

NATIONAL HEALTH SERVICE ACT 2006

Summarised Accounts of the Strategic Health Authorities, Primary Care Trusts and NHS Trusts for the year ended 31 March 2010.

Presented to Parliament pursuant to Schedule 15 Section 7 (6)(b) of the National Health Service Act 2006

# NHS (England) Summarised Accounts 2009-2010

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# NHS (England) Summarised Accounts 2009-2010

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# Annual Report

## Introduction

- 1 The summarised accounts for the NHS, and all analysis in this annual report, are based on the underlying audited accounts of individual NHS organisations, and relate to the period 1 April 2009 to 31 March 2010. The Comptroller and Auditor General (C&AG) is responsible for auditing each of the summarised accounts. In 2009-2010, audited figures were received from the following
  - 10 Strategic Health Authorities (SHAs);
  - 121 NHS Trusts in England (including NHS Direct); and
  - 152 Primary Care Trusts in England (PCTs).
- 2 The Prescription Pricing Division of the NHS Business Services Authority separately provides audited figures for pharmaceutical services. These figures have been included in the PCT Summarised Account.
- 3 There were no in-year mergers in the SHA or PCT sectors during 2009-2010.
- 4 Fourteen NHS Foundation Trusts (FTs) were established during 2009-2010, with two coming into existence on 1 April 2009 and the remaining 12 established as the year progressed. As each FT was established, the corresponding NHS Trust was dissolved. The NHS Trust Summarised Account therefore includes accounting entries for the 12 FTs that came into being after 1 April 2009, but only for the period they operated as NHS Trusts. The number of FTs will continue to increase in 2010-2011.
- 5 FTs are not subject to direction by the Secretary of State for Health but instead are subject to directions from the Independent Regulator (Monitor) with the approval of Treasury. They are also accountable to their local community, and, under the relevant sections of the Health and Social Care (Community Health and Standards) Act 2003, are required to lay their accounts individually before Parliament. Monitor is responsible for both producing the FT Consolidated Account and for laying this account before Parliament.
- 6 The Accounting Officer responsible for the NHS Summarised Accounts (namely the NHS Chief Executive) has taken all reasonable steps to ensure that he is aware of all relevant audit information, and to establish that the auditors of the NHS Summarised Accounts are aware of any such relevant audit information.

## Review of NHS financial performance in 2009-2010

- 7 The NHS Operating Framework for 2009-2010 recognised the significant improvement in the financial health of the NHS and the firm foundations that this provided going forward. As intended, the NHS has started to deploy, in a planned and managed way, the surplus built up in PCTs and SHAs that was brought forward to 2009-2010. The NHS continues to demonstrate strong financial performance in the majority of its organisations.
- 8 The audited accounts for 2009-2010 show that the NHS (excluding Foundation Trusts) recorded an overall year end operating surplus of £1.5 billion<sup>1</sup>, with every SHA area reporting a significant surplus. This surplus was in line with the 2009-2010 Operating Framework.
- 9 A healthy operating surplus in both the PCT and NHS Trust<sup>1</sup> sectors means that legacy debt continues to reduce, and working capital loans issued by the Department continued to be repaid. However, three organisations missed a repayment on their working capital loans. These were West Middlesex University Hospitals, North West London Hospitals and Whipps Cross University Hospital. Discussions are continuing between the Department and London SHA as to the appropriate action to be taken.
- 10 The 2010-11 NHS Operating Framework states that the aggregate surplus from 2009-2010 will be carried forward into 2010-2011. This surplus will continue to be deployed in a planned and managed way, ensuring that PCTs and SHAs have flexibility in their spending plans that provide the capability to manage risk and

<sup>1</sup> The NHS Trust Summarised Account reports a £164.7 million retained surplus before impairments of non-current assets. Impairments of non-current assets do not score against funding for patient care, and are excluded for financial performance purposes.

volatility in the challenging times ahead. In support of this, SHAs must ensure that PCTs do not recurrently commit the totality of their recurrent funding, such that 2 per cent of recurrent funding is only ever committed non recurrently.

## Format of the accounts

- 11 Both the requirement to submit summarised accounts to the Department, and the format of those accounts, is clearly specified in legislation
- Section 232, Schedule 15, National Health Service Act 2006: requires all NHS organisations in England to prepare and submit annual accounts to the Department of Health. These annual accounts must be audited by auditors appointed by the Audit Commission.
  - Section 232, Schedule 15 also requires the Secretary of State for Health to prepare summarised accounts (by sector) based on the individual accounts submitted by NHS organisations, and the Accounting Officer to sign these summarised accounts. The Act also requires the C&AG to examine, certify and report on the summarised accounts, and permits him to examine the underlying accounts of individual organisations, along with any records or audit reports relating to them.
  - The 2006 Act also removed the requirement for the Secretary of State to prepare summarised accounts in respect of special health authorities.
- 12 The format of the summarised accounts is consistent with that of the respective underlying accounts of individual organisations. As SHAs and PCTs receive the majority of their income directly from Government, both their individual and summarised accounts will include an Operating Cost Statement. NHS Trusts derive the majority of their income from 'trading activities', so their accounts include a Statement of Comprehensive Income as one of their primary financial statements.
- 13 In accordance with the Government Finance Reporting Manual NHS bodies adopted International Financial Reporting Standards (IFRS) in respect of financial statements prepared for 2009-2010 and future years. The summarised accounts had previously been prepared under UK Generally Accepted Accounting Principles (UK GAAP). 2008-2009 comparative figures have been restated where they appear in the summarised accounts and the annual report, except where the 2008-2009 figures relate to performance measures originally set under UK GAAP, namely:
- Revenue Resource Limit (PCTs and SHAs);
  - Cash Limit (PCTs and SHAs);
  - External Financing Limit (NHS Trusts);
  - Capital Resource limit (CRL) (all bodies);and
  - Better Payment Practice Code (all bodies).
- It is not therefore possible to compare the 2008-2009 comparators directly with the published 2008-2009 NHS Summarised Accounts.
- 14 NHS bodies with more than 250 employees are required to include disclosures about their policies in respect of disabled employees, including a description of action taken to maintain or develop the provision of information to, and consultation with, employees. This should contain any relevant information regarding health, safety and welfare at work. Where applicable these disclosures are included in the Annual Reports of the individual organisations.
- 15 In addition, the required disclosures for the following items can be found in the Annual Reports of the underlying NHS bodies:
- data loss incidents;
  - auditors' remuneration in respect of non-audit services;
  - management commentary;

- asset values;
- the legislative, regulatory, operational and external environment in which the entity operates;
- environment, social and community issues;
- key performance indicators relating to employee matters and environment; and
- the interests of board members.

## Remuneration Report

16 The Treasury Financial Reporting Manual requires organisations to disclose details of the remuneration and pension entitlements of their most senior managers. Given the number of individual accounts which support the summarised account for each sector, it is not practicable for this Annual Report to aggregate these details for all relevant employees.

## Pension Liabilities

17 The treatment of pension liabilities is detailed in the following notes to the accounts:

- Note 1.13 in the SHA Summarised Account;
- Note 1.6 in the Summarised Account of the NHS Trusts; and
- Note 1.16 in the PCT Summarised Account.

## Sickness Absence

18 The sickness absence figures reported below are for the period January 2009 – December 2009 inclusive, this being the latest data available.

<b>Totals by Organisation Type</b>	<b>Total number of full time equivalent days lost to sickness absence</b>	<b>Total number of full time equivalent years available</b>	<b>Average number of days' sickness absence per full time equivalent</b>
Strategic Health Authorities	16,080	3,224	5.0
Primary Care Trusts	1,978,345	202,579	9.8
NHS Trusts	2,276,473	234,792	9.7

To avoid potential distortion of the figures, NHS Trusts that achieved Foundation Trust status during the financial year have been excluded. The data for NHS Trusts therefore relates to the 109 NHS Trusts still in existence at 31 March 2010.

## Strategic Health Authorities

19 SHAs are statutory bodies responsible for the performance management of the NHS, acting as local headquarters on behalf of the Department of Health. Their role therefore includes the performance management of NHS Trusts and PCTs.

## Financial Duties of Strategic Health Authorities

20 SHAs have three main financial duties:

- a To contain resource expenditure, measured on an accruals basis, within approved revenue resource limits (a statutory duty).

- b To contain cash expenditure within approved limits (a statutory duty).
- c To contain capital expenditure, measured on an accruals basis, within approved capital resource limits (a statutory duty).

### Overall Financial Performance of Strategic Health Authorities in 2009-2010

- 21 In 2009-2010 (as in 2008-2009), all 10 SHAs achieved their statutory financial duties to remain within approved revenue resource, capital resource and cash limits. The SHAs reported a £1,013 million under-spend against the revenue resource limit (2008-2009: £1,055 million under-spend) and a £694,000 under-spend against the capital resource limit (2008-2009: £2 million under-spend).

### Better Payment Practice Code – Strategic Health Authorities

- 22 The percentage of bills paid in compliance with the better payment practice code in 2009-2010 is as follows:

Table 1

	Number of Strategic Health Authorities			
	By number of bills		By value of bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95 per cent and 100 per cent	8	6	9	10
Between 85 per cent and 94.9 per cent	2	4	1	0
Between 75 per cent and 84.9 per cent	0	0	0	0
Less than 75 per cent	0	0	0	0
Total	10	10	10	10
Overall Performance 2009-2010 ( per cent)	95.9	95.1	97.1	98.5

In 2008-2009 SHAs paid 93.5 per cent of their non-NHS bills and 93.7 per cent of their NHS bills by number, and 94.8 per cent non-NHS bills and 97.6 per cent NHS bills by value within 30 days/contracted terms. The improved performance in 2009-2010 is in the context of SHAs processing and paying over 176,000 invoices during the year. Currently all SHAs must meet a Better Payment Practice Code target of paying 95 per cent of bills within contract terms or 30 days where no terms are agreed.

- 23 The Department of Health works with poor performing SHAs to achieve and maintain a level of payment performance consistent with Managing Public Money regulations and the Better Payment Practice Code.
- 24 Further details on the Better Payment Practice Code can be found at [www.payontime.co.uk](http://www.payontime.co.uk).

### Primary Care Trusts

- 25 PCTs first came into existence in April 2000, and are responsible for the commissioning of health care on behalf of their resident population. Most PCTs also provide healthcare and community services to their population.
- 26 In 2002-03, PCTs took responsibility for the full range of commissioning activities, the majority of which were previously undertaken by Health Authorities. Any commitments relating to financial recovery plan arrangements entered into by predecessor Health Authorities were also devolved to PCTs.

### Financial Duties of Primary Care Trusts

- 27 PCTs have four main financial duties:
- a To contain revenue expenditure, measured on an accruals basis, within approved revenue resource limits (a statutory duty).



- b To contain cash expenditure within approved limits (a statutory duty).
- c To contain capital expenditure, measured on an accruals basis, within approved capital resource limits (a statutory duty).
- d PCTs that have a provider function are required to recover the full cost of those functions (not a statutory duty but an accounting requirement).

### Overall Financial Performance of Primary Care Trusts in 2009-2010

- 28 In 2009-2010 PCTs reported a revenue resource limit under-spend of £323 million (2008-2009: £448 million under-spend).
- 29 PCTs reported an aggregate under-spend of £13 million on the capital resource limit, compared to an under-spend of £26 million in 2008-2009.
- 30 The overall 2009-2010 revenue position comprises 146 PCTs (2008-2009: 151 PCTs) reporting an aggregate under-spend of £362 million (2008-2009: £455 million) and 4 PCTs (2008-2009: 1 PCT) reporting an over-spend of £39 million (2008-2009: £7 million). 2 PCTs reported an exactly balanced position in 2009-2010 (2008-2009: 0 PCTs).
- 31 125 PCTs reported an aggregate capital under-spend of £22 million (2008-2009: £26m) with 1 PCT reporting an over-spend of £9 million (2008-2009: £nil). 26 PCTs reported neither an under nor over-spend.
- 32 In 2009-2010 there were 7 PCTs (2008-2009: 3 PCTs) with provider functions that did not fully recover their costs from income provided by commissioners.

### Better Payment Practice Code – Primary Care Trusts

- 33 The percentage of bills paid in compliance with the better payment practice code in 2009-2010 is as follows:

Table 2

	Number of Primary Care Trusts			
	By number of bills		By value of bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95 per cent and 100 per cent	51	32	66	133
Between 85 per cent and 94.9 per cent	84	54	65	17
Between 75 per cent and 84.9 per cent	13	37	18	1
Less than 75 per cent	4	29	3	1
Total	152	152	152	152
Overall Performance 2009-2010 ( per cent)	91.5	84.1	92.2	97.7

- 34 In 2008-2009, PCTs paid 88.3 per cent of their non-NHS bills and 80.1 per cent of their NHS bills by number, and 89.5 per cent of non-NHS bills and 96.3 per cent of NHS bills when measured by value within 30 days/contracted terms. The improved 2009-2010 performance is in the context of PCTs processing and paying over 5.4 million invoices during the year. Currently all PCTs are required to meet a Better Payment Practice Code target of paying 95 per cent of bills within contract terms or 30 days where no terms have been agreed.
- 35 SHAs monitor the performance of individual PCTs and work with poor performing organisations to achieve and maintain a level of payment performance consistent with Managing Public Money regulations and the Better Payment Practice Code.
- 36 Further details on the Better Payment Practice Code can be found at [www.payontime.co.uk](http://www.payontime.co.uk).

## NHS Trusts

- 37 NHS Trusts were established under the National Health Service and Community Care Act 1990 as amended by the National Health Service Act 2006 and are responsible for the provision of health care. They receive most of their income from commissioners (mainly PCTs).

## Financial Duties of NHS Trusts

- 38 NHS Trusts have five main financial duties, which are:

- a To ensure that revenue is not less than sufficient, taking one year with another, to meet outgoings properly chargeable to the revenue account. This is the prime financial duty for NHS Trusts (a statutory duty).

This is known as the break-even duty and NHS Trusts normally plan to meet this duty by achieving a balanced position on their Statement of Comprehensive Income each and every year. However, the duty is to break-even 'taking one financial year with another'. This provides a degree of flexibility about the time-scale for matching income with those costs whose incidence is uneven, such as early retirement and clinical negligence, and when managing the recovery of an NHS Trust with serious financial difficulties.

This duty is assumed to have been met if a material cumulative deficit (arising after 1 April 1997) on the Statement of Comprehensive Income is recovered over a three year period (starting and including the year that the NHS Trust first goes into material cumulative deficit). A deficit is regarded as material if it exceeds more than 0.5 per cent of total annual turnover.

Exceptionally, and with the express agreement of the relevant SHA, the recovery period can be extended to five years, (starting and including the year that the NHS Trust first goes into material cumulative deficit).

- b A duty to break-even each and every year (a departmental/regulatory duty).
- c A requirement to absorb the cost of capital at a rate of 3.5 per cent of average relevant net assets (3.5 per cent in 2008-09) (a departmental/regulatory duty).
- d To remain within the External Financing Limit (EFL) set for each NHS Trust by the Department of Health (a departmental/regulatory duty).
- e To remain within the Capital Resource Limit (CRL) set for each NHS Trust by the Department of Health (a departmental/regulatory duty).

## Overall Financial Performance of NHS Trusts in 2009-2010

- 39 Before the impact of impairments of non-current assets, NHS Trusts reported an operating surplus of £165 million (2008-2009: £312m surplus). Impairments of non-current assets do not score against funding for patient care, and are excluded for financial performance purposes.

After the impairment of non-current assets is taken into account, NHS Trusts reported a retained deficit of £1,385 million (2008-2009: £117m deficit).

- 40 In the quarterly financial and service performance report on the NHS, The Quarter, Q4 of 2009-2010, NHS Trusts will be reporting a surplus of £195m. This is after adjusting for both impairments and service concession arrangements under IFRIC12.
- 41 Impairments of non-current assets result when assets fall in value, either because there has been a deterioration in the service potential of an asset beyond normal depreciation, or because of price reductions in the wider economy. An impairment can either be charged against the revaluation surplus for the asset, to the extent that there is a surplus against that asset in the reserves, or, where there is not such a revaluation surplus, (or there is insufficient to cover the impairment), it is charged to expenditure.

NHS Trusts are required to carry their assets at fair value, which must be kept up to date, and were required to adopt a new valuation approach for their non-current assets in either 2008-2009 or 2009-2010. Under this, the

valuation is applied to a modern equivalent asset, rather than to the asset that actually exists. Both this change of approach and the price falls in the wider economy have been the major causes of 2009-2010 impairments.

- 42 Before the impact of impairments of non-current assets, the operating surplus comprises 105 NHS Trusts reporting an aggregate surplus of £290 million (122 Trusts and £398 million in 2008-2009) and 15 NHS Trusts reporting an aggregate deficit of £125 million (27 Trusts and £86 million in 2008-2009). One Trust reported an exactly balanced position (2008-2009: 0 Trusts).
- 43 After the impact of impairments of non-current assets is taken into account, there were 37 NHS Trusts reporting an aggregate surplus of £78 million (96 Trusts and £263 million in 2008-2009) and 84 NHS Trusts reporting an aggregate deficit of £1,463 million (53 Trusts and £380 million in 2008-2009).
- 44 27 Trusts (2008-2009: 23) are in their 5th year, or more, of recovering a cumulative deficit and have therefore breached their statutory financial duty to break-even 'taking one financial year with another'.
- 45 NHS Trusts reported an aggregate under-spend of £158 million against the capital resource limit, compared to an under-spend of £126 million in 2008-2009.
- 46 The performance of NHS Trusts against their financial duties is analysed below

Table 3<sup>2</sup>

	Number	Percentage
<b>Total NHS Trusts</b>	121	100
<b>NHS Trusts Achieving Targets:</b>		
<b>Capital Absorption Rate</b>		
Total achieving 3.5 per cent or more <sup>2</sup>	54	50
After adjusting for immaterial results <sup>2</sup>	107	98
<b>External Financing Limit</b>		
Total meeting limit	117	97
After adjusting for de minimis overshoots <sup>3</sup>	117	97
<b>Capital Resource Limit</b>		
Total meeting limit	118	98
After adjusting for de minimis overshoots <sup>4</sup>	120	99

Analysis of the 2009-2010 results show that:

- (a) Excluding the impact of impairments, 15 Trusts (27 in 2008-2009) had an income and expenditure deficit – 12 per cent of all NHS Trusts (18 per cent in 2008-2009).
- (b) There were 27 statutory break-even duty failures (23 in 2008-2009).
- (c) 55 did not make a 3.5 per cent return on capital (compared to 17 in 2008-2009) – 45 per cent of all NHS Trusts (13 per cent in 2008-2009).<sup>3</sup>
- (d) 4 overshoot their EFL (5 in 2008-2009) – 3 per cent of all NHS Trusts (3 per cent in 2008-2009).<sup>4</sup>
- (e) 3 overshoot their CRL (4 in 2008-2009) – 2 per cent of all NHS Trusts (3 per cent in 2008-2009).<sup>5</sup>
- 47 When non-material failures are discounted
- (a) Excluding the impact of impairments, 9 (16 in 2008-2009) had an income and expenditure deficit (a operating deficit of more than 0.5 per cent of total annual revenue) – 7 per cent of all NHS Trusts (11 per cent in 2008-2009).

2 Source: Analysis of the 2009-2010 audited summarisation schedules of individual NHS Trusts by Department of Health

3 A shortfall on the rate of return duty of less than 0.5 per cent is treated as immaterial. The 14 Trusts that achieved Foundation Trust status in 2009-2010 have been excluded from the Capital Absorption Rate analysis

4 An EFL overshoot of less than £10,000 is treated as being within de minimis limits

5 A CRL overshoot of less than £50,000 is treated as being within de minimis limits

- (b) 2 (7 in 2008-2009) did not make a 3.5 per cent return on capital – 2 per cent of all NHS Trusts (6 per cent in 2008-2009).<sup>2</sup>
- (c) 4 (4 in 2008-2009) overshot their EFL – 3 per cent of all NHS Trusts (3 per cent in 2008-2009).<sup>3</sup>
- (d) 1 (3 in 2008-2009) overshot their CRL – 1 per cent of all NHS Trusts (2 per cent in 2008-2009).<sup>4</sup>
- 48 The 12 NHS Trusts that achieved Foundation Trust status part way through the year had the opportunity to set their EFL and CRL control totals to match the charge against the EFL and CRL incurred during the part of the year that they were NHS Trusts.
- 49 The achievement of the capital cost absorption duty is an annual measure. As a result, the NHS Trusts that achieved Foundation Trust status part way through the year did not achieve 3.5 per cent and have been excluded from the cost absorption figures in Table 3.

### Better Payment Practice Code – NHS Trusts

50 The percentage of bills paid in compliance with the better payment practice code in 2009-2010 is as follows:

Table 4

	Number of NHS Trusts			
	By number of bills		By value of bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95 per cent and 100 per cent	29	17	31	31
Between 85 per cent and 94.9 per cent	49	28	47	24
Between 75 per cent and 84.9 per cent	15	25	18	23
Less than 75 per cent	28	51	25	43
Total	121	121	121	121
Overall Performance 2009-2010 ( per cent)	82.0	70.5	84.2	77.0

- 51 In 2008-2009 NHS Trusts paid 84.1 per cent of their non-NHS bills and 72.8 per cent of their NHS bills by number, and 84.5 per cent of non-NHS bills and 80.4 per cent of NHS bills when measured by value within 30 days or contracted terms. The performance in 2009-2010 is in the context of NHS Trusts processing and paying circa 6.7 million invoices during the year. Currently all NHS Trusts must meet a Better Payment Practice Code target of paying 95 per cent of bills within contract terms or 30 days where no terms have been agreed.
- 52 SHAs monitor the performance of individual NHS Trusts and work with poor performing organisations to achieve and maintain a level of payment performance consistent with Managing Public Money regulations and the Better Payment Practice Code.
- 53 Further details on the Better Payment Practice Code can be found at [www.payontime.co.uk](http://www.payontime.co.uk).

### Conclusion

- 54 The NHS has come a long way in recent years to improve its finances – tackling deep-rooted problems and putting better transparency and rigour in the system. The NHS continues to record a healthy surplus, which will be used to continue to improve services for patients in the context of a modern health service. In 2009-2010 the NHS has again ended the year in a strong financial position and this improves its ability to respond to the challenge in public finances going forward.

## Action taken by the Strategic Health Authorities in cases where NHS bodies face serious financial difficulties

- 55 The Department is continuing to work through SHAs to ensure that all organisations reporting a deficit in 2009-10, or forecasting a deficit in 2010-2011, are developing recovery plans to return to financial balance whilst maintaining and improving services.

*Sir David Nicholson KCB CBE*  
Accounting Officer

7 July 2010

# Summarised Account of the Strategic Health Authorities

## Statement of Secretary of State's and Accounting Officer's responsibilities

Section 232 of schedule 15 of the National Health Service Act 2006 requires the Secretary of State to prepare summarised accounts for each financial year in the form and on the basis determined by the Treasury.

The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and present a true and fair view of the state of affairs of Strategic Health Authorities at the year end and their operating costs, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury has appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of the Strategic Health Authorities. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in *Managing Public Money*.

## Statement on Internal Control 2009-2010

This statement is given in respect of the Summarised Account for National Health Service Strategic Health Authorities (SHAs).

### Scope of responsibility

As Accounting Officer for the Department of Health Request for Resources 1, I acknowledge my personal overall responsibility for ensuring SHAs maintain an effective system of internal control that supports the achievement of their policies, aims and objectives and that they review the effectiveness of that system.

### Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The extent to which SHAs had these processes in place during the financial year 2009-2010 and up to the dates of the approval of their annual reports and accounts is set out in the analysis below.

### Capacity to handle risk

SHAs provided effective leadership and management of risk processes within their organisations through board ownership and delegation of responsibilities to lead directors supported by governance, audit, risk management and other sub-committees. Additionally they have wider responsibilities for ensuring NHS Trusts and PCTs have effective risk management arrangements in place.

SHAs made staff aware of their responsibilities through establishing clear policies and procedures and incorporating risk responsibilities into individuals' personal objectives related to the SHA business objectives. They also provided training on risk, in some instances mandatory, with an emphasis placed on continuing professional development.

### The risk and control framework

To help me fulfil my responsibilities as set out above, I appointed the Chief Executive of each SHA as an Accountable Officer who is held responsible for the maintenance and operation of the system of internal control in that body. Guidance has been issued to SHAs describing the principles to be applied to the identification, evaluation and control of risk. For 2009-2010 all SHAs were required to have in place Assurance Frameworks that set out the strategic and high level directorate objectives mapped to the key risks, the controls in place to manage them and to describe how the board has gained assurance that the controls are effective. As part of this process SHAs were required to identify gaps in controls and/or assurance arrangements and provide evidence that these had been or were being addressed.

SHAs described their own Assurance Frameworks in their Statements on Internal Control (SICs) and provided comments on their risk management processes in planning and across all activities and how they had developed a risk management culture and shared information across the local health economy and with other agencies.

In view of the importance of information governance and security across the public sector, the NHS has policies and procedures to provide assurances regarding the processing of person identifiable information, particularly in the transfer of information within organisations and to outside locations. All NHS organisations

- identify a Senior Information Risk Owner at Board level;
- explicitly include how risks to information are being managed and controlled in their annual statements on internal control; and



- include details of any serious untoward incidents involving loss data loss or confidentiality breach in their annual reports.

I made an assessment of the quality of the Assurance Frameworks against a number of criteria and by taking into consideration the SHA Head of Internal Audit opinions. This showed that at 31 March 2010 every SHA was providing evidence that a system of internal control was in place and had been for the full year.

### Review of effectiveness

I draw my major source of assurance on the SHAs' systems of internal control from SICs signed by Accountable Officers in support of the accounts for each SHA.

Each SHA has its own Head of Internal Audit who gives an opinion on the organisation's system of internal control. These opinions are drawn on by SHAs in their SICs that are included in their annual reports.

The SICs are subject to scrutiny by auditors appointed by the Audit Commission who comment if the statement is misleading or inconsistent with other information of which they are aware from their audit.

I have gained further assurance by examining the SHAs' Assurance Frameworks, that provide much of the evidence in support of the Accountable Officers' statements, to determine whether they are fit for purpose. I have also identified any inconsistencies between each SHA SIC and

- the external audit opinion; and
- the SHA Head of Internal Audit opinion.

Accountable Officers gain their assurances from a range of sources. These include

- executive managers who have responsibility for the development and maintenance of the system of internal control;
- the work of their internal auditors, who work to the NHS internal audit standards;
- other internal reviewers, for example clinical auditors;
- external reviewers; and
- audit committees, risk management committees, governance committees and other board committees.

Inconsistencies were identified in six SHAs' SICs where they had not disclosed controls and assurance gaps identified in the Assurance Frameworks. One SHA had disclosed a serious untoward data incident in its SIC, but had concluded that it had no significant control issues. SHAs have been reminded of the need to make appropriate and consistent disclosures.

I also gain assurance from reports made by the Audit Commission on the work of the auditors they have appointed at NHS bodies, the national reports made by the National Audit Office on NHS issues, and reports made by the Care Quality Commission.

### Significant control issues

Three SHAs disclosed three significant control issues. Two related to serious untoward data security incidents and the third to an inconsistency between policy and practice for a Patient Safety Action Team's reporting deadlines. Remedial action has been taken in all cases.

## Conclusion

The maintenance of Assurance Frameworks, with all ten SHAs assessed as having systems of internal control in place, has provided a robust structure and consistency across the NHS for the public assurances about how organisations are managing their risks.

*Sir David Nicholson KCB CBE*  
Accounting Officer

7 July 2010

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Strategic Health Authorities for the year ended 31 March 2010 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 Strategic Health Authorities' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department of Health; and the overall presentation of the financial statements.

