

NATIONAL HEALTH SERVICE ACT 2006

Summarised Accounts of the Strategic Health Authorities, Primary Care Trusts and NHS Trusts for the year ended 31 March 2011.

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

# NHS (England) Summarised Accounts 2010-2011



NATIONAL HEALTH SERVICE ACT 2006

Summarised Accounts of the Strategic Health Authorities, Primary Care Trusts and NHS Trusts for the year ended 31 March 2011.

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

---

# NHS (England) Summarised Accounts 2010-2011

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 13 OCTOBER 2011

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Amyas Morse,  
is an Officer of the House of Commons.  
He is the head of the NAO, which employs some 880 staff.  
He and the NAO are totally independent of government.

He certifies the accounts of all government departments  
and a wide range of other public sector bodies;  
and he has statutory authority to report to Parliament  
on the economy, efficiency and effectiveness with which departments  
and other bodies have used their resources.

Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.

© Crown copyright 2011

You may re-use this information (excluding logos)  
free of charge in any format or medium,  
under the terms of the Open Government Licence.  
To view this licence, visit  
<http://www.nationalarchives.gov.uk/doc/open-government-licence/>  
or email [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission  
from the copyright holders concerned.

This publication is available for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk).

ISBN: 9780102970371

# Contents

	Page
Annual Report	2-13
Summarised Account of the Strategic Health Authorities	A1-A39
Summarised Account of the Primary Care Trusts	B1-B52
Summarised Account of the NHS Trusts	C1-C52

# Annual Report

## Introduction

- 1 The summarised accounts for the NHS, and all analysis in this annual report, are based on the underlying audited accounts of individual NHS organisations, and relate to the period 1 April 2010 to 31 March 2011. The Comptroller and Auditor General (C&AG) is responsible for auditing each of the summarised accounts. The NHS Chief Executive, Sir David Nicholson, is the Additional Accounting Officer for NHS expenditure. He is responsible for leading the NHS, and is chief adviser to the Secretary of State in respect of all aspects of NHS delivery and management.
- 2 In 2010-11, audited figures were received from the following
  - Ten Strategic Health Authorities (SHAs);
  - 116 NHS Trusts in England (including NHS Direct); and
  - 151 Primary Care Trusts in England (PCTs).

## Format of the accounts

- 3 Both the requirement to submit summarised accounts to the Department, and the format of those accounts, is clearly specified in legislation:
  - Section 232, Schedule 15, National Health Service Act 2006: requires all NHS organisations in England to prepare and submit annual accounts to the Department of Health. These annual accounts must be audited by auditors appointed by the Audit Commission.
  - Section 232, Schedule 15 also requires the Secretary of State for Health to prepare summarised accounts (by sector) based on the individual accounts submitted by NHS organisations, and the Accounting Officer to sign these summarised accounts. The Act also requires the Comptroller & Auditor General to examine, certify and report on the summarised accounts, and permits him to examine the underlying accounts of individual organisations, along with any records or audit reports relating to them.
  - The 2006 Act also removed the requirement for the Secretary of State to prepare summarised accounts in respect of special health authorities.
- 4 NHS organisations are statutorily obliged to comply with the determination and directions given by the Secretary of State for Health, in the preparation of their annual report and annual accounts. These directions require NHS organisations to prepare their accounts in accordance with guidance contained in the NHS Manual for Accounts, as agreed with HM Treasury. The NHS Manual for Accounts provides an NHS context to the rules provided in HM Treasury's Government Financial Reporting Manual (FRoM), which is available at [www.financial-reporting.gov.uk](http://www.financial-reporting.gov.uk). The FRoM reflects accounting standards to the extent that they are appropriate to both the public sector and Government accounting requirements. From 2009-10, HM Treasury has required Government Departments and NHS organisations to prepare their annual accounts on the basis of International Financial Reporting Standards (IFRS). A number of older international standards, many of which remain in use, are described as International Accounting Standards (IAS). However, other than where referring to a specific standard, these terms can be used interchangeably.
- 5 NHS bodies are required to follow FRoM guidance except where a divergence has been formally agreed between the Department and HM Treasury. For 2010-11, the only such departure is that the NHS should not consolidate charitable funds.
- 6 The format of the summarised accounts is consistent with that of the respective underlying accounts of individual organisations. As SHAs and PCTs receive the majority of their income directly from Government, both their individual and summarised accounts will include a Statement of Comprehensive Net Expenditure (SoCNE). NHS Trusts derive the majority of their income from 'trading activities', so their accounts include a Statement of Comprehensive Income (SoCI) as one of their primary financial statements.

- 7 NHS bodies with more than 250 employees are required to include disclosures about their policies in respect of disabled employees, including a description of action taken to maintain or develop the provision of information to, and consultation with, employees. This should contain any relevant information regarding health, safety and welfare at work. Where applicable these disclosures are included in the Annual Reports of the individual organisations.
- 8 In addition, the required disclosures for the following items can be found in the Annual Reports of the underlying NHS bodies:
- data loss incidents;
  - auditors' remuneration in respect of non-audit services;
  - management commentary;
  - asset values;
  - the legislative, regulatory, operational and external environment in which the entity operates;
  - environment, social and community issues;
  - the entities' policies for managing risk;
  - key performance indicators relating to employee matters and environment; and
  - the interests of board members.

## Accounting changes

### Cost of Capital

- 9 The need for the SHAs and PCTs to include a charge in their accounts for the cost of capital was abolished by HM Treasury in 2010-11, as a consequence of the Clear Line of Sight (alignment) legislation.

### Impairments

- 10 For 2010-11 and beyond, HM Treasury have adapted the way in which IAS 36, *Impairment of Assets*, applies to the public sector. In 2009-10, any impairment loss on a revalued asset was charged first against the revaluation surplus held in respect of that asset in the revaluation reserve. Only when that revaluation surplus was exhausted, would the impairment be charged to expenditure. Following the adaptation of IAS 36, however, only those impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve. Impairment losses that result from a clear consumption of economic benefits will be charged directly to expenditure.

### Transfer of Community Health Services from PCTs and merger accounting

- 11 In the course of 2010-11, certain functions transferred to or from PCTs and NHS Trusts. The majority of such transactions related to the 'Transforming Community Services' programme, whereby elements of PCT provider functions transferred to NHS Trusts. HM Treasury requires that merger accounting principles are applied in these circumstances. Consequently, the PCT and NHS Trust 2009-10 Statement of Financial Position, and opening 2010-11 balances where appropriate, have been restated.

## Organisational changes

### Primary Care Trusts

- 12 In prior years the Prescription Pricing Division of the NHS Business Services Authority (NHSBSA) separately provided audited figures for pharmaceutical services, and these figures were included in the PCT Summarised Account. In accordance with the overall policy of devolving NHS funding to PCTs as far as possible, from 2010-11 responsibility for this expenditure was devolved to PCTs, and therefore the majority of the expenditure and income in respect of pharmaceutical services was included in the figures of each body. Residual balances remained in the account previously prepared by the NHSBSA, mainly in respect of deferred income, receivables and payables; the NHSBSA has provided final figures which clear down these balances, and these are also included in the PCT Summarised Account.
- 13 On 1 April 2010, East and North Hertfordshire PCT merged with West Hertfordshire PCT to form Hertfordshire PCT, reducing the number of PCTs from 152 to 151.

### NHS Trusts

- 14 On 1 April 2010, Bedfordshire and Luton Mental Health and Social Care Partnership NHS Trust merged with South Essex Partnership University NHS Foundation Trust, with the NHS Trust being dissolved and its activities transferring to the NHS Foundation Trust (FT).
- 15 An additional seven FTs were established during 2010-11. As each FT was established, the corresponding NHS Trust was dissolved. The NHS Trust Summarised Account therefore includes accounting entries for the seven FTs that came into existence after 1 April 2010, but only for the period they operated as NHS Trusts. The number of FTs will continue to increase in 2011-12.
- 16 FTs are not subject to direction by the Secretary of State for Health but instead are subject to directions from the Independent Regulator (Monitor) with the approval of Treasury. They are also accountable to their local community, and, under the relevant sections of the Health and Social Care (Community Health and Standards) Act 2003, are required to lay their accounts individually before Parliament. Monitor is responsible for both producing the FT Consolidated Account and for laying this account before Parliament.
- 17 Cambridgeshire Community Service NHS Trust was created on 1 April 2010, and a further seven community Trusts were created on 1 November 2010. These NHS Trusts were created as part of the Transforming Community Services programme, and assumed responsibility for the community services previously provided by PCTs in their area.

### Strategic Health Authorities

- 18 There were no in-year mergers in the SHA sector.

## Review of NHS financial performance in 2010-11

- 19 The Revised NHS Operating Framework for 2010-11, and subsequent publications, recognised the financial challenges facing the NHS, as well as the need to have a strong foundation to deliver up to £20 billion of efficiency savings by 2014-15. The NHS continues to demonstrate good financial performance in the majority of its organisations, providing a solid platform as we move forward into a challenging period.
- 20 The audited accounts for 2010-11 show that the NHS (excluding Foundation Trusts) recorded an overall year end operating surplus of £1.5 billion<sup>1</sup> (2009-10: £1.5 billion), with every SHA area reporting a significant surplus. This surplus was in line with the Revised 2010-11 Operating Framework.

<sup>1</sup> The NHS Trust Summarised Account reports a £98m retained surplus before impairments of non-current assets. Impairments of non-current assets do not score against funding for patient care, and are excluded for financial performance purposes.



- 21 The 2011-12 NHS Operating Framework states that the aggregate surplus from 2010-11 will be carried forward into 2011-12. This will continue to be deployed during 2011-12, helping to ensure that the NHS is in the best possible position to implement and achieve the key objectives of transition. This will mean that PCTs and SHAs should continue to maintain a strong financial position, such that the surplus is drawn down in a planned and managed way. In addition, the financial strategy requires every PCT to ensure that 2 per cent of its recurrent funding is only ever committed non-recurrently. To reinforce financial control in 2011-12, this 2 per cent of recurrent resource will be held by SHAs, with PCTs being required to submit business cases to access the funding, demonstrating the non-recurrent nature of the expenditure proposed.
- 22 Two NHS Trusts with loans are currently rolling over principal repayments whilst they work with their SHA on plans to improve financial performance. There is no material credit risk associated with these investments. The financial risk of NHS Trusts is managed tightly by SHAs, both through detailed performance monitoring and powers of intervention should the organisations fall below required standards. The Department of Health may allow some limited flexibility to those NHS Trusts with loans, for example, to roll over principal for a period whilst the organisation recovers its financial position, but in reality the risk of write-off is very low. No loan has been written off since the re-introduction of loan financing for NHS providers in 2004.

### Operational and non-financial performance

- 23 Details of how NHS bodies have performed against operational and non-financial performance targets can be found in 'The Quarter', published every three months on the Department of Health's website.

### Remuneration Report

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

### Staff Numbers

#### Measurement

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

### Strategic Health Authorities

- 26 The total number of SHA staff reduced by 20 compared to 2009-10. The number of permanent staff increased during the year, largely as a result of a restatement by one SHA to correct the impact of a mis-classification of MPET staff in previous years, and because of a movement from non-permanent to permanent staff as all SHAs moved to reduce agency contract costs. However, this increase in the number of permanent staff was outweighed by a more significant fall in the number of non-permanent staff.

### Primary Care Trusts

- 27 The total number of PCT staff reduced by 35,674 compared to 2009-10. Approximately one third of this overall reduction relates to administrative staff categories. During the year, 24 PCTs divested their provider functions to NHS Trusts, FTs or Social Enterprises under the Transforming Community Services programme. Consequently, the most significant reduction in PCT staff numbers occurred in those categories (dental, nursing, midwifery, health visitors and therapeutic staff) where staff have transferred to new providers.

## NHS Trusts

28 Staff numbers in NHS Trusts remained largely static, reducing by 2,735 (0.6 per cent), the reduction in staff numbers arising from NHS Trusts achieving FT status during the year being largely offset by the creation of the eight new Community NHS Trusts.

## Pension Liabilities

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

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

## Sickness Absence

30 The sickness absence figures reported below are for the period January 2010 – December 2010 inclusive, this being the latest data available.

**Table 1**

<b>Totals by Organisation Type</b>	<b>Total number of full time equivalent days lost to sickness absence</b>	<b>Total number of full time equivalent years available 2010</b>	<b>Average number of days' sickness absence per full time equivalent</b>	<b>Total number of full time equivalent days lost to sickness absence</b>	<b>Total number of full time equivalent years available 2009</b>	<b>Average number of days' sickness absence per full time equivalent</b>
Strategic Health Authorities	17,929	3,520	5.1	16,080	3,224	5.0
Primary Care Trusts	1,941,461	203,655	9.5	1,978,345	202,579	9.8
NHS Trusts	3,657,554	384,840	9.5	3,834,690	391,557	9.8

To avoid potential distortion of the figures, NHS Trusts that achieved Foundation Trust status during either financial year have been excluded. The data for NHS Trusts therefore relates to the 109 NHS Trusts in existence at 31 March 2011 (2009-10: 109 NHS Trusts).

## Strategic Health Authorities

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

- a developing plans for improving health services in their local area;
- b making sure local health services are of a high quality and are performing well;
- c increasing the capacity of local health services so they can provide more services; and
- d making sure national priorities are integrated into local health service plans.

## Financial Duties of Strategic Health Authorities

32 SHAs have three main financial duties:

- a to contain resource expenditure, measured on an accruals basis, within approved revenue resource limits (a statutory duty);
- b to contain cash expenditure within approved limits (a statutory duty); and

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

### Overall Financial Performance of Strategic Health Authorities in 2010-11

- 33 In 2010-11 (as in 2009-10), all ten SHAs achieved their statutory financial duties to remain within approved revenue resource, capital resource and cash limits. The SHAs reported a £900 million underspend against the revenue resource limit (2009-10: £1,013 million underspend) and an £11 million underspend against the capital resource limit (2009-10: £694,000 underspend).
- 34 The surplus delivered for 2010-11 was in line with the 2010-11 revised NHS Operating Framework, and solid financial performance will continue to be important as we move into a period where the NHS needs to deliver up to £20 billion savings.

### Better Payment Practice Code Strategic Health Authorities

- 35 The percentage of bills paid in compliance with the better payment practice code in 2010-11 is as follows:

**Table 2**

	Number of Strategic Health Authorities			
	By number of bills		By value of bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95 per cent and 100 per cent	8	5	9	10
Between 85 per cent and 94.9 per cent	2	5	1	0
Between 75 per cent and 84.9 per cent	0	0	0	0
Less than 75 per cent	0	0	0	0
Total	10	10	10	10
Overall Performance 2010-11 ( per cent)	96.2	95.2	97.5	98.6

In 2009-10, ten SHAs paid 95.9 per cent of their non-NHS bills and 95.1 per cent of their NHS bills by number, and 97.1 per cent of non-NHS bills and 98.5 per cent of NHS bills by value within 30 days or contracted terms. The improved performance in 2010-11 is in the context of SHAs processing and paying over 164,000 invoices during the year. Currently all SHAs must meet a Better Payment Practice Code target of paying 95 per cent of bills within contract terms or 30 days where no terms are agreed.

