Department of Health

NHS

North Lancashire Teaching Primary Care Trust

2012-13 Annual Report and Accounts

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North Lancashire Teaching Primary Care Trust

2012-13 Annual Report

NHS NORTH LANCASHIRE
ANNUAL REPORT 2012/13

About NHS North Lancashire

North Lancashire Teaching Primary Care Trust, known as NHS North Lancashire, was established in 2006 and was responsible for the delivery of healthcare to the 345,749 residents of North Lancashire, covering approximately 1,000 square miles across the Fylde, Lancaster and Wyre boroughs. The main functions of NHS North Lancashire were to commission (arrange and pay for) health services for NHS north Lancashire and to protect and improve the health of the community including being prepared for a range of health and other emergencies. Primary healthcare is provided to north Lancashire residents through general (GP) practices, NHS dental practices, pharmacists and optometrists.

The Lancashire Cluster

As part of the NHS reforms, brought about by the Health and Social Care Act 2012, responsibility for commissioning local health services was transferred from primary care trusts (PCTs) to clinical commissioning groups (CCGs) on 1 April 2013. To ensure stability whilst the changes took place, PCTs joined together as clusters in order to ensure delivery of an excellent service whilst undergoing change. The clusters also supported the development of clinical commissioning groups. NHS North Lancashire became part of a cluster of PCTs in Lancashire, known as NHS Lancashire, comprising of NHS Blackburn with Darwen Care Trust Plus, NHS Blackpool, NHS Central Lancashire, NHS East Lancashire and NHS North Lancashire.

Clinical Commissioning Groups

The Government's White Paper – *Equity and Excellence: Liberating the NHS*, published in 2010 set out a fundamental shift in responsibility for the commissioning of local health services to GPs. Since then, NHS North Lancashire has been working alongside the Fylde and Wyre Clinical Commissioning Group (formerly known as the Wylde Consortia and Fleetwood Consortia) and the Lancashire North Clinical Commissioning Group (formerly known as the Lancaster, Morecambe, Carnforth and Garstang Consortia) to increase the engagement of local clinicians in commissioning services alongside the PCT.

During 2012/13 the CCGs have been working towards becoming fully established as Statutory Bodies developing their own 'Clear and Credible' plans, structures and systems. Following a rigorous assessment process, NHS Fylde and Wyre Clinical Commissioning Group and NHS Lancashire North Clinical Commissioning Group, were fully authorised to begin commissioning healthcare on behalf of their local communities from 1 April 2013, with no requirement of on-going national support.

NHS Fylde and Wyre CCG aims to build on the priorities developed by NHS North Lancashire and following extensive consultation with local people has developed a set of priorities which focus on supporting people with long-term conditions, preventing ill health and commissioning safe, quality services.

NHS Lancashire North CCG has identified six major strategic priorities. Priorities one and two focus on the major issues facing the health of our population and the remaining four priorities confirm that the CCG intends to work with partners to ensure that local services are safe, sustainable and of high quality.

NHS Lancashire Cluster Board

The Cluster Board, which comprised of members from each of the five PCTs (NHS Blackburn with Darwen Care Trust Plus, NHS Blackpool, NHS Central Lancashire, NHS East Lancashire and NHS North Lancashire), was given delegated powers and decision making responsibilities from the five PCTs. Its role was to manage the transition to the new NHS system and ensure business continuity. Much of the day-to-day work of the five PCTs continued within each of their localities, but resources and skills were shared in order to sustain services.

NHS Lancashire Cluster Board membership

Chair:	Peter Kenyon
Chief Executive:	Janet Soo-Chung
Non-Executive Directors:	Ian Cherry
	Roy Fisher
	Bill Gormley
	Bob Huntbach
	Sir Bill Taylor
Executive Directors:	Dr Frank Atherton (to 4.5.12)
	Graham Burgess (to 31.8.12)
	Harry Catterall (from 1.9.12)
	Dr Jim Gardner
	Gary Hardman (to 20.7.12)
	Jane Higgs
	Mike Maguire (to 31.8.12)
	Sally Parnaby
	David Wharfe

Meetings of the Trust Board

Meetings of the Trust Board were held in public and dates of meetings and agendas, minutes and accompanying papers were published on each of the PCT's websites.

Directors' disclosure

Auditing standards require the directors to provide the external auditors, KPMG, with representations on certain matters material to their audit opinion. The directors have confirmed to KPMG such representations as necessary to the best of their knowledge and belief, having made appropriate enquiries of other directors and officers of the Trust. As such, each director has stated that as far as they are aware, there is no relevant audit information of which KPMG are unaware.

Declarations of Interest:
NHS Lancashire Cluster Board

No declaration is available for 2012/13 of Cluster Directors' interests in organisations which may transact business with the PCT. Interests declared for 2011/12 are as follows:

NAME	POSITION	DECLARATION
Peter Kenyon	Chair	Nil return
Ian Cherry	Non-Executive Director	• Managing Director A.I. Cherry Ltd Chartered Accountants and Registered Auditor • Non-executive Director of Institute of Chartered Accountants in England and Wales
Roy Fisher	Non-Executive Director	• Chairman of Governors, Layton Primary School Blackpool
William Gormley	Non-Executive Director	• Member of The Court of The University of Central Lancashire • Honorary Fellow of The British International Doctors Association
Bob Huntbach	Non-Executive Director	Nil return
Sir Bill Taylor	Non-Executive Director	• Chair – Blackburn College • Non-Executive Director Community Business Partners • Non-Executive Director RCU • Mentor Enterprise 4 All • External Trustee Lancaster University Students Union • Member Blackburn Golf Club
Janet Soo-Chung	Chief Executive	• Non-Executive Director of Government Equalities Division, Home Office • Member of Advisory Board – Hunter Healthcare
Graham Burgess	Chief Executive – Blackburn with Darwen Care Trust plus	Nil return
Dr Jim Gardner	Medical Director	Nil return
Gary Hardman	Director of Nursing	Nil return
Mike Maguire	Director of Commissioning Development	Nil return
Sally Parnaby	Director of Partnerships & Corporate Affairs	• Governor Castle Park School Kendal
David Wharfe	Director of Finance	Nil return
Dr Frank Atherton	Director of Public Health	• President of the Association of Directors of Public Health • President/Medical Adviser of Lancaster/Morecambe MENCAP • Member of Heysham Parochial Church Council School Governor – St Peters School, Heysham
Jane Higgs	Director of Performance	Nil return

Audit Committee
The NHS Lancashire Cluster Audit Committee comprised of the NHS Lancashire Cluster Non-Executive Director Audit Chair, the Locality Lead Non-Executive Directors and Directors of Finance from the five PCTs. Four meetings of the Audit Committee took place between 1 April 2012 and 31 March 2013. The Cluster Audit Committee was supported by a Locality Assurance Group in each of the five PCTs across Lancashire.

Commissioning

2012/13 was a challenging year with the PCT ensuring continuity of service and the maintenance of high standards during a period of significant change. The role of commissioning was gradually passed to the emerging Clinical Commissioning Groups who, through increased delegated authority, took a greater role in the performance management of the PCT's contracts and providers.

There was an increased emphasis upon embedding the best of systems across Lancashire and maintaining clinical impetus to continually improve quality and cost efficiency. Major programmes of work continued under the banner of 'QIPP' (Quality, Innovation, Productivity and Prevention) at local and Lancashire-wide level.

Throughout 2012/13 quality and safety were key themes running through all elements of NHS North Lancashire's commissioning. This was reflected in our contracts by clearly articulating the standards we expected from our providers to seek assurances on quality, safeguarding and patient safety. NHS North Lancashire was swift to respond to any areas of failure, sub-standard performance, patient safety issues and safeguarding concerns.

Public Health

The health of people living in north Lancashire continues to improve. Life expectancy for men has increased over the last five years from 76.9 years (2004-06) to 78.3 years (2008-10). For women life expectancy during the same period increased from 81.3 years to 82.7 years. The area has also seen significant reductions in disease-specific mortality, especially related to the major killers; cardiovascular disease and cancer. While health in north Lancashire continues to improve overall there are still inequalities in health throughout the area and significant challenges for health improvement persist.

During 2012/13 the NHS North Lancashire public health team worked with communities and a wide range of partner organisations to improve health by focusing on three domains of public health:

Health improvement: NHS North Lancashire aimed to improve the health and wellbeing of every individual in north Lancashire through a broad range of health development activities with the aid of local partners
Improving health services: public health supported the PCT's goal of ensuring that health services are provided equally to all members of the community and that services are of high quality and respond to local needs, by leading a review of commissioning policies across Lancashire. This work was an excellent example of collaborative working to ensure our commissioning decisions were fair, consistent and evidence based.

Health protection: NHS North Lancashire was supported by the Health Protection Agency in protecting the public against possible emergencies, incidents and outbreaks of diseases that may occur.

Transition

As a result of the NHS Reforms, the Public health team successfully transferred to Lancashire County Council at the end of March 2013 and will be providing commissioning support to Clinical Commissioning Groups, developing local action plans with District Councils, and commissioning a range of Public Health Services.

Emergency Preparedness

The PCT emergency planning team become part of the wider County NHS resilience team for Lancashire which comprised all the PCT emergency planning leads in Lancashire.

The local facing work of the resilience team was predominantly around commissioning for major incidents, supporting local trusts, participating in health economy response to pressures, co-ordinating primary care and independent contractors in preparing for and responding to major incidents, ensuring that business continuity and estates plans were in place and managing rotas and training participants.

The role of the PCT cluster and of the County NHS resilience team took nothing away from the responsibilities of each NHS organisation as a Category 1 Responder under the Civil Contingencies Act (2004). For that purpose the PCT retained an emergency planning team, a major incident plan, a major incident room and 24/7 on-call rota arrangements.

Equality & Human Rights

Following on from the October 2010 introduction of the new Equality Act, April 2011 saw the implementation of a new Public Sector Equality Duty. The Act recognises groups with protected characteristics, around age, gender, gender reassignment, ethnicity, religion, marital status, pregnancy and maternity, disability and sexual orientation. Individuals are protected against direct and indirect discrimination and also discrimination by perception or association.

The public sector duty requires organisations to initiate schemes to:

- Eliminate unlawful discrimination, harassment and victimisation
- Advance equality of opportunity between different groups
- Foster good relations between different groups

The PCT also met the specific duties of the Equality Act by publishing equality information on the Trust website.

To performance manage the development of equality and diversity work, the Department of Health also initiated the Equality Delivery System (EDS) to ensure compliance with legal obligations and promote excellent practice.

Work within the PCT focussed on developing systems to ensure compliance and on supporting the emerging Clinical Commissioning Groups (CCGs) in embedding equality into the new structures. CCGs will ensure they meet the equality duties through putting the patient at the heart of what they do, for example, through effective engagement and involvement of local people in decision making, commissioning health care to meet local needs, involving local people in recruiting CCG posts and showing improved health outcomes for those protected groups.

Sustainability

In developing our Sustainable Development Management Plan, NHS North Lancashire considered relevant Government, Department of Health and NHS policies and guidance and during 2012/13 worked to:

- Embed sustainability within the Trust's policies and procedures and reinforce Board level commitment and responsibility
- Enhance the data management relating to energy, waste and water and improved the measurement of our carbon footprint
- Develop a communication strategy to ensure the effective implementation of the Plan throughout the Trust
- Engage with key stakeholders, through the Local Strategic Partnerships and others
- Support the development of a sustainable procurement strategy with the Trust's procurement managers
- Identify opportunities to reduce the Trust's carbon emissions in particular through the active management of energy, transport and procurement e.g. installing solar power.

Involvement and Engagement

NHS North Lancashire continued to work closely with the Lancashire Local Involvement Network (LINk), local authority (county and district level) communication groups, healthcare service providers and Clinical Commissioning Groups to respond to the views and experiences of patients and thereby improve the patient experience.

The NHS North Lancashire Affiliate Scheme, an award winning scheme which provides a channel for involving the local population with the work of the PCT, has continued to influence local decision making processes through a variety of activities including focus groups. Feedback from all involvement has been provided to individual participants and the wider Affiliate membership via a quarterly newsletter. The Affiliate Scheme has transferred to the CCGs in north Lancashire and will be maintained by the Lancashire Commissioning Support Unit.

Information Governance

Information governance is the framework for which information, in particular person identifiable data of patients, staff and corporate information, is handled in a confidential, secure, ethical and legal manner. During 2012/13 the establishment of the Lancashire Cluster resulted in the harmonising of a comprehensive range of Information Governance policies, procedures and training programmes to support the framework and to ensure that an information governance culture was embedded throughout the

PCT in particular. The PCT had a Senior Information Risk Owner and Caldicott Guardian both locally and at Board level.

The PCT complied with Treasury's guidance on setting charges for information.

Incident classification and reporting

Following the issue of national criteria in 2008 the PCT has to categorise all incidents involving person identifiable data. These are considered serious untoward incidents when involving data loss or confidentiality breaches. Table one shows the definitions of the classification of incident severity the PCT must apply zero being the lowest and five the highest.

Table 1 – definitions of the classification of incident severity

0	1	2	3	4	5
No significant reflection on any individual or body. Media interest very unlikely.	Damage to an individual's reputation. Possible media interest e.g. celebrity involved.	Damage to a team's reputation. Some local media interest that may not go public.	Damage to a service's reputation. Low key local media coverage.	Damage to an organisation's reputation. Local media coverage.	Damage to NHS reputation. National media coverage.
Minor breach of confidentiality. Only a single individual affected.	Potentially serious breach. Less than 5 people affected or risk assessed as low e.g. files were encrypted.	Serious potential breach and risk assessed high e.g. unencrypted clinical records lost. Up to 20 people affected.	Serious breach of confidentiality e.g. up to 100 people affected.	Serious breach with either particular sensitivity e.g. sexual health details, or up to 1000 people affected.	Serious breach with potential for ID theft or over 1000 people affected.

