Finance) was appointed as the joint Director of Finance for NHS Merseyside Cluster and NHS Cheshire, Warrington and Wirral (CWW) Cluster for the period 1 September 2012 to 10 January 2013 and continued to support the NHS CWW Cluster to the end of January 2013. He is deemed to have a related party interest in all four of the NHS CWW Cluster PCT's, however only Western Cheshire PCT transactions are deemed to be material to both parties and are detailed above.

KNOWSLEY PCT MANAGEMENT

Role with PCT	Role within related party	Related party	Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000	Future Financial Commitments £'000
Paul Brickwood	Chief Finance Officer - Governing Body Member	Director of Finance	338	389	62	76	-
Ian Davies	Head of Strategic Programmes	Director	206	-	-	-	41,142
		Director	4,794	827	33	-	-
		Director	919	134	9	-	-
		Director	1,045	214	5	-	-

Due to the formation of the NHS Merseyside Cluster board, all Cluster board members are deemed to have a related party interest in all four PCT's. The following table discloses the transactions associated with the other three PCT's:

PCT	Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000	Future Financial Commitments £'000
Haltom and St Helens PCT	293	530	118	84	-
Liverpool PCT	1,032	1,150	314	176	-
Sefton PCT	3,268	164	99	103	-

2011-2012

Role with PCT	Role within related party	Related party	2011-2012				
			Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000	Future Financial Commitments £'000
Mark Keegan	PEC Member	Employee	44,272	407	4	-	-
Paul Gerard Conway	Board Director (Clinical)	GP Partner	1,357	-	87	-	-
Paul Brickwood	Director of Finance	Director of Finance	584	549	197	63	-
Rosemary Hawley	Chair	Trustee	16	-	-	-	-
Christina O'Hare (Cllr)	Non Executive Director	Director/Chair	7	-	-	-	-
Sheena Ramsay	Acting Chief Exec/MD	Chief Executive	16,732	312	-	7	-
Christina O'Hare	Non Executive Director	Councillor	-	-	-	-	-
Graham Wright	Non Executive Director	Councillor	-	-	-	-	-
Jan Coulter	Director of Health & Social Care	Director of Health & Social Care	-	-	-	-	-
Jane Aston (Cllr)	Associate Non Executive Director	Councillor	-	-	-	-	-
Jane Raven	Director HR & OD	Governor	10	-	-	-	-
Graham Wright	Non Executive Director	Governor	10	-	-	-	-
Peter Hinton	Non Executive Director	Director	72	-	-	-	-
Michael Lockwood	Non Executive Director	Non Executive Director	-	-	-	-	-
Ian Davies	Director of Strategy & Programme Co-ordination	Director	469	-	-	-	-
		Director	1,049	-	-	-	-
		Director	96	116	-	-	35,546
Sue Drew	Director of Public Health	Governor	21,751	-	19	-	-
Dr Christopher J Mimmagh	Medical Director & PEC Chair Person	GP Partner	1,446	-	122	-	-

2012-2013

The Department of Health is regarded as the parent department. During the year Knowsley Primary Care Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent. These entities are:

5 Boroughs Partnership NHS Foundation Trust
Aintree University Hospitals NHS Foundation Trust
Alder Hey NHS Foundation Trust
Clatterbridge Centre for Oncology NHS Foundation Trust
Haltom and St Helens PCT
Liverpool Heart & Chest Hospital NHS Foundation Trust
Liverpool PCT
Liverpool Women's Hospital NHS Foundation Trust
Merseycare NHS Trust
NHS North West
North West Ambulance NHS Trust
Royal Liverpool & Broadgreen University Hospitals NHS Trust
Sefton PCT
Southport & Ormskirk Hospitals NHS Trust
St Helens & Knowsley Hospitals NHS Trust
Warrington & Haltom Hospitals NHS Foundation Trust
Wirral University Teaching Hospitals NHS Foundation Trust
Wrightington Wigan & Leigh NHS Foundation Trust
NHS Litigation Authority
Prescription Pricing Authority
NHS Pensions Agency

In addition, the PCT had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Knowsley MBC.

