Department of Health

NHS

Herefordshire Primary Care Trust

2012-13 Annual Report and Accounts

Published to gov.uk, in PDF format only.

www.gov.uk/dh

Herefordshire Primary Care Trust

2012-13 Annual Report

Annual Report
Herefordshire PCT 2012/13

Cover

- *Front page (including appropriate PCT logo)*
- *Front inside cover (including content list)*
- *Back inside cover (including language statement)*
- *Back cover (including contact address, telephone number, website)*

Message from Jo Newton –Chair of Herefordshire PCT

This report details the activities of NHS Herefordshire (Herefordshire Primary Care Trust or PCT) undertaken during 2012/13. Prior to closure on 31st March 2013 the Board formally handed over its responsibilities to the new Clinical Commissioning Groups (CCGs), NHS England, and Herefordshire County Council and other bodies.

The bulk of the PCTs' commissioning responsibilities are being handed over to our CCGs, all of whom have recently become authorised as statutory organisations. In Herefordshire this will be Herefordshire CCG . The governance arrangements we made 12 months ago ensured a robust handover. All the emerging CCGs have been sub-committees of the West Mercia cluster of PCTs, with the CCG Chairs attending Board meetings. Through this process it has been very encouraging to witness the progress and achievements to date which I trust will continue.

These arrangements, coupled with the progress the CCGs have made during the authorisation process, mean that I am sure the commissioning of health services for our local population is in safe hands. The PCTs' public health responsibilities have also been formally handed to Herefordshire County Council and I would wish to acknowledge local authority colleagues for their role in embracing their new responsibilities. Locally the many benefits that will come from putting public health at the heart of local government have been recognised; a move which means that public health needs can be considered alongside education, housing and social care. This follows a long tradition of the approach in Herefordshire of partnership working to focus on improving outcomes for our population.

This last year has been a particularly difficult period of change as staff and colleagues have moved into different roles, often undertaking additional responsibilities and the impact on staff personally as well as professionally is not to be underestimated. I would particularly want to thank board members for their consistent support over this period and the continuity provided by non-executive directors within the local system. I would acknowledge the unique role undertaken by Eamonn Kelly, and his predecessor Chris Bull, as our outgoing PCT Chief Executive who stepped down earlier in 2013 to allow Lesley Murphy and her incoming NHS England Area Team to assume their new roles.

May I convey publically my thanks and best wishes to Eamonn in his retirement after many unstinting years in public service, and to Lesley and her team for supporting the board during the last few months. The Area Team will be responsible for commissioning primary care services, as well as working closely with our local CCG and I wish them well with this work.

Finally, I would like to thank you for your support during my time as Chair of NHS Herefordshire, and more recently as part of the West Mercia Cluster. We embraced the need to make our services sustainable yet have faced challenging times over the past couple of years as we have gone through the most significant change the NHS has ever seen.

Your support has allowed us to continue with the 'day job' while negotiating the complex transition process.

I wish all the new organisations the very best for the work that lies ahead and I enclose below a list of contact details for the new organisations which I hope will be of help to you.

Joanna Newton
Chair
NHS Herefordshire

Contents

About us, who we are and what we do

In April 2011, NHS Herefordshire came together with Herefordshire, Shropshire and Telford and Wrekin PCTs to form the West Mercia Cluster of PCTS. NHS Herefordshire although working as part of West Mercia PCT, remained the statutory organisation responsible for commissioning health services and improving the health of local residents – particularly the most disadvantaged – until abolished at the end of this financial year. NHS Herefordshire remained the statutory body covering its registered population until 31 March 2013

The governance structure for the PCT has changed during the year to reflect the arrangements of the local offices of the NHS Commissioning Board. Within the West Mercia Cluster of PCTs, Herefordshire and Worcestershire joined with Coventry and Warwickshire to form one local area office Shropshire PCT and Telford and Wrekin PCTs joined with Staffordshire to form another local area.

Herefordshire PCT covers the geographical boundaries of Herefordshire County Council and contains a number of key market towns including Leominster, Ross-on-Wye, Kington, Bromyard and Ledbury, along with the county town of Hereford– although Herefordshire is largely a rural area. NHS Herefordshire Clinical Commissioning Group will cover the same geographical area.

It serves a population of approximately 180,000 people and had a turnover in 2012/13 of circa £312m**.** We were held to account on a cluster basis through the West Mercia Cluster PCT Board.

2012/13 was the final year that the PCT was responsible for all local NHS services. The PCT contracted for all NHS services provided by GPs, pharmacists, dentists and opticians in Herefordshire and we also pay for hospital care on behalf of patients registered with Herefordshire GPs, care for mental health patients, prescriptions and community healthcare, such as community hospitals, health visitors and district nurses. The CCG will take responsibility for many of these services, though many of the services provided by GPS will be contracted by NHS England.

Our People & Community

- Herefordshire is a large, predominantly rural county with a low population density and an older age profile than both the West Midlands region and nationally in England and Wales.
- The county has a relatively elderly population, with 26 per cent of the population currently above retirement age, compared to 20 per cent nationally.
- The number of people aged 65+ is forecast to continue to increase, but more rapidly than in recent years, and is expected to be 57 per cent higher in 2026. The number of people aged 85+ is expected to almost double, from 5,400 to 10,200 in 2026.
- The number of people between 16 and 64 is expected to fall steadily from 2011, as the post-war 'baby-boomers' move into retirement age.
- Compared with 2009, there are forecast to be 5 per cent fewer people aged 16-64 in the county by 2026, which will have a significant impact on those households where care is provided by a family member.
- The number of children and young people living in the county is decreasing, and the numbers under 16 is predicted to continue to fall until 2016.
- People in Herefordshire enjoy a good standard of health and well-being. Life expectancy is higher than the national average for both men and women, and is higher than neighbouring counties.
- Mortality rates for cancer, circulatory diseases and chronic conditions remain lower than in other areas, yet these figures are significantly affected by different patterns of risk-taking. These are in turn influenced by social and economic factors such as income and education.
- Smoking is the single most important cause of avoidable ill-health and premature death
- Rates of alcohol-related hospital admissions are increasing

More details on health and wellbeing in Herefordshire can be found at
http://www.herefordshire.gov.uk/factsandfigures/

Our priorities:
A common set of Strategic Priorities for the Cluster was adopted by the Board in March 2012 these reflected those of the individual PCTs in the area.. These were devised using common themes from the PCTs individual goals and used to underpin Cluster assurance and risk governance. These were

- Eliminating unwarranted variation;
- Stimulating a patient revolution;
- Developing a cohort of transformational clinical leaders; and
- Quality – doing the ordinary things extraordinarily well.

The health, well-being and independence of older people are key priorities for Herefordshire, and will only be achieved through robust multi agency working, including an enhanced role for the third sector. A substantial increase in the numbers of older people with some dependency on social care in Herefordshire is expected by 2020. With this, there is also expected to be a disproportionate increase in the number of older people with dementia, who will need enhanced care. This is key tenant of Herefordshire CCG work Programme going forward.

Changes to the PCT in 2012/13
In preparation for the changes and subsequent abolition of the PCTs, following the Health and Social Care Bill, we moved to a new model of governance that created a Cluster Board for all four PCTs in West Mercia. Called the West Mercia PCT Board, this arrangement took into account the new future organisations such as the CCGs, Health and Wellbeing Board (HWBB) and the National Commissioning Board (now known as NHS England) – at national and regional levels.

We had a single Chair for all four PCTs and a single set of Non-Executive Directors meet with the single Executive Team,, to discharge the respective statutory functions of the constituent four PCT Boards.

From a legal perspective, this meant that the four PCTs met at the same venue, at the same time, with a common agenda and membership. The agenda, minutes and recommendations have reflected the legal separation.

There was a shadow CCG in place in Herefordshire that was authorised in March 2013. This essentially means that from April 2013, when PCTs are dissolved, Herefordshire CCG will take on its full statutory responsibilities.

The CCG had a designate Chair, Accountable Officer and Chief Finance Officer. Staff assignments to the CCG have been ongoing since early 2011, with structures finalised in August 2012. The CCG completed the cost model to ensure they can manage within the potential resources available and buy-in the level of commissioning support required. Herefordshire CCG was in wave three of authorisation.

The CCG had a formal shadow Governing Body, which was a sub-committee of the Cluster Board a PCT Board Non-Executive Director (NED) was allocated to work with Herefordshire CCG to support its development during the transition.

To allow the CCG to develop their skills and build for the future, circa76% of the PCTs budgets were managed by the CCG through delegated powers. This means the shadow CCG have moved to authorisation with a significant amount of responsibility already resting with them. The scheme of delegation clearly set out the devolved responsibilities/accountability and allowed the CCG to demonstrate that it has a proven ‘track’ record to meet the challenges of authorisation.

The Cluster continued to monitor progress using the objectives outlined in the system plan and had a programme management process in place to monitor CCG development and QIPP delivery.

Our main providers of services
The main provider of acute services in the Herefordshire area is the Wye Valley NHS Trust, though some services are commissioned from neighbouring areas like Worcestershire and Gloucestershire. Wye Valley Trust also serves patients in a variety of community settings including in their own homes. They deliver a variety of services including district nursing, health visiting, occupational and physiotherapy, school nursing and speech and language therapy.

Mental health, and learning disability are provided by 2gether Mental Health Foundation Trust.

The CCG commissions services from the voluntary and third sector organisations which range from small schemes of less than £10k to substantial services approaching £100k. The services commissioned are predominantly for respite and end of life care, old people, mental health, physical and sensory disability, people with a learning disability and children and families, but also include support for service user and carer organisations and voluntary sector infrastructure organisations.

Hospice Services
- Herefordshire PCT commissions health services from 1 adult hospice and 1 children's hospice.

Nursing Homes
- The PCT commissions both Continuing Health Care (CHC) and Funded Nursing Care (FNC) services from nursing home providers.

Ambulance Service
- Ambulance services are provided through a Service Level Agreement with West Midlands Ambulance Service.

Commissioning Support Unit
To support the CCG to deliver its duties Commissioning Support Units (CSUs) have been created. Staffordshire CSU has been appointed as the preferred supplier to the CCG in Herefordshire, along with Staffordshire, Shropshire and Telford and Wrekin CCGs. The Commissioning Support Unit will support the CCG with effect from 1 April 2013.

Public Health Transition
Public Health work has been on-going during 2012/13, led by a Director of Public Health within Herefordshire Council in preparation for the transition in 2013. The Public Health Department produced its own detailed transition document for the transfer to the Local Authority. As part of the transition plan, the public health directorate re-located to premises at Herefordshire County Council to aid joint working.

Health and Well Being Board Transition
Established in 2011, a Shadow Health and Well Being Board (HWBB) is in place in Herefordshire County Council, which has been meeting for some time.

Membership of the Board is reflective of the required core membership, with the addition of the Police Commander for Herefordshire.

Achievements

How we performed in 2012/13

Maintaining strong clinical governance is vital to Herefordshire PCT. The PCT and going forward the CCG is dedicated to the on-going development of clinical governance and delivery high standard of care to patients and residents of Herefordshire. This is why in Herefordshire organisations have been working hard to ensure it delivery against several key performance measures that it is judged nationally and locally against.

These measures cover all aspects of healthcare, including patient safety, clinical effectiveness and cost effectiveness. The CCG will also be assessed against many of these measures, and will be using them as part of its Performance framework to ensure high standards of care continue to be delivered in the County.

Performance achieved year to date (YTD) {awaiting year end figures]

NHS Constitution Indicators for 2012/13	Target	RAG Rating and YTD
Referral To Treatment waiting times for non-urgent consultant-led treatment		
Admitted patients to start treatment within a maximum of 18 weeks from referral	**90%**	
Non-admitted patients to start treatment within a maximum of 18 weeks from referral	**95%**	
Patients on incomplete non-emergency pathways (yet to start treatment) should have been waiting no more than 18 weeks from referral	**92%**	
Number of patients waiting more than 52 weeks		
Diagnostic test waiting times		
Patients waiting for a diagnostic test should have been waiting no more than 6 weeks from referral	**99%**	99.4%
Cancer waits – 2week wait		
Maximum two-week wait for first outpatient appointment for patients referred urgently with suspected cancer by a GP	**93%**	96.3%
Cancer waits – 31 days		
Maximum one month (31-day) wait from diagnosis to first definitive treatment for all cancers	**96%**	99.5%
Maximum 31-day wait for subsequent treatment where that treatment is surgery	**94%**	95.3%
Maximum 31-day wait for subsequent treatment where that treatment is an anti-cancer drug regimen	**98%**	100.0%
Maximum 31-day wait for subsequent treatment where the treatment is a course of radiotherapy	**94%**	99.6%
Cancer waits – 62 days		
Maximum 62-day wait from referral from an NHS screening service to first definitive treatment for all cancers	**90%**	98.5%
Maximum 62-day wait for first definitive treatment following a consultant's decision to upgrade the priority of the patient (all cancers) – no operational standard set	**93%**	100.0%

Category A ambulance calls		
Category A calls resulting in an emergency response arriving within 8minutes – (Red 1)	**75%**	79.6%
Category A calls resulting in an emergency response arriving within 8minutes – (Red 2)		
Category A calls resulting in an ambulance arriving at the scene within 19 minutes	**95%**	95.4%
Cancelled Operations		
All patients who have operations cancelled, on or after the day of admission (including the day of surgery), for non-clinical reasons to be offered another binding date within 28 days, or the patient's treatment to be funded at the time and hospital of the patient's choice.	**0**	0.0%
Mental Health		
Care Programme Approach (CPA): The proportion of people under adult mental illness specialties on CPA who were followed up within 7 days of discharge from psychiatric in-patient care during the period	**95%**	99.2%

A&E Waits		
Patients should be admitted, transferred or discharged within 4hours of their arrival at an A&E department	**95%**	94.2%
Cancer waits – 2week wait		
Maximum two-week wait for first outpatient appointment for patients referred urgently with breast symptoms (where cancer was not initially suspected)	**93%**	89.1%
Cancer waits – 62 days		
Maximum two month (62-day) wait from urgent GP referral to first definitive treatment for cancer	**85%**	84.9%
Mixed Sex Accommodation Breaches		
Minimise breaches	**0**	2

Infection Prevention and Control

Herefordshire PCT remains strongly committed to reducing Healthcare Associated Infections (HCAI)

Prevention of infection is a fundamental aspect of patient care and is at the heart of patient safety. Infection prevention and control practice has traditionally been seen as the prerogative of hospital staff, however, the ever shorter hospital stay coupled with an increasing proportion of healthcare being provided in the community has meant greater attention being paid to control of infection in the various community settings. Infection prevention and control has increased in significance and prominence, and rightly this shows no signs of diminishing. This is supported by the CQC's focus on infection prevention standards as a key essential standard for registration for healthcare providers, and the on-going inspections against the Code of Practice for the prevention and control of HCAI.

The PCT/CCG reported 7 cases of Meticillin Resistant Staphylococcus Aureus (MRSA) for 2012/13 – 3 community cases and 3 apportioned to WVT, and the other case was at an outside Herefordshire Hospital.

The PCT/CCG continues to monitor Meticillin Sensitive Staphylococcus Aureus (MSSA) bacteraemia and Escherichia coli (E-coli) bacteraemia and a root cause analysis is undertaken for each presenting case to determine potential acquisition.

MRSA screening continues across the county in line with national guidance allowing measures to be taken to reduce the risks to individuals and prevent transmission to others.

The profile of infection control has risen significantly over the last few years. This has been partly as a result of growing public awareness of infections such as MRSA and Clostridium difficile but also as a result of registration with the Care Quality Commission.

.

Serious Incidents

The quality team work with providers to ensure the robust reporting and investigation of serious incidents (SIs) and monitors the progress of any subsequent action plans. The PCT is also responsible for reporting serious incidents on behalf of independent providers.

Herefordshire PCT		
Total number of SIs reported during 2012/13	*Number reported on behalf of external independent providers*	*Number of Information Governance incidents level 3-5*
25	*22*	*0*

The external providers were mainly nursing homes.

Quality through QIPP

The Quality, Innovation, Productivity and Prevention (QIPP) programme is all about improving quality and innovation, so that every pound spent brings maximum benefit and quality of care to patients. The NHS needs to achieve up to £20 billion of efficiency savings by 2015, which will be reinvested back into frontline care. Herefordshire's QIPP target for 12/13 was **£10million**. This was focused on quality, innovation, productivity and prevention. QIPP saving targets for 2012/13 were mainly achieved and demonstrate a continued track record of delivering challenging QIPPS savings year on year.

QIPP initiatives where built up through a combination of successful schemes carried forward from Financial Year 2011/12 to Financial Year 2012/13 and a number of new schemes identified such as those highlighted below for elderly care and pathway redesign. All initiatives have been clinically led and programme management principles have been put into practice through regular development sessions to further develop and challenge individual schemes. The QIPP agenda continues to be driven by the CCG that has taken a strong leadership role in system redesign and clinical leadership.

Safety and environment

Emergency Planning and Resilience

Emergency Planning and Resilience, (EPRR), is a statutory function under the Civil Contingencies Act 2004. All NHS organisations and healthcare providers need to have plans and processes in place to respond effectively in the event of a major incident.

Structures across Herefordshire enable the PCT work with multi-agency partners to help ensure a co-ordinated response in such circumstances. This strong partnership approach resulted in a safe and memorable Olympic Torch

Relay, Tour of Britain and an effective response to several public health outbreaks and severe weather.

Environmental Footprint
Work continued to make a positive difference to the communities served by Herefordshire PCT. The organisation has a responsibility to consider the impact that property makes on the environment. We have continued to explore sustainable technologies – helping to reduce the carbon footprint and contribute to QIPP targets. These have been implemented via the Capital Programme and Backlog Maintenance and include improvements in:

- thermal performance
- build management control systems
- lighting solutions to reduce energy consumption

Equality and Diversity
A core aspect of equality in Herefordshire is to make sure all communities have equal access to services and that the Public Sector Equality Duty and Equality Act 2010 is met. The CCG has developed a Equality and Diversity plan in line with the Equality Diversity Scheme and signed up to the Hereford Charter for Equality and Human Rights.

Make your voice heard

Patient Experience
Quality monitoring of patient experience is carried out regularly and formed part of the Quality Report made to the Cluster Quality and Performance Committee.

Provider patient experience was and is currently being monitored through patient experience reports from their respective Clinical Quality Review Forums (CQRFs), and through quality visits from Cluster and CCG staff, which includes a specific element on feedback about patient experience and treatment.

Any feedback from the above is assessed for its level of concern and if the concern is an issue of patient safety then immediate action is taken between the Cluster and the provider – whilst other concerns are addressed through the provider's CQRF.

To broaden the spectrum of patient involvement, the CCG is recruiting to a membership scheme. For Herefordshire, the scheme is in its infancy and is looking to build on the 100+ members at its CCG.

To support this model of involvement, a single repository for all patient feedback has been developed and is used to record all PALS, complaints, PPI, MP letters, social media (patient opinion), mystery shopper, media and soft intelligence. Called the Insight database, this records the information against the domains of patient experience, safe high quality care, access and waiting, better information, more choice, building better relationships and a clean comfortable place to be.

The data recorded is available to all staff via real time dashboards that highlight themes and trends and this data is driving the work programmes for the patient congress and capturing patient feedback at all levels. This work has been recognised at a national level with project gaining recognition in the following awards:

- Patient Experience Network National Awards – 2011 – finalist in the measuring, reporting and acting category
- Crème de la Crème Business Awards – 2011 – winner of outstanding business achievement
- HSJ Efficient Awards – Finalist 2012 – efficiency in administrative and clerical
- EHI Award – Winner 2012 – most promising IT to support clinical commissioning
- Patient Experience Network National Awards – 2012 runner up in the measuring reporting and acting category

As part of the 'Patient Revolution' agenda, there is a drive for greater co-production between patients and professionals. This will be achieved through shared decision making between health professionals and individual patients and carers – particularly in the management of long term conditions – and will be led by the CCGs. The friends and family test was included in the contracts for 2012/13 and will be supported via the Commission for Quality Innovation Scheme (CQUIN). Local results for the Friends and Family test are reported at CQRM and at the Cluster Transitional Quality Committee.