All NHS organisations are required to summarise all such incidents classified as 1-2 in their annual report and individually detail incidents classified 3-5. The latter classification of incident must also be reported to the Strategic Health Authority and the Office of the Information Commissioner.

During the period 1 April 2012 to 31 March 2013 a total of 22 incidents categorised 1-2 (low level) originated in the PCT (see table two below). No incidents were reported that would be categorised in the higher severity levels (3-5) in the PCT.

Table 2 – Summary of serious untoward incidents involving person identifiable data classified 0 -2

Summary of Serious Untoward Incidents involving Person Identifiable Data Classified 1 - 3 1 April 2012 – 31 March 2013		
Category	**Nature of incident**	**Total**
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured NHS premises.	0
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured NHS premises.	2
iii	Insecure disposal of inadequately protected electronic equipment, devices or	0

	paper document.	
iv	Unauthorised disclosure.	5
v	Other.	15

Human Resources

The major staff engagement activity in 2012/13 was the redeployment of staff to the new NHS health commissioning organisations envisaged in the July 2010 White Paper *Equity and Excellence – Liberating the NHS*.

The established Lancashire Cluster Joint Negotiating and Consultative Committee played a key role in ensuring that national and local staff redeployment policies were developed and utilised to ensure consistent and fair treatment of staff. Communication with staff was continuous throughout the year. Staff of the five Primary Care Trusts in Lancashire were redeployed to more than fifteen 'receiver' organisations.

Regular progress reports were provided to the Cluster Board and addressed

- the creation of new organisations e.g. Clinical Commissioning Groups, Commissioning Support Unit, Local Area Teams, Public Health England
- the arrangements for transferring and appointing staff to these new organisations and to established organisations such as Local Authorities
- the support provided to staff to enable them to deal effectively with the changes
- the partnership arrangements in place to engage and consult with trade unions and staff representatives
- the anticipated levels of voluntary and compulsory redundancies.

Throughout this major staff redeployment exercise, NHS North Lancashire continued to ensure that its policies on equality and diversity (including disability) were utilised appropriately.

In the March 2013 Workforce Report the Cluster Board was informed that of the 227 staff to be redeployed from NHS North Lancashire, 156 (69%) were successfully redeployed to new organisations, turnover accounted for 29 staff (13%), voluntary redundancies accounted for 18 staff (8%) and compulsory redundancies for 24 staff (10%).

During 2012/13 the NHS North Lancashire sickness absence levels continued to be monitored. The average level was 3.45% which was below the North West Region target of 3.5%.

REMUNERATION REPORT

The task of the Remuneration and Terms of Service Committee is to advise the Board about appropriate remuneration and terms and conditions of service for the chief executive, executive directors and other individuals or groups of staff on local pay. The NHS Lancashire Cluster Terms of Service and Remuneration Committee comprised of the NHS Lancashire Cluster Chair and Non-Executive Director members and met five times during the year.

The salary and employment arrangements for the chief executive, executive directors and other very senior managers with Board level responsibility are incorporated within national pay frameworks. The actual remuneration of each individual reflects the local context within north Lancashire and is agreed by the Terms of Service and Remuneration Committee. The remuneration for the chairman and non-executive members of the Board is determined by the Secretary of State for Health.

The performance conditions for the chief executive and all executive directors, except the director of public health, were assessed in line with the Pay Framework for Very Senior Managers. The performance conditions for the director of public health were assessed in line with the Consultant Contract conditions. Both these frameworks are national frameworks and are overseen by NHS North West.

The chief executive and executive directors are on permanent contracts and notice periods and termination payments are in line with national guidance.

Remuneration of Senior Managers

In 2012/13 each of the five PCTs in the NHS Lancashire cluster contributed to a share of the costs of the clustering arrangements based on the size of each PCT's population as follows:

	Population (Weighted)	**%**
NHS Blackburn with Darwen Care Trust Plus	171,120	11%
NHS Blackpool	175,163	11%
NHS Central Lancashire	458,874	29%
NHS East Lancashire	408,484	26%
NHS North Lancashire	345,749	22%
Total	**1,559,390**	**100%**

Remuneration – NHS North Lancashire's Share

			1 April 2012 – 31 March 2013			1 April 2011 – 31 March 2012		
Name	**Title**		**Salary (bands of £5,000)**	**Other remuneration (bands of £5,000)**	**Benefits In kind (bands of £100)**	**Salary (bands of £5,000)**	**Other remuneration (bands of £5,000)**	**Benefits In kind (bands of £100)**
			£000	**£000**	**£00**	**£000**	**£000**	**£00**
Ms Janet Soo-Chung	Chief Executive		30-35	0	13-14	40-45	0	11-12
Mrs Sally Parnaby	Director of Human Resources, OD and Partnerships		20-25	0	11-12	30-35	0	11-12
Dr Jim Gardner	Director of Medicine		25-30	0	10-11	35-40	0	10-11
Mr Gary Hardman	Director of Nursing	Until 20/7/2012	5-10	0	0	10-15	0	0
Dr Frank Atherton	Director of Public Health	Until 4/5/2012	0-5	0	0	45-50	0	0
Mr David Wharfe	Director of Finance		25-30	0	7-8	20-25	0	9-10
Mr Mike Maguire	Director of Commissioning Development	Until 31/8/2012	10-15	0	13-14	15-20	0	14-15
Mr Graham Burgess	Joint Chief Executive Blackburn with Darwen Borough Council and NHS Care Trust Plus	Until 31/8/2012	5-10	0	0	10-15	0	0
Mr Harry Catterall	Joint Chief Executive Blackburn with Darwen Borough Council and NHS Care Trust Plus	From 1/9/2012	5-10	0	0			
Mrs Wendy Swift	Director of Special Projects					20-25	0	10-11
Ms Jane Higgs	Director of Performance		0-5	0	0	0-5	0	0
Mr Peter Kenyon	Cluster Chairman		5-10	0	3-4	5-10	0	3-4
Mr Roy Fisher	Cluster Non-Executive		5-10	0	0	5-10	0	0
Mr William Gormley	Cluster Non-Executive		5-10	0	0	10-15	0	0
Mr Robert Huntbach	Cluster Non-Executive		5-10	0	0	5-10	0	0
Sir Bill Taylor	Cluster Non-Executive		5-10	0	0	5-10	0	0
Mr Ian Cherry	Cluster Non-Executive		5-10	0	1-2	0-5	0	0
Mr Kevin Parkinson	Locality Director of Finance		85-90	0	36-37	85-90	0	42-43

Benefits in kind are in respect of lease vehicles

The salary costs for these individuals (with the exception of Kevin Parkinson) represent NHS North Lancashire's share of their salary for their work at the NHS Lancashire Cluster Board.

Kevin Parkinson was locality Director of Finance for both NHS Blackpool and NHS North Lancashire for the period 1 April 2012 to 1 October 2012. During this period NHS Blackpool was recharged for 40% of Mr Parkinson's total salary by NHS North Lancashire. The above salary figure therefore represents only the cost of Mr Parkinson to NHS North Lancashire during 2012/13 financial year.

Remuneration – Cluster Board

			1 April 2012 – 31 March 2013			1 April 2011 – 31 March 2012		
Name	**Title**		**Salary (bands of £5,000)**	**Other remuneration (bands of £5,000)**	**Benefits In kind (bands of £100)**	**Salary (bands of £5,000)**	**Other remuneration (bands of £5,000)**	**Benefits In kind (bands of £100)**
			£000	**£000**	**£00**	**£000**	**£000**	**£00**
Ms Janet Soo-Chung	Chief Executive		150-155	0	59-60	135-140	0	53-54
Mrs Sally Parnaby	Director of Human Resources, OD and Partnerships		105-110	0	51-52	95-100	0	53-54
Dr Jim Gardner	Director of Medicine		120-125	0	48-49	105-110	0	47-48
Mr Gary Hardman	Director of Nursing	Until 20/7/2012	25-30	0	0	60-65	0	0
Dr Frank Atherton	Director of Public Health	Until 4/5/2012	15-20	0	0	110-115	0	0
Mr David Wharfe	Director of Finance		130-135	0	34-35	110-115	0	44-45
Mr Mike Maguire	Director of Commissioning Development	Until 31/8/2012	50-55	0	60-61	85-90	0	67-68
Mr Graham Burgess	Joint Chief Executive Blackburn with Darwen Borough Council and NHS Care Trust Plus	Until 31/8/2012	30-35	0	0	60-65	0	0
Mr Harry Catterall	Joint Chief Executive Blackburn with Darwen Borough Council and NHS Care Trust Plus	From 1/9/2012	35-40	0	0			
Mrs Wendy Swift	Director of Special Projects					105-110	0	46-47
Ms Jane Higgs	Director of Performance		95-100	0	0	20-25	0	0
Mr Peter Kenyon	Cluster Chairman		40-45	0	17-18	35-40	0	18-19
Mr Roy Fisher	Cluster Non-Executive		35-40	0	0	25-30	0	0
Mr William Gormley	Cluster Non-Executive		30-35	0	0	20-25	0	0
Mr Robert Huntbach	Cluster Non-Executive		40-45	0	0	30-35	0	0
Sir Bill Taylor	Cluster Non-Executive		35-40	0	0	25-30	0	0
Mr Ian Cherry	Cluster Non-Executive		30-35	0	5-6	5-10	0	0

Benefits in kind are in respect of lease vehicles.

The remuneration shown for the above individually represents their total salary for NHS Lancashire cluster-wide work.

NHS Lancashire Cluster was established in 2011/12 therefore prior year comparatives represent part year costs.

Pension entitlements – Senior Managers

Name	Title	Real increase/ (decrease) in pension at age 60	Real increase/ (decrease) in pension lump sum at age 60	Total accrued pension at age 60 at 31 March 2013	Lump sum at age 60 related to accrued pension at 31 March 2013	Cash Equivalent Transfer Value at 31 March 2013	Cash Equivalent Transfer Value at 31 March 2013	Real increase/ (decrease) in Cash Equivalent Transfer Value	Employer's contribution to stakeholder pension
		(bands of £2,500)	(bands of £2,500)	(bands of £5,000)	(bands of £5,000)				
		£000	£000	£000	£000	£000	£000	£000	£00
Ms Janet Soo-Chung	Chief Executive	(0-2.5)	(2.5-5)	55-60	165-170	1,064	999	12	nil
Dr Frank Atherton	Director of Public Health (until 4 May 2012)	(0-2.5)	(0-2.5)	35-40	115-120	775	753	(2)	nil
Mrs Sally Parnaby	Director of Partnerships and Corporate Affairs	(0-2.5)	(2.5-5)	45-50	135-140	944	889	8	nil
Dr Jim Gardner	Medical Director	2.5-5	7.5-10	35-40	110-115	663	566	68	nil
Mr Gary Hardman	Director of Nursing (until 20 July 2012)	(0-2.5)	(0-2.5)	30-35	90-95	505	498	(6)	nil
Mr David Wharfe	Director of Finance	(0-2.5)	(2.5-5)	55-60	170-175	1,203	1137	6	nil
Mr Mike Maguire	Director of Commissioning Development (until 31 August 2012)	(0-2.5)	(0-2.5)	35-40	110-115	648	606	4	nil
Ms Jane Higgs	Director of Performance	5-7.5	17.5-20	20-25	65-70	454	304	135	nil
Mr Kevin Parkinson	Locality Director of Finance	(0-2.5)	(2.5-5)	45-50	140-145	971	918	5	nil

Notes:

The pension information disclosed above is the total pension entitlements for each Director and has not been split across other NHS organisations.

As Non-executive members do not receive pensionable remuneration, there are no entries in respect of pensions for Non-Executive members.

As Mr Graham Burgess and Mr Harry Catterall are members of the Local Government Pension Scheme, their superannuation details will appear in the Blackburn with Darwen Borough Council Statement of Accounts 2012/13 (please refer to www.blackburn.gov.uk).

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

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

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

The banded remuneration of the highest paid director in North Lancashire Teaching PCT in the financial year 2012-13 was £90-95K (2011-12, £85-90K). This was 2.8 times (2011-12, 3.2) the median remuneration of the workforce, which was £32,573 (2011-12, £27,625).

In 2012/13, 4 (2011/12, 1) employees received remuneration in excess of the highest-paid director. Remuneration for these individuals was:

No.	Salary Band (£K)
2	90-95
2	95-100

2011/12

1	95-100

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

During 2012/13 there has been a reduction in number of employees and total staffing costs incurred by NHS North Lancashire due to the Transforming Community Services initiative – services previously provided by the PCT transferred to other providers – notably NHS Trusts and Foundation Trusts. This has resulted in the movement seen in the median remuneration due to the change in staffing mix. It is also for this reason that the ratio between highest paid director and the median remuneration of the workforce has decreased from 3.2 in 2011/12 to 2.7 in 2012/13.

Reporting related to the Review of Tax Arrangements of Public Sector Appointees
As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arms length bodies published information in relation to the number of off payroll engagements – at a cost of over £58,200 per annum – that were in place on 31 January 2012.

In relation to off payroll engagements by North Lancashire Teaching PCT at a cost of over £58,200 per annum that were in place as of 31 January 2012:
There were four such individuals at 31 January 2012.
Three of these engagements continued to 31 March 2013 and one had come to an end prior to this date.

In terms of the assurance regarding tax obligations:

- Two of these engagements continuing to 31 March 2013 were through limited companies registered with Companies House and HMRC.
- The other individual continuing in employment to 31 March 2013 has been made aware of this issue and has agreed to comply with any request from the Department of Health seeking assurance as to their tax obligations.

The PCT has one new off-payroll engagement between 23/8/2012 and 31 March 2013 for more than £220 per day and for more than six months.
The individual concerned has been made aware of this issue and has agreed to comply with any request from the Department of Health seeking assurance as to their tax obligations.

Related party transactions
Please refer to note 37 in the PCT's Annual Accounts.

Exit packages
Please refer to note 7.4 in the PCT's Annual Accounts.