38 Losses and special payments

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses - PCT management costs	31,356	24
Special payments - PCT management costs	4,075	1
Losses in respect of the provision of family practitioner services	0	0
Special payments in respect of the provision of family practitioner services	0	0
Total losses	31,356	24
Total special payments	4,075	1
Total losses and special payments	35,431	25

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses - PCT management costs	24,021	41
Special payments - PCT management costs	17	1
Losses in respect of the provision of family practitioner services	0	0
Special payments in respect of the provision of family practitioner services	0	0
Total losses	24,021	41
Total special payments	17	1
Total losses and special payments	24,038	42

Details of cases individually over £250,000
The PCT had no individual cases over £250,000.

39 Third party assets

The PCT held nil cash and cash equivalents as at 31 March 2013 on behalf of patients (nil as at 31 March 2012).

40 Cash flows relating to exceptional items

The PCT has no exceptional cash flow items to declare.

41.1 Events after the end of the reporting period

Under the provisions of The Health and Social Care Act 2012 (Commencement No. 4. Transitional, Savings and Transitory Provisions) Order 2013 Knowsley PCT was dissolved on 1st April 2013. The main functions carried out by Knowsley PCT in 2012-13 are to be carried out in 2013-14 by the following public section bodies:

- Approximately £93 million of services, including Primary Care and Dental, have transferred to NHS England
- Approximately £246 million of other services, mainly Secondary Care and Prescribing, have transferred to NHS Knowsley CCG
- Approximately £14 million has transferred to Knowsley Metropolitan Borough Council relating to Public Health services, and £0.7 million to Public Health England

Certain assets have transferred to NHS Property Services and Community Health Partnerships Limited on 1st April 2013. Approximately £32 million of assets relating to the LIFT properties have transferred to Community Health Partnerships Limited, and £12 million of other land and buildings have transferred to NHS Property Services. These were considered operational at the year end, and have been revalued as part of the PCT's routine desktop valuation of all of its estate as at 31st March 2013. It is for the successor bodies to consider whether, for 2013-14, it is necessary to carry out a full valuation on these assets to review for impairment.

The finance lease creditor totalling approximately £40 million also transferred to Community Health Partnerships Limited as this relates to the LIFT properties.



Department
of Health

Annual Governance Statement 2012/13

NHS Knowsley

Scope of responsibility

The Board is accountable for internal control. As Accountable Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum¹.

I am personally accountable to the Chief Executive the NHS Northwest Authority which is part of the North of England SHA Cluster and attend regular review meetings. I also attend regular meetings with counterparts in partner organisations.

Effectiveness of the Board

As Accountable Officer I am assured of the effectiveness of the Board in a number of ways. Performance against National Indicators, including those requirements set out in the Operating Framework 2012/13 is a key mechanism for providing assurance of effectiveness. The Board receives an update on progress in all areas at each and every public Board meeting and the reports demonstrate continued compliance in all areas. For any areas of slippage against targets the Executive Nurse and the Quality Team work with providers to establish and implement mitigation plans.

The Board was also effective in the management of its resource allocation and fully delivered the mandated control total targets as set out in the accounts.

The Board was also effective in its delivery of all requirements of the Transition and the Board was assured of this by receipt of a Transition Update Report at each meeting, submission of the Transition Assurance Reports to NHS Northwest and by the successful completion of the PCT Transfer Scheme Process.

The governance framework of NHS Knowsley

The governance arrangements for NHS Knowsley have been in place since April 2012. This framework is robust in its ability to provide assurance to the Board on the delivery of key objectives as confirmed by the reports of internal audit and the Head of Internal Audit Opinion.