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

### Primary Care Trusts

- 38 PCTs first came into existence in April 2000, and are responsible for the commissioning of health care on behalf of their resident population. They also ensure that the health and social care systems work together for the benefit of patients, and that other health services are provided, including dentists, opticians, mental health services, NHS walk-in centres, NHS Direct, patient transport, screening and pharmacies. In addition, many PCTs also provide healthcare and community services direct to their population, although 24 PCTs transferred their community services or another healthcare function to either an NHS Trust, NHS Foundation Trust or social enterprise during 2010-11, as part of the Transforming Community Services programme.

## Financial Duties of Primary Care Trusts

39 PCTs have four main financial duties:

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

## Overall Financial Performance of Primary Care Trusts in 2010-11

40 In 2010-11, PCTs reported a revenue resource limit underspend of £476 million (2009-10: £323 million underspend). The surplus delivered for 2010-11 was in line with the 2010-11 revised NHS Operating Framework, and solid financial performance will continue to be important as we move into a period where the NHS needs to deliver up to £20 billion savings.

41 PCTs reported an aggregate underspend of £58 million on the capital resource limit, compared to an underspend of £13 million in 2009-10.

42 The overall 2010-11 revenue position comprises 149 PCTs (2009-10: 146 PCTs) reporting an aggregate underspend of £494 million (2009-10: £362 million) and 2 PCTs (2009-10: 4 PCTs) reporting an aggregate overspend of £18 million (2009-10: £39 million). No PCTs reported an exactly balanced position in 2010-11 (2009-10: 2 PCTs).

43 126 PCTs (2009-10: 125 PCTs) reported an aggregate capital underspend of £61 million (2009-10: £22 million) with 1 PCT reporting an overspend of £3 million (2009-10: £9 million). 24 PCTs (2009-10: 26 PCTs) reported neither an under nor overspend.

44 In 2010-11, there were 6 PCTs (2009-10: 7 PCTs) with provider functions that did not fully recover their costs from income provided by commissioners.

## Better Payment Practice Code – Primary Care Trusts

45 The percentage of bills paid in compliance with the better payment practice code in 2010-11 is as follows:

**Table 3**

	<b>Number of Primary Care Trusts</b>			
	By number of bills		By value of bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95 per cent and 100 per cent	76	51	83	129
Between 85 per cent and 94.9 per cent	59	53	51	20
Between 75 per cent and 84.9 per cent	14	32	11	0
Less than 75 per cent	2	15	6	2
Total	151	151	151	151
Overall Performance 2010-11 ( per cent)	93.2	87.8	93.6	97.8

- 46 In 2009-10, PCTs paid 91.5 per cent of their non-NHS bills and 84.1 per cent of their NHS bills by number, and 92.2 per cent of non-NHS bills and 97.7 per cent of NHS bills when measured by value within 30 days or contracted terms. The improved 2010-11 performance is in the context of PCTs processing and paying over 4.6 million invoices during the year. Currently all PCTs are required to meet a Better Payment Practice Code target of paying 95 per cent of bills within contract terms or 30 days where no terms have been agreed.
- 47 SHAs monitor the performance of individual PCTs quarterly, and work with poor performing organisations to achieve and maintain a level of payment performance consistent with Managing Public Money regulations and the Better Payment Practice Code. Performance management takes the form of meetings and discussions with organisations with poor performance to understand why, and what corrective actions should be taken to ensure that performance improves.
- 48 Further details on the Better Payment Practice Code can be found at [www.payontime.co.uk](http://www.payontime.co.uk)

## NHS Trusts

- 49 NHS Trusts were established under the National Health Service and Community Care Act 1990 as amended by the National Health Service Act 2006 and are responsible for the provision of health care. They receive most of their income from commissioners (mainly PCTs). There are four main forms of NHS Trust: acute, mental health, ambulance and care trust. Acute trusts manage hospitals and may also provide community health services. Some concentrate on certain specialisms, whilst others are attached to universities and help to train health professionals. Specialist mental health care is provided by mental health trusts, whilst ambulance trusts primarily provide emergency access to healthcare. Care trusts work across both health and social care, where the NHS and local authority agree to work together to provide social care, mental health and primary care services.

## Financial Duties of NHS Trusts

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

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

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

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

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

- b A duty to break-even each and every year (a departmental/regulatory duty).
- c A requirement to absorb the cost of capital at a rate of 3.5 per cent of average relevant net assets (3.5 per cent in 2009-10) (a departmental/regulatory duty).
- d To remain within the External Financing Limit (EFL) set for each NHS Trust by the Department of Health (a departmental/regulatory duty).
- e To remain within the Capital Resource Limit (CRL) set for each NHS Trust by the Department of Health (a departmental/regulatory duty).

## Overall Financial Performance of NHS Trusts in 2010-11

- 51 Before the impact of impairments of non-current assets, NHS Trusts reported an operating surplus of £98 million (2009-10: £165 million surplus). Impairments of non-current assets do not score against funding for patient care, and are excluded for financial performance purposes.

After the impairment of non-current assets is taken into account, NHS Trusts reported a retained deficit of £367 million (2009-10: £1,385 million deficit).

- 52 In the quarterly financial and service performance report on the NHS, The Quarter, Q4 of 2010-11, NHS Trusts will be reporting a surplus of £121 million. This is after adjusting for both impairments and service concession arrangements under IFRIC12.

- 53 Impairments of non-current assets result when assets fall in value, either because there has been a deterioration in the service potential of an asset beyond normal depreciation, or because of price reductions in the wider economy. Where there is an economic impairment the decrease is charged to expenditure, with any balance relating to the asset in the revaluation reserve being transferred to retained earnings. All other impairments are charged against the revaluation reserve to the extent that there is a balance on the reserve for that asset and, thereafter, to expenditure.

NHS Trusts are required to carry their assets at fair value, which must be kept up to date, and were required to adopt a new valuation approach for their non-current assets in either 2008-09 or 2009-10. Under this, the valuation is applied to a modern equivalent asset, rather than to the asset that actually exists. Both this change of approach, and the price falls in the wider economy, were the major causes of the 2009-10 impairments reported as comparator figures in the NHS Trust Summarised Account.

- 54 Before the impact of impairments of non-current assets, the operating surplus comprises 103 NHS Trusts reporting an aggregate surplus of £212 million (105 NHS Trusts and £290 million in 2009-10) and 13 NHS Trusts reporting an aggregate deficit of £114 million (15 Trusts and £125 million in 2009-10). No NHS Trusts reported an exactly balanced position (2009-10: 1 NHS Trust).

- 55 After the impact of impairment of non-current assets is taken into account, there were 68 NHS Trusts reporting an aggregate surplus of £149 million (37 NHS Trusts and £78 million in 2009-10) and 48 NHS Trusts reporting an aggregate deficit of £516 million (84 NHS Trusts and £1,463 million in 2009-10).

- 56 Twenty seven Trusts (2009-10: 27) are in their fifth year, or more, of recovering a cumulative deficit and have therefore breached their statutory financial duty to break-even 'taking one financial year with another'.

- 57 NHS Trusts reported an aggregate underspend of £219 million against the capital resource limit, compared to an underspend of £158 million in 2009-10.

- 58 The performance of NHS Trusts against their financial duties is analysed on page 11.

**Table 4<sup>1</sup>**

	Number	Percentage
<b>Total NHS Trusts</b>	116	100
<b>NHS Trusts Achieving Targets:</b>		
<b>Capital Absorption Rate</b>		
Total achieving 3.5 per cent or more <sup>2</sup>	54	50
After adjusting for immaterial results <sup>2</sup>	104	95
<b>External Financing Limit</b>		
Total meeting limit	114	98
After adjusting for de minimis overshoots <sup>3</sup>	115	99
<b>Capital Resource Limit</b>		
Total meeting limit	113	97
After adjusting for de minimis overshoots <sup>4</sup>	113	97

Analysis of the 2010-11 results show that:

- a Excluding the impact of impairments, 13 Trusts (15 in 2009-10) had an income and expenditure deficit – 11 per cent of all NHS Trusts (12 per cent in 2009-10).
  - b There were 27 statutory break-even duty failures (27 in 2009-10).
  - c 55 did not make a 3.5 per cent return on capital (compared to 55 in 2009-10) – 50 per cent of all NHS Trusts (50 per cent in 2009-10).<sup>2</sup>
  - d 2 overshoot their EFL (4 in 2009-10) – 2 per cent of all NHS Trusts (3 per cent in 2009-10).<sup>3</sup>
  - e 3 overshoot their CRL (3 in 2009-10) – 3 per cent of all NHS Trusts (2 per cent in 2009-10).<sup>4</sup>
- 59 When non-material failures are discounted:
- a Excluding the impact of impairments, 9 (9 in 2009-10) had an income and expenditure deficit (an operating deficit of more than 0.5 per cent of total annual revenue) – 8 per cent of all NHS Trusts (7 per cent in 2009-10).
  - b 5 (2 in 2009-10) did not make a 3.5 per cent return on capital – 4 per cent of all NHS Trusts (2 per cent in 2009-10).<sup>2</sup>
  - c 1 (4 in 2009-10) overshoot their EFL – 1 per cent of all NHS Trusts (3 per cent in 2009-10).<sup>3</sup>
  - d 3 (1 in 2009-10) overshoot their CRL – 3 per cent of all NHS Trusts (1 per cent in 2009-10).<sup>4</sup>
- 60 The seven NHS Trusts that achieved Foundation Trust status part way through the year had the opportunity to set their EFL and CRL control totals to match the charge against the EFL and CRL incurred during the part of the year that they were NHS Trusts.
- 61 The achievement of the capital cost absorption duty is an annual measure. As a result, the NHS Trusts that achieved Foundation Trust status part way through the year did not achieve 3.5 per cent and have been excluded from the cost absorption figures in Table 4.

1 Source: Analysis of the 2010-11 audited summarisation schedules of individual NHS Trusts by Department of Health.

2 A shortfall on the rate of return duty of less than 0.5 per cent is treated as immaterial. The seven Trusts that achieved Foundation Trust status during 2010-11 have been excluded from the Capital Absorption Rate analysis.

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

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

## Better Payment Practice Code – NHS Trusts

62 The percentage of bills paid in compliance with the better payment practice code in 2010-11 is as follows:

**Table 5**

	Number of NHS Trusts			
	By number of bills		By value of bills	
	Non-NHS	NHS	Non-NHS	NHS
Between 95 per cent and 100 per cent	28	17	34	28
Between 85 per cent and 94.9 per cent	48	33	40	28
Between 75 per cent and 84.9 per cent	17	17	18	15
Less than 75 per cent	23	49	24	45
Total	116	116	116	116
Overall Performance 2010-11 ( per cent)	81.0	71.1	83.2	75.2

63 In 2009-10, ten NHS Trusts paid 82.0 per cent of their non-NHS bills and 70.5 per cent of their NHS bills by number, and 84.2 per cent of non-NHS bills and 77.0 per cent of NHS bills when measured by value within 30 days or contracted terms. The performance in 2010-11 is in the context of NHS Trusts processing and paying over 6.5 million invoices during the year. Currently all NHS Trusts must meet a Better Payment Practice Code target of paying 95 per cent of bills within contract terms or 30 days where no terms have been agreed.

64 SHAs monitor the performance of individual NHS Trusts and work with poor performing organisations to achieve and maintain a level of payment performance consistent with Managing Public Money regulations and the Better Payment Practice Code. Performance management takes the form of meetings and discussions with organisations with poor performance to understand why, and what corrective actions should be taken to ensure that performance improves.

65 Further details on the Better Payment Practice Code can be found at [www.payontime.co.uk](http://www.payontime.co.uk)

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

66 The Department is continuing to work through SHAs to ensure that all organisations reporting a deficit in 2010-11, or forecasting a deficit in 2011-12, are developing recovery plans to return to financial balance whilst maintaining and improving services to patients.

## Health and Social Care Reforms

67 Following the publication last year of its White Paper: *Equity and excellence: Liberating the NHS*, the Department of Health published detailed proposals to modernise the NHS in the *Health and Social Care Bill* presented to Parliament in January 2011. As a result of the response of both the public and key health and social care partners to a number of proposals in the Bill, the Government launched the NHS Listening Exercise – an intensive period of direct engagement and review led by the NHS Future Forum. The Department of Health responded to the Forum's report at the end of June, accepting all of its core recommendations, in particular:

a The NHS Commissioning Board will be established as a special health authority in shadow form in October 2011. It will provide leadership during transition, with a particular focus on improving quality and safety and in meeting the financial challenge. The Board will become an independent statutory body by October 2012, with the power to authorise clinical commissioning groups. It will adopt its full powers from April 2013.



- b During 2012, Health Education England and the NHS Trust Development Authority will be established as special health authorities in shadow form. Health Education England will assume responsibility for Strategic Health Authorities' current responsibilities for education and training in 2013. Both national and local HealthWatch organisations will be established in October 2012. These will put patients at the heart of local reform.
  - c There is agreement that patient care is better when based on input from those who are closest to patients – doctors, nurses and other health and social care professionals. By an amendment to the Bill, GP Consortia will be called 'Clinical commissioning groups'. Each group will have a governing body including at least one nurse and one specialist doctor.
  - d Primary Care Trusts will cease to exist from 1 April 2013. However, the NHS Commissioning Board will not authorise clinical commissioning groups to take responsibility for any part of the commissioning budget in their local area until the groups are ready and willing to do so. Consequently, by April 2013, GP practices will either belong to authorised clinical commissioning groups, or 'shadow' groups. Where clinical groups are not ready to take on commissioning responsibility, local arms of the NHS Commissioning Board will commission services on their behalf in order to prevent gaps in care.
  - e Commissioners will be supported by clinical networks (which will advise on single areas of care) and new 'clinical senates' in each area of the country, which will provide multi-professional advice on local commissioning plans.
  - f Strategic Health Authorities will remain as statutory bodies until April 2013, but they will be formed into a smaller number of clusters later in 2011 for management purposes. SHAs will support the transitional work of the NHS Commissioning Board and the NHS Trust Development Authority.
  - g The choice of 'Any Qualified Provider' will now be phased in gradually from April 2012. The focus will be on those services where patients say that they want more choice. The Department of Health expects that the remaining NHS Trusts will be authorised as NHS Foundation Trusts by April 2014. If any NHS Trust is not ready by that date, it will continue to seek foundation status under new management arrangements. Monitor will retain its specific oversight powers over NHS Foundation Trusts until 2016. This will ensure continued good governance during the transition period.
- 68 In terms of overall accountability, amendments in the *Health and Social Care Bill* will make explicit that the Secretary of State for Health remains fully accountable for the NHS, with powers to oversee and assess NHS performance, whilst respecting operational independence.
- 69 The potential revised impact of the reform programme in the NHS, which results from the Department of Health's response to the recommendations made in the NHS Future Forum's report, is not yet sufficiently advanced or certain in scope to enable robust estimation of the extent or nature of the effect of this transition on the financial statements.

## Conclusion

- 70 The NHS has maintained the strong financial performance demonstrated in recent years, and has focused on improving financial control and putting better transparency and rigour in the system. The healthy surplus will be used to continue to improve services for patients, whilst it also provides a platform to allow the NHS to meet the key objectives of transition during the challenging times ahead.

Sir David Nicholson KCB CBE  
Accounting Officer

4 October 2011

# Summarised Account of the Strategic Health Authorities

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

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

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

In preparing the accounts the Accounting Officer is required to:

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

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

## Statement on Internal Control 2010-11

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

### Scope of responsibility

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

### Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The extent to which SHAs had these processes in place during the financial year 2010-11 and up to the dates of the approval of their annual reports and accounts is set out in the analysis below.