BPPC
The PCT's compliance with the Better Payment Practice Code is reported in note 8 to the Annual Accounts.

Pension Liabilities
Please refer to note 7.5 in the PCT's Annual Accounts for details of how pension liabilities are treated in the accounts.

Sickness Absence Data
The PCT reports Staff Sickness Absence and Ill Health Retirement details in note 7.3 to the Annual Accounts.

External Audit Costs 2012-13
The PCT has incurred £129K External Audit Costs during 2012-13. This reflects the cost of the statutory audit and services carried out in relation to the statutory audit.
The PCT's independent auditors are:
KPMG LLP
St James Square
Manchester
M2 6DS

Accounting Officer Details
Area Director (Richard Jones)
Director of Finance (Jim Hayburn)

FINANCIAL REVIEW

The following section provides a brief overview of the PCT's Governance Arrangements and Financial Performance in 2012/13. A full set of accounts including associated certificates and the Annual Governance Statement can be found later in this document.

Background
In 2011/12 North Lancashire Teaching PCT became part of the NHS Lancashire cluster, established as the embodiment of the Boards of the five Lancashire PCTs. As part of the changes to the NHS brought about by the Health and Social Care Act 2012, NHS Lancashire and North Lancashire Teaching PCT ceased to exist on 31 March 2013. This Act also established Clinical Commissioning Groups (CCGs) and NHS England (previously known as the National Commissioning Board) from the 1st April 2013 as the main commissioners of acute and community care. North Lancashire Teaching PCT's responsibility for commissioning these services has been taken over by the following CCGs:

- Lancashire North CCG
- Fylde and Wyre CCG
- Blackpool CCG
- Greater Preston CCG

In addition the primary care commissioning responsibility has been taken over by NHS England and Public Health commissioning by the local authority. Certain assets have transferred to NHS Property Services on 1 April 2013.

As a result the SHA and PCT responsibility for scrutiny and assurance in relation to the Annual Report and Accounts and governance statements is lost. However, there is still a legal requirement for the Annual Report and Accounts and governance reports to be produced and scrutinised. To maintain rigour in the process, the Department of Health has facilitated the establishment of audit sub-committees to support the final accounts process for 2012/13. These sub-committees are sub-committees of the Department's Audit and Risk Committee.

Audit Committee
The NHS Lancashire cluster set up its Audit Sub-Committee in compliance with the terms of reference received from the Department of Health, with the remit to review the annual report, financial statements and governance statement of the five NHS Lancashire Cluster PCTs prior to signing by the Accountable Officer and Director of Finance.

Accountable Officer
To deliver the Annual Accounts, the Department of Health has arranged for the Area Director and the Director of Finance of the Lancashire Area Team to sign the accounts and the supporting certificates, and that they will do so by authority of the Department. To facilitate this, both the Area Director and the Director of Finance are appointed on a secondment basis to the Department of Health, in order to be designated as the Department's officers responsible for signing the accounts.

Balance Transfer Arrangements
There is no direct successor to take responsibility for the closing balances of North Lancashire Teaching PCT. Balances are transferred to the receiving organisations where the associated function transfers.

The Lancashire Area Team Director of Finance is responsible for managing the process of handover of balances to receiver organisations; this responsibility lasts from 1st April 2013 to 31st July 2013.

Transfer Schemes
Transfer schemes to ensure the accurate transfer of assets and liabilities from North Lancashire Teaching PCT to all receiving organisations have been prepared by PCT staff and are being finalised by the Lancashire Legacy Team.

2012/13 Financial Duties

Financial duties
The PCT met each of its three financial duties for the year 2012/13. These are as follows:

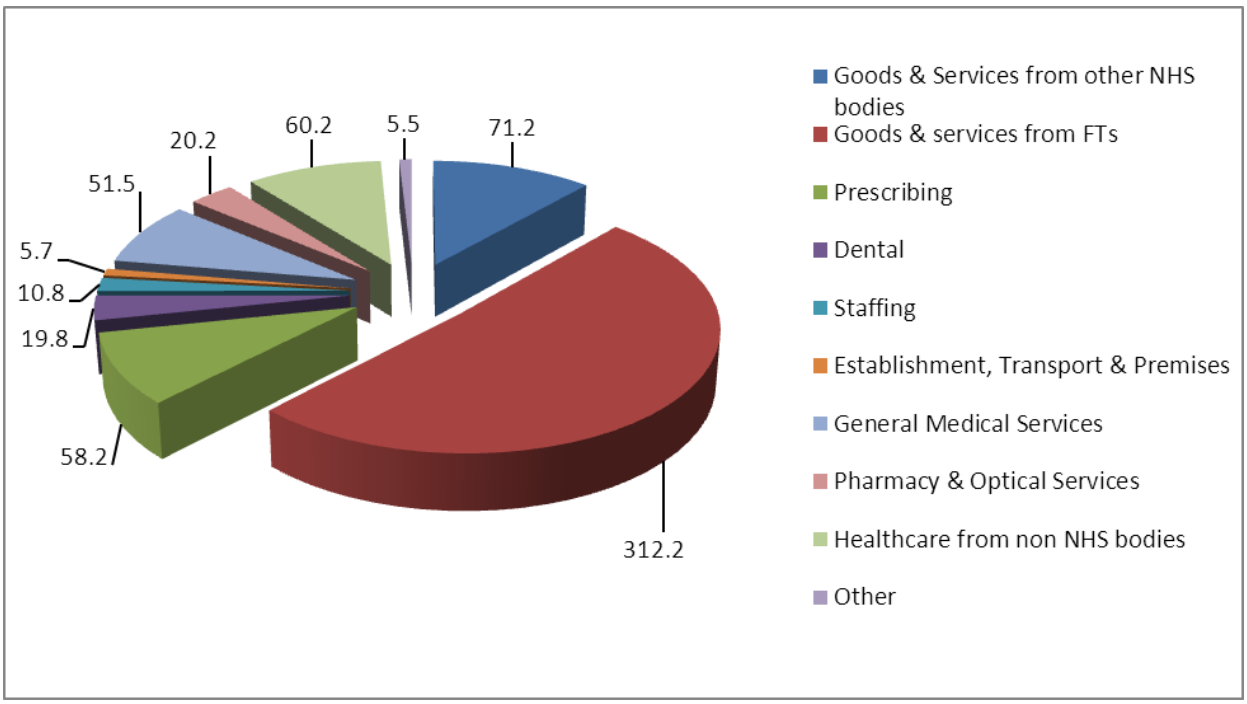
- To remain within the revenue resource limit
- To remain within the capital resource limit
- To remain within the cash limit

Performance
The PCT has faced a number of financial pressures during the year. In particular there have been increasing levels of secondary care activity levels across the PCT's main providers resulting in over-performance against service level agreements, plus a need to provide for continuing care restitution claims. The QIPP savings target of £9m was achieved and exceeded by £2m, largely due to higher than planned prescribing savings.

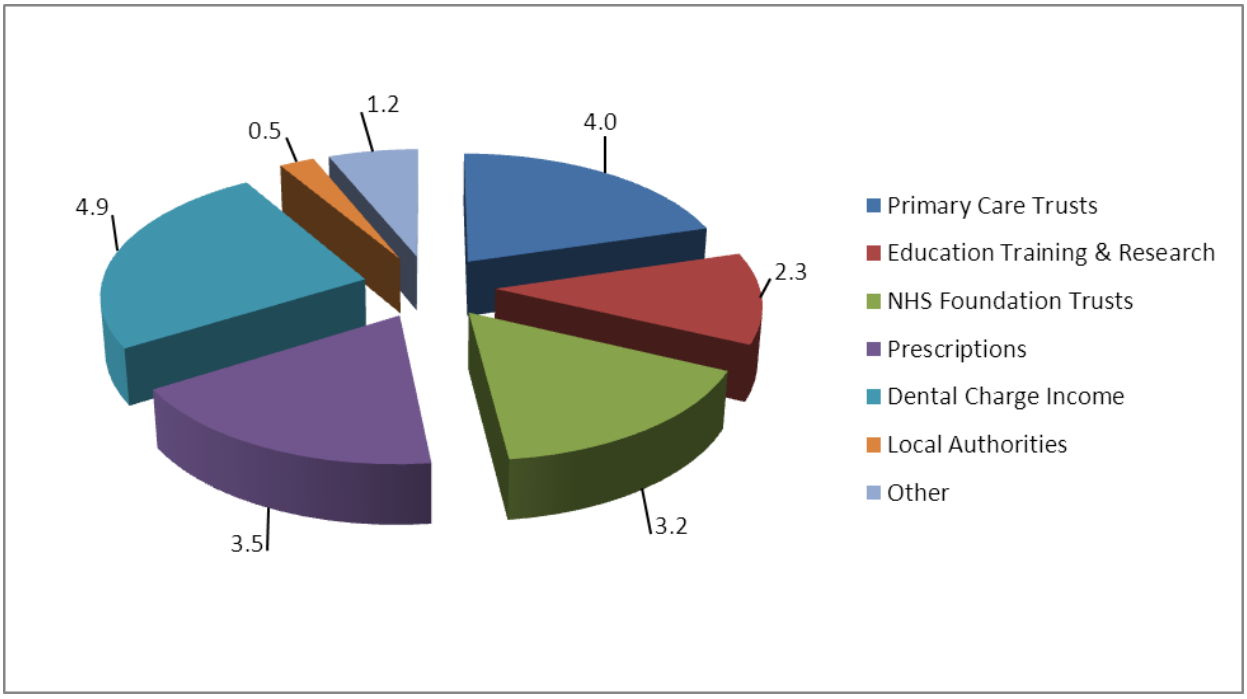
Accounting Policies
The PCT's accounting policies are shown in full in note one of the accounts. The accounting policies follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury.

Under the provisions of The Health and Social Care Act 2012, North Lancashire Teaching PCT was dissolved on 31st March 2013. As a result, the PCT's functions, assets and liabilities transferred to other public sector entities. Where reconfigurations of this nature take place within the public sector, Government accounting requires that the activities concerned are to be considered as continuing operations, and so the closing entity prepares accounts on a "going concern" basis.

Analysis of 2012/13 Gross Operating Costs



Analysis of 2012/13 Miscellaneous Revenue



NHS North Lancashire

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Mandarin:
如果您想要另一个语言或格式的本文，例如大字印刷体，请致电 01524 519225。

Hindi:
यदि आप यह दस्तावेज़ किसी दूसरी भाषा में या बड़ी छपाई जैसे प्रारूप में चाहते हैं तो कृपया 01524 519225 पर कॉल करें।

Polish:
Jeżeli chcieliby Państwo otrzymać niniejszy dokument w innym języku lub formacie, na przykład dużą czcionką, prosimy o kontakt telefoniczny pod numerem 01524 519225.

Department of Health

NHS

North Lancashire Teaching Primary Care Trust

2012-13 Accounts

Published to gov.uk, in PDF format only.

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North Lancashire Teaching Primary Care Trust

2012-13 Accounts

2012-13 Annual Accounts of North Lancashire Teaching Primary Care Trust

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

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

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

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

nb: sign and date in any colour ink except black

Signed.....Designated Signing Officer

Name: R TONES

Date 6/5/13

2012-13 Annual Accounts of North Lancashire Teaching Primary Care Trust

STATEMENT OF RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

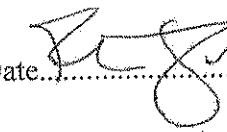
- ensure that the PCT kept proper accounting records which disclosed with reasonable accuracy at any time the financial position of the primary care trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State.

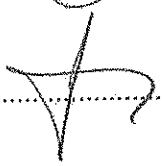
- have taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Permanent Secretary.

nb: sign and date in any colour ink except black

6/6/13 .....Date.....  .....Signing Officer

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

ANNUAL GOVERNANCE STATEMENT 2012/13

NORTH LANCASHIRE TEACHING PRIMARY CARE TRUST – 5NF

1. Scope of responsibility

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

In addition to my accountability to parliament, I report, either directly or via lead Directors, to the Board on a regular basis on all matters of performance of the Primary Care Trust (PCT). An independent perspective is brought to this process by our Non-Executive Directors.

The PCT works in close partnership with the other Cluster PCTs, local provider NHS and Foundation Trusts, Local Authorities, independent contractors, prisons, independent providers, education establishments and voluntary bodies as partnership working beyond the health sector is required to tackle the determinants of health and health inequalities. The PCT is committed to partnership working with Lancashire County Council and with the three district local authority areas that the PCT covers. Examples include Local Strategic Partnerships – district level groups which aim to develop and deliver sustainable community plans. The PCT also has a statutory duty to work within Crime and Disorder Reduction Partnerships (CDRPs) tackling crime and the fear of crime in our communities and with Children's Trusts to ensure implementation of Every Child Matters.

The PCT is accountable for performance management matters through the Cluster Board to NHS North of England, which is achieved through regular meetings and reporting on specific issues.

2. The Governance Framework of the Organisation

NHS Lancashire Board was established in 2011 and held its first meeting in public on 7 July 2011. It has been established as the embodiment of the Boards of the five Lancashire PCTs. Since January 2012 a single Board meeting transacts the business of all of the constituent statutory organisations; there is a single executive team led by a single Chief Executive who is the Accountable Officer, and there is a single Chair and team of Non Executive Directors for all five organisations. The Board has a range of committees reporting to it, each providing assurance to the Cluster Board through the business transacted at the meetings. The eight shadow CCGs will operate as sub-committees of the Cluster Board during the transitional period through to March 2013. With effect from 1 April 2013 each CCG will have its own statutory Board.

Responsibility for the corporate assurance framework sits with the Director of Partnerships and Corporate Affairs. The domains relating to quality assurance and clinical governance directly relate to the Directors of Nursing and the Medical

Director. The domains relating to financial stewardship relate to the role of the Director of Finance.