The first published results of the Friends and Family score were made publically available from April 2012 for Acute Trusts in the Midlands and East SHA. The latest available results for January 2013 are showing a Net Promoter Score of xxx positive for Herefordshire PCT, showing a largely positive trend.

Patient Advice and Liaison Service
PALS is integral to Herefordshire PCT's commitment to working closely with patients and staff to improve services. All enquiries received through PALS are recorded on and used in the ongoing programme of service improvement, this CCG is committed to ensuring this continues and use of this information is improved going forward.

This is an informal and impartial way to resolve the concerns of patients, relatives, carers and members of the public. The service is intermediary and a useful source of information, often signposting people to the healthcare they need.

Meaningful engagement with the public, patients and partners
During a year of transition, which saw a shift in the ownership of patient and public involvement to the CCG, the models of patient and public involvement in place across Herefordshire its is intended will realise significant tangible change. Patients and local communities will be in a position to influence decision-making, from a grass roots practice level, through to a governing body level, in an open and transparent way.

Complaints
Last year, Herefordshire PCT received **46 complaints** which covered all areas of healthcare. NHS National Complaints regulations are followed when dealing with complaints – together with the principles set out by the Parliamentary and Health Service Ombudsman.

Based on the guidelines: "Listen, Improve and Respond," customer care systems are designed to support clinical and administrative staff through any changes. Every complaint is entered into the Insight database which helps highlight areas for development.

This integrated approach to handling complaints allows a flexible response to complaints, concerns and compliments and embraces tangible changes to be made to services based on patient feedback.

Freedom of Information
The Freedom of Information Act 2000 (FOI) gives people a general right of access to information held by or on behalf of public authorities. It is intended to promote a culture of openness and accountability amongst public sector bodies and to facilitate a better public understanding of how public authorities carry out their duties, why they make the decisions that they do and how they spend public money.

Exemptions deal with instances where a public authority may withhold information under the Freedom of Information Act or Environmental Information Regulations. Exemptions mainly apply where releasing the information would not be in the public interest, for example, where it would affect law enforcement, or harm commercial interests.

Requests are handled in accordance with the terms of the Freedom of Information Act 2000 and, wherever possible, best practice guidelines from the Information Commissioner's Office and the Ministry of Justice are followed to maximise openness and transparency:

A healthy future for us all

During 2012/13 the health improvement programme included some new service developments and behaviour change approaches. These include:-

Smoking cessation service
The range of service providers delivering stop smoking advice within one service model in Herefordshire are GP practices, community pharmacies, Halo Leisure and the Healthy Lifestyle Trainer Service. This choice of provision has attracted 6.6% of Herefordshire smokers to seek support in 2011/12 with a similar result expected for 2012/13. Many of those accessing the service quit successfully, recorded as 4-week quitters, in line with evidence that smokers are four times more likely to quit with support. Over the year two national stop smoking campaigns were enhanced locally and we also ran a local campaign, 'Get Cash for Christmas'. These have been effective at recruiting more smokers to the service. Provision of stop smoking brief advice has increased across NHS Herefordshire, making an important contribution as it signposts smokers to our stop smoking services when they are ready to quit. The transition of public health to the local authority provides more opportunities for taking a Tobacco Control approach to reducing the prevalence of smoking in the County.

NHS Health Checks
An NHS Health Check aims to help lower the risk of four common but often preventable diseases: heart disease, stroke, diabetes and kidney disease. It's for adults in England aged between 40 and 74 who haven't already been diagnosed with any of those four diseases. The NHS Health Check programme in Herefordshire is designed to assess individual risk of vascular disease, communicate this risk, provide lifestyle advice and support and treat individuals as appropriate.
The programme is comprised of the following components:

1. Invitations to individuals to attend for a health check.
2. Provision of health checks for those who accept the invitation.
3. Communication of individual risk and the provision of advice on how to lessen risk.
4. Inclusion on appropriate disease resister for those detected to have disease.
5. Referral to a Healthy Lifestyle Service to those at high risk who have not developed symptoms indicative of disease.

The catch up plan for implementing NHS Health Check in Herefordshire has worked well with 24% of the eligible population having now been offered an NHS Health Check. Comparative figures are available to the end of 2012 when the percentage of eligible population invited was 18.8% for Herefordshire PCT, 12.1% for the West Midlands and 11.7% for England. Uptake rate is also good at 45% and of the 6,683 people who have received an NHS Health Check 726 people have been identified at high risk of vascular disease. Early treatment and management of these patients will reduce their risk thereby making an important contribution to local efforts to reduce premature mortality. Halo Leisure provide lifestyle change support to those people identified at high risk, providing support with weight management and supporting people to increase their level of physical activity.

Making Every Contact Count (MECC)
The MECC programme aims to encourage and support people to make healthier choices and to achieve positive long-term behaviour change by training frontline NHS (and other) staff to ask people about their lifestyle and to offer simple advice as appropriate. Doing this has the potential to improve health and wellbeing amongst service users, staff and the general public and to reduce health inequalities. The successful introduction of MECC depends on organisations building a culture that supports continuous health improvement through the contacts it has with individuals.
During 2013/14 the public health team led the introduction of MECC in Herefordshire working closely with 2Gether NHS Foundation Trust and Wye Valley NHS Trust to train staff and to support them to put what they have learnt into practice.

As a result of the introduction of the MECC programme, frontline staff are now routinely discussing healthy lifestyles with service users and the public and providing information about stopping smoking, drinking alcohol within recommended limits, having a healthy diet, maintaining a healthy weight and undertaking the recommended levels of physical activity. As of 31 December 2012, MECC e-learning has been completed by 261 staff at 2Gether NHS Foundation Trust and 354 staff at Wye Valley NHS Trust with a further 16 and 26 staff respectively having completed a "train the trainers" session which will help to embed MECC within their teams.

Public health has developed and distributed a range of tools and resources for the MECC programme which have been received enthusiastically by staff and include:

- Healthy lifestyles signposting directory for staff
- Healthy lifestyles booklet for patients/public
- Healthy lifestyles key message staff prompt cards
- Lifestyle champion staff badges
- Banner pens and post-it notes

Healthy Lifestyle Trainer Service

Health-related behaviours are a major cause of ill-health and premature death. The Healthy Lifestyle Trainer Service provides information and support to help people change habits and behaviour and make healthy lifestyle choices. This service is supporting our most vulnerable population groups and isolated individuals using approaches that have been shown to work. During 2012/13 the Healthy Lifestyle Trainer Service team has recruited and trained new staff and the team is now working in locality areas where they recruit clients and network with front line services to help reach people who can benefit most. Their work involves:

- boosting people's motivation confidence and ability to change
- supporting people through the change process
- helping people to focus on their achievements and the positive aspects of changing to re-enforce their effort

This client-led service will be expected to show outcomes for increasing levels of physical activity, healthy diet, alcohol harm reduction, wellbeing, and self-efficacy from people achieving their goals. This is an important service contributing to population health and reducing avoidable illness.

Alcohol

Alcohol has been identified as a high priority for action by the Herefordshire Health and Wellbeing Board. During the past year public health has led on the production of an Integrated Alcohol Needs Assessment (available on the Herefordshire Facts and Figures website) and has worked closely with colleagues from West Mercia police and other agencies to develop and implement an Integrated Alcohol Harm Reduction Strategy. The MECC and NHS Health Check programmes together with the Change4Life "Sneaky Drinks" campaign (delivered by local pharmacies and promoted on car-park tickets) have provided information and advice on drinking within recommended limits. Responsibility for commissioning tier 0-3 alcohol misuse services transferred from NHS Herefordshire to Herefordshire Council with effect from April 2013 and work has been completed during 2012/13 to ensure a smooth transition of contracts and service continuity.

How we work in partnership

Partnership working has been key to success of NHS Herefordshire and will continue to be so for the CCG going forward. Across the Herefordshire economy it is important, in obtaining positive outcomes for residents, that the respective organisations work closely together. That is the CCG, and its member practices, along with:

- Wye Valley Trust
- 2gether Foundation Trust
- Herefordshire Council
- Voluntary Sector

There is a strong track record in Herefordshire of these organisations working in partnership, such as improving delayed discharges from Wye Valley. and strong emergency planning arrangements.

The CCG is working with the Local Authority to ensure appropriate Section 75 arrangements are in place, along side aligned plans and joint governance arrangements to support transformational change. Additionally the CCG is a member of the Wye Valley Trust Future programme, both of the steering group and the executive operational group.

Health and Wellbeing Board
NHS Herefordshire and now Herefordshire CCG is an active and fully engaged member of Herefordshire's Health and Wellbeing Board. Its is currently leading the development of one of the key strands of the Joint Health and Wellbeing Strategy which focuses on delivering a sustainable health and social care economy. The CCG also regularly engages and involves the board in the development of its plans and commissioning intentions. The HWBB have been consulted on Everyone Counts (January 22nd and will continue to be so in February and March), and will continue to be so, on the development of the CCGs business plans and the implementation of its clinical strategy, and the identification of its priorities.

Primary Care
The CCG is to be clinically led, with the GPs of its 24 practices at its heart. A key strategic target is the active participation of GPs in the commissioning agenda. In addition, many of the CCG's key plans will require primary care participation and reform e.g. virtual wards, use of Map of Medicine, risk stratification and anticipatory care, and prescribing changes. The CCG have established a new Primary Care development group with representation from across the County to drive forward this work. Feeding into this work will be a locality network of practices based around 4 areas., the CCG is also developing a Primary Care development plan.

Our Staff

The NHS landscape during 2012/13 has seen an unprecedented period of change. Over this 12 month period, staff have been supported through the recruitment and transfer phase, as new organisations continue to develop and PCT functions continued to be delivered.

The transfer of staff to different and new NHS organisations has been managed in line with the nationally agreed process through TUPE transfer, or a Transfer Order, which safeguards staff by protecting their employment rights. Consultation has been important throughout this process, as the PCTs worked with the trade unions and professional bodies. As part of the closedown of PCTs, any outstanding issues relating to staff have been identified and will be dealt with through the legacy programme in 2014.

Workforce

The overall approach of the Cluster has been to establish a new structure that fits with the proposed transition set out in the Health and Social Care Act. We have focused on the business critical skill sets required and rapidly assigned or aligned all commissioning staff, from each PCT, to either the newly emerging CCGs, the CSU, NHS England, the Area Team, or the Cluster itself. By aligning and assigning staff quickly, there has been minimal disruption to business continuity and business functions are well-placed for the remaining changes.

All staff have been offered 1:1 review sessions about the future and these have taken place each month. A support programme has also been developed for all staff, which has been shaped by feedback from the 1:1s and discussions with trade unions.

Sickness absence

The sickness absence rate is defined as the percentage of Full Time Equivalent (FTE) days lost, from those that were available to be worked within the period in question.

The average days lost to sickness in the year is 6.31days, this is based on the calendar year January to December 2012. This is a reduction from 2011 which was 9.06 days.

Looking forward

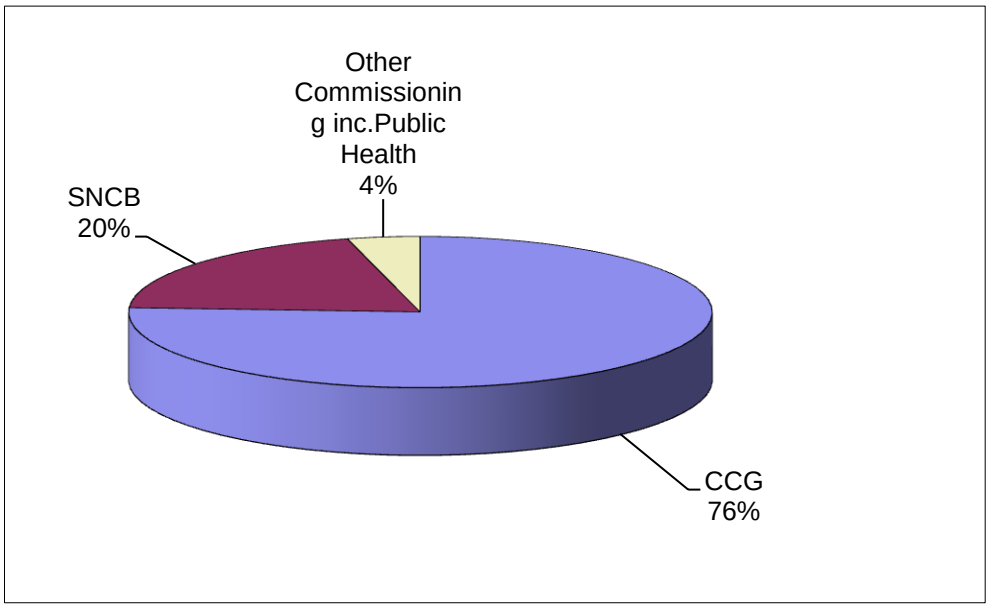
As mentioned in the introduction to the annual report, the Health system in Herefordshire and England has been through a period of great change. The CCG has developed its plans for 13/14 and beyond. These focus on addressing the financial gap across the system and maintaining quality of care. Central to this work will be improving and increasing the involvement of Herefordshire Patients in its work. The CCG will be working closely with its NHS England local colleagues to ensure specialised commissioning plans and primary care development aligns and supports its work. Underpinning focus during the past year and moving forward will be

- Ensuring healthcare services across the County are provided in a safe, clinically effective and responsive manner.
- Addressing the financial gap over a four year period, whilst continually improving the quality of healthcare provision.
- Implementing QIPP plans across Herefordshire and delivering the transformational and sustainable change required to transform the health and social care economy.
- Ensuring an effective transition and integration of key services, including public health and community services – ensuring all service changes reflect the four key national tests. Firstly, clarity about the clinical evidence base underpinning any proposals; secondly, they must have the support of the Clinical commissioners involved; thirdly, they must genuinely promote choice for their patients; and finally, the process must have genuinely engaged the public, patients and local authorities.
- Ensuring our workforce is supported through this substantial period of organisational change and staff have the skills, knowledge and capacity to enable them to deliver their roles effectively.

Summary Financial Statements

2012/13 financial accounts have been produced in accordance with the International Financial reporting Standards (IFRS). Copies of the full set of annual accounts for 2012/13 are available by contacting Tracy Cumbes on telephone number 01432 383419 . The annual report and accounts will be published on the Department Of Health website.

PCT Expenditure 2012/13



Breakdown of expenditure

In 2012/13 the total expenditure was approximately £312 million. To reflect legislation and revised Department of Health reporting requirements the PCT has reflected expenditure across the General Practice Clinical Commissioning Group (CCG) , the shadow national commissioning Board (SNCB) and other commissioning (including public health). The breakdown by segment is shown in the chart above. The largest spend is on Commissioning of Healthcare, of which circa £126 million was for services provided by Wye Valley Trust. GP Prescribing expenditure was £26 million.

Operating costs statement

	1 April 2010 - 31 March 2011 £'000	1 April 2011 - 31 March 2012 £'000	1 April 2012 - 31 March 2013 £'000
Gross Operating Costs	317,089	311,768	320,497
less miscellaneous income	(28,048)	(13,548)	(8,688)
Net Operating Costs	289,041	298,220	311,809

Capital expenditure

NHS Herefordshire received an initial block capital allocation of £1,000k. Total capital spend for the year was £1,502k. The net book value of assets that were sold during the year was £989k, this gives a charge to the capital resource limit of £513k and an underspend of £487k

The disposals in year were the sale of Alton Street Surgery to the GP practice and the sale of training equipment to Hoople ltd.

In year major Schemes at the Community hospital and other sites have included:

- Refurbishment work Gaol Street Clinic
- Backlog maintenance works at the Community Hospitals (Bromyard, Ross, Leominster and Hillside)
- Refurbishment to the Stonebow Unit

External Auditor

NHS Herefordshire's external Auditor is Grant Thornton. Fees paid to Grant Thornton for the statutory audit amounted to £80k in 2012/13.

Pooled Budget Arrangements

The PCT has entered into pooled budget arrangements with Herefordshire County Council. Under the arrangement funds are pooled under s75 of the NHS Act 2006 for activities as follows: Adult Social Care and NHS Continuing Healthcare, integrated community equipment, Kington Community Hospital and Children with Complex Needs.

As a commissioner of healthcare services, the PCT makes contributions to the pools, which are then used to purchase healthcare services. The PCT accounts for its share of the income and expenditure of the pools as determined by the pooled budget agreements.

The PCT's shares of the income and expenditure handled by the pooled budget in the financial year were as below:

	2012-13 £000	2011-12 £000
Adult Social Care and CHC	13,549	12,940
Kington	643	642
Integrated Equipment Store	223	231
Complex Needs Solutions	430	392
	14,845	**14,205**

Statement of Comprehensive Net Expenditure for year ended 31 March 2013

	2012-13 £000	2011-12 £000
Administration Costs and Programme Expenditure		
Gross employee benefits	**8,979**	10,608
Other costs	**311,518**	301,160
Income	**(8,688)**	(13,548)
Net operating costs before interest	**311,809**	298,220
Investment income	**0**	0
Other (Gains)/Losses	**245**	6
Finance costs	**10**	11
Net operating costs for the financial year	**312,064**	298,237

Statement of Financial Position at 31 March 2013

	31 March 2013	31 March 2012
	£000	£000
Non-current assets:		
Property, plant and equipment	**24,263**	26,362
Trade and other receivables	**0**	6
Total non-current assets	**24,263**	26,368
Current assets:		
Inventories	**25**	33
Trade and other receivables	**2,313**	3,616
Cash and cash equivalents	**4**	5
Total current assets	**2,342**	3,654
Non-current assets held for sale	**600**	650
Total current assets	**2,942**	4,304
Total assets	**27,205**	30,672
Current liabilities		
Trade and other payables	**(21,660)**	(26,909)
Provisions	**(784)**	(92)
Total current liabilities	**(22,444)**	(27,001)
Non-current assets plus/less net current assets/liabilities	**4,761**	3,671

Non-current liabilities		
Provisions	**(630)**	(239)
Total non-current liabilities	**(630)**	(239)
Total Assets Employed:	**4,131**	3,432
Financed by taxpayers' equity:		
General fund	**(2,209)**	(4,011)
Revaluation reserve	**6,340**	7,443
Other reserves	**0**	0
Total taxpayers' equity:	**4,131**	3,432

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

	General fund	**Revaluation reserve**	**Total reserves**
	£000	**£000**	**£000**
Balance at 1 April 2012	**(4,011)**	**7,443**	**3,432**
Changes in taxpayers' equity for 2012-13			
Net operating cost for the year	(312,064)	0	(312,064)
Net gain on revaluation of property, plant, equipment	0	447	447
Net gain on revaluation of assets held for sale	0	(50)	(50)
Impairments and reversals	0	(1,103)	(1,103)
Movements in other reserves	0	0	0
Transfers between reserves	397	(397)	0
Total recognised income and expense for 2012-13	**(311,667)**	**(1,103)**	**(312,770)**
Net Parliamentary funding	313,469	0	**313,469**
Balance at 31 March 2013	**(2,209)**	**6,340**	**4,131**

Statement of cash flows for the year ended 31 March 2013

	2012-13	2011-12
	£000	£000
Cash Flows from Operating Activities		
Net Operating Cost Before Interest	**(311,809)**	(298,220)
Depreciation and Amortisation	**1,475**	1,483
Impairments and Reversals	**481**	70
(Increase)/Decrease in Inventories	**8**	20
(Increase)/Decrease in Trade and Other Receivables	**1,309**	2,637
Increase/(Decrease) in Trade and Other Payables	**(4,726)**	(2,637)
Provisions Utilised	**(74)**	(77)
Increase/(Decrease) in Provisions	**1,147**	13

Net Cash Inflow/(Outflow) from Operating Activities	**(312,189)**	(296,711)
Cash flows from investing activities		
(Payments) for Property, Plant and Equipment	**(2,024)**	(1,007)
Proceeds of disposal of assets held for sale (PPE)	**743**	0
Net Cash Inflow/(Outflow) from Investing Activities	**(1,281)**	(1,007)
Net cash inflow/(outflow) before financing	**(313,470)**	(297,718)
Cash flows from financing activities		
Net Parliamentary Funding	**313,469**	297,717
Net Cash Inflow/(Outflow) from Financing Activities	**313,469**	297,717
Net increase/(decrease) in cash and cash equivalents	**(1)**	(1)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**5**	6
Cash and Cash Equivalents (and Bank Overdraft) at year end	**4**	5

Operational Financial balance	2012-13 £000	2011-12 £000
The PCTs' performance for the year ended 2012-13 is as follows:		
Total Net Operating Cost for the Financial Year		298,237
Net operating cost plus (gain)/loss on transfers by absorption	312,064	
Adjusted for prior period adjustments in respect of errors	0	0
Revenue Resource Limit	312,318	298,528
Under/(Over)spend Against Revenue Resource Limit (RRL)	254	291

Better Payment Practice Code

	2012-13 Number	**2012-13 £000**	2011-12 Number	2011-12 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**13,879**	**66,552**	15,870	69,045
Total Non-NHS Trade Invoices Paid Within Target	**12,914**	**59,796**	13,832	54,052
Percentage of NHS Trade Invoices Paid Within Target	**93.05%**	**89.85%**	87.16%	78.29%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,070**	**219,471**	2,884	203,733
Total NHS Trade Invoices Paid Within Target	**2,719**	**215,504**	2,577	200,042
Percentage of NHS Trade Invoices Paid Within Target	**88.57%**	**98.19%**	89.36%	98.19%

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.