### Capacity to handle risk

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

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

### The risk and control framework

To help me fulfil my responsibilities as set out above, I appointed the Chief Executive of each SHA as an Accountable Officer who is held responsible for the maintenance and operation of the system of internal control in that body. Guidance has been issued to SHAs describing the principles to be applied to the identification, evaluation and control of risk. For 2010-11 all SHAs were required to have in place Assurance Frameworks that set out the strategic and high level directorate objectives mapped to the key risks, the controls in place to manage them and to describe how the board has gained assurance that the controls are effective. As part of this process SHAs were required to identify gaps in controls and/or assurance arrangements and provide evidence that these had been or were being addressed.

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

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

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

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

I made an assessment of the quality of the Assurance Frameworks against a number of criteria and by taking into consideration the SHA Head of Internal Audit opinions. This showed that at 31 March 2011 every SHA was providing evidence that a system of internal control was in place and had been for the full year.

### Review of effectiveness

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

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

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

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

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

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

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

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

### Significant control issues

There were no significant control issues reported by SHAs.

The Department failed to meet the Treasury timetable to publish the NHS Summarised Accounts before Parliament rose for the summer. The delay was due to a number of factors, none of which I consider individually to represent a significant internal control problem. Nevertheless, I consider the delay to laying the NHS Summarised Accounts, resulting from the cumulative impact of these factors, to represent a significant control problem. Each one of the individual issues is being addressed, and the Department is undertaking a lessons learnt review with the advice and assistance of the NAO to ensure that the 2011-12 NHS Summarised Accounts are published by the agreed date.

## Conclusion

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

*Sir David Nicholson KCB CBE*  
Accounting Officer

4 October 2011

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

I certify that I have audited the financial statements of the Strategic Health Authorities for the year ended 31 March 2011 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Secretary of State, Accounting Officer and Auditor

As explained more fully in the Statement of Secretary of State and Accounting Officer's Responsibilities, the Secretary of State and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

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

## Opinion on regularity

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

## Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Strategic Health Authorities' affairs as at 31 March 2011, and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

11 October 2011

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



## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Employee costs	6	251,787	232,834
Other costs	4	5,602,848	5,463,379
Less revenue	3	(54,951)	(68,722)
<b>Net operating costs before interest</b>		<b>5,799,684</b>	<b>5,627,491</b>
Investment income		0	0
Other (gains)/losses	7	(45)	7
Finance costs	8	107	265
<b>Net operating costs for the financial year</b>		<b>5,799,746</b>	<b>5,627,763</b>
<b>Other comprehensive net expenditure</b>			
Net (gain) on revaluation of property, plant and equipment		0	(2,061)
Net (gain) on revaluation of intangible assets		0	0
Net (gain) on revaluation of available for sale financial assets		0	0
Impairments and reversals		19	3,323
Adjustment for nominal cost of capital charge		0	6,798
Transfers to/(from) other bodies within the Resource Account boundary		0	0
Net actuarial (gain)/loss on pension		0	0
<b>Total comprehensive net expenditure for the year</b>		<b>5,799,765</b>	<b>5,635,823</b>

*The notes on pages A12 to A39 form part of these accounts*

## Statement of Financial Position as at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
<b>Non-current assets</b>			
Property, Plant & Equipment	9	17,385	18,966
Intangible Assets	10	292	272
Trade and other receivables	11	0	0
<b>Total non-current assets</b>		<b>17,677</b>	19,238
<b>Current assets</b>			
Inventories		0	0
Trade and other receivables	11	54,495	66,396
Other current assets		0	0
Cash and cash equivalents	20	180	92
Non current assets held for sale	12	0	831
<b>Total current assets</b>		<b>54,675</b>	67,319
<b>Total assets</b>		<b>72,352</b>	86,557
<b>Current liabilities</b>			
Trade and other payables	13	179,871	242,002
Other liabilities	15	102	92
Provisions	16	16,621	18,651
Borrowings	14	1	0
<b>Total current liabilities</b>		<b>196,595</b>	260,745
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>(124,243)</b>	(174,188)
<b>Non-current liabilities</b>			
Trade and other payables	13	644	373
Provisions	16	6,782	3,884
Borrowings	14	0	0
Other liabilities	15	540	644
<b>Total non current liabilities</b>		<b>7,966</b>	4,901
<b>Total assets employed:</b>		<b>(132,209)</b>	(179,089)
<b>Financed by:</b>			
<b>Taxpayers' equity</b>			
General Fund		(136,601)	(183,517)
Revaluation Reserve		4,392	4,428
<b>Total taxpayers' equity</b>		<b>(132,209)</b>	(179,089)

*The notes on pages A12 to A39 form part of these accounts*

Sir David Nicholson KCB CBE  
Accounting Officer

4 October 2011

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

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2009	(215,004)	5,811	(209,193)
<b>Changes in taxpayers' equity for 2009-10</b>			
Net operating cost for the year	(5,627,763)	0	(5,627,763)
Net gain/(loss) on revaluation of property, plant and equipment	0	2,061	<b>2,061</b>
Net gain/(loss) on revaluation of intangible assets	0	0	<b>0</b>
Net gain/(loss) on revaluation of financial assets	0	0	<b>0</b>
Gains on assets held for sale	0	0	<b>0</b>
Impairments and reversals	0	(3,323)	<b>(3,323)</b>
Release of reserves to Statement of Comprehensive Net Expenditure	0	0	<b>0</b>
Non-cash charges – cost of capital	(6,798)	0	<b>(6,798)</b>
Transfers between reserves	121	(121)	<b>0</b>
Transfers to/(from) other bodies within the Resource Account boundary	0	0	<b>0</b>
Other movements	0	0	<b>0</b>
<b>Total recognised income and expense for 2009-10</b>	(5,634,440)	(1,383)	<b>(5,635,823)</b>
Net Parliamentary funding	5,665,927	0	<b>5,665,927</b>
<b>Balance at 31 March 2010</b>	<u>(183,517)</u>	<u>4,428</u>	<u><b>(179,089)</b></u>

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
<b>Balance at 31 March 2010</b>	(183,517)	4,428	<b>(179,089)</b>
Changes in taxpayers' equity for 2010-11			
Net operating cost for the year	(5,799,746)	0	<b>(5,799,746)</b>
Net gain/(loss) on revaluation of property, plant and equipment	0	0	0
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Gains on assets held for sale	0	0	0
Impairments and reversals	0	(19)	(19)
Release of reserves to Statement of Comprehensive Net Expenditure	0	0	0
Non-cash charges – cost of capital	0	0	0
Transfers between reserves	17	(17)	0
Transfers to/(from) other bodies within the Resource Account boundary	0	0	0
<b>Total recognised income and expense for 2010-11</b>	(5,799,729)	(36)	<b>(5,799,765)</b>
Net Parliamentary funding	5,846,645	0	<b>5,846,645</b>
<b>Balance at 31 March 2011</b>	<u>(136,601)</u>	<u>4,392</u>	<u><b>(132,209)</b></u>

The notes on pages A12 to A39 form part of these accounts

## Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
<b>Cash flows from operating activities</b>			
Net operating costs before interest		<b>(5,799,684)</b>	(5,627,491)
Adjustments for non-cash transactions	26	<b>14,516</b>	334
Movements in working capital	25	<b>(50,914)</b>	(30,415)
Provisions utilised	16	<b>(11,485)</b>	(7,288)
Interest paid		<b>0</b>	(26)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(5,847,567)</b>	(5,664,886)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(562)</b>	(865)
Purchase of intangible assets		<b>(166)</b>	(71)
Proceeds of disposal of non-current assets		<b>1,737</b>	0
Payments for other financial assets		<b>0</b>	0
Proceeds of disposal of other financial assets		<b>0</b>	0
Interest received		<b>0</b>	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,009</b>	(936)
<b>Net cash inflow/(outflow) before financing</b>		<b>(5,846,558)</b>	(5,665,822)
<b>Cash flows from financing activities</b>			
Net Parliamentary funding		<b>5,846,645</b>	5,665,927
Other capital receipts surrendered		<b>0</b>	0
Capital grants received		<b>0</b>	0
Capital element of payments in respect of finance leases		<b>0</b>	(104)
Cash transferred (to)/from other NHS bodies		<b>0</b>	0
<b>Net cash inflow/(outflow) from financing</b>		<b>5,846,645</b>	5,665,823
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>87</b>	1
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>92</b>	91
Effect of exchange rate changes on the balance of cash held in foreign currencies		<b>0</b>	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	20	<b>179</b>	92

The notes on pages A12 to A39 form part of these accounts

# Notes to the Accounts

## 1 Accounting Policies

The Secretary of State for Health has directed that the financial statements of Strategic Health Authorities shall meet the accounting requirements of the Strategic Health Authority Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the underlying and summarised financial statements have been prepared in accordance with the 2010-11 Strategic Health Authority Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. The particular policies adopted for the Strategic Health Authority Summarised Account are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting conventions

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

### Acquisitions and discontinued operations

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

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

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

### Basis of consolidation

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

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

For 2010-11, in accordance with a divergence granted by HM Treasury, Strategic Health Authorities do not consolidate the NHS charitable funds for which they are the corporate trustee.

### 1.2 Income and funding

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

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

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

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

### 1.3 Taxation

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

### 1.4 Capital charges

A capital charge of 3.5 percent of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 expenditure analysis.

### 1.5 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 Strategic Health Authorities;
- 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 Strategic Health Authorities' services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that Strategic Health Authorities must apply these new valuation requirements by 1 April 2010 at the latest. Revaluations by individual Strategic Health Authorities will have been carried out by various qualified valuers. The date of the latest revaluation and the name and details of the valuer are disclosed in the accounts of the underlying bodies.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment. Where there is an economic impairment the decrease is charged to expenditure, any balance in the revaluation reserve relating to this asset is transferred to retained earnings. All other impairments are charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive expenditure in the Statement of Comprehensive Net Expenditure.

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

### **Subsequent expenditure**

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

## *1.6 Intangible assets*

### **Recognition**

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

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

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

### Measurement

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

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

#### 1.7 Depreciation, amortisation and impairments

Until 2009-10, the accounts included a FReM departure which had been agreed with HM Treasury, whereby the accumulated depreciation as at the end of the previous financial year was netted off against the cost of the asset brought forward as at the beginning of the current financial year, for the following classes of assets:

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

From 2010-11, Strategic Health Authorities are required to show gross values in respect of these classes of assets, unless assets have been revalued in the year. This change ensures consistency of presentation across the NHS and Department of Health. Where an asset has been revalued, the accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The adjustment to the 1 April 2010 brought-forward balances for both 'cost or valuation' and 'cumulative depreciation' elements of Note 9 shows the effects of the change in presentation and the elimination of cumulative depreciation related to revalued assets. It is not practicable to adjust 1 April 2009 comparative figures in this way because underlying data in respect of valuations and cumulative depreciation is not available for this date.

Freehold land and properties under construction are not depreciated.

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



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

- Software Licences: between 1 year and 5 years;
- Buildings excluding dwellings: between 3 years and 60 years;
- Plant and Machinery: between 3 years and 5 years;
- Transport Equipment: 5 years;
- Information Technology: between 1 year and 10 years; and
- Furniture and Fittings: between 1 year and 13 years.

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

If there has been an impairment loss, the asset is written down to its recoverable amount. Economic impairments are charged to expenditure, and the revaluation reserve balance for the asset is transferred to retained earnings. All other impairment losses are charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

#### *1.8 Non-current assets held for sale*

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

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

#### *1.9 Inventories*

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

#### *1.10 Cash and cash equivalents*

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

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

### 1.11 Losses and special payments

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

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

### 1.12 Clinical negligence costs

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

The NHSLA operates a risk pooling scheme under which the Strategic Health Authorities pay an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure in the year that it is due. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Strategic Health Authorities. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Strategic Health Authorities is disclosed at note 16.

### 1.13 Employee benefits

#### **Short-term employee benefits**

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

#### **Retirement benefit costs**

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

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

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

### 1.14 Research and development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the 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.

#### *1.15 Other expenses*

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

#### *1.16 Grant making*

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

#### *1.17 EU Emissions Trading Scheme*

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

#### *1.18 Contingencies*

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

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

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

#### *1.19 Leases*

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

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

Property, plant and equipment held under finance leases is 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 of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Strategic Health Authorities' net operating cost.

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

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

Where a lease is for land and buildings, the land and building components are separated and each component of the lease is assessed for accounting treatment.

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

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

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

#### *1.20 Foreign exchange*

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

#### *1.21 Provisions*

Provisions are recognised when a Strategic Health Authority has a present legal or constructive obligation as a result of a past event, it is probable that the Strategic Health Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.9 per cent for pension provisions, and 2.2 per cent for other provisions, in real terms. Prior to 2010-11, all provisions were discounted at 2.2 per cent. Data is not collected at a national level that would quantify the effect of this change on future periods.

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

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

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

#### *1.22 Financial instruments*

##### **Financial assets**

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

Financial assets are initially recognised at fair value.

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

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

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

### **Held to maturity investments**

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

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

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

### **Loans and receivables**

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

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

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

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

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

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

### **Financial liabilities**

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

Financial liabilities are initially recognised at fair value.

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

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

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

### Other financial liabilities

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

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

The following standards and interpretations have been adopted by the European Union but are not required to be followed in 2010-11. None of them are expected to impact upon the Strategic Health Authority Summarised Account

IAS 1 – Presentation of Financial Statements (amendment) – amendment to SOCTE presentation applicable for accounting periods beginning on or after 1 January 2011

IFRS 7 – Financial Instruments: Disclosures (amendment) – transfers of financial assets – effective 2012-13

IFRS 9 – Financial Instruments applicable for accounting periods beginning on or after 1 January 2013

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments – applicable for accounting periods beginning on or after 1 July 2010

#### 1.24 Accounting standards issued that have been adopted early

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

## 2 Financial Performance and Operating Segments

### 2.1 Revenue Resource Limit

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Net operating costs for the financial year	<b>5,799,746</b>	5,627,763
Revenue Resource Limit	<b>6,699,836</b>	6,640,475
Under/(Over)spend Against Revenue Resource Limit	<b>900,090</b>	1,012,712

## 2.2 Operating Segments

The account is segmented by Strategic Health Authority as this is the way financial information is presented throughout the year to the NHS chief executive, who is considered to be the chief operating decision-maker.

In order to reconcile the operating segment analysis to the reported figures in the primary statements it is necessary to show the elimination of inter-Strategic Health Authority balances. These are balances between Strategic Health Authorities that are included in the operating segments, but are eliminated in the reported figures to prevent double counting.