A Cluster Audit Committee has been established, which replaces the existing arrangements currently in place in each of the legacy PCT's. Chaired by and comprising Non Executive Directors of NHS Lancashire, the committee, which is a formal committee of the Cluster Board has agreed draft Terms of Reference which will enable it to provide assurance to the Board through the business transacted at the meetings, in relation to financial reporting; internal controls and risk management systems across the Cluster; internal and external audit functions, and counter fraud. The committee will report formally to the Cluster Board following each of its meetings.

The Cluster Executive Team plays a key role in providing executive leadership and assurance for the business of NHS Lancashire and in ensuring the delivery of the vision as set out by the Board. The Executive Team has authority to authorise expenditure or make decisions consistent with the Cluster scheme of reservation and delegation, as well as being responsible for ensuring the implementation of decisions made by the Board and its committees. Each Executive Director has been assigned to a specific work stream to support the delivery of the Cluster priorities.

The link between NHS Lancashire Board and the five locality PCTs is provided through each of the Locality facing Cluster Directors, and the Locality Lead NEDs (former PCT Chairs). The expertise of the former PCT Non-Executive Directors has also been retained across NHS Lancashire following the appointment of Lay Advisors to localities and CCGs.

There are a series of partnership boards or groups which are established to deliver objectives across health economies. Such groups are not regarded as formal committees of the Board but subject to appropriate delegated authority being in place, usually within the Terms of Reference of the group, enable Cluster representatives to speak on behalf of the organisation at these meetings. Examples of such groups are, Leading for Improved Outcomes Programme Board and the Clinical Transformation Board.

More informal Board Development sessions are held on a bi-monthly basis to enable protected time for the Board to develop its understanding in relation to key issues, for example the transformation of the NHS; CCG authorisation.

Three representatives of the CCG network have been in attendance at the Cluster Board since its inception in July 2011 and with effect from February 2012 all eight Chairs are invited to attend. Shadow Boards are established for each of the eight CCGs in Lancashire, and CCG Chairs have agreed that they will summarise the business transacted at their Board meetings to future Cluster Board meetings.

The PCT ceases to be a statutory body on 1st April 2013, and therefore its responsibility for scrutiny and assurance in relation to the Annual Report and Accounts and governance statements is lost. However, there is still a legal requirement for the annual report and accounts and governance reports to be produced and scrutinised. To maintain rigour in the process, the Department of Health has facilitated the establishment of an audit sub-committee to support the final accounts process for 2012/13. This sub-committee is a sub-committee of the Department's Audit and Risk Committee.

The scope of the audit sub-committee is to review the annual report, financial statements and governance statement of the PCT prior to signing by the Accountable Officer and Director of Finance, focusing on:

1. The wording in the governance statement
2. Changes in, and compliance with, accounting policies and practices
3. Unadjusted mis-statements in the financial statements
4. Significant judgements in preparing the financial statements
5. Significant adjustments resulting from audit
6. Letter of representation, and
7. Qualitative aspects of financial reporting

In terms of the maintenance and discharge of statutory functions in the cluster and each of the 5 PCTs within NHS Lancashire the Internal Audit Report no 12/13, Maintenance of Statutory Functions, reports that there is significant assurance on the arrangements for the continuing discharge of those statutory functions.

3. Risk Assessment

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

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

The system of internal control has been in place in North Lancashire Teaching PCT for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

The PCT recognises that risk management is an integral part of good management practice and to be most effective must be part of the PCT's culture. The PCT is, therefore, committed to ensuring that risk management forms an integral part of its philosophy, practices and business plans and that responsibility for implementation is accepted at all levels of the organisation. At a local level the PCT has maintained a Risk Management Strategy and Policy to handle risk management. The Assurance Framework is reported through the Locality Assurance Group on behalf of the Cluster Audit Committee.

The Cluster Board is responsible for reviewing the effectiveness of internal controls.

Staff are trained to manage risk in a way appropriate to their authority and duties. Training is given on assessing and minimising risk. All new staff receive general awareness training as part of their induction.

NHS North Lancashire continues to place a high priority upon the handling of comments, compliments, concerns and complaints (the 4 C's) and recognises that the 4 C's are valuable aids to improving services. The PCT aims to investigate and if possible resolve complaints as quickly as possible. Ensuring that the complainant

feels that his/her concerns have been listened to and addressed, whilst remaining fair to both staff and the complainant alike.

The 4 C's are reported regularly to the Finance and Resources Committee where trends, outcomes and lessons learned by department and organisation are reviewed. The Integrated Governance Committee monitors clinical performance and compliance with clinical standards, ensuring arrangements are in place to improve outcomes for patients and minimise risk. It informs the quality commissioning agendas and advises the organisation on matters relating to clinical quality, patient safety, clinical performance and clinical risk and provides a forum where matters relating to clinical quality are monitored and promoted.

The organisational and structural changes emerging in response to the White Paper "Equity and excellence: Liberating the NHS" and the Public Health White Paper have impacted on the organisation's risk and are being managed and controlled through the PCT Transition Group, enhanced communication in the PCT and the developing cluster-wide work focussed on strengthening resilience.

The PCT recognises the importance of appropriately managing information and keeping it secure. A formal Information Governance Committee Group is in place as part of the PCT's Integrated Governance structure. The PCT's Medical Director has executive responsibility for Information Governance and is the Senior Information Risk Officer (SIRO), with responsibility for ensuring that information risk is assessed and managed within the organisation.

The Head of Information Governance in the Quality, Standards and Effectiveness Directorate is the Caldicott Guardian for the PCT. The Caldicott Guardian acts as the 'information conscience' for the organisation, and is responsible for protecting the confidentiality of patient/service-user information and enabling appropriate information sharing.

The PCT provides formal assurance of its compliance with Information Governance requirements annually through the Information Governance Toolkit (IGT). The IGT is a national self-assessment and reporting tool that organisations must use to assess local performance in line with the requirements set out in the NHS Informatics Guidance and Operating Framework 2011/2012. The IGT submission is subject to independent audit. In Version 9 the cluster achieved 68% and Satisfactory Rating. In November Audit North West reviewed the evidence and agreed with the workplan submitted. However due to workload and lack of resources the focus has been on ensuring the emerging NHS organisations are in the best possible position. This decision was supported by the Cluster SIRO.

All GP practices and community pharmacies within NHS North Lancashire are individually responsible for making their own IGT submission. This is monitored by the Information Governance Department. Completion of the IGT is mandatory for general dental and optometric practices in 2012/2013.

For the year 2012/13 with the closure of the PCT and the creation and development of new bodies the Version 10 Cluster Toolkit post 31 March 2013 would have little value if submitted. It has been agreed at the Cluster Executive Meeting on Tuesday 12th February 2013 the Version 10 Toolkit will not be submitted on the basis that if a submission was made a satisfactory rating would not be achieved. Individual PCT's within the Cluster have made the decision not to progress further with their part of the

Toolkit. In addition none of the PCTs which make up the cluster have an pseudonymisation solution (Req 324) in place.

4. The Risk and Control Framework

The PCT's Risk Framework uses a systematic approach based on the Australian/New Zealand Standard AS/NZS 4360:2004 – Risk Management, which is outlined within the PCT's Risk Management Strategy. This strategy includes details of the criteria used to assess risks and the governance process used to ensure that risks are controlled and escalated where necessary in order to ensure that the Board can be briefed on significant risks. The PCT considers it good practice to involve stakeholders, e.g. Clinical Commissioning Groups, other health organisations, local authority, audit, etc, in the running of its business, including risk management.

The PCT has a risk management strategy that:

- is endorsed by the Board;
- sets out the organisation's attitudes to risk;
- defines the structures for the management and ownership of risk and for the management of situations in which control failure leads to material realisation of risks;
- specifies the way in which risk issues are to be considered at each level of business planning ranging from the corporate process to the setting of individual staff's objectives, i.e. to deliver their personal responsibilities;
- specifies how new and existing activities are assessed for risk and incorporated into risk management structures;
- ensures common understanding of terminology used in relation to risk issues;
- defines the structures for gaining assurance about the management of risk;
- defines the criteria which will inform assessment of risk and the definition of specific risks as 'key';
- defines the way in which the risk register and risk evaluation criteria will be regularly reviewed;
- is easily available to all staff on the PCT intranet site; and
- is reviewed annually to ensure it remains appropriate and current.

The PCT has in place an Assurance Framework that:

- has been approved by the Board;
- covers all of the organisation's main activities;
- identifies which objectives and targets the organisation is striving to achieve;
- identifies the risks to the achievement of objectives and targets;
- identifies and examines the system of internal control in place to manage the risks;
- identifies and examines the review and assurance mechanisms which relate to the effectiveness of the system of internal control;
- records the actions taken to address control and assurance gaps; and
- is overseen by the Local Assurance Group

The document has been developed with input from Lead Directors (assigned to each strategic objective to oversee and manage the actions required to bring the identified risk to an acceptable level), Assistant Directors and Directorate teams. Directorate

risk registers, external reviews/accreditation processes e.g. CQC Essential Standards of Quality and Safety, Information Governance Guidance, Equality Performance Improvement toolkit etc have identified areas which have been incorporated into the Assurance Framework.

The PCT has been successful in embedding Risk Registers and the Assurance Framework throughout the organisation in order to ensure that the risk management process is part of the normal management process and therefore maintained as current. Through this process risks are highlighted and assessed. Gaps in control and assurance sources are identified and actions put in place to correct and minimise them at both departmental level and corporate level. Risk Registers and the Assurance Framework are regularly reviewed within the Governance Groups to create a wider understanding of the risks in the system and also to performance manage remedial action. The PCT maintains communication with relevant stakeholders on a wide variety of issues including listening and informing them of risks and mitigating actions, which may impact on them, or where they may be able to support the PCT in mitigating the risks.

An internal audit of the Assurance Framework and Application of the Risk Management Policy concluded that their overall assurance was 'significant' and "that there is a generally sound system of internal control, designed to meet the organisation's strategic objectives, and that controls are generally being applied consistently at the time of our audit." The reports also states that: *"An Assurance Framework is operating to meet the requirements of the Annual Governance Statement (AGS) which provides reasonable assurance to the Board that there is an effective system of internal control in place to manage the principal risks, which have been identified by the PCT as having the potential to prevent it achieving its strategic objectives".*

The PCT considers involvement of stakeholders in all areas of its activities to be good practice. In addition to partnership working with Local Authorities, Voluntary Bodies and other stakeholders, the PCT informs and consults the public on significant changes in the PCT's activities.

NHS North Lancashire runs an involvement scheme known as the Affiliate Scheme. Becoming an Affiliate gives local residents the chance to get involved and share their views on the healthcare provided in North Lancashire. This scheme has over 6,700 members who can choose their level of involvement in the scheme e.g. receive newsletters, take part in surveys or join working and focus groups. The Affiliate scheme is open to all North Lancashire residents and individuals who are registered with a GP in North Lancashire. Patients, their carers, employees and the general public, of all ages, are welcome. Examples of how Affiliates are asked their views can include:

- how, when and where we provide services;
- the early planning and design stages of any new building development;
- any new services North Lancashire Health plans to introduce; and changes to the way we provide services.

NHS North Lancashire also publishes an annual 'Duty to Report' which details the involvement and engagement activities that have taken place in addition to any formal consultations. This includes involvement, engagement and any formal consultation regarding commissioning decisions so that the local population have the opportunity to give their views.

In accordance with the guidance the Duty to Report has been produced as a web based document and is available on the NHS North Lancashire website.

Control measures are in place to ensure that all the PCTs obligations under equality, diversity and human rights legislation are complied with. In 2011 the PCT completed the second self-assessment using the NHS North West Equality Performance Improvement Toolkit. The toolkit measured the PCT performance against the five goals set out in the 'Narrowing the Gaps' strategy and significant progress has been made including 'achieving' status against two goals.

The Equality Act 2010 (the Act) came into force in October 2010 and replaced a range of previous anti-discriminatory laws with a single Act. The Act identified nine protected characteristics and these are set out below and are covered by the Equality Duty:

1. Age;
2. Disability;
3. Gender reassignment;
4. Marriage and Civil Partnership (but only in respect of eliminating unlawful discrimination);
5. Pregnancy and Maternity;
6. Race – this includes ethnic or national origins, colour or nationality;
7. Religion or Belief – this includes lack of belief;
8. Sex; and
9. Sexual orientation.

The Public Sector Equality Duty:

The Equality Duty came into force on 5 April 2011 and applies to NHS North Lancashire and any organisations it has contracts with who carry out public functions on behalf of the PCT e.g. GPs, Dentists and Hospitals.

The Duty has three aims these are:

1. eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act;
2. advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
3. foster good relations between people who share a protected characteristic and people who do not share it.

The Equality Duty is supported by Specific Duties which require the Trust to publish relevant, proportionate information demonstrating our compliance with the Equality Duty and to help us set specific, measurable equality objectives.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

The PCT has undertaken a climate change risk assessment and developed an Adaptation Plan, to support its emergency preparedness and civil contingency requirements, as based on the UK Climate Projections 2009 (UKCP09), to ensure that this organisation's obligations under the Climate Change Act are met.

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

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work The Head of Internal Audit Opinion for 2012/13 is: 'Significant Assurance'.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by other major sources of assurance on which reliance has been placed during the year, e.g. comments made by the external and internal auditors and the Care Quality Commission.

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

The PCT continually reviews the effectiveness of the system of internal control through the following:

- the Board – overall responsibility for governance and the Assurance Framework;
- the Audit Committee – responsible for ensuring that sound internal controls are in place, both financial and operational;
- the Integrated Governance Committee – responsible for ensuring that Governance and Risk issues are addressed;
- Local Assurance Group- ensures processes are in place for internal control and monitoring of the requirements of the Assurance Framework;
- Health and Safety Committee- ensures provision of a safe and healthy environment for patients, service users, visitors, employees and the general public and complies with the requirements of the Section 2[6] of the Health and Safety at Work Act [1974], The Safety Representatives and Safety Committee Regulations [1977] and the Health and Safety (Consultation of Employees) Regulations [1996];
- Directors and managers – implementation of controls assurance and risk management systems in their operational area;
- Internal Audit – validation of systems by performing audits based on risk assessments;
- the Assurance Framework process; and
- External Audit – who also provide opinion on the assessment of the PCT's value for money.