Running Costs					
	Commissioning Services		Public Health		Total
PCT Running Costs 2012-13					
Running costs (£000s)	8,235		546		8,781
Weighted population (number in units)*	174,959		174,959		174,959
Running costs per head of population (£ per head)	47.07		3.12		50.19
PCT Running Costs 2011-12					
Running costs (£000s)	6,507		691		7,198
Weighted population (number in units)	174,959		174,959		174,959
Running costs per head of population (£ per head)	37.19		3.95		41.14

* 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

Related Party Transactions

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Herefordshire Primary Care Trust.

The Department of Health is regarded as a related party. During the year Herefordshire PCT has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

	Debtors	Creditors	Income	Expenditure
	£'000	£'000	£'000	£'000
West Midlands Strategic Health Authority	0	0	1,065	0
2gether NHS Foundation Trust	71	399	14	17,263
Birmingham Children's Hospital NHS Foundation Trust	0	0	0	990
Birmingham East & North PCT	291	0	329	22,706
Gloucestershire PCT	40	21	44	144
Gloucestershire Hospitals NHS Foundation Trust	0	65	0	7,466
University Hospital Birmingham NHS Foundation Trust	144	0	0	3,902
Worcester Acute Hospital NHS Trust	0	339	17	5,210
Worcestershire Health and Care NHS Trust	6	0	0	569
Worcestershire PCT	180	120	683	613
Wye Valley NHS Trust	259	955	1,786	127,336
West Midlands Ambulance Service NHS Foundation Trust	0	173	0	6,135

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

Related Party	Purpose of transaction	£'000	Crs £'000
Herefordshire Unitary Authority	Purchase of Community Care	6,531	2,087
HM Revenue & Customs	Payment of Income Tax etc.	1,963	244
NHS Pensions Scheme	Payment of Superannuation	3,833	178

During the year, the PCT undertook transactions with Hoople Ltd in which the PCT has a 17% shareholding. The value of the transactions during the year is income £228k and expenditure £2,870k.

A number of GPs are members of the PCT board and/or the Clinical Commissioning Group Board. The total amount of transactions made with their Practices are detailed below:-

	£'000
Dr I Tait	1,131
Dr A Watts	1,303
Dr S Ghazawy	524
Dr A Black	996
Dr C Fisher	557

J Newton, Chair of the PCT, has declared that she received a payment of £2,940 as director of Principles in Partnership from Herefordshire Council

S Penny became a lay member of the Clinical Commissioning Group on 1st November 2012 and was also HR lead for West Mercia Cluster for the year. From 1st November 2012 to 31st March 2013 payments were made to Dinedor Associates of which the contribution recharged to Herefordshire PCT was £8,732.

Dr Tait, PCT Board and Clinical Commissioning Group member, has declared that his wife is an associate dentist with a dental surgery that the PCT has transactions with. The value of these transactions is £35,895.

Dr Fisher has received payments for work with Wye Valley Trust, who the PCT have transactions with as notified above.

Paul Edwards, Associate Director Integrated Commissioning, has declared he is a Foundation Trust Governor at Gloucestershire Hospitals NHS Foundation Trust, who the PCT have transactions with as notified above.

REGISTER OF INTERESTS 2012-13

Name and Title	**Interest Declared**	Date expired (if applicable)	**Member of (PCT) Board**
Joanna Newton Chair	1. Chair of Governors, Weobley Primary School 2. Shareholder, Glaxo Smith Kline (GSK)		West Mercia Cluster Board
Eamonn Kelly Chief Executive (to 31 December 2012)	None declared		West Mercia Cluster Board
Lesley Murphy Chief Executive (from 1 January 2013)	1. Director C2S Management Ltd 2. Director ANUME Ltd		West Mercia Cluster Board
Brian Hanford Director of Finance	1. Trustee and Treasurer of HALO (non pecuniary) 2. Spouse employed by Hoople Ltd (contractor to Herefordshire PCT)		West Mercia Cluster Board
Helen Herritty Non-Executive Director	1.Husband employed by company supplying pumps to public sector building refurbishments 2. Chair, Shropshire CCG		West Mercia Cluster Board
Louise Lomax Non-Executive Director	1. Director, Severn Gorge countryside trust 2. Consultant trainer, Citizens' Advice		West Mercia Cluster Board
Andrew Mason Vice Chair and Non Executive Director	Trustee, Wyldwoods Charity		West Mercia Cluster Board
Susan Mead Non-Executive Director	Husband NED, NHS Midlands & East SHA		West Mercia Cluster Board
William Hutton	1. Fiancee employed by Shropshire		West Mercia Cluster

Name and Title	**Interest Declared**	Date expired (if applicable)	**Member of (PCT) Board**
Non-Executive Director	Community Health Trust as Ward Sister 2. Employed by Oracle Corporation supplying IT products and services to NHS		Board
Rob Parker Non-Executive Director	Rob Parker coaching & development (owner)		West Mercia Cluster Board
Dr Bryan Smith Non-Executive Director (to 31 May 2012)	None declared	N/A	West Mercia Cluster Board
Margaret Jackson Non-Executive Director (from 1 June 2012)	None declared	N/A	West Mercia Cluster Board
Sue Doheny Director of Nursing	None declared	N/A	West Mercia Cluster Board
Dr Sarah Aitken Interim Director of Public Health (to 31 July 2012)	Observer, Halo Board	*31/7/12*	West Mercia Cluster Board (NHS Herefordshire)
Elizabeth Shassere Director of Public Health (from 1 August 2012)	None declared		West Mercia Cluster Board (NHS Herefordshire)
Dr Kiran Patel Medical Director (to 31 October 2012)	Consultant Cardiologist and Honorary Senior Lecturer, Sandwell and West Birmingham NHS Trust	*31/10/12*	West Mercia Cluster Board
Mr Martin Lee Medical Director (from 1 November 2012)	Chair, Comprehensive Local Research Network West Midlands South Chair, NCIN Breast Clinical Reference Group Interim Board Member, West Midlands		West Mercia Cluster Board

Name and Title	**Interest Declared**	Date expired (if applicable)	**Member of (PCT) Board**
	Academic Health Science Network		
Dr Ian Tait Chair, Herefordshire CRG	1. Dr Ian Tait: Partnership with Dr Ilsley and Partners, Nunwell Surgery, Pump Street, Bromyard PMS contract with Herefordshire PCT. 2. Gillian Diane Tait (wife): associate dentist working with a) Mr Paul Felton, High Street, Bromyard: holds dental contract with Herefordshire PCT. b) with Bradley Shorthouse dentists, Kidderminster 3. Gillian Diane Tait (wife) Trustee of Hope Family Centre, Bromyard.	Yes Yes Yes	West Mercia Cluster Board (NHS Herefordshire)
Leigh Griffin Deputy Chief Executive *(to 31 October 2012)*	Director, Sefton for Africa	*31/10/12*	West Mercia Cluster Board (non-voting member)
Chris Bull Chief Executive, HPS (to 31 October 2012)	Chief Executive, Herefordshire Council.	*31/10/12*	West Mercia Cluster Board (NHS Herefordshire, non voting member)
Dean Taylor Deputy Chief Executive, Herefordshire Council (from 1 November 2012)	Deputy Chief Executive, Herefordshire Council.		West Mercia Cluster Board (NHS Herefordshire, non voting member)
Lin Jonsberg Board Secretary	1. Tribunal judge, mental health tribunals service 2. Trustee, Deaf Direct, Worcester (non-pecuniary)		West Mercia Cluster Board (officer)
Sue Price Director of Commissioning	None declared		West Mercia Cluster Board (non-voting

Name and Title	**Interest Declared**	Date expired (if applicable)	**Member of (PCT) Board**
(from 1 November 2012)			member).
Paul Maubach Director of Commissioning Development	None declared	N/A	West Mercia Cluster Board (non voting member)
Suzanne Penny Interim Head of HR	Director, Dinedor Associates Ltd		West Mercia Cluster Board (officer)
Dr Andrew Watts GP, Chair, Herefordshire CCG	Partner, Sarum House GP Surgery, Hereford.	Yes	West Mercia Cluster Board (NHS Herefordshire non-voting member)

Table 1 – PCT Salary Entitlements 2012/13

					2012/13				2011/12			
Name		Title	Start date in this senior managers role	Finish date in this senior managers role	Salary (bands of £5,000)	Other reumeration (bands of £5,000)	Benefits in kind (bands of £100)	Total cluster salary (bands of £5,000)	Salary (bands of £5,000)	Other reumeration (bands of £5,000)	Benefits in kind (bands of £5,000)	Total cluster salary (bands of £5,000)
					£'000	£'000	£100	£'000	£'000	£'000	£100	£'000
Joanna Newton	4	Chairman - West Mercia Cluster / Area Team			5-10			40-45[8]	20-25			40-45
Philip Ashurst	1	Non Executive Director			5-10				10-15			
Diane Jones OBE	1	Non Executive Director			5-10				5-10			
Jane Rogers	1	Non Executive Director			5-10				5-10			
Alan Curless OBE	1	Non Executive Director			5-10				5-10			
Paul Deneen OBE	1	Non Executive Director			5-10				5-10			
Sue Mead	1	Non Executive Director - West Mercia Cluster / Area Team			0-5			15-20[8]	5-10			5-10
Nigel Sellar	1	Non Executive Director			5-10				5-10			
Chris Bull	2	Chief Executive		Oct 2012	45-50	120-125			80-85			
Dean Taylor	3	Deputy Chief Executive			55-60				55-60			
Marcia Pert		Deputy Director of Resources & Delivery		Apr 2012					95-100		2-3	
Ian Williams		Director of Integrated Commissioning		Aug 2011					20-25		2-3	
Anne Donkin		Interim Director of Integrated Commissioning		Sep 2011					85-90			
Paul Edwards	5	Associate Director of Commissioning & Primary Care		Mar 2013	100-105	165-170	2-3		45-50		2-3	
Sarah Aitken	6	Interim Director of Public Health		Sep 2012	50-55		1-2		75-80		0-1	
Elizabeth Shassere	6	Director of Public Health	Sep 2012		45-50							
Zack Pandor		Director of ICT		Sep 2011					25-30		0-1	
Ian Tait		CRG Chairman and Herefordshire CCG Board member			20-25				30-35			
Sally Stucke		CRG Clinician - Consultant Paediatrician			5-10				5-10			
Andy Black		Vice Chair of Herefordshire CCG			40-45							
Crispin Fisher		GP board member of Herefordshire CCG			15-20							
Andy Watts		CRG GP and Chair of Herefordshire CCG			100-105				120-125			
Jill Sinclair		Chief Finance Officer of Herefordshire CCG	Nov 2012		80-85		0-1					
Cathy Gritzner		Manageing Director of Herefordshire CCG	Apr 2012		95-100		68-69					
Andrew Mason	7	NED & Vice Chair - West Mercia Cluster	Jan 2012		0-5			15-20[8]	0-5			30-35
Dr Helen Herrity		Non Executive Director - West Mercia Cluster	Jan 2012						0-5			30-35
Dr Bryan Smith OBE		Non Executive Director - West Mercia Cluster	Jan 2012		0-5			15-20[8]	0-5			35-40
William Hutton		Non Executive Director - West Mercia Cluster	Jan 2012						0-5			10-15
Louise Lomax		Non Executive Director - West Mercia Cluster	Jan 2012		0-5			5-10[8]	0-5			5-10
Rob Parker		Non Executive Director - West Mercia Cluster	Jan 2012		0-5			15-20[8]	0-5			10-15
Eamonn Kelly	7	Chief Executive - West Mercia Cluster		Mar 2013	25-30			145-150[8]	15-20			145-150
Leigh Griffin	7	Deputy Chief Executive - West Mercia Cluster		Aug 2012	15-20			100-105[8]	0-5		0-1	140-145
Brian Hanford	7	Director of Finance - West Mercia Cluster / Area Team			20-25			120-125[8]	10-15			120-125
Sue Doheny	4	Director of Quality & Clinical Leadership - West Mercia Cluster / Area Team			15-20		5-6	95-100[8]	55-60		9-10	90-95
Paul Maubach	7	Director of Commissioning Development - West Mercia Cluster (Commenced 16th may 2011)		Sep 2012	5-10			60-65[8]	10-15			90-95
Dr Kiran Patel	7	Medical Director - West Mercia Cluster (Commenced 1st September 2011)		Sep 2012	10-15			80-85[8]	5-10			35-40
Jill Houghton	7	Director of Nursing - West Mercia Cluster		Jan 2011					10-15			70-75
Lesley Murphy	9	Area Team Director										
Sue Price	9	Director of Commissioning - Area Team										
David Williams	9	Director of Operations and Performance - Area Team										
Martin Lee	9	Medical Director - Area Team										

Note:-

1 NHS Herefordshire (NHSH) Roles ended October 2012

2 Salary paid by the Council with a 45% recharge to NHSH, other remuneration relates to 45% of postholders redundancy payment

3 Salary paid by the Council with a 45% recharge to NHSH.

4 Recharged 85% To West Mercia Cluster & NHSCB Area Team

5 Other remuneration relates to redundancy payment

6 Salary paid by the PCT with a 30% recharge to the Council

7 West Mercia Cluster Board members - NHSH is recharged 15.4% of total costs as their contribution

8 These people were employed by the cluster and 15.4% of their salary recharged to NHSH, this column reflectes 100% of their salary before any recharges

9 NHSH has not been recharged for these Area Team Executives during 2012/13

Table 2 – Pension Disclosure 2012/13

Name		Title	Start date in this senior managers role	Finish date in this senior managers role	Real increase / (decrease) in pension at age 60 (bands of £2,500)	Real increase / (decrease) in lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2013 (bands of £5,000)	Lump sum at age 60 reated to accrued pension at 31 March 2013 (bands of £5,000)	Cash equivalent transfer value at 31 March 2013	Cash equivalent transfer value at 31 March 2012	Real increase / (decrease) in cash equivalent transfer value
					£'000	£'000	£100	£'000	£'000	£'000	£100
Chris Bull	1	Chief Executive		Oct 2012	5-7.5	12.5-15	80-85	210-215	1,458	1,591	(216)
Dean Taylor	1	Deputy Chief Executive			0-2.5	0-2.5	5-10	0-2.5	82	53	26
Marcia Pert		Director of Resources & Delivery			(2.5-5)	(7.5-10)	35-40	115-120	766	761	(34)
Paul Edwards		Associate Director of Commissioning & Primary Care		Mar 2013	(0-2.5)	(0-2.5)	40-45	120-125	869	819	7
Sarah Aitken		Interim Director of Public Health		Sep 2011	(0-2.5)	(0-2.5)	20-25	70-75	464	429	12
Elizabeth Shassere		Director of Public Health	Sep 2011				10-15	40-45	194		
Jill Sinclair		Chief Finance Officer of Herefordshire CCG	Nov 2012				30-35	95-100	600		
Cathy Gritzner		Manageing Director of Herefordshire CCG	Apr 2012				25-30	85-90	630		
Eamonn Kelly	2	Chief Executive - West Mercia Cluster		Mar 2013	0-2.5	0-2.5	65-70	200-205	1433	1317	47
Leigh Griffin	3	Deputy Chief Executive - West Mercia Cluster		Aug 2012							
Brian Hanford	2	Director of Finance - West Mercia Cluster / Area Team			(0-2.5)	(0-2.5)	35-40	105-110	611	569	12
Sue Doheny	2	Director of Quality & Clinical Leadership - West Mercia Cluster / Area Team			0-2.5	2.5-5	15-20	50-55	297	253	31
Paul Maubach	3	Director of Commissioning Development - West Mercia Cluster (Commenced 16th may 2011)		Sep 2012							
Dr Kiran Patel	3	Medical Director - West Mercia Cluster (Commenced 1st September 2011)		Sep 2012							
Jill Houghton	3	Director of Nursing - West Mercia Cluster		Jan 2011							
Lesley Murphy	4	Area Team Director									
Sue Price	4	Director of Commissioning - Area Team									
David Williams	4	Director of Operations and Performance - Area Team									
Martin Lee	4	Medical Director - Area Team									

Note:-

1 Whilst the Chief Executive and Deputy Chief Executive posts were joint council/PCT posts, their pension scheme is Local Authority based and the total pension figures are disclosed as recommended

2 West Mercia Cluster / Arden, Herefordshire & Worcestershire Area Team Board Members

3 These directors left during the year 2012-13

4 NHSH has not been recharged for these Area Team Executives during 2012/13

No GP's are included within the pension disclosure.

Pay Multiples

The highest paid director in the year 2012-13 was in the salary banding £100k -£105k. The median salary for the PCT was £21,176, meaning the ratio between this and the highest paid director was 4.8 (2011-12 pay multiple was 5.6)
The ratio has reduced this year due to a numbers of senior staff leaving the organisation, as a result the pay multiple weighting has reduced.

	2012-13			2011-12		
Exit package cost band (including any special payment element)	***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**	**Total number of exit packages by cost band**
	Number	**Number**	**Number**	**Number**	**Number**	**Number**
Lees than £10,000	**2**	**4**	**6**	2	1	**3**
£10,001-£25,000	**4**	**11**	**15**	0	5	**5**
£25,001-£50,000	**5**	**6**	**11**	0	5	**5**
£50,001-£100,000	**1**	**9**	**10**	1	3	**4**
£100,001 - £150,000	**0**	**2**	**2**	0	0	**0**
£150,001 - £200,000	**0**	**2**	**2**	0	0	**0**
>£200,000	**0**	**0**	**0**	0	0	**0**
Total number of exit packages by type (total cost	**12**	**34**	**46**	**3**	**14**	**17**
	£	**£**	**£**	**£**	**£**	**£**
Total resource cost	334,146	1,646,294	**1,980,440**	74,000	448,000	**522,000**

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 Agenda for Change. 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.