	2010-11										Reconciling items to primary statements		
	North East SHA £000	North West SHA £000	Yorkshire & Humber SHA £000	East Midlands SHA £000	West Midlands SHA £000	East of England SHA £000	London SHA £000	South East Coast SHA £000	South Central SHA £000	South West SHA £000	Operating Segments £000	Inter-SHA Consolidation Elimination £000	Total
<b>Net operating costs</b>	286,354	697,882	567,023	413,539	526,220	601,567	1,682,779	288,619	331,353	404,410	5,799,746		5,799,746
<b>Revenue resource limit</b>	351,108	873,300	688,075	436,444	549,424	685,527	1,939,966	334,387	386,141	455,464	6,699,836		6,699,836
<b>Under/(Over)spend against RRL</b>	64,754	175,418	121,052	22,905	23,204	83,960	257,187	45,768	54,788	51,054	900,090		900,090
<b>Depreciation and amortisation</b>	15	0	179	195	0	304	577	332	71	39	1,712		1,712
<b>Impairments and reversals</b>	0	0	0	0	0	259	0	299	0	0	558		558
<b>Interest expense</b>	0	0	0	0	0	0	0	0	0	0	0		0
<b>Interest revenue</b>	0	0	0	0	0	0	0	0	0	0	0		0
<b>Additions to non-current assets</b>	0	0	50	0	0	437	174	0	67	0	728		728
<b>Total assets</b>	2,282	1,977	4,982	4,458	3,352	5,873	29,254	14,713	2,489	3,718	73,098	(746)	72,352
<b>Total liabilities</b>	6,506	10,655	26,535	15,696	16,173	46,509	52,523	11,423	14,560	4,727	205,307	(746)	204,561
	<b>2009-10</b>												
Net operating costs	280,827	695,583	609,951	392,564	505,224	549,459	1,613,158	280,653	319,870	380,474	5,627,763		5,627,763
Revenue resource limit	352,863	852,922	743,933	451,656	524,956	684,848	1,901,833	325,239	364,995	437,230	6,640,475		6,640,475
<b>Under/(Over)spend against RRL</b>	72,036	157,339	133,982	59,092	19,732	135,389	288,675	44,586	45,125	56,756	1,012,712		1,012,712
Depreciation and amortisation	39	22	169	158	0	288	1,267	448	60	149	2,600		2,600
Impairments and reversals	120	0	22	413	0	261	0	1	0	0	817		817
Interest expense	0	25	0	0	1	0	0	0	0	0	26		26
Interest revenue	0	0	0	0	0	0	0	0	0	0	0		0
Additions to non-current assets	21	0	181	188	0	289	182	0	75	0	936		936
Total assets	5,900	4,619	6,938	7,553	10,388	18,092	9,837	15,662	3,982	5,905	88,876	(2,319)	86,557
Total liabilities	13,155	22,915	30,311	37,659	17,714	30,142	90,331	8,643	12,929	4,166	267,965	(2,319)	265,646

**3 Operating revenue**

			2010-11	2009-10
	Note	Appropriated In Aid £000	Not Appropriated In Aid £000	Total Total £000
Fees and charges		11,756	0	11,756
Rental Income from Operating Leases	5.2	99	0	99
Other		4,331	38,765	57,390
<b>Total operating revenue</b>		<b>16,186</b>	<b>38,765</b>	<b>68,722</b>

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

	Note	2010-11 £000	2009-10 £000
The expenses of the authorities were as follows:			
Non-executive Directors remuneration		965	1,003
Consultancy services		35,482	52,734
External contractors		8,061	7,647
Establishment expenses		34,168	36,250
Transport and moveable plant		566	1,736
Premises and non-current plant		27,608	33,155
Depreciation		1,566	2,369
Amortisation		146	231
Impairments and reversals property, plant and equipment	9	558	817
Impairments and reversals intangible	10	0	0
Impairment of financial assets		0	0
Impairment of receivables	11.3	(3)	28
Impairments and reversals for non-current assets held for sale	12	0	0
Capital charge interest (1)		0	(6,798)
Auditors' remuneration:			
Audit fees (2)		1,957	2,156
Other fees		400	391
Training MPET		4,683,258	4,536,138
Other		203,946	218,169
Commissioning of health care		338,684	326,686
High cost drugs		133,254	117,088
NHS Direct funding		132,232	133,579
<b>Total programme costs</b>		<b>5,602,848</b>	<b>5,463,379</b>

(1) A capital charge of 3.5 per cent of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 figures.

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



## 5 Operating leases

### 5.1 SHAs as lessee

	2010-11 £000	2009-10 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	13,916	13,747
Contingent rents	102	76
Sub-lease payments	0	0
<b>Total</b>	<b>14,018</b>	<b>13,823</b>
<b>Obligations under operating leases for the following periods comprise:</b>		
<b>Land</b>		
No later than one year	1,043	
Between one and five years	2,233	
After five years	28	
<b>Total</b>	<b>3,304</b>	
<b>Buildings</b>		
No later than one year	9,293	
Between one and five years	25,128	
After five years	13,538	
<b>Total</b>	<b>47,959</b>	
<b>Other</b>		
No later than one year	501	
Between one and five years	1,735	
After five years	3,258	
<b>Total</b>	<b>5,494</b>	
<b>Total obligations under operating leases</b>		
No later than one year	10,837	12,413
Between one and five years	29,096	37,752
After five years	16,824	38,170
<b>Total</b>	<b>56,757</b>	<b>88,335</b>

### 5.2 SHAs as lessor

	2010-11 £000	2009-10 £000
<b>Recognised as income</b>		
Rents	99	92
Contingent rents	0	0
<b>Total</b>	<b>99</b>	<b>92</b>
<b>Payable:</b>		
No later than one year	92	92
Between one and five years	460	368
After five years	0	184
<b>Total</b>	<b>552</b>	<b>644</b>

## 6 Employee benefits and staff numbers

### 6.1 Employee benefits

	2010-11			2009-10		
	Permanently Employed £000	Other £000	Total £000	Permanently Employed £000	Other £000	Total £000
Salaries and wages	154,727	48,598	203,325	145,453	50,386	195,839
Social security costs	16,454	450	16,904	15,987	297	16,284
Employer contributions to NHS Pensions scheme	21,526	615	22,141	19,977	454	20,431
Other pension costs	43	0	43	0	0	0
Other post employment benefits	27	0	27	0	0	0
Other employment benefits	0	0	0	14	0	14
Termination benefits	9,347	0	9,347	266	0	266
<b>Total employee benefits</b>	<b>202,124</b>	<b>49,663</b>	<b>251,787</b>	<b>181,697</b>	<b>51,137</b>	<b>232,834</b>

### 6.2 Staff Numbers

	2010-11			2009-10		
	Permanently Employed Number	Other Number	Total Number	Permanently Employed Number	Other Number	Total Number
<b>Total</b>	<b>3,183</b>	<b>662</b>	<b>3,845</b>	<b>3,061</b>	<b>804</b>	<b>3,865</b>

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

### 6.3 Exit Packages for staff leaving in 2010-11

Exit package cost band (including any special payment element)	2010-11			2009-10		
	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£20,001	18	82	100	4	0	4
£20,001 - £40,000	12	19	31	6	0	6
£40,001 - £100,000	21	27	48	3	0	3
£100,001 - £150,000	16	5	21	1	0	1
£150,001 - £200,000	5	1	6	1	0	1
>£200,000	2	2	4	1	0	1
<b>Total number of exit packages by type</b>	<b>74</b>	<b>136</b>	<b>210</b>	<b>16</b>	<b>0</b>	<b>16</b>
<b>Total resource cost (£000s)</b>	<b>5,135</b>	<b>3,991</b>	<b>9,126</b>	<b>963</b>	<b>0</b>	<b>963</b>

This disclosure reports the number and value of exit packages taken by staff leaving in the year. The expense associated with these departures may have been recognised in part or in full in a previous period. Where early retirements have been agreed, the additional costs are met by the SHAs and not by the NHS pension scheme. Ill health retirement costs are met by the NHS pension scheme and are not included in the table.

#### 6.4 Pension costs

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

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

##### **a Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

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

##### **b Accounting valuation**

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

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

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

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme & NHS Compensation for Premature Retirement Scheme Resource Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

##### **c Scheme provisions**

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last three years' pensionable pay for each year of service. A lump sum normally equivalent to three years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50 per cent of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

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

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

## 7 Other gains and losses

	2010-11 £000	2009-10 £000
(Gain)/loss on disposal of property, plant and equipment	(45)	7
(Gain)/loss on disposal of intangible assets	0	0
(Gain)/loss on disposal of financial assets	0	0
(Gain)/loss on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Recycling of (gain)/loss from equity on disposal of financial assets available for sale	0	0
Other (gain)/loss	0	0
<b>Total</b>	<b>(45)</b>	<b>7</b>

## 8 Finance costs

### 8.1 Finance costs

	2010-11 £000	2009-10 £000
Interest		
Interest on obligations under finance leases	0	25
Interest on late payment of commercial debt	0	1
Other interest expense	0	0
Other finance costs		
Unwinding of discount	107	239
Other	0	0
<b>Total</b>	<b>107</b>	<b>265</b>

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

	2010-11 £000	2009-10 £000
Amounts included in finance costs from claims made under this legislation	0	1
Compensation paid to cover debt recovery costs under this legislation	0	0

**9 Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
2010-11	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>									
At 31 March 2010	8,806	7,288	0	0	86	0	7,459	4,738	28,377
Adjustment to show revalued assets at net book value	0	(341)	0	0	0	0	0	0	(341)
At 1 April 2010	8,806	6,947	0	0	86	0	7,459	4,738	28,036
Additions - purchased	0	106	0	0	0	0	431	25	562
Reclassifications	0	0	0	0	0	0	0	0	0
Transferred to non-current assets held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	(1,623)	(91)	(1,714)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	(19)	0	0	0	0	0	0	0	(19)
Reversals of impairments	0	0	0	0	0	0	0	0	0
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	<b>8,787</b>	<b>7,053</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>6,267</b>	<b>4,672</b>	<b>26,865</b>
<b>Depreciation</b>									
At 31 March 2010	0	869	0	0	42	0	5,769	2,731	9,411
Depreciation not carried forward in respect of revalued assets	0	(341)	0	0	0	0	0	0	(341)
At 1 April 2010	<b>0</b>	<b>528</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>5,769</b>	<b>2,731</b>	<b>9,070</b>
Reclassifications	0	0	0	0	0	0	0	0	0
Transferred to non-current asset held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0	(1,623)	(91)	(1,714)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	64	494	0	0	0	0	0	0	558
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged in year	0	439	0	0	15	0	686	426	1,566
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	<b>64</b>	<b>1,461</b>	<b>0</b>	<b>0</b>	<b>57</b>	<b>0</b>	<b>4,832</b>	<b>3,066</b>	<b>9,480</b>
<b>Net book value at 31 March 2011</b>	<b>8,723</b>	<b>5,592</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>1,435</b>	<b>1,606</b>	<b>17,385</b>
<b>Asset financing:</b>									
Owned	8,723	5,592	0	0	29	0	1,435	1,606	17,385
Held on finance lease	0	0	0	0	0	0	0	0	0
	<b>8,723</b>	<b>5,592</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>1,435</b>	<b>1,606</b>	<b>17,385</b>

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2009-10</b>									
<b>Cost or valuation:</b>									
At 1 April 2009	7,513	11,457	0	0	126	0	8,490	4,503	<b>32,089</b>
Additions – purchased	0	125	0	0	21	0	390	329	<b>865</b>
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>
Transferred to non-current assets held for sale	(603)	(1,205)	0	0	(21)	0	0	(25)	<b>(1,854)</b>
Disposals other than by sale	0	0	0	0	(40)	0	(1,421)	0	<b>(1,461)</b>
Revaluation/indexation gains	2,061	0	0	0	0	0	0	0	<b>2,061</b>
Impairments	(165)	(3,089)	0	0	0	0	0	(69)	<b>(3,323)</b>
Reversals of impairments	0	0	0	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2010</b>	<b>8,806</b>	<b>7,288</b>	<b>0</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>7,459</b>	<b>4,738</b>	<b>28,377</b>
<b>Depreciation</b>									
At 1 April 2009	0	0	0	0	66	0	6,084	1,691	<b>7,841</b>
Reclassifications	0	0	0	0	0	0	0	0	<b>0</b>
Transferred to non-current assets held for sale	0	(137)	0	0	0	0	0	(18)	<b>(155)</b>
Disposals other than by sale	0	0	0	0	(40)	0	(1,421)	0	<b>(1,461)</b>
Revaluation/indexation gains	0	0	0	0	0	0	0	0	<b>0</b>
Impairments	0	404	0	0	0	0	0	413	<b>817</b>
Reversal of Impairments	0	0	0	0	0	0	0	0	<b>0</b>
Charged in year	0	602	0	0	16	0	1,106	645	<b>2,369</b>
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2010</b>	<b>0</b>	<b>869</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>5,769</b>	<b>2,731</b>	<b>9,411</b>
<b>Net book value at 31 March 2010</b>	<b>8,806</b>	<b>6,419</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>1,690</b>	<b>2,007</b>	<b>18,966</b>
<b>Asset financing:</b>									
Owned	8,806	6,419	0	0	44	0	1,690	2,007	<b>18,966</b>
Held on finance lease	0	0	0	0	0	0	0	0	<b>0</b>
	<b>8,806</b>	<b>6,419</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>1,690</b>	<b>2,007</b>	<b>18,966</b>

### 9.1 Revaluation reserve balance in respect of property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	3,913	442	0	0	0	0	73	<b>4,428</b>
In year movements	(20)	(10)	0	0	0	0	(6)	<b>(36)</b>
<b>At 31 March 2011</b>	<b>3,893</b>	<b>432</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67</b>	<b>4,392</b>

**10 Intangible non-current assets****2010-11**

	<b>Software licences £000</b>	<b>Total £000</b>
<b>Cost or valuation:</b>		
At 1 April 2010	871	<b>871</b>
Additions – purchased	166	<b>166</b>
Additions – internally generated	0	<b>0</b>
Reclassifications	0	<b>0</b>
Transferred to non-current assets held for sale	0	<b>0</b>
Disposals	(43)	<b>(43)</b>
Revaluation/indexation gains	0	<b>0</b>
Impairments	0	<b>0</b>
Reversal of impairments	0	<b>0</b>
In year transfers to/from NHS bodies	0	<b>0</b>
<b>At 31 March 2011</b>	<b>994</b>	<b>994</b>
<b>Amortisation</b>		
At 1 April 2010	599	<b>599</b>
Charged in year	146	<b>146</b>
Impairments	0	<b>0</b>
Reversal of Impairments	0	<b>0</b>
Reclassifications	0	<b>0</b>
Revaluation/indexation gains	0	<b>0</b>
In year transfers to/from NHS bodies	0	<b>0</b>
Disposals	(43)	<b>(43)</b>
Transferred to non-current assets held for sale	0	<b>0</b>
<b>At 31 March 2011</b>	<b>702</b>	<b>702</b>
<b>Net book value at 31 March 2011</b>	<b>292</b>	<b>292</b>

<b>2009-10</b>	Software licences £000	<b>Total £000</b>
<b>Cost or valuation:</b>		
At 1 April 2009	800	<b>800</b>
Additions – purchased	71	<b>71</b>
Additions – internally generated	0	<b>0</b>
Reclassifications	0	<b>0</b>
Transferred to non-current assets held for sale	0	<b>0</b>
Disposals	0	<b>0</b>
Revaluation/indexation gains	0	<b>0</b>
Impairments	0	<b>0</b>
Reversal of impairments	0	<b>0</b>
In year transfers to/from NHS bodies	0	<b>0</b>
<b>At 31 March 2010</b>	<u>871</u>	<u><b>871</b></u>
<b>Amortisation</b>		
At 1 April 2009	368	368
Charged in year	231	231
Impairments	0	0
Reversal of Impairments	0	0
Reclassifications	0	0
Revaluation/indexation gains	0	0
In year transfers to/from NHS bodies	0	0
Disposals	0	0
Transferred to non-current assets held for sale	0	0
<b>At 31 March 2010</b>	<u>599</u>	<u>599</u>
<b>Net book value at 31 March 2010</b>	<u>272</u>	<u>272</u>