In addition, I am 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 my 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 the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Strategic Health Authorities' affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion

- 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 I report by exception

- I have nothing to report in respect of the following matters which I report to you if, in my opinion:
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

23 July 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Operating Cost Statement for the year ended 31 March 2010

	Note	2009-2010 £000	Restated 2008-2009 £000
Staff costs	6	<b>232,834</b>	192,429
Programme costs	4	<b>5,463,379</b>	5,217,887
Less revenue	3	<b>(68,722)</b>	(70,689)
<b>Net operating costs before interest</b>		<b><u>5,627,491</u></b>	<u>5,339,627</u>
Investment income		<b>0</b>	0
Other (gains)/losses	7	<b>7</b>	0
Finance costs	8	<b>265</b>	95
<b>Net operating costs for the financial year</b>		<b><u>5,627,763</u></b>	<u>5,339,722</u>

*The notes on pages A12 to A41 form part of these accounts.*

## Statement of Financial Position as at 31 March 2010

	Note	31 March 2010 £000	Restated 31 March 2009 £000	Restated 1 April 2008 £000
<b>Non current assets</b>				
Property, plant and equipment	9	18,966	24,248	32,268
Intangible assets	10	272	432	455
Trade and other receivables	11	0	0	
<b>Total non-current assets</b>		<b>19,238</b>	24,680	32,723
<b>Current assets</b>				
Inventories		0	0	
Trade and other receivables	11	66,396	53,960	124,685
Cash and cash equivalents	21	92	91	223
<b>Current assets</b>		<b>66,488</b>	54,051	124,908
Non current assets held for sale	12	831	0	0
<b>Total current assets</b>		<b>67,319</b>	54,051	124,908
<b>Total assets</b>		<b>86,557</b>	78,731	157,631
<b>Current liabilities</b>				
Trade and other payables	13	242,002	260,978	260,517
Other liabilities	15	92	85	0
Provisions	16	18,651	21,660	11,067
Borrowings	14	0	104	93
<b>Total current liabilities</b>		<b>260,745</b>	282,827	271,677
<b>Total assets less current liabilities</b>		<b>(174,188)</b>	(204,096)	(114,046)
<b>Non-current liabilities</b>				
Trade and other payables	13	373	146	163
Provisions	16	3,884	4,209	27,138
Borrowings	14	0	0	104
Other liabilities	15	644	742	555
<b>Total non-current liabilities</b>		<b>4,901</b>	5,097	27,960
<b>Assets less liabilities</b>		<b>(179,089)</b>	(209,193)	(142,006)
<b>Financed by</b>				
<b>Taxpayers' equity</b>				
General fund		(183,517)	(215,004)	(152,935)
Revaluation reserve		4,428	5,811	10,929
<b>Total taxpayers' equity</b>		<b>(179,089)</b>	(209,193)	(142,006)

Sir David Nicholson KCB CBE  
Accounting Officer

7 July 2010

The notes on pages A12 to A41 form part of these accounts.

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2009 (Restated)

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 1 April 2008</b>	(152,935)	10,929	<b>(142,006)</b>
<b>Changes in taxpayers' equity for 2008-2009 – Restated</b>			
Net operating cost for the year	(5,339,722)	0	<b>(5,339,722)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	178	<b>178</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Gains on assets held for sale	86	0	<b>86</b>
Impairments and reversals	0	(3,290)	<b>(3,290)</b>
Release of reserves to OCS	0	0	<b>0</b>
Non-cash charges – cost of capital	(6,150)	0	<b>(6,150)</b>
Transfers between reserves	2,006	(2,006)	<b>0</b>
Transfers to/(from) other bodies within the resource account boundary	(4,043)	0	<b>(4,043)</b>
Other movements	0	0	<b>0</b>
<b>Total recognised income and expense for 2008-2009</b>	<b>(5,347,823)</b>	<b>(5,118)</b>	<b>(5,352,941)</b>
Net Parliamentary funding	5,285,754		<b>5,285,754</b>
<b>Balance at 31 March 2009</b>	<b>(215,004)</b>	<b>5,811</b>	<b>(209,193)</b>

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 1 April 2009</b>	(215,004)	5,811	<b>(209,193)</b>
<b>Changes in taxpayers' equity for 2009-2010</b>			
Net operating cost for the year	(5,627,763)	0	<b>(5,627,763)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	2,061	<b>2,061</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Gains on assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	(3,323)	<b>(3,323)</b>
Release of reserves to OCS	0	0	<b>0</b>
Non-cash charges – cost of capital	(6,798)	0	<b>(6,798)</b>
Transfers between reserves	121	(121)	<b>0</b>
Transfers to/(from) other bodies within the resource account boundary	0	0	<b>0</b>
<b>Total recognised income and expense for 2009-2010</b>	<b>(5,634,440)</b>	<b>(1,383)</b>	<b>(5,635,823)</b>
Net Parliamentary funding	5,665,927	0	<b>5,665,927</b>
<b>Balance at 31 March 2010</b>	<b>(183,517)</b>	<b>4,428</b>	<b>(179,089)</b>

The notes on pages A12 to A41 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2010

	Note	2009-2010 £000	Restated 2008-2009 £000
<b>Cash flows from operating activities</b>			
Net operating costs		(5,627,491)	(5,339,627)
Other cash flow transactions	27	334	(11,293)
Movement in working capital	26	(30,415)	71,697
Provisions utilised	16	(7,288)	(5,332)
Interest paid	8	(26)	(37)
<b>Net cash (outflow) from operating activities</b>		<b>(5,664,886)</b>	<b>(5,284,592)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(865)	(1,085)
Purchase of intangible assets	10	(71)	(116)
Proceeds of disposal of non-current assets		0	0
Payments for other financial assets		0	0
Proceeds of disposal of other financial assets		0	0
Interest received		0	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(936)</b>	<b>(1,201)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(5,665,822)</b>	<b>(5,285,793)</b>
<b>Cash flows from financing activities</b>			
Net Parliamentary funding		5,665,927	5,285,754
Other capital receipts surrendered		0	0
Capital grants received		0	0
Capital element of payments in respect of finance leases		(104)	(93)
Cash transferred (to)/from other NHS bodies		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>5,665,823</b>	<b>5,285,661</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1</b>	<b>(132)</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>91</b>	<b>223</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	21	<b>92</b>	<b>91</b>

The notes on pages A12 to A41 form part of these accounts.



# Notes to the Accounts

## 1 Accounting policies

The Secretary of State for Health has directed that the financial statements of Strategic Health Authorities shall meet the accounting requirements of the Strategic Health Authority Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the underlying and summarised financial statements have been prepared in accordance with the 2009-2010 Strategic Health Authority Manual for Accounts issued by the Department of Health. From the current year, the accounting policies contained in that manual follow International Financial Reporting Standards 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. The particular policies adopted by the Strategic Health Authority Summarised Accounts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

HM Treasury has granted a divergence from the Government Financial Reporting Manual in respect of operating segment disclosures in these accounts. Since the individual bodies making up these accounts have adopted operating segments, under IFRS 8, according to their individual circumstances, there has not been a consistent approach across the sector. Treasury therefore accept that it would not be meaningful to segment these accounts. Information specific to individual bodies can be found in their individual accounts.

In accordance with a further divergence from the Government Financial Reporting Manual granted by HM Treasury, a complete set of notes to the 1 April 2008 Statement of Financial Position is not provided.

### 1.1 Accounting conventions

This account is prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to current costs. This is in accordance with directions issued by the Secretary of State for Health and approved by Treasury. Strategic Health Authorities are not required to provide a reconciliation between current cost and historical cost surplus and deficits.

### Acquisitions and discontinued operations

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

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

In the application of the Strategic Health Authorities' accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgements and sources of estimation uncertainty of individual bodies are given in their individual accounts.

### Basis of consolidation

These accounts comprise a consolidation of 10 Strategic Health Authorities. Transactions between entities included in the consolidation are eliminated.

Where narrative disclosure is required by IFRS and it is not practical or meaningful to provide that level of detail in the summarised account the detail can be found in the individual SHA accounts.

## 1.2 Income and funding

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

Miscellaneous income is income which relates directly to the operating activities of the Strategic Health Authorities. 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.

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

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

## 1.3 Taxation

Strategic Health Authorities are 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.

## 1.4 Capital charges

A charge, reflecting the cost of capital utilised by the Strategic Health Authorities is included in operating costs. The capital charge is 3.5 per cent (2008-2009 3.5 per cent) of the net average assets less liabilities except for donated assets and cash balances with the Office of the Paymaster General (OPG) which are excluded from the calculation

## 1.5 Property, plant and 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 SHAs;
- it is expected to be used for more than one financial year; and
- 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 SHAs' 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. HM Treasury has agreed that Strategic Health Authorities must apply these new valuation requirements by 1 April 2010 at the latest. Revaluations by individual Strategic Health Authorities will have been carried out by various qualified valuers. The date of the latest revaluation and the name and details of the valuer are disclosed in the accounts of the underlying bodies.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease 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. Gains and losses recognised in the revaluation reserve are reported in the Statement of Changes in Taxpayers' Equity.

In the Property, Plant and Equipment note, in accordance with the requirements of the Strategic Health Authority Manual of Accounts, impairments recognised in revaluation reserves are presented as impairments to the cost of PPE and impairments recognised in the Operating Costs Statement are presented as an additional depreciation charge.

### **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.

## *1.6 Intangible assets*

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the SHAs' 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, an individual Strategic Health Authority; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Measurement

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

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

#### 1.7 Depreciation, amortisation and impairments

Freehold land and properties under construction 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 individual SHA expects to obtain economic benefits or service potential from the asset. This is specific to the SHA and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

Estimated lives of fixed assets held by Strategic Health Authorities fall within the following limits

- Software Licences: between 1 year and 5 years;
- Buildings excluding dwellings: between 4 years and 60 years;
- Plant and Machinery: between 2 years and 5 years;
- Transport Equipment: 5 years;
- Information Technology: between 1 year and 10 years; and
- Furniture and Fittings: between 1 year and 13 years.

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, 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.

### *1.8 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 Operating Cost Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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.

### *1.9 Inventories*

Inventories are valued at the lower of cost and net realisable value.

### *1.10 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 Strategic Health Authorities' cash management.

### *1.11 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 the SHAs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations registers at each Strategic Health Authority, which report amounts on an accruals basis with the exception of provisions for future losses.

### *1.12 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 SHAs.

The NHSLA operates a risk pooling scheme under which the Strategic Health Authorities pay 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. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Strategic Health Authorities. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Strategic Health Authorities is disclosed at note 16.

### *1.13 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.

#### **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 Strategic Health Authorities commit to the retirement, regardless of the method of payment.

Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the individual Strategic Health Authorities' accounts.

### *1.14 Research and development*

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

### *1.15 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, Strategic Health Authorities have 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 an individual Strategic Health Authority has a present legal or constructive obligation which occurs when all of the conditions attached to the payment have been met.

### *1.17 EU Emissions Trading Scheme*

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

### *1.18 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 Strategic Health Authorities, 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.

#### *1.19 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.

#### **Strategic Health Authorities as lessee**

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

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

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

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

#### **Strategic Health Authorities as lessor**

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

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

#### *1.20 Foreign exchange*

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

#### *1.21 Provisions*

Provisions are recognised when a Strategic Health Authority has a present legal or constructive obligation as a result of a past event, it is probable that the Strategic Health Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2 per cent in real terms.

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

## 1.22 Financial instruments

### **Financial assets**

Financial assets are recognised when a Strategic Health Authority becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

### **Financial assets at fair value through profit and loss**

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

### **Held to maturity investments**

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

### **Available for sale financial assets**

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



## **Loans and receivables**

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

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

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

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

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

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

## **Financial liabilities**

Financial liabilities are recognised on the Statement of Financial Position when a Strategic Health Authority becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

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

### **Financial liabilities at fair value through profit and loss**

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

### **Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

#### *1.23 Accounting standards that have been issued but have not yet been adopted*

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010-2011. None of them are expected to impact upon the Strategic Health Authority Summarised Account.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

*1.24 Accounting standards issued that have been adopted early*

No accounting standards have been adopted early that impact the Strategic Health Authority Summarised Account.

**2 Performance against revenue resource limit**

	<b>2009-2010</b>	2008-2009
	<b>£000</b>	£000
Net operating costs for the financial year	<b>5,627,763</b>	5,339,728
Revenue Resource Limit	<b>6,640,475</b>	6,394,571
<b>Under/(over) spend against revenue resource limit</b>	<b>1,012,712</b>	1,054,843

Discharge of 2008-2009 duties against financial performance measures originally set under UK GAAP have not been restated.

**3 Operating revenue**

			2009-2010	Restated 2008-2009
	<b>Appropriated In Aid</b>	<b>Not Appropriated In Aid</b>	<b>Total</b>	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
Fees and charges	<b>11,240</b>	<b>0</b>	<b>11,240</b>	8,842
Rental income from operating leases	<b>92</b>	<b>0</b>	<b>92</b>	1,234
Other	<b>11,461</b>	<b>45,929</b>	<b>57,390</b>	60,613
<b>Total operating revenue</b>	<b>22,793</b>	<b>45,929</b>	<b>68,722</b>	70,689

**4 Programme costs (excluding staff costs)**

	2009-2010	Restated 2008-2009
	£000	£000
The expenses of the authorities were as follows		
Non-executive Directors remuneration	1,003	1,006
Consultancy services	52,734	52,079
External contractors	7,647	6,614
Establishment expenses	36,250	27,901
Transport and moveable plant	1,736	1,356
Premises and non current plant	33,155	26,709
Depreciation	2,369	1,470
Amortisation	231	139
Impairments and reversals PPE	817	310
Impairments and reversals intangible	0	0
Impairment of financial assets	0	0
Impairment of receivables	28	10
Impairments and reversals for non current assets held for sale	0	0
Capital charge interest	(6,798)	(6,150)
Auditors' remuneration:		
Audit fees <sup>(1)</sup>	2,156	2,118
Other fees	391	116
Training MPET	4,536,138	4,374,030
Other	218,169	193,324
Commissioning of healthcare	326,686	289,663
High cost drugs	117,088	105,227
NHS Direct Funding	133,579	141,965
<b>Total programme costs</b>	<b>5,463,379</b>	<b>5,217,887</b>

The 2008-2009 figures have been adjusted to remove expenditure and income in relation to the Electronic Staff Records project. This was hosted by Yorkshire and Humber SHA on behalf of the Department but is funded by cash only. This is not applicable in 2009-2010.

(1) The audit fee represents the cost for the audit of the underlying financial statements and other performance work carried out by auditors appointed by the Audit Commission. The audit fee for the Summarised Accounts is included within the audit fee disclosed within the Department of Health Resource Account.

## 5 Operating leases

### 5.1 SHAs as lessee

	2009-2010	Restated 2008-2009
	£000	£000
<b>Payments recognised as an expense</b>		
Minimum lease payments	<b>13,747</b>	10,555
Contingent rents	<b>76</b>	0
Sub-lease payments	<b>0</b>	0
<b>Total</b>	<b>13,823</b>	10,555
<b>Payable</b>		
No later than one year	<b>12,413</b>	9,316
Between one and five years	<b>37,752</b>	32,858
After five years	<b>38,170</b>	32,231
<b>Total</b>	<b>88,335</b>	74,405

### 5.2 SHAs as lessor

	2009-2010	Restated 2008-2009
	£000	£000
<b>Recognised as income</b>		
Rents	<b>92</b>	1,234
Contingent rents	<b>0</b>	0
<b>Total</b>	<b>92</b>	1,234
<b>Payable</b>		
No later than one year	<b>92</b>	247
Between one and five years	<b>368</b>	368
After five years	<b>184</b>	276
<b>Total</b>	<b>644</b>	891

## 6 Employee benefits and staff numbers

### 6.1 Employee benefits

	2009-2010			Restated 2008-2009		
	Permanently Employed	Not Permanently Employed	Total	Permanently Employed	Not Permanently Employed	Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	145,453	50,386	195,839	120,504	36,749	157,253
Social security costs	15,987	297	16,284	12,291	206	12,497
Employer contributions to NHS Pensions scheme	19,977	454	20,431	16,659	335	16,994
Other pension costs	0	0	0	444	0	444
Other post employment benefits	0	0	0	0	0	0
Other employment benefits	14	0	14	17	0	17
Termination benefits	266	0	266	5,224	0	5,224
<b>Total employee benefits</b>	<b>181,697</b>	<b>51,137</b>	<b>232,834</b>	<b>155,139</b>	<b>37,290</b>	<b>192,429</b>

### 6.2 Staff numbers

	2009-2010			Restated 2008-2009		
	Permanently Employed	Not Permanently Employed	Total	Permanently Employed	Not Permanently Employed	Total
	Number	Number	Number	Number	Number	Number
<b>Total</b>	<b>3,061</b>	<b>804</b>	<b>3,865</b>	<b>2,429</b>	<b>686</b>	<b>3,115</b>

The average number of staff employed is calculated as the whole time equivalent number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year. The 'contracted hours' method of calculating the whole time equivalent number is used, which is calculated by taking the contracted hours of each employee and dividing by the standard working hours to obtain the whole time equivalent.

### 6.3 Retirements due to ill-health

One employee (2008-2009: 1) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £78,000 (2008-2009: £58,000). The cost of ill health retirements is borne by the NHS Business Services Authority, which administers the NHS Pension Scheme.

### 6.4 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.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk). 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.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows

### **a 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 to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14 per cent of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6 per cent of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5 per cent up to 8.5 per cent of their pensionable pay depending on total earnings.

### **b Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### **c Scheme provisions**

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. 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. On death, a pension of 50 per cent of the member's pension is normally payable to the surviving spouse.

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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die 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 statement of comprehensive income at the time the Trust commits itself to the retirement, regardless of the method of payment.

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

**7 Other gains and losses**

	<b>2009-2010</b>	2008-2009
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	<b>7</b>	0
Gain/(loss) on disposal of intangible assets	<b>0</b>	0
Gain/(loss) on disposal of financial assets	<b>0</b>	0
Gain/(loss) on foreign exchange	<b>0</b>	0
Change in fair value of financial assets carried at fair value through profit and loss	<b>0</b>	0
Change in fair value of financial liabilities carried at fair value through profit and loss	<b>0</b>	0
Recycling of gain/(loss) from equity on disposal of financial assets available for sale	<b>0</b>	0
<b>Total</b>	<b>7</b>	0

**8 Finance costs***8.1 Finance costs*

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Interest		
Interest on obligations under finance leases	<b>25</b>	25
Interest on late payment of commercial debt	<b>1</b>	12
Other interest expense	<b>0</b>	0
Other finance costs		
Unwinding of discount	<b>239</b>	58
Other	<b>0</b>	0
<b>Total</b>	<b>265</b>	95

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

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Amounts included in finance costs from claims made under this legislation	<b>1</b>	12
Compensation paid to cover debt recovery costs under this legislation	<b>0</b>	0



## 9 Property, plant and equipment

2009-2010	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
<b>Cost or valuation</b>									
At 1 April 2009	7,513	11,457	0	0	126	0	8,490	4,503	32,089
Additions – purchased	0	125	0	0	21	0	390	329	865
Reclassifications	0	0	0	0	0	0	0	0	0
Transferred to non-current assets held for sale	(603)	(1,205)	0	0	(21)	0	0	(25)	(1,854)
Disposals other than by sale	0	0	0	0	(40)	0	(1,421)	0	(1,461)
Revaluation/indexation gains	2,061	0	0	0	0	0	0	0	2,061
Impairments	(165)	(3,089)	0	0	0	0	0	(69)	(3,323)
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
<b>At 31 March 2010</b>	<b>8,806</b>	<b>7,288</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>7,459</b>	<b>4,738</b>	<b>28,377</b>
<b>Depreciation</b>									
At 1 April 2009	0	0	0	0	66	0	6,084	1,691	7,841
Reclassifications	0	(137)	0	0	0	0	0	0	0
Transferred to non-current assets held for sale	0	0	0	0	0	0	0	(18)	(155)
Disposals other than by sale	0	0	0	0	(40)	0	(1,421)	0	(1,461)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	404	0	0	0	0	0	413	817
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged in year	0	602	0	0	16	0	1,106	645	2,369
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>0</b>	<b>869</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>5,769</b>	<b>2,731</b>	<b>9,411</b>
<b>Net book value at 31 March 2010</b>	<b>8,806</b>	<b>6,419</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>1,690</b>	<b>2,007</b>	<b>18,966</b>
<b>Asset financing</b>									
Owned	8,806	6,419	0	0	44	0	1,690	2,007	18,966
Held on finance lease	0	0	0	0	0	0	0	0	0
	<b>8,806</b>	<b>6,419</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>1,690</b>	<b>2,007</b>	<b>18,966</b>

The opening 'cost or valuation' for land, buildings, dwellings and assets under construction is the closing net book value from the previous year. For other categories of PPE, the opening 'cost or valuation' and 'depreciation' are carried forward independently.

	2008-2009	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
<b>Restated</b>										
<b>Cost or valuation</b>										
At 1 April 2008		11,681	15,334	0	0	327	174	8,623	4,328	40,467
Additions – purchased		0	89	0	0	10	0	603	213	915
Reclassifications		0	0	0	0	0	0	0	0	0
Transferred to non-current assets held for sale		0	0	0	0	0	0	0	0	0
Disposals other than by sale		0	0	0	0	(182)	(173)	(732)	(81)	(1,168)
Revaluation/indexation gains		41	110	0	0	0	0	0	43	194
Impairments		(2,810)	(480)	0	0	0	0	0	0	(3,290)
Reversals of impairments		0	0	0	0	0	0	0	0	0
In year transfers to/from NHS bodies		(1,399)	(2,891)	0	0	(29)	(1)	(4)	0	(4,324)
<b>At 31 March 2009</b>		<b>7,513</b>	<b>12,162</b>	<b>0</b>	<b>0</b>	<b>126</b>	<b>0</b>	<b>8,490</b>	<b>4,503</b>	<b>32,794</b>
<b>Depreciation</b>										
At 1 April 2008		0	0	0	0	258	174	6,259	1,508	8,199
Reclassifications		0	0	0	0	0	0	0	0	0
Transferred to non-current assets held for sale		0	0	0	0	0	0	0	0	0
Disposals other than by sale		0	0	0	0	(182)	(173)	(732)	(81)	(1,168)
Revaluation/indexation gains		0	0	0	0	0	0	0	16	16
Impairments		0	310	0	0	0	0	0	0	310
Reversal of impairments		0	0	0	0	0	0	0	0	0
Charged in year		0	646	0	0	19	0	557	248	1,470
In year transfers to/from NHS bodies		0	(251)	0	0	(29)	(1)	0	0	(281)
<b>At 31 March 2009</b>		<b>0</b>	<b>705</b>	<b>0</b>	<b>0</b>	<b>66</b>	<b>0</b>	<b>6,084</b>	<b>1,691</b>	<b>8,546</b>
<b>Net book value at 31 March 2009</b>		<b>7,513</b>	<b>11,457</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>2,406</b>	<b>2,812</b>	<b>24,248</b>
<b>Asset financing</b>										
Owned		7,513	11,435	0	0	60	0	2,406	2,812	24,226
Held on finance lease		0	22	0	0	0	0	0	0	22
		<b>7,513</b>	<b>11,457</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>0</b>	<b>2,406</b>	<b>2,812</b>	<b>24,248</b>

The opening 'cost or valuation' for land, buildings, dwellings and assets under construction is the closing net book value from the previous year. For other categories of PPE, the opening 'cost or valuation' and 'depreciation' are carried forward independently.

## 9.1 Revaluation reserve balance for property, plant and equipment

	Land £000	Buildings £000	Equipment £000	Other £000	Total £000
At 1 April 2009	1,942	3,735	48	86	5,811
In year movements	1,971	(3,293)	0	(61)	(1,383)
<b>At 31 March 2010</b>	<b>3,913</b>	<b>442</b>	<b>48</b>	<b>25</b>	<b>4,428</b>

Note that data in respect of the Revaluation Reserve Balance for Property, Plant and Equipment was collected for the first time in 2009-2010.

## 10 Intangible non-current assets

2009-2010	Software licences £000	Total £000
<b>Cost or valuation</b>		
At 1 April 2009	800	<b>800</b>
Additions – purchased	71	<b>71</b>
Additions – internally generated	0	<b>0</b>
Reclassifications	0	<b>0</b>
Transferred to non-current assets held for sale	0	<b>0</b>
Disposals	0	<b>0</b>
Revaluation/indexation gains	0	<b>0</b>
Impairments	0	<b>0</b>
Reversal of impairments	0	<b>0</b>
In year transfers to/from NHS bodies	0	<b>0</b>
<b>At 31 March 2010</b>	<b>871</b>	<b>871</b>
<b>Amortisation</b>		
At 1 April 2009	368	<b>368</b>
Reclassifications	0	<b>0</b>
Transferred to non-current assets held for sale	0	<b>0</b>
Disposals other than by sale	0	<b>0</b>
Revaluation/indexation gains	0	<b>0</b>
Impairments	0	<b>0</b>
Reversal of Impairments	0	<b>0</b>
Charged in year	231	<b>231</b>
In year transfers to/from NHS bodies	0	<b>0</b>
<b>At 31 March 2010</b>	<b>599</b>	<b>599</b>
<b>Net book value at 31 March 2010</b>	<b>272</b>	<b>272</b>
<b>Revaluation reserve balance in respect of intangible non-current assets:</b>		
At 1 April 2009	89	
Changes in the year	(89)	
<b>At 31 March 2010</b>	<b>0</b>	

<b>Restated 2008-2009</b>	Software licences £000
<b>Cost or valuation</b>	
At 1 April 2008	706
Additions – purchased	116
Additions – internally generated	0
Reclassifications	0
Transferred to non-current assets held for sale	0
Disposals	(22)
Revaluation/indexation gains	0
Impairments	0
Reversal of impairments	0
In year transfers to/from NHS bodies	0
<b>At 31 March 2009</b>	<u>800</u>
<b>Amortisation</b>	
At 1 April 2008	251
Reclassifications	0
Transferred to non-current assets held for sale	0
Disposals other than by sale	(22)
Revaluation/indexation gains	0
Impairments	0
Reversal of Impairments	0
Charged in year	139
In year transfers to/from NHS bodies	0
<b>At 31 March 2009</b>	<u>368</u>
<b>Net book value at 31 March 2009</b>	<u>432</u>
<b>Revaluation reserve balance in respect of intangible non-current assets</b>	
At 1 April 2008	83
Changes in the year	6
At 31 March 2009	<u>89</u>

**11 Trade and other receivables***11.1 Trade and other receivables*

	<b>Current</b>	<b>Non-current</b>	Restated	
	<b>31 March 2010 £000</b>	<b>31 March 2010 £000</b>	Current 31 March 2009 £000	Non-current 31 March 2009 £000
NHS receivables	<b>37,393</b>	<b>0</b>	21,363	0
Other trade receivables	<b>5,924</b>	<b>0</b>	5,219	0
Provision for the impairment of receivables	<b>(98)</b>	<b>0</b>	(134)	0
VAT	<b>12,026</b>	<b>0</b>	0	0
Prepayments and accrued income	<b>10,715</b>	<b>0</b>	12,094	0
Other Receivables	<b>436</b>	<b>0</b>	15,418	0
<b>Total</b>	<b>66,396</b>	<b>0</b>	53,960	0

*11.2 Receivables past their due date but not impaired*

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
	By up to three months	<b>6,408</b>
By three to six months	<b>483</b>	302
By more than six months	<b>616</b>	890
<b>Total</b>	<b>7,507</b>	11,844

*11.3 Provision for impairment of receivables*

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
<b>Balance at 1 April</b>	<b>(134)</b>	(225)
Amount written off during the year	<b>64</b>	101
Amount recovered during the year	<b>10</b>	166
(Increase)/decrease in receivables impaired	<b>(38)</b>	(176)
<b>Balance at 31 March</b>	<b>(98)</b>	(134)

**12 Non-current assets held for sale**

	Land £000	Buildings, excl. dwellings £000	Dwellings £000	Other property, plant and equipment £000	Intangible assets £000	Total £000
<b>Balance brought forward at 1 April 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Plus assets classified as held for sale in the year	603	1,068	0	28	0	<b>1,699</b>
Less assets sold in the year	(415)	(446)	0	0	0	<b>(861)</b>
Less impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Plus reversal of impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	(7)	0	<b>(7)</b>
<b>Balance carried forward at 31 March 2010</b>	<b>188</b>	<b>622</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>831</b>
Liabilities associated with assets held for sale	0	0	0	0	0	<b>0</b>
<b>Balance brought forward at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Plus assets classified as held for sale in the year	0	0	0	0	0	<b>0</b>
Less assets sold in the year	0	0	0	0	0	<b>0</b>
Less impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Plus reversal of impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	<b>0</b>
<b>Balance carried forward at 31 March 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities associated with assets held for sale	0	0	0	0	0	<b>0</b>

**13 Trade and other payables**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest payable	0	0	0	
Payments received on account	1	0	3	0
NHS payables	114,678	0	144,619	0
Other trade payables	70,501	0	68,394	0
Tax	2,462	0	1,242	0
Social Security	1,850	0	1,072	0
VAT	2	0	87	0
Accruals and deferred income	45,997	0	39,460	0
Other Payables	6,511	373	6,101	146
<b>Total</b>	<b>242,002</b>	<b>373</b>	<b>260,978</b>	<b>146</b>

**14 Borrowings**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank overdraft	0	0	0	0
Finance lease liabilities	0	0	104	0
Other	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>0</b>

**15 Other liabilities**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Lease incentives	92	644	85	742
Other	0	0	0	0
<b>Total</b>	<b>92</b>	<b>644</b>	<b>85</b>	<b>742</b>

**16 Provisions**

	<b>Current</b>		<b>Non-current</b>		<b>Restated</b>	
	<b>31 March 2010</b>	<b>31 March 2010</b>	<b>31 March 2010</b>	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pensions relating to former directors	<b>24</b>	<b>548</b>	183		183	548
Pensions relating to other staff	<b>566</b>	<b>3,336</b>	644		644	3,287
Legal claims	<b>5,206</b>	<b>0</b>	8,612		8,612	374
Restructurings	<b>3,697</b>	<b>0</b>	4,972		4,972	0
Other	<b>9,158</b>	<b>0</b>	7,249		7,249	0
<b>Total</b>	<b>18,651</b>	<b>3,884</b>	21,660		21,660	4,209

	<b>Pensions relating to former directors</b>	<b>Pensions relating to other staff</b>	<b>Legal claims</b>	<b>Restructuring</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2009	731	3,931	8,986	4,972	7,249	25,869
Arising during the year	53	358	1,915	2,887	6,095	11,308
Used during the year	(66)	(415)	(2,429)	(2,423)	(1,955)	(7,288)
Reversed unused	(158)	0	(3,435)	(1,769)	(2,231)	(7,593)
Unwinding of discount	12	28	169	30	0	239
Transferred to other NHS bodies	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>572</b>	<b>3,902</b>	<b>5,206</b>	<b>3,697</b>	<b>9,158</b>	<b>22,535</b>

**Expected timing of cash flows**

In the remainder of the spending review period to 31 March 2011	24	566	5,206	3,697	9,158	18,651
Between 2012 and 2016	116	1,913	0	0	0	2,029
Between 2017 and 2021	107	1,423	0	0	0	1,530
Thereafter	325	0	0	0	0	325

£1,192,827,000 is included in the provisions of the NHS Litigation Authority at 31/03/2010 in respect of Existing Liabilities Scheme (ELS) liabilities of the Strategic Health Authorities (31/03/2009 £1,129,122,000).