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

The figures identified as compulsory redundancies relate to those staff employed by Hoople Ltd. who were previously employed by Herefordshire PCT for which a legacy liability was held in the event of any redundancy costs.

Table 3 – Exit packages agreed during 2012/13

Table 3: For off-payroll engagements at a cost of over £58,200 per annum that were in place as of 31 January 2012

	Hereford PCT	**ALB X,Y** (not relevant)
No. In place on 31 January 2012	One	
Of which:		
No. that have since come onto the Organisation's payroll		
Of which:		
No. that have since been re-negotiated/re-engaged to include to include contractual clauses allowing the (department) to seek assurance as to their tax obligations	One	
No. that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the (department) to seek assurance as to their tax obligations		
No that have come to an end		
Total	One	

Table 4: For all new off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than 6 months

	Hereford PCT	**ALB X,Y** (not relevant)
No. of new engagements	Two	
Of which:		
No. of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	Two	
Of which:		
No. for whom assurance has been accepted and received	Two	
No. for whom assurance has been accepted and not received		
No. that have been terminated as a result of assurance not being received		
Total	Two	

HEREFORDSHIRE PRIMARY CARE TRUST

ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive, 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 organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

Herefordshire Primary Care Trust, known as NHS Herefordshire, has established robust accountability arrangements within the organisation to oversee the system of internal control. The Board Assurance Framework, which sets out the organisation's principal risks and objectives, is a key document for keeping the Board informed of significant risks.

The PCT works closely with other healthcare organisations within the local health economy, NHS Midlands and East (SHA), the local and regional teams of the NHS Commissioning Board and other partner organisations in Hereford. Risk and control issues are considered and reviewed with these organisations as appropriate.

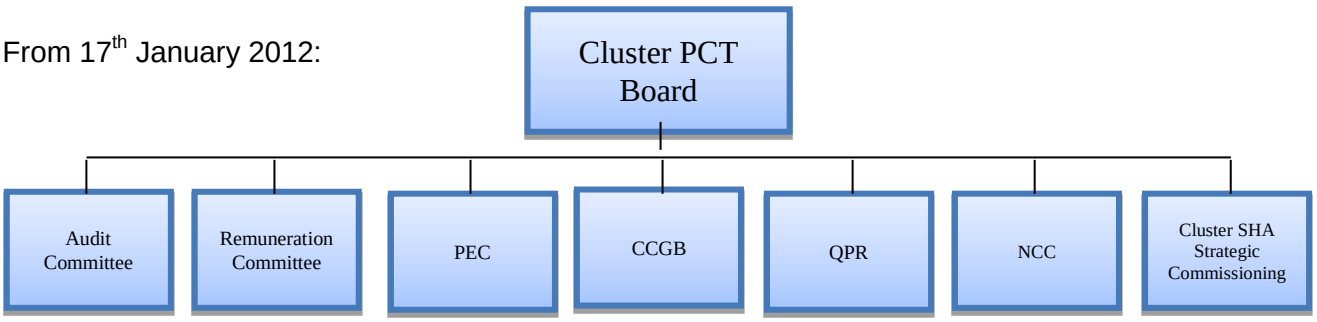
2. The Governance Framework of the Organisation

NHS Herefordshire forms part of the West Mercia Cluster of PCTs, the revised governance arrangements for which were approved at the inaugural West Mercia Cluster PCTs board meeting on 17th January 2012. NHS Herefordshire remains the statutory body covering its registered population until 31 March 2013.

The governance structure for the PCT has changed during the year to reflect the arrangements for the local offices of the NHS Commissioning Board. Within the West Mercia Cluster of PCTs, Herefordshire and Worcestershire joined with Coventry and Worcestershire PCTs to form a local office area whilst Shropshire and Telford and Wrekin PCTs joined with Staffordshire to form another local area. In order to facilitate this new working arrangement, the Cluster Board has held meetings focusing on Herefordshire and Worcestershire in the South of the area.

During the year the Board has met eight times as the West Mercia Cluster Board and attendance of Board members is shown in the table in Annex 1.

From 17th January 2012:



The sub-committee structure of the Cluster PCT Board is as follows:

- Audit Committee (held concurrently for all PCTs) provides assurance to the Board that the organisation's overall internal control/governance system operates in an adequate and effective way. The Committee's work focuses not only on financial controls, but also risk management and clinical governance controls.

  Hoople provides some transactional financial support services to the PCT, they provide assurance on the work they undertake through their own governance processes thus ensuring their work satisfies audit requirements.
- Remuneration Committee (held concurrently for all PCTs) recommends to the Board appropriate salaries, payments and terms & conditions of employment.

- Quality Performance and Resources Committee (QPR) (held concurrently for all PCTs) provides assurance to the Board that the PCT is meeting its performance targets, commissioning high quality services and using its resources wisely.

- National Commissioning Committee (NCC) (held concurrently for all PCTs) provides assurance to the Board that the PCT is meeting its performance in primary care and commissioning high quality services.
- Clinical Commissioning Group Boards (CCGB) (held individually for each CCG in the cluster area) provides assurance to the Board that they are undertaking delegated authority for commissioning as outlined in the scheme of delegation.
- Clinical Reference Group (PEC) (held individually for each PCT in the cluster area) is chaired by a local GP and is made up of a majority of clinical members: GPs, Nurses and Allied Health Professionals working in Herefordshire. The Committee provides clinical advice and assurance to the Board.
- Strategic Commissioning (held on East and West SHA Cluster footprint) which oversees the commissioning of low volume, high value strategic commissioning decisions.

Membership of these sub committees of the PCT Board is outlined in the terms of reference and attendance at these meetings is recorded in the minutes of each meeting.

Corporate Governance is the system by which the PCT Board directs and controls the organisation at the most senior level in order to achieve its objectives and meet the necessary standards of accountability and probity. Using a risk management mechanism, the PCT Board brings together the various aspects of governance; corporate, clinical, financial, and information to provide assurance on its direction and control across the whole organisation in a co-ordinated way. The co-ordinating body for receiving assurance on these strands of governance is the Audit Committee, which oversees integrated governance on behalf of the PCT Board. In addition the other sub committees also oversee the risks within their specific remits, providing assurance to the Audit Committee where appropriate.

Board members take their responsibilities for corporate governance very seriously and endeavour to maintain high standards of business conduct. Details of all Board members' interests are recorded in the Register of Members' Interests, available as part of the Annual Report and this practice has been adopted by members of the Clinical Commissioning Group Governing Body. Members declare interests in items under discussion at meetings when

appropriate and are conscious of their role in upholding and maintaining public confidence in the NHS.

The PCT Board complies with the Corporate Code of Governance and a demonstration of this is by individual Board members affirming their compliance with the Codes of Accountability and Codes of Conduct for the NHS when declaring their interests as well as the values of accountability, probity and openness.

During the year members of the Board reviewed their effectiveness and the operation of Board meetings and the changes proposed, which centred on the development of the CCGs across the Cluster and which latterly reflected the Cluster split, have been incorporated in to the agenda planning and organisation of subsequent Board and sub-committee meetings.

The Board has also reviewed arrangements for the transition, handover and closedown of the PCTs with reports to the meetings in July, September and November 2012 and January and March 2013. The Audit Committee has considered the Transfer Schemes documentation and the return was signed off by the Audit Committee Chair. Risks identified as part of the transition process have been added to the strategic risk register and those not addressed by the end of the financial year have been handed over to the relevant successor organisation. A formal handover meeting was held on 11 October 2012 between the outgoing Chief Executive of the PCT and the incoming NHS Commissioning Board Area Team Director who is also the PCT Chief Executive for the remainder of the financial year. Quality handover meetings have also been held with receiver organisations including the NHS Herefordshire Clinical Commissioning Group, Local Authority (for Public Health) and NHS Commissioning Board.

In line with the Department of Health requirements, the Director of Finance has made arrangements for the preparation and audit of the PCT's accounts following closedown on the 31 March 2013. These include securing the agreement of appropriate non-executive members of the Board to serve on an Audit Committee and arranging for Hoople to undertake the financial closedown and final accounts preparation.

3. Risk Assessment

3.1 Capacity to Handle Risk

As Chief Executive I have overall responsibility for risk management within Herefordshire Primary Care Trust. The West Mercia Cluster Director of Nursing has delegated management responsibility for clinical risk in 2012/13 and is supported by the Clinical Governance GP lead. The Director of Finance has delegated management responsibility for financial risk. I, as Chief Executive, have responsibility for the implementation of organisational risk management, with support from the Board Secretary and Corporate Risk lead.

The Risk Management and Assurance Policy, the Risk Management and Assurance Guidance and the Incident Reporting Policy clearly describe the responsibilities of all Herefordshire Primary Care Trust staff appropriate to their authority and duties, and are used as the framework for risk management training. Members of the Board have attended specific training in risk management and there is an on-going programme of risk assessment training for managers and all staff. Risk management and incident reporting is included in the general induction arrangements for all staff and it is also included in the mandatory training update, following which attendees must complete a work booklet.

Anonymised data from incidents and risk assessments are used in the training to support sharing and learning. Networking externally, particularly with the Strategic Health Authority Patient Safety Action Team, Regional Quality Network and the National Patient Safety Agency ensures lessons learnt regionally and nationally inform local policies and procedures and good practice is shared across Herefordshire Primary Care Trust.

A copy of the current strategic risk register (as at 31 March 2013) is attached as Annex 2.

3.2 The Risk and Control Framework

The revised Risk Management and Assurance Policy is an integrated document shared with Herefordshire Council. The policy strengthens risk management to achieve the balance between under-managing risks and over-managing them. It also promotes opportunity management alongside risk management. The Policy sets out the strategic aim, commitment to and objectives of a single integrated risk management process. The Policy clearly identifies the accountability, leadership and responsibilities for risk management throughout the two organisations.

In support of the Policy there is updated Risk Management and Assurance Guidance, which is intended to be used by all levels of staff and guides the reader through the five steps of managing risks. It contains the risk scoring matrix which enables users to ensure that risks are scored consistently so that priority can be given to the risks that could hinder the achievement of objectives. It also explains what an Assurance Framework is and lists where sources of assurance can be obtained. In support of opportunity management it provides an opportunity scoring matrix with associated management response.

In respect of the organisations major risks they are managed as follows:

Risk	Management	How outcomes were assessed
Financial	Monitored through Quality and Performance Committee. Monthly finance reports identify major financial risks together with mitigating actions	Continual monitoring with mitigating actions
Capacity and capability	Review of existing structures e.g. Integrated Commissioning	Continual review by Board through Directors and Joint Management Team
Implications of an ageing population	Monitoring of existing population and trend analysis and predictive modelling through the Strategic Commissioning Plan	Monitored via Quality and Performance Committee

Safeguarding	Safeguarding Board	Safeguarding Board
Transition work	Monitored through progress reports to the Board	Timetable and timelines set and measured
Clinical	Monitored through Quality and Performance Committee	Quality and Performance report – provides assurance of continual monitoring and mitigating actions where required

The PCT has a quality assurance framework which details the committee structure and quality assurance processes and activities undertaken to provide Board assurance of the quality (including patient safety, clinical effectiveness and patient experience) of the services the PCT commissions and the process to ensure any required actions are taken to mitigate risk. The clinical and quality current risks and mitigating actions are detailed in the NHS Herefordshire risk register.

The system of risk control, forms part of the PCT's system of internal control and is defined in the Risk Management and Assurance policy through to the Board Assurance Framework which is reviewed at each Board meeting.

The risk control system facilitates the assessment of risk by:

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

3.3 Risk Assessment

Following assessment, identified risks which cannot be managed locally are included on the Risk Register. Any high ranking risks and those which can impact on whether Herefordshire Primary Care Trust meets a key objective are included on the Board Assurance Framework and reported to the Board. The Assurance Framework outlines Herefordshire Primary Care Trust's objectives and the risks which may hinder achievement of these objectives. It contains those risks assessed and scored as extreme which could impact on Herefordshire Primary Care Trust achieving its objectives. Additional information on these risks is required to be reported to the Board. The Assurance Framework provides assurance about those risks which are being managed effectively. It will also identify objectives at risk because of gaps in controls or assurance. Where there is a gap in control or assurance a more detailed action plan is put in place and monitored.

The Board has reviewed the Assurance Framework throughout the year. The Board Assurance Framework is presented at each of the Board's public meetings having been scrutinised by the Audit and Assurance Committee which is chaired by a Non-Executive Director and is placed on the Herefordshire Primary Care Trust public website. The PCT Board has responsibility for determining the strategic direction of the organisation and has created the environment and structures for risk management to operate effectively. It provides leadership to the risk management process and is also actively involved in identifying risks to achieving its corporate

objectives and keeping them under regular review. The Audit and Assurance Committee, reviews the relevant risk register and Assurance Framework. Any risks which impact on partner organisations are discussed with them to manage the risk appropriately. The Board Assurance Framework also incorporates relevant risks identified in the Partnership Assurance Framework to ensure a whole system approach and provision of a comprehensive hierarchy of registers. This ensures a common understanding and approach to risk mitigation measures.

The following details are recorded for each risk recorded on a risk register:

- risk category
- risk description
- inherent risk
- existing controls
- risk grading with controls
- and gaps in controls
- actions to reduce the risk to an acceptable level
- amendments.

Where necessary the actions include the identification of budgets and resources to facilitate their implementation.

A risk management process is in place to identify and manage information risks. This consist of proactive risk assessments on key information assets, investigation of information related incidents and review of information related complaints. The standard of information security is continually increasing and the information governance training programme has significantly increased staff awareness and compliance with PCT policies. It has also increased awareness of the need to report incidents but these have not highlighted any major weakness in our information security standards.

All incidents are investigated and reported in accordance with Department of Health guidelines. During 2012/13 there have been no corporate serious incidents for NHS Herefordshire relating to data loss or confidentiality breaches reported to the Information Commissioner.

Summary of other personal data related incidents – 2012-13

Nature of Incident	**Total**
Loss/theft of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
Loss/theft of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
Unauthorised disclosure	0

Other	0

4. Review of the Effectiveness of Risk Management and Internal Control

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 the internal audit work. 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. My review is also informed by:

- The work programme of Internal Audit and, in particular, their opinion on the system of internal control and the Board Assurance Framework. **The Head of Internal Audit opinion is that substantial assurance can be given that there is a generally sound system of internal control on key financial and management processes. These are designed to meet the PCT's objectives and controls are generally being applied consistently.** Personal involvement in the Board and relevant sub-committees.
- Reviews with the Strategic Health Authority and NHS Commissioning Board on performance issues.
- Specific risk data reports, such as incidents, complaints or claims which also focus on positive aspects as well as any learning opportunities.
- For commissioned services and independent contractors specific risk data is received from providers including incident reports, complaints and performance reports and are monitored through contract monitoring and quality review groups and enhanced by quality assurance visits.
- Counter Fraud and Security Management assurance
- Formal reports from Herefordshire Primary Care Trust's Internal and External Auditors.
- Wye Valley Trust Internal Auditor's report on payroll services.
- Provider's registration with the Care Quality Commission.
- The final submission of the Information Governance Toolkit.

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 and Assurance Committee and Quality and Performance Committee.

The Board regularly reviews progress against the risks identified in the Assurance Framework, to ensure that identified actions are implemented in a timely manner. The Audit and Assurance Committee has regularly reviewed the Assurance Framework, receives reports on assessments undertaken by Herefordshire Primary Care Trust's internal and external auditors and monitors Herefordshire Primary Care Trust's system of financial control. This includes follow up of outstanding audit report recommendations. Directors and senior managers have specific responsibilities in respect of the Assurance Framework and more generally in maintaining internal control systems.

5. Significant Control Issues

As a result of the processes and assurances described above (including the Head of Internal Audit Opinion for the year) it is my opinion that there are no significant issues that need to be detailed in the Annual Governance Statement.

6. Conclusion

As Accountable Officer, and based on the review process outlined above, I can confirm that the Annual Governance Statement is a balanced reflection of the actual controls position and there are no significant issues identified for the PCT.

Mrs Lesley Murphy - Accountable Officer

NHS Herefordshire

Signature:……

Date:……..

Annex 1

Name	April 24 2012 Xtr (Shr PCT)	May 22 2012 Xtr (Shr PCT)	May 29 2012	July 24 2012	Sept 25 2012	Nov 27 2012	Jan 29 2013	March 19 2013	Total
Jo Newton	√	√	√	√	√	√	√	√	8
Andrew Mason	√	x	√	√	√	√	√	√	7
Helen Herritty	√	√	√	√	√	√	√	√	8
Susan Mead	√	√	√	√	√	√	√	√	8
Margaret Jackson	n/a	n/a	√	√	√	√	√	√	6
Bryan Smith	√	x	√	n/a	n/a	n/a	n/a	n/a	2
William Hutton	√	x	√	√	x	√	√	√	6
Louise Lomax	√	√	√	√	√	√	√	x	7
Rob Parker	√	x	x	√	√	√	x	√	5
Eamonn Kelly	√	x	√	x	√	√	n/a	n/a	4
Lesley Murphy	n/a	n/a	n/a	n/a	n/a	n/a	x	√	1
Brian Hanford	x	√	√	√	√	√	√	√	7
Ian Tait	x	x	x	√	x	x	√	x	2
Anthony Kelly	x	x	x	x	x	x	x	x	-
Richard Harling	x	x	√	√	√	√	√	x	5
Sarah Aitken	√	x	x	x	n/a	n/a	n/a	n/a	1
Elizabeth Shassere	n/a	n/a	n/a	n/a	x	x	x	√	1
Sue Doheny	√	√	√	√	√	√	√	√	8
Dr Kiran Patel	x	x	x	x	x	n/a	n/a	n/a	-
Dr Martin Lee	n/a	n/a	n/a	n/a	n/a	√	√	√	3

INDEPENDENT AUDITOR'S REPORT TO THE DEPARTMENT OF HEALTH'S ACOUNTING OFFICER IN RESPESCT OF HEREFORDSHIRE PCT

We have examined the summary financial statement for the year ended 31 March 2013 which comprises Statement of comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Better Payment Practice Code, PCT Running Costs and Operational Financial Balance.

This report is made solely to the Department of Health's Accounting Officer in respect of Herefordshire PCT in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in Paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department of Health's Accounting Officer and the Trust as a body, for our audit work, for this report or for opinions we have formed.

Respective responsibilities of signing Officer and Auditor

The Signing Officer is responsible for preparing the Annual Report.

Our responsibility is to report to you our opinion on the consistency of the summary Financial Statement within the Annual Report with the Statutory Financial Statements.

We also read the other information contained in the Annual Report and consider the implications for our report we become aware of any misstatements or material inconsistencies with the Summary Financial Statement.

We conducted our work in accordance with Bulletin 2008/03 "The Auditor's Statement on the Summary Financial Statement in the United Kingdom" issued by the Auditing Practices Board. Our report on the Statutory Financial Statements describes the basis of our opinion on those financial statements.

Opinion

In our opinion the Summary Financial Statement is consistent with the Statutory Financial Statements of Herefordshire PCT for the year ended 31 March 2013.

Grant Thornton UK LLP

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

6 June 2013

Department of Health

NHS

Herefordshire Primary Care Trust

2012-13 Accounts

Published to gov.uk, in PDF format only.

www.gov.uk/dh

Herefordshire Primary Care Trust

2012-13 Accounts

FOREWORD TO THE ACCOUNTS

HEREFORDSHIRE PRIMARY CARE TRUST

These accounts for the year ended 31 March 2013 have been prepared by the Herefordshire Primary Care Trust under section 232 of the National Health Service Act 2006 in the form which the Secretary of State has, with the approval of the Treasury, directed.