*10.1 Revaluation reserve balance in respect of intangible non-current assets:*

	<b>2010-11 Total £000</b>	2009-10 Total £000
At 1 April	<b>0</b>	89
Changes in the year	<b>0</b>	(89)
At 31 March	<u><b>0</b></u>	<u>0</u>



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

	Note	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables		<b>11,020</b>	<b>0</b>	37,393	0
Other trade receivables		<b>6,024</b>	<b>0</b>	5,924	0
Provision for the impairment of receivables	11.3	<b>(55)</b>	<b>0</b>	(98)	0
VAT		<b>3,355</b>	<b>0</b>	12,026	0
Prepayments and accrued income		<b>33,879</b>	<b>0</b>	10,715	0
Other receivables		<b>272</b>	<b>0</b>	436	0
<b>Total</b>		<b><u>54,495</u></b>	<b><u>0</u></b>	<b><u>66,396</u></b>	<b><u>0</u></b>

*11.2 Receivables past their due date but not impaired*

	31 March 2011 £000	31 March 2010 £000
By up to three months	5,588	6,408
By three to six months	742	483
By more than six months	594	616
<b>Total</b>	<b><u>6,924</u></b>	<b><u>7,507</u></b>

*11.3 Provision for impairment of receivables*

	<b>31 March 2011 £000</b>	31 March 2010 £000
Balance at 1 April	<b>(98)</b>	(134)
Amount written off during the year	<b>40</b>	64
Amount recovered during the year	<b>13</b>	10
(Increase)/decrease in receivables impaired	<b>(10)</b>	(38)
<b>Balance at 31 March</b>	<b><u>(55)</u></b>	<b><u>(98)</u></b>

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

	Land	Buildings, excl. dwellings	Dwellings	Other property, plant and equipment	Intangible assets	Total
	£000	£000	£000	£000	£000	£000
<b>Balance brought forward at 1 April 2010</b>	188	622	0	21	0	<b>831</b>
Plus assets classified as held for sale in the year	0	0	0	0	0	<b>0</b>
Less assets sold in the year	(188)	(622)	0	(21)	0	<b>(831)</b>
Less impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Plus reversal of impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	<b>0</b>
<b>Balance carried forward at 31 March 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities Associated with Assets Held for Sale	0	0	0	0	0	<b>0</b>
<b>Balance brought forward at 1 April 2009</b>	0	0	0	0	0	<b>0</b>
Plus assets classified as held for sale in the year	603	1,068	0	28	0	<b>1,699</b>
Less assets sold in the year	(415)	(446)	0	0	0	<b>(861)</b>
Less impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Plus reversal of impairment of assets held for sale	0	0	0	0	0	<b>0</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	(7)	0	<b>(7)</b>
<b>Balance carried forward at 31 March 2010</b>	<b>188</b>	<b>622</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>831</b>
Liabilities Associated with Assets Held for Sale	0	0	0	0	0	<b>0</b>

**13 Trade and other payables**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Interest payable	0	0	0	0
Payments received on account	87	0	1	0
NHS payables	83,975	0	114,678	0
Other trade payables	40,501	0	70,501	0
Tax	1,583	0	2,462	0
Social Security Costs	940	0	1,850	0
VAT	0	0	2	0
Accruals and deferred income	46,748	0	45,997	0
Other Payables	6,037	644	6,511	373
<b>Total</b>	<b>179,871</b>	<b>644</b>	<b>242,002</b>	<b>373</b>

**14 Borrowings**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Bank overdraft	1	0	0	0
Finance lease liabilities	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

**15 Other liabilities**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Lease incentives	102	540	92	644
Other	0	0	0	0
<b>Total</b>	<b>102</b>	<b>540</b>	<b>92</b>	<b>644</b>

**16 Provisions**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to former directors	17	463	24	548
Pensions relating to other staff	433	3,013	566	3,336
Legal claims	4,462	1,416	5,206	0
Restructurings	4,265	131	3,697	0
Other	2,936	0	9,158	0
Redundancy	4,508	1,759	0	0
<b>Total</b>	<b>16,621</b>	<b>6,782</b>	<b>18,651</b>	<b>3,884</b>

	<b>Pensions relating to former directors £000</b>	<b>Pensions relating to other staff £000</b>	<b>Legal claims £000</b>	<b>Restructuring £000</b>	<b>Other £000</b>	<b>Redundancy £000</b>	<b>Total £000</b>
At 1 April 2010	572	3,902	5,206	3,697	9,158	0	22,535
Arising during the year	0	0	4,425	4,596	1,714	6,267	17,002
Used during the year	(32)	(272)	(1,605)	(2,406)	(7,170)	0	(11,485)
Reversed unused	0	(125)	(2,194)	(1,506)	(766)	0	(4,591)
Change in discount rate	(75)	0	0	0	0	0	(75)
Unwinding of discount	15	31	46	15	0	0	107
Transferred to other NHS bodies	0	(90)	0	0	0	0	(90)
<b>At 31 March 2011</b>	<b>480</b>	<b>3,446</b>	<b>5,878</b>	<b>4,396</b>	<b>2,936</b>	<b>6,267</b>	<b>23,403</b>
<b>Expected timing of cash flows:</b>							
No later than one year	17	433	4,462	4,265	2,936	4,508	16,621
Later than one year and not later than five years	68	1,770	1,416	131	0	1,759	5,144
Later than five years	395	1,243	0	0	0	0	1,638

£1,217,690,000 is included in the provisions of the NHS Litigation Authority at 31 March 2011 in respect of Existing Liabilities Scheme (ELS) liabilities of the Strategic Health Authorities (31 March 2010 £1,192,827,000).

## 17 Contingencies

	<b>31 March 2011 £000</b>	31 March 2010 £000
<b>Contingent liabilities</b>		
Contingent liabilities	<b>(1,632)</b>	(10,968)
Amounts recoverable	<b>0</b>	0
Net value of contingent liabilities	<b>(1,632)</b>	(10,968)
<b>Contingent assets</b>		
	<b>0</b>	9,300

These contingent assets and liabilities have not been accrued in this account due to uncertainty over the ultimate outcome.

## 18 Commitments

### 18.1 Capital commitments

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

	<b>31 March 2011 £000</b>	31 March 2010 £000
Property, plant and equipment	<b>0</b>	0
Intangible assets	<b>0</b>	0
<b>Total</b>	<b>0</b>	0

*18.2 Other financial commitments*

	<b>31 March 2011 £000</b>	31 March 2010 £000
Expire within one year	<b>29</b>	28
Expire within two to five years	<b>14</b>	42
Expire thereafter	<b>0</b>	0
<b>Total</b>	<b>43</b>	70

**19 Financial instruments***Financial risk management*

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

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. As the cash requirements of Strategic Health Authorities are met through Parliamentary Funding, financial instruments play a more limited role in creating risk 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 Strategic Health Authorities' expected purchase and usage requirements and the Strategic Health Authorities are therefore exposed to little credit, liquidity or market risk.

*Currency risk*

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

*Interest rate risk*

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

*Credit risk*

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

*Liquidity risk*

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

*Market risk*

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

*Fair values*

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

**20 Cash and cash equivalents**

	<b>31 March 2011 £000</b>	31 March 2010 £000
Balance at 1 April	<b>92</b>	91
Net change in year	<b>88</b>	1
<b>Balance at 31 March</b>	<b>180</b>	92
<b>Made up of</b>		
Cash with Office of HM Paymaster General	<b>173</b>	84
Commercial banks and cash in hand	<b>7</b>	8
Current investments	<b>0</b>	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>180</b>	92
Bank overdraft	<b>(1)</b>	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>179</b>	92

**21 Related party transactions**

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

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

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

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

**22 Intra-Government balances**

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	9,229	0	31,813	0
Balances with Local Authorities	379	0	856	0
Balances with NHS Trusts and Foundation Trusts	27,023	0	57,945	0
Balances with Public Corporations and Trading Funds	3	0	56	0
Intra Government balances	<b>36,634</b>	<b>0</b>	<b>90,670</b>	<b>0</b>
Balances with bodies external to government	<b>17,861</b>	<b>0</b>	<b>89,201</b>	<b>644</b>
<b>At 31 March 2011</b>	<u>54,495</u>	<u>0</u>	<u>179,871</u>	<u>644</u>
Balances with other Central Government Bodies	28,763	0	36,585	0
Balances with Local Authorities	296	0	300	0
Balances with NHS Trusts and Foundation Trusts	19,808	0	87,917	0
Balances with Public Corporations and Trading Funds	23	0	34	0
Intra Government balances	48,890	0	124,836	0
Balances with bodies external to government	17,506	0	117,166	373
<b>At 31 March 2010</b>	<u><b>66,396</b></u>	<u><b>0</b></u>	<u><b>242,002</b></u>	<u><b>373</b></u>

**23 Losses and special payments**

There were 45 cases of losses (2009-10: 88 cases) totalling £101,987 (2009-10: £81,660) and 11 cases of special payments (2009-10: 7 cases) totalling £1,100,692 (2009-10: £443,782) approved during 2010-11. There was 1 case (2009-10: NIL cases) where the net payment exceeded £250,000.

**24 Events after the reporting period**

Implementation of the Government's reform programme in the NHS remains subject to the successful passage of the Health and Social Care Bill through Parliament. The timing of passage depends on the Parliamentary process. Following its response to the recommendations made in the NHS Future Forum's report, the Department of Health published a revised Impact Assessment relating to the Health and Social Care Bill on 8 September. The precise costs of reform, especially at the level of individual NHS organisations will become more certain as those reforms are implemented through the health and social care systems.

These accounts were authorised for issue on 11 October 2011

**25 Movements in working capital**

	2010-11 £000	2009-10 £000
(Increase)/decrease in trade and other receivables	11,901	(12,436)
(Increase)/decrease in other current assets	0	0
Increase/(decrease) in trade and other payables	(61,860)	(18,749)
Increase/(decrease) in other liabilities	(94)	(91)
Movements in working capital relating to items not passing through the Operating Cost Statement	<b>(861)</b>	861
<b>Total</b>	<u><b>(50,914)</b></u>	<u><b>(30,415)</b></u>

**26 Adjustments for non-cash transactions**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Depreciation	<b>1,566</b>	2,369
Amortisation	<b>146</b>	231
Impairments and reversals	<b>558</b>	817
Cost of capital charge (1)	<b>0</b>	(6,798)
Net foreign exchange gains/(losses)	<b>0</b>	0
Non-cash movements in provisions	<b>12,246</b>	3,715
<b>Total</b>	<b>14,516</b>	334

(1) A capital charge of 3.5 per cent of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 figures.

**27 Cash flow relating to exceptional items**

There were no cash flows in the year relating to exceptional items.



# Summarised Account of Primary Care Trusts

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

Section 232 of schedule 15 of the National Health Service Act 2006 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must give a true and fair view of the state of affairs of Primary Care Trusts at the year end and their income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

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

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

# Statement on Internal Control 2010-11

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

## Scope of responsibility

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

## Purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The extent to which PCTs had these processes in place during the financial year 2010-11 and up to the dates of the approval of their annual reports and accounts is set out in the analysis below.

## Capacity to handle risk

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

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

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

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

## The risk and control framework

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

For 2010-11, all PCTs were required to have in place Assurance Frameworks that set out the strategic and high level directorate objectives mapped to the key risks, the controls in place to manage them and to describe how the board has gained assurance that the controls are effective. As part of this process PCTs were required to identify gaps in controls and/or assurance arrangements and provide evidence that these had been or were being addressed.

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

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

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

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

- 100 per cent of PCTs had their system of internal control in place for the full year; and
- 100 per cent were providing evidence that a system of internal control was in place.

This improves upon the 2008-09 and 2009-10 position when 99 per cent of PCTs provided evidence that a system of internal control was in place.

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

## Review of effectiveness

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

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

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

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

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

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

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

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

The SHA Chief Executives' reports recorded the following inconsistencies:

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

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

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

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

It should be noted that the introduction of a penalty charge system for prescription charge evasion in 1999 has had an impact on reducing fraud loss, with the percentage of patients fraudulently claiming exemption from charges falling to 2 per cent in 2007-08 (compared with 5.1 per cent in 1998-99). However, the latest measurement exercise showed a small growth in the percentage of patients claiming fraudulently (from 1.6 per cent to 2 per cent). This also gives rise to an increase in fraud loss (to £100m) although this figure is also driven by year on year increases in prescription volumes and prescription charges. This loss figure provides a robust estimation of losses calculated at a specific point in time. However, it should not be assumed that this represents the additional revenue that could be generated if fraud was eliminated.<sup>1</sup>

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

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

## Significant control issues

My review of effectiveness concluded 67 PCTs disclosed a total of 200 significant control issues in their SICs. Of these, 46 for not reaching the Vital Signs standards, 58 for data security incidents, 36 underachieving against CQC Essential Standards and 20 for financial performance issues. There were also 40 other uncategorised significant control issues, such as registration of GP locums, backlog of Continuing Care cases and controls relating to prison healthcare systems. In all cases remedial action has or is being taken.

The Department failed to meet the Treasury timetable to publish the NHS Summarised Accounts before Parliament rose for the summer. The delay was due to a number of factors, none of which I consider individually to represent a significant internal control problem. Nevertheless, I consider the delay to laying the NHS Summarised Accounts, resulting from the cumulative impact of these factors, to represent a significant control problem. Each one of the individual issues is being addressed, and the Department is undertaking a lessons learnt review with the advice and assistance of the NAO to ensure that the 2011-12 NHS Summarised Accounts are published by the agreed date.