**17 Contingencies**

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
<b>Contingent liabilities</b>		
Contingent liabilities	<b>(10,968)</b>	(11,003)
Amounts recoverable	<b>0</b>	0
Net value of contingent liabilities	<b>(10,968)</b>	(11,003)
<b>Contingent assets</b>	<b>9,300</b>	9,300

These contingent assets and liabilities have not been accrued in this account due to uncertainty over the ultimate outcome. The contingent asset relates to a VAT reclaim submitted under the Conde Naste ruling in respect of transactions between 1973 and 1995. If the claim is successful the proceeds will be distributed to the NHS organisations to which the original transactions relate, hence there is a contingent liability for the same value. The remaining balance of contingent liabilities relate to Agenda for Change grade reviews, college pension costs for former NHS Employees, redundancies, asbestos claims and claims on LTPS schemes.

**18 Capital commitments**

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	<b>0</b>	1,200
Intangible assets	<b>0</b>	0
<b>Total</b>	<b>0</b>	1,200

**19 Finance lease obligations**

	<b>Minimum lease payments 31 March 2010 £000</b>	<b>Present value of minimum lease payments 31 March 2010 £000</b>	Minimum lease payments 31 March 2009 £000	Restated Present value of minimum lease payments 31 March 2009 £000
Amounts payable under finance leases				
Within one year	<b>0</b>	<b>0</b>	117	104
Between one and five years	<b>0</b>	<b>0</b>	0	0
After five years	<b>0</b>	<b>0</b>	0	0
Less future finance charges	<b>0</b>	<b>0</b>	(13)	0
Present value of minimum lease payments	<b>0</b>	<b>0</b>	104	104
Included in				
Current borrowings		<b>0</b>		104
Non-current borrowings		<b>0</b>		0
		<b>0</b>		104

## 20 Financial Instruments

### *Financial risk management*

The Strategic Health Authority summarised account includes the accounts of 10 underlying NHS bodies. It is within the underlying accounts of these 10 NHS bodies that detailed disclosures have been made. The following paragraphs provide an overview of the major financial risks for Strategic Health Authorities and how they are managed at the individual level.

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 Strategic Health Authorities 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 Strategic Health Authorities' expected purchase and usage requirements and the Strategic Health Authorities are therefore exposed to little credit, liquidity or market risk.

### *Currency risk*

Strategic Health Authorities are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. Strategic Health Authorities have no overseas operations and therefore have low exposure to currency rate fluctuations.

### *Interest rate risk*

The great majority of the Strategic Health Authorities' financial assets and financial liabilities carry nil or fixed rates of interest. Strategic Health Authorities are not, therefore, exposed to any significant interest rate risk.

### *Credit risk*

Since the majority of Strategic Health Authorities' income comes from Parliamentary Funding, they have low exposure to credit risk.

### *Liquidity risk*

Strategic Health Authorities are required to operate within limits set by the Secretary of State for the financial year, and draw down funds from the Department of Health as the requirement arises. Strategic Health Authorities are not, therefore, exposed to significant liquidity risks.

### *Market risk*

Strategic Health Authorities do not operate in an open market and therefore are not exposed to significant market risk.

### *Fair values*

The fair values of financial assets and financial liabilities for Strategic Health Authorities approximates to their book values.

**21 Cash and cash equivalents**

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
Balance at 1 April	<b>91</b>	223
Net change in year	<b>1</b>	(132)
<b>Balance at 31 March</b>	<b>92</b>	91
<b>Made up of</b>		
Cash with Office of HM Paymaster General	<b>84</b>	84
Commercial banks and cash in hand	<b>8</b>	7
Current investments	<b>0</b>	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>92</b>	91
Bank overdraft	<b>0</b>	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>92</b>	91

**22 Related party transactions**

Strategic Health Authorities are bodies corporate established by order of the Secretary of State for Health. The Department of Health is regarded as a controlling related party. During the year Strategic Health Authorities had a significant number of material transactions with the Department and potentially with other entities for which the Department is regarded as the parent Department, i.e.

NHS Trusts;  
NHS Foundation Trusts;  
NHS agencies;  
Primary Care Trusts; and  
Special Health Authorities.

In addition, Strategic Health Authorities had a significant number of material transactions with other Government Departments, other central and local Government bodies, and with Charitable Funds, certain of which have trustees who are also members of Strategic Health Authority boards.

Details of all the Strategic Health Authorities' related party transactions - including related party transactions with individuals who exercise control over a Strategic Health Authority - are shown in the individual Strategic Health Authority accounts.

## 23 Intra-Government balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	28,763	0	36,585	0
Balances with Local Authorities	296	0	300	0
Balances with NHS Trusts and Foundation Trusts	19,808	0	87,917	0
Balances with Public Corporations and Trading Funds	23	0	34	0
Intra Government balances	<u>48,890</u>	<u>0</u>	<u>124,836</u>	<u>0</u>
Balances with bodies external to government	<u>17,506</u>	<u>0</u>	<u>117,166</u>	<u>373</u>
<b>At 31 March 2010</b>	<u>66,396</u>	<u>0</u>	<u>242,002</u>	<u>373</u>
Balances with other Central Government Bodies	25,450	0	46,466	0
Balances with Local Authorities	433	0	473	0
Balances with NHS Trusts and Foundation Trusts	5,615	0	107,157	0
Balances with Public Corporations and Trading Funds	613	0	67	0
Intra Government balances	<u>32,111</u>	<u>0</u>	<u>154,163</u>	<u>0</u>
Balances with bodies external to government	<u>21,849</u>	<u>0</u>	<u>106,815</u>	<u>146</u>
<b>At 31 March 2009</b>	<u>53,960</u>	<u>0</u>	<u>260,978</u>	<u>146</u>

## 24 Losses and special payments

There were 88 cases of losses (2008-2009: 72 cases) totalling £81,660 (2008-2009: £69,000) and 7 cases of special payments (2008-2009: 10 cases) totalling £443,782 (2008-2009: £468,000) approved during 2009-2010. There were NIL cases (2008-2009: NIL cases) where the net payment exceeded £250,000.

## 25 Events after the reporting period

The Department of Health published a White Paper on 12 July: "Equity and excellence: Liberating the NHS", which sets out the Government's plans for the future direction and priorities for the whole health system. In particular

- In order to shift decision-making as close as possible to individual patients, the Department will devolve power and responsibility for commissioning services to local consortia of GP practices.
- A statutory NHS Commissioning Board will be created to support GP consortia, and this will provide leadership for quality improvement and promote patient and carer involvement and choice. The Board will be established in shadow form in 2011, and will go live in April 2012. The Secretary of State will set clear financial controls and associated financial instructions for this Commissioning Board. These will be in line with the Department's continued Parliamentary accountability for expenditure and HM Treasury requirements.
- Strategic Health Authorities will be abolished as statutory bodies during 2012-2013. The Department will radically reduce its own NHS functions, and from 2012, the NHS Commissioning Board will perform those national functions relevant to its new role that are currently carried out by the Department of Health.
- The Government has guaranteed that health spending will increase in real terms in every year of this Parliament. With that protection comes the same obligation for the NHS to cut waste and transform productivity.
- The Department will shortly publish a review of its arm's length bodies. Subject to Parliamentary approval, organisations that do not need to exist will be abolished, and functions that need to remain will be streamlined to cut costs and remove duplication and burdens on the NHS.

- This structural change will have a significant impact on organisations and their staff. For the purposes of IAS 10, it is not possible to disclose the extent and nature of all costs associated with this transition. However, the NHS operating framework for 2010-2011 set a reduced ceiling for SHA and PCT management costs, the achievement of which will require a saving of approximately £850 million to be made over the next four years. This reduction will start with savings of £222 million in 2010-2011, followed by a further reduction of £350 million in 2011-2012, with the balance being achieved by 2013-2014.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Strategic Health Authorities provide to employees.

These accounts were authorised for issue on 23 July 2010

## 26 Movements in working capital

	2009-2010	Restated 2008-2009
	£000	£000
(Increase)/decrease in trade and other receivables	<b>(12,436)</b>	70,185
(Increase)/decrease in other current assets	<b>0</b>	540
Increase/(decrease) in trade and other payables	<b>(18,749)</b>	444
Increase/(decrease) in other current liabilities	<b>(91)</b>	272
Movements in working capital relating to items not passing through the operating cost statement	<b>861</b>	256
<b>Total</b>	<b><u>(30,415)</u></b>	<b><u>71,697</u></b>

## 27 Other cashflow adjustments

	2009-2010	2008-2009
	£000	£000
Depreciation	<b>2,369</b>	1,470
Amortisation	<b>231</b>	139
Impairments and reversals	<b>817</b>	310
Cost of capital charge	<b>(6,798)</b>	(6,150)
Foreign exchange gains/losses	<b>0</b>	
Non-cash movements in provisions	<b>3,715</b>	(7,062)
<b>Total</b>	<b><u>334</u></b>	<b><u>(11,293)</u></b>

## 28 Cashflow relating to exceptional items

There were no cashflows in the year relating to exceptional items.

**29 Transition to IFRS**

	<b>General fund</b>	<b>Revaluation</b>
	<b>£000</b>	<b>reserve</b>
		<b>£000</b>
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	<b>(214,351)</b>	<b>5,810</b>
Adjustments for IFRS changes		
Leases	(82)	0
Accrued employee benefits	(426)	0
Others	(145)	1
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	<b><u>(215,004)</u></b>	<b><u>5,811</u></b>
	<b>£000</b>	
<b>Net operating costs for 2008-2009 under UK GAAP</b>	<b>5,339,728</b>	
Adjustments for		
Leases	(86)	
Other	80	
<b>Net operating costs for 2008-2009 under IFRS</b>	<b><u>5,339,722</u></b>	

# Summarised Account of Primary Care Trusts

## Statement of Secretary of State's and Accounting Officer's Responsibilities

Section 232 of schedule 15 of the National Health Service Act 2006 requires the Secretary of State to prepare summarised accounts for each financial year in the form and on the basis determined by the Treasury.

The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must give a true and fair view of the state of affairs of Primary Care Trusts at the year end and their operating costs, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of Primary Care Trusts. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in '*Managing Public Money*'.



## Statement on Internal Control 2009-2010

This statement is given in respect of the Summarised Account for National Health Service Primary Care Trusts (PCTs).

### Scope of responsibility

As Accounting Officer for the Department of Health Request for Resources 1, I acknowledge my personal overall responsibility for ensuring PCTs maintain an effective system of internal control that supports the achievement of their policies, aims and objectives and that they review the effectiveness of that system.

### Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The extent to which PCTs had these processes in place during the financial year 2009-2010 and up to the dates of the approval of their annual reports and accounts is set out in the analysis below.

### Capacity to handle risk

PCTs provided effective leadership and management of risk processes within their organisations in ways that varied with the organisations' management structures.

Some PCTs identified a lead director with overarching responsibility across all the organisation's activities, whereas others had opted for an approach whereby areas of responsibility were allocated across a number of directors. For example, the leadership responsibilities for clinical risks assigned to clinical directors and financial risks to the finance director.

Similarly, PCTs had varying approaches to the roles of their sub committees in handling risk. These ranged from those that had established overarching corporate governance committees to those that had separate committees, frequently with the key responsibilities assigned to the audit, risk management and clinical governance committees.

PCTs made staff aware of their responsibilities through providing clear accountability, robust guidance, establishing clear policies and procedures and incorporating risk responsibilities in job descriptions. They also provided training on risk, in some instances mandatory, with an emphasis placed on continuing professional development.

### The risk and control framework

To help me fulfil my responsibilities set out above, I appointed the Chief Executive of each PCT as an Accountable Officer who is held responsible for the maintenance and operation of the system of internal control in that body. Guidance has been issued to each PCT describing the principles to be applied to the identification, evaluation and control of risk.

For 2009-2010 all PCTs were required to have in place Assurance Frameworks that set out the strategic and high level directorate objectives mapped to the key risks, the controls in place to manage them and to describe how the board has gained assurance that the controls are effective. As part of this process PCTs were required to identify gaps in controls and/or assurance arrangements and provide evidence that these had been or were being addressed.

PCTs described their own Assurance Frameworks in their Statements on Internal Control (SICs). They also provided a range of comments on their risk management processes in planning and across all activities, developing a risk management culture and how they share information across the local health economy and with other agencies.

In view of the importance of information governance and security across the public sector, the NHS has policies and procedures to provide assurances regarding the processing of person identifiable information, particularly in the transfer of information within organisations and to outside locations. All NHS organisations:

- identify a Senior Information Risk Owner at Board level;
- explicitly include how risks to information are being managed and controlled in their annual statements on internal control; and
- include details of any serious untoward incidents involving loss data loss or confidentiality breach in their annual reports.

Strategic Health Authorities (SHAs) made an independent assessment of the quality and embedding of the PCT Assurance Frameworks against a number of criteria and this showed at 31 March 2010

- 99 per cent of PCTs had their system of internal control in place for the full year;
- 99 per cent (151) were providing evidence that a system of internal control was in place; and
- 1 per cent (1) were not providing evidence that a sufficiently complete system of internal control was in place.

This maintains the 2008-2009 position when similarly 99 per cent of PCTs provided evidence that a system of internal control was in place.

SHAs performance managed the ongoing development of the PCTs Assurance Frameworks and the actions taken by the PCTs to address any significant gaps in control or assurance.

## Review of effectiveness

I draw my major source of assurance on the PCTs' systems of internal control from SICs, signed by Accountable Officers in support of the accounts for each PCT, that have been summarised by the SHAs.

Each PCT has its own Head of Internal Audit who gives an opinion on the organisation's system of internal control. These opinions are drawn on by PCTs in their SICs that are included in their annual reports.

The SICs are subject to scrutiny by auditors appointed by the Audit Commission who comment if the statement is misleading or inconsistent with other information of which they are aware from their audit.

I have gained further assurance from reports from SHA Chief Executives that confirm whether the PCTs' Assurance Frameworks, that provide much of the evidence in support of the Accountable Officers' statements, are fit for purpose. The SHA Chief Executives also report if there are inconsistencies between each PCT SIC and

- the external audit opinion;
- evidence from the SHA performance management reviews; and
- the PCT head of internal audit opinion.

I have carried out a small sample check of the analyses of the PCTs' Assurance Frameworks and SICs prepared by the SHAs. There is nothing that leads me to believe that these do not reflect the underlying position.

Accountable Officers gain their assurances from a range of sources. These include

- executive managers who have responsibility for the development and maintenance of the system of internal control;
- the work of their internal auditors, who work to the NHS Internal Audit Standards;
- other internal reviewers, for example clinical auditors;

- external reviewers including the Care Quality Commission and external auditors; and
- audit committees, risk management committees, governance committees and other board committees.

The SHA Chief Executives' reports recorded the following inconsistencies

- one PCT was given three internal audit reports with limited assurance and declared two as significant control issues but omitted the third; and
- one PCT did not declare failing a Standards for Better Health assessment midway through the year as being a significant control issue.

I also gain assurance from reports made by the Audit Commission on the work of the auditors they have appointed at NHS bodies, and the national reports made by the National Audit Office on NHS issues. I am aware that the appointed auditors for one PCT issued a referral to the Secretary of State in respect of the PCTs' financial situation.

My review also drew on the Value for Money (VfM) 2009-2010 opinion of the PCTs' external auditors. This assesses how well NHS trusts and PCTs managed and used their financial resources. 71 per cent of PCTs received unqualified opinions demonstrating adequate or more than adequate value for money. This is a marked increase on 2008-2009, when 59 per cent of PCTs received unqualified opinions.

My review also noted that five PCTs' accounts were qualified on breaching their revenue resource limits and one for irregular payments.

In my statement last year, I reported that the account in which prescription charges are recorded, the NHS Business Services Authority (BSA) Pharmaceutical Account, has been qualified for many years on the grounds of regularity, due to patients falsely claiming that they are entitled to free prescriptions.

It should be noted that the introduction of a penalty charge system for prescription charge evasion in 1999 has had an impact on reducing fraud loss, with the percentage of patients fraudulently claiming exemption from charges falling to 2 per cent in 2007-2008 (compared with 5.1 per cent in 1998-1999). However, the latest measurement exercise showed a small growth in the percentage of patients claiming fraudulently (from 1.6 per cent to 2 per cent). This also gives rise to an increase in fraud loss (to £100m) although this figure is also driven by year on year increases in prescription volumes and prescription charges. This loss figure provides a robust estimation of losses calculated at a specific point in time. However, it should not be assumed that this represents the additional revenue that could be generated if fraud was eliminated.<sup>1</sup>

During the past year, NHS Counter Fraud Service and Department of Health considered options for reducing prescription fraud. However, it was not cost effective to implement any major actions to address prescription fraud because of plans for significant changes to prescription charging policy. The previous Government announced a policy intention to phase out prescription charges for people with long-term conditions and the Department of Health was engaged throughout 2009 in supporting an external review (carried out by Professor Ian Gilmore, President of the Royal College of Physicians) that considered how this policy could be implemented. This review was published by the Department of Health on 27 May 2010 and the new Government has stated that any future changes would need to be considered in the light of the Department's funding settlement.

<sup>1</sup> Evidence suggests that patients would be likely to change their behaviour in a 'fraud proof' system. For example, a person committing fraud persistently who requires more than 14 prescriptions a year, may choose to cap their expenditure by purchasing a prescription pre-payment certificate rather than paying £7.20 for each prescription item. In addition, a 2008 Commonwealth Fund survey of people with long term conditions reported that 7per cent did not have their prescriptions dispensed and 4per cent avoided visiting the doctor on the grounds of cost.

## Significant control issues

My review of effectiveness concluded 86 PCTs disclosed a total of 284 significant control issues in their SICs. Of these, 109 were for failing to achieve the core Standards for Better Health, 57 for other national performance targets, 43 for data security incidents, 31 under-achieving against World Class Commissioning assurance and nine for financial performance issues. There were also 35 other uncategorized significant control issues, such as non-compliance with an FOI request, adverse reports from an inquest, low-level release of asbestos during building works. In all cases remedial action has or is being taken.

## Conclusion

The maintenance of Assurance Frameworks, with 99 per cent of PCTs assessed by SHAs as having systems of internal control in place, has provided a robust structure and consistency across PCTs for the public assurances about how they are managing their risks.

*Sir David Nicholson KCB CBE*  
Accounting Officer

7 July 2010

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the summarised financial statements of Primary Care Trusts for the year ended 31 March 2010 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 Primary Care Trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department of Health; and the overall presentation of the financial statements.

In addition, I am 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 my 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 the financial statements

In my opinion

- the financial statements give a true and fair view, of the state of the Primary Care Trusts' affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion

- 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 I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit;
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

23 July 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Operating Cost Statement for the year ended 31 March 2010

Operating Cost Statement for the year ended 31 March 2010

	Note	2009-2010 £000	Restated 2008-2009 £000
Employee benefits	6.1	<b>8,219,779</b>	7,541,643
Other costs	4.1	<b>81,367,740</b>	73,031,108
Miscellaneous revenue	3	<b>(3,241,298)</b>	(3,154,020)
<b>PCT net operating costs before interest</b>		<b><u>86,346,221</u></b>	<u>77,418,731</u>
Investment revenue	7	<b>(4,715)</b>	(4,820)
Other (gains)/losses	8	<b>(4,571)</b>	1,750
Finance costs	9.1	<b>149,868</b>	130,046
<b>Net operating costs for the financial year</b>		<b><u>86,486,803</u></b>	<u>77,545,707</u>

*The notes on pages B14 to B53 form part of these accounts.*

## Statement of Financial Position as at 31 March 2010

		Restated 31 March 2009 £000	Restated 1 April 2008 £000
	<b>31 March 2010 £000</b>		
Note		£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	10	7,194,441	7,838,199
Intangible assets	11	24,219	14,266
Other financial assets	16	38,600	36,297
Trade and other receivables	14.1	71,681	55,148
<b>Total non-current assets</b>		<b>7,328,941</b>	<b>7,943,910</b>
<b>Current assets</b>			
Inventories	13.1	24,846	22,125
Trade and other receivables	14.1	1,116,353	1,428,863
Other financial assets	16	2,648	3,386
Other current assets	17	4,551	73,369
Cash and cash equivalents	18	18,610	34,887
		<b>1,167,008</b>	<b>1,562,630</b>
Non-current assets classified as held for sale	19	85,750	69,821
<b>Total current assets</b>		<b>1,252,758</b>	<b>1,632,451</b>
<b>Total assets</b>		<b>8,581,699</b>	<b>9,576,361</b>
<b>Current liabilities</b>			
Trade and other payables	20	(5,795,828)	(5,421,229)
Borrowings	21	(88,747)	(44,335)
Other liabilities	22	(23,570)	(193,778)
Provisions	23	(141,073)	(232,981)
Other financial liabilities	24	(229)	(23,519)
<b>Total current liabilities</b>		<b>(6,049,447)</b>	<b>(5,915,842)</b>
<b>Non-current assets plus net current assets</b>		<b>2,532,252</b>	<b>3,660,519</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	(40,405)	(24,071)
Borrowings	21	(1,977,979)	(1,288,800)
Other liabilities	22	(17,236)	(37,416)
Provisions	23	(316,786)	(425,318)
Other financial liabilities	24	(741)	(109,845)
<b>Total non-current liabilities</b>		<b>(2,353,147)</b>	<b>(1,885,450)</b>
<b>Assets less liabilities</b>		<b>179,105</b>	<b>1,775,069</b>
<b>Financed by</b>			
<b>Taxpayers' equity</b>			
General fund		(1,401,096)	(920,722)
Revaluation reserve		1,461,401	2,543,435
Donated asset reserve		94,244	107,875
Government grant reserve		33,652	42,576
Other reserves		(9,096)	1,905
<b>Total Taxpayers' Equity</b>		<b>179,105</b>	<b>1,775,069</b>

Sir David Nicholson KCB CBE  
Accounting Officer

7 July 2010

The notes on pages B14 to B53 form part of these accounts.



## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2010

	General fund £000	Revaluation reserve £000	Donated asset reserve £000	Govt. grant reserve £000	Other reserves <sup>1</sup> £000	Total reserves £000
<b>Balance at 1 April 2009</b>	(998,717)	1,860,817	102,663	40,083	(2,453)	<b>1,002,393</b>
<b>Changes in taxpayers' equity for 2009-2010</b>						
Net operating cost for the year	(86,486,803)					<b>(86,486,803)</b>
Net gain on revaluation of property, plant, equipment	0	309,783	4,974	854	0	<b>315,611</b>
Net gain on revaluation of intangible assets	0	47	0	0	0	<b>47</b>
Net gain on revaluation of financial assets	0	196	0	0	0	<b>196</b>
Receipt of donated or government granted assets	0	0	7,465	978	0	<b>8,443</b>
Movements in other reserves	0	0	0	0	(23,470)	<b>(23,470)</b>
Impairments and reversals	0	(662,435)	(11,629)	(5,963)		<b>(680,027)</b>
Release of reserves to OCS	0	(3,719)	(7,344)	(1,859)		<b>(12,922)</b>
Non-cash charges – cost of capital	21,455	0	0	0	0	<b>21,455</b>
Transfers between reserves	28,941	(43,442)	(1,885)	(441)	16,827	<b>0</b>
Transfers to/(from) other bodies within the Resource Account boundary	(1,254)	154	0	0	0	<b>(1,100)</b>
<b>Total recognised income and expense for 2009-2010</b>	(86,437,661)	(399,416)	(8,419)	(6,431)	(6,643)	<b>(86,858,570)</b>
Net Parliamentary funding	86,035,282	0	0	0	0	<b>86,035,282</b>
<b>Balance at 31 March 2010</b>	<b>(1,401,096)</b>	<b>1,461,401</b>	<b>94,244</b>	<b>33,652</b>	<b>(9,096)</b>	<b>179,105</b>

<sup>1</sup> Other reserves relate to PCTs' share of assets and liabilities in respect of Local Government Pension Schemes.

## Statement of Changes in Taxpayers' Equity For the year ended 31 March 2009

	Restated	Restated	Restated	Restated	Restated	Restated
	<b>General fund</b>	<b>Revaluation reserve</b>	<b>Donated asset reserve</b>	<b>Government grant reserve</b>	<b>Other reserves<sup>1</sup></b>	<b>Total reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2008</b>	(920,722)	2,543,435	107,875	42,576	1,905	1,775,069
<b>Changes in taxpayers' equity for 2008-2009</b>						
Net operating cost for the year	(77,545,707)	0	0	0	0	(77,545,707)
Net gain/(loss) on revaluation of property, plant, equipment	0	103,230	1,256	661	0	105,147
Net gain/(loss) on revaluation of intangible assets	0	9	0	0	0	9
Net gain/(loss) on revaluation of financial assets	0	59	1,062	0	0	1,121
Receipt of donated or government granted assets	0	0	3,843	4,922	0	8,765
Movements in other reserves	0	0	0	0	(9,450)	(9,450)
Impairments and reversals	0	(737,724)	(6,298)	(6,541)	0	(750,563)
Release of reserves to OCS	0	(974)	(5,710)	(1,650)	0	(8,334)
Non-cash charges – cost of capital	49,784	0	0	0	0	49,784
Transfers between reserves	42,909	(47,218)	635	115	5,092	1,533
Transfers to/(from) other bodies within the Resource Account boundary	10,317	0	0	0	0	10,317
<b>Total recognised income and expense for 2008-2009</b>	<b>(77,442,697)</b>	<b>(682,618)</b>	<b>(5,212)</b>	<b>(2,493)</b>	<b>(4,358)</b>	<b>(78,137,378)</b>
Net Parliamentary funding	77,364,702	0	0	0	0	77,364,702
<b>Balance at 31 March 2009</b>	<b>(998,717)</b>	<b>1,860,817</b>	<b>102,663</b>	<b>40,083</b>	<b>(2,453)</b>	<b>1,002,393</b>

<sup>1</sup> Other reserves relate to PCTs' share of assets and liabilities in respect of Local Government Pension Schemes.