¹ Accountable Officer Memorandum for Chief Executives (2002)

The arrangements in place for the discharge of statutory functions have been checked by internal audit for any irregularities and the reports are submitted to Audit Committee. The Board is also assured of compliance with its functions through receipt of performance reports at each public meeting.

The NHS Merseyside Board is a sub-committee of Liverpool PCT, Halton and St Helens PCT, Knowsley PCT and Sefton PCT. The Cluster Board is established in accordance with Regulation 10 of the National Health Service (Functions of Strategic Health Authorities and Primary Care Trusts and Administrative Arrangements) (England) Regulations 2002, as amended (the "Regulations")

The Board comprises a diverse range of skills from Executive and Non-Executive Directors and there is a clear division of responsibility between running the board and running the PCTs business. The Chair is responsible for the leadership of the Board and ensures that Executives have had access to relevant information to assist them in the delivery of their duties. The NEDs have actively provided scrutiny and challenge at Board and sub-committee level. Each committee comprises membership and representation from appropriate officers and NEDs with sufficient experience and knowledge to support the committees in discharging their duties.

The Board has been well attended by all Executives and NEDs throughout the year ensuring that the Board has been able to make fully informed decisions to support and deliver the strategic objectives.

The Board's objectives are aligned to the objectives set out in the Shared Operating Model for PCT Clusters². These are managed through the Board Assurance Framework process. The Board has been assured of its effectiveness in respect of delivering its objectives through this process which is supported by the Joint Integrated Governance Committee.

The Board is assured of its effectiveness in terms of performance management through the regular corporate performance reports on finance, reform and quality key performance indicators as set out in national guidance. Throughout the year performance has continued to be maintained or improved which represents a significant achievement.

The Board is supported by a sub-committee structure comprising the statutory committees listed below.

Joint Integrated Governance Committee (JIGC):

² Department of Health (2011) *Shared Operating Model for PCT Clusters* (London :TSO) at pg 4 paras 9, 10 and 11

This committee has delegated responsibility for identifying, reviewing and developing mitigation plans against any risks that arise as a consequence of the transition. The committee also reviews and scrutinises the Board Assurance Framework and Corporate Risk Register prior to any review by the Cluster Board. This committee reports to the NHS Merseyside Board on the development, implementation and monitoring of integrated governance by providing assurance on: "the systems and processes by which the PCT leads, directs and controls its functions in order to achieve organisational objectives, safety, and quality of services, and in which they relate to the wider community and partner organisations.

The committee has delegated responsibility for the approval of corporate policy and during the year has received updates and requests for approvals on the key following policies and processes

- Information Governance
- Serious Untoward Incidents
- Adult and Children Safeguarding
- Risk Management
- Board Assurance Framework for NHS Knowsley

The committee also reviewed and scrutinised the following:

- Transitional Risk Register
- Quality Handover Document
- PCT Transfer Scheme processes

This Committee was established in accordance with best practice and the recommendations of the Integrated Governance Handbook.³ The committee comprises Executive Directors, NEDs, Internal Audit and governance and risk officers to ensure that the committee is appropriately skilled and resourced to deliver its objectives.

The JIGC has been well attended by all Executives, NEDs and Officers throughout the year ensuring that there has been robust scrutiny and challenge at all times. This has enabled the JIGC to provide robust assurances to the Board and to inform the Board of key risk areas.

During the year the committee debated and agreed how risks would be escalated through services across the Cluster up to the Corporate Risk Register and BAF. The Committee debated and agreed this revised cluster wide methodology.

Key highlights: During the year the JIGC:

³ Department of Health (2006) *Integrated Governance Handbook – a handbook for executives and non-executives in healthcare organisations* (London: TSO)

- Provided assurance to the Board on the objectives and controls with the Board Assurance Framework and Corporate Risk Register.
- Provided assurance on the NHS Knowsley Board Assurance Framework
- Provided assurance of compliance with the Information Governance Toolkit (68%).
- Received and reviewed progress on the Transition
- Reviewed the Quality Handover Document

The committee is supported by a Risk Management Sub Group, Information Governance Sub Group and Quality Improvement and Patient Safety sub group.