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	**8,979**	10,608
Other costs	5.1	**311,518**	301,160
Income	4	**(8,688)**	(13,548)
Net operating costs before interest		**311,809**	298,220
Investment income		**0**	0
Other (Gains)/Losses	9	**245**	6
Finance costs	10	**10**	11
Net operating costs for the financial year		**312,064**	298,237
Transfers by absorption -(gains)		**0**	
Transfers by absorption - losses		**0**	
Net (gain)/loss on transfers by absorption		**0**	
Net Operating Costs for the Financial Year including absorption transfers		**312,064**	**298,237**
Of which:			
Administration Costs			
Gross employee benefits	7.1	**6,088**	7,564
Other costs	5.1	**5,314**	4,373
Income	4	**(2,621)**	(4,756)
Net administration costs before interest		**8,781**	**7,181**
Investment income		**0**	0
Other (Gains)/Losses	9	**0**	6
Finance costs	10	**0**	11
Net administration costs for the financial year		**8,781**	**7,198**
Programme Expenditure			
Gross employee benefits	7.1	**2,891**	3,044
Other costs	5.1	**306,204**	296,787
Income	4	**(6,067)**	(8,792)
Net programme expenditure before interest		**303,028**	**291,039**
Investment income		**0**	0
Other (Gains)/Losses	9	**245**	0
Finance costs	10	**10**	0
Net programme expenditure for the financial year		**303,283**	**291,039**

Other Comprehensive Net Expenditure	2012-13 £000	2011-12 £000
Impairments and reversals put to the Revaluation Reserve	**1,103**	86
Net (gain) on revaluation of property, plant & equipment	**(447)**	(900)
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	**50**	
Release of Reserves to Statement of Comprehensive Net Expenditure	**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*	**312,770**	**297,423**

*This is the sum of the rows above plus net operating costs for the financial year after absorption accounting adjustments.
The notes on pages 5 to 39 form part of this account.

Statement of Financial Position at 31 March 2013

	NOTE	31 March 2013 £000	31 March 2012 £000
Non-current assets:			
Property, plant and equipment	11	24,263	26,362
Intangible assets	12	0	0
investment property		0	0
Other financial assets		0	0
Trade and other receivables	17	0	6
Total non-current assets		24,263	26,368
Current assets:			
Inventories	16	25	33
Trade and other receivables	17	2,313	3,616
Other financial assets		0	0
Other current assets		0	0
Cash and cash equivalents	18	4	5
Total current assets		2,342	3,654
Non-current assets held for sale	19	600	650
Total current assets		2,942	4,304
Total assets		27,205	30,672
Current liabilities			
Trade and other payables	20	(21,660)	(26,909)
Other liabilities		0	0
Provisions	21	(784)	(92)
Borrowings		0	0
Other financial liabilities		0	0
Total current liabilities		(22,444)	(27,001)
Non-current assets plus/less net current assets/liabilities		4,761	3,671
Non-current liabilities			
Trade and other payables	20	0	0
Other Liabilities		0	0
Provisions	21	(630)	(239)
Borrowings		0	0
Other financial liabilities		0	0
Total non-current liabilities		(630)	(239)
Total Assets Employed:		4,131	3,432
Financed by taxpayers' equity:			
General fund		(2,209)	(4,011)
Revaluation reserve	11.1	6,340	7,443
Other reserves		0	0
Total taxpayers' equity:		4,131	3,432

The notes on pages 5 to 39 form part of this account.

The financial statements on pages 1 to 4 were approved by the Board on 3rd June 2013 and signed on its behalf by

Chief Executive: Date: 4.6.13

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	**(4,011)**	**7,443**	**0**	**3,432**
Changes in taxpayers' equity for 2012-13				
Net operating cost for the year	(312,064)	0	0	**(312,064)**
Net gain / (loss) on revaluation of property, plant, equipment	0	447	0	**447**
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 revaluation of assets held for sale	0	(50)	0	**(50)**
Impairments and reversals	0	(1,103)	0	**(1,103)**
Movements in other reserves	0	0	0	**0**
Transfers between reserves*	397	(397)	0	**0**
Release of Reserves to Statement of Comprehensive Net Expenditure	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	**(311,667)**	**(1,103)**	**0**	**(312,770)**
Net Parliamentary funding	313,469	0	0	**313,469**
Balance at 31 March 2013	**(2,209)**	**6,340**	**0**	**4,131**

Balance at 1 April 2011	**(3,491)**	**6,543**	**0**	**3,052**
Changes in taxpayers' equity for 2011-12				
Net operating cost for the year	(298,237)	0	0	(298,237)
Net gain / (loss) on Revaluation of Property, Plant and Equipment	0	986	0	986
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	(86)	0	(86)
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	(298,237)	900	0	(297,337)
Net Parliamentary funding	297,717	0	0	297,717
Balance at 31 March 2012	**(4,011)**	**7,443**	**0**	**3,432**

*Relates to the transfer of reserves on disposal of assets

Statement of cash flows for the year ended 31 March 2013

	2012-13 £000	2011-12 £000
Cash Flows from Operating Activities		
Net Operating Cost Before Interest	**(311,809)**	(298,220)
Depreciation and Amortisation	**1,475**	1,483
Impairments and Reversals	**481**	70
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	**0**	0
Release of PFI/deferred credit	**0**	0
(Increase)/Decrease in Inventories	**8**	20
(Increase)/Decrease in Trade and Other Receivables	**1,309**	2,637
(Increase)/Decrease in Other Current Assets	**0**	0
Increase/(Decrease) in Trade and Other Payables	**(4,726)**	(2,637)
(Increase)/Decrease in Other Current Liabilities	**0**	0
Provisions Utilised	**(74)**	(77)
Increase/(Decrease) in Provisions	**1,147**	13
Net Cash Inflow/(Outflow) from Operating Activities	**(312,189)**	**(296,711)**
Cash flows from investing activities		
Interest Received	**0**	0
(Payments) for Property, Plant and Equipment	**(2,024)**	(1,007)
(Payments) for Intangible Assets	**0**	0
(Payments) for Other Financial Assets	**0**	0
(Payments) for Financial Assets (LIFT)	**0**	0
Proceeds of disposal of assets held for sale (PPE)	**743**	0
Proceeds of disposal of assets held for sale (Intangible)	**0**	0
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	**(1,281)**	**(1,007)**
Net cash inflow/(outflow) before financing	**(313,470)**	**(297,718)**
Cash flows from financing activities		
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT	**0**	0
Net Parliamentary Funding	**313,469**	297,717
Capital Receipts Surrendered	**0**	0
Capital grants and other capital receipts	**0**	0
Cash Transferred (to)/from Other NHS Bodies	**0**	0
Net Cash Inflow/(Outflow) from Financing Activities	**313,469**	**297,717**
Net increase/(decrease) in cash and cash equivalents	**(1)**	**(1)**
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**5**	**6**
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	**4**	**5**

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 accounts.

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.

1.1 Accounting Conventions

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities

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.

Under the provisions of The Health and Social Care Act 2012 (Commencement No.4. Transitional, Savings and Transitory Provisions) Order 2013, Herefordshire PCT was dissolved on 1st April 2013. The PCT's functions, assets and liabilities transferred to other public sector entities as outlined in Note 31 Events after the end of 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 accounts 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 other than those considered as routine within the normal activity cycle, and no disclosures have been made under IFRS 5 Non-current Assets Held for Sale and Discontinued Operation.

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.

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.

Estimations have been used for the final expenditure position on GP Prescribing, GP QOFF and the final contract position with NHS commissioning providers (exec. Wye Valley NHS Trust). The actual charge for GP Prescribing is not available from the Prescription Pricing Authority until after the completion of the accounts, the calculation of the GP QOFF payment is not available until early June 2013. Final activity for the contract with NHS providers will not be known until after the completion of the accounts.

Land, Building, Plant and Equipment

The District Valuer, who carries out asset valuations for most NHS bodies, has carried out an inspection of assets of completed projects where capital spend has been made since 1st April 2012 and has also undertaken a full desktop valuation of land and buildings at 31 March 2013. Plant and equipment has been indexed in line with the Health Service Cost Index.

Shareholdings in Hoople Ltd

In 2012/13 the PCT continued to hold the gifted 17% of the share capital of Hoople Ltd (Shared Services Partnership) (initial value of 17 pence), as at 31st March 2013, on the abolition of the PCT these shares were returned to Hoople Ltd.

Under normal circumstances, the Trust would account for such an arrangement under IAS 31 (Interests in Joint Ventures) through the use of an equity accounting methodology. However, NHS Manual for Accounts does not permit this standard to be used for joint ventures where a separate entity has been created.

The gifted shares have been considered with regard to IAS39 (Financial Instruments and Recognition), given the value of the shares the PCT has accounted for the gifted shares as an immaterial gifted asset.
All service charges from Hoople incurred by the Trust have been included within operating expenses for the year.

1. Accounting policies (continued)

Critical judgements in applying accounting policies (contd.)

Leases
The PCT has entered into leasing arrangements with Wye Valley NHS Trust during the financial year for the leasing of community estate and associated equipment relating to healthcare delivery.

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

The Prescription Pricing Authority (PPA) data for March 2013 was not available when the PCT closed its final accounts and therefore the accounts include 11 months actual expenditure and one months estimated expenditure. The PCT has modelled PPA expenditure trends in a variety of ways during 2012/13 and will rely on the PPA forecast in determining the value of the accrual entered into the accounts for the final month.

Income from non host commissioners has been based on estimates using month 11 activity as the full year's activity will not be finalised within the final accounts timetable.

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.

1.3 Pooled budgets

The PCT has entered into a pooled budget arrangements, some hosted by Herefordshire County Council and some by the PCT. Under the arrangement, funds are pooled under S75 of the NHS Act 2006 for activities as follows: Adult Social Care and NHS Continuing Healthcare, Integrated Community Equipment, Kington Community Hospital and Children with Complex Needs.

As a commissioner of healthcare services, the PCT makes contributions to the pool, which are then used to purchase healthcare services. The PCT accounts for its share of the assets, liabilities, income and expenditure of the pool as determined by the pooled budget agreement.

1.4 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.

1.5 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 arrrangements and so is recorded as such in the financial statements.

1. Accounting policies (continued)

1.6 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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. 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. To ensure that all fixtures and equipment are reflected in the accounts at their fair value they have been indexed in accordance with the Health Service Cost Index (HSCI) nationally published figures. The District Valuer has undertaken a valuation of property as at 31st March 2013, this is in effect a further update on the interim valuation undertaken in 2012.

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)

1.7 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 amortised historic cost to reflect the opposing effects of increases in development costs and technological advances.

Note 12.1 identifies the gross and amortisation cost that relates to financial year 2005/06. where Herefordshire PCT derecognised the prepayment of £7,175m. The prepayment represented the balance at 1st April 2006 which arose from the accounting treatment of the Mercia Healthcare bullet payment which was in connection with the PFI agreement.

1.8 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, in a manner that reflects the consumption of economic benefits or service potential of the assets. 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.

At each reporting period end, the PCT checks whether there is any indication that any of its tangible 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.

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. 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.

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)

1.9 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 retained earnings.

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.

1.10 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.11 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the PCT's cash management.

1.12 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).

1.13 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 21.

1. Accounting policies (continued)

1.14 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.

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.

Within Herefordshire, there are some joint posts which are operational across the Council and PCT. Some of these post holders are employed by the Local Authority and are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. Where this is the case, these employees are paid via the local authority payroll.

1.15 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.

1.16 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. Accounting policies (continued)

1.17 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.

1.18 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

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.

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

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.

1.19 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 as advised in PES (2012) 15 and 16.
The rate of discount for general provisions varies in line with the expected timing of cashflows, with different rates for short, medium and long-term timescales. All provisions in respect of post-employment benefits are discounted at 2.35% (2.8% in 2011-12).

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 arsing 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)

1.20 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 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.

1.21 Partially Completed Spells

In line with national guidelines, the Manual for Accounts and FRS5 the PCT has accounted for partially completed spells with the major provider trusts.

1.22 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 accounts 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
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

	2012-13	2011-12
	£000	£000
Expenditure		
Clinical Commissioning Group	236,792	231,815
Shadow National Commissioning Board	62,727	56,204
Public Health	1,514	1,324
Corporate Services	11,031	8,894
Earmarked Reserves and Developments	0	0
Total	**312,064**	**298,237**
Segment Expenditure	312,064	298,237
Revenue Resource Limit	312,318	298,528
Surplus/(Deficit)	**254**	**291**

The clinical commissioning group has operated in shadow form since 2011-12 but the PCT remained the statutory body.

3. Financial Performance Targets

3.1 Revenue Resource Limit

	2012-13 £000	2011-12 £000
The PCTs' performance for the year ended 2012-13 is as follows:		
Total Net Operating Cost for the Financial Year		298,237
Net operating cost plus (gain)/loss on transfers by absorption	**312,064**	
Adjusted for prior period adjustments in respect of errors	**0**	0
Revenue Resource Limit	**312,318**	298,528
Under/(Over)spend Against Revenue Resource Limit (RRL)	254	291

3.2 Capital Resource Limit

	2012-13 £000	2011-12 £000
The PCT is required to keep within its Capital Resource Limit.		
Capital Resource Limit	**1,000**	1,852
Charge to Capital Resource Limit	**513**	1,852
(Over)/Underspend Against CRL	**487**	**0**

The underspend on the Capital expenditure is calculated as follows:- Capital expenditure £1,502k less the net book value of assets disposed in the year of £989k. Net charge of £513k. The disposals were the sale of Alton Street Surgery and training equipment.

3.3 Under/(Over)spend against cash limit

	2012-13 £000	2011-12 £000
Total Charge to Cash Limit	**313,469**	297,717
Cash Limit	**313,469**	297,717
Under/(Over)spend Against Cash Limit	**0**	**0**

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

	2012-13 £000
Total cash received from DH (Gross)	284,410
Less: Trade Income from DH	0
Less/(Plus): movement in DH working balances	0
Sub total: net advances	**284,410**
(Less)/plus: transfers (to)/from other resource account bodies (free text note required)	0
Plus: cost of Dentistry Schemes (central charge to cash limits)	5,668
Plus: drugs reimbursement (central charge to cash limits)	23,391
Parliamentary funding credited to General Fund	**313,469**

4 Miscellaneous Revenue

	2012-13 Total	2012-13 Admin	2012-13 Programme	2011-12
	£000	£000	£000	£000
Fees and Charges	**0**	0	0	0
Dental Charge income from Contractor-Led GDS & PDS	**2,005**		2,005	2,286
Dental Charge income from Trust-Led GDS & PDS	**0**		0	0
Prescription Charge income	**1,163**		1,163	1,388
Strategic Health Authorities	**4**	0	4	0
NHS Trusts	**1,097**	959	138	2,632
NHS Foundation Trusts	**14**	14	0	51
Primary Care Trusts Contributions to DATs	**0**		0	0
Primary Care Trusts - Other	**929**	547	382	313
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	**0**	0	0	55
Recoveries in respect of employee benefits	**0**	0	0	0
Local Authorities	**1,062**	585	477	2,288
Patient Transport Services	**0**	0	0	0
Education, Training and Research	**1,068**	3	1,065	3,108
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	13
Receipt of donated assets	**0**	0	0	0
Receipt of Government granted assets	**0**	0	0	0
Rental revenue from finance leases	**0**	0	0	0
Rental revenue from operating leases	**941**	141	800	860
Other revenue	**405**	372	33	554
Total miscellaneous revenue	**8,688**	**2,621**	**6,067**	**13,548**

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	**23,541**	0	23,541	24,275
Non-Healthcare	**674**	479	195	598
Total	**24,215**	**479**	**23,736**	**24,873**
Goods and Services from Other NHS Bodies other than FTs				
Goods and services from NHS Trusts	**139,789**	50	139,739	132,759
Goods and services (other, excl Trusts, FT and PCT))	**0**	0	0	110
Total	**139,789**	**50**	**139,739**	**132,869**
Goods and Services from Foundation Trusts	**34,218**	0	34,218	33,617
Purchase of Healthcare from Non-NHS bodies	**29,531**		29,531	27,235
Social Care from Independent Providers	**482**		482	556
Expenditure on Drugs Action Teams	**0**		0	0
Non-GMS Services from GPs	**0**	0	0	0
Contractor Led GDS & PDS (excluding employee benefits)	**8,032**		8,032	9,204
Salaried Trust-Led PDS & PCT DS (excluding employee benefits)	**0**		0	0
Chair, Non-executive Directors & PEC remuneration	**123**	123	0	106
Executive committee members costs	**11**	11	0	32
Consultancy Services	**366**	366	0	360
Prescribing Costs	**25,702**		25,702	26,493
G/PMS, APMS and PCTMS (excluding employee benefits)	**28,320**	0	28,320	27,439
Pharmaceutical Services	**2,304**		2,304	1,853
Local Pharmaceutical Services Pilots	**65**		65	63
New Pharmacy Contract	**5,317**		5,317	5,244
General Ophthalmic Services	**1,643**		1,643	1,616
Supplies and Services - Clinical	**393**	8	385	439
Supplies and Services - General	**491**	74	417	444
Establishment	**2,138**	1,979	159	2,000
Transport	**66**	53	13	97
Premises	**1,945**	907	1,038	1,494
Impairments and Reversals of property, plant and equipment	**481**	0	481	70
Impairments and Reversals of non-current assets held for sale	**0**	0	0	0
Depreciation	**1,475**	111	1,364	1,483
Amortisation	**0**	0	0	0
Impairment & Reversals Intangible non-current assets	**0**	0	0	0
Impairment and Reversals of Financial Assets	**0**	0	0	0
Impairment of Receivables	**(13)**	0	(13)	33
Inventory write offs	**0**	0	0	0
Research and Development Expenditure	**0**	0	0	0
Audit Fees	**80**	80	0	130
Other Auditors Remuneration	**71**	71	0	130
Clinical Negligence Costs	**14**	14	0	5
Education and Training	**1,368**	82	1,286	1,354
Grants for capital purposes	**0**	0	0	490
Grants for revenue purposes	**0**	0	0	0
Impairments and reversals for investment properties	**0**	0	0	0
Other	**2,891**	906	1,985	1,431
Total Operating costs charged to Statement of Comprehensive Net Expenditure	**311,518**	**5,314**	**306,204**	**301,160**
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	**640**	640	0	513
Other Employee Benefits	**8,339**	5,448	2,891	10,095
Total Employee Benefits charged to SOCNE	**8,979**	**6,088**	**2,891**	**10,608**
Total Operating Costs	**320,497**	**11,402**	**309,095**	**311,768**
Analysis of grants reported in total operating costs				
For capital purposes				
Grants to Local Authorities to Fund Capital Projects	**0**	0	0	490
Grants to Private Sector to Fund Capital Projects	**0**	0	0	0
Total Capital Grants	**0**	**0**	**0**	**490**
Grants to fund revenue expenditure				
To Local Authorities	**0**	0	0	0
To Private Sector	**0**	0	0	0
To Other	**0**	0	0	0
Total Revenue Grants	**0**	**0**	**0**	**0**
Total Grants	**0**	**0**	**0**	**490**

	Total	Commissioning Services	Public Health
PCT Running Costs 2012-13			
Running costs (£000s)	**8,781**	8,235	546
Weighted population (number in units)*	**174,959**	174,959	174,959
Running costs per head of population (£ per head)	**50.19**	**47.07**	**3.12**
PCT Running Costs 2011-12			
Running costs (£000s)	**7,198**	6,507	691
Weighted population (number in units)	**174,959**	174,959	174,959
Running costs per head of population (£ per head)	**41.14**	**37.19**	**3.95**

* 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 £000	2011-12 £000
Purchase of Primary Health Care		
GMS / PMS/ APMS / PCTMS	28,320	27,439
Prescribing costs	25,702	26,493
Contractor led GDS & PDS	8,068	9,230
Trust led GDS & PDS	0	0
General Ophthalmic Services	1,643	1,616
Department of Health Initiative Funding	0	0
Pharmaceutical services	2,304	1,853
Local Pharmaceutical Services Pilots	65	63
New Pharmacy Contract	5,317	5,244
Non-GMS Services from GPs	0	0
Other	0	0
Total Primary Healthcare purchased	**71,419**	71,938
Purchase of Secondary Healthcare		
Learning Difficulties	3,072	2,204
Mental Illness	29,839	29,393
Maternity	6,572	6,580
General and Acute	145,247	138,405
Accident and emergency	4,917	4,841
Community Health Services	31,370	30,495
Other Contractual	6,446	5,818
Total Secondary Healthcare Purchased	**227,463**	217,736
Grant Funding		
Grants for capital purposes	0	490
Grants for revenue purposes	0	0
Total Healthcare Purchased by PCT	**298,882**	**290,164**
PCT self-provided secondary healthcare included above	0	0
Social Care from Independent Providers	482	556
Healthcare from NHS FTs included above	34,218	33,617

6. Operating Leases

The PCT has considered the nature of the contracts held with General Practitioners (GPs), dentists and community pharmacies and considers that:
Under IFRIC4 an arrangement to use an asset may include an embedded lease if the fulfillment of the arrangement is dependent on the use of a 'specific' asset; and the arrangement conveys the right to 'control' the use of that asset. Under NHS GMS Premises Directions 2004, the PCT does not control the use of the assets under either notional or cost rent schemes. The only control the PCT has is to seek an assurance from GP practices that they are delivering general medical services and that less than 10% of their income from the premises comes from outside the NHS. The control that the PCT has over the assets used by dentists and community pharmacists is even more remote.