The notes on pages B14 to B53 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2010

	2009-2010	Restated 2008-2009
Note	£000	£000
<b>Cashflow from operating activities</b>		
Net operating cost before interest	<b>(86,346,221)</b>	(77,418,731)
Other cash flow transactions	30 <b>964,588</b>	623,642
Movement in Working Capital	29 <b>328,586</b>	232,649
Provisions utilised	23 <b>(106,030)</b>	(161,792)
Interest paid	<b>(134,633)</b>	(108,741)
<b>Net cash outflow from operating activities</b>	<b>(85,293,710)</b>	(76,832,973)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(741,541)</b>	(614,365)
Purchase of intangible assets	<b>(11,483)</b>	(6,683)
Proceeds of disposal of non-current assets	<b>60,869</b>	131,102
Purchase of investments (LIFT)	<b>(7,149)</b>	(17,432)
Sale of investments (LIFT)	<b>1,309</b>	2,179
Loans made in respect of LIFT	<b>(1,874)</b>	(100)
Loans repaid in respect of LIFT	<b>6,784</b>	644
Payments for other financial assets	<b>(4,612)</b>	(2,446)
Proceeds of disposal of other financial assets	<b>4,208</b>	14
Interest received	<b>5,221</b>	4,638
Rental revenue income	<b>38</b>	21
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(688,230)</b>	(502,428)
<b>Net cash inflow/(outflow) before financing</b>	<b>(85,981,940)</b>	(77,335,400)
<b>Cash flows from financing activities</b>		
Net Parliamentary Funding	<b>86,035,282</b>	77,364,702
Other capital receipts surrendered	<b>(841)</b>	(56)
Capital grants received	<b>2,399</b>	3,580
Capital element of payments in respect of finance leases, PFI and LIFT	<b>(53,546)</b>	(42,510)
Cash transfers (to)/from other NHS bodies	<b>(61)</b>	(1,504)
<b>Net cash inflow/(outflow) from financing</b>	<b>85,983,233</b>	77,324,212
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,293</b>	(11,188)
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>	18 <b>13,693</b>	24,881
Effect of exchange rate changes on the balance of cash held in foreign currencies	<b>0</b>	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	18 <b>14,986</b>	13,693

The notes on pages B14 to B53 form part of these accounts.

# Notes to the Accounts

## 1 Accounting policies

The Secretary of State for Health has directed that the financial statements of Primary Care Trusts shall meet the accounting requirements of the Primary Care Trust Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the underlying and summarised financial statements have been prepared in accordance with the 2009-2010 Primary Care Trust Manual for Accounts issued by the Department of Health. From the current year, 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. The particular policies adopted for the Primary Care Trust Summarised Account are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Primary Care Trusts are within the government resource accounting boundary and therefore the Summarised Account only includes consolidated interests in other entities where the other entity is also within the resource accounting boundary and a PCT exercises in-year budgetary control over the other entity.

HM Treasury has granted a divergence from the Government Financial Reporting Manual in respect of operating segment disclosures in these accounts. Since the individual bodies making up these accounts have adopted operating segments, under IFRS 8, according to their individual circumstances, there has not been a consistent approach across the sector. Treasury therefore accept that it would not be meaningful to segment these accounts. Information specific to individual bodies can be found in their individual accounts.

In accordance with a further divergence from the Government Financial Reporting Manual granted by HM Treasury, a complete set of notes to the 1 April 2008 Statement of Financial Position is not provided.

### 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.

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

In the application of the PCTs' accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgements and sources of estimation uncertainty of individual bodies are given in their individual accounts.

### Basis of consolidation

These accounts comprise a consolidation of 152 Primary Care Trusts, plus the Pharmaceutical Services Account prepared by the NHS Business Services Authority. This account is included within this Primary Care Trust summarised account as this expenditure is considered the responsibility of the Primary Care Trusts. Transactions between entities included in the consolidation are eliminated.

Where narrative disclosure is required by IFRS, and it is not practical or meaningful to provide that level of detail in the summarised account, the detail can be found in the individual PCT accounts.

For 2009-2010, in accordance with the directed accounting policy from the Secretary of State, Primary Care Trusts do not consolidate the NHS charitable funds for which they are the corporate trustee.

### 1.2 *Income and funding*

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

Miscellaneous income 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.

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

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

### 1.3 *Pooled budgets*

A number of Primary Care Trusts have entered into a pooled budget with Local Authorities. Under the arrangement funds are pooled under s75 of the NHS Act 2006 for joint activities and a memorandum note provided in the underlying accounts of all the relevant bodies which provides details of the joint income and expenditure.

### 1.4 *Taxation*

Primary Care Trusts are 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 *Capital charges*

A charge, reflecting the cost of capital utilised by Primary Care Trusts is included in operating costs. The capital charge is 3.5 per cent (2008-2009 3.5 per cent) of the net average assets less liabilities except for donated assets and cash balances with the Office of the Paymaster General (OPG) which are excluded from the calculation.

### 1.6 *Property, plant and 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 Primary Care Trust;
- 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 Primary Care Trusts' 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; and
- 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. HM Treasury has agreed that Primary Care Trusts must apply these new valuation requirements by 1 April 2010 at the latest. Revaluations by individual PCTs will have been carried out by various qualified valuers. The date of the latest revaluation and the name and details of the valuer are disclosed in the accounts of the underlying bodies.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease 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. Gains and losses recognised in the revaluation reserve are reported in the Statement of Changes in Taxpayers' Equity.

In the Property, Plant and Equipment note, in accordance with the requirements of the PCT Manual for Accounts, impairments recognised in revaluation reserves are presented as impairments to the cost of PPE and impairments recognised in the Operating Cost Statement are presented as an additional depreciation charge.

### 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.

#### 1.7 Intangible Assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of an individual Primary Care Trust'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 Primary Care Trusts; 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; and
- 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.

### 1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction 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 PCTs expect to obtain economic benefits or service potential from the asset. This is specific to each Primary Care Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

Estimated lives of fixed assets held by Primary Care Trusts fall within the following limits

Software: between 1 year and 10 years  
 Licences and trademarks: between 1 year and 10 years  
 Patents: between 1 year and 10 years  
 Development expenditure: between 1 year and 25 years  
 Buildings excluding dwellings: between 1 year and 108 years  
 Dwellings: between 1 year and 99 years  
 Plant and Machinery: between 1 year and 35 years  
 Transport Equipment: between 1 year and 15 years  
 Information Technology: between 1 year and 17 years  
 Furniture and Fittings: between 1 year and 54 years

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



If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, 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.

#### *1.9 Donated assets*

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

#### *1.10 Government grants*

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to offset the expenditure.

#### *1.11 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 Operating Cost Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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.

#### *1.12 Inventories*

Inventories are valued at the lower of cost and net realisable value.

#### *1.13 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 Primary Care Trusts' cash management.



### 1.14 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 in expenditure on an accruals basis, 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). However, the note on losses and special payments is compiled directly from the losses and compensations registers at each Trust, which report amounts on an accruals basis with the exception of provisions for future losses.

### 1.15 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 Primary Care Trusts.

The NHSLA operates a risk pooling scheme under which the Primary Care Trusts pay 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. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Primary Care Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Primary Care Trusts is disclosed at note 23.

### 1.16 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 and to the extent that it is a material balance.

#### 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 each Primary Care Trust commits itself to the retirement, regardless of the method of payment.

Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the Primary Care Trusts' accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported on the Statement of Changes in Taxpayers' Equity.

### *1.17 Research and Development*

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

### *1.18 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.

### *1.19 Grant making*

Under section 256 of the National Health Service Act 2006, Primary Care Trusts have 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 Primary Care Trust has a present legal or constructive obligation which occurs when all of the conditions attached to the payment have been met.

### *1.20 EU Emissions Trading Scheme*

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

### *1.21 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 individual Primary Care Trust, 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.

### *1.22 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.

#### **Primary Care Trusts as lessees**

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

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

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

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

### **Primary Care Trusts as lessors**

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

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

#### *1.23 Foreign exchange*

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

#### *1.24 Provisions*

Provisions are recognised when the Primary Care Trusts have a present legal or constructive obligation as a result of a past event, it is probable that the Primary Care Trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2 per cent in real terms.

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

#### *1.25 Financial Instruments*

##### **Financial assets**

Financial assets are recognised when Primary Care Trusts become party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

### **Financial assets at fair value through profit and loss**

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

### **Held to maturity investments**

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

### **Available for sale financial assets**

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

### **Loans and receivables**

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

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

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

### **Financial liabilities**

Financial liabilities are recognised on the Statement of Financial Position when Primary Care Trusts become party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

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

### **Financial liabilities at fair value through profit and loss**

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value

through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Operating Cost Statement. The net gain or loss incorporates any interest earned on the financial asset.

### **Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

#### *1.26 Private Finance Initiative (PFI) and NHS LIFT transactions*

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

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

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

#### **a Services received**

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

#### **b PFI and LIFT assets, liabilities, and finance costs**

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

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

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

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

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

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

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as

contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Operating Cost Statement.

### **c Lifecycle replacement**

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

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

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

### **Assets contributed by PCTs to the operator for use in the scheme**

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Operating Cost Statement.

### **Other assets contributed by PCTs to the operator**

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

#### *1.27 Pooled Budgets*

A number of Primary Care Trusts have entered into a pooled budget with Local Authorities. Under the arrangement funds are pooled under s75 of the NHS Act 2006 for joint activities and a memorandum note provided in the underlying accounts of all the relevant bodies which provides details of the joint income and expenditure.

#### *1.28 Accounting standards that have been issued but have not yet been adopted*

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010-2011. None of them are expected to impact upon the Primary Care Trust Summarised Account.

IAS 27 (Revised) Consolidated and separate financial statements  
Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues  
Amendment to IAS 39 Eligible hedged items  
IFRS 3 (Revised) Business combinations  
IFRIC 17 Distributions of Non-cash Assets to Owners  
IFRIC 18 Transfer of assets from customers

#### *1.29 Accounting standards issued that have been adopted early*

No accounting standards have been adopted early that impact the Primary Care Trust Summarised Account.

## 2 Financial Performance Target

<b>Revenue Resource Limit</b>	<b>2009-2010</b>	2008-2009
	<b>£000</b>	£000
The PCTs' performance for the year ended 31 March 2010 is as follows		
Total Net Operating Cost for the Financial Year	<b>86,486,803</b>	77,414,682
Non-Discretionary Expenditure	<b>(467,761)</b>	(430,003)
<b>Net Operating Cost less Non Discretionary Expenditure</b>	<b>86,019,042</b>	76,984,679
Revenue Resource Limit	<b>86,341,915</b>	77,432,499
<b>Under/(Over)spend Against Revenue Resource Limit (RRL)</b>	<b>322,873</b>	447,820

Discharge of duties against financial performance measures for the prior year originally set under UK GAAP have not been restated.

## 3 Miscellaneous Revenue

	Note	<b>2009-2010</b>	Restated 2008-2009
		<b>£000</b>	£000
Fees and Charges		<b>19,476</b>	16,273
Dental Charge Income from Contractor Led GDS and PDS		<b>591,160</b>	564,749
Dental Charge Income from Trust Led GDS and PDS		<b>5,515</b>	5,656
Prescription Charge Income		<b>450,368</b>	459,307
Strategic Health Authorities		<b>189,244</b>	173,113
NHS Trusts		<b>201,665</b>	232,770
NHS Foundation Trusts		<b>196,494</b>	163,701
English RAB Special Health Authorities		<b>3,224</b>	2,714
Other English Special Health Authorities		<b>1,724</b>	3,848
Department of Health – SMPTB		<b>1,140</b>	94
Department of Health – Other		<b>50,213</b>	41,224
Local Authorities		<b>815,958</b>	766,419
Patient Transport Services		<b>476</b>	1,302
Education, Training and Research		<b>238,216</b>	209,356
Non-NHS: Private Patients		<b>2,625</b>	3,480
Non-NHS: Overseas Patients (Non-Reciprocal)		<b>91</b>	70
NHS Injury Costs Recovery		<b>6,502</b>	4,277
Other Non-NHS Patient Care Services		<b>88,356</b>	81,089
Charitable and Other Contributions to Expenditure		<b>19,478</b>	21,673
Transfers from the Donated Asset Reserve		<b>7,344</b>	5,710
Transfers from the Government Grant Reserve		<b>1,859</b>	1,650
Rental Income from Finance Leases		<b>2,551</b>	1,279
Rental Income from Operating Leases	5.2	<b>69,257</b>	52,981
Other Income		<b>278,362</b>	341,285
<b>Total miscellaneous revenue</b>		<b>3,241,298</b>	3,154,020



## 4 Operating Costs

### 4.1 Analysis of other operating costs

	2009-2010	Restated 2008-2009
	£000	£000
<b>Goods and Services from other NHS Bodies other than FTs</b>		
Healthcare	<b>24,380,475</b>	24,034,129
Non-Healthcare	<b>343,888</b>	367,011
<b>Total</b>	<b>24,724,363</b>	24,401,140
Goods and Services from Foundation Trusts	<b>23,474,899</b>	17,968,940
Purchase of Healthcare from Non-NHS bodies	<b>7,448,124</b>	6,421,023
Social Care from Independent Providers	<b>391,703</b>	364,839
Expenditure on Drugs Action Teams	<b>391,417</b>	368,436
Non-GMS Services from GPs	<b>124,236</b>	110,205
Contractor Led GDS and PDS	<b>2,620,452</b>	2,459,111
Trust Led GDS and PDS	<b>37,331</b>	35,591
Non-executive Directors remuneration	<b>19,716</b>	17,700
PCT Executive Committee (PEC) members costs	<b>19,546</b>	15,937
Consultancy Services	<b>261,147</b>	224,083
Prescribing Costs	<b>7,946,018</b>	7,724,302
G/PMS, APMS and PCTMS	<b>7,404,594</b>	7,112,822
Pharmaceutical Services	<b>1,312,366</b>	1,216,203
Local Pharmaceutical Services Pilots	<b>5,656</b>	4,364
New Pharmacy Contract	<b>674,774</b>	579,716
General Ophthalmic Services	<b>467,552</b>	430,002
Supplies and Services – Clinical	<b>690,420</b>	661,510
Supplies and Services – General	<b>183,420</b>	174,543
Establishment	<b>527,919</b>	505,720
Transport	<b>56,270</b>	51,271
Premises	<b>866,863</b>	848,639
Depreciation	<b>338,287</b>	354,403
Amortisation	<b>6,360</b>	5,057
Impairments and reversals of property, plant and equipment (PPE) and intangible assets	<b>577,031</b>	188,057
Impairment and reversals of assets held for sale	<b>5,627</b>	3,248
Cost of Capital Charge	<b>21,455</b>	49,784
Impairment and Reversals of Financial Assets	<b>51</b>	7,703
Impairment of Receivables	<b>10,980</b>	(308)
Inventory write offs	<b>151</b>	512
Research and Development Expenditure	<b>15,113</b>	2,428
Audit Fees <sup>1</sup>	<b>35,950</b>	34,525
Other Auditors Remuneration	<b>6,783</b>	5,486
Clinical Negligence Costs	<b>17,049</b>	10,955
Education and Training	<b>155,556</b>	136,373
Other	<b>528,561</b>	536,788
<b>Total Other Operating Costs</b>	<b>81,367,740</b>	73,031,108

<sup>1</sup> The audit fee represents the cost for the audit of the underlying financial statements and other performance work carried out by auditors appointed by the Audit Commission. The audit fee for the Summarised Accounts is included within the audit fee disclosed within the Department of Health Resource Account.



## 4.2 Analysis of operating expenditure by expenditure classification

	2009-2010	Restated 2008-2009
	£000	£000
<b>Purchase of Primary Health Care</b>		
GMS/PMS/APMS/PCTMS <sup>1</sup>	7,467,663	7,132,164
Prescribing costs	7,944,487	7,749,804
Contractor led GDS and PDS <sup>2</sup>	2,602,458	2,435,828
Trust led GDS and PDS <sup>2</sup>	131,247	119,288
General Ophthalmic Services	467,747	427,813
Department of Health Initiative Funding	1,050	3,141
Pharmaceutical services	1,311,079	1,220,699
Local Pharmaceutical Services Pilots	3,334	2,824
New Pharmacy Contract	674,284	577,888
Non-GMS Services from GPs	113,612	104,087
Other	153,796	149,438
<b>Total Primary Healthcare purchased</b>	<b>20,870,757</b>	<b>19,922,974</b>
<b>Purchase of Secondary Healthcare</b>		
Learning Difficulties	2,497,197	2,407,041
Mental Illness	8,076,983	7,527,200
Maternity	2,407,090	1,968,718
General and Acute	37,095,815	32,296,425
Accident and emergency	2,051,250	1,855,865
Community Health Services	7,966,205	7,123,837
Other Contractual	2,794,241	2,285,769
<b>Total Secondary Healthcare Purchased</b>	<b>62,888,781</b>	<b>55,464,855</b>
<b>Grant Funding</b>		
Grants (revenue) to fund Capital Projects – GMS	67,904	16,147
Grants (revenue) to LAs to fund Capital Projects	81,955	69,444
Grants (revenue) to private sector to fund Capital Projects	68,512	28,500
Grants (revenue) to fund Capital Projects – Dental	14,208	15,123
Grants (revenue) to fund Capital Projects – Other	7,907	8,961
<b>Total Healthcare Purchased by PCT</b>	<b>84,000,024</b>	<b>75,526,004</b>
<b>Amount of self-commissioned secondary healthcare included above*</b>	<b>7,165,671</b>	<b>6,915,791</b>

\* This is the total of secondary healthcare that PCTs commissioned from themselves

1 General Medical Services, Personal Medical Services, Alternative Provider Medical Services and Primary Care Trust Medical Services are differing models for providing primary care services.

2 General Dental Services and Personal Dental Services are alternative models for dental care.

## 5 Operating Leases

### 5.1 PCTs as lessee

	2009-2010	Restated 2008-2009
	£000	£000
<b>Payments recognised as an expense</b>		
Minimum lease payments	<b>284,616</b>	221,388
Contingent rents	<b>17,896</b>	2,881
Sub-lease payments	<b>11,322</b>	9,307
<b>Total</b>	<b>313,834</b>	233,576
<b>Payable</b>		
No later than one year	<b>189,075</b>	137,485
Between one and five years	<b>560,159</b>	408,868
After five years	<b>1,098,897</b>	1,086,014
<b>Total</b>	<b>1,848,131</b>	1,632,367

Total non-cancellable future sublease payments expected to be received: £31,583,000 (2008-2009: £16,050,000).

### 5.2 PCTs as lessor

	2009-2010	Restated 2008-2009
	£000	£000
<b>Recognised as revenue</b>		
Rents	<b>68,902</b>	52,738
Contingent rents	<b>355</b>	243
<b>Total</b>	<b>69,257</b>	52,981
<b>Payable</b>		
No later than one year	<b>61,741</b>	49,268
Between one and five years	<b>156,939</b>	122,595
After five years	<b>462,371</b>	400,396
<b>Total</b>	<b>681,051</b>	572,259

## 6 Staff numbers and related costs

### 6.1 Employee benefits

	2009-2010			Restated
	Total	Permanently Employed	Not Permanently Employed	2008-2009
				Total
	£000	£000	£000	£000
Salaries and wages	6,951,550	6,164,989	786,561	6,354,522
Social security costs	460,300	451,584	8,716	425,852
Employer contributions to NHS Pensions scheme	797,918	783,822	14,096	740,608
Other pension costs	4,656	4,520	136	4,827
Other post employment benefits	0	0	0	227
Other employment benefits	632	632	0	1,349
Termination benefits	6,825	6,796	29	14,610
<b>Total employee benefits</b>	<b>8,221,881</b>	<b>7,412,343</b>	<b>809,538</b>	<b>7,541,995</b>
less costs capitalised	(2,102)			(352)
<b>Employee benefits charged to OCS</b>	<b>8,219,779</b>			<b>7,541,643</b>

### 6.2 Staff Numbers

	2009-2010			Restated
	Total	Permanently Employed	Not Permanently Employed	2008-2009
				Total
	Number	Number	Number	Number
Medical and dental	5,690	4,774	916	5,735
Ambulance staff	120	117	3	135
Administration and estates	77,817	68,864	8,953	69,162
Healthcare assistants and other support staff	29,758	27,709	2,049	26,374
Nursing, midwifery and health visiting staff	71,592	67,588	4,004	72,013
Nursing, midwifery and health visiting learners	716	618	98	987
Scientific, therapeutic and technical staff	31,612	29,769	1,843	30,196
Social Care staff	1,585	1,358	227	2,494
Other	3,495	2,752	743	3,128
<b>Total staff numbers</b>	<b>222,385</b>	<b>203,549</b>	<b>18,836</b>	<b>210,224</b>

Included in the figures above are 95 staff engaged on capital projects (2008-2009: 48 staff)

The average number of staff employed is calculated as the whole time equivalent number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year. The 'contracted hours' method of calculating the whole time equivalent number is used, which is calculated by taking the contracted hours of each employee and dividing by the standard working hours to obtain the whole time equivalent.

### 6.3 *Retirements due to ill-health*

307 persons retired early on ill-health grounds (2008-2009 352 persons). The total additional accrued pension liabilities in the year amounted to £15,846,000 (2008-2009 £19,132,000).

The cost of ill health retirements is borne by the NHS Business Services Authority, which administers the NHS Pension Scheme.

### 6.4 *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.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk). 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.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows.

#### **a 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 to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14 per cent of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6 per cent of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5 per cent up to 8.5 per cent of their pensionable pay depending on total earnings.

#### **b Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

#### **c Scheme provisions**

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. 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. On death, a pension of 50 per cent of the member's pension is normally payable to the surviving spouse.

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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die 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 statement of comprehensive income at the time the Trust commits itself to the retirement, regardless of the method of payment.

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

## 7 Investment revenue

	2009-2010 £000	Restated 2008-2009 £000
<b>Rental revenue</b>		
PFI finance lease planned revenue	3	0
PFI contingent revenue	0	21
Other finance lease revenue	63	0
<b>Total rental revenue</b>	<b>66</b>	21
<b>Interest revenue</b>		
LIFT: equity dividends receivable	274	20
LIFT: loan interest receivable	3,980	3,266
Bank interest	72	79
Other loans and receivables	145	979
Impaired financial assets	16	0
Other financial assets	162	455
<b>Total interest revenue</b>	<b>4,649</b>	4,799
<b>Total investment revenue</b>	<b>4,715</b>	4,820

**8 Other Gains and Losses**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Gain/(loss) on disposal of assets held for sale (property, plant and equipment)	<b>3,444</b>	(1,948)
Gain/(loss) on disposal of assets held for sale (intangible assets)	<b>86</b>	0
Gain/(loss) on disposal of financial assets	<b>1,030</b>	132
Change in fair value of financial liabilities carried at fair value through profit and loss	<b>11</b>	66
<b>Total</b>	<b>4,571</b>	(1,750)

**9 Finance Costs**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Interest		
Interest on obligations under finance leases	<b>17,710</b>	17,140
Interest on obligations under PFI contracts	<b>31,938</b>	24,201
Interest on obligations under LIFT contracts	<b>91,057</b>	79,527
Interest on late payment of commercial debt	<b>40</b>	74
Other interest expense	<b>14</b>	659
Other finance costs	<b>9,109</b>	8,445
<b>Total</b>	<b>149,868</b>	130,046

*9.2 The Late Payment of Commercial Debts (Interest) Act 1998*

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Amounts included in finance costs from claims made under this legislation	<b>40</b>	74
Compensation paid to cover debt recovery costs under this legislation	<b>0</b>	3
<b>Total</b>	<b>40</b>	77

## 10 Property, plant and equipment

2009-2010	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total £000
	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Cost or valuation</b>									
At 1 April 2009	1,810,475	5,056,938	26,187	172,929	334,077	15,517	532,402	146,373	<b>8,094,898</b>
Additions – purchased	34,442	539,871	6,261	231,310	37,250	2,011	114,987	28,339	<b>994,471</b>
Additions – donated	150	3,153	0	1,947	1,945	90	0	180	<b>7,465</b>
Additions – government granted	0	56	0	360	67	0	54	0	<b>537</b>
Reclassifications	13,637	129,460	2,080	(184,351)	12,172	167	16,431	(2,756)	<b>(13,160)</b>
Transferred to non-current assets held for sale	(39,817)	(28,353)	(6,951)	(29)	(107)	(215)	(273)	(27)	<b>(75,772)</b>
Disposals other than by sale	(9,825)	(6,453)	(1,442)	(574)	(7,830)	(963)	(23,694)	(2,832)	<b>(53,613)</b>
Revaluation gains	158,469	154,383	2,232	361	1,529	1	742	293	<b>318,010</b>
Impairments	(137,942)	(548,089)	(2,823)	(4,456)	(666)	0	(1,042)	(599)	<b>(695,617)</b>
Reversals of impairments	2,460	12,083	817	0	0	0	3	506	<b>15,869</b>
In year transfers to/from NHS bodies	293	6,483	0	(7,457)	(60)	0	384	(23)	<b>(380)</b>
<b>At 31 March 2010</b>	<b>1,832,342</b>	<b>5,319,532</b>	<b>26,361</b>	<b>210,040</b>	<b>378,377</b>	<b>16,608</b>	<b>639,994</b>	<b>169,454</b>	<b>8,592,708</b>
<b>Depreciation</b>									
At 1 April 2009	0	0	0	0	167,595	10,738	281,844	61,468	<b>521,645</b>
Reclassifications	0	596	(358)	0	796	127	1,598	(2,759)	<b>0</b>
Transferred to non-current assets held for sale	(1,059)	(4,163)	(126)	0	(83)	(213)	(261)	(20)	<b>(5,925)</b>
Disposals other than by sale	0	(340)	0	0	(7,039)	(963)	(22,940)	(2,551)	<b>(33,833)</b>
Revaluation gains	0	19	0	0	1,227	0	286	116	<b>1,648</b>
Impairments	72,895	499,384	1,726	6,522	2,841	42	2,443	1,157	<b>587,010</b>
Reversal of Impairments	(3,591)	(6,527)	(224)	0	0	0	0	0	<b>(10,342)</b>
Charged in year	464	196,714	805	0	34,752	1,246	88,670	15,636	<b>338,287</b>
In year transfers to/from NHS bodies	0	(124)	0	0	(322)	(1)	224	0	<b>(223)</b>
<b>At 31 March 2010</b>	<b>68,709</b>	<b>685,559</b>	<b>1,823</b>	<b>6,522</b>	<b>199,767</b>	<b>10,976</b>	<b>351,864</b>	<b>73,047</b>	<b>1,398,267</b>
<b>Net book value at 31 March 2010 comprises</b>									
Purchased	1,751,764	4,528,677	24,538	203,589	170,972	5,469	287,341	94,818	<b>7,067,168</b>
Donated	9,870	75,681	0	(71)	7,278	162	83	1,240	<b>94,243</b>
Government Granted	1,999	29,615	0	0	360	1	706	349	<b>33,030</b>
<b>Net book value at 31 March 2010</b>	<b>1,763,633</b>	<b>4,633,973</b>	<b>24,538</b>	<b>203,518</b>	<b>178,610</b>	<b>5,632</b>	<b>288,130</b>	<b>96,407</b>	<b>7,194,441</b>
<b>Asset financing</b>									
Owned	1,655,078	2,951,387	23,800	203,209	164,893	5,632	288,008	90,614	<b>5,382,621</b>
Held on finance lease	4,754	200,436	738	0	12,482	0	122	5,658	<b>224,190</b>
On-SOFP sheet PFI and LIFT contracts	100,981	1,470,653	0	309	1,235	0	0	135	<b>1,573,313</b>
PFI residual: interests	2,820	11,497	0	0	0	0	0	0	<b>14,317</b>
<b>Net book value at 31 March 2010</b>	<b>1,763,633</b>	<b>4,633,973</b>	<b>24,538</b>	<b>203,518</b>	<b>178,610</b>	<b>5,632</b>	<b>288,130</b>	<b>96,407</b>	<b>7,194,441</b>

The opening 'cost or valuation' for land, buildings, dwellings and assets under construction is the closing net book value from the previous year.