## Conclusion

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

*Sir David Nicholson KCB CBE*  
Accounting Officer

4 October 2011

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

I certify that I have audited the financial statements of the Primary Care Trusts' for the year ended 31 March 2011 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Secretary of State, Accounting Officer and auditor

As explained more fully in the Statement of Secretary of State and Accounting Officer's Responsibilities, the Secretary of State and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

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

## Opinion on Regularity

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

## Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Primary Care Trusts' affairs as at 31 March 2011, and of the net operating costs for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

11 October 2011

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



## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Employee benefits	6.1	<b>7,372,255</b>	8,219,779
Other costs	4.1	<b>85,560,384</b>	81,367,740
Miscellaneous revenue	3	<b>(3,216,108)</b>	(3,241,298)
<b>PCT net operating costs before interest</b>		<b>89,716,531</b>	86,346,221
Investment revenue	7	<b>(8,652)</b>	(4,715)
Other (gains)/losses	8	<b>(15,566)</b>	(4,571)
Finance costs	9.1	<b>165,063</b>	149,868
<b>Net operating costs for the financial year</b>		<b>89,857,376</b>	86,486,803
<b>Other comprehensive net expenditure</b>			
Net gain/(loss) on revaluation of property, plant, equipment		<b>160,479</b>	315,611
Net gain/(loss) on revaluation of intangible assets		<b>0</b>	47
Net gain/(loss) on revaluation of financial assets		<b>40</b>	196
Receipt of donated or government granted assets		<b>9,398</b>	8,443
Movements in other reserves		<b>1,285</b>	(23,470)
Impairments and reversals		<b>(88,381)</b>	(680,027)
Release of reserves to SoCNE		<b>(6,274)</b>	(12,922)
Net actuarial gain/(loss) on pension		<b>11,002</b>	0
<b>Total comprehensive net expenditure</b>		<b>89,944,925</b>	86,094,681

*The notes on pages B13 to B52 form part of this account*

## Statement of Financial Position at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000	Merger adjustments 2009-10 £000	Restated 2009-10 £000
<b>Non-current assets</b>					
Property, plant and equipment	10	<b>7,374,164</b>	7,194,441	(8,740)	7,185,701
Intangible assets	11	<b>26,523</b>	24,219	(30)	24,189
Other financial assets	16	<b>40,295</b>	38,600	0	38,600
Trade and other receivables	14.1	<b>71,170</b>	71,681	(259)	71,422
<b>Total non-current assets</b>		<b>7,512,152</b>	7,328,941	(9,029)	7,319,912
<b>Current assets</b>					
Inventories	13	<b>18,689</b>	24,846	(3,879)	20,967
Trade and other receivables	14.1	<b>997,437</b>	1,116,353	(49,247)	1,067,106
Other financial assets	16	<b>6,627</b>	2,648	0	2,648
Other current assets	17	<b>1,179</b>	4,551	0	4,551
Cash and cash equivalents	18	<b>21,623</b>	18,610	(419)	18,191
		<b>1,045,555</b>	1,167,008	(53,545)	1,113,463
Non-current assets classified as held for sale	19	<b>69,971</b>	85,750	0	85,750
<b>Total current assets</b>		<b>1,115,526</b>	1,252,758	(53,545)	1,199,213
<b>Total assets</b>		<b>8,627,678</b>	8,581,699	(62,574)	8,519,125
<b>Current liabilities</b>					
Trade and other payables	20	<b>5,498,046</b>	5,795,828	(53,298)	5,742,530
Borrowings	21	<b>143,364</b>	88,747	0	88,747
Other liabilities	22	<b>19,372</b>	23,570	0	23,570
Provisions	23	<b>243,704</b>	141,073	(566)	140,507
Other financial liabilities	24	<b>1,075</b>	229	0	229
<b>Total current liabilities</b>		<b>5,905,561</b>	6,049,447	(53,864)	5,995,583
<b>Non-current assets plus net current assets</b>		<b>2,722,117</b>	2,532,252	(8,710)	2,523,542
<b>Non-current liabilities</b>					
Trade and other payables	20	<b>30,922</b>	40,405	(1,418)	38,987
Borrowings	21	<b>2,037,004</b>	1,977,979	0	1,977,979
Other liabilities	22	<b>11,660</b>	17,236	0	17,236
Provisions	23	<b>301,670</b>	316,786	(3,234)	313,552
Other financial liabilities	24	<b>670</b>	741	0	741
<b>Total non-current liabilities</b>		<b>2,381,926</b>	2,353,147	(4,652)	2,348,495
<b>Total Assets Employed</b>		<b>340,191</b>	179,105	(4,058)	175,047
<b>Financed by</b>					
<b>Taxpayers' Equity</b>					
General fund		<b>(1,269,941)</b>	(1,401,096)	(3,461)	(1,404,557)
Revaluation reserve		<b>1,488,097</b>	1,461,401	(490)	1,460,911
Donated asset reserve		<b>97,242</b>	94,244	(107)	94,137
Government grant reserve		<b>33,898</b>	33,652	0	33,652
Other reserves		<b>(9,105)</b>	(9,096)	0	(9,096)
<b>Total Taxpayers' Equity</b>		<b>340,191</b>	179,105	(4,058)	175,047

The notes on pages B13 to B52 form part of this account

Sir David Nicholson KCB CBE  
Accounting Officer

4 October 2011

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	General fund	Revaluation reserve	Donated asset reserve	Govt. grant reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2010</b>	<b>(1,401,096)</b>	<b>1,461,401</b>	<b>94,244</b>	<b>33,652</b>	<b>(9,096)</b>	<b>179,105</b>
Adjustment for mergers	(3,461)	(490)	(107)	0	0	(4,058)
<b>Balance at 1 April 2010</b>	<b>(1,404,557)</b>	<b>1,460,911</b>	<b>94,137</b>	<b>33,652</b>	<b>(9,096)</b>	<b>175,047</b>
<b>Changes in taxpayers' equity for 2010-11</b>						
Net operating cost for the year	(89,857,376)	0	0	0	0	(89,857,376)
Net gain/(loss) on revaluation of property, plant, equipment	0	157,511	2,412	556	0	160,479
Net gain/(loss) on revaluation of intangible assets	0	0	0	0	0	0
Net gain/(loss) on revaluation of financial assets	0	40	0	0	0	40
Net gain on assets held for sale	0	0	0	0	0	0
Receipt of donated or government granted assets	0	0	7,362	2,036	0	9,398
Movements in other reserves	0	0	0	0	1,285	1,285
Impairments and reversals	0	(87,966)	(308)	(107)	0	(88,381)
Release of reserves to SoCNE	0	86	(4,981)	(1,379)	0	(6,274)
Transfers between reserves	48,990	(41,812)	(1,380)	(584)	(5,751)	(537)
Transfers to/(from) other bodies within the Resource Account boundary	3,867	(673)	0	(276)	0	2,918
Net actuarial gain/(loss) on pension	6,545	0	0	0	4,457	11,002
<b>Total recognised income and expense for 2010-11</b>	<b>(89,797,974)</b>	<b>27,186</b>	<b>3,105</b>	<b>246</b>	<b>(9)</b>	<b>(89,767,446)</b>
Net Parliamentary funding	89,932,590					89,932,590
<b>Balance at 31 March 2011</b>	<b>(1,269,941)</b>	<b>1,488,097</b>	<b>97,242</b>	<b>33,898</b>	<b>(9,105)</b>	<b>340,191</b>
<b>Balance at 1 April 2009</b>	<b>(998,717)</b>	<b>1,860,817</b>	<b>102,663</b>	<b>40,083</b>	<b>(2,453)</b>	<b>1,002,393</b>
<b>Changes in taxpayers' equity for 2009-10</b>						
Net operating cost for the year	(86,486,803)	0	0	0	0	(86,486,803)
Net gain/(loss) on revaluation of property, plant, equipment	0	309,783	4,974	854	0	315,611
Net gain/(loss) on revaluation of intangible assets	0	47	0	0	0	47
Net gain/(loss) on revaluation of financial assets	0	196	0	0	0	196
Receipt of donated or government granted assets	0	0	7,465	978	0	8,443
Movements in other reserves	0	0	0	0	(23,470)	(23,470)
Impairments and reversals	0	(662,435)	(11,629)	(5,963)	0	(680,027)
Release of reserves to SoCNE	0	(3,719)	(7,344)	(1,859)	0	(12,922)
Non-cash charges – cost of capital	21,455	0	0	0	0	21,455
Transfers between reserves	28,941	(43,442)	(1,885)	(441)	16,827	0
Transfers to/(from) other bodies within the Resource Account boundary	(1,254)	154	0	0	0	(1,100)
<b>Total recognised income and expense for 2009-10</b>	<b>(86,437,661)</b>	<b>(399,416)</b>	<b>(8,419)</b>	<b>(6,431)</b>	<b>(6,643)</b>	<b>(86,858,570)</b>
Net Parliamentary funding	86,035,282					86,035,282
<b>Balance at 31 March 2010</b>	<b>(1,401,096)</b>	<b>1,461,401</b>	<b>94,244</b>	<b>33,652</b>	<b>(9,096)</b>	<b>179,105</b>

The notes on pages B13 to B52 form part of this account

## Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
<b>Cash flow from operating activities</b>			
Net operating cost before interest		<b>(89,716,531)</b>	(86,346,221)
Adjustments for non cash transactions	30	<b>714,142</b>	964,588
Movement in Working Capital	29	<b>(127,501)</b>	328,586
Provisions utilised	23	<b>(101,236)</b>	(106,030)
Interest paid		<b>(152,810)</b>	(134,633)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(89,383,936)</b>	(85,293,710)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(564,270)</b>	(741,541)
Purchase of intangible assets		<b>(9,737)</b>	(11,483)
Proceeds of disposal of non-current assets		<b>77,230</b>	60,869
Purchase of investments (LIFT)		<b>(5,031)</b>	(7,149)
Sale of investments (LIFT)		<b>5,616</b>	1,309
Loans made in respect of LIFT		<b>(1,107)</b>	(1,874)
Loans repaid in respect of LIFT		<b>3,604</b>	6,784
Payments for other financial assets		<b>(13,582)</b>	(4,612)
Proceeds of disposal of other financial assets		<b>1,866</b>	4,208
Interest received		<b>6,111</b>	5,221
Rental revenue income		<b>2,420</b>	38
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(496,880)</b>	(688,230)
<b>Net cash inflow/(outflow) before financing</b>		<b>(89,880,816)</b>	(85,981,940)
<b>Cash flows from financing activities</b>			
Net Parliamentary Funding		<b>89,932,590</b>	86,035,282
Other capital receipts surrendered		<b>(552)</b>	(841)
Capital grants received		<b>18,266</b>	2,399
Capital element of payments in respect of finance leases, PFI and LIFT		<b>(70,102)</b>	(53,546)
Cash transfers (to)/from other NHS bodies		<b>3,423</b>	(61)
<b>Net cash inflow/(outflow) from financing</b>		<b>89,883,625</b>	85,983,233
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,809</b>	1,293
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>	18	<b>14,986</b>	13,693
Adjustment for mergers	18	<b>(345)</b>	0
<b>Restated cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>	18	<b>14,641</b>	13,693
Effect of exchange rate changes on the balance of cash held in foreign currencies		<b>0</b>	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	18	<b>17,450</b>	14,986

The notes on pages B13 to B52 form part of this account

# Notes to the Accounts

## 1 Accounting policies

The Secretary of State for Health has directed that the financial statements of PCTs shall meet the accounting requirements of the PCTs Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the underlying and summarised financial statements have been prepared in accordance with the 2010-11 PCTs Manual for Accounts issued by the Department of Health. From the current year, the accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. The particular policies adopted for the PCT Summarised Account are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

For 2010-11, in accordance with the directed accounting policy from the Secretary of State, PCTs do not consolidate the NHS charitable funds for which they are the corporate trustee.

### 1.1 Accounting conventions

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

### Acquisitions and discontinued operations

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

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

In the application of the 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.

### Basis of consolidation

These accounts comprise a consolidation of 151 PCTs plus the Pharmaceutical Services Account prepared by the NHS Business Services Authority. This account is included within this PCT summarised account as this expenditure is considered the responsibility of PCTs. Transactions between entities included in the consolidation are eliminated.

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

For 2010-11, in accordance with a divergence granted by HM Treasury, PCTs do not consolidate the NHS charitable funds for which they are the corporate trustee.

### 1.2 *Income and funding*

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

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

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

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

### 1.3 *Pooled budgets*

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

### 1.4 *Taxation*

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

### 1.5 *Capital charges*

A capital charge of 3.5 per cent of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 expenditure analysis.

### 1.6 *Property, plant and equipment*

#### **Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the 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 PCTs' services or for administrative purposes are stated in the Statement of Financial Position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that NHS PCTs must apply these new valuation requirements by 1 April 2010 at the latest.

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

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

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

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

## Subsequent expenditure

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

### 1.7 Intangible assets

## Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of an individual 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 £5000.

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

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

### Measurement

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

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

#### 1.8 Depreciation, amortisation and impairments

Until 2009-10, the accounts included a FReM departure which had been agreed with HM Treasury, whereby the accumulated depreciation as at the end of the previous financial year was been netted off against the cost of the asset brought forward as at the beginning of the current financial year, for the following classes of assets:

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

From 2010-11, PCTs are required to show gross values in respect of these classes of assets, unless assets have been revalued in the year. This change ensures consistency of presentation across the NHS and Department of Health. Where an asset has been revalued, the accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The adjustment to the 1 April 2010 brought-forward balances for both 'cost or valuation' and 'cumulative depreciation' elements of Note 10 shows the effects of the change in presentation and the elimination of cumulative depreciation related to revalued assets. It is not practicable to adjust 1 April 2009 comparative figures in this way because underlying data in respect of valuations and cumulative depreciation is not available for this date.

Freehold land and properties under construction are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the PCTs expect to obtain economic benefits or service potential from the asset.



This is specific to each 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, each 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.

Estimated lives of non-current assets held by PCTs fall within the following limits:

- Software: between 1 year and 10 years;
- Licences and trademarks: between 1 year and 10 years;
- Patents: between 1 year and 10 years;
- Development expenditure: between 1 year and 25 years;
- Buildings excluding dwellings: between 1 year and 136 years;
- Dwellings: between 1 year and 95 years;
- Plant and machinery: between 1 year and 34 years;
- Transport equipment: between 1 year and 15 years;
- Information Technology: between 1 year and 15 years; and
- Furniture and fittings: between 1 year and 31 years.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### *1.9 Donated assets*

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

### *1.10 Government grants*

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

### *1.11 Non-current assets held for sale*

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly

probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Operating Cost Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to the General Fund. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

#### *1.12 Inventories*

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

#### *1.13 Cash and cash equivalents*

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

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

#### *1.14 Losses and special payments*

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

Losses and special payments are charged to the relevant functional headings 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).

#### *1.15 Clinical negligence costs*

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

The NHSLA operates a risk pooling scheme under which the PCTs pay an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure in the year that it is due. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the PCT. The total value of clinical negligence provisions carried by the NHSLA on behalf of the PCTs is disclosed at note 23.

### 1.16 Employee benefits

#### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period and to the extent that it is a material balance.

#### Retirement benefit costs

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

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

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

### 1.17 Research and Development

Research and Development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the 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.

### 1.18 Other expenses

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

### 1.19 Grant making

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

### 1.20 EU Emissions Trading Scheme

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

the government grant reserve. The provision is settled on surrender of the allowances. The asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

### *1.21 Contingencies*

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

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

### *1.22 Leases*

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

#### **PCTs as lessees**

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

#### **PCTs as lessors**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the PCTs' 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 PCTs' net investment outstanding in respect of the leases.

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

### *1.23 Foreign exchange*

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

### *1.24 Provisions*

Provisions are recognised when a PCT has a present legal or constructive obligation as a result of a past event, it is probable that the PCT will be required to settle the obligation, and a reliable estimate can be made of the

amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.9 per cent for pension provisions, and 2.2 per cent for other provisions, in real terms. Prior to 2010-11, all provisions were discounted at 2.2 per cent. Data is not collected at a national level that would quantify the effect of this change on future periods.

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where an individual 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 an individual 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.

### 1.25 Financial instruments

#### **Financial assets**

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

#### **Financial assets are initially recognised at fair value.**

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

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

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

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

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

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

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

## **Loans and receivables**

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

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

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

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

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

## **Financial liabilities**

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

Financial liabilities are initially recognised at fair value.

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

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

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

### **Other financial liabilities**

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

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

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

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

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

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

### **Services received**

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

### **PFI and LIFT Asset**

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

### **PFI and LIFT liability**

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

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

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

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

### **Life cycle replacement**

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

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

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

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

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

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

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

### *1.27 Inclusion of Pharmaceutical Services Account Figures*

Accounts are prepared for Pharmaceutical Services expenditure by the NHS Business Services Authority. This account is included within this Primary Care Trust summarised account as this expenditure is considered the responsibility of the Primary Care Trusts.