There are no significant control issues to report for 2012/13.

My review confirms that North Lancashire Teaching PCT has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Name of Accountable Officer R JONES

Organisation NHS ENGLAND.

Signed

Date 6/6/13.

INDEPENDENT AUDITOR'S REPORT TO THE RESPONSIBLE OFFICERS OF NORTH LANCASHIRE TEACHING PCT

We have audited the financial statements of North Lancashire Teaching PCT comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Taxpayers Equity, Statement of Cash Flows and related notes for the year ended 31 March 2013. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. We have also audited the information in the Remuneration Report that is subject to audit.

This report is made solely to the responsible officers of North Lancashire Teaching PCT in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the responsible officers of the PCT those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the responsible officers of the PCT for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Responsible Officer and auditor

As explained more fully in the Statement of the Responsibilities of the Signing Officer of the Primary Care Trust, the Signing Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on regularity prescribed by the Code of Audit Practice 2010 for local NHS bodies

In our opinion, in all material respects the expenditure and income have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

Opinion on other matters prescribed by the Code of Audit Practice 2010 for local NHS bodies

In our opinion:

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for local NHS bodies requires us to report to you if:

- in our opinion, the Governance Statement does not reflect compliance with the Department of Health's requirements;
- any referrals to the Secretary of State have been made under section 19 of the Audit Commission Act 1998; or
- any matters have been reported in the public interest under the Audit Commission Act 1998 in the course of, or at the end of, the audit.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice 2010 for local NHS bodies, having regard to the guidance issued by the Audit Commission in November 2012. We have considered the results of the following:

- our review of the Governance Statement; and

- the work of other relevant regulatory bodies or inspectorates, to the extent that the results of this work impact on our responsibilities at the PCT.

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

Certificate

We certify that we have completed the audit of the accounts of North Lancashire Teaching PCT in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission.

Trevor Rees
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
St James' Square
Manchester
M2 6DS

6 June 2013

Statement of Comprehensive Net Expenditure for year ended 31 March 2013

	NOTE	2012-13 £000	2011-12 £000
Administration Costs and Programme Expenditure			
Gross employee benefits	7.1	**10,540**	44,224
Other costs	5.1	**604,839**	560,881
Income	4	**(19,593)**	(28,332)
Net operating costs before interest		**595,786**	576,773
Finance costs	11	**52**	67
Net operating costs for the financial year		**595,838**	576,840
Of which:			
Administration Costs			
Gross employee benefits	7.1	**9,507**	9,861
Other costs	5.1	**11,430**	10,236
Income	4	**(5,237)**	(3,442)
Net administration costs before interest		**15,700**	**16,655**
Finance costs	11	**0**	67
Net administration costs for the financial year		**15,700**	**16,722**
Programme Expenditure			
Gross employee benefits	7.1	**1,033**	34,363
Other costs	5.1	**593,409**	550,645
Income	4	**(14,356)**	(24,890)
Net programme expenditure before interest		**580,086**	**560,118**
Finance costs	11	**52**	0
Net programme expenditure for the financial year		**580,138**	**560,118**

Other Comprehensive Net Expenditure	2012-13 £000	2011-12 £000
Impairments and reversals put to the Revaluation Reserve	**182**	152
Net (gain) on revaluation of property, plant & equipment	**(32)**	(27)
Total comprehensive net expenditure for the year*	**595,988**	**576,965**

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

Statement of Financial Position at 31 March 2013

	NOTE	31 March 2013 £000	31 March 2012 £000
Non-current assets:			
Property, plant and equipment	12	**15,620**	16,206
Intangible assets	13	**0**	16
Total non-current assets		**15,620**	16,222
Current assets:			
Trade and other receivables	19	**7,560**	9,874
Cash and cash equivalents	23	**0**	2
Total current assets		**7,560**	9,876
Total assets		**23,180**	26,098
Current liabilities			
Trade and other payables	25	**(26,551)**	(29,445)
Provisions	32	**(3,396)**	(3,245)
Total current liabilities		**(29,947)**	(32,690)
Non-current assets plus/less net current assets/liabilities		**(6,767)**	(6,592)
Non-current liabilities			
Trade and other payables	25	(486)	(489)
Provisions	32	(4,664)	(1,744)
Total non-current liabilities		**(5,150)**	(2,233)
Total Assets Employed:		**(11,917)**	(8,825)
Financed by taxpayers' equity:			
General fund		(15,729)	(12,799)
Revaluation reserve		3,812	3,974
Total taxpayers' equity:		**(11,917)**	(8,825)

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

The financial statements on pages 1 to 39 were approved by the audit subcommittee of the Department of Health on 6 June 2013 and signed on its behalf by

Accountable Officer: 

Date: 6/6/13.

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

	General fund	Revaluation reserve	Total reserves
	£000	£000	£000
Balance at 1 April 2012	**(12,799)**	**3,974**	**(8,825)**
Changes in taxpayers' equity for 2012-13			
Net operating cost for the year	(595,838)		**(595,838)**
Net gain on revaluation of property, plant, equipment		32	**32**
Impairments and reversals		(182)	**(182)**
Transfers between reserves*	12	(12)	**0**
Total recognised income and expense for 2012-13	**(595,826)**	**(162)**	**(595,988)**
Net Parliamentary funding	592,896		**592,896**
Balance at 31 March 2013	**(15,729)**	**3,812**	**(11,917)**

*The transfer from the revaluation reserve to the general fund is in respect of the balance on the reserve for a number of items of equipment that have been disposed of in 2012/13.

Balance at 1 April 2011	**(9,913)**	**4,212**	**(5,701)**
Changes in taxpayers' equity for 2011-12			
Net operating cost for the year	(576,840)		(576,840)
Net Gain / (loss) on Revaluation of Property, Plant and Equipment		27	27
Net Gain / (loss) on Assets Held for Sale		(28)	(28)
Impairments and Reversals		(124)	(124)
Transfers between reserves*	113	(113)	0
Total recognised income and expense for 2011-12	(576,727)	(238)	(576,965)
Net Parliamentary funding	573,841		573,841
Balance at 31 March 2012	**(12,799)**	**3,974**	**(8,825)**

*The transfer from the revaluation reserve to the general fund is in respect of the balance on the reserve for two properties that have been disposed of in 2011/12.

Statement of cash flows for the year ended 31 March 2013

	NOTE	2012-13 £000	2011-12 £000
Cash Flows from Operating Activities			
Net Operating Cost Before Interest		**(595,786)**	(576,773)
Depreciation and Amortisation		**1,119**	1,166
Impairments and Reversals		**333**	349
(Increase)/Decrease in Trade and Other Receivables		**2,314**	(1,009)
Increase/(Decrease) in Trade and Other Payables		**(2,596)**	710
Provisions Utilised		**(2,927)**	(349)
Increase/(Decrease) in Provisions		**5,938**	2,881
Net Cash Inflow/(Outflow) from Operating Activities		**(591,605)**	(573,025)
Cash flows from investing activities			
(Payments) for Property, Plant and Equipment		**(1,293)**	(1,005)
Proceeds of disposal of assets held for sale (PPE)		**0**	188
Net Cash Inflow/(Outflow) from Investing Activities		**(1,293)**	(817)
Net cash inflow/(outflow) before financing		**(592,898)**	(573,842)
Cash flows from financing activities			
Net Parliamentary Funding		**592,896**	573,841
Net Cash Inflow/(Outflow) from Financing Activities		**592,896**	573,841
Net increase/(decrease) in cash and cash equivalents		**(2)**	(1)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**2**	3
Cash and Cash Equivalents (and Bank Overdraft) at year end		**0**	2

1. Accounting policies

Under the provisions of *The Health and Social Care Act 2012 (Commencement No.4. Transitional, Savings and Transitory Provisions) Order 2013, NHS North Lancashire Teaching* PCT was dissolved on 1st April 2013. The PCT's functions, assets and liabilities transferred to other public sector entities as outlined in Note 40 *Events after the Reporting Period*. Where reconfigurations of this nature take place within the public sector, Government accounting requires that the activities concerned are to be considered as continuing operations, and so the closing entity prepares accounts on a "going concern" basis.

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

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

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

1.1 Accounting Conventions

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

Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The PCT transferred a number of services during 2011-12 under the TCS intiative and merger accounting was applied.The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

Acquisitions and Discontinued Operations

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

Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

The PCT's portfolio of leases has been reviewed and a management judgement has been made that the leases should be classified as operating leases.

Key sources of estimation uncertainty

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

There are a number of accruals within the Statement of Financial Position where estimation techniques are applied. This is because the outturn information is not available at the time of preparation of the financial statements. Examples of significant accruals involving estimates are Prescribing, Dental, Quality and Outcomes Framework (QOF) and Payment by Results (PBR).
The PCT has a provision for pension liabilities relating to former staff and directors. Estimation techniques are applied in order to calculate the provision required to cover future expenditure, involving the use of expected life tables obtained from the Office of National Statistics.
The PCT has a provision arising in 2012/13 for existing Continuing Health Care cases. This has been estimated following discussions with Case Managers as to the potential value of the claims and likelihood of settlement.
The PCT's estate has been revalued during 2012/13 financial year by the District Valuers of the Inland Revenue Government Department, in accordance with the terms of the Royal Institution of Chartered Surveyors Valuation Standards, 6th Edition, insofar as these terms are consistent with the requirements of HM Treasury and the Department of Health. The result of the revaluations was that net asset values fell by £483K in 2012/13.

1. Accounting policies (continued)

1.2 Revenue and Funding

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

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

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

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

1.3 Pooled budgets

The PCT has entered into a pooled budget with Lancashire County Council. Under the arrangement funds are pooled under S75 of the NHS Act 2006 for Learning Disability activities.

The pool is hosted by Lancashire County Council. As a commissioner of healthcare services, the Primary Care Trust makes contributions to the pool, which are then used to purchase healthcare services. The Primary Care Trust accounts for its share of the assets, liabilities, revenue and expenditure of the pool as determined by the pooled budget agreement. Note 40 to the accounts provides details of the joint income and expenditure.

1.4 Taxation

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

1.5 Administration and Programme Costs

Treasury has set performance targets in respect of non-frontline expenditure (administration expenditure).
From 2011-12, PCTs therefore analyse and report revenue income and expenditure by "admin and programme".
For PCTs, the Department has defined "admin and programme" in terms of running costs.

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

1. Accounting policies (continued)

1.6 Property, Plant & Equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

The PCT's estate has been revalued during 2012/13 by the District Valuers of the Inland Revenue Government Department. The valuation exercise was undertaken in February 2013 with a prospective valuation date of 1st April 2013 in order to provide updated carrying amounts of assets at the Statement of Financial Position date.

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

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

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

Subsequent expenditure

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

1. Accounting policies (continued)

1.7 Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the PCT's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the PCT; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.
AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1. Accounting policies (continued)

1.9 Government grants

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.10 Non-current assets held for sale

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

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

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

1.11 Inventories

The PCT does not hold any balances for Inventories as at 31 March 2013.

1.12 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.13 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings including losses which would have been made good through insurance cover had PCTs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.14 Clinical Negligence Costs

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

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

1. Accounting policies (continued)

1.15 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. Employees were obliged to take all their annual leave in 2012/13 and were not expected to carry forward any leave into the following period.

Retirement benefit costs

Please refer to note 7.5 of the accounts for the accounting policies regarding Pension Costs.

1.16 Research and Development

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

1.17 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.

1.18 Grant making

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

1.19 EU Emissions Trading Scheme

The PCT is below the de minimis level required to be a member of the Emissions Trading Scheme.

1. Accounting policies (continued)

1.20 Contingencies

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

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

1.21 Leases

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

The PCT as lessee

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

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

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

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

The PCT as lessor

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

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

1.22 Foreign exchange

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

1.23 Provisions

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

HM Treasury gives rates for short, medium and long-term general provisions. These are defined:

Short-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary of between 0 and up to and including 5 years from the Statement of Financial Position date. Rate to be applied on 31.3.13 is minus 1.80%.

Medium-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary of after 5 and up to and including 10 years from the Statement of Financial Position date. Rate to be applied on 31.3.13 is minus 1.00%.

Long-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary exceeding 10 years from the Statement of Financial Position date. Rate to be applied on 31.3.13 is plus 2.20%.

Post Employment Benefits Provisions:

The real discount rate applicable on 31 March 2013 is 2.35% (the previous year's rate was 2.80%)
The rate is applicable for all provisions arising from continuing obligations arising from previous employment service.

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

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

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

1. Accounting policies (continued)

1.24 Financial Instruments

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

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.
Other than NHS trade receivables, non NHS trade receivables, and other receivables the PCT does not have any financial assets.

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

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

Other than trade and other payables the PCT does not have any financial liabilities.

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

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

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

1.26 Going Concern

Management have considered the changes proposed by the Government in the Health and Social Care Act and, as services will continue to be provided by another public sector entity, have concluded that it is appropriate for the accounts to be prepared on a going concern basis. In addition, management has considered the implications of the Act and does not believe that it will have a material impact on the carrying value of assets and liabilities as the functions of the PCT will be transferred to the various successor bodies, as outlined in Note 40 Events after the Reporting Period. As a result, the accounts are prepared on a going concern basis.

In addition, the Secretary of State has directed that, where Parliamentary funding continues to be voted to permit the relevant services to be carried out elsewhere in the public sector, this is normally sufficient evidence of going concern.

2. Operating segments

The PCT has previously identified two components to be disclosed as the operating segments of the PCT in the Annual Accounts: 'Commissioning' and 'Provider'.

The definitions per the accounting standard IFRS 8 were considered in order to identify the segments.
An operating segment is a component of an entity:
- that engages in activities from which it may earn revenues and incur expenses
- whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resource allocation to the segments and assess its performance, and
- for which discrete financial information is available.