For other categories of PPE, the opening 'cost or valuation' and 'depreciation' are carried forward independently.

**Restated 2008/09**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	<b>Total £000</b>
<b>Cost or valuation</b>									
At 1 April 2008	2,272,415	4,959,139	19,837	130,380	287,808	14,075	443,995	121,382	<b>8,249,031</b>
Additions – purchased	66,383	608,024	4,223	186,180	39,416	1,453	99,211	23,121	<b>1,028,011</b>
Additions – donated	0	1,832	0	662	769	16	37	527	<b>3,843</b>
Additions – government granted	0	3,995	0	697	0	0	6	0	<b>4,698</b>
Reclassifications	404	110,232	5,199	(143,981)	8,121	868	15,991	4,569	<b>1,403</b>
Transferred to non-current assets held for sale	(17,959)	(17,676)	(142)	(34)	(6)	0	(56)	(22)	<b>(35,895)</b>
Disposals other than by sale	(23,125)	(66,004)	(928)	(440)	(7,813)	(1,031)	(24,312)	(5,689)	<b>(129,342)</b>
Revaluation gains	39,835	58,850	110	1,038	6,179	147	(1,471)	2,783	<b>107,471</b>
Impairments	(488,393)	(258,052)	(961)	(1,573)	(382)	(15)	(958)	(297)	<b>(750,631)</b>
Reversals of impairments	608	0	0	0	85	4	0	8	<b>705</b>
In year transfers to/from NHS bodies	1,979	3,290	0	0	(100)	0	(41)	(9)	<b>5,119</b>
<b>At 31 March 2009</b>	<b>1,852,147</b>	<b>5,403,630</b>	<b>27,338</b>	<b>172,929</b>	<b>334,077</b>	<b>15,517</b>	<b>532,402</b>	<b>146,373</b>	<b>8,484,413</b>
<b>Depreciation</b>									
At 1 April 2008	0	0	0	0	136,812	9,802	214,130	50,088	<b>410,832</b>
Reclassifications	0	(217)	363	0	188	(20)	1,684	230	<b>2,228</b>
Transferred to non-current assets held for sale	0	(1,544)	0	0	(6)	0	0	(19)	<b>(1,569)</b>
Disposals other than by sale	0	(9,234)	(901)	0	(7,154)	(994)	(23,892)	(5,128)	<b>(47,303)</b>
Revaluation gains	0	(1,039)	(3)	0	1,860	95	155	1,256	<b>2,324</b>
Impairments	41,757	144,458	15	0	2,679	484	2,670	1,422	<b>193,485</b>
Reversal of Impairments	(85)	(2,112)	0	0	0	0	(836)	(57)	<b>(3,090)</b>
Charged in year	0	216,401	1,677	0	33,294	1,372	87,971	13,688	<b>354,403</b>
In year transfers to/from NHS bodies	0	(21)	0	0	(78)	(1)	(38)	(12)	<b>(150)</b>
<b>At 31 March 2009</b>	<b>41,672</b>	<b>346,692</b>	<b>1,151</b>	<b>0</b>	<b>167,595</b>	<b>10,738</b>	<b>281,844</b>	<b>61,468</b>	<b>911,160</b>
<b>Net book value at 31 March 2009 comprises</b>									
Purchased	1,798,432	4,937,011	26,187	171,376	159,742	4,638	250,115	83,250	<b>7,430,751</b>
Donated	9,640	83,718	0	1,434	6,412	141	63	1,254	<b>102,662</b>
Government Granted	2,403	36,209	0	119	328	0	380	401	<b>39,840</b>
<b>Net book value at 31 March 2009</b>	<b>1,810,475</b>	<b>5,056,938</b>	<b>26,187</b>	<b>172,929</b>	<b>166,482</b>	<b>4,779</b>	<b>250,558</b>	<b>84,905</b>	<b>7,573,253</b>
<b>Asset financing</b>									
Owned	1,719,023	3,319,740	25,356	172,929	146,234	4,779	250,257	78,633	<b>5,716,951</b>
Held on finance lease	12,832	296,179	831	0	18,142	0	301	6,122	<b>334,407</b>
On-SOFP PFI and LIFT contracts	77,195	1,388,082	0	0	2,106	0	0	150	<b>1,467,533</b>
PFI residual: interests	1,425	52,937	0	0	0	0	0	0	<b>54,362</b>
<b>Net book value at 31 March 2009</b>	<b>1,810,475</b>	<b>5,056,938</b>	<b>26,187</b>	<b>172,929</b>	<b>166,482</b>	<b>4,779</b>	<b>250,558</b>	<b>84,905</b>	<b>7,573,253</b>

The opening 'cost or valuation' for land, buildings, dwellings and assets under construction is the closing net book value from the previous year.

For other categories of PPE, the opening 'cost or valuation' and 'depreciation' are carried forward independently.



*10.1 Revaluation reserve balance for property, plant and equipment<sup>1</sup>*

	<b>2009-2010</b>
	<b>£000</b>
At 1 April	<b>1,860,799</b>
Changes during the year	<b><u>(399,450)</u></b>
At 31 March	<b><u>1,461,349</u></b>

1 The revaluation reserve balance for PPE is separately identified for the first time during 2009-2010.

**11 Intangible Non-current Assets**

2009-2010	Software purchased £000	Software internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure £000	<b>Total £000</b>
<b>Cost or valuation</b>						
At 1 April 2009	27,278	5,146	1,503	0	7,599	<b>41,526</b>
Additions – purchased	9,288	1,407	611	0	511	<b>11,817</b>
Additions – internally generated	0	241	0	0	290	<b>531</b>
Additions – donated	0	0	0	0	0	<b>0</b>
Additions – government granted	0	0	0	0	441	<b>441</b>
Reclassifications	847	(739)	85	0	(24)	<b>169</b>
Transferred to non-current assets held for sale	0	0	0	0	0	<b>0</b>
Disposals other than by sale	(599)	0	0	0	0	<b>(599)</b>
Revaluation gains	72	0	0	0	0	<b>72</b>
Impairments	(29)	0	0	0	0	<b>(29)</b>
Reversal of impairments	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	0	(1)	0	0	0	<b>(1)</b>
<b>At 31 March 2010</b>	<b>36,857</b>	<b>6,054</b>	<b>2,199</b>	<b>0</b>	<b>8,817</b>	<b>53,927</b>
<b>Amortisation</b>						
At 1 April 2009	13,014	2,318	789	0	7,297	<b>23,418</b>
Charged in year	4,867	1,144	292	0	57	<b>6,360</b>
Impairments	73	0	0	0	290	<b>363</b>
Reversal of Impairments	0	0	0	0	0	<b>0</b>
Reclassifications	416	(454)	38	0	0	<b>0</b>
Revaluation gains	25	0	0	0	0	<b>25</b>
In year transfers to/from NHS bodies	0	0	0	0	0	<b>0</b>
Disposals other than by sale	(453)	0	0	0	0	<b>(453)</b>
Transferred to non-current assets held for sale	(5)	0	0	0	0	<b>(5)</b>
<b>At 31 March 2010</b>	<b>17,937</b>	<b>3,008</b>	<b>1,119</b>	<b>0</b>	<b>7,644</b>	<b>29,708</b>
<b>Net book value at 31 March 2010 comprises</b>						
Purchased	18,917	3,046	1,079	0	554	<b>23,596</b>
Donated	0	0	1	0	0	<b>1</b>
Government Granted	3	0	0	0	619	<b>622</b>
<b>Net book value at 31 March 2010</b>	<b>18,920</b>	<b>3,046</b>	<b>1,080</b>	<b>0</b>	<b>1,173</b>	<b>24,219</b>

Restated 2008-2009	Software purchased £000	Software internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure £000	<b>Total £000</b>
<b>Cost or valuation</b>						
At 1 April 2008	20,769	3,014	959	0	7,384	<b>32,126</b>
Additions – purchased	6,218	2,123	141	0	0	<b>8,482</b>
Additions – internally generated	0	0	0	0	0	<b>0</b>
Additions – donated	0	0	0	0	0	<b>0</b>
Additions – government granted	1	0	0	0	223	<b>224</b>
Reclassifications	447	0	403	0	0	<b>850</b>
Transferred to non-current assets held for sale	0	0	0	0	0	<b>0</b>
Disposals other than by sale	(155)	0	0	0	0	<b>(155)</b>
Revaluation gains	0	9	0	0	0	<b>9</b>
Impairments	(2)	0	0	0	(8)	<b>(10)</b>
Reversal of impairments	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	0	0	0	0	0	<b>0</b>
<b>At 31 March 2009</b>	<b>27,278</b>	<b>5,146</b>	<b>1,503</b>	<b>0</b>	<b>7,599</b>	<b>41,526</b>
<b>Amortisation</b>						
At 1 April 2008	8,806	1,448	314	0	7,292	<b>17,860</b>
Charged in year	4,127	870	212	0	5	<b>5,214</b>
Impairments	129	0	263	0	0	<b>392</b>
Reversal of Impairments	0	0	0	0	0	<b>0</b>
Reclassifications	59	0	0	0	0	<b>59</b>
Revaluation gains	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	0	0	0	0	0	<b>0</b>
Disposals other than by sale	(102)	0	0	0	0	<b>(102)</b>
Transferred to non-current assets held for sale	(5)	0	0	0	0	<b>(5)</b>
<b>At 31 March 2009</b>	<b>13,014</b>	<b>2,318</b>	<b>789</b>	<b>0</b>	<b>7,297</b>	<b>23,418</b>
<b>Net book value at 31 March 2009 comprises</b>						
Purchased	14,244	2,828	713	0	79	<b>17,864</b>
Donated	0	0	1	0	0	<b>1</b>
Government Granted	20	0	0	0	223	<b>243</b>
<b>Net book value at 31 March 2009</b>	<b>14,264</b>	<b>2,828</b>	<b>714</b>	<b>0</b>	<b>302</b>	<b>18,108</b>

*11.1 Revaluation reserve balance for intangible assets*

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
At 1 April	<b>18</b>	30
Changes during the year	<b>34</b>	(12)
<b>At 31 March</b>	<b>52</b>	18

**12 Impairments**

Details of impairments are provided in the underlying accounts of the individual Primary Care Trusts.

**13 Inventories***13.1 Inventories*

	<b>31 March</b>	Restated 31 March
	<b>2010</b>	2009
	<b>£000</b>	£000
Drugs	<b>2,782</b>	1,640
Consumables	<b>4,221</b>	2,921
Loan equipment	<b>9,849</b>	6,267
Other	<b>7,994</b>	12,139
<b>Total</b>	<b>24,846</b>	22,967

*13.2 Inventories recognised in expenses*

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>54,918</b>	27,837
Write-down of expenses (including losses)	<b>166</b>	357
Reversal of write-down previously taken to OCS	<b>(15)</b>	0
<b>Total</b>	<b>55,069</b>	28,194

**14 Receivables***14.1 Trade and other receivables*

	<b>Current</b>	<b>Non-current</b>	Restated	Restated
	<b>31 March</b>	<b>31 March</b>	Current	Non-current
	<b>2010</b>	<b>2010</b>	31 March	31 March
	<b>£000</b>	<b>£000</b>	2009	2009
			£000	£000
NHS receivables	<b>348,569</b>	<b>3,823</b>	297,490	3,530
Other trade receivables	<b>278,274</b>	<b>15,212</b>	280,094	5,867
Provision for the impairment of receivables	<b>(33,567)</b>	<b>(81)</b>	(26,329)	(199)
Prepayments and accrued income	<b>287,424</b>	<b>19,269</b>	320,534	21,902
Finance lease receivables	<b>181</b>	<b>9,574</b>	167	9,739
Operating lease receivables	<b>1,795</b>	<b>0</b>	3,885	0
VAT	<b>37,906</b>	<b>0</b>	12,750	0
Other Receivables	<b>195,771</b>	<b>23,884</b>	254,407	19,852
<b>Total</b>	<b><u>1,116,353</u></b>	<b><u>71,681</u></b>	<u>1,142,998</u>	<u>60,691</u>

*14.2 Receivables past their due date but not impaired*

	<b>31 March</b>	Restated
	<b>2010</b>	31 March
	<b>£000</b>	2009
		£000
By up to three months	<b>254,231</b>	196,792
By three to six months	<b>38,918</b>	32,953
By more than six months	<b>71,832</b>	53,861
<b>Total</b>	<b><u>364,981</u></b>	<u>283,606</u>

*14.3 Provision for impairment of receivables*

	<b>2009-2010</b>	Restated
	<b>£000</b>	2008-2009
		£000
<b>Balance at 1 April</b>	<b>(26,528)</b>	(36,125)
Amount written off during the year	<b>3,860</b>	9,289
Amount recovered during the year	<b>4,443</b>	2,962
(Increase)/decrease in receivables impaired	<b>(15,423)</b>	(2,654)
<b>Balance at 31 March</b>	<b><u>(33,648)</u></b>	<u>(26,528)</u>

**15 Finance lease receivables**

<b>Amounts receivable under finance leases</b>	<b>Gross investments in leases</b>	<b>Present value of minimum lease payments</b>	Restated	Restated
			Gross investments in leases	Present value of minimum lease payments
			31 March 2010	31 March 2009
	<b>£000</b>	<b>£000</b>	£000	£000
Within one year	<b>195</b>	<b>181</b>	181	167
Between one and five years	<b>944</b>	<b>886</b>	871	813
After five years	<b>9,785</b>	<b>8,688</b>	10,038	8,926
Less future finance income	<b>(1,169)</b>	0	(1,184)	0
Present value of minimum lease payments	<b>9,755</b>	<b>9,755</b>	9,906	9,906
Less cumulative provision for uncollectable payments	<b>0</b>	0	0	0
Total finance lease receivable recognised in the statement of financial position	<b>9,755</b>	<b>9,755</b>	9,906	9,906
Included in				
Current finance lease receivables		181		167
Non-current finance lease receivables		9,574		9,739
		<b>9,755</b>		<b>9,906</b>

The unguaranteed residual value accruing to the PCTs is £nil.

<b>Rental Revenue</b>	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Contingent rent	<b>1,601</b>	1,279
Other	<b>63</b>	15
<b>Total rental revenue</b>	<b>1,664</b>	1,294

**16 Other financial assets**

	<b>Current</b>	<b>Non-current</b>	Restated Current	Restated Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2010</b>	<b>2010</b>	2009	2009
	<b>£000</b>	<b>£000</b>	£000	£000
Financial assets carried at fair value through profit and loss	<b>125</b>	<b>6,571</b>	125	6,518
Held to maturity investments at amortised cost	<b>30</b>	<b>5,177</b>	780	3,531
Available for sale financial assets carried at fair value	<b>2,283</b>	<b>14,008</b>	1,455	8,940
Loans carried at amortised cost	<b>210</b>	<b>12,844</b>	203	12,853
<b>Total</b>	<b>2,648</b>	<b>38,600</b>	<b>2,563</b>	<b>31,842</b>

**17 Other current assets**

	<b>31 March</b>	Restated 31 March
	<b>2010</b>	2009
	<b>£000</b>	£000
EU Emissions Trading Scheme Allowance	<b>0</b>	0
Other Assets	<b>4,551</b>	26,221
<b>Total</b>	<b>4,551</b>	26,221

**18 Cash and cash equivalents**

	<b>31 March</b>	Restated 31 March
	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at 1 April	<b>16,623</b>	34,887
Net change in year	<b>1,987</b>	(18,264)
<b>Balance at 31 March</b>	<b>18,610</b>	16,623
<b>Made up of</b>		
Cash with Office of HM Paymaster General	<b>17,323</b>	10,778
Commercial banks and cash in hand	<b>1,287</b>	5,845
Current investments	<b>0</b>	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>18,610</b>	16,623
Bank overdraft	<b>(3,624)</b>	(2,930)
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>14,986</b>	13,693

**19 Non-current assets held for sale**

	Land £000	Buildings, including dwellings £000	Other property, plant and equipment £000	Intangible assets £000	<b>Total £000</b>
Amount brought forward at 1 April 2009	29,492	36,810	94	0	<b>66,396</b>
Assets classified as held for sale in year	40,835	36,137	74	0	<b>77,046</b>
Assets sold in year	(13,696)	(29,368)	(162)	0	<b>(43,226)</b>
Impairments of assets held for sale	(2,002)	(5,486)	(1)	0	<b>(7,489)</b>
Reversal of impairments of assets held for sale	472	61	0	0	<b>533</b>
Assets no longer held for sale (for reasons other than by sale)	(2,434)	(5,076)	0	0	<b>(7,510)</b>
<b>Balance carried forward at 31 March 2010</b>	<b>52,667</b>	<b>33,078</b>	<b>5</b>	<b>0</b>	<b>85,750</b>
<b>Associated liabilities at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Amount brought forward at 1 April 2008</b>	29,082	32,837	1,321	0	63,240
Assets classified as held for sale in year	16,525	13,523	93	0	30,141
Assets sold in year	(13,768)	(4,697)	(1,320)	0	(19,785)
Impairments of assets held for sale	(1,687)	(4,515)	0	0	(6,202)
Reversal of impairments of assets held for sale	(14)	(19)	0	0	(33)
Assets no longer held for sale (for reasons other than by sale)	(646)	(319)	0	0	(965)
<b>Balance carried forward at 31 March 2009</b>	<b>29,492</b>	<b>36,810</b>	<b>94</b>	<b>0</b>	<b>66,396</b>
Associated liabilities at 31 March 2009	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>(3)</b>

**20 Trade and other payables**

	<b>Current 31 March 2010 £000</b>	<b>Non-current 31 March 2010 £000</b>	Restated Current 31 March 2009 £000	Restated Non-current 31 March 2009 £000
Payments received on account	<b>1,685</b>	<b>0</b>	3,976	0
NHS payables	<b>1,235,902</b>	<b>5,085</b>	1,105,863	13,346
FHS Contractors	<b>1,876,883</b>	<b>0</b>	1,823,590	0
Other trade payables	<b>924,536</b>	<b>509</b>	965,708	0
Tax and Social Security Costs	<b>113,504</b>	<b>0</b>	99,171	0
VAT	<b>1,291</b>	<b>0</b>	861	0
Accruals and deferred income	<b>1,364,955</b>	<b>0</b>	1,172,085	0
Other Payables	<b>277,072</b>	<b>34,811</b>	258,816	46,795
<b>Total</b>	<b>5,795,828</b>	<b>40,405</b>	5,430,070	60,141

Other liabilities include £91,000 (2008-2009: £263,000) in respect of payments due in future years under arrangements to buy out the liability for 5 early retirements over 5 instalments (2008-2009 7 early retirements); and £39,720,000 (2008-2009: £38,199,000) in respect of outstanding pensions contributions at 31 March 2010.



**21 Borrowings**

	<b>Current</b>	<b>Non-current</b>	Restated Current	Restated Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2010</b>	<b>2010</b>	2009	2009
	<b>£000</b>	<b>£000</b>	£000	£000
Bank overdrafts – OPG	<b>3,425</b>	<b>0</b>	2,924	0
Bank overdrafts – Commercial accounts	<b>199</b>	<b>0</b>	6	0
PFI and LIFT liabilities	<b>43,678</b>	<b>1,744,460</b>	32,324	1,416,988
PFI liabilities – lifecycle replacement received in advance <sup>1</sup>	<b>0</b>	<b>221</b>		
LIFT liabilities – lifecycle replacement received in advance <sup>1</sup>	<b>419</b>	<b>15,023</b>		
Finance lease liabilities	<b>41,026</b>	<b>208,165</b>	26,203	294,118
Other	<b>0</b>	<b>10,110</b>	0	14,428
<b>Total</b>	<b>88,747</b>	<b>1,977,979</b>	61,457	1,725,534

<sup>1</sup> PFI and LIFT liabilities – lifecycle replacement received in advance was collected for the first time in 2009-2010.

**22 Other liabilities<sup>1</sup>**

	<b>Current</b>	<b>Non-current</b>	Restated Current	Restated Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2010</b>	<b>2010</b>	2009	2009
	<b>£000</b>	<b>£000</b>	£000	£000
PFI/LIFT deferred credit	<b>85</b>	<b>867</b>	0	0
Lease incentives	<b>0</b>	<b>534</b>	0	0
Other payables	<b>23,485</b>	<b>15,835</b>	0	0
<b>Total</b>	<b>23,570</b>	<b>17,236</b>	112,536	10,076

<sup>1</sup> The detailed split of other liabilities was collected for the first time in 2009-2010.

**23 Provisions**

	<b>Current</b>	<b>Non-current</b>	Restated	Restated
	<b>31 March</b>	<b>31 March</b>	Current	Non-current
	<b>2010</b>	<b>2010</b>	31 March	31 March
	<b>£000</b>	<b>£000</b>	2009	2009
			£000	£000
Pensions relating to former directors	<b>619</b>	<b>5,000</b>	1,106	6,572
Pensions relating to other staff	<b>27,597</b>	<b>222,119</b>	27,516	242,535
Legal claims	<b>9,398</b>	<b>19,107</b>	11,735	19,639
Restructurings	<b>12,493</b>	<b>2,304</b>	11,488	4,117
Other	<b>90,966</b>	<b>68,256</b>	118,687	83,014
<b>Total</b>	<b>141,073</b>	<b>316,786</b>	<b>170,932</b>	<b>355,877</b>

	<b>Pensions relating to former directors</b>	<b>Pensions relating to other staff</b>	<b>Legal claims</b>	<b>Restructurings</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2009	7,678	270,451	31,374	15,605	201,701	<b>526,809</b>
Arising during the year	19	15,281	7,168	8,092	72,704	<b>103,264</b>
Used during the year	(987)	(41,820)	(4,629)	(5,329)	(53,265)	<b>(106,030)</b>
Reversed unused	(760)	(2,997)	(6,109)	(4,693)	(59,886)	<b>(74,445)</b>
Unwinding of discount	506	6,680	324	36	767	<b>8,313</b>
Transfers in year	(837)	2,122	376	1,086	(2,799)	<b>(52)</b>
At 31 March 2010	<b>5,619</b>	<b>249,717</b>	<b>28,504</b>	<b>14,797</b>	<b>159,222</b>	<b>457,859</b>

**Expected timing of cash flows**

In the remainder of the spending review period to 31 March 2011

	619	27,597	9,398	12,493	90,966	<b>141,073</b>
Between 1 April 2011 and 31 March 2016	2,108	111,098	7,737	2,070	45,750	<b>168,763</b>
Between 1 April 2016 and 31 March 2021	2,309	99,184	6,469	201	16,412	<b>124,575</b>
Thereafter	583	11,837	4,901	33	6,094	<b>23,448</b>
	<b>5,619</b>	<b>249,716</b>	<b>28,505</b>	<b>14,797</b>	<b>159,222</b>	<b>457,859</b>

£101,904,000 is included in the provisions of the NHS Litigation Authority at 31 March 2010 in respect of clinical negligence liabilities of the PCTs (31 March 2009: £95,884,000).

**24 Other financial liabilities**

	<b>Current</b>	<b>Non-current</b>	Restated	Restated
	<b>31 March</b>	<b>31 March</b>	Current	Non-current
	<b>2010</b>	<b>2010</b>	31 March	31 March
	<b>£000</b>	<b>£000</b>	2009	2009
			£000	£000
Financial liabilities carried at fair value through profit and loss	<b>229</b>	<b>741</b>	972	31,674
<b>Total</b>	<b>229</b>	<b>741</b>	<b>972</b>	<b>31,674</b>

**25 Contingencies**

	<b>31 March</b>	Restated
	<b>2010</b>	31 March
	<b>£000</b>	2009
		£000
<b>Contingent liabilities</b>		
Contingent liabilities	<b>(47,121)</b>	(46,934)
Amounts recoverable	<b>128</b>	173
<b>Net value of contingent liabilities</b>	<b>(46,993)</b>	(46,761)
Contingent assets	<b>44,416</b>	34,941

Contingent assets and liabilities have not been accrued in this account due to uncertainty over the ultimate outcome. The contingent assets are mainly in respect of legal charges on properties which have been purchased using grants from PCTs.

The contingent liabilities are mainly in respect of continuing care and practice based commissioning savings liabilities.

**26 Capital Commitments**

	<b>31 March</b>	Restated
	<b>2010</b>	31 March
	<b>£000</b>	2009
		£000
Property, plant and equipment	<b>245,313</b>	223,501
Intangible assets	<b>0</b>	2,900
<b>Total</b>	<b>245,313</b>	<b>226,401</b>

**27 Finance lease obligations***27.1 Amounts payable under finance leases: Buildings*

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Restated Minimum lease payments	Restated Present value of minimum lease payments
	<b>31 March 2010</b>	<b>31 March 2010</b>	31 March 2009	31 March 2009
	<b>£000</b>	<b>£000</b>	£000	£000
Within one year	<b>49,500</b>	<b>43,160</b>	38,148	28,103
Between one and five years	<b>163,692</b>	<b>137,576</b>	223,998	148,043
After five years	<b>141,791</b>	<b>57,759</b>	209,408	130,812
Less future finance charges	<b>(116,488)</b>	<b>0</b>	(164,596)	0
Present value of minimum lease payments	<b><u>238,495</u></b>	<b><u>238,495</u></b>	<u>306,958</u>	<u>306,958</u>
Included in				
Current borrowings		<b>39,474</b>		24,943
Non-current borrowings		<b>199,021</b>		282,015
		<b><u>238,495</u></b>		<u>306,958</u>

*27.2 Amounts payable under finance leases: Land*

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Restated Minimum lease payments	Restated Minimum lease payments
	<b>31 March 2010</b>	<b>31 March 2010</b>	31 March 2009	31 March 2009
	<b>£000</b>	<b>£000</b>	£000	£000
Within one year	<b>750</b>	<b>750</b>	87	11
Between one and five years	<b>0</b>	<b>0</b>	341	44
After five years	<b>0</b>	<b>0</b>	3,722	1,495
Less future finance charges	<b>0</b>	<b>0</b>	(2,600)	0
Present value of minimum lease payments	<b><u>750</u></b>	<b><u>750</u></b>	<u>1,550</u>	<u>1,550</u>
Included in				
Current borrowings		<b>750</b>		11
Non-current borrowings		<b>0</b>		1,539
		<b><u>750</u></b>		<u>1,550</u>

27.3 Amounts payable under finance leases: Other property plant and equipment

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Restated Minimum lease payments	Restated Minimum lease payments
	<b>31 March 2010</b>	<b>31 March 2010</b>	31 March 2009	31 March 2009
	<b>£000</b>	<b>£000</b>	£000	£000
Within one year	<b>1,321</b>	<b>1,093</b>	1,963	1,643
Between one and five years	<b>9,524</b>	<b>8,853</b>	11,477	10,129
After five years	<b>0</b>	<b>0</b>	54	41
Less future finance charges	<b>(899)</b>	<b>0</b>	(1,681)	0
Present value of minimum lease payments	<b>9,946</b>	<b>9,946</b>	11,813	11,813
Included in				
Current borrowings		<b>802</b>		1,249
Non-current borrowings		<b>9,144</b>		10,564
		<b>9,946</b>		11,813

Future non-cancellable sublease payments expected to be received total £33,060,000 (prior year £22,173,000).

Contingent rents recognised as an expense £655,000 (prior year £685,000).

## 28 PFI and NHS LIFT Schemes

### 28.1 NHS LIFT schemes off-Statement of Financial Position

In this financial year, 2 PCTs reported off-Statement of Financial Position LIFT schemes over £1,000,000 (2008-2009 2 PCTs). The estimated capital value of these schemes over £1,000,000 is £5,894,000 (2008-2009 £19,888,000). The assets which make up this capital value are not assets of the PCTs. The amount included within operating expenses for these schemes is £1,093,000 (2008-2009 £1,146,000).