Audit Committee

The Audit Committee ensures compliance with statutory requirements and provides assurance to the NHS Merseyside Board on internal control and governance matters. The Audit Committee also provides an independent and objective review on the NHS Merseyside and local PCT financial systems, financial information and compliance with laws, guidance, and regulations governing the NHS.

A key function of the Committee is to ensure that there are appropriate controls in place for the prevention of detection of Fraud and receives update reports at each meeting. The Committee also approved the Anti Bribery Policy.

The Committee has also received, reviewed and approved:

- Internal Audit reports and approved the internal audit plan
- External Audits reports
- Counter Fraud Update and approved the Counter Fraud work plan
- Register of Interests
- Waivers
- Debtors
- Losses and Special Payments

The Audit Committee received reports to ensure that actions arising from audit reviews of key processes had been implemented or carried forward to be scrutinised by the Audit Committee.

Key highlights: During the year the Audit Committee:

- Provided significant assurance on incident reporting procedures
- Provided significant assurance on budgetary controls
- Provided assurances on the Transfer Scheme process

- Provided assurances on the Risk Management processes
- Provided assurances on independent contractor payment processes

The Audit Committee has been well attended by all NEDs, Internal Auditors, External Auditors and Officers throughout the year ensuring that there has been robust scrutiny at all times. This has enabled the Audit Committee to provide robust assurances to the Board and to inform the Board of any gaps in systems control.

Remuneration Committee:

The committee ensures compliance with statutory requirements and undertook reviews of Very Senior Managers remuneration and to comply with the requirements set out in the NHS Codes of Conduct and Accountability and the Higgs report.⁴ The Committee reviews and agrees appraisal and remuneration of executives: During the year the committee has reviewed a number of cases relating to redundancy.

The Remuneration Committee met in full quorum for all meetings during the year.

The Board also has committees with responsibility for Human Resources and Organisation Development and Equality and Diversity.

Clinical Commissioning Group Sub Committees

The Board established six clinical commissioning sub committees that have evolved to become the Governing Bodies of CCGs. During 2012/13 these committees operated under robust Terms of Reference and Scheme of Delegation. The PCT Chief Executive established an Accountability Meeting with each CCG designated Accountable Officer and these meetings ran throughout the year.

Handover and Closedown

The Cluster Board established a Closedown Steering Group that was responsible for overseeing the programme of work to ensure the safe and effective handover of assets, liabilities and responsibilities to the successor organisations. To ensure that there was sufficient resource and capacity in the system to deliver the programme additional support was procured from Mersey Internal Audit Agency and from Hill Dickinson Solicitors.

The Group delivered the Transfer Scheme programme for all the PCTs complying with all Department of Health deadlines and ensuring there was on-going engagement and dialogue with all successor bodies. The Group provided regular updates to Audit Committee, Joint Integrated Governance Committee and the Board on a regular basis.

The Audit Committee received assurances in respect of the Closedown of the annual accounts.

⁴ D. Higgs (January 2003) *Review of the Role and Effectiveness of non-executive directors* section 13.8 at page 61 – available at <http://www.berr.gov.uk/files/file23012.pdf>

The Board nominated 3 Non-Executive Directors that will be retained to support the new Audit Committee arrangements that have been established as sub committees of the Department of Health's Audit and Risk Committee.

NHS Knowsley agreed Retention and Exit Terms (RETS) packages for staff that would be retained with the Legacy Management Team hub to provide support to the close down programme.

Transition Assurance – NHS Knowsley provided monthly updates on progress with the Transition to the SHA and the Department of Health.

The Board received an update on progress with the Transition that covered all parts of the reforms at each public meeting.

The Joint Integrated Governance Committee received updates on progress with the Transition.