From 1 April 2013, following the Transforming Community Services initiatve the PCT no longer operates any functions previously defined as 'Provider'.

These services have been transferred to other public sector organisations. Hence for 2012-13 all PCT expenditure is defined as 'Commissioning'.

	Commissioning		Provider		Total	
	2012-13	2011-12	**2012-13**	2011-12	**2012-13**	2011-12
	£000	£000	**£000**	£000	**£000**	£000
Total income/resource	**(618,272)**	**(600,246)**	**0**	**(7,322)**	**(618,272)**	(607,568)
Total expenditure	**615,428**	**598,046**	**0**	**7,322**	**615,428**	605,368
Surplus/(deficit) before interest	**(2,844)**	**(2,200)**	**0**	**0**	**(2,844)**	**(2,200)**

3. Financial Performance Targets

3.1 Revenue Resource Limit

	2012-13 £000	2011-12 £000
The PCTs' performance for the year ended 2012-13 is as follows:		
Total Net Operating Cost for the Financial Year	595,838	576,840
Net operating cost plus (gain)/loss on transfers by absorption	0	0
Adjusted for prior period adjustments in respect of errors	598,682	579,040
Revenue Resource Limit	2,844	2,200
Under/(Over)spend Against Revenue Resource Limit (RRL)		

3.2 Capital Resource Limit

	2012-13 £000	2011-12 £000
The PCT is required to keep within its Capital Resource Limit.		
Capital Resource Limit	1,000	1,226
Charge to Capital Resource Limit	1,000	1,100
(Over)/Underspend Against CRL	0	126

3.3 Provider full cost recovery duty

	2012-13 £000	2011-12 £000
The PCT is required to recover full costs in relation to its provider functions.		
Provider gross operating costs	0	42,349
Provider Operating Revenue	0	(7,322)
Net Provider Operating Costs	0	35,027
Costs Met Within PCTs Own Allocation	0	(35,027)
Under/(Over) Recovery of Costs	0	0

3.4 Under/(Over)spend against cash limit

	2012-13 £000	2011-12 £000
Total Charge to Cash Limit	592,896	573,841
Cash Limit	599,196	576,796
Under/(Over)spend Against Cash Limit	6,300	2,955

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

	2012-13 £000
Total cash received from DH (Gross)	514,228
Sub total: net advances	514,228
Plus: cost of Dentistry Schemes (central charge to cash limits)	11,996
Plus: drugs reimbursement (central charge to cash limits)	66,672
Parliamentary funding credited to General Fund	592,896

4. Miscellaneous Revenue

	2012-13 Total	2012-13 Admin	2012-13 Programme	2011-12
	£000	£000	£000	£000
Dental Charge income from Contractor-Led GDS & PDS	**4,921**		4,921	4,715
Dental Charge income from Trust-Led GDS & PDS	**0**		0	87
Prescription Charge income	**3,517**		3,517	3,405
Strategic Health Authorities	**58**	58	0	0
NHS Trusts	**4**	4	0	19
NHS Foundation Trusts	**3,157**	1,361	1,796	1,686
Primary Care Trusts - Other	**1,940**	983	957	5,076
Primary Care Trusts - Lead Commissioning	**2,037**	636	1,401	6,725
Recoveries in respect of employee benefits	**814**	814	0	706
Local Authorities	**478**	146	332	2,538
Education, Training and Research	**2,271**	959	1,312	2,408
Other Non-NHS Patient Care Services	**0**	0	0	261
Charitable and Other Contributions to Expenditure	**22**		22	45
Rental revenue from operating leases	**166**	73	93	96
Other revenue	**208**	203	5	565
Total miscellaneous revenue	**19,593**	**5,237**	**14,356**	**28,332**

Significant transactions within other revenue relate to income from legal charges, £123K.

5. Operating Costs

5.1 Analysis of operating costs:

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 Total £000
Goods and Services from Other PCTs				
Healthcare	62,930		62,930	60,402
Non-Healthcare	2,281	2,161	120	1,830
Total	65,211	2,161	63,050	62,232
Goods and Services from Other NHS Bodies other than FTs				
Goods and services from NHS Trusts	3,455	37	3,418	3,355
Goods and services (other, excl Trusts, FT and PCT)	2,556	0	2,556	2,539
Total	6,011	37	5,974	5,894
Goods and Services from Foundation Trusts	312,177	2,177	310,000	263,194
Purchase of Healthcare from Non-NHS bodies	60,207		60,207	61,729
Contractor Led GDS & PDS (excluding employee benefits)	17,048		17,048	17,083
Salaried Trust-Led PDS & PCT DS (excluding employee benefits)	2,742		2,742	667
Chair, Non-executive Directors & PEC remuneration	100	100	0	97
Executive committee members costs	0	0	0	23
Consultancy Services	184	182	2	287
Prescribing Costs	58,211		58,211	61,259
G/PMS, APMS and PCTMS (excluding employee benefits)	51,514	851	50,663	49,602
Pharmaceutical Services	1,074		1,074	949
New Pharmacy Contract	16,010		16,010	16,399
General Ophthalmic Services	3,112		3,112	2,984
Supplies and Services - Clinical	29	12	17	2,416
Supplies and Services - General	19	17	2	2,504
Establishment	769	754	15	2,512
Transport	0	0	0	108
Premises	4,969	1,324	3,645	5,239
Impairments and Reversals of Property, plant and equipment	333	0	333	349
Impairments and Reversals of non-current assets held for sale	0	0	0	0
Depreciation	1,103	1,103	0	1,154
Amortisation	16	16	0	12
Impairment of Receivables	(81)	(81)	0	107
Research and Development Expenditure	271	271	0	125
Audit Fees	129	129	0	192
Clinical Negligence Costs	67	0	67	40
Education and Training	133	89	44	256
Other	3,481	2,288	1,193	3,468
Total Operating costs charged to Statement of Comprehensive Net Expenditure	604,839	11,430	593,409	560,881
Employee Benefits				
Trust led PDS and PCT DS	0	0	0	1,432
PCT Officer Board Members	737	737	0	870
Other Employee Benefits	9,803	8,770	1,033	41,922
Total Employee Benefits charged to SOCNE	10,540	9,507	1,033	44,224
Total Operating Costs	615,379	20,937	594,442	606,105

Significant transactions within other operating costs are; GP registrar scheme expenditure £277k (2011/12 £266k); legal fees £333k (2011/12 £208k); Public Health non-recurrent schemes £387k (2011/12 £353k) and Clinical Commissioning Group (CCG) running costs £639k (2011/12 £660k).

Analysis of grants reported in total operating costs

There are no grants reported in total operating costs for capital purposes in 2012/13 (2011/12 £0).

	Total	Commissioning Services	Public Health
PCT Running Costs 2012-13			
Running costs (£000s)	15,703	13,470	2,233
Weighted population (number in units)*	345,749	345,749	345,749
Running costs per head of population (£ per head)	45	39	6
PCT Running Costs 2011-12			
Running costs (£000s)	17,257	14,570	2,687
Weighted population (number in units)	345,749	345,749	345,749
Running costs per head of population (£ per head)	50	42	8

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

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

5.2 Analysis of operating expenditure by expenditure classification	2012-13 £000	2011-12 £000
Purchase of Primary Health Care		
GMS / PMS/ APMS / PCTMS	51,514	49,602
Prescribing costs	58,211	61,259
Contractor led GDS & PDS	17,048	17,083
Trust led GDS & PDS	2,742	2,099
General Ophthalmic Services	3,113	2,983
Pharmaceutical services	1,074	949
New Pharmacy Contract	16,010	16,399
Total Primary Healthcare purchased	**149,712**	150,374
Purchase of Secondary Healthcare		
Learning Difficulties	6,941	6,495
Mental Illness	63,415	64,260
Maternity	8,670	7,299
General and Acute	259,379	246,234
Accident and emergency	19,761	20,943
Community Health Services	41,007	40,512
Other Contractual	38,045	34,210
Total Secondary Healthcare Purchased	**437,218**	419,953
Total Healthcare Purchased by PCT	**586,930**	**570,327**
PCT self-provided secondary healthcare included above	0	35,027
Healthcare from NHS FTs included above	308,381	260,618

Significant changes in expenditure seen above can be explained as follows:

Mental Illness:

Expenditure on Mental Illness reduced in 2012/2013 due to service reconfiguration.

Maternity:

Overperformance on contracts, including University Hospitals of Morecambe Bay NHS Foundation Trust (£1M) and Blackpool Teaching Hospitals Foundation Trust (£239k).

General and Acute:

Overperformance on several contracts, including University Hospitals of Morecambe Bay NHS Foundation Trust (£5.3M) and Blackpool Teaching Hospitals Foundation Trust (£6M).

Other Contractual:

Expenditure increased as a result of a provision for Continuing Health Care.

6. Operating Leases

6.1 PCT as lessee

	Buildings £000	Other £000	2012-13 Total £000	2011-12 £000
Payments recognised as an expense				
Minimum lease payments			2,692	2,034
Total			2,692	2,034
Payable:				
No later than one year	1,563	31	1,594	1,656
Between one and five years	5,563	25	5,588	5,650
After five years	17,767	0	17,767	17,767
Total	24,893	56	24,949	25,073

Where the PCT is lessee this refers to rental payments on properties owned by third parties and utilised by PCT staff. This also relates to vehicles leased by the PCT.

North Lancashire Teaching PCT makes payment to GPs under the General Medical Services contract. Under this contract the PCT is obliged to reimburse GPs for the cost of premises used to deliver services to the NHS. Under:
IAS17 Leases
SIC 27 Evaluating the substance of transactions involving the legal form of a lease
IFRIC 4 Determining whether an arrangement contains a lease
North Lancashire Teaching PCT has determined that operating leases may be recognised, but, as there is no defined term in the arrangements entered into, it is not possible to analyse the arrangements over financial years. The financial value included in the Operating Cost Statement for 2012/13 is £3,479K (2011/12 £3,319K).

6.2 PCT as lessor

	2012-13 £000	2011-12 £000
Recognised as income		
Rental Revenue	166	96
Total	166	96
Receivable:		
No later than one year	380	96
Between one and five years	1,520	174
After five years	6,440	786
Total	8,340	1,056

Where the PCT is lessor this rental income comes from third parties occupying PCT premises.

7. Employee benefits and staff numbers

7.1 Employee benefits

	2012-13			Permanently employed			Other		
	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000
Employee Benefits - Gross Expenditure									
Salaries and wages	8,030	8,030	0	7,634	7,634	0	396	396	0
Social security costs	631	631	0	631	631	0	0	0	0
Employer Contributions to NHS BSA - Pensions Division	846	846	0	846	846	0	0	0	0
Termination benefits	1,033	0	1,033	1,033	0	1,033	0	0	0
Total employee benefits	10,540	9,507	1,033	10,144	9,111	1,033	396	396	0
Less recoveries in respect of employee benefits (table below)	(814)	(814)	0	(814)	(814)	0	0	0	0
Total - Net Employee Benefits including capitalised costs	9,726	8,693	1,033	9,330	8,297	1,033	396	396	0
Recognised as:									
Commissioning employee benefits	10,540			10,144			396		
Gross Employee Benefits excluding capitalised costs	10,540			10,144			396		

	2012-13			Permanently employed			Other		
	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000	Total £000	Admin £000	Programme £000
Employee Benefits - Revenue									
Salaries and wages	682	682	0	682	682	0	0	0	0
Social Security costs	56	56	0	56	56	0	0	0	0
Employer Contributions to NHS BSA - Pensions Division	76	76	0	76	76	0	0	0	0
TOTAL excluding capitalised costs	814	814	0	814	814	0	0	0	0

Employee Benefits - Prior- year

	Total £000	Permanently employed £000	Other £000
Employee Benefits Gross Expenditure 2011-12			
Salaries and wages	33,793	33,273	520
Social security costs	2,521	2,515	6
Employer Contributions to NHS BSA - Pensions Division	3,739	3,731	8
Termination benefits	4,171	4,171	0
Total gross employee benefits	44,224	43,690	534
Less recoveries in respect of employee benefits	(706)	(706)	0
Total - Net Employee Benefits including capitalised costs	43,518	42,984	534
Recognised as:			
Commissioning employee benefits	14,032		
Provider employee benefits	30,192		
Gross Employee Benefits excluding capitalised costs	44,224		

7.2 Staff Numbers

	2012-13			2011-12		
	Total Number	Permanently employed Number	Other Number	Total Number	Permanently employed Number	Other Number
Average Staff Numbers						
Medical and dental	3	3	0	16	16	0
Administration and estates	156	150	6	369	366	3
Healthcare assistants and other support staff	1	1	0	52	47	5
Nursing, midwifery and health visiting staff	20	20	0	408	406	2
Nursing, midwifery and health visiting learners	0	0	0	7	7	0
Scientific, therapeutic and technical staff	4	4	0	222	220	2
TOTAL	184	178	6	1,074	1,062	12

Note regarding Lead Employer Arrangements

During 2008/09 North Lancashire Teaching PCT became Lead Employer for groups of Speciality Registrars (GP Trainees) and GP Educators appointed by the North West Deanery and based in Trusts and PCTs across the North West patch. The Lead Employer arrangements involve providing Payroll, Human Resources and Occupational Health Services for these staff.

The PCT recharges other NHS bodies for the costs of these staff; therefore these employment costs are not reported within the PCT accounts. Total costs in respect of Speciality Registrars excluded from the PCT accounts for 2012/13 were £46,288K (2011/12 £45,627K).

Speciality Registrars are also not included within the disclosure for PCT staff numbers. The total number of whole time equivalent Specialist Registrars paid but not included in PCT staff numbers was 789 at 31/3/13 (766 at 31/3/12).

The liability to the NHS Business Services Authority and to HM Revenue and Customs for superannuation, tax and national insurance at 31/3/13 is however shown gross within the 'Trade and other payables' balance at note 19 to the accounts.