The PCT has determined that operating leases must be brought into account, but as there is no defined term in the arrangements entered into with GPs it is not possible to analyse the arrangements over financial years.

The financial value included in the Statement of Comprehensive net expenditure for 2012/13 is £1,384m (£1.146m in 2011/12).

Herefordshire PCT has a number of properties which are operating leases, the significant leases are as follows:

Belmont Abbey - 20 year lease commenced 2nd August 1994, next review is scheduled within the next 12 months
Oak House - 30 years lease commenced 22nd June 1998, next review scheduled for June 2013
Dishley Street - 50 years lease commenced 9th June 2008, rent is reviewed every 5th anniversary

6.1 PCT as lessee

	Land	Buildings	Other	2012-13 Total	2011-12
	£000	£000	£000	£000	£000
Payments recognised as an expense					
Minimum lease payments				**526**	570
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**526**	**570**
Payable:					
No later than one year	**0**	**37**	**52**	**89**	188
Between one and five years	**0**	**401**	**62**	**463**	803
After five years	**0**	**1,071**	**0**	**1,071**	1,299
Total	**0**	**1,509**	**114**	**1,623**	**2,290**

6.2 PCT as lessor

Herefordshire PCT has a number of properties which are operating leases, the significant leases are as follows:

Leominster Dental Centre - 25 year lease commenced 7th April 2009, rent is reviewed every 5th anniversary

Herefordshire PCT had a significant lease for Alton Street Surgery as identified in the 2011/12 accounts. This property was sold during the year and as such is no longer detailed on the summary of significant leases.

Herefordshire PCT entered into a leasing arrangement during 2011/12 with Wye Valley NHS Trust for the leasing of community estate and associated equipment relating to healthcare delivery by Wye Valley NHS Trust. The cost of the annual rental within this agreement was based on the depreciation value of the assets and the initial term was for a period of one year (i.e covering the length of the current service contract). This contract was extended to cover 2012/13. All provisions and restrictions within this arrangement are covered within the Transfer Agreement entered into between the PCT and the Trust on 1st April 2011.

	2012-13	2011-12
	£000	£000
Recognised as income		
Rental Revenue	**941**	860
Contingent rents	**0**	0
Total	**941**	860
Receivable:		
No later than one year	**734**	716
Between one and five years	**60**	118
After five years	**694**	1,980
Total	**1,488**	2,814

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	**5,942**	5,031	911	**5,192**	4,290	902	**750**	741	9
Social security costs	**420**	420	0	**420**	420	0	**0**	0	0
Employer Contributions to NHS BSA - Pensions Division	**637**	637	0	**637**	637	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	**1,980**	0	1,980	**1,980**	0	1,980	**0**	0	0
Total employee benefits	**8,979**	**6,088**	**2,891**	**8,229**	**5,347**	**2,882**	**750**	**741**	**9**
Less recoveries in respect of employee benefits (table below)	**0**	0	0	**0**	**0**	**0**	**0**	**0**	**0**
Total - Net Employee Benefits including capitalised costs	**8,979**	**6,088**	**2,891**	**8,229**	**5,347**	**2,882**	**750**	**741**	**9**
Employee costs capitalised	**0**	0	0	**0**	0	0	**0**	0	0
Gross Employee Benefits excluding capitalised costs	**8,979**	**6,088**	**2,891**	**8,229**	**5,347**	**2,882**	**750**	**741**	**9**
Recognised as:									
Commissioning employee benefits	**8,979**			**8,229**			**750**		
Provider employee benefits	**0**			**0**			**0**		
Gross Employee Benefits excluding capitalised costs	**8,979**			**8,229**			**750**		

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	**0**	0	0	**0**	0	0	**0**	0	0
Social Security costs	**0**	0	0	**0**	0	0	**0**	0	0
Employer Contributions to NHS BSA - Pensions Division	**0**	0	0	**0**	0	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	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Employee Benefits - Prior- year

	Total £000	Permanently employed £000	Other £000
Employee Benefits Gross Expenditure 2011-12			
Salaries and wages	**8,638**	7,998	640
Social security costs	**560**	560	0
Employer Contributions to NHS BSA - Pensions Division	**914**	914	0
Other pension costs	**0**	0	0
Other post-employment benefits	**0**	0	0
Other employment benefits	**0**	0	0
Termination benefits	**522**	522	0
Total gross employee benefits	**10,634**	**9,994**	**640**
Less recoveries in respect of employee benefits	**0**	0	0
Total - Net Employee Benefits including capitalised costs	**10,634**	**9,994**	**640**
Employee costs capitalised	**26**	26	0
Gross Employee Benefits excluding capitalised costs	**10,608**	**9,968**	**640**
Recognised as:			
Commissioning employee benefits	**10,608**		
Provider employee benefits	**0**		
Gross Employee Benefits excluding capitalised costs	**10,608**		

7.2 Staff Numbers

	2012-13 Total Number	Permanently employed Number	Other Number	2011-12 Total Number	Permanently employed Number	Other Number
Average Staff Numbers						
Medical and dental	**8**	6	2	**6**	4	2
Ambulance staff	**0**	0	0	**0**	0	0
Administration and estates	**110**	102	8	**129**	124	5
Healthcare assistants and other support staff	**0**	0	0	**0**	0	0
Nursing, midwifery and health visiting staff	**8**	8	0	**9**	9	0
Nursing, midwifery and health visiting learners	**0**	0	0	**0**	0	0
Scientific, therapeutic and technical staff	**2**	2	0	**4**	3	1
Social Care Staff	**0**	0	0	**0**	0	0
Other	**0**	0	0	**0**	0	0
TOTAL	**128**	**118**	**10**	**148**	**140**	**8**
Of the above - staff engaged on capital projects	**0**	0	0	**0.38**	0.38	0

7.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	**2,453**	**9,422**
Total Staff Years	**389**	**1,040**
Average working Days Lost	6.31	9.06

* These figues are based on the calendar year 2012

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	**0**	3
	£000s	£000s
Total additional pensions liabilities accrued in the year	**0**	217

7.4 Exit Packages agreed during 2012-13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	***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**	**Total number of exit packages by cost band**
	Number	**Number**	**Number**	**Number**	**Number**	**Number**
Lees than £10,000	**2**	**4**	**6**	2	1	**3**
£10,001-£25,000	**4**	**11**	**15**	0	5	**5**
£25,001-£50,000	**5**	**6**	**11**	0	5	**5**
£50,001-£100,000	**1**	**9**	**10**	1	3	**4**
£100,001 - £150,000	**0**	**2**	**2**	0	0	**0**
£150,001 - £200,000	**0**	**2**	**2**	0	0	**0**
>£200,000	**0**	**0**	**0**	0	0	**0**
Total number of exit packages by type (total cost	**12**	**34**	**46**	**3**	**14**	**17**
	£	**£**	**£**	**£**	**£**	**£**
Total resource cost	334,146	1,646,294	**1,980,440**	74,000	448,000	**522,000**

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 Agenda for Change. 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.

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

The figures identified as compulsory redundancies relate to those staff employed by Hoople Ltd. who were previously employed by Herefordshire PCT for which a legacy liability was held in the event of any redundancy costs.

Included within "other departures agreed" is a 45% contribution to a joint post where the post holder was employed by Herefordshire Council.

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	**13,879**	**66,552**	15,870	69,045
Total Non-NHS Trade Invoices Paid Within Target	**12,914**	**59,796**	13,832	54,052
Percentage of Non-NHS Trade Invoices Paid Within Target	93.05%	89.85%	87.16%	78.29%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**3,070**	**219,471**	2,884	203,733
Total NHS Trade Invoices Paid Within Target	**2,719**	**215,504**	2,577	200,042
Percentage of NHS Trade Invoices Paid Within Target	88.57%	98.19%	89.36%	98.19%

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. 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)	**(245)**	**0**	**(245)**	(6)
Gain/(Loss) on disposal of assets other than by sale (intangibles)	**0**	**0**	**0**	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	**0**	**0**	**0**	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	**(245)**	**0**	**(245)**	(6)

10. Finance Costs

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 £000
Interest				
Interest on obligations under finance leases	**0**	**0**	**0**	0
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	**0**	**0**	**0**	0
- contingent finance cost	**0**	**0**	**0**	0
Interest on late payment of commercial debt	**0**	**0**	**0**	0
Other interest expense	**0**	**0**	**0**	**0**
Total interest expense	**0**	**0**	**0**	**0**
Other finance costs	**0**	**0**	**0**	0
Provisions - unwinding of discount	**10**	**0**	**10**	11
Total	**10**	**0**	**10**	**11**

11.1 Property, plant and equipment

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:									
At 1 April 2012	**5,382**	**16,505**	**88**	**1,258**	**2,999**	**300**	**3,824**	**1,053**	**31,409**
Additions of Assets Under Construction				270					**270**
Additions Purchased	0	1,153	0		42	10	0	27	**1,232**
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**
Reclassifications	0	1,528	0	(1,528)	0	0	0	0	**0**
Reclassifications as Held for Sale	(225)	(475)	0	0	(92)	(9)	0	(8)	**(809)**
Disposals other than for sale	0	0	0	0	(125)	0	(905)	(194)	**(1,224)**
Upward revaluation/positive indexation	58	265	0	0	187	0	0	58	**568**
Impairments/negative indexation	0	(993)	0	0	0	0	0	0	**(993)**
Reversal of Impairments	0	(110)	0	0	0	0	0	0	**(110)**
Transfers (to)/from Other Public Sector Bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**5,215**	**17,873**	**88**	**0**	**3,011**	**301**	**2,919**	**936**	**30,343**
Depreciation									
At 1 April 2012	**0**	**0**	**0**	**0**	**1,461**	**275**	**2,671**	**640**	**5,047**
Reclassifications		0	0		0	0	0	0	**0**
Reclassifications as Held for Sale	0	0	0		(53)	(9)	0	(4)	**(66)**
Disposals other than for sale	0	0	0		(90)	0	(795)	(93)	**(978)**
Upward revaluation/positive indexation	0	0	0		89	0	0	32	**121**
Impairments	0	591	0	0	0	0	0	0	**591**
Reversal of Impairments	0	(110)	0	0	0	0	0	0	**(110)**
Charged During the Year	0	632	0		324	9	418	92	**1,475**
Transfers (to)/from Other Public Sector Bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**0**	**1,113**	**0**	**0**	**1,731**	**275**	**2,294**	**667**	**6,080**
Net Book Value at 31 March 2013	**5,215**	**16,760**	**88**	**0**	**1,280**	**26**	**625**	**269**	**24,263**
Purchased	5,215	16,760	88	0	1,280	26	625	269	**24,263**
Donated	0	0	0	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2013	**5,215**	**16,760**	**88**	**0**	**1,280**	**26**	**625**	**269**	**24,263**
Asset financing:									
Owned	5,215	16,760	88	0	1,280	26	625	269	**24,263**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2013	**5,215**	**16,760**	**88**	**0**	**1,280**	**26**	**625**	**269**	**24,263**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012	**2,936**	**4,074**	**0**	**0**	**416**	**0**	**0**	**17**	**7,443**
Movements (specify)	(74)	(1,053)	0	0	7	0	0	17	**(1,103)**
At 31 March 2013	**2,862**	**3,021**	**0**	**0**	**423**	**0**	**0**	**34**	**6,340**

Additions to Assets Under Construction in 2012-13

	£000
Land	0
Buildings excl Dwellings	270
Dwellings	0
Plant & Machinery	0
Total	**270**

11.2 Property, plant and equipment

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:									
At 1 April 2011	**5,375**	**16,118**	**83**	**156**	**3,249**	**300**	**3,664**	**1,215**	**30,160**
Additions - purchased	0	47	0	1,295	271	0	231	14	**1,858**
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	176	0	(176)	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	0	0	0	**0**
Disposals other than by sale	0	0	0	0	(676)	0	(71)	(215)	**(962)**
Revaluation & indexation gains	7	883	8	0	155	0	0	39	**1,092**
Impairments	0	(86)	0	0	0	0	0	0	**(86)**
Reversals of impairments	0	0	0	0	0	0	0	0	**0**
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	**0**
Cumulative dep netted off cost following revaluation	0	(633)	(3)	(17)	0	0	0	0	**(653)**
At 31 March 2012	**5,382**	**16,505**	**88**	**1,258**	**2,999**	**300**	**3,824**	**1,053**	**31,409**
Depreciation									
At 1 April 2011	**0**	**0**	**0**		**1,792**	**256**	**2,205**	**744**	**4,997**
Reclassifications		0	0		0	0	0	0	**0**
Reclassifications as Held for Sale	0	0	0		0	0	0	0	**0**
Disposals other than for sale	0	0	0		(671)	0	(71)	(214)	**(956)**
Upward revaluation/positive indexation	0	0	0		84	0	0	22	**106**
Impairments	0	53	0	17	0	0	0	0	**70**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
Charged During the Year	0	580	3		256	19	537	88	**1,483**
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	**0**
Cumulative dep netted off cost following revaluation	0	(633)	(3)	(17)	0	0	0	0	**(653)**
At 31 March 2012	**0**	**0**	**0**	**0**	**1,461**	**275**	**2,671**	**640**	**5,047**
Net Book Value at 31 March 2012	**5,382**	**16,505**	**88**	**1,258**	**1,538**	**25**	**1,153**	**413**	**26,362**
Purchased	5,382	16,505	88	1,258	1,538	25	1,153	413	**26,362**
Donated	0	0	0	0	0	0	0	0	**0**
Government Granted	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	**5,382**	**16,505**	**88**	**1,258**	**1,538**	**25**	**1,153**	**413**	**26,362**
Asset financing:									
Owned	5,382	16,505	88	1,258	1,538	25	1,153	413	**26,362**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
At 31 March 2012	**5,382**	**16,505**	**88**	**1,258**	**1,538**	**25**	**1,153**	**413**	**26,362**

11.3 Property, plant and equipment

Assets held at revalued amounts

- the effective date of revaluation is 31 March 2013
- revaluation carried out by the District Valuer

- Operational Assets

The market value used in arriving at fair value is subject to the assumption that the property is sold as part of the continuing enterprise in occupation.
For Non-Specialised Operational Assets, this equates in practice to existing use value (EUV) as defined in RICS Standards.

For Specialised Operational Assets, market value applies unless there is no market evidence of fair value because of the specialised nature of the property and the item is rarely sold, except as part of a continuing business, then fair value is estimated using a depreciated replacement (DRC) approach subject to the assumption of continuing use.

- Non Operational Assets are valued on the basis of market value making the assumption that the property is no longer required for existing operations, which have ceased. NOA's which are occupied by third parties and effectively provide services which are within the remit of the PCT to provide, have been valued as though they were operational assets.

The District Valuer has used the following Building Cost Information Service (BCIS) index adjusted for local variations in the calculation of the valuations underataken in 2011/12.
BCIS as at 31st March 2013 - 223, Location factor .98

There are no properties held at existing use value materially different from open market value.

Economic Lives of Property, Plant & Equipment

	Min Life Years	Max Life Years
Property, Plant and Equipment		
Buildings excl. dwellings	0	60
Dwellings	0	27
Plant & machinery	5	15
Transport equipment	0	7
Information technology	5	8
Furniture & fittings	7	15

Open Market Value of Assets at balance sheet date

	Land	Buildings excl. dwellings	Dwellings	Total
	£000s	£000s	£000s	£000s
Open Market Value at 31 March 2013	5,215	16,760	88	22,063
Open Market Value at 31 March 2012	5,382	16,505	88	21,975

12.1 Intangible non-current assets

2012-13	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2012	**0**	**0**	**0**	**0**	**7,175**	**7,175**
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	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**
At 31 March 2013	**0**	**0**	**0**	**0**	**7,175**	**7,175**
Amortisation						
At 1 April 2012	**0**	**0**	**0**	**0**	**7,175**	**7,175**
Reclassifications	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	**0**
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	0	0	0	0	**0**
In-year transfers to NHS bodies	0	0	0	0	0	**0**
At 31 March 2013	**0**	**0**	**0**	**0**	**7,175**	**7,175**
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	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	£000
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**

12.2 Intangible non-current assets

2011-12	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2011	**0**	**0**	**0**	**0**	**7,175**	**7,175**
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	0	0	0	0	**0**
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**	**0**	**0**	**0**	**7,175**	**7,175**
Amortisation						
At 1 April 2011	**0**	**0**	**0**	**0**	**7,175**	**7,175**
Reclassifications	0	0	0	0	0	**0**
Reclassified as held for sale	0	0	0	0	0	**0**
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	0	0	0	0	**0**
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**	**0**	**0**	**0**	**7,175**	**7,175**
Net Book Value at 31 March 2012	**0**	**0**	**0**	**0**	**0**	**0**
Net Book Value at 31 March 2012 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 2012	**0**	**0**	**0**	**0**	**0**	**0**

13. 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
Loss as a result of catastrophe	0		0
Other	(110)		(110)
Changes in market price	591		591
Total charged to Annually Managed Expenditure	**481**		**481**
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve			
Loss or damage resulting from normal operations	0		
Over Specification of Assets	0		
Abandonment of assets in the course of construction	0		
Unforeseen obsolescence	0		
Loss as a result of catastrophe	0		
Other	110		
Changes in market price	993		
Total impairments for PPE charged to reserves	**1,103**		
Total Impairments of Property, Plant and Equipment	**1,584**	**0**	**481**
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
Loss as a result of catastrophe	0		0
Other	0		0
Changes in market price	0		0
Total charged to Annually Managed Expenditure	**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
Loss as a Result of a Catastrophe	0		0
Other (Free text note required)*	0		0
Changes in Market Price	0		0
Total charged to Annually Managed Expenditure	**0**		**0**
Total impairments of Inventories	**0**	**0**	**0**
Total Impairments charged to Revaluation Reserve	1,103		
Total Impairments charged to SoCNE - DEL	0	0	0
Total Impairments charged to SoCNE - AME	481		481
Overall Total Impairments	**1,584**	**0**	**481**
Of which:			
Impairment on revaluation to "modern equivalent asset" basis	**0**	0	0

14 Commitments

14.1 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**	127
Intangible assets	**0**	0
Total	**0**	127

15 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	827	0	738	0
Balances with Local Authorities	446	0	2,466	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	602	0	3,359	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	438	0	15,097	0
At 31 March 2013	**2,313**	**0**	**21,660**	**0**
prior period: 2011-12				
Balances with other Central Government Bodies	569	0	881	0
Balances with Local Authorities	416	0	3,601	0
Balances with NHS Trusts and Foundation Trusts	2,012	0	10,335	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	619	6	12,092	0
At 31 March 2012	**3,616**	**6**	**26,909**	**0**

16 Inventories

	Drugs £000	Consumables £000	Energy £000	Work in progress £000	Loan Equipment £000	Other £000	Total £000
Balance at 1 April 2012	**0**	**0**	**0**	**0**	**15**	**18**	**33**
Additions	0	0	0	0	0	0	**0**
Inventories recognised as an expense in the period	0	0	0	0	(1)	(7)	**(8)**
Write-down of inventories (including losses)	0	0	0	0	0	0	**0**
Reversal of write-down previously taken to SoCNE	0	0	0	0	0	0	**0**
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	**0**
Balance at 31 March 2013	**0**	**0**	**0**	**0**	**14**	**11**	**25**

17.1 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	**1,429**	2,377	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**0**	0	**0**	0
Non-NHS receivables - revenue	**0**	0	**0**	0
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**150**	263	**0**	6
Provision for the impairment of receivables	**(2)**	(33)	**0**	0
VAT	**0**	0	**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	**736**	1,009	**0**	0
Total	**2,313**	3,616	**0**	6
Total current and non current	**2,313**	3,622		
Included above:				
Prepaid pensions contributions	**0**	0		

The great 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.