As part of the handover process the successor bodies were advised of any on-going risks that will require continued review through the following processes.

- **Quality Handover** – NHS Knowsley provided information that was included in the NHS Merseyside Quality Legacy Document was signed off by the Board in January 2013 and the programme of quality handover to the CCGs concluded on 31st March 2013. The Quality Legacy Document was scrutinised by the Joint Integrated Governance Committee prior to submission to the Board.
- **Corporate Handover** – NHS Knowsley provided information that was included in the NHS Merseyside Corporate Handover document. This document provides a summary of key factors relevant to all new bodies and provided sign posts to other key documents. This also included a summary of key risks.
- **Public Health Legacy Document** – NHS Knowsley produced a Public Health Legacy Document for the relevant Local Authority.

Risk Assessment

NHS Knowsley has a comprehensive Risk Management Strategy, which is updated at regular intervals. The following key elements are contained within the Strategy:

- Risk Management Strategy, Aims and Objectives
- Roles, Responsibilities and Accountability
- The Risk Management Process – Risk Identification, Risk Assessment, Risk Treatment, Monitoring and Review, Risk Prevention
- Risk Grading – Criteria
- Training & Support

NHS Knowsley has established a number of mechanisms for identifying and managing risks including risk profiling methodology, incident reporting, complaints and litigation data, and staff concerns/whistle-blowing.

Risk management and the ensuing development of risk registers is generally achieved using a dual 'top-down' and 'bottom-up' approach to identifying and managing risks. The 'top-down' element has been addressed through the development of a Board Assurance Framework and Corporate Risk Register identifying strategic high-level risks. These two documents are based on models which have previously been accepted as meeting audit requirements.

The 'bottom-up' element of the risk management system best fits with organisational structures and this has therefore been based on the directorate arrangements and subsequently on the NHS Merseyside director portfolios and integrated teams. All functional leads have identified their arrangements for developing and reviewing risk registers and escalating risks.

In addition to risk registers being developed and reviewed at team and directorate level, there is an escalation process to the Corporate Risk Register. The Corporate Risk Register is centrally managed and maintained, and is reviewed at Joint Integrated Governance Committee and the Trust Board. Directorate risk registers are also collated centrally to ensure a comprehensive system is in place, and are periodically reviewed by the Risk Management Working group and/or the Joint Integrated Governance Committee. All risk registers use the same risk scoring matrices to ensure consistency in describing risks across the organisation; these matrices are based on the NPSA matrices but have been customised for local use to reflect the trust's tolerance to risk.

The Corporate Risk Register is structured to reflect key domains, e.g. Quality & Safety, Finance, Human Resources, Performance and Delivering Reform.

Key new risks identified during 2012/13 are those associated with the organisational changes necessary as part of the transition to the new commissioning arrangements. A programme approach was taken to managing these risks, with project plans and risk registers developed for the different workstreams, and an overarching transition programme board which reviewed progress using a risk-based exception reporting format. Throughout the year issues have been reported operationally to the executive team and governance oversight provided by the Joint Integrated Governance Committee and Board.

NHS Knowsley has put in place policies, procedures, guidance and support to ensure that personal and corporate information is handled legally, securely, efficiently and effectively, in order to deliver high quality services. Performance is monitored through the completion of the annual Information Governance (IG) Toolkit return and reports to the Information Governance Working Group and Joint Integrated Governance committee.

Controls include:

- Mandatory induction and refresher IG training for all staff
- Identifying the movement of personal data and assessing associated risks, and minimising where possible
- Ensuring the encryption of all confidential data stored on portable devices

- Reporting, investigation and escalation of all information governance incidents

However, there was 1 data breach during the year that was reported to the Information Commissioners Office. This incident was under review by the ICO as at 31st March 2013.

Risk & Control Framework

The PCTs Risk Management processes achieved a level of “Significant Assurance” by Internal Audit.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation’s policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- Minimise the risk of fraud

The Risk Management agenda is coordinated and managed by the Joint Integrated Governance Committee as previously described.