7.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	1,434	10,511
Total Staff Years	182	1,175
Average working Days Lost	7.88	8.95

The figures in the above note only include North Lancashire Teaching PCT staff and do not include the Speciality Registrars (GP Trainees) that are on the PCT payroll under Lead Employer arrangements.

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

7.4 Exit Packages agreed during 2012-13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	4	4	8	15	6	21
£10,001-£25,000	5	0	5	9	2	11
£25,001-£50,000	1	5	6	6	3	9
£50,001-£100,000	2	9	11	2	3	5
£100,001 - £150,000	8	0	8	0	2	2
£150,001 - £200,000	1	0	1	1	0	1
>£200,000	2	0	2	0	0	0
Total number of exit packages by type (total cost)	23	18	41	33	16	49
	£	£	£	£	£	£
Total resource cost	2,093,274	852,580	2,945,854	814,000	593,000	1,407,000

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

The above table includes the full cost of two individuals who were working across Lancashire in 2012/13 but were hosted for employment purposes by North Lancashire Teaching PCT.

7.5 Pension costs

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

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

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

b) Full actuarial (funding) valuation

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

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

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

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

c) Scheme provisions

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

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

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

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

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

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

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

8. Better Payment Practice Code

8.1 Measure of compliance

	2012-13 Number	2012-13 £000	2011-12 Number	2011-12 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**10,810**	**68,127**	21,432	77,707
Total Non-NHS Trade Invoices Paid Within Target	**10,422**	**66,253**	20,862	76,525
Percentage of NHS Trade Invoices Paid Within Target	96.41%	97.25%	97.34%	98.48%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**4,535**	**389,820**	4,376	334,186
Total NHS Trade Invoices Paid Within Target	**4,373**	**388,349**	3,990	332,868
Percentage of NHS Trade Invoices Paid Within Target	96.43%	99.62%	91.18%	99.61%

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

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

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

9. Investment Income

The PCT does not have any investment revenue to disclose in 2012/13 (2011/12 nil).

10. Other Gains and Losses

The PCT does not have any other significant gains and losses to disclose in 2012/13 (2011/12 nil).

11. Finance Costs

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000	2011-12 £000
Provisions - unwinding of discount	52		52	67
Total	52	0	52	67

12.1 Property, plant and equipment

2012-13	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:							
At 1 April 2012	6,081	9,283	1,640	227	6,561	327	24,119
Additions Purchased	0	500	0	0	500	0	1,000
Disposals other than for sale	0	0	(338)	(40)	0	(25)	(403)
Upward revaluation/positive indexation	6	26	0	0	0	0	32
Impairments/negative indexation	0	(182)	0	0	0	0	(182)
At 31 March 2013	6,087	9,627	1,302	187	7,061	302	24,566
Depreciation							
At 1 April 2012	94	1,763	845	159	4,911	141	7,913
Disposals other than for sale	0	0	(338)	(40)	0	(25)	(403)
Impairments	7	329	0	0	0	0	336
Reversal of Impairments	0	(3)	0	0	0	0	(3)
Charged During the Year	0	321	140	17	591	34	1,103
At 31 March 2013	101	2,410	647	136	5,502	150	8,946
Net Book Value at 31 March 2013	5,986	7,217	655	51	1,559	152	15,620
Purchased	5,986	7,217	606	51	1,559	152	15,571
Government Granted	0	0	49	0	0	0	49
Total at 31 March 2013	5,986	7,217	655	51	1,559	152	15,620
Asset financing:							
Owned	5,986	7,217	655	51	1,559	152	15,620
Total at 31 March 2013	5,986	7,217	655	51	1,559	152	15,620

The PCT does not hold any non-current assets that are held on finance leases, on-balance sheet PFI contracts or PFI residual interests.

Of the totals at 31 March 2013, £2.96M related to land valued at open market value and £83K related to buildings, installations and fittings valued at open market value.

A revaluation of the PCT Estate was undertaken by the District Valuer in February 2013, providing updated values at 1/4/2013.
The results of the valuation are reflected in the revaluation and impairment figures seen in the above note.
Under IAS36 impairments due to price falls are charged initially against any balance for the asset on reserves with any remaining amount charged to the Operating Cost Statement. Negative revaluation reserves are not permitted under IAS36.

The £6K upward revaluation on land showing in the above note represents the charge to the Revaluation Reserve for upward price changes on assets, as advised by the District Valuer. The impairment of £7K on land represents the charge to the Statement of Comprehensive Net Expenditure, where the revaluation reserve for the associated asset has been fully utilised.

The £26K upward revaluation on buildings showing in the above note represents the charge to the Revaluation Reserve for upward price changes on assets, as advised by the District Valuer. The impairment of £182K on buildings represents the charge to the Revaluation Reserve for downward price changes on assets.

The impairment of £329K on buildings shown in the above note represents the charge to the Statement of Comprehensive Net Expenditure for price changes on assets, as advised by the District Valuer, where the revaluation reserve for the associated asset has been fully utilised. The £3K reversal of impairment relates to an asset impaired in previous financial periods for which the revaluation indicates the value has recovered.

This results in a net charge to the Statement of Comprehensive Net Expenditure of £333K in 2012/13 for impairment of land and buildings.

The Government Granted assets relate to assets purchased with monies granted by the Carbon Trust.

There were no additions to Assets Under Construction in 2012-13 (nil 2011-12).

Revaluation Reserve Balance for Property, Plant & Equipment

	Land £000's	Buildings £000's	Plant & machinery £000's	Total £000's
At 1 April 2012	3,085	846	43	3,974
Movements	6	(156)	(12)	(162)
At 31 March 2013	3,091	690	31	3,812

The upward movement on the Revaluation Reserve for land is made up of £6K revaluation of land values as advised by the District Valuer.

The net movement of £156K on the Revaluation Reserve for building is made up of a £26K increase in reserve in relation to upward valuation of building assets and a decrease in reserve for the downward revaluation of building assets of £182K.

The £12K downward movement in the Revaluation Reserve for Equipment represents a transfer to the General Fund in relation to assets disposed of.

12.2 Property, plant and equipment

2011-12	Land	Buildings excluding dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:							
At 1 April 2011	**6,259**	**8,692**	**1,433**	**216**	**6,218**	**298**	**23,116**
Additions - purchased	0	725	207	11	343	29	1,315
Reclassified as held for sale	(54)	(161)	0	0	0	0	(215)
Revaluation & indexation gains	0	27	0	0	0	0	27
Impairments	(124)	0	0	0	0	0	(124)
At 31 March 2012	**6,081**	**9,283**	**1,640**	**227**	**6,561**	**327**	**24,119**
Depreciation							
At 1 April 2011	**0**	**1,205**	**686**	**143**	**4,266**	**110**	**6,410**
Impairments	94	271	0	0	0	0	365
Reversal of Impairments	0	(16)	0	0	0	0	(16)
Charged During the Year	0	303	159	16	645	31	1,154
At 31 March 2012	**94**	**1,763**	**845**	**159**	**4,911**	**141**	**7,913**
Net Book Value at 31 March 2012	**5,987**	**7,520**	**795**	**68**	**1,650**	**186**	**16,206**
Purchased	5,987	7,520	742	68	1,650	186	16,153
Government Granted	0	0	53	0	0	0	53
At 31 March 2012	**5,987**	**7,520**	**795**	**68**	**1,650**	**186**	**16,206**
Asset financing:							
Owned	5,987	7,520	795	68	1,650	186	16,206
At 31 March 2012	**5,987**	**7,520**	**795**	**68**	**1,650**	**186**	**16,206**

The PCT does not hold any non-current assets that are held on finance leases, on-balance sheet PFI contracts or PFI residual interests.

Of the totals at 31 March 2012, £2.96M related to land valued at open market value and £83K related to buildings, installations and fittings valued at open market value.

A revaluation of the PCT Estate was undertaken by the District Valuer in February 2012, providing updated values at 1/4/2012.
The results of the valuation are reflected in the revaluation and impairment figures seen in the above note.
Under IAS36 impairments due to price falls are charged initially against any balance for the asset on reserves with any remaining amount charged to the Operating Cost Statement. Negative revaluation reserves are not permitted under IAS36.

The impairment of £124K on land showing in the above note represents the charge to the Revaluation Reserve for downward price changes on assets, as advised by the District Valuer. The impairment of £94K on land represents the charge to the Statement of Comprehensive Net Expenditure, where the revaluation reserve for the associated asset has been fully utilised.

The impairment of £271K on buildings shown in the above note represents the charge to the Statement of Comprehensive Net Expenditure for price changes on assets, as advised by the District Valuer, where the revaluation reserve for the associated asset has been fully utilised. The £16K reversal of impairment relates to an asset impaired in previous financial periods for which the revaluation indicates the value has recovered.
This results in a net charge to the Statement of Comprehensive Net Expenditure of £349K in 2011/12 for impairment of land and buildings.

The Government Granted assets relate to assets purchased with monies granted by the Carbon Trust.

12.3 Economic Lives of Property, Plant & Equipment

The asset lives for building assets are determined by the District Valuer. The valuation dated 1/4/13 identified a range of equated remaining lives for building assets across the PCT Estate from 6 years to 80 years.
The District Valuer considers that at the end of the remaining life of the asset there will be no residual value.
Land is considered to have infinite life and therefore asset lives are not determined for land assets.
Equipment assets are considered individually in line with the range of lives provided for categories of equipment in the capital accounting manual:

	Min Life Years	Max Life Years
Plant & Machinery	5	15
Transport Equipment	5	7
Information Technology	5	8
Furniture & Fittings	5	15

13.1 Intangible non-current assets

2012-13	Software purchased	Total
	£000	£000
At 1 April 2012	122	122
At 31 March 2013	122	122
Amortisation		
At 1 April 2012	106	106
Charged during the year	16	16
At 31 March 2013	122	122
Net Book Value at 31 March 2013	0	0

Revaluation reserve balance for intangible non-current assets

There is no revaluation reserve balance held for intangible assets at the balance sheet date (2011/12 nil).

13.2 Intangible non-current assets

2011-12	Software purchased	Total
	£000	£000
At 1 April 2011	122	122
At 31 March 2012	122	122
Amortisation		
At 1 April 2011	94	94
Charged during the year	12	12
At 31 March 2012	106	106
Net Book Value at 31 March 2012	16	16
Net Book Value at 31 March 2012 comprises		
Purchased	16	16
Total at 31 March 2012	16	16

13.3 Intangible non-current assets

The PCT's intangible assets are purchased software/software licences and as such were given asset lives of 5 years. As at 31/3/13 the assets have reached the end of their useful lives and there is no residual value.

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

	2012-13 Total £000	2012-13 Admin £000	2012-13 Programme £000
Property, Plant and Equipment impairments and reversals taken to SoCNE			
Changes in market price	333		333
Total charged to Annually Managed Expenditure	333		333
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve			
Changes in market price	182		
Total impairments for PPE charged to reserves	182		
Total Impairments of Property, Plant and Equipment	515		

In 2012/13 £333K has been charged to the Operating Cost Statement in respect of impairments of Property Plant and Equipment (2011/12 £349K). The impairment represents price changes on assets i.e. downward valuation of land and building values. Where there is insufficient Revaluation Reserve to cover the price change, the difference is charged to the Operating Cost Statement.

For further details regarding the revaluation of the PCT Estate please see note 12.1 Property, Plant and Equipment.

15. Investment property

The PCT does not hold any investment property at 31.3.13 (31.3.12 nil).

16. Commitments

16.1 Capital commitments

There are no contracted capital commitments at 31.3.13 not otherwise included in these financial statements (31.3.12 nil).

16.2 Other financial commitments

At 31.3.13 the PCT has no non-cancellable contracts not otherwise included in these financial statements (31.3.12 nil).

17. Intra-Government and other balances

	Current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	817	1,735	0
Balances with Local Authorities	547	958	0
Balances with NHS Trusts and Foundation Trusts	3,354	3,159	0
Balances with bodies external to government	2,842	20,669	486
At 31 March 2013	**7,560**	**26,521**	**486**
prior period:			
Balances with other Central Government Bodies	2,260	2,174	0
Balances with Local Authorities	3,026	825	0
Balances with NHS Trusts and Foundation Trusts	1,953	3,093	0
Balances with bodies external to government	2,635	23,353	489
At 31 March 2012	**9,874**	**29,445**	**489**

18. Inventories

The PCT does not hold any balances for Inventories as at 31 March 2013 (31.3.12 nil).

19.1 Trade and other receivables

	Current	
	31 March 2013 £000	31 March 2012 £000
NHS receivables - revenue	**3,436**	2,907
NHS prepayments and accrued income	**583**	1,035
Non-NHS receivables - revenue	**758**	2,860
Non-NHS prepayments and accrued income	**2,624**	2,895
Provision for the impairment of receivables	**(64)**	(165)
VAT	**146**	260
Other receivables	**77**	82
Total	**7,560**	9,874
Total current and non current	**7,560**	9,874

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

Other receivables includes £40K balance for salary overpayments.

19.2 Receivables past their due date but not impaired

	31 March 2013 £000	31 March 2012 £000
By up to three months	**986**	1,005
By three to six months	**666**	164
By more than six months	**53**	827
Total	**1,705**	1,996

19.3 Provision for impairment of receivables

	2012-13 £000	**2011-12 £000**
Balance at 1 April 2012	**(165)**	(64)
Amount written off during the year	**20**	6
Amount recovered during the year	**126**	74
(Increase)/decrease in receivables impaired	**(45)**	(181)
Balance at 31 March 2013	**(64)**	(165)

The PCT's aged debt report is reviewed in order to determine the recovery status of the debtor balances.
Each item is considered on a case by case basis.
£20K was written off against the provision during 2012/13 and consisted of a number of small debtor accounts from previous financial periods.
Following discussions with the organisations concerned and from the information available, these debtor balances were deemed uncollectible and therefore written off against the provision.
£126K of the £165K provision carried forward from 2011/12 was recovered during 2012/13. This consisted of a number of debtor balances that were originally deemed uncollectible however the balances were eventually settled.