### *1.28 Pooled budgets*

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

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

The following standards and interpretations have been adopted by the European Union but are not required to be followed in 2010-11. None of them are expected to impact upon the PCT Summarised Account.

IAS 1 – Presentation of Financial Statements (amendment) – amendment to SOCTE presentation applicable for accounting periods beginning on or after 1 January 2011

IFRS 7 – Financial Instruments: Disclosures (amendment) – transfers of financial assets – effective 2012-13.

IFRS 9 – Financial Instruments – applicable for accounting periods beginning on or after 1 January 2013.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments – applicable for accounting periods beginning on or after 1 July 2010.

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

No accounting standards have been adopted early that impact the PCT Summarised Account.

### *1.31 Transfer of Functions*

The Treasury FReM notes that IFRS 3 Business Combinations excludes from its scope business combinations where entities are under common control. NHS bodies are required to apply merger accounting where a transfer of functions between NHS bodies or between NHS bodies and other public sector entities takes place. 28 PCTs have therefore accounted for the transfer of functions to, or from, another public sector entity by restating brought forward balances and 2010-11 transactions as if the transfer of functions had always been the case.

It is impracticable to restate prior-period comparator figures in view of the degree of estimation and risk of misstatement that would have attended restatements of financial data by individual NHS bodies. Had such information been available, 2009-10 comparator figures in respect of, mainly, fees and charges would have decreased, the corresponding adjustments would have been a decrease in expenditure on employee benefits and supplies and services.

The provisions of IAS 1 Presentation of Financial Statements has been followed in presenting re-stated balances to the extent that this is possible. The 1 April 2010 Statement of Financial Position balances and the opening balances of the Statement of Changes in Taxpayers' Equity, Notes 10, 11, 13, 18 and 23 have therefore been restated to show the position that would have applied at that date had the transfers of functions always been the case.



As per IAS 1, the detailed comparatives for the Statement of Changes in Taxpayers' Equity, Note 10, 11, 13, 14, 18, 20, and 23 have not been restated as this would be impractical.

## 2 Financial performance, operating segments and fees and charges

### 2.1 Revenue Resource Limit

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
The PCTs' performance for the year ended 31 March 2011 is as follows:		
Total net operating cost for the financial year	<b>89,857,376</b>	86,486,803
Non-discretionary expenditure <sup>1</sup>	<b>0</b>	(467,761)
<b>Net operating cost less non-discretionary expenditure</b>	<b>89,857,376</b>	86,019,042
Revenue resource limit	<b>90,333,487</b>	86,341,915
<b>Under/(over)spend against Revenue Resource Limit (RRL)</b>	<b>476,111</b>	322,873

1 From 2010-11, all expenditure in PCTs was classified as discretionary and therefore charged against the RRL for financial performance purposes.

## 2.2 Operating Segments

The PCT accounts are segmented by Strategic Health Authority area as this is the way financial information is presented throughout the year to the NHS chief executive, who is considered to be the chief operating decision-maker.

	North East		North West		Yorkshire & Humber		East Midlands		West Midlands		East of England		London		South East Coast		South Central		South West		Inter-PCT Consolidation		Pharmaceutical Services	Total
	SHA	£000	SHA	£000	SHA	£000	SHA	£000	SHA	£000	SHA	£000	SHA	£000	SHA	£000	SHA	£000	SHA	£000	Elimination	£000		
2010-11																								
Net operating costs	4,998,705	13,148,510	9,137,782	7,157,551	9,513,050	9,083,026	14,881,774	7,178,990	6,228,926	8,531,170	0	(2,108)	89,857,376											
Revenue resource limit	5,004,303	13,188,230	9,203,597	7,224,782	9,563,313	9,100,431	15,016,414	7,198,589	6,240,820	8,595,116	0	(2,108)	90,333,487											
Under/(over)spend against RRL	5,598	39,720	65,815	67,231	50,263	17,405	134,640	19,599	11,894	63,946	0	0	476,111											
Depreciation and amortisation	18,211	44,451	29,351	27,482	34,812	27,413	75,596	21,893	33,355	36,014	0	0	348,578											
Impairments and reversals charged to operating costs	3,567	20,583	7,096	17,773	35,005	4,063	36,269	7,813	36,553	19,609	0	0	188,331											
Interest expense	6,876	33,649	14,497	20,260	12,995	11,083	30,420	5,725	11,834	10,410	(182)	0	157,567											
Interest revenue	146	1,274	488	717	496	225	2,426	117	162	367	0	0	6,418											
Additions to non current assets	67,967	122,129	82,197	59,759	64,183	47,395	92,859	42,626	61,140	103,439	0	0	743,694											
Total assets	429,068	1,106,854	650,558	722,774	829,230	764,228	1,973,522	663,138	886,127	915,779	(313,600)	0	8,627,678											
Total liabilities	421,335	1,334,978	798,397	780,188	936,528	762,276	1,690,687	613,365	577,547	685,786	(313,600)	0	8,287,487											
2009-10																								
Net operating costs	4,748,218	12,611,967	8,708,640	6,796,786	9,041,076	8,613,053	14,290,158	6,845,281	5,934,857	8,171,595	0	725,173	86,486,803											
less non-discretionary expenditure <sup>1</sup>	(26,010)	(71,067)	(48,984)	(40,992)	(57,119)	(50,805)	(64,933)	(33,958)	(29,183)	(44,710)	0	0	(467,761)											
Revenue resource limit	4,729,677	12,568,433	8,710,654	6,780,008	9,044,428	8,564,232	14,318,131	6,816,400	5,920,090	8,164,689	0	725,173	86,341,915											
Under/(over)spend against RRL	7,469	27,533	50,998	24,214	60,471	1,984	92,907	5,077	14,416	37,804	0	0	322,873											
Depreciation and amortisation	15,920	47,025	26,183	25,942	42,038	27,050	68,043	21,608	34,029	36,809	0	0	344,647											
Impairments and reversals charged to SoCNE	22,619	105,757	60,081	29,556	78,063	45,597	86,491	22,699	66,945	64,901	0	0	582,709											
Interest expense	3,575	29,489	12,290	19,598	12,424	9,712	28,876	5,872	10,145	8,778	0	0	140,759											
Interest revenue	129	1,084	429	229	283	113	1,822	89	83	388	0	0	4,649											
Additions to non current assets	66,314	140,085	78,310	52,240	131,006	107,932	165,396	51,805	114,991	107,183	0	0	1,015,262											
Total assets	378,035	1,066,759	606,688	723,931	871,356	765,176	2,016,846	683,277	901,773	851,531	(369,986)	86,313	8,581,699											
Total liabilities	362,409	1,255,621	807,213	807,879	933,343	791,188	1,694,151	620,645	583,404	710,359	(369,986)	206,368	8,402,594											

1 From 2010-11, all expenditure in PCTs was classified as discretionary and therefore charged against the RRL for financial performance purposes.

### 2.3 Fees and Charges

The information below is provided for fees and charges purposes in accordance with 5.4.30 of the HM Treasury FReM. Primary Care Trusts have received the following income in 2010-11 in respect of Prescription and Dental charges to patients.

The financial objective of Prescription and Dental charges is to collect charges only from those patients that are eligible to pay.

	2010-11		2009-10	
	Dental £000	Prescription £000	Dental £000	Prescription £000
Fees and charges income	<b>617,014</b>	<b>449,643</b>	596,675	450,368
Costs	<b>2,730,387</b>	<b>10,313,244</b>	2,657,783	9,938,814
Deficit	<b>(2,113,373)</b>	<b>(9,863,601)</b>	(2,061,108)	(9,488,446)

All material fees & charges have been analysed in the above note.

### 3 Miscellaneous income

	2010-11 £000	2009-10 £000
Fees and charges	<b>17,195</b>	19,476
Dental Charge Income from Contractor Led GDS & PDS <sup>1</sup>	<b>611,600</b>	591,160
Dental Charge Income from Trust Led GDS & PDS <sup>1</sup>	<b>5,414</b>	5,515
Prescription Charge Income	<b>449,643</b>	450,368
Strategic Health Authorities	<b>186,652</b>	189,244
NHS Trusts	<b>237,266</b>	201,665
NHS Foundation Trusts	<b>173,066</b>	196,494
English RAB Special Health Authorities	<b>1,069</b>	3,224
Other English Special Health Authorities	<b>398</b>	1,724
Department of Health – SMPTB <sup>2</sup>	<b>1,258</b>	1,140
Department of Health – Other	<b>46,344</b>	50,213
Local Authorities	<b>827,354</b>	815,958
Patient Transport Services	<b>40</b>	476
Education, Training and Research	<b>202,875</b>	238,216
Non-NHS: Private Patients	<b>2,079</b>	2,625
Non-NHS: Overseas Patients (Non-Reciprocal)	<b>149</b>	91
NHS Injury Costs Recovery	<b>5,193</b>	6,502
Other Non-NHS Patient Care Services	<b>92,108</b>	88,356
Charitable and Other Contributions to Expenditure	<b>17,001</b>	19,478
Transfers from the Donated Asset Reserve	<b>4,981</b>	7,344
Transfers from the Government Grant Reserve	<b>1,379</b>	1,859
Rental Income from Finance Leases	<b>2,807</b>	2,551
Rental Income from Operating Leases	<b>115,555</b>	69,257
Other Income	<b>214,682</b>	278,362
<b>Total miscellaneous revenue</b>	<b>3,216,108</b>	3,241,298

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

2 'SMPTB' is the Substance Misuse Pooled Treatment Budget.

## 4 Operating costs

### 4.1 Analysis of other operating costs:

	Note	2010-11 £000	2009-10 £000
<b>Goods and Services from other NHS Bodies other than FTs</b>			
Healthcare		<b>25,383,384</b>	24,380,475
Non-Healthcare		<b>277,341</b>	343,888
<b>Total</b>		<b>25,660,725</b>	24,724,363
Goods and Services from Foundation Trusts		<b>25,932,845</b>	23,474,899
Purchase of Healthcare from Non-NHS bodies		<b>8,399,844</b>	7,448,124
Social Care from Independent Providers		<b>419,800</b>	391,703
Expenditure on Drugs Action Teams		<b>393,347</b>	391,417
Non-GMS Services from GPs		<b>151,631</b>	124,236
Contractor Led GDS & PDS <sup>1</sup>		<b>2,689,998</b>	2,620,452
Trust Led GDS & PDS <sup>1</sup>		<b>40,389</b>	37,331
Non-executive Directors remuneration		<b>17,310</b>	19,716
PCT Executive Committee (PEC) members costs		<b>19,577</b>	19,546
Consultancy Services		<b>137,960</b>	261,147
Prescribing Costs		<b>8,279,510</b>	7,946,018
G/PMS, APMS and PCTMS <sup>2</sup>		<b>7,444,458</b>	7,404,594
Pharmaceutical Services <sup>3</sup>		<b>283,385</b>	1,312,366
Local Pharmaceutical Services Pilots		<b>4,111</b>	5,656
New Pharmacy Contract <sup>3</sup>		<b>1,746,238</b>	674,774
General Ophthalmic Services		<b>478,676</b>	467,552
Supplies and Services – Clinical		<b>620,877</b>	690,420
Supplies and Services – General		<b>165,419</b>	183,420
Establishment		<b>453,515</b>	527,919
Transport		<b>47,109</b>	56,270
Premises		<b>796,711</b>	866,863
Depreciation	10	<b>339,814</b>	338,287
Amortisation	11	<b>8,764</b>	6,360
Impairments & reversals PPE	10	<b>184,110</b>	576,668
Impairments & reversals intangible	11	<b>140</b>	363
Impairment and reversals of assets held for sale	19	<b>4,075</b>	5,627
Cost of Capital Charge <sup>4</sup>		<b>0</b>	21,455
Impairment and Reversals of Financial Assets		<b>6</b>	51
Impairment of Receivables	14.3	<b>21,808</b>	10,980
Inventory write offs	13	<b>2,267</b>	151
Research and Development Expenditure		<b>22,584</b>	15,113
Audit Fees <sup>5</sup>		<b>33,823</b>	35,950
Other Auditors Remuneration		<b>5,994</b>	6,783
Clinical Negligence Costs		<b>18,327</b>	17,049
Education and Training		<b>154,716</b>	155,556
Other		<b>580,521</b>	528,561
<b>Total Other Operating Costs</b>		<b>85,560,384</b>	81,367,740

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

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

3 Expenditure previously reported for 'pharmaceutical services' is now largely disclosed against 'new pharmacy contract', due to devolving the responsibility for this expenditure to PCTs from the NHS Business Services Authority during 2010-11.

4 A capital charge of 3.5 per cent of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 figures.

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

#### 4.2 Analysis of operating expenditure by expenditure classification

	2010-11 £000	2009-10 £000
<b>Purchase of Primary Health Care</b>		
GP services	7,680,265	7,581,275
Prescribing costs	8,279,041	7,944,487
Dental services	2,820,041	2,733,705
General Ophthalmic Services	478,194	467,747
Pharmaceutical services	1,992,256	1,988,697
Other	124,650	154,846
<b>Total Primary Healthcare purchased</b>	<b>21,374,447</b>	<b>20,870,757</b>
<b>Purchase of Secondary Healthcare</b>		
Learning Difficulties	2,583,433	2,497,197
Mental Illness	8,373,632	8,076,983
Maternity	2,532,350	2,407,090
General and Acute	38,911,958	37,095,815
Accident and emergency	2,224,765	2,051,250
Community Health Services	8,408,048	7,966,205
Other Contractual	3,065,643	2,794,241
<b>Total Secondary Healthcare Purchased</b>	<b>66,099,829</b>	<b>62,888,781</b>
Grants (revenue) to fund Capital Projects	132,219	240,486
<b>Total Healthcare Purchased by PCT</b>	<b>87,606,495</b>	<b>84,000,024</b>
<b>Amount of self-commissioned secondary healthcare included above*</b>	<b>5,679,114</b>	<b>7,165,671</b>

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

## 5 Operating leases

### 5.1 PCTs as lessee

	2010-11 £000	2009-10 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	275,646	284,616
Contingent rents	14,398	17,896
Sub-lease payments	12,615	11,322
<b>Total</b>	<b>302,659</b>	<b>313,834</b>
<b>Obligations under operating leases for the following periods comprise</b>		
<b>Land</b>		
No later than one year	2,436	
Between one and five years	8,193	
After five years	24,629	
<b>Total</b>	<b>35,258</b>	
<b>Buildings</b>		
No later than one year	157,904	
Between one and five years	530,112	
After five years	1,041,650	
<b>Total</b>	<b>1,729,666</b>	
<b>Other</b>		
No later than one year	30,458	
Between one and five years	40,226	
After five years	17,790	
<b>Total</b>	<b>88,474</b>	
<b>Total obligations under operating leases</b>		
No later than one year	190,798	189,075
Between one and five years	578,531	560,159
After five years	1,084,069	1,098,897
<b>Total</b>	<b>1,853,398</b>	<b>1,848,131</b>

The split of operating lease obligations for land, buildings and other was collected for the first time in 2010-11.

Total non-cancellable future sublease payments expected to be received: £12,819,000 (2009-10 £30,105,000).