All fraud risks and controls are monitored by the Audit Committee that reports to the Board through its minutes.

The Board has developed the strategic objectives, and the evaluation of the risks to achieving these objectives are set out in the Board Assurance Framework which is regularly reviewed and scrutinised by the Joint Integrated Governance Committee and the Trust Board.

The Board Assurance Framework is a key document whose purpose is to provide the Board with ‘reasonable’ assurance that internal systems are functioning effectively. It is a high level document that is used to inform and give assurance to the Board that the risks to achieving key objectives are recognised and that controls are in place or being developed to manage these risks.

Risks are rated, and controls that will address these risks are identified, gaps in control or assurance are noted and action plans to close gaps summarised and updated. Potential and actual sources of assurance are identified and the latter are also rated for the level of assurance

provided. A summary of the assurance levels for all assurance framework entries is updated each quarter and accompanies the full document.

The Corporate Risk Register provides the Board with a summary of the principal risks facing the organisation, with a summary of the actions needed and being taken to reduce these risks to an acceptable level. The information contained in the Corporate Risk Register should be sufficient to allow the Board to be involved in prioritising and managing major risks. The risks described in the Corporate Risk Register will be more wide-ranging than those in the Board Assurance Framework, covering a number of domains.

Where risks to achieving organisational objectives are identified in the Corporate Risk Register or other risk registers, these are added to the Board Assurance Framework; and where gaps in control are identified in the Board Assurance Framework, these risks are added to the Corporate Risk Register. The two documents thus work together to provide the Board with assurance and action plans on risk management in the organisation.

The Corporate Risk Register is updated and presented for review and scrutiny at the same time as the Board Assurance framework.

The PCT commissions a range of training programmes which include specific mandatory training for particular staff groups which aims to minimise the risks inherent in their daily work. Information Governance training is mandatory for all staff.

Targeted training is provided to designated risk leads to support development of risk registers, and one to one sessions are available for all managers responsible for updating the Board Assurance Framework.

The Head of Audit issues an annual opinion to the Board on the effectiveness of the Assurance Framework in providing the Board with the assurances regarding its systems of internal control.

The Head of Audit's opinion on the Assurance Framework determined that a Consolidated Cluster Assurance Framework has been established which is designed and operating to meet the requirements of the Annual Governance Statement and provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work; The Head of Audit

Opinion is that **Significant Assurance** can be given that there is a generally sound system of internal control designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls put the achievement of particular objective at risk

In particular, the review of the processes in place for Safeguarding Adults & Children provided Limited Assurance and a further follow up was undertaken in the year and the one high level risk identified was confirmed as implemented, however others remain outstanding. Also limited assurance was provided with regard to Continuing Healthcare, an action plan has been developed.

Whilst limited assurance was also provided with regard to the IG Toolkit Submission, the review highlighted that processes were in place to ensure the successful transition of key information and activities to the emerging framework of new organisations.

These areas of concern have been shared with CCG successor bodies so that they are able to ensure that improvements are made in these areas.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee and the Joint Integrated Governance Committee.

The Board receives the minutes of all committees including the Audit Committee and the Joint Integrated Governance Committee

The Joint Integrated Governance Committee approves relevant policies and the Audit Committee monitors action plans arising from Internal Audit reviews.

Internal Audit is a key component of internal control. The Audit Committee approves the annual internal audit plan, and progress against this plan is reported to each meeting of the Committee. The individual reviews carried out throughout the year assist the Director of Audit to form his opinion, which in turn feeds the assurance process.

My review confirms that NHS Knowsley has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and the Board has complied with the Corporate Governance Code.

Signed

Date

Clare Duggan
.....

6.6.2013
.....

Clare Duggan
Designated Signing Officer

Signed

Date

Phil Wadeson
.....

6.6.13
.....

Phil Wadeson
Finance Signing Officer