Details of the individual NHS LIFT schemes are included in the accounts of each PCT.

### 28.2 NHS LIFT schemes on-Statement of Financial Position

In this financial year, 76 PCTs reported on-Statement of Financial Position LIFT schemes (2008-2009 60 PCTs). The assets of these schemes are treated as assets of the PCTs. The substance of each contract is that the PCT has a finance lease and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for the service element of these schemes is £36,354,000 (2008-2009 £27,711,000).

Details of the individual LIFT schemes are included in the accounts of each PCT.

Total obligations for on-Statement of Financial Position NHS LIFT contracts due	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
Not later than one year	<b>106,051</b>	80,748
Later than one year, not later than five years	<b>431,737</b>	325,594
Later than five years	<b>2,387,227</b>	1,945,323
Sub total	<b>2,925,015</b>	2,351,665
Less: interest element	<b>(1,679,541)</b>	(1,280,410)
Total	<b>1,245,474</b>	1,071,255

### 28.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position NHS LIFT contracts and the service element of on-statement of financial position NHS LIFT contracts was £37,514,000 (2008-2009 £28,857,000).

PCTs are committed to the following annual charges

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
<b>NHS LIFT scheme expiry date</b>		
Not later than one year	<b>20,012</b>	12,955
Later than one year, not later than five years	<b>79,606</b>	52,260
Later than five years	<b>1,092,562</b>	814,431
<b>Total</b>	<b>1,192,180</b>	879,646

### 28.4 PFI schemes off-Statement of Financial Position

In this financial year, 1 PCT reported off-Statement of Financial Position PFI schemes over £1,000,000 (2008-2009 2 PCTs). The estimated capital value of this scheme is £1,200,000 (2008-2009 £12,434,000). The assets which make up this capital value are not assets of the PCTs. The amount included within operating expenses for these schemes is £450,000 (2008-2009 £418,000).

Details of the individual PFI schemes are included in the accounts of each PCT.

### 28.5 PFI schemes on-Statement of Financial Position

In this financial year, 28 PCTs reported on-Statement of Financial Position PFI schemes (2008-2009 22 PCTs). The assets of these schemes are treated as assets of the PCTs. The substance of each contract is that the PCT has a finance lease and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for the service element of these schemes is £29,256,000 (2008-2009 £25,477,000).

Details of the individual PFI schemes are included in the accounts of each PCT.

Total obligations for on-Statement of Financial Position PFI contracts due	2009-2010 £000	Restated 2008-2009 £000
Not later than one year	44,883	30,671
Later than one year, not later than five years	176,373	118,193
Later than five years	937,989	643,448
Sub total	<u>1,159,245</u>	<u>792,312</u>
Less: interest element	<u>(616,581)</u>	<u>(414,255)</u>
Total	<u>542,664</u>	<u>378,057</u>

### 28.6 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £33,650,000 (2008-2009 £25,895,000).

PCTs are committed to the following annual charges	31 March 2010 £000	Restated 31 March 2009 £000
<b>PFI scheme expiry date</b>		
Not later than one year	9,150	15,357
Later than one year, not later than five years	36,153	50,372
Later than five years	674,442	733,718
<b>Total</b>	<u>719,745</u>	<u>799,447</u>

## 29 Movements in working capital

	2009-2010 £000	Restated 2008-2009 £000
(Increase)/decrease in inventories	(1,879)	(842)
(Increase)/decrease in receivables	25,651	375,100
Increase/(decrease) in payables	353,559	(118,381)
(Increase)/decrease in other current assets	19,404	2,713
Increase/(decrease) in other liabilities	(68,149)	(25,941)
<b>Total</b>	<u>328,586</u>	<u>232,649</u>

**30 Other cashflow adjustments**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Depreciation	<b>338,287</b>	354,403
Amortisation	<b>6,360</b>	5,214
Impairments and reversals	<b>582,709</b>	199,008
Cost of capital charge	<b>21,455</b>	49,784
Net foreign exchange gains/(losses)	<b>0</b>	0
Transfer from donated asset reserve	<b>(7,344)</b>	(5,710)
Transfer from government grant reserve	<b>(1,859)</b>	(1,650)
Investment rental revenue	<b>0</b>	
Non-cash movement in provisions	<b>27,968</b>	22,593
Release of PFI deferred credit	<b>(2,988)</b>	0
<b>Total</b>	<b>964,588</b>	623,642

**31 Financial instruments***Financial risk management*

The PCT summarised account includes the accounts of 152 underlying PCTs plus the Pharmaceutical Services Account prepared by the NHS Business Services Authority. It is within the underlying accounts of these bodies that detailed disclosures have been made. The following paragraphs provide an overview of the major financial risks for PCTs and how they are managed at the individual level.

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 PCTs 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 PCTs' expected purchase and usage requirements and the PCTs are therefore exposed to little credit, liquidity or market risk.

*Currency risk*

PCTs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. PCTs have no overseas operations, and therefore have low exposure to currency rate fluctuations.

*Interest rate risk*

PCTs are not permitted to borrow and therefore have low exposure to interest rate fluctuations.

*Credit risk*

Because the majority of the PCTs' income comes from funds voted by Parliament, PCTs have low exposure to credit risk.

*Liquidity risk*

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



*Market risk*

PCTs do not operate in an open market and are therefore not exposed to significant market risk.

**32 Related party transactions**

PCTs are bodies corporate established by order of the Secretary of State for Health. The Department of Health is regarded as a controlling related party. During the year PCTs had a significant number of material transactions with the Department and potentially with other entities for which the Department is regarded as the parent Department, i.e.

NHS Trusts  
NHS Foundation Trusts  
NHS agencies  
Strategic Health Authorities; and  
Special Health Authorities.

In addition, PCTs had a significant number of material transactions with other Government Departments, other central and local Government bodies, and with Charitable Funds, certain of which have trustees who are also members of PCT boards.

Details of all the PCTs' related party transactions – including related party transactions with individuals who exercise control over a PCT – are shown in the individual PCT accounts.

**33 Third party assets**

PCTs held £3,237,000 cash and cash equivalents at 31 March 2010 on behalf of patients (£2,182,000 at 31 March 2009). This is not an asset of the PCTs and has been excluded from the balances reported in the Summarised Account

**34 Intra Government balances**

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	54,820	3,334	189,613	103
Balances with Local Authorities	132,807	12,920	198,839	1,572
Balances with NHS Trusts and Foundation Trusts	281,415	9,934	1,168,958	4,982
Balances with Public Corporations and Trading Funds	38,464	0	93,411	0
<b>Intra Government balances</b>	<b>507,506</b>	<b>26,188</b>	<b>1,650,821</b>	<b>6,657</b>
Balances with bodies external to government	608,847	45,493	4,145,007	33,748
<b>At 31 March 2010</b>	<b>1,116,353</b>	<b>71,681</b>	<b>5,795,828</b>	<b>40,405</b>
Balances with other Central Government Bodies	75,690	3,496	188,652	348
Balances with Local Authorities	234,503	4,930	207,653	0
Balances with NHS Trusts and Foundation Trusts	225,854	9,773	1,056,052	13,026
Balances with Public Corporations and Trading Funds	5,084	0	31,963	0
<b>Intra Government balances</b>	<b>541,131</b>	<b>18,199</b>	<b>1,484,320</b>	<b>13,374</b>
Balances with bodies external to government	601,866	42,492	3,945,749	46,767
<b>At 31 March 2009</b>	<b>1,142,997</b>	<b>60,691</b>	<b>5,430,069</b>	<b>60,141</b>

### 35 Losses and special payments

The total number of losses cases in PCTs in 2009-2100 was 36,776, involving a total loss of £2,983,000 (2008-2009 68,918 cases totalling £4,678,000).

The total number of special payments in PCTs in 2009-2100 was 1,669, totalling £4,061,000 (2008-2009 960 cases totalling £5,078,000).

In 2009-2100 there were three cases over £250,000 (none in 2008-2009) which are detailed below

Wandsworth PCT made a compensation payment of £582,487 regarding an employers liability claim following a death in service relating to asbestos contact in the 1970's. The case is being dealt with by the NHS Litigation Authority however the claim pre-dates insurance cover.

Wandsworth PCT also had to pay the staff of a social enterprise that provided prison healthcare in order to maintain service following the liquidation of the social enterprise. The amount involved was £330,000.

Harrow PCT made a compensation payment of £500,000 following an employment tribunal.

### 36 Events after the reporting period

The Department of Health published a White Paper on 12 July: 'Equity and excellence: Liberating the NHS', which sets out the Government's plans for the future direction and priorities for the whole health system. In particular

- In order to shift decision-making as close as possible to individual patients, the Department will devolve power and responsibility for commissioning services to local consortia of GP practices.
- A statutory NHS Commissioning Board will be created to support GP consortia, and this will provide leadership for quality improvement and promote patient and carer involvement and choice. The Board will be established in shadow form in 2011, and will go live in April 2012. The Secretary of State will set clear financial controls and associated financial instructions for this Commissioning Board. These will be in line with the Department's continued Parliamentary accountability for expenditure and HM Treasury requirements.
- Following establishment of the GP consortia and the NHS Commissioning Board, Primary Care Trusts will no longer have NHS commissioning functions. Therefore, to realise administrative cost savings, and to achieve greater alignment with local government responsibilities for local health and well being, the Government will transfer PCT health improvement functions to Local Authorities, and abolish PCTs from 2013.
- The Government has guaranteed that health spending will increase in real terms in every year of this Parliament. With that protection comes the same obligation for the NHS to cut waste and transform productivity.
- The Department will shortly publish a review of its arm's length bodies. Subject to Parliamentary approval, organisations that do not need to exist will be abolished, and functions that need to remain will be streamlined to cut costs and remove duplication and burdens on the NHS.
- This structural change will have a significant impact on organisations and their staff. For the purposes of IAS 10, it is not possible to disclose the extent and nature of all costs associated with this transition. However, the NHS operating framework for 2010-2011 set a reduced ceiling for SHA and PCT management costs, the achievement of which will require a saving of approximately £850 million to be made over the next four years. This reduction will start with savings of £222 million in 2010-2011, followed by a further reduction of £350 million in 2011-2012, with the balance being achieved by 2013-14.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Primary Care Trusts provide to employees.

These accounts were authorised for issue on 23 July 2010.

## 37 Transition to IFRS

	General fund £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	(756,904)	1,743,453	101,730	37,321	(9,235)
Adjustments for IFRS changes	0	0	0	0	0
Private finance initiative	1,065	33,996	0	0	0
LIFT	(94,720)	37,580	0	0	0
Accrued employee benefits	(12,759)	0	0	0	0
Leases	2,421	2,634	0	0	0
Other IFRIC12 adjustments	(32,422)	5,530	0	0	5,062
Other	(105,399)	37,625	933	2,762	1,720
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	<u>(998,718)</u>	<u>1,860,818</u>	<u>102,663</u>	<u>40,083</u>	<u>(2,453)</u>
	<b>2008-2009</b>				
	<b>£000</b>				
<b>Net operating costs for 2008-2009 under UK GAAP</b>	<b>77,414,682</b>				
Adjustments for					
Private finance initiative	15,653				
LIFT	41,964				
Leases	473				
Other	72,146				
<b>Other adjustments</b>					
Impairments recognised on transition	985				
UK GAAP errors	(196)				
<b>Net operating costs for 2008-2009 under IFRS</b>	<u>77,545,707</u>				

# NHS Summarised Account of NHS Trusts

## Statement of Secretary of State's and Accounting Officer's responsibilities

Section 232 of schedule 15 of the National Health Service Act 2006 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury.

The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must give a true and fair view of the state of affairs of NHS Trusts at the year end and their income and expenditure total, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;

prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Chief Executive of the National Health Service as the Accounting Officer for the Summarised Account of NHS Trusts. His relevant responsibilities, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' memorandum issued by the Treasury and published in '*Managing Public Money*'.

# Statement on Internal Control 2009-2010

This statement is given in respect of the Summarised Account for National Health Service Trusts (NHS Trusts).

## Scope of responsibility

As Accounting Officer for the Department of Health Request for Resources 1, I acknowledge my personal overall responsibility for ensuring NHS Trusts maintain an effective system of internal control that supports the achievement of their policies, aims and objectives and that they review the effectiveness of that system.

## Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. The extent to which NHS Trusts had these processes in place during the financial year 2009-2010 and up to the dates of the approval of their annual reports and accounts is set out in the analysis below.

## Capacity to handle risk

NHS Trusts provided effective leadership and management of risk processes within their organisations in ways that varied with the size and complexity of the organisations and management structures.

Some NHS Trusts identified a lead director with overarching responsibility across all the organisation's activities, whereas others had opted for an approach whereby areas of responsibility were allocated across a number of directors. For example, the leadership responsibilities for clinical risks assigned to clinical directors and financial risks to the finance director.

Similarly, NHS Trusts had varying approaches to the roles of their sub committees in handling risk. These ranged from those that had established overarching corporate governance committees to those that had separate committees led by non-executive directors or with the key responsibilities assigned to the audit, risk management and clinical governance committees.

NHS Trusts made staff aware of their responsibilities through providing clear accountability, robust guidance, establishing clear policies and procedures and incorporating risk responsibilities in job descriptions. They also provided training on risk, in some instances mandatory, with an emphasis placed on continuing professional development.

## The risk and control framework

To help me fulfil my responsibilities set out above, I appointed the Chief Executive of each NHS Trust as an Accountable Officer<sup>1</sup> who is held responsible for the maintenance and operation of the system of internal control in that body. Guidance has been issued to each NHS Trust describing the principles to be applied to the identification, evaluation and control of risk

For 2009-2010 all NHS Trusts were required to have in place Assurance Frameworks that set out the strategic and high level directorate objectives mapped to the key risks, the controls in place to manage them and to describe how the board has gained assurance that the controls are effective. As part of this process NHS Trusts were required to identify gaps in controls and/or assurance arrangements and provide evidence that these had been or were being addressed.

NHS Trusts described their own Assurance Frameworks in their Statements on Internal Control (SICs). They also provided a range of comments on their risk management processes in planning and across all activities, developing a risk management culture and how they share information across the local health economy.

In view of the importance of information governance and security across the public sector, the NHS has policies and procedures to provide assurances regarding the processing of person identifiable information, particularly in the transfer of information within organisations and to outside locations. All NHS organisations.

- identify a Senior Information Risk Owner at Board level;
- explicitly include how risks to information are being managed and controlled in their annual statements on internal control; and
- include details of any serious untoward incidents involving loss data loss or confidentiality breach in their annual reports.

Strategic Health Authorities (SHAs) made an independent assessment of the quality of the NHS Trusts' Assurance Frameworks against a number of criteria and this showed that at 31 March 2010

100 per cent (108) of NHS Trusts were providing evidence that a system of internal control was in place;

99 per cent (107) of NHS Trusts had their system of internal control in place for the entire year.

This represents an increase compared with the 2008-2009 position when 98 per cent of NHS Trusts provided evidence that system of internal control was in place.

SHAs performance managed the ongoing development of NHS Trusts' Assurance Frameworks, and the actions taken by the NHS Trusts to address any significant gaps in control or assurance

## Review of effectiveness

I draw my major source of assurance on the NHS Trusts' systems of internal control from SICs, signed by Accountable Officers in support of the accounts for each NHS Trust, that have been summarised by the SHAs.

Each NHS Trust has its own Head of Internal Audit who gives an opinion on the organisation's system of internal control. These opinions are drawn on by NHS Trusts in their SICs that are included in their annual reports.

The SICs are subject to scrutiny by auditors appointed by the Audit Commission who comment if the statement is misleading or inconsistent with other information of which they are aware from their audit.

I have gained further assurance from reports from SHA Chief Executives that confirm whether NHS Trusts' Assurance Frameworks, that provide much of the evidence in support of the Accountable Officers' statements, are fit for purpose. The SHA Chief Executives also reported if there were inconsistencies between each NHS Trust SIC and

- the external audit opinion;
- evidence from the SHA performance management reviews; and
- the NHS Trust head of internal audit opinion.

I have carried out sample checks of the analysis of the NHS Trusts' Assurance Frameworks and SICs prepared by the SHAs. There is nothing positive that leads me to believe that these do not reflect the underlying position.

Accountable Officers<sup>1</sup> gain their assurances from a range of sources. These include

- executive managers who have responsibility for the development and maintenance of the system of internal control;
  - the work of their internal auditors, who work to the NHS Internal Audit Standards;
- other internal reviewers, for example clinical auditors;
- external reviewers including the Care Quality Commission and external audit; and

<sup>1</sup> The Chief Executive of NHS Direct NHS Trust is appointed as an Accounting Officer as the Trust is required to lay its accounts directly before Parliament.

- audit committees, risk management committees, governance committees and other board committees.

The SHA Chief Executives' reports recorded the following inconsistencies.

- One trust did not disclose in its SIC that it had failed the break-even duty.

I also gain assurance from reports made by the Audit Commission on the work of the auditors they have appointed at NHS bodies and the national reports made by the National Audit Office on NHS issues. I am aware that the appointed auditors for ten NHS Trusts issued a referral to the Secretary of State in respect of their financial situation.

My review also drew on the Value for Money (VfM) 2009-2010 opinion of the NHS Trusts external auditors. This assesses how well NHS Trusts and PCTs managed and used their financial resources. 89 per cent of NHS Trusts received unqualified opinions demonstrating adequate or more than adequate value for money and 11 per cent of NHS Trusts received qualified opinions.

### Significant Control Issues

My review of effectiveness concluded that 66 NHS Trusts disclosed a total of 228 significant control issues<sup>2</sup> in their SICs. Of these, 115 were for failures to meet the core Standards for Better Health, 40 for other national performance targets, 25 for data security incidents and 12 for financial performance issues. There were a further 36 significant control issues disclosed for other, uncategorised issues, such as backlogged maintenance, performing poorly in patient surveys and receiving limited assurance from internal audit reports. In all cases remedial action has or is being taken.

### Conclusion

The maintenance of Assurance Frameworks with all NHS Trusts being assessed by SHAs as having systems of internal control in place has provided a robust structure and consistency across NHS Trusts for the public assurances about how they are managing their risks.

*Sir David Nicholson KCB CBE*  
Accounting Officer

7 July 2010

2 From 2007-2008 each breach of any of the core Standards for Better Health is counted as a significant control issue, as is any Serious Untoward Incident involving data security. For this reason the total number of significant control issues is not comparable to the totals in previous years



# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the summarised financial statements of NHS Trusts for the year ended 31 March 2010 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Secretary of State's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 NHS Trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department of Health; and the overall presentation of the financial statements.

## Opinion on the financial statements

In my opinion

- the financial statements give a true and fair view, of the state of the NHS Trusts' affairs as at 31 March 2010, and of the net deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion

- 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 I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit;
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

23 July 2010

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Statement of Comprehensive income for the Year Ended 31 March 2010

	NOTE	2009-10			Restated 2008-09		
		Before Impairments £000	Impairments £000	After Impairments £000	Before Impairments £000	Impairments £000	After Impairments £000
<b>Revenue</b>							
Revenue from patient care activities	2	25,299,419		25,299,419	26,911,500		26,911,500
Other operating revenue	3	3,078,702		3,078,702	3,248,896		3,248,896
Operating expenses	4	(27,448,623)	(1,549,732)	(28,998,355)	(28,908,321)	(428,945)	(29,337,266)
<b>Operating (deficit)/surplus</b>		<b>929,498</b>	<b>(1,549,732)</b>	<b>(620,234)</b>	1,252,075	(428,945)	823,130
<b>Finance costs:</b>							
Investment revenue	9	8,780		8,780	74,289		74,289
Other gains and (losses)	10	3,437		3,437	(7,041)		(7,041)
Finance costs	11	(273,147)		(273,147)	(292,189)		(292,189)
<b>(Deficit)/surplus for the financial year</b>		<b>668,568</b>	<b>(1,549,732)</b>	<b>(881,164)</b>	1,027,134	(428,945)	598,189
Public dividend capital dividends payable		(503,952)		(503,952)	(714,768)		(714,768)
<b>Retained surplus/ (deficit) for the year</b>		<b>164,616</b>	<b>(1,549,732)</b>	<b>(1,385,116)</b>	312,366	(428,945)	(116,579)
<b>Other comprehensive income</b>							
Impairments and reversals		0	(2,347,381)	(2,347,381)	0	(2,443,381)	(2,443,381)
Gains on revaluations		960,177		960,177	375,470		375,470
Receipt of donated/ government granted assets		80,273		80,273	64,183		64,183
Net (loss) on other reserves		(9,541)		(9,541)	(379)		(379)
Net gains/(losses) on available for sale financial assets		0		0	(107)		(107)
Reclassification adjustments:				0			0
– Transfers from donated and government grant reserves		(81,507)		(81,507)	(61,757)		(61,757)
– On disposal of available for sale financial assets		(137)		(137)	0		0
<b>Total comprehensive income for the year</b>		<b>1,113,881</b>	<b>(3,897,113)</b>	<b>(2,783,232)</b>	689,776	(2,872,326)	(2,182,550)

The notes on pages C13 to C52 form part of these accounts.

## Statement of Financial Position as at 31 March 2010

		Restated	Restated
	<b>31 March</b>	31 March	1 April 2008
Note	<b>2010</b>	2009	2008
	<b>£000</b>	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	12 <b>18,284,057</b>	21,607,344	27,251,894
Intangible assets	13 <b>120,421</b>	105,611	107,054
Investment property	14 <b>12,952</b>	40,803	45,709
Financial assets	17 <b>3,031</b>	3,204	19,394
Trade and other receivables	16.1 <b>232,591</b>	245,140	265,894
<b>Total non-current assets</b>	<b>18,653,052</b>	22,002,102	27,689,945
<b>Current assets</b>			
Inventories	15.1 <b>390,753</b>	375,433	387,988
Trade and other receivables	16.1 <b>1,431,391</b>	1,492,751	2,038,592
Other financial assets	17 <b>259</b>	313	8,418
Other current assets	18 <b>1,038</b>	1,475	35,507
Cash and cash equivalents	19 <b>735,187</b>	837,198	845,845
	<b>2,558,628</b>	2,707,170	3,316,350
Non-current assets held for sale	20 <b>33,334</b>	53,934	43,276
<b>Total current assets</b>	<b>2,591,962</b>	2,761,104	3,359,626
<b>Total assets</b>	<b>21,245,014</b>	24,763,206	31,049,571
<b>Current liabilities</b>			
Trade and other payables	21 <b>(2,596,185)</b>	(2,535,528)	(2,747,787)
Borrowings	22 <b>(263,050)</b>	(276,233)	(291,957)
Other financial liabilities	<b>0</b>	0	(1,936)
Provisions	28 <b>(129,469)</b>	(152,379)	(184,100)
Other liabilities	23 <b>(24,078)</b>	(34,894)	(95,544)
<b>Net current assets/(liabilities)</b>	<b>(420,820)</b>	(237,930)	38,302
<b>Total assets less current liabilities</b>	<b>18,232,232</b>	21,764,172	27,728,247
<b>Non-current liabilities</b>			
Trade and other payables	21 <b>(41,366)</b>	(49,322)	(54,081)
Borrowings	22 <b>(3,876,588)</b>	(3,490,660)	(3,701,194)
Other financial liabilities	<b>0</b>	0	(20,594)
Provisions	28 <b>(263,118)</b>	(295,273)	(360,924)
Other liabilities	23 <b>(58,791)</b>	(38,271)	(224,623)
<b>Assets less liabilities</b>	<b>13,992,369</b>	17,890,646	23,366,831
<b>Financed by taxpayers' equity</b>			
Public dividend capital	<b>11,747,218</b>	12,428,419	14,477,053
Retained earnings	<b>(2,111,662)</b>	(1,079,469)	(900,014)
Revaluation reserve	<b>3,652,664</b>	5,731,760	8,824,722
Donated asset reserve	<b>606,227</b>	676,341	808,139
Government grant reserve	<b>23,423</b>	17,348	19,929
Other reserves	<b>74,499</b>	116,247	137,002
<b>Total taxpayers' equity</b>	<b>13,992,369</b>	17,890,646	23,366,831

Sir David Nicholson KCB CBE  
Accounting Officer

7 July 2010

The notes on pages C13 to C52 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2008</b>	14,477,053	(900,014)	8,824,722	808,139	19,929	137,002	23,366,831
<b>Changes in taxpayers' equity for 2008-2009</b>							
Total Comprehensive Income for the year							
Retained (deficit) for the year		(116,579)					(116,579)
Impairments and reversals			(2,356,763)	(86,361)	(257)	0	(2,443,381)
Gains on revaluation			363,290	12,082	98	0	375,470
Receipt of donated/ government granted assets				62,073	2,110	0	64,183
Net (loss) on other reserves				0	0	(379)	(379)
Net (losses) on available for sale financial assets			(26)	(81)	0	0	(107)
Reclassification adjustments							
– transfer from donated asset/government grant reserve				(60,319)	(1,438)		(61,757)
Other movements in reserves		41,836		(36)			41,800
Transfers between reserves		87,292	(87,156)	(369)	(260)	493	0
New PDC received	423,515						423,515
PDC repaid in year	(582,025)						(582,025)
PDC transferred to Foundation Trust	(1,890,124)	(192,004)	(1,012,307)	(58,787)	(2,834)	(20,869)	(3,176,925)
<b>Balance at 31 March 2009</b>	<u>12,428,419</u>	<u>(1,079,469)</u>	<u>5,731,760</u>	<u>676,341</u>	<u>17,348</u>	<u>116,247</u>	<u>17,890,646</u>

The notes on pages C13 to C52 form part of these accounts.

## Statement of Changes in Taxpayers Equity

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
<b>Balance at 1 April 2009</b>	<b>12,428,419</b>	<b>(1,079,469)</b>	<b>5,731,760</b>	<b>676,341</b>	<b>17,348</b>	<b>116,247</b>	<b>17,890,646</b>
Transferred to Foundation Trusts 1 April 2009	(107,417)	(13,116)	(50,503)	(65)	(112)	755	(170,458)
Adjustment for Trust mergers at 1 April 2009	43,552	236,230	(278,666)			(1,116)	0
Restated at 1 April 2009	<b>12,364,554</b>	<b>(856,355)</b>	<b>5,402,591</b>	<b>676,276</b>	<b>17,236</b>	<b>115,886</b>	<b>17,720,188</b>
<b>Changes in taxpayers' equity for 2009-2010</b>							
Total Comprehensive Income for the year							
Retained (deficit) for the year		(1,385,116)					(1,385,116)
Impairments and reversals			(2,289,699)	(53,744)	(3,938)		(2,347,381)
Gains on revaluation			936,503	23,429	245		960,177
Receipt of donated/ government granted assets				68,187	12,086		80,273
Net (loss) on other reserves						(9,541)	(9,541)
Reclassification adjustments							
– transfer from donated asset/ government grant reserve				(79,902)	(1,605)		(81,507)
– on disposal of available for sale financial assets			(137)				(137)
Other movements in reserves		(12)	9	(3)		0	(6)
Transfers between reserves		77,749	(77,594)	(17)	(18)	(120)	0
New PDC received	309,596						309,596
PDC repaid in year	(90,172)						(90,172)
Other movements in PDC in year	292						292
PDC transferred to Foundation Trust	(837,052)	52,072	(319,009)	(27,999)	(583)	(31,726)	(1,164,297)
<b>Balance at 31 March 2010</b>	<b>11,747,218</b>	<b>(2,111,662)</b>	<b>3,652,664</b>	<b>606,227</b>	<b>23,423</b>	<b>74,499</b>	<b>13,992,369</b>

The notes on pages C13 to C52 form part of these accounts.