17.2 Receivables past their due date but not impaired

	31 March 2013 £000	31 March 2012 £000
By up to three months	**660**	899
By three to six months	**92**	328
By more than six months	**40**	187
Total	**792**	1,414

17.3 Provision for impairment of receivables

	2012-13 £000	**2011-12 £000**
Balance at 1 April 2012	**(33)**	(20)
Amount written off during the year	**18**	20
Amount recovered during the year	**14**	0
(Increase)/decrease in receivables impaired	**(1)**	(33)
Balance at 31 March 2013	**(2)**	(33)

18 Cash and Cash Equivalents

	31 March 2013 £000	31 March 2012 £000
Opening balance	**5**	6
Net change in year	**(1)**	(1)
Closing balance	**4**	5
Made up of		
Cash with Government Banking Service	**4**	1
Commercial banks	**0**	3
Cash in hand	**0**	1
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**4**	5
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**4**	5
Patients' money held by the PCT, not included above	**17**	16

19 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	420	230	0	0	0	0	0	0	0	**650**
Plus assets classified as held for sale in the year	225	475	0	0	39	0	0	4	0	**743**
Less assets sold in the year	(225)	(475)	0	0	(39)	0	0	(4)	0	**(743)**
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	(50)	0	0	0	0	0	0	0	**(50)**
Balance at 31 March 2013	**420**	**180**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**600**
Liabilities associated with assets held for sale at 31 March 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
										0
Balance at 1 April 2011	420	230	0	0	0	0	0	0	0	**650**
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	**0**
Less assets sold in the year	0	0	0	0	0	0	0	0	0	**0**
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	**420**	**230**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**650**
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

The closing figures relate to Victoria House, the sale did not proceed as expected in 2012/13. The property will be transferred to NHS Property Services Ltd.

20 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		
NHS payables - revenue	**3,072**	10,828	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**597**	0	**0**	0
Family Health Services (FHS) payables	**5,224**	4,995		
Non-NHS payables - revenue	**214**	127	**0**	0
Non-NHS payables - capital	**765**	1,288	**0**	0
Non-NHS accruals and deferred income	**4,121**	3,046	**0**	0
Social security costs	**68**	75		
VAT	**0**	0	**0**	0
Tax	**182**	79		
Payments received on account	**0**	0	**0**	0
Other	**7,417**	6,471	0	0
Total	**21,660**	26,909	**0**	0
Total payables (current and non-current)	**21,660**	**26,909**		

21 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	**331**	0	229	0	0	0	0	0	102	0
Arising During the Year	**1,160**	0	0	0	0	950	0	0	210	0
Utilised During the Year	**(74)**	0	(58)	0	0	0	0	0	(16)	0
Reversed Unused	**(13)**	0	0	0	0	0	0	0	(13)	0
Unwinding of Discount	**10**	0	7	0	0	0	0	0	3	0
Change in Discount Rate	**0**	0	0	0	0	0	0	0	0	0
Transferred (to)/from otherPublic Sector bodies	**0**	0	0	0	0	0	0	0	0	0
Balance at 31 March 2013	**1,414**	**0**	**178**	**0**	**0**	**950**	**0**	**0**	**286**	**0**
Expected Timing of Cash Flows:										
No Later than One Year	**784**	**0**	**55**	**0**	**0**	**650**	**0**	**0**	**79**	**0**
Later than One Year and not later than Five Years	**436**	**0**	**104**	**0**	**0**	**300**	**0**	**0**	**32**	**0**
Later than Five Years	**194**	**0**	**19**	**0**	**0**	**0**	**0**	**0**	**175**	**0**

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:	
As at 31 March 2013	0
As at 31 March 2012	0

New provisions relate to continuing care redress claims, and personal liability claim

22 Contingencies

	31 March 2013 £000	31 March 2012 £000
Contingent liabilities		
Equal Pay	**0**	0
Other employee liability claims	**(11)**	(11)
Amounts Recoverable Against Contingent Liabilities	**0**	0
Net Value of Contingent Liabilities	**(11)**	(11)
Contingent Assets		
Contingent Assets	**0**	0
Net Value of Contingent Assets	**0**	0

The Net Contingent Liability relates to three employee liability claims which are being handled by the NSHLA

23 PFI and LIFT - additional information

There are no PFI or LIFT schemes

24 Impact of IFRS treatment - 2012-13

There is no impact on the accounts for IFRS

25 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 list.

Currency risk

The PCT 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.

25.1 Financial Assets	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0			**0**
Receivables - NHS		1,429		**1,429**
Receivables - non-NHS		736		**736**
Cash at bank and in hand		4		**4**
Other financial assets	0	0	0	**0**
Total at 31 March 2013	**0**	**2,169**	**0**	**2,169**
Embedded derivatives	0			0
Receivables - NHS		2,288		2,288
Receivables - non-NHS		1,098		1,098
Cash at bank and in hand		5		5
Other financial assets	0	0	0	0
Total at 31 March 2012	0	3,391	0	3,391

The gifted shares in Hoople Ltd have been considered with regard to IAS39 (Financial Instruments and Recognition), given the value of the shares the PCT has accounted for the gifted shares as an immaterial gifted asset, these shares were returned to Hoople on the abolition of the PCT on 31st March 2013.

25.2 Financial Liabilities	At 'fair value through profit and loss' £000	Other £000	Total £000
Embedded derivatives	0		**0**
NHS payables		3,072	**3,072**
Non-NHS payables		18,588	**18,588**
Other borrowings		0	**0**
PFI & finance lease obligations		0	**0**
Other financial liabilities	0	0	**0**
Total at 31 March 2013	**0**	**21,660**	**21,660**
Embedded derivatives	0		0
NHS payables		10,889	10,889
Non-NHS payables		16,020	16,020
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	0	0
Total at 31 March 2012	**0**	26,909	26,909

26 Related party transactions 2012-13

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Herefordshire Primary Care Trust.

The Department of Health is regarded as a related party. During the year Herefordshire PCT has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

	Debtors	Creditors	Income	Expenditure
	£'000	£'000	£'000	£'000
West Midlands Strategic Health Authority	0	0	1,065	0
2gether NHS Foundation Trust	71	399	14	17,263
Birmingham Children's Hospital NHS Foundation Trust	0	0	0	990
Birmingham East & North PCT	291	0	329	22,706
Gloucestershire PCT	40	21	44	144
Gloucestershire Hospitals NHS Foundation Trust	0	65	0	7,466
University Hospital Birmingham NHS Foundation Trust	144	0	0	3,902
Worcester Acute Hospital NHS Trust	0	339	17	5,210
Worcestershire Health and Care NHS Trust	6	0	0	569
Worcestershire PCT	180	120	683	613
Wye Valley NHS Trust	259	955	1,786	127,336
West Midlands Ambulance Service NHS Foundation Trust	0	173	0	6,135

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

Related Party	Purpose of transaction	£'000	Crs £'000
Herefordshire Unitary Authority	Purchase of Community Care	6,531	2,087
HM Revenue & Customs	Payment of Income Tax etc.	1,963	244
NHS Pensions Scheme	Payment of Superannuation	3,833	178

During the year, the PCT undertook transactions with Hoople Ltd in which the PCT had a 17% shareholding. On the abolition of the PCT, these shares were returned to Hoople Ltd. The value of the transactions during the year is income £228k and expenditure £2,870k.

A number of GPs are members of the PCT board and/or the Clinical Commissioning Group Board. The total amount of transactions made with their Practices are detailed below:-

	£'000
Dr I Tait	1,131
Dr A Watts	1,303
Dr S Ghazawy	524
Dr A Black	996
Dr C Fisher	557

J Newton, Chair of the PCT, has declared that she received a payment of £2,940 as director of Principles in Partnership from Herefordshire Council

S Penny became a lay member of the Clinical Commissioning Group on 1st November 2012 and was also HR lead for West Mercia Cluster for the year. From 1st November 2012 to 31st March 2013 payments were made to Dinedor Associates of which the contribution recharged to Herefordshire PCT was £8,732.

Dr Tait, PCT Board and Clinical Commissioning Group member, has declared that his wife is an associate dentist with a dental surgery that the PCT has transactions with. The value of these transactions is £35,895.

Dr Fisher has received payments for work with Wye Valley Trust, who the PCT have transactions with as notified above.

Paul Edwards, Associate Director Integrated Commissioning, has declared he is a Foundation Trust Governor at Gloucestershire Hospitals NHS Foundation Trust, who the PCT have transactions with as notified above.

26 Related party transactions - 2011/12

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Herefordshire Primary Care Trust.

The Department of Health is regarded as a related party. During the year Herefordshire PCT has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are :

	Debtors	Creditors	Income	Expenditure
	£'000	£'000	£'000	£'000
West Midlands Strategic Health Authority	0	0	1,770	12
2gether NHS Foundation Trust	339	344	51	17,146
Birmingham Children's Hospital NHS Foundation Trust	0	229	0	899
Birmingham East & North PCT	195	0	261	23,860
Gloucestershire PCT	30	0	32	180
Gloucestershire Hospitals NHS Foundation Trust	0	978	0	8,465
University Hospital Birmingham NHS Foundation Trust	5	1,089	0	4,507
Worcester Acute Hospital NHS Trust	3	1,226	1	5,102
Worcestershire Health and Care NHS Trust	0	89	138	637
Worcestershire PCT	123	366	15	482
Wye Valley NHS Trust	1,576	5,041	3,168	125,398
West Midlands Ambulance Service NHS Trust	0	22	0	21

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

Related Party	Purpose of transaction	£'000	Crs £'000
Herefordshire Unitary Authority	Purchase of Community Care	8,865	771
HM Revenue & Customs	Payment of Income Tax etc.	2,351	147
NHS Pensions Scheme	Payment of Superannuation	4,010	313

During the year, the PCT undertook transactions with Hoople Ltd in which the PCT has a 17% shareholding. The value of the transactions during the year is £986k.

A number of GPs are members of the PCT board and/or the Clinical Reference Group and the Clinical Commissioning Group Board. The total amount of transactions made with their Practices are detailed below:-

	£'000
Dr I Tait	1,108
Dr A Watts	1,407
Dr S Ghazawy	1,476
Dr A Black	884

J Newton, Chair of the PCT, has declared that she received a payment of £3,500 as chair designate of West Mercia Cluster

S Mead, Non Executive Director of the PCT, has declared that her husband has served as non executive director of West Midlands SHA and West Mercia Cluster during the year to March 2012 for which he received remuneration of £7,800.

J Rogers, Non Executive Director of the PCT, has declared that her husband served as independent chair of the standards committee of Herefordshire Council from 1st April to 31st July 2011 for which he received remuneration of £1,501.

S Owen, Dentistry Clinical Governance Lead on the Clinical Reference Group, is a dental practitioner whose practice is a Primary Dental Service and has received payments from the PCT totalling £644,585 in 2011/12. Mr Owen operates from premises leased from the PCT for which a value of £36,504 was received in 2011/12.

Dr Tait, PCT Board and Clinical Commissioning Group member, has declared that his wife is an associate dentist with a dental surgery that the PCT has transactions with. The value of these transactions is £16,974.

The PCT has also received revenue payments from a number of charitable funds, certain of the trustees for which are also members of the PCT board. The audited accounts / the summary financial statements of the Funds Held on Trust are available as a separate report.

27 Losses and special payments

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

	Total Value of Cases £s	Total Number of Cases
Special payments - Extra Contractual	750,000	1
Total losses	0	0
Total special payments	750,000	1
Total losses and special payments	750,000	1

In year the PCT had a contractual dispute between Herefordshire PCT and an external provider of healthcare services, this was settled through a compromise agreement in the sum of £750k

There were no reported losses or special payments in 2011/12

28 Third party assets

The PCT held £17,113 cash and cash equivalents at 31st March 2013 on behalf of a patient (£16,521 at 31 March 2012). This is not an asset of the PCT and has been excluded from the balances reported in the accounts.

29 Pooled budget

The PCT has entered into pooled budget arrangements with Herefordshire County Council. Under the arrangement funds are pooled under s75 of the NHS Act 2006 for activities as follows: Adult Social Care and NHS Continuing Healthcare, Integrated Community Equipment, Kington Community Hospital and Children with Complex Needs.

As a commissioner of healthcare services, the PCT makes contributions to the pools, which are then used to purchase healthcare services. The PCT accounts for its share of the income and expenditure of the pools as determined by the pooled budget agreements.

The PCT's shares of the income and expenditure handled by the pooled budget in the financial year were as below.

	2012-13 £000	2011-12 £000
Adult Social Care and CHC	13,549	12,940
Kington Community Hospital	643	642
Integrated Community Equipment	223	231
Children with Complex Needs	430	392
	14,845	**14,205**

30 Cashflows relating to exceptional items

There were no exceptional items.

31 Events after the end of the reporting period

The main functions carried out by Herefordshire PCT in 2012/13 are to be carried out in 2013/14 by the following public sector bodies:-

Herefordshire Clinical Commissioning Group (CCG) will take over the responsibility for the commissioning of the majority of secondary healthcare with the exception of services transferring to the National Commissioning Board and the Local Authority. The CCG will continue to hold the budget for GP Prescribing. A revenue budget of circa £204m and liabilities totally £12.7m will transfer to the CCG.

The National Commissioning Board will be responsible for specialist healthcare purchasing, and primary care services provided by General Practitioners, Dentists, Opticians and dispensing contractors. A revenue budget of circa £80m and liabilities of £4m will transfer to the Commissioning Board.

Public Health Services will transfer to Herefordshire Council with a revenue budget of circa £7m

The remaining assets and liabilities of the PCT will transfer as follows:-

	£'000
Wye Valley NHS Trust	14,570
2gether NHS Foundation Trust	6,429
NHS Property Services Ltd	3,674
Department of Health	(3,717)

Certain assets have transferred to NHS Property Services, Wye Valley NHS Trust, 2gether NHS Foundation Trust on 1st April 2013. These were considered operational at the year end, and so have not been impaired in the PCT books. It is for the successor body to consider whether, in 2013-14, it is necessary to review these for impairments.

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.

nb: sign and date in any colour ink except black

Signed.....Designated Signing Officer

Name: Lesley Murphy

Date 4.6.13

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.

nb: sign and date in any colour ink except black

4.6.13 .....Date.....Signing Officer

4/6/13 .....Date .....Finance Signing Officer

HEREFORDSHIRE PRIMARY CARE TRUST

ANNUAL GOVERNANCE STATEMENT 2012/13

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer and Chief Executive, 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 organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

Herefordshire Primary Care Trust, known as NHS Herefordshire, has established robust accountability arrangements within the organisation to oversee the system of internal control. The Board Assurance Framework, which sets out the organisation's principal risks and objectives, is a key document for keeping the Board informed of significant risks.

The PCT works closely with other healthcare organisations within the local health economy, NHS Midlands and East (SHA), the local and regional teams of the NHS Commissioning Board and other partner organisations in Hereford. Risk and control issues are considered and reviewed with these organisations as appropriate.

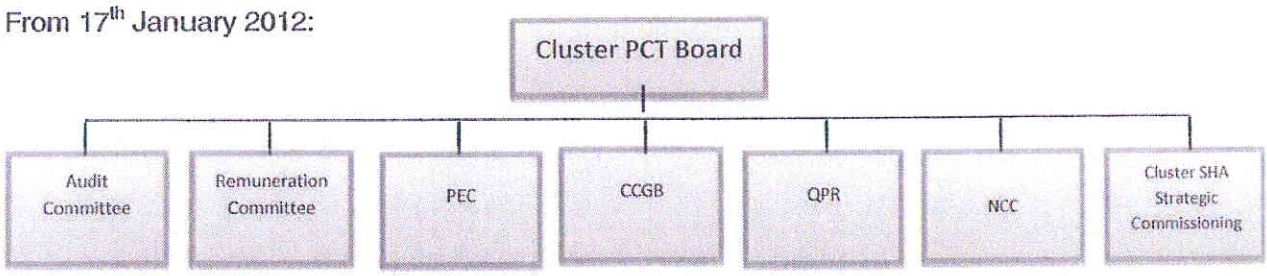
2. The Governance Framework of the Organisation

NHS Herefordshire forms part of the West Mercia Cluster of PCTs, the revised governance arrangements for which were approved at the inaugural West Mercia Cluster PCTs board meeting on 17th January 2012. NHS Herefordshire remains the statutory body covering its registered population until 31 March 2013.

The governance structure for the PCT has changed during the year to reflect the arrangements for the local offices of the NHS Commissioning Board. Within the West Mercia Cluster of PCTs, Herefordshire and Worcestershire joined with Coventry and Worcestershire PCTs to form a local office area whilst Shropshire and Telford and Wrekin PCTs joined with Staffordshire to form another local area. In order to facilitate this new working arrangement, the Cluster Board has held meetings focusing on Herefordshire and Worcestershire in the South of the area.

During the year the Board has met eight times as the West Mercia Cluster Board and attendance of Board members is shown in the table in Annex 1.

From 17th January 2012:



The sub-committee structure of the Cluster PCT Board is as follows:

- Audit Committee (held concurrently for all PCTs) provides assurance to the Board that the organisation's overall internal control/governance system operates in an adequate and effective way. The Committee's work focuses not only on financial controls, but also risk management and clinical governance controls.
  Hoople provides some transactional financial support services to the PCT, they provide assurance on the work they undertake through their own governance processes thus ensuring their work satisfies audit requirements.
- Remuneration Committee (held concurrently for all PCTs) recommends to the Board appropriate salaries, payments and terms & conditions of employment.
- Quality Performance and Resources Committee (QPR) (held concurrently for all PCTs) provides assurance to the Board that the PCT is meeting its performance targets, commissioning high quality services and using its resources wisely.
- National Commissioning Committee (NCC) (held concurrently for all PCTs) provides assurance to the Board that the PCT is meeting its performance in primary care and commissioning high quality services.
- Clinical Commissioning Group Boards (CCGB) (held individually for each CCG in the cluster area) provides assurance to the Board that they are undertaking delegated authority for commissioning as outlined in the scheme of delegation.
- Clinical Reference Group (PEC) (held individually for each PCT in the cluster area) is chaired by a local GP and is made up of a majority of clinical members: GPs, Nurses and Allied Health Professionals working in Herefordshire. The Committee provides clinical advice and assurance to the Board.
- Strategic Commissioning (held on East and West SHA Cluster footprint) which oversees the commissioning of low volume, high value strategic commissioning decisions.