20. NHS LIFT investments

The PCT does not hold any NHS LIFT investments as at 31 March 2013 (31.3.12 nil).

21. Other financial assets

Other than NHS trade receivables, non NHS trade receivables, and other receivables the PCT does not have any financial assets (31.3.12 nil).

22. Other current assets

The PCT does not hold any other current assets in respect of the EU Emissions Trading Scheme Allowance or otherwise as at 31 March 2013 (31.3.12 nil).

23. Cash and Cash Equivalents

	31 March 2013 £000	31 March 2012 £000
Opening balance	**2**	3
Net change in year	**(2)**	(1)
Closing balance	**0**	2
Made up of		
Cash in hand	**0**	2
Cash and cash equivalents as in statement of financial position	**0**	2
Cash and cash equivalents as in statement of cash flows	**0**	2

There is no patients' money held by the PCT at 31 March 2013 (31.3.12 nil).

24. Non-current assets held for sale

In 2012/13 there were no significant transactions to report regarding assets held for sale.

There were no liabilities associated with assets held for sale at 31 March 2013.

2011/12	Land	Buildings, excl. dwellings	Total
	£000	£000	£000
Balance at 1 April 2011	0	0	**0**
Plus assets classified as held for sale in the year	54	161	**215**
Less assets sold in the year	(54)	(161)	**(215)**
Balance at 31 March 2012	**0**	**0**	**0**

There were no liabilities associated with assets held for sale at 31 March 2012.

Two properties were disposed of during 2011/12. These were residential properties and previously used as doctors' accommodation. Both sales were to buyers outside the NHS.

Revaluation reserve balances in respect of non-current assets held for sale were:

At 31 March 2012	0
At 31 March 2013	0

25. Trade and other payables

	Current		Non-current	
	31 March 2013 £000	31 March 2012 £000	**31 March 2013 £000**	31 March 2012 £000
NHS payables - revenue	**1,015**	463	**0**	0
NHS accruals and deferred income	**3,877**	3,502	**0**	0
Family Health Services (FHS) payables	**14,484**	15,810		
Non-NHS payables - revenue	**2,266**	643	**0**	0
Non-NHS payables - capital	**57**	358	**0**	0
Non_NHS accruals and deferred income	**4,845**	7,393	**0**	0
Social security costs	**1**	281		
Tax	**1**	1		
Other	5	994	486	489
Total	**26,551**	29,445	**486**	489
Total payables (current and non-current)	**27,037**	**29,934**		

Current other payables includes £2K childcare vouchers and £3K salaries and wages adjustments. The reduction in other payables from 2011/12 is due to a nil balance with the NHS Business Services Agency (Pensions Division) regarding superannuation payments for the month of March 2013. (2011/12 £975K outstanding balance).

Other amounts falling due after more than one year relates to a lease premium received in respect of Lytham Primary Care Centre which is to be released to income over the life of the lease.

26. Other liabilities

The PCT does not have any other liabilities to disclose as at 31 March 2013 (31.3.12 nil).

27. Borrowings

The PCT does not have any borrowings to disclose as at 31 March 2013 (31.3.12 nil).

28. Other financial liabilities

The PCT has no other financial liabilities to disclose as at 31 March 2013 (31.3.12 nil).

29. Deferred income

The PCT has no deferred income to disclose as at 31 March 2013 (31.3.12 nil).

30. Finance lease obligations

The PCT does not hold any finance lease obligations at 31 March 2013 (nil 31.3.12).
There are no finance lease arrangements to disclose under this heading.

31. Finance lease receivables as lessor

The PCT does not hold any receivable balances in respect of finance leases (as lessor) at 31 March 2013 (31.3.12 nil).
There are no finance lease arrangements to disclose under this heading.

32. Provisions

Comprising:

	Total £000s	Pensions to Former Directors £000s	Pensions Relating to Other Staff £000s	Legal Claims £000s	Continuing Care £000s	Other £000s	Redundancy £000s
Balance at 1 April 2012	4,989	107	1,766	250	0	96	2,770
Arising During the Year	6,170	5	115	0	6,039	11	0
Utilised During the Year	(2,927)	(8)	(203)	(27)	0	(24)	(2,665)
Reversed Unused	(232)	0	(51)	(76)	0	0	(105)
Unwinding of Discount	52	3	49	0	0	0	0
Change in Discount Rate	8	0	8	0	0	0	0
Balance at 31 March 2013	8,060	107	1,684	147	6,039	83	0
Expected Timing of Cash Flows:							
No Later than One Year	3,396	8	213	147	3,020	8	0
Later than One Year and not later than Five Years	3,903	32	852	0	3,019	0	0
Later than Five Years	761	67	619	0	0	75	0

Pensions provisions for former directors for the PCT's own functions consist of early retirement compensation provisions for former directors of Morecambe Bay Health Authority.

Pensions relating to other staff include early retirement compensation provisions for former staff of Morecambe Bay Health Authority and North West Lancashire Health Authority.

The rate the PCT has used to discount early retirement provisions has changed from 2.8% to 2.35%.

Legal claims consist of:
- PCT's probable liabilities under the NHS Litigation Authority's Risk Pooling Scheme for Trusts (RPST). Provision has been made according to estimates of value, probability and timing provided by the NHS Litigation Authority.
-Estimates of settlement values for employment tribunal claims.

The PCT has included a provision for Continuing Health Care claims for those cases outstanding at 31/3/2013.

The PCT's own other provision relates to lease hand back costs (decommissioning) where the PCT is obliged to restore a leased property back to original conditions at the end of the lease period.

The Redundancy provision was an estimate of the costs to be incurred by the PCT in 2012/13 due to The Health and Social Care Act 2012 leading to the abolition of PCTs. The provision was used to fund the redundancies associated with this restructuring of NHS functions and shows a nil balance at 31/3/2013.

£514,073 is included in the provisions of the NHS Litigation Authority at 31/3/2013 in respect of clinical negligence liabilities of the PCT (31/03/12

33 Contingencies

The PCT has a contingent liability which has not been included in the accounts in respect of RPST (Risk Pooling Scheme for Trusts) Member cases. The figure for 2013/14 is £1,000 (2012/13 £6,000).

34. PFI and LIFT - additional information

The PCT has not entered into any PFI and NHS LIFT Schemes therefore there is nothing to disclose as at 31 March 2013 (31.3.12 nil).

35. Impact of IFRS treatment - 2012-13

The PCT has no material capital or revenue expenditure incurred in 2012.13 regarding the impact of IFRS (2011.12 nil).

36. Financial Instruments

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

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

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

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

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

36.1 Financial Assets

Other than NHS trade receivables, non NHS trade receivables, and other receivables the PCT does not have any financial assets.

36.2 Financial Liabilities

Other than trade and other payables the PCT does not have any financial liabilities.

37.1 Related party transactions

North Lancashire Teaching Primary Care Trust is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party. During 2012/13 North Lancashire Teaching Primary Care Trust had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

	Income £000	Expenditure £000
Department of Health		2,493
North West Strategic Health Authority	2,314	
Blackpool PCT	587	14,251
Central Lancashire PCT	1,095	3,611
Cumbria PCT	633	
East Lancashire PCT	1,051	
Western Cheshire PCT		46,942
Blackpool Teaching Hospitals NHS Foundation Trust	2,943	145,229
Calderstones Partnership NHS Foundation Trust		1,955
Central Manchester & Manchester Childrens University Hospital NHS Trust		4,366
Christie Hospital NHS Trust		1,097
Cumbria Partnership NHS Foundation Trust		623
East Lancashire Hospitals NHS Trust		1,105
Lancashire Care NHS Foundation Trust		37,136
Royal Liverpool and Broadgreen NHS Trust		522
University Hospitals of Morecambe Bay NHS Trust		96,929
Wrightington, Wigan & Leigh NHS Foundation Trust		1,982
Lancashire Teaching Hospitals NHS Foundation Trust		22,744

In addition, the Primary Care Trust had a significant number of material transactions with other Government Departments and other central and local Government bodies including:

Home Office		980
Lancashire County Council	503	9,336
Lancaster City Council		604
NHS Pension Scheme		846
National Insurance Fund		631

In addition to the above the Directors were asked to disclose any material transactions that they or their close family (or any business that they own or control) have had with any local NHS body during 2012/13. The following items were disclosed:

The wife of Mr Kevin Parkinson (Locality Director of Finance) was employed as a pharmacist on Band 8c by Lancashire Care NHS Foundation Trust from 1 April 2012 to 31 March 2013.

37.2 Related party transactions - prior year comparatives

North Lancashire Teaching Primary Care Trust is a body corporate established by order of the Secretary of State for Health.
During the year 2011/12 the following General Practitioners received payment from North Lancashire Teaching Primary Care Trust for their role on the Professional Executive Committee (PEC):

	Remuneration Received £000	Payments to practice £000	Payments to Coastal Healthcare Ltd £000	Total £000
Dr. M. Spencer - G.P. Wyre & Director of Coastal Healthcare Ltd	9	817	698	1,524
Dr. J. Marriott - G.P. Lancaster & Morecambe	9	713	Not applicable	722

The above figures represent the five months April-August 2011 after which the PEC was disbanded.

Mrs. Julie Kennedy (Non-Executive Director/Lay Advisor) has declared an interest in Rosebank Medical Practice, where she became Practice Director on 5/12/11. Payments to this practice for the period 5/12/11 to 31/3/12 were £435K. Mrs. Kennedy received £8K remuneration from the PCT in 2011/12 for her role as Non-Executive/Lay Advisor

The Department of Health is regarded as a related party. During 2011/12 North Lancashire Teaching Primary Care Trust had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

	Income £000	Expenditure £000
Department of Health		2,539
North West Strategic Health Authority	2,247	
Blackburn with Darwen PCT	2,207	
Blackpool PCT	4,159	15,670
Central Lancashire PCT	1,151	3,043
Cumbria PCT	952	
East Lancashire PCT	3,041	
Western Cheshire PCT		43,364
Blackpool Teaching Hospitals NHS Foundation Trust	601	99,411
Calderstones Partnership NHS Foundation Trust		1,034
Central Manchester & Manchester Childrens University Hospital NHS Trust		4,601
Christie Hospital NHS Trust		1,017
Cumbria Partnership NHS Foundation Trust		548
East Lancashire Hospitals NHS Trust		965
Lancashire Care NHS Foundation Trust	562	36,848
Royal Liverpool and Broadgreen NHS Trust		527
University Hospitals of Morecambe Bay NHS Trust		90,350
Wrightington, Wigan & Leigh NHS Foundation Trust		2,022
Lancashire Teaching Hospitals NHS Foundation Trust		24,797
NHS Business Services Authority (including supply chain)		837
In addition, the Primary Care Trust had a significant number of material transactions with other Government Departments and other central and local Government bodies including:		
Lancashire County Council	2,465	13,209
NHS Pension Scheme		3,740
National Insurance Fund		2,521

In addition to the above the Board members were asked to disclose any material transactions that they or their close family (or any business that they own or control) have had with any local NHS body during 2011/12. The following items were disclosed:

Mrs Jennifer Woods (Non-Executive Director/Lay Advisor) provided temporary assistance to Blackburn with Darwen Drug and Alcohol Action Team (DAAT) on a self employed basis. The value of the transaction in 2011/12 was £10,461.

The wife of Mr Frank Atherton (Director of Public Health) was employed as a staff nurse on Band 5 at the University Hospitals of Morecambe Bay NHS Trust from 1 April 2011 to 31 March 2012.

The wife of Mr Kevin Parkinson (Deputy Chief Executive/Director of Finance) was employed as a pharmacist on Band 8c by Lancashire Care NHS Foundation Trust from 1 April 2011 to 31 March 2012.

Mr William Bingley was Chair of North Lancashire Teaching PCT until 24th June 2011 and was a director of Bingley Consulting Ltd, a company that provides project and program management services to Lancashire Care NHS Foundation Trust. Mr Bingley's wife is Managing Director of Bingley Consulting Ltd. The contract was awarded following a competitive tendering exercise in 2004, prior to Mr Bingley's appointment as Chair. The value of the transaction from 1st April 2011 to 24th June 2011 is £16,500 plus VAT plus incidental expenses.

38. Losses and special payments

The total number of losses cases in 2012/13 was 25, involving a total loss of £23,284 (2011/12 7 cases and £11,680).

The total number of special payments in 2012/13 was 1, costing £10,000 (2011/12 4 cases and £9,275).

39. Third party assets

The PCT held no cash and cash equivalents at 31 March 2013 on behalf of patients (31 March 2012 nil).

40. Pooled budget

During 2012/13 North Lancashire Teaching PCT had a pooled budget arrangement with Lancashire County Council for Services for Adults with Learning Disabilities. This was hosted by Lancashire County Council. The unaudited memorandum of account for 2012/13 identifies income of £33,341K (2011/12 £33,646K) and expenditure of £35,975K (2011/12 £35,145K), resulting in a net deficit of £2,634K (2011/12 £1,499K net deficit). The contribution made by North Lancashire Teaching PCT was £3,089K (2011/12 £3,089K), representing 9% of the total funding (2011/12 9%). In order to cover the net deficit in 2012/13 North Lancashire Teaching PCT made an additional contribution of £261K (2011/12 £148K).

41. Cashflows relating to exceptional items

There are no cash flows to disclose in relation to exceptional items (2011/12 £0).

42. Events after the end of the reporting period

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

Lancashire North Clinical Commissioning Group

Fylde and Wyre Clinical Commissioning Group

Blackpool Clinical Commissioning Group

Greater Preston Clinical Commissioning Group

NHS England (previously known as the NHS Commissioning Board).

Lancashire County Council.

Certain assets have transferred to NHS Property Services on 1st April 2013. These were considered operational at year end, and so have not been impaired in the PCT's books. It is for the successor body to consider whether, in 2013/14, it is necessary to review these for impairment.