## Statement of Cash Flows for the year ended 31 March 2010

	Note	2009-2010 £000	Restated 2008-2009 £000
<b>Cash flows from operating activities</b>			
Operating (deficit)/surplus		(620,234)	823,130
Depreciation and amortisation		1,030,036	1,198,670
Impairments and reversals		1,549,802	428,950
Transfer from donated asset reserve		(79,902)	(60,319)
Transfer from government grant reserve		(1,605)	(1,438)
Interest paid		(262,907)	(286,047)
Dividends paid		(506,675)	(695,255)
(Increase) in inventories		(32,465)	(32,495)
(Increase)/decrease in trade and other receivables		(13,283)	285,246
Increase in other current assets		4,496	0
Increase in trade and other payables		186,171	177,934
Increase in other current liabilities		(6,544)	9,655
(Decrease) in provisions		(30,512)	(35,703)
<b>Net cash inflow from operating activities</b>		<b>1,216,378</b>	<b>1,812,328</b>
<b>Cash flows from investing activities</b>			
Interest received		8,469	76,136
(Payments) for property, plant and equipment		(1,525,897)	(1,526,202)
Proceeds from disposal of plant, property and equipment		100,197	133,780
(Payments) for intangible assets		(33,034)	(25,440)
Proceeds from disposal of intangible assets		464	0
(Payments) for investments with DH		(922,102)	(706,000)
(Payments) for other financial assets		(323,000)	(1,901,429)
Proceeds from disposal of investments with DH		922,102	706,000
Proceeds from disposal of other financial assets		323,000	1,890,050
Revenue from rental income		199	507
<b>Net cash (outflow) from investing activities</b>		<b>(1,449,602)</b>	<b>(1,352,598)</b>
<b>Net cash (outflow)/inflow before financing</b>		<b>(233,224)</b>	<b>459,730</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		309,596	423,515
Public dividend capital repaid		(90,172)	(582,025)
Loans received from the DH		232,776	228,720
Other loans received		18,785	586
Loans repaid to the DH		(160,436)	(256,664)
Other loans repaid		(20,138)	(2,837)
Other capital receipts		48,167	35,916
Capital element of finance leases and PFI		(80,970)	(83,619)
<b>Net cash inflow/(outflow) from financing</b>		<b>257,608</b>	<b>(236,408)</b>
Cash transferred to Foundation Trusts in year		(110,487)	(230,022)
<b>Net (decrease) in cash and cash equivalents</b>		<b>(86,103)</b>	<b>(6,700)</b>
<b>Cash, cash equivalents and bank overdrafts at the beginning of the financial year</b>		<b>820,803</b>	
Transferred to Foundation Trusts 1 April 2009		(9,250)	
Restated at 1 April 2009		811,553	827,503
<b>Cash, cash equivalents and bank overdrafts at the end of the financial year</b>	19	<b>725,450</b>	<b>820,803</b>

The notes on pages C13 to C52 form part of these accounts.

# Notes to the Accounts

## 1 Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the underlying and summarised financial statements have been prepared in accordance with the 2009-2010 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards 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. The particular policies adopted for the NHS Trusts Summarised Account are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

HM Treasury has granted a divergence from the Government Financial Reporting Manual in respect of operating segment disclosures in these accounts. Since the individual bodies making up these accounts have adopted operating segments, under IFRS 8, according to their individual circumstances, there has not been a consistent approach across the sector. Treasury therefore accept that it would not be meaningful to segment these accounts. Information specific to individual bodies can be found in their accounts.

In accordance with a further divergence from the Government Financial Reporting Manual granted by HM Treasury, a complete set of notes to the 1 April 2008 Statement of Financial Position is not provided.

### 1.1 Basis of consolidation

These accounts comprise a consolidation of 121 NHS Trusts. Transactions between entities included in the consolidation are eliminated. 12 of these NHS Trusts achieved Foundation Trusts status during the year, and figures are included for these 12 Trusts for the period they operated as NHS Trusts only.

When narrative disclosure is required by IFRS and it is not practical or meaningful to provide that level of detail in the summarised account the detail can be found in the individual NHS Trust accounts.

For 2009-2010, in accordance with the directed accounting policy from the Secretary of State, NHS Trusts do not consolidate the NHS charitable funds for which they are the corporate trustee.

### 1.2 Accounting convention

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

### 1.3 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on 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 public sector body to another.

### 1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trusts' 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 and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The critical accounting judgements and sources of estimation uncertainty of individual bodies are given in their individual accounts.



### 1.5 Revenue

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. The main source of revenue for the trusts is from commissioners for healthcare services.

Trusts receive income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. Trusts recognise the income when they receive notification from the Department's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

### 1.6 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.

#### 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 each trust commits itself to the retirement, regardless of the method of payment.

### 1.7 Other expenses

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

### 1.8 Property, plant and 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 trust;
- 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, other than those held under leases, 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 a trust'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; and
- 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. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest. Revaluations by individual NHS Trusts will have been carried out by various qualified valuers. The date of the latest revaluation and the name and details of the valuer are disclosed in the accounts of the underlying bodies

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease 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. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

In the Property, Plant and Equipment note, in accordance with the requirements with the NHS Trust's Manual for Accounts, impairments recognised in revaluation reserves are presented as impairments to the cost of PPE and impairments recognised in the Statement of Comprehensive Income are presented as an additional depreciation charge.

### 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.

## 1.9 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust'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 trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

### 1.10 Depreciation, amortisation and impairments

The accounts include a FReM departure which has been agreed with HM Treasury, whereby the accumulated depreciation as at 31 March 2009 has been netted off against the cost of the asset brought forward as at 1 April 2009 for the following classes of assets.

- Land
- Buildings (ex Dwellings)
- Dwellings
- Assets under construction and payments on account

Freehold land and properties under construction 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 Trusts expect to obtain economic benefits or service potential from the asset. This is specific to each Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term or useful life.

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, 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.

Estimated lives of tangible fixed assets held by NHS Trust fall within the following limits

Buildings excluding dwellings: between 1 and 100 years

Dwellings: between 1 and 100 years

Plant and machinery: between 1 and 79 years

Transport equipment: between 1 and 20 years

Information technology: between 1 and 40 years

Fixtures and fittings: between 1 and 99 years

Software licences: between 1 and 15 years

Licences and trademarks: between 1 and 12 years

Patents: between 1 and 12 years

Development expenditure: between 1 and 99 years

#### *1.11 Donated assets*

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge and impairment on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the sale proceeds are transferred from the donated asset reserve to retained earnings.

#### *1.12 Government grants*

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and the assets purchased are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge and impairment are released from the government grant reserve to offset the expenditure. On sale of government granted assets, the sale proceeds are transferred from the government grant reserve to retained earnings.

#### *1.13 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 Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised

in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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.

#### *1.14 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.

#### **Trusts as lessee**

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

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

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

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

#### **Trusts as lessor**

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

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

#### *1.15 Private Finance Initiative (PFI) and LIFT transactions*

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

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

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

#### **Services received**

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

**PFI and LIFT Asset**

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

**PFI and LIFT liability**

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

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

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

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

**Lifecycle replacement**

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

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

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

**Assets contributed by Trusts to the operator for use in the scheme**

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trusts' Statement of Financial Position.

**Other assets contributed by Trusts to the operator**

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

*1.16 Inventories*

Inventories are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to fair value due to the high turnover of inventories.

### *1.17 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 Trusts' cash management.

### *1.18 Provisions*

Provisions are recognised when the Trusts have a present legal or constructive obligation as a result of a past event, it is probable that the Trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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

### *1.19 Clinical negligence costs*

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trusts pay an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contributions are charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trusts. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trusts is disclosed at note 28.

### *1.20 Non-clinical risk pooling*

The Trusts participate in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trusts pay an annual contribution to the NHS Litigation Authority and, in return, receive assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

### *1.21 EU Emissions Trading Scheme*

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

### *1.22 Contingencies*

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of



the trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

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

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

### *1.23 Financial assets*

Financial assets are recognised when a Trust becomes party to a financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

#### **Financial assets at fair value through profit and loss**

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

#### **Held to maturity investments**

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

#### **Available for sale financial assets**

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

#### **Loans and receivables**

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

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

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

At the end of the reporting period, the trusts assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there



is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

#### 1.24 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the trusts 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 de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

#### Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of

- The premium received (or imputed) for entering into the guarantee less cumulative amortisation; and
- The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

#### Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the trusts' surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

#### Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

#### 1.25 Value Added Tax

Most of the activities of the trusts are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

#### 1.26 Foreign currencies

The Trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

### 1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 34 to the accounts.

### 1.28 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trusts. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trusts. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated, for each trust, as a simple average of opening and closing relevant net assets. Prior to 2009-2010 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts for each trust discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

### 1.29 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 that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations registers at each trust, which report amounts on an accruals basis with the exception of provisions for future losses.

### 1.30 Subsidiaries

For 2009-2010, in accordance with the directed accounting policy from the Secretary of State, the Trusts do not consolidate the NHS charitable funds for which they are the corporate trustees.

### 1.31 Associates

Material entities over which the Trusts have the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trusts' accounts using the equity method. Each investment is recognised initially at cost and is adjusted subsequently to reflect the Trust's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

Associates that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

### 1.32 Joint ventures

Material entities over which the Trusts have joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures.

Joint ventures that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

### *1.33 Joint operations*

Joint operations are activities undertaken by Trusts in conjunction with one or more other parties but which are not performed through a separate entity. The Trusts record their share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

### *1.34 Pooled Budgets*

A number of NHS Trusts have entered into a pooled budget with local authorities. Under the arrangement funds are pooled under S75 of the NHS Act 2006 for joint activities. Payments for services provided by Trusts are accounted for as income from local authorities. Trusts account for their share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

### *1.35 Accounting standards that have been issued but have not yet been adopted*

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010-2011. None of them are expected to impact upon the Trust summarised financial statements.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

### *1.36 Accounting standards issued that have been adopted early*

There are no accounting standard that have been adopted early that impact the NHS Trust Summarised Account.

**2 Revenue from patient care activities**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Strategic health authorities	<b>318,379</b>	331,873
Primary care trusts	<b>24,022,590</b>	24,210,583
Foundation trusts	<b>116,894</b>	113,021
Local authorities	<b>192,276</b>	244,415
Department of Health	<b>118,265</b>	1,452,865
NHS other	<b>43,472</b>	13,906
Non-NHS		
Private patients	<b>190,283</b>	227,295
Overseas patients (non-reciprocal)	<b>17,036</b>	17,471
Injury costs recovery	<b>99,038</b>	109,271
Other	<b>181,186</b>	190,800
<b>Total</b>	<b><u>25,299,419</u></b>	<u>26,911,500</u>

**3 Other Operating Revenue**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Patient transport services	<b>7,701</b>	3,399
Education, training and research	<b>1,606,586</b>	1,706,820
Charitable and other contributions to expenditure	<b>33,302</b>	39,581
Transfers from Donated Asset Reserve	<b>79,902</b>	60,319
Transfers from Government Grant Reserve	<b>1,605</b>	1,438
Non-patient care services to other bodies	<b>612,995</b>	683,035
Income generation	<b>245,352</b>	301,315
Rental revenue – finance lease	<b>148</b>	42
Rental revenue – operating lease	<b>47,775</b>	43,010
Other revenue	<b>443,336</b>	409,937
<b>Total</b>	<b><u>3,078,702</u></b>	<u>3,248,896</u>

**4 Operating expenses**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Services from PCTs	<b>131,238</b>	154,873
Services from other NHS bodies	<b>26,197</b>	35,177
Services from Foundation Trusts	<b>83,463</b>	82,177
Purchase of healthcare from non NHS bodies	<b>199,563</b>	246,953
Directors' costs	<b>114,908</b>	129,976
Other employee benefits <sup>1</sup>	<b>18,059,957</b>	19,076,007
Supplies and services – clinical	<b>4,086,731</b>	4,246,796
Supplies and services – general	<b>632,081</b>	641,144
Consultancy services	<b>141,332</b>	146,816
Establishment	<b>379,728</b>	417,637
Transport	<b>320,225</b>	320,136
Premises	<b>1,184,337</b>	1,334,204
Provision for impairment of receivables	<b>19,565</b>	17,204
Depreciation	<b>1,004,184</b>	1,173,535
Amortisation	<b>25,852</b>	25,135
Impairments and reversals of property, plant and equipment	<b>1,543,515</b>	427,949
Impairments and reversals of intangible assets	<b>4,230</b>	996
Impairments and reversals of financial assets	<b>70</b>	5
Impairments and reversals of non current assets held for sale	<b>1,987</b>	0
Inventories write off	<b>2,665</b>	510
Audit fees <sup>2</sup>	<b>20,214</b>	24,682
Other auditor's remuneration	<b>6,092</b>	6,255
Clinical negligence	<b>381,131</b>	243,493
Research and development	<b>67,104</b>	18,797
Education and training	<b>97,437</b>	96,964
Other	<b>464,549</b>	469,845
<b>Total</b>	<b><u>28,998,355</u></b>	<b><u>29,337,266</u></b>

1 Employee benefits do not equal the figures disclosed in Note 6 as the latter includes expenditure relating to executive directors.

2 The audit fee represents the cost for the audit of the underlying financial statements and other performance work carried out by auditors appointed by the Audit Commission. The audit fee for the Summarised Accounts is included within the audit fee disclosed within the Department of Health Resource Account.

## 5 Operating leases

### 5.1 As lessee

	2009-2010	Restated 2008-2009
	£000	£000
<b>Payments recognised as an expense</b>		
Minimum lease payments	<b>171,704</b>	180,837
Contingent rents	<b>186</b>	239
Sub-lease payments	<b>1,771</b>	1,731
<b>Total</b>	<b>173,661</b>	182,807
	2009-2010	Restated 2008-2009
	£000	£000
<b>Total future minimum lease payments</b>		
Payable		
Not later than one year	<b>127,127</b>	113,224
Between one and five years	<b>279,618</b>	240,203
After 5 years	<b>310,110</b>	292,313
<b>Total</b>	<b>716,855</b>	645,740

Total non-cancellable future sublease payments expected to be received: £5,495,000 (2008-2009: £6,442,000).

### 5.2 As lessor

	2009-2010	Restated 2008-2009
	£000	£000
<b>Rental revenue</b>		
Contingent rent	<b>11,130</b>	8,040
Other	<b>36,645</b>	34,970
<b>Total rental revenue</b>	<b>47,775</b>	43,010
	2009-2010	Restated 2008-2009
	£000	£000
<b>Total future minimum lease payments</b>		
Receivable		
Not later than one year	<b>32,465</b>	26,300
Between one and five years	<b>74,051</b>	56,517
After 5 years	<b>186,574</b>	97,181
<b>Total</b>	<b>293,090</b>	179,998

## 6 Employee benefits and numbers

### 6.1 Employee benefits

	2009-2010			Restated 2008-2009		
	Total	Permanently Employed	Not Permanently Employed	Total	Permanently Employed	Not Permanently Employed
	£000	£000	£000	£000	£000	£000
Salaries and wages	15,441,924	13,864,500	1,577,424	16,272,544	15,062,238	1,210,306
Social Security Costs	1,136,839	1,114,463	22,376	1,214,787	1,197,858	16,929
Employer contributions to NHS Pension scheme	1,622,969	1,604,852	18,117	1,714,621	1,701,281	13,340
Other pension costs	5,295	4,886	409	5,252	4,543	709
Other employment benefits	2,957	2,649	308	1,916	1,916	0
Termination benefits	15,142	15,137	5	20,582	20,582	0
<b>Employee benefits expense</b>	<b>18,225,126</b>	<b>16,606,487</b>	<b>1,618,639</b>	<b>19,229,702</b>	<b>17,988,418</b>	<b>1,241,284</b>

Included in the figures above £39,663,000 (2008-2009 £20,725,000) has been capitalised.

### 6.2 Average number of people employed

	2009-2010			Restated 2008-2009		
	Total	Permanently Employed	Not Permanently Employed	Total	Permanently Employed	Not Permanently Employed
	Number	Number	Number	Number	Number	Number
Medical and dental	51,352	46,738	4,614	58,252	53,327	4,925
Ambulance staff	25,604	25,528	76	24,256	24,231	25
Administration and estates	100,095	92,611	7,484	113,860	106,127	7,733
Healthcare assistants and other support staff	65,937	59,557	6,380	70,410	65,389	5,021
Nursing, midwifery and health visiting staff	151,298	139,528	11,770	185,660	173,873	11,787
Nursing, midwifery and health visiting learners	3,147	2,829	318	4,212	4,121	91
Scientific, therapeutic and technical staff	56,738	54,397	2,341	65,119	63,014	2,105
Social care staff	562	183	379	1,942	1,304	638
Other	3,321	2,694	627	3,814	3,374	440
<b>Total</b>	<b>458,054</b>	<b>424,065</b>	<b>33,989</b>	<b>527,525</b>	<b>494,760</b>	<b>32,765</b>

Included in the figures above are 823 staff engaged on capital projects (2008-2009 536).

The average number of staff employed is calculated as the whole time equivalent number of employees under contract of service in each week in the financial year divided by the number of weeks in the financial year. The 'contracted hours' method of calculating the whole time equivalent number is used, which is calculated by taking the contracted hours of each employee and dividing by the standard working hours to obtain the whole time equivalent.

### 6.3 Retirements due to ill health

During 2009-2010 there were 582 early retirements from NHS Trusts on the grounds of ill-health (2008-2009 743). The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pensions Scheme) will be £35,232,000 (2008-2009 £48,470,000).

## 7 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.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk). 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.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows.

### a 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 to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

### b Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### c Scheme provisions

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. 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. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die 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 statement of comprehensive income at the time the Trust commits itself to the retirement, regardless of the method of payment.

The scheme provides the opportunity to members to increase their benefits through money purchase additional voluntary contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

## 8 Revenue

	2009-2010	Restated 2008-2009
	£000	£000
From rendering of services	<b>28,158,244</b>	29,663,085
From sale of goods	<b>185,209</b>	155,860

## 9 Investment revenue

	2009-2010	2008-2009
	£000	£000
Rental revenue		
Finance lease planned revenue	<b>0</b>	12
Interest revenue		
Bank accounts	<b>5,442</b>	72,197
Other loans and receivables	<b>2,282</b>	834
Other financial assets	<b>1,056</b>	1,246
<b>Total</b>	<b>8,780</b>	74,289

## 10 Other gains and losses

	2009-2010	Restated 2008-2009
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	<b>3,307</b>	(1,546)
(loss) on disposal of intangible assets	<b>(25)</b>	(167)
Gain on disposal of financial assets	<b>0</b>	12
Gain/(loss) on investment properties	<b>165</b>	(5,203)
Change in fair value of financial assets carried at fair value through profit and loss	<b>(10)</b>	(99)
Change in fair value of financial liabilities carried at fair value through profit and loss	<b>0</b>	(38)
<b>Total</b>	<b>3,437</b>	(7,041)

**11 Finance Costs**

	<b>2009-2010</b>	Restated 2008-2009
	<b>£000</b>	£000
Interest on loans and overdrafts	<b>27,875</b>	33,934
Interest on obligations under finance leases	<b>12,515</b>	15,866
Interest on obligations under PFI and LIFT contracts	<b>226,138</b>	232,108
Interest on late payment of commercial debt	<b>75</b>	14
Other interest expense	<b>(47)</b>	408
<b>Total interest expense</b>	<b>266,556</b>	282,330
Other finance costs	<b>6,591</b>	9,859
<b>Total</b>	<b>273,147</b>	292,189

## 12 Property, plant and equipment

2009-2010	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construct and poa £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation at 1 April 2009	3,806,060	14,519,697	271,484	776,234	3,955,668	356,774	1,178,749	272,513	25,137,179
Transferred to Foundation Trusts 1 April 2009	(39,906)	(121,261)		(737)	(1,905)	(1,077)	(2,815)	(2,773)	(170,474)
Restated at 1 April 2009	3,766,154	14,398,436	271,484	775,497	3,953,763	355,697	1,175,934	269,740	24,966,705
Additions purchased	8,650	1,012,981	3,728	676,378	289,227	22,737	104,038	17,448	2,135,187
Additions donated	0	12,303	0	21,783	30,582	100	2,358	802	67,928
Additions government granted	0	6,176	0	4,118	498	0	68	20	10,880
Reclassifications	2,899	559,991	(1,717)	(649,333)	18,585	23,569	23,295	4,840	(17,871)
Reclassified as held for sale	(14,534)	(8,916)	(3,401)	(283)	(1,420)	(9,051)	0	(121)	(37,726)
Disposals	(13,104)	(26,613)	(1,130)	(21,366)	(303,153)	(20,117)	(66,737)	(7,319)	(459,539)
Revaluation gains	207,658	715,994	25,085	3,216	10,741	1,062	364	1,143	965,263
Impairments	(508,910)	(1,798,305)	(37,180)	(18,428)	(2,821)	(2)	(5)	(949)	(2,366,600)
Reversal of impairments	582	14,236	158	1,210	373	66	80	33	16,738
Transferred to Foundation Trusts in-year	(266,515)	(975,768)	(11,703)	(48,925)	(204,506)	(1,822)	(63,997)	(15,234)	(1,588,470)
<b>At 31 March 2010</b>	<b>3,182,880</b>	<b>13,910,515</b>	<b>245,324</b>	<b>743,867</b>	<b>3,791,869</b>	<b>372,239</b>	<b>1,175,398</b>	<b>270,403</b>	<b>23,692,495</b>
Depreciation at 1 April 2009	0	0	0	0	2,451,361	221,061	703,276	154,137	3,529,835
Transferred to Foundation Trusts 1 April 2009	0	0	0	0	(1,245)	(600)	(1,150)	(1,188)	(4,183)
Restated at 1 April 2009	0	0	0	0	2,450,116	220,461	702,126	152,949	3,525,652
Reclassifications		5,999	(115)	0	(11,632)	(94)	(5,521)	(1,118)	(12,481)
Reclassified as held for sale	0	(140)	(22)	0	(1,182)	(8,836)	0	(65)	(10,245)
Disposals	0	(5,831)	(3)	0	(297,046)	(19,491)	(65,381)	(6,754)	(394,506)
Revaluation	0	378	0	0	4,522	570	0	96	5,566
Impairments	109,004	1,426,817	17,217	20,620	10,405	(5)	2,325	(726)	1,585,657
Reversal of Impairments	(13,287)	(28,450)	(405)	0	0	0	0	0	(42,142)
Charged during the year	1	506,609	8,548	0	297,880	37,974	134,464	18,708	1,004,184
Transferred to Foundation Trusts in-year	(6,414)	(71,938)	(237)	(831)	(124,550)	(1,431)	(37,664)	(10,182)	(253,247)
<b>Depreciation at 31 March 2010</b>	<b>89,304</b>	<b>1,833,444</b>	<b>24,983</b>	<b>19,789</b>	<b>2,328,513</b>	<b>229,148</b>	<b>730,349</b>	<b>152,908</b>	<b>5,408,438</b>

2009-2010	Land £000	Buildings excluding dwellings £000	Assets under construct and poa £000		Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	Total £000
			Dwellings £000	£000					
<b>Net book value</b>									
Purchased	3,071,449	11,635,157	217,117	695,222	1,341,157	142,264	440,165	113,157	17,655,688
Donated	22,127	425,524	3,224	26,731	118,522	560	4,787	4,129	605,604
Government granted	0	16,390	0	2,125	3,677	267	97	209	22,765
<b>Total at 31 March 2010</b>	<b>3,093,576</b>	<b>12,077,071</b>	<b>220,341</b>	<b>724,078</b>	<b>1,463,356</b>	<b>143,091</b>	<b>445,049</b>	<b>117,495</b>	<b>18,284,057</b>
<b>Asset financing</b>									
Owned	3,092,106	9,280,035	183,735	704,112	1,265,402	129,490	437,943	114,379	15,207,202
Finance Leased	0	46,254	21,996	344	86,208	13,601	3,362	1,638	173,403
Private finance initiative	1,470	2,750,782	14,610	19,622	111,746	0	3,744	1,478	2,903,452
<b>Total 31 March 2010</b>	<b>3,093,576</b>	<b>12,077,071</b>	<b>220,341</b>	<b>724,078</b>	<b>1,463,356</b>	<b>143,091</b>	<b>445,049</b>	<b>117,495</b>	<b>18,284,057</b>

	Buildings excluding dwellings		Dwellings		Assets under construct and poa		Plant and machinery		Transport equipment		Information technology		Furniture and fittings		Total	
	Land	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2008-2009 Restated</b>																
Cost or valuation at 1 April 2008	6,041,941	17,629,827	364,172	824,238	4,343,459	341,870	1,218,868	298,610	31,062,985							
Additions purchased	19,792	826,829	2,262	636,139	294,065	19,709	103,889	14,915	1,917,600							
Additions donated	0	24,911	6	13,135	21,720	332	1,038	689	61,831							
Additions government granted	0	773	0	0	109	20	0	0	902							
Reclassifications	21,451	384,021	(10,909)	(547,955)	64,542	23,217	29,351	8,208	(28,074)							
Reclassified as held for sale	(24,558)	(13,278)	(4,603)	0	(86)	0	(61)	(85)	(42,671)							
Disposals	(32,859)	(56,305)	(4,113)	(1,715)	(224,643)	(27,737)	(49,448)	(7,148)	(403,968)							
Revaluation gains	82,916	241,624	6,930	6,205	43,670	3,898	0	2,722	387,965							
Impairments	(1,456,974)	(945,142)	(29,045)	(9,236)	(1,774)	(11)	(777)	(341)	(2,443,300)							
Reversal of impairments	0	0	0	0	77	0	0	0	77							
Transferred to Foundation Trusts in-year	(759,299)	(2,785,651)	(39,285)	(129,925)	(585,471)	(4,524)	(124,111)	(45,057)	(4,473,323)							
<b>At 31 March 2009</b>	<b>3,892,410</b>	<b>15,307,609</b>	<b>285,415</b>	<b>790,886</b>	<b>3,955,668</b>	<b>356,774</b>	<b>1,178,749</b>	<b>272,513</b>	<b>26,040,024</b>							
<b>Depreciation at 1 April 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,733,161</b>	<b>211,414</b>	<b>695,413</b>	<b>171,103</b>	<b>3,811,091</b>							
Reclassifications	0	(2,887)	(2,768)	0	(994)	(409)	(7,874)	114	(14,818)							
Reclassified as held for sale	0	(1,276)	(45)	0	(86)	0	(61)	(14)	(1,482)							
Disposals	0	(8,466)	(129)	0	(216,751)	(26,491)	(48,277)	(6,911)	(307,025)							
Revaluation	(800)	(8,092)	(119)	0	18,289	2,331	0	886	12,495							
Impairments	87,249	309,798	7,708	15,170	3,679	42	1,938	162	425,746							
Reversal of Impairments	0	(1,308)	(186)	(518)	0	(32)	0	0	(2,044)							
Charged during the year	6	656,758	11,393	0	312,433	37,656	136,546	18,743	1,173,535							
Transferred to Foundation Trusts in-year	(105)	(156,615)	(1,923)	0	(398,370)	(3,450)	(74,409)	(29,946)	(664,818)							
<b>Depreciation at 31 March 2009</b>	<b>86,350</b>	<b>787,912</b>	<b>13,931</b>	<b>14,652</b>	<b>2,451,361</b>	<b>221,061</b>	<b>703,276</b>	<b>154,137</b>	<b>4,432,680</b>							



## 13.1 Intangible assets

2009-2010	Computer software – purchased £000	Computer software – internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2009	94,075	74,596	2,494	12	22,096	193,273
Transferred to Foundation Trusts 1 April 2009	(475)					(475)
Restated at 1 April 2009	93,600	74,596	2,494	12	22,096	192,798
Additions purchased	9,943	18,933	78	0	8,326	37,280
Additions internally generated	8	15	0	0	2,006	2,029
Additions donated	117	130	12	0	0	259
Additions government granted	0	0	95	0	189	284
Reclassifications	(16,211)	22,758	(385)	0	2,885	9,047
Reclassified as held for sale	0	0	0	0	0	0
Disposals	(2,277)	(3,410)	(18)	0	(352)	(6,057)
Revaluation	0	0	20	0	32	52
Reversals of impairments	0	2	0	0	0	2
Transferred to Foundation Trusts in-year	(2,979)	(767)	(275)	(3)	(108)	(4,132)
<b>Gross cost at 31 March 2010</b>	<b>82,201</b>	<b>112,257</b>	<b>2,021</b>	<b>9</b>	<b>35,074</b>	<b>231,562</b>
Amortisation at 1 April 2009	44,066	32,599	1,195	7	9,795	87,662
Transferred to Foundation Trusts 1 April 2009	(178)					(178)
Restated at 1 April 2009	43,888	32,599	1,195	7	9,795	87,484
Reclassifications	(8,194)	8,598	(354)	0	1,226	1,276
Reclassifications as held for sale	0	0	0	0	0	0
Disposals	(2,274)	(3,375)	(5)	0	(342)	(5,996)
Impairments	2,056	37	0	0	2,137	4,230
Charged during the year	10,536	13,438	457	3	1,418	25,852
Transferred to Foundation Trusts in-year	(1,169)	(355)	(177)	(3)	(1)	(1,705)
<b>Amortisation at 31 March 2010</b>	<b>44,843</b>	<b>50,942</b>	<b>1,116</b>	<b>7</b>	<b>14,233</b>	<b>111,141</b>
<b>Net book value</b>						
Purchased	37,145	60,948	586	2	20,401	119,082
Donated	213	367	13	0	30	623
Government granted	0	0	306	0	410	716
<b>Total at 31 March 2010</b>	<b>37,358</b>	<b>61,315</b>	<b>905</b>	<b>2</b>	<b>20,841</b>	<b>120,421</b>

The split of computer software between purchased and internally generated was collected for the first time in 2009-2010.