Membership of these sub committees of the PCT Board is outlined in the terms of reference and attendance at these meetings is recorded in the minutes of each meeting.

Corporate Governance is the system by which the PCT Board directs and controls the organisation at the most senior level in order to achieve its objectives and meet the necessary standards of accountability and probity. Using a risk management mechanism, the PCT Board brings together the various aspects of governance; corporate, clinical, financial, and information to provide assurance on its direction and control across the whole organisation in a co-ordinated way. The co-ordinating body for receiving assurance on these strands of governance is the Audit Committee, which oversees integrated governance on behalf of the PCT Board. In addition the other sub committees also oversee the risks within their specific remits, providing assurance to the Audit Committee where appropriate.

Board members take their responsibilities for corporate governance very seriously and endeavour to maintain high standards of business conduct. Details of all Board members' interests are recorded in the Register of Members' Interests, available as part of the Annual Report and this practice has been adopted by members of the Clinical Commissioning Group Governing Body. Members declare interests in items under discussion at meetings when appropriate and are conscious of their role in upholding and maintaining public confidence in the NHS.

The PCT Board complies with the Corporate Code of Governance and a demonstration of this is by individual Board members affirming their compliance with the Codes of Accountability and Codes of Conduct for the NHS when declaring their interests as well as the values of accountability, probity and openness.

During the year members of the Board reviewed their effectiveness and the operation of Board meetings and the changes proposed, which centred on the development of the CCGs across the Cluster and which latterly reflected the Cluster split, have been incorporated in to the agenda planning and organisation of subsequent Board and sub-committee meetings.

The Board has also reviewed arrangements for the transition, handover and closedown of the PCTs with reports to the meetings in July, September and November 2012 and January and March 2013. The Audit Committee has considered the Transfer Schemes documentation and the return was signed off by the Audit Committee Chair. Risks identified as part of the transition process have been added to the strategic risk register and those not addressed by the end of the financial year have been handed over to the relevant successor organisation. A formal handover meeting was held on 11 October 2012 between the outgoing Chief Executive of the PCT and the incoming NHS Commissioning Board Area Team Director who is also the PCT Chief Executive for the remainder of the financial year. Quality handover meetings have also been held with receiver organisations including the NHS Herefordshire Clinical Commissioning Group, Local Authority (for Public Health) and NHS Commissioning Board.

In line with the Department of Health requirements, the Director of Finance has made arrangements for the preparation and audit of the PCT's accounts following closedown on the 31 March 2013. These include securing the agreement of appropriate non-executive members of the Board to serve on an Audit Committee and arranging for Hoople to undertake the financial closedown and final accounts preparation.

3. Risk Assessment

3.1 Capacity to Handle Risk

As Chief Executive I have overall responsibility for risk management within Herefordshire Primary Care Trust. The West Mercia Cluster Director of Nursing has delegated management responsibility for clinical risk in 2012/13 and is supported by the Clinical Governance GP lead. The Director of Finance has delegated management responsibility for financial risk. I, as Chief Executive, have responsibility for the implementation of organisational risk management, with support from the Board Secretary and Corporate Risk lead.

The Risk Management and Assurance Policy, the Risk Management and Assurance Guidance and the Incident Reporting Policy clearly describe the responsibilities of all Herefordshire Primary Care Trust staff appropriate to their authority and duties, and are used as the framework for risk management training. Members of the Board have attended specific training in risk management and there is an on-going

programme of risk assessment training for managers and all staff. Risk management and incident reporting is included in the general induction arrangements for all staff and it is also included in the mandatory training update, following which attendees must complete a work booklet.

Anonymised data from incidents and risk assessments are used in the training to support sharing and learning. Networking externally, particularly with the Strategic Health Authority Patient Safety Action Team, Regional Quality Network and the National Patient Safety Agency ensures lessons learnt regionally and nationally inform local policies and procedures and good practice is shared across Herefordshire Primary Care Trust.

A copy of the current strategic risk register (as at 31 March 2013) is attached as Annex 2.

3.2 The Risk and Control Framework

The revised Risk Management and Assurance Policy is an integrated document shared with Herefordshire Council. The policy strengthens risk management to achieve the balance between under-managing risks and over-managing them. It also promotes opportunity management alongside risk management. The Policy sets out the strategic aim, commitment to and objectives of a single integrated risk management process. The Policy clearly identifies the accountability, leadership and responsibilities for risk management throughout the two organisations.

In support of the Policy there is updated Risk Management and Assurance Guidance, which is intended to be used by all levels of staff and guides the reader through the five steps of managing risks. It contains the risk scoring matrix which enables users to ensure that risks are scored consistently so that priority can be given to the risks that could hinder the achievement of objectives. It also explains what an Assurance Framework is and lists where sources of assurance can be obtained. In support of opportunity management it provides an opportunity scoring matrix with associated management response.

In respect of the organisations major risks they are managed as follows:

Risk	Management	How outcomes were assessed
Financial	Monitored through Quality and Performance Committee. Monthly finance reports identify major financial risks together with mitigating actions	Continual monitoring with mitigating actions
Capacity and capability	Review of existing structures e.g. Integrated	Continual review by Board through Directors and

	Commissioning	Joint Management Team
Implications of an ageing population	Monitoring of existing population and trend analysis and predictive modelling through the Strategic Commissioning Plan	Monitored via Quality and Performance Committee
Safeguarding	Safeguarding Board	Safeguarding Board
Transition work	Monitored through progress reports to the Board	Timetable and timelines set and measured
Clinical	Monitored through Quality and Performance Committee	Quality and Performance report – provides assurance of continual monitoring and mitigating actions where required

The PCT has a quality assurance framework which details the committee structure and quality assurance processes and activities undertaken to provide Board assurance of the quality (including patient safety, clinical effectiveness and patient experience) of the services the PCT commissions and the process to ensure any required actions are taken to mitigate risk. The clinical and quality current risks and mitigating actions are detailed in the NHS Herefordshire risk register.

The system of risk control, forms part of the PCT's system of internal control and is defined in the Risk Management and Assurance policy through to the Board Assurance Framework which is reviewed at each Board meeting.

The risk control system facilitates the assessment of risk by:

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

3.3 Risk Assessment

Following assessment, identified risks which cannot be managed locally are included on the Risk Register. Any high ranking risks and those which can impact on whether Herefordshire Primary Care Trust meets a key objective are included on the Board Assurance Framework and reported to the Board. The Assurance Framework outlines Herefordshire Primary Care Trust's objectives and the risks which may hinder achievement of these objectives. It contains those risks assessed and scored as extreme which could impact on Herefordshire Primary Care Trust achieving its

objectives. Additional information on these risks is required to be reported to the Board. The Assurance Framework provides assurance about those risks which are being managed effectively. It will also identify objectives at risk because of gaps in controls or assurance. Where there is a gap in control or assurance a more detailed action plan is put in place and monitored.

The Board has reviewed the Assurance Framework throughout the year. The Board Assurance Framework is presented at each of the Board's public meetings having been scrutinised by the Audit and Assurance Committee which is chaired by a Non-Executive Director and is placed on the Herefordshire Primary Care Trust public website. The PCT Board has responsibility for determining the strategic direction of the organisation and has created the environment and structures for risk management to operate effectively. It provides leadership to the risk management process and is also actively involved in identifying risks to achieving its corporate objectives and keeping them under regular review. The Audit and Assurance Committee, reviews the relevant risk register and Assurance Framework. Any risks which impact on partner organisations are discussed with them to manage the risk appropriately. The Board Assurance Framework also incorporates relevant risks identified in the Partnership Assurance Framework to ensure a whole system approach and provision of a comprehensive hierarchy of registers. This ensures a common understanding and approach to risk mitigation measures.

The following details are recorded for each risk recorded on a risk register:

- risk category
- risk description
- inherent risk
- existing controls
- risk grading with controls
- and gaps in controls
- actions to reduce the risk to an acceptable level
- amendments.

Where necessary the actions include the identification of budgets and resources to facilitate their implementation.

A risk management process is in place to identify and manage information risks. This consist of proactive risk assessments on key information assets, investigation of information related incidents and review of information related complaints. The standard of information security is continually increasing and the information governance training programme has significantly increased staff awareness and compliance with PCT policies. It has also increased awareness of the need to report incidents but these have not highlighted any major weakness in our information security standards.

All incidents are investigated and reported in accordance with Department of Health guidelines. During 2012/13 there have been no corporate serious incidents for NHS Herefordshire relating to data loss or confidentiality breaches reported to the Information Commissioner.

Summary of other personal data related incidents – 2012-13	
Nature of Incident	**Total**
Loss/theft of inadequately protected electronic equipment, devices or paper documents from secured NHS premises	0
Loss/theft of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises	0
Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
Unauthorised disclosure	0
Other	0

4. Review of the Effectiveness of Risk Management and Internal Control

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 the internal audit work. 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. My review is also informed by:

- The work programme of Internal Audit and, in particular, their opinion on the system of internal control and the Board Assurance Framework. **The Head of Internal Audit opinion is that substantial assurance can be given that there is a generally sound system of internal control on key financial and management processes. These are designed to meet the PCT's objectives and controls are generally being applied consistently.** Personal involvement in the Board and relevant sub-committees.
- Reviews with the Strategic Health Authority and NHS Commissioning Board on performance issues.
- Specific risk data reports, such as incidents, complaints or claims which also focus on positive aspects as well as any learning opportunities.
- For commissioned services and independent contractors specific risk data is received from providers including incident reports, complaints and performance reports and are monitored through contract monitoring and quality review groups and enhanced by quality assurance visits.
- Counter Fraud and Security Management assurance

- Formal reports from Herefordshire Primary Care Trust's Internal and External Auditors.
- Wye Valley Trust Internal Auditor's report on payroll services.
- Provider's registration with the Care Quality Commission.
- The final submission of the Information Governance Toolkit.

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 and Assurance Committee and Quality and Performance Committee.

The Board regularly reviews progress against the risks identified in the Assurance Framework, to ensure that identified actions are implemented in a timely manner. The Audit and Assurance Committee has regularly reviewed the Assurance Framework, receives reports on assessments undertaken by Herefordshire Primary Care Trust's internal and external auditors and monitors Herefordshire Primary Care Trust's system of financial control. This includes follow up of outstanding audit report recommendations. Directors and senior managers have specific responsibilities in respect of the Assurance Framework and more generally in maintaining internal control systems.

5. Significant Control Issues

As a result of the processes and assurances described above (including the Head of Internal Audit Opinion for the year) it is my opinion that there are no significant issues that need to be detailed in the Annual Governance Statement.

6. Conclusion

As Accountable Officer, and based on the review process outlined above, I can confirm that the Annual Governance Statement is a balanced reflection of the actual controls position and there are no significant issues identified for the PCT.

Mrs Lesley Murphy - Accountable Officer

NHS Herefordshire

Signature:.....

Date: 4.6.13.....

Annex 1

Name	April 24 2012 Xtr (Shr PCT)	May 22 2012 Xtr (Shr PCT)	May 29 2012	July 24 2012	Sept 25 2012	Nov 27 2012	Jan 29 2013	March 19 2013	Total
Jo Newton	√	√	√	√	√	√	√	√	8
Andrew Mason	√	x	√	√	√	√	√	√	7
Helen Herritty	√	√	√	√	√	√	√	√	8
Susan Mead	√	√	√	√	√	√	√	√	8
Margaret Jackson	n/a	n/a	√	√	√	√	√	√	6
Bryan Smith	√	x	√	n/a	n/a	n/a	n/a	n/a	2
William Hutton	√	x	√	√	x	√	√	√	6
Louise Lomax	√	√	√	√	√	√	√	x	7
Rob Parker	√	x	x	√	√	√	x	√	5
Eamonn Kelly	√	x	√	x	√	√	n/a	n/a	4
Lesley Murphy	n/a	n/a	n/a	n/a	n/a	n/a	x	√	1
Brian Hanford	x	√	√	√	√	√	√	√	7
Ian Tait	x	x	x	√	x	x	√	x	2
Anthony Kelly	x	x	x	x	x	x	x	x	-
Richard Harling	x	x	√	√	√	√	√	x	5
Sarah Aitken	√	x	x	x	n/a	n/a	n/a	n/a	1
Elizabeth Shassere	n/a	n/a	n/a	n/a	x	x	x	√	1
Sue Doheny	√	√	√	√	√	√	√	√	8
Dr Kiran Patel	x	x	x	x	x	n/a	n/a	n/a	-
Dr Martin Lee	n/a	n/a	n/a	n/a	n/a	√	√	√	3

NHS Herefordshire | NHS Shropshire County Primary Care Trust | NHS Telford and Wrekin | NHS Worcestershire

West Mercia Cluster

BOARD ASSURANCE FRAMEWORK

					Risk Rating before Controls					Risk Rating after Controls						Target Risk Rating				
Risk Reference Number	Opened	Purpose and Cluster Corporate/ Strategic Objective	Type of Risk: F-Financial, R-Reputational, E-Environmental, H-Public Health, HS-Health & Safety, L-Legal, Q&S - Quality & Safety	Risk Description	Likelihood (Probability)	Consequence (Severity)	Risk Score	Existing Controls in Place	**Assurances on Controls	Likelihood (Probability)	Consequence (Severity)	Residual Risk Score	Positive Assurance Y/N	Gaps in Controls/ Assurance	Corrective Action/ Action Plan (incl cost of mitigation and target date)	Likelihood (Probability)	Consequence (Severity)	Residual Risk Score	Risk Owner
BAF0 01	June 2012 Board 26.6.12	1: To ensure improvement in the quality and safety of services and patient experience during 2012/13.		Loss of key personnel may have a detrimental impact on our ability to maintain quality and safety	5	4	20	Resilience Plans; Legacy documents; Robust risk registers; Quality Assurance Frameworks in CCGs; Appoint CCG Staff	Confirm and challenge meetings with CCGs; Risk Registers; Workforce	4	3	12	N	All CCGs having adequate governance in place for assurance	Ensure plans are in place for business continuity. Confirm and challenge meetings with each CCG	3	3	9	ML/SD
				The requirement for QIPP efficiencies may compromise quality aspects	4	4	16	QIAs; Robust governance for monitoring	Medical Directors & Directors of Nursing meetings; Confirm & Challenge	3	3	9	N	QIAs are not consistently being monitored in each local Health Economy	QIPP Boards and support from Cluster; CCG leadership of QIPP	1	3	3	ML/SD
				Not meeting CDiff targets in Worcestershire	5	4	20	CCG and provider action plans to mitigate against the risk	HCAI Forum in place, external reviews	5	3	15	N	Target for WHAT already missed	Health economy group working to action plan to ensure minimum cases for remainder of year	3	5	15	ML/SD
				High SHMI in Herefordshire	5	3	15	CCG and provider action plan in place.	HSMR showing month on month reductions	3	3	9	Y	Monitoring of action plan and granularity of detail being monitored	Mortality group established to ensure robust governance in place	2	3	6	ML/SD
				Failure to implement effectively the SHA ambitions relating to avoidable pressure ulcers, MECC, improving the quality of primary care and the development of the patient revolution.	4	3	12	Cluster and CCG QPR's; Board sign off of implementation plans; Monitoring systems in place; Allocation of ear marked resources through Board/SHA approved transformational funds	Project Management HW Task & Finish; QIA Tied into contracts where appropriate;SHA performance framework	2	3	6	N	Effective programme management with associated risks; Feasibility of pressure ulcers target	Ensure all have robust action plans in place; Benchmarking performance relative to national and international standards	2	5	10	ML/SD

BAFO 04	June 2012 Board 26.6.12	To provide effective leadership and support to staff		Loss of executive and senior management capacity	5	4	20	1-2-1 process; HR transition plan, delegation of functions to CCG's and CSS's	Appointment of LAT Executive structure and CCG Executive Teams.	4	3	12	Y			2	2	4	LM	CCGs NCB
				Operational integrity and performance compromised as staff are distracted/over burdened with focus on transition and supporting emerging organisations	4	4	16	Relentless Exec team focus; Contract Monitoring, CCG confirm and Challenge	SHA performance regime	1	3	3	Y	None	NA	1	3	3	LM	CCGs NCB
				Failure to recruit neccessary leadership capacity and capability into the LAT	4	4	16	LAT structures developed and recruitment process has begun.	Process complete	1	4	4	Y	None	NA	1	4	4	LM	NCB
				Accountability of existing and emerging organisations unclear as delegations increase	3	3	9	Production of map of statutory functions from cluster to CCGs and other emerging organisations (work already completed)	Cluster Board review	2	3	6	Y		Cluster Board	1	3	3	BH	CCGs NCB
BAFO 05	June 2012 Board 26.6.12	Ensure each of the 4 PCTs meet statutory financial duties and controls targets	F.R.L	Failure to deliver running costs targets	2	2	4	PCT monthly reporting to SHA	Monthly reporting cycle subject to internal audit	2	2	4	Y	NHS Herefordshire management budget action plan	Consider re-running of VR scheme in Herefordshire	2	2	4	BH	N/A
				Provider financial positions having negative impact on whole health and social care systems	4	3	12	Adherence to the national contract including utilising SHA contract disutes resolution processes where appropriate.	SHA authorised use of Transformation Fund	2	2	4	Y	Acute providers falling behind on agreed trajectories linked to gaining FT status.	CCG governance process and contractual monitoring of main providers. National Trust Development Authority established for non FT providers.	2	2	4	BH	NTDA
BAFO 06	June 2012 Board 26.6.12	Deliver effective Cluster and System wide leadership		Risk of organisational behaviour leading to silo working and lack of co-operation (effective system for working across health and local government	4	4	16	Board to Board Challenge. Requirements in System plan, Local joint working arrangements	Reports to Board	3	3	9	Y	Lack of clarity about how to work together effectively in new commissioning system	Transition to shadowingnew organisational model required through delegation to CCGs and new LAT teams	2	2	4	LM	CCGs NCB LAs
				Disconnect between NHS and Local authorities as H&WBBs develop their responsibilities for healthcare	2	3	6	Public Health, CCG and Cluster representation on HAWBB	Minutes and reports to Board	1	2	2	Y	LAT Executive still determining who will lead on representing the CB on each HAWB	AD to agree repreentation with team after initially attending each HAWB	1	2	2	LM	LAs CCGs
				Key leadership roles will remain unfilled in emerging and existing organisations	1	3	3	Early appointment to roles (note virtually all roles are now filled). Only external NCB roles are not.	Exec reviews progress	1	3	3	Y	No need for further action	No need for further action	1	3	3	SP	CCGs NCB

AUDITORS' REPORT TO A PRIMARY CARE TRUST

INDEPENDENT AUDITORS' REPORT TO THE ACCOUNTABLE OFFICER FOR HEREFORDSHIRE PRIMARY CARE TRUST

We have audited the financial statements of Herefordshire Primary Care Trust for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements 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 applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes on page 30;
- the table of pension benefits of senior managers and related narrative notes on page 31; and
- the pay multiples narrative and related narrative notes on page 31.

This report is made solely to the Accountable Officer for Herefordshire PCT in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Signing Officer and Finance Signing Officer, and auditors

As explained more fully in the Statement of Responsibilities in respect of the accounts, the Signing Officer and Finance Signing Officer are responsible for overseeing the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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.

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In our opinion, 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.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; 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 report by exception

We report to you if :

- in our opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the Trust, or an officer of the Trust, 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

We have nothing to report in these respects

Conclusion on the PCT's 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 Trust 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 Trust; and
- our locally determined risk-based work on transition.

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

Certificate

We certify that we have completed the audit of the accounts of Herefordshire PCT in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

James Cook

James Cook
Senior Statutory Auditor
for and on behalf of Grant Thornton LLP

Grant Thornton LLP
Colmore Plaza
20 Colmore Circus
BB4 6AT

6 June 2013