<b>2008-2009 Restated</b>	<b>Computer software – purchased £000</b>	<b>Licences and trademarks £000</b>	<b>Patents £000</b>	<b>Development expenditure (internally generated) £000</b>	<b>Total £000</b>
Gross cost at 1 April 2008	158,198	4,004	12	12,742	174,956
Additions purchased	21,496	161	0	5,374	27,031
Additions internally generated	205	0	0	27	232
Additions donated	241	1	0	0	242
Additions government granted	0	240	0	0	240
Reclassifications	16,837	359	0	4,202	21,398
Disposals	(2,696)	0	0	(197)	(2,893)
Impairments	(76)	(49)	0	0	(125)
Transferred to Foundation Trusts in-year	(25,534)	(2,222)	0	(52)	(27,808)
<b>Gross cost at 31 March 2009</b>	<b>168,671</b>	<b>2,494</b>	<b>12</b>	<b>22,096</b>	<b>193,273</b>
Amortisation at 1 April 2008	60,801	1,345	4	5,753	67,903
Reclassifications	3,062	121	0	3,001	6,184
Disposals	(2,522)	0	0	(197)	(2,719)
Impairments	22	710	0	264	996
Charged during the year	23,658	479	3	995	25,135
Transferred to Foundation Trusts in-year	(8,356)	(1,460)	0	(21)	(9,837)
<b>Amortisation at 31 March 2009</b>	<b>76,665</b>	<b>1,195</b>	<b>7</b>	<b>9,795</b>	<b>87,662</b>
<b>Net book value</b>					
Purchased	91,607	1,104	5	12,244	104,960
Donated	345	4	0	57	406
Government granted	54	191	0	0	245
<b>Total at 31 March 2009</b>	<b>92,006</b>	<b>1,299</b>	<b>5</b>	<b>12,301</b>	<b>105,611</b>

### 13.2 Revaluation reserve balance for intangible assets

	<b>2009-2010</b>	Restated 2008-2009
At 1 April 2009	<b>344</b>	293
Changes	<b>(7)</b>	51
<b>At 31 March 2010</b>	<b>337</b>	344



**14 Investment property**

	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000
<b>At Fair Value</b>		
Balance at 1 April	<b>40,803</b>	45,709
Transferred to Foundation Trusts 1 April 2009	<b>(4,926)</b>	0
Restated at 1 April 2009	<b>35,877</b>	45,709
Net (loss)/gain from fair value adjustments	<b>165</b>	(4,807)
Other changes		(99)
Transferred to Foundation Trusts in-year	<b>(23,090)</b>	
<b>Balance at 31 March</b>	<b>12,952</b>	40,803

*14.1 Capital commitments*

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

	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000
Property, plant and equipment	<b>909,805</b>	719,821
Intangible assets	<b>5,222</b>	10,283
<b>Total</b>	<b>915,027</b>	10,283
	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>2,197,479</b>	1,669,508
Write-down of inventories	<b>2,881</b>	2,236
Reversal of write-downs that reduced the expense	<b>(216)</b>	(707)
	<b>2,200,144</b>	1,671,037

**15 Inventories***15.1 Inventories*

	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000
Drugs	<b>133,477</b>	126,188
Consumables	<b>238,576</b>	216,959
Energy	<b>8,484</b>	7,541
Work in progress	<b>264</b>	13,271
Other	<b>9,952</b>	11,474
<b>Total</b>	<b><u>390,753</u></b>	<u>375,433</u>
Of which held at net realisable value	<u>54,622</u>	<u>46,950</u>

*15.2 Inventories recognised in expenses*

	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000
Inventories recognised as an expense in the period	<b>2,197,479</b>	1,669,508
Write-down of inventories	<b>2,881</b>	2,236
Reversal of write-downs that reduced the expense	<b>(216)</b>	(707)
	<b><u>2,200,144</u></b>	<u>1,671,037</u>

**16 Trade and other receivables***16.1 Trade and other receivables*

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March 2010</b>	Restated 31 March 2009	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000	<b>£000</b>	£000
NHS receivables	<b>754,474</b>	756,164	<b>41,317</b>	54,323
Other trade receivables	<b>297,114</b>	289,773	<b>35,922</b>	30,823
Provision for the impairment of receivables	<b>(86,120)</b>	(88,464)	<b>(3,379)</b>	(6,418)
VAT	<b>71,251</b>	54,464	<b>0</b>	0
Prepayments and accrued income	<b>263,099</b>	305,352	<b>60,141</b>	73,260
Finance lease receivables	<b>0</b>	0	<b>4,148</b>	4,160
Other receivables	<b>131,573</b>	175,462	<b>94,442</b>	88,992
<b>Total</b>	<b>1,431,391</b>	1,492,751	<b>232,591</b>	245,140

The great majority of trade is with 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.

*16.2 Receivables past their due date but not impaired*

	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000
By up to three months	<b>200,343</b>	228,572
By three to six months	<b>53,385</b>	36,083
By more than six months	<b>74,794</b>	62,665
<b>Total</b>	<b>328,522</b>	327,320

*16.3 Provision for impairment of receivables*

	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000
<b>Balance at 1 April</b>	<b>(94,882)</b>	(106,104)
Transferred to Foundation Trusts 1 April 2009	<b>117</b>	0
Restated at 1 April 2009	<b>(94,765)</b>	(106,104)
Amount written off during the year	<b>21,675</b>	20,119
Amount recovered during the year	<b>10,034</b>	11,358
(Increase) in receivables impaired	<b>(29,599)</b>	(28,562)
Transferred to Foundation Trusts in-year	<b>3,156</b>	8,307
<b>Balance at 31 March</b>	<b>(89,499)</b>	(94,882)

**17 Other financial assets**

	<b>Current</b>		<b>Non-current</b>	
		Restated		Restated
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>£000</b>	£000	<b>£000</b>	£000
Financial assets carried at fair value through profit and loss	<b>198</b>	198	<b>2,910</b>	3,039
Available for sale financial assets carried at fair value	<b>61</b>	100	<b>121</b>	165
Loans carried at amortised cost	<b>0</b>	15	<b>0</b>	0
<b>Total</b>	<b>259</b>	313	<b>3,031</b>	3,204

**18 Other current assets**

		Restated
	<b>31 March</b>	31 March
	<b>2010</b>	2009
	<b>£000</b>	£000
EU Emissions trading scheme allowances	<b>888</b>	763
Other assets	<b>150</b>	712
<b>Total</b>	<b>1,038</b>	1,475

**19 Cash and cash equivalents**

		Restated
	<b>31 March</b>	31 March
	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at 1 April 2009	<b>837,198</b>	845,845
Transferred to Foundation Trusts 1 April 2009	<b>(9,250)</b>	0
Restated at 1 April 2009	<b>827,948</b>	845,845
Net change in year	<b>(92,761)</b>	(8,647)
<b>Balance at 31 March 2010</b>	<b>735,187</b>	837,198
<b>Made up of</b>		
Cash with Office of HM Paymaster General	<b>731,296</b>	832,687
Commercial banks and cash in hand	<b>3,883</b>	4,454
Current investments	<b>8</b>	57
<b>Cash and cash equivalents as in statement of financial position</b>	<b>735,187</b>	837,198
Bank overdraft	<b>(9,737)</b>	(16,396)
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>725,450</b>	820,802

**20 Non-current assets held for sale**

	Land £000	Buildings, including dwellings £000	Other property, plant and equipment £000	Intangible assets £000	Total £000
Amount brought forward at 1 April 2009	36,021	17,843	70	0	53,934
Transferred to Foundation Trusts 1 April 2009	(125)	(255)	0	0	(380)
Restated at 1 April 2009	<b>35,896</b>	<b>17,588</b>	<b>70</b>	<b>0</b>	<b>53,554</b>
Assets classified as held for sale in year	18,774	12,213	791	0	31,778
Assets sold in year	(26,411)	(14,971)	(572)	0	(41,954)
Impairments of assets held for sale	(1,961)	(1,218)	0	0	(3,179)
Reversal of impairments of assets held for sale	3,513	231	0	0	3,744
Assets no longer held for sale for reasons other than by sale	(4,239)	(58)	0	0	(4,297)
Transferred to Foundation Trusts in-year	(5,499)	(533)	(280)	0	(6,312)
<b>Balance carried forward at 31 March 2010</b>	<b>20,073</b>	<b>13,252</b>	<b>9</b>	<b>0</b>	<b>33,334</b>
<b>Balance carried forward at 31 March 2009</b>	36,021	17,843	70	0	53,934

The detailed movements of non-current assets held for sale was collected for the first time in 2009-2010.

**21 Trade and other payables**

	Current		Non-current	
	31 March 2010 £000	Restated 31 March 2009 £000	31 March 2010 £000	Restated 31 March 2009 £000
Interest payable	868	1,885	0	0
NHS payables	300,988	279,664	1,032	400
Other trade payables	795,302	763,422	5,467	2,983
Tax and social security costs	281,504	226,167	0	0
VAT	594	619	2,187	2,459
Accruals and deferred income	1,004,677	1,059,775	29,282	33,411
Other	212,252	203,996	3,398	10,069
<b>Total</b>	<b>2,596,185</b>	<b>2,535,528</b>	<b>41,366</b>	<b>49,322</b>

Other payables include £311,000 (2008-2009 £480,000) for payments due in future years under arrangements to buy out the liability for 9 (25) early retirements over 5 instalments; and £102,490,000 (2008-2009 £93,218,000) outstanding pensions contributions at 31 March 2010.

**22 Borrowings**

	<b>Current</b>		<b>Non-current</b>	
		Restated		Restated
<b>31 March</b>	31 March	31 March	31 March	31 March
<b>2010</b>	2009	<b>2010</b>	2009	2009
<b>£000</b>	£000	<b>£000</b>	£000	£000
Bank overdraft	<b>9,737</b>	16,396	0	0
Loans from				
Department of Health	<b>145,807</b>	162,895	<b>465,565</b>	394,262
Other entities	<b>327</b>	566	<b>825</b>	4,488
PFI and LIFT liabilities	<b>80,391</b>	61,730	<b>3,275,205</b>	2,922,342
Finance lease liabilities	<b>26,788</b>	34,587	<b>130,551</b>	164,178
Other	<b>0</b>	59	<b>4,442</b>	5,390
<b>Total</b>	<b>263,050</b>	276,233	<b>3,876,588</b>	3,490,660

**23 Other liabilities**

	<b>Current</b>		<b>Non-current</b>	
		Restated		Restated
<b>31 March</b>	31 March	31 March	31 March	31 March
<b>2010</b>	2009	<b>2010</b>	2009	2009
<b>£000</b>	£000	<b>£000</b>	£000	£000
Payments received on account	<b>0</b>	19,429	<b>0</b>	0
Lease incentives	<b>438</b>	428	<b>8,766</b>	9,026
PFI asset – deferred credit	<b>178</b>	0	<b>5,372</b>	0
Other	<b>23,462</b>	15,037	<b>44,653</b>	29,245
<b>Total</b>	<b>24,078</b>	34,894	<b>58,791</b>	38,271

**24 Finance lease obligations**

Amounts payable under finance leases	Minimum lease payments		Present value of minimum lease payments	
	31 March 2010	Restated 31 March 2009	31 March 2010	Restated 31 March 2009
<b>Buildings</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	6,329	7,034	4,735	5,293
Between one and five years	22,073	25,642	12,079	15,689
After five years	101,286	100,309	29,861	30,499
Less future finance charges	(83,013)	(81,504)		
Present value of minimum lease payments	<b>46,675</b>	<b>51,481</b>	<b>46,675</b>	<b>51,481</b>

## Included in

Current borrowings

**2,788** 3,522

Non-current borrowings

**43,887** 47,959**46,675** 51,481

Other	Minimum lease payments		Present value of minimum lease payments	
	31 March 2010	Restated 31 March 2009	31 March 2010	Restated 31 March 2009
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	28,361	38,047	23,636	31,314
Between one and five years	78,780	100,972	68,885	84,002
After five years	25,432	46,016	18,143	31,968
Less future finance charges	(21,909)	(37,751)	0	0
Present value of minimum lease payments	<b>110,664</b>	<b>147,284</b>	<b>110,664</b>	<b>147,284</b>

## Included in

Current borrowings

**24,000** 31,065

Non-current borrowings

**86,664** 116,219**110,664** 147,284

Non-cancellable future sublease payments expected to be received total £124,000 (2008-2009: £236,000).

Contingent rents recognised as an expense £1,594,000 (2008-2009 £2,016,000)

**Finance lease commitments**

Lease	Restated	
	31 March 2010	31 March 2009
	<b>£000</b>	<b>£000</b>
Lease	<b>28,758</b>	64,315

## 25 Finance lease receivables

Amounts receivable under finance leases Of minimum lease payments	Gross investments in leases		Present value of minimum lease payments	
	31 March 2010 £000	Restated 31 March 2009 £000	31 March 2010 £000	Restated 31 March 2009 £000
Within one year	12	11	12	11
Between one and five years	44	44	44	44
After five years	4,092	4,105	4,092	4,105
Less future finance income	0	0	0	0
Present value of minimum lease payments	<b>4,148</b>	4,160	<b>4,148</b>	4,160
Total finance lease receivable recognised in the statement of financial position				
Included in				
Non-current finance lease receivables			<b>4,148</b>	4,160
			<b>4,148</b>	4,160

The unguaranteed residual value accruing to the Trusts is £2,194,000 (2008-2009 £nil)

Rental Revenue	2009-2010	Restated 2008-2009
	£000	£000
Contingent rent	148	42
Other	0	12
<b>Total rental revenue</b>	<b>148</b>	54

## 26 Private Finance Initiative contracts

### 26.1 PFI schemes off-Statement of Financial Position

In this financial year, 4 trusts reported off-Statement of Financial Position PFI schemes (2008-2009: one trust). The estimated capital value of these schemes is £9,407,000 (2008-2009: £4,370,000). The assets which make up this capital value are not assets of the trusts. The amount included within operating expenses for these schemes is £8,381,000 (2008-2009: £6,385,000).

Details of the individual PFI schemes are included in the accounts of each Trust.



### 26.2 PFI schemes on-Statement of Financial Position

In this financial year, 52 trusts reported on-Statement of Financial Position PFI schemes (2008-2009: 48 trusts). The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the trusts has a finance lease and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for these schemes is £361,238,000 (2008-2009: £396,881,000).

Details of the individual PFI schemes are included in the accounts of each Trust.

Total obligations for on-Statement of Financial Position PFI contracts due.

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
Not later than one year	<b>275,739</b>	228,147
Later than one year, not later than five years	<b>1,050,096</b>	931,707
Later than five years	<b>5,711,052</b>	5,251,565
Sub total	<b><u>7,036,887</u></b>	<u>6,411,419</u>
Less: interest element	<b>(3,696,815)</b>	(3,443,353)
<b>Total</b>	<b><u>3,340,072</u></b>	<u>2,968,066</u>

### 26.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £369,619,000 (2008-2009 £403,266,000).

The trust is committed to the following charges

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
<b>PFI scheme expiry date</b>		
Not later than one year	<b>0</b>	48,653
Later than one year, not later than five years	<b>16,470</b>	198,245
Later than five years	<b>11,551,887</b>	10,526,050
<b>Total</b>	<b><u>11,568,357</u></b>	<u>10,772,948</u>

## 27 LIFT contracts

### 27.1 LIFT schemes on-Statement of Financial Position

In this financial year, 2 trusts (2008-2009 2) reported on-Statement of Financial Position LIFT schemes. The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the trusts has a finance lease and payments comprise an imputed finance lease charge and a service charge.

Details of the individual LIFT schemes are included in the accounts of each Trust.

Inputed finance lease obligations for on-Statement of Financial Position LIFT contracts due

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
Not later than one year	<b>1,621</b>	1,648
Later than one year, not later than five years	<b>5,993</b>	6,320
Later than five years	<b>31,714</b>	33,789
Sub total	<b>39,328</b>	41,757
Less: interest element	<b>(23,804)</b>	(25,751)
Total	<b>15,524</b>	16,006

### 27.2 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position LIFT contracts was £490,000 (2008-2009 £274,000).

The trust is committed to the following charges

	<b>31 March 2010 £000</b>	Restated 31 March 2009 £000
<b>LIFT scheme expiry date</b>		
Later than five years	<b>17,057</b>	16,722
<b>Total</b>	<b>17,057</b>	16,722

**28 Provisions**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March 2010</b>	Restated 31 March 2009	<b>31 March 2010</b>	Restated 31 March 2009
	<b>£000</b>	£000	<b>£000</b>	£000
Pensions	<b>17,241</b>	19,818	<b>181,637</b>	191,037
Legal claims	<b>27,847</b>	19,743	<b>16,490</b>	19,945
Restructurings	<b>13,563</b>	10,072	<b>3,386</b>	4,765
Agenda for change	<b>14,650</b>	40,218	<b>42</b>	416
Other	<b>56,168</b>	62,528	<b>61,563</b>	79,110
<b>Total</b>	<b>129,469</b>	152,379	<b>263,118</b>	295,273

	<b>Pensions</b>	<b>Legal claims</b>	<b>Restructurings</b>	<b>Agenda for change</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2009	210,855	39,688	14,837	40,634	141,638	<b>447,652</b>
Transferred to Foundation Trusts 1 April 2009	(803)	(194)			(1,191)	<b>(2,188)</b>
Restated at 1 April 2009	210,052	39,494	14,837	40,634	140,447	<b>445,464</b>
Arising during the year	18,347	26,118	13,162	2,502	34,578	<b>94,707</b>
Used during the year	(21,305)	(8,885)	(8,139)	(14,849)	(28,516)	<b>(81,694)</b>
Reversed unused	(1,570)	(7,821)	(2,920)	(11,714)	(18,112)	<b>(42,137)</b>
Unwinding of discount	4,823	290	47	0	1,376	<b>6,536</b>
Transferred to Foundation Trusts in-year	(11,469)	(4,859)	(38)	(1,881)	(12,042)	<b>(30,289)</b>
<b>At 31 March 2010</b>	<b>198,878</b>	<b>44,337</b>	<b>16,949</b>	<b>14,692</b>	<b>117,731</b>	<b>392,587</b>

**Expected timing of cash flows**

In the remainder of the spending review period to 31 March 2011	17,241	27,847	13,563	14,650	56,168	<b>129,469</b>
Between 1 April 2011 and 31 March 2016	74,150	8,970	1,966	42	21,540	<b>106,668</b>
Between 1 April 2016 and 31 March 2021	74,251	4,196	635	0	19,451	<b>98,533</b>
Thereafter	33,236	3,324	785	0	20,572	<b>57,917</b>

£2,575,664,000 is included in the provisions of the NHS Litigation Authority at 31/3/2010 in respect of clinical negligence liabilities of NHS Trusts (31/03/2009 £3,519,862,000).

## 29 Contingent liabilities

	2009-2010	Restated 2008-2009
	£000	£000
Equal pay cases	(1,503)	(12,246)
Other (specify)	(36,837)	(18,030)
<b>Total</b>	<b>(38,340)</b>	<b>(30,276)</b>

These do not include cases of clinical litigation which are accounted for by the NHS Litigation Authority.

## 30 Financial Instruments

The NHS Trust summarised account includes the accounts of 121 underlying NHS Trusts. It is within the underlying accounts of these 121 NHS Trusts that detailed IFRS7 disclosures have been made. The following paragraphs provide an overview of the major financial risks for NHS Trusts and how they are managed at the individual level.

### *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. Because of the continuing service provider relationship that NHS trusts have with primary care trusts and the way those primary care trusts are financed, NHS trusts are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. NHS trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the trusts in undertaking their activities.

The trusts' treasury management operations are carried out by their finance department, within parameters defined formally within each trust's standing financial instructions and policies agreed by each board of directors. Trust treasury activity is subject to review by each trust's internal auditors.

### *Currency risk*

NHS trusts are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and sterling based. NHS trusts have no overseas operations and therefore have low exposure to currency rate fluctuations.

### *Interest rate risk*

NHS trusts borrow from government for capital expenditure, subject to affordability as confirmed by strategic health authorities. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. NHS trusts therefore have low exposure to interest rate fluctuations.

### *Credit risk*

Because the majority of the trusts' income comes from contracts with other public sector bodies, the trusts have low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the trade and other receivables note.

### *Liquidity risk*

NHS trusts' operating costs are incurred under contracts with primary care trusts, which are financed from resources voted annually by Parliament. The trusts fund their capital expenditure from funds obtained within their prudential borrowing limits. The trusts are not, therefore, exposed to significant liquidity risks.

### *Market risk*

NHS Trusts do not operate in an open market and are therefore not exposed to significant market risk.

## **31 Events after the reporting period**

As at 31 March 2010 there were 109 NHS Trusts (including Care Trusts). It is expected that further NHS Trusts will achieve Foundation Trust status in 2010-2011.

The Department of Health published a White Paper on 12 July: 'Equity and excellence: Liberating the NHS', which sets out the Government's plans for the future direction and priorities for the whole health system. In particular

- In order to shift decision-making as close as possible to individual patients, the Department will devolve power and responsibility for commissioning services to local consortia of GP practices;
- A statutory NHS Commissioning Board will be created to support GP consortia, and this will provide leadership for quality improvement and promote patient and carer involvement and choice. The Board will be established in shadow form in 2011, and will go live in April 2012. The Secretary of State will set clear financial controls and associated financial instructions for this Commissioning Board. These will be in line with the Department's continued Parliamentary accountability for expenditure and HM Treasury requirements;
- Autonomy in commissioning will be matched by autonomy for providers. Within three years, the Department will support all NHS Trusts to become foundation trusts. A new unit at the Department of Health will drive progress and oversee SHA's responsibilities in relation to providers. As all NHS Trusts become foundation trusts, staff will have an opportunity to transform their organisations into employee-led social enterprises that they themselves control. Providers will no longer be part of a system of top-down management. They will instead be governed by a stable, transparent and rules-based system of regulation. The Department will develop Monitor, the current independent regulator of foundation trusts, into an economic regulator from April 2012, with responsibility for all providers of NHS care from April 2013;
- The Government has guaranteed that health spending will increase in real terms in every year of this Parliament. With that protection comes the same obligation for the NHS to cut waste and transform productivity;
- The Department will shortly publish a review of its arm's length bodies. Subject to Parliamentary approval, organisations that do not need to exist will be abolished, and functions that need to remain will be streamlined to cut costs and remove duplication and burdens on the NHS;
- This structural change will have a significant impact on organisations and their staff. For the purposes of IAS 10, it is not possible to disclose the extent and nature of all costs associated with this transition. However, the NHS operating framework for 2010-2011 set a reduced ceiling for SHA and PCT management costs, the achievement of which will require a saving of approximately £850 million to be made over the next four years. This reduction will start with savings of £222 million in 2010-2011, followed by a further reduction of £350 million in 2011-2012, with the balance being achieved by 2013-2014.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that NHS Trusts provide to employees.

These accounts were authorised for issue on 23 July 2010

## **32 Financial performance targets**

NHS Trusts are required to comply with certain financial performance targets. The performance of each trust against these targets is set out in the individual accounts for each trust.

The figures given for periods prior to 2009-2010 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

### 33 Related Party Transactions

NHS Trusts are bodies corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year NHS Trusts had a significant number of material transactions with the Department and potentially with other entities for which the Department is regarded as the parent Department, i.e. all Strategic Health Authorities, Primary Care Trusts, all NHS Agencies and all Special Health Authorities.

In addition NHS Trusts had a significant number of material transactions with other Government Departments and other central and local Government bodies.

NHS Trusts also had some transactions with a number of charitable funds, certain of the trustees for which are also members of the NHS Trust boards.

Details of all the NHS Trust related party transactions are shown in the individual NHS Trust accounts.

### 34 Third Party Assets

NHS Trusts held £8,576,000 cash and cash equivalents at 31 March 2010 (£11,452,000 – at 31 March 2009) which relates to monies held by NHS Trusts on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

### 35 Intra Government and other balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	610,298	38,955	465,813	3,219
Balances with Local Authorities	25,582	10,796	18,619	0
Balances with NHS Trusts and Foundation Trusts	172,359	13,890	81,529	0
Balances with Public Corporations and Trading Funds	5,626	665	21,071	0
Intra Government balances	<u>813,865</u>	<u>64,306</u>	<u>587,032</u>	<u>3,219</u>
Balances with bodies external to Government	<u>617,526</u>	<u>168,285</u>	<u>2,009,153</u>	<u>38,147</u>
<b>At 31 March 2010</b>	<b><u>1,431,391</u></b>	<b><u>232,591</u></b>	<b><u>2,596,185</u></b>	<b><u>41,366</u></b>
Balances with other Central Government Bodies	670,349	53,769	426,858	3,818
Balances with Local Authorities	36,643	2,486	13,619	0
Balances with NHS Trusts and Foundation Trusts	156,489	14,115	82,650	0
Balances with Public Corporations and Trading Funds	2,979	544	16,152	195
Intra Government balances	<u>866,460</u>	<u>70,914</u>	<u>539,279</u>	<u>4,013</u>
Balances with bodies external to Government	<u>626,291</u>	<u>174,226</u>	<u>1,996,249</u>	<u>45,309</u>
<b>At 31 March 2009</b>	<b><u>1,492,751</u></b>	<b><u>245,140</u></b>	<b><u>2,535,528</u></b>	<b><u>49,322</u></b>

### 36 Losses and Special Payments

There were 67,245 cases of losses (2008-2009: 50,415 cases) totalling £20,615,000 (2008-2009: £19,339,000) and 4,610 cases of special payments (2008-2009: 5,281 cases) totalling £19,261,000 (2008-2009: £11,309,000) approved during 2009-2010. There was one ex gratia payment case of £10,750,000 where the net payment exceeded £250,000 (2008-2009: 3 cases, £1,665,000).

**37 Transition to IFRS**

	<b>Public Dividend Capital £000</b>	<b>Retained earnings £000</b>	<b>Revaluation reserve £000</b>	<b>Donated asset reserve £000</b>	<b>Government grant reserve £000</b>	<b>Other reserve £000</b>
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	12,428,419	(197,604)	5,113,036	615,729	15,371	147,794
Adjustments for IFRS changes						
Private finance initiative		(475,843)	291,823	52,680	2,352	(29,896)
Leases		(18,452)	7,331	10,335	0	0
Accrued employee benefits		(60,494)	0	0	0	0
Others		(313,408)	337,866	1,632	(429)	0
Adjustments for		0	0	0	0	0
Impairments recognised on transition		0	(35,664)	(4,092)	0	0
UK GAAP errors		(13,668)	17,368	57	54	(1,651)
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	<u>12,428,419</u>	<u>(1,079,469)</u>	<u>5,731,760</u>	<u>676,341</u>	<u>17,348</u>	<u>116,247</u>
		<b>£000</b>				
<b>Surplus/(deficit) for 2008- 2009 under UK GAAP</b>		235,200				
Adjustments for						
Private finance initiative		(124,214)				
Leases		(7,683)				
Others (specify)		(78,750)				
Adjustments for		0				
Impairments recognised on transition		(140,923)				
UK GAAP errors		(209)				
Surplus/(deficit) for 2008-2009 under IFRS		<u>(116,579)</u>				

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