## 5.2 PCTs as lessor

	2010-11 £000	2009-10 £000
<b>Recognised as revenue</b>		
Rents	120,083	68,902
Contingent rents	554	355
<b>Total</b>	<u>120,637</u>	<u>69,257</u>
<b>Payable</b>		
No later than one year	104,551	61,741
Between one and five years	272,178	156,939
After five years	724,445	462,371
<b>Total</b>	<u>1,101,174</u>	<u>681,051</u>

## 6 Staff numbers and related costs

## 6.1 Employee benefits

	2010-11 Total £000	Permanently Employed £000	Other £000	2009-10 Total £000
Salaries and wages	6,037,176	5,472,760	564,416	6,951,550
Social security costs	411,720	404,574	7,146	460,300
Employer contributions to NHS Pensions scheme	709,525	699,623	9,902	797,918
Other pension costs	1,905	1,899	6	4,656
Other post employment benefits	(183)	(183)	0	0
Other employment benefits	(2,731)	(2,731)	0	632
Termination benefits	220,937	220,937	0	6,825
<b>Total employee benefits</b>	<u>7,378,349</u>	<u>6,796,879</u>	<u>581,470</u>	<u>8,221,881</u>
less costs capitalised	(6,094)			(2,102)
<b>Employee benefits charged to SoCNE</b>	<u>7,372,255</u>			<u>8,219,779</u>

The employee benefits capitalised above are in respect of 142 staff engaged on capital projects (2009-10: 95). These staff are included in the numbers in note 6.2

## 6.2 Staff numbers

	2010-11 Total Number	Permanently Employed Number	Other Number	2009-10 Total Number
Medical and dental	4,701	3,861	840	5,690
Ambulance staff	116	114	2	120
Administration and estates	67,060	61,303	5,757	77,817
Healthcare assistants and other support staff	26,236	24,738	1,498	29,758
Nursing, midwifery and health visiting staff	57,604	54,938	2,666	71,592
Nursing, midwifery and health visiting learners	620	516	104	716
Scientific, therapeutic and technical staff	26,508	25,236	1,272	31,612
Social Care staff	1,369	1,169	200	1,585
Other	2,525	2,149	376	3,495
<b>Total staff numbers</b>	<b>186,739</b>	<b>174,024</b>	<b>12,715</b>	<b>222,385</b>

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

## 6.3 Exit packages

Exit package cost band (including any special payment element)	Number of compulsory redundancies	2010-11 Number of other departures agreed	Total number of exit packages	Number of compulsory redundancies	2009-10 Number of other departures agreed	Total number of exit packages
<£20,001	775	1,665	2,440	46	56	102
£20,001 - £40,000	359	831	1,190	20	6	26
£40,001 - £100,000	307	698	1,005	20	9	29
£100,001 - £150,000	95	145	240	9	1	10
£150,001 - £200,000	30	34	64	3	1	4
>£200,000	25	22	47	2	2	4
<b>Total number of exit packages by type</b>	<b>1,591</b>	<b>3,395</b>	<b>4,986</b>	100	75	175
<b>Total resource cost (£000s)</b>	<b>60,039</b>	<b>108,665</b>	<b>168,704</b>	4,457	1,737	6,194

Exit costs in this note are accounted for in full in the year of departure. Where the trust has agreed early retirements, the additional costs are met by the trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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



#### 6.4 Pension costs

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

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

##### **a Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

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

##### **b Accounting valuation**

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

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

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

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

##### **c Scheme provisions**

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50 per cent of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

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

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

## 7 Investment revenue

	2010-11 £000	2009-10 £000
<b>Rental revenue</b>		
PFI finance lease planned revenue	174	3
PFI contingent revenue	11	0
Other finance lease revenue	2,049	63
<b>Total rental revenue</b>	<b>2,234</b>	66
<b>Interest revenue</b>		
LIFT: equity dividends receivable	455	274
LIFT: loan interest receivable	5,299	3,980
Bank interest	0	72
Other loans and receivables	495	145
Impaired financial assets	0	16
Other financial assets	169	162
<b>Total interest revenue</b>	<b>6,418</b>	4,649
<b>Total investment revenue</b>	<b>8,652</b>	4,715

## 8 Other gains and losses

	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of assets held for sale (property, plant and equipment)	14,027	3,444
Gain/(loss) on disposal of assets held for sale (intangible assets)	1,515	86
Gain/(loss) on disposal of financial assets	55	1,030
Gain/(loss) on Foreign Exchange	(12)	0
Change in fair value of financial liabilities carried at fair value through profit and loss	(19)	11
<b>Total</b>	<b>15,566</b>	4,571

## 9.1 Finance costs

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest		
Interest on obligations under finance leases	<b>15,460</b>	17,710
Interest on obligations under PFI contracts:	<b>35,195</b>	31,938
Interest on obligations under LIFT contracts:	<b>106,613</b>	91,057
Interest on late payment of commercial debt	<b>17</b>	40
Other interest expense	<b>282</b>	14
Total interest expense	<b>157,567</b>	140,759
Unwinding of discount	<b>6,947</b>	8,313
Other finance costs	<b>549</b>	796
<b>Total</b>	<b>165,063</b>	149,868

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

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Amounts included in finance costs from claims made under this legislation	<b>17</b>	40
Compensation paid to cover debt recovery costs under this legislation	<b>2</b>	0
<b>Total</b>	<b>19</b>	40

**10 Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2010-11</b>									
<b>Cost or valuation</b>									
At 1 April 2010	1,832,342	5,319,532	26,361	210,040	378,377	16,608	639,994	169,454	<b>8,592,708</b>
Adjustment for mergers	0	(1,335)	0	0	(9,750)	(423)	(3,160)	(4,360)	<b>(19,028)</b>
Adjustment to show revalued assets at net book value	(56,029)	(435,608)	(1,576)	(6,522)	0	0	0	0	<b>(499,735)</b>
Restated at 1 April 2010	1,776,313	4,882,589	24,785	203,518	368,627	16,185	636,834	165,094	<b>8,073,945</b>
Additions – purchased	30,160	371,466	4,348	187,899	26,972	1,912	85,059	16,321	<b>724,137</b>
Additions – donated	0	4,076	0	1,521	1,070	42	74	571	<b>7,354</b>
Additions – government granted	16	1,355	0	119	0	0	81	0	<b>1,571</b>
Reclassifications	12,897	143,732	(385)	(174,119)	1,659	655	11,703	2,220	<b>(1,638)</b>
Transferred to non-current assets held for sale	(41,668)	(29,562)	(129)	(225)	(9,167)	(635)	(4,157)	(798)	<b>(86,341)</b>
Disposals other than by sale	(2,352)	(17,791)	0	(14)	(22,046)	(1,210)	(47,456)	(4,503)	<b>(95,372)</b>
Revaluation gains	33,344	147,978	2,303	214	781	8	22	126	<b>184,776</b>
Impairments	(33,829)	(64,205)	(975)	(1,190)	(441)	(12)	(167)	(21)	<b>(100,840)</b>
Reversals of impairments	1,147	11,344	126	0	(137)	1	0	0	<b>12,481</b>
In year transfers to/from NHS bodies	(254)	(764)	0	(38)	(292)	(293)	(95)	0	<b>(1,736)</b>
<b>At 31 March 2011</b>	<b>1,775,774</b>	<b>5,450,218</b>	<b>30,073</b>	<b>217,685</b>	<b>367,026</b>	<b>16,653</b>	<b>681,898</b>	<b>179,010</b>	<b>8,718,337</b>
<b>Depreciation</b>									
At 1 April 2010	68,709	685,559	1,823	6,522	199,767	10,976	351,864	73,047	<b>1,398,267</b>
Adjustment for mergers	0	0	0	0	(5,944)	(280)	(1,329)	(2,735)	<b>(10,288)</b>
Depreciation not carried forward in respect of revalued assets	(56,029)	(435,608)	(1,576)	(6,522)	0	0	0	0	<b>(499,735)</b>
Restated at 1 April 2010	12,680	249,951	247	0	193,823	10,696	350,535	70,312	<b>888,244</b>
Reclassifications	0	3,959	41	0	(2,178)	544	(1,378)	(2,625)	<b>(1,637)</b>
Transferred to non-current assets held for sale	(3,298)	(4,750)	(14)	0	(6,195)	(364)	(3,134)	(161)	<b>(17,916)</b>
Disposals other than by sale	(64)	(1,814)	0	0	(19,644)	(1,185)	(45,328)	(4,056)	<b>(72,091)</b>
Revaluation gains	412	23,373	131	0	288	0	0	17	<b>24,221</b>
Impairments	22,708	180,491	2,534	15,385	8,800	16	3,987	2,342	<b>236,263</b>
Reversal of Impairments	(3,474)	(48,462)	(47)	(1)	(169)	0	0	0	<b>(52,153)</b>
Charged in year	925	185,245	689	0	34,110	1,323	99,373	18,149	<b>339,814</b>
In year transfers to/from NHS bodies	0	0	0	0	(322)	(250)	0	0	<b>(572)</b>
<b>At 31 March 2011</b>	<b>29,889</b>	<b>587,993</b>	<b>3,581</b>	<b>15,384</b>	<b>208,513</b>	<b>10,780</b>	<b>404,055</b>	<b>83,978</b>	<b>1,344,173</b>
<b>Net book value at 31 March 2010 comprises:</b>									
Purchased	1,734,685	4,756,893	26,492	198,653	151,341	5,728	277,080	93,251	<b>7,244,123</b>
Donated	9,202	75,689	0	3,544	6,918	145	141	1,509	<b>97,148</b>
Government Granted	1,998	29,643	0	104	254	0	622	272	<b>32,893</b>
<b>Net book value at 31 March 2011</b>	<b>1,745,885</b>	<b>4,862,225</b>	<b>26,492</b>	<b>202,301</b>	<b>158,513</b>	<b>5,873</b>	<b>277,843</b>	<b>95,032</b>	<b>7,374,164</b>
<b>Asset financing</b>									
Owned	1,621,311	3,054,449	25,748	202,301	150,823	5,873	277,781	90,013	<b>5,428,299</b>
Held on finance lease	7,783	172,416	744	0	6,140	0	59	4,874	<b>192,016</b>
On-SOFP PFI and LIFT contracts	113,791	1,625,431	0	0	1,550	0	3	145	<b>1,740,920</b>
PFI residual: interests	3,000	9,929	0	0	0	0	0	0	<b>12,929</b>
<b>Net book value at 31 March 2011</b>	<b>1,745,885</b>	<b>4,862,225</b>	<b>26,492</b>	<b>202,301</b>	<b>158,513</b>	<b>5,873</b>	<b>277,843</b>	<b>95,032</b>	<b>7,374,164</b>

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

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

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total	Total
	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2010-11 £000	2009-10 £000
At 1 April	651,337	773,209	10,269	16,544	2,507	2,723	4,758	<b>1,461,347</b>	1,860,799
Changes	(16,505)	43,722	1,868	(4,123)	(2,086)	(884)	(373)	<b>21,619</b>	(399,450)
<b>At 31 March</b>	<b>634,832</b>	<b>816,931</b>	<b>12,137</b>	<b>12,421</b>	<b>421</b>	<b>1,839</b>	<b>4,385</b>	<b>1,482,966</b>	<b>1,461,349</b>

## 11 Intangible Non-current assets

	Software purchased	Software internally generated	Licences and trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	£000
<b>2010-11</b>						
<b>Cost or valuation</b>						
At 1 April 2010	36,857	6,054	2,199	0	8,817	<b>53,927</b>
Adjustment for mergers	(22)	(11)	0	0	0	<b>(33)</b>
Restated at 1 April 2010	36,835	6,043	2,199	0	8,817	<b>53,894</b>
Additions – purchased	8,703	503	351	0	602	<b>10,159</b>
Additions – internally generated	0	0	0	0	0	<b>0</b>
Additions – donated	8	0	0	0	0	<b>8</b>
Additions – government granted	0	0	0	0	465	<b>465</b>
Reclassifications	2,540	(1,684)	0	0	0	<b>856</b>
Transferred to non-current assets held for sale	(202)	0	0	0	0	<b>(202)</b>
Disposals other than by sale	(1,195)	(628)	0	0	0	<b>(1,823)</b>
Revaluation gains	0	0	0	0	0	<b>0</b>
Impairments	(22)	0	0	0	0	<b>(22)</b>
Reversal of impairments	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	37	0	0	0	0	<b>37</b>
<b>At 31 March 2011</b>	<b>46,704</b>	<b>4,234</b>	<b>2,550</b>	<b>0</b>	<b>9,884</b>	<b>63,372</b>
<b>Amortisation</b>						
At 1 April 2010	17,937	3,008	1,119	0	7,644	<b>29,708</b>
Adjustment for mergers	(4)	1	0	0	0	<b>(3)</b>
Restated at 1 April 2010	17,933	3,009	1,119	0	7,644	<b>29,705</b>
Charged in year	7,318	827	406	0	213	<b>8,764</b>
Impairments	140	0	0	0	0	<b>140</b>
Reversal of Impairments	0	0	0	0	0	<b>0</b>
Reclassifications	696	(600)	0	0	0	<b>96</b>
Revaluation gains	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	0	0	0	0	0	<b>0</b>
Disposals other than by sale	(1,108)	(628)	0	0	0	<b>(1,736)</b>
Transferred to non-current assets held for sale	(120)	0	0	0	0	<b>(120)</b>
<b>At 31 March 2011</b>	<b>24,859</b>	<b>2,608</b>	<b>1,525</b>	<b>0</b>	<b>7,857</b>	<b>36,849</b>
<b>Net book value at 31 March 2011 comprises:</b>						
Purchased	21,837	1,626	1,024	0	1,022	<b>25,509</b>
Donated	8	0	1	0	0	<b>9</b>
Government Granted	0	0	0	0	1,005	<b>1,005</b>
<b>Net book value at 31 March 2011</b>	<b>21,845</b>	<b>1,626</b>	<b>1,025</b>	<b>0</b>	<b>2,027</b>	<b>26,523</b>

	Software purchased	Software internally generated	Licences and trademarks	Patents	Development expenditure	Total
2009-10	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 April 2009	27,278	5,146	1,503	0	7,599	<b>41,526</b>
Additions – purchased	9,288	1,407	611	0	511	<b>11,817</b>
Additions – internally generated	0	241	0	0	290	<b>531</b>
Additions – donated	0	0	0	0	0	<b>0</b>
Additions – government granted	0	0	0	0	441	<b>441</b>
Reclassifications	847	(739)	85	0	(24)	<b>169</b>
Transferred to non-current assets held for sale	0	0	0	0	0	<b>0</b>
Disposals other than by sale	(599)	0	0	0	0	<b>(599)</b>
Revaluation gains	72	0	0	0	0	<b>72</b>
Impairments	(29)	0	0	0	0	<b>(29)</b>
Reversal of impairments	0	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	0	(1)	0	0	0	<b>(1)</b>
<b>At 31 March 2010</b>	<b>36,857</b>	<b>6,054</b>	<b>2,199</b>	<b>0</b>	<b>8,817</b>	<b>53,927</b>
<b>Amortisation</b>						
At 1 April 2009	13,014	2,318	789	0	7,297	<b>23,418</b>
Charged in year	4,867	1,144	292	0	57	<b>6,360</b>
Impairments	73	0	0	0	290	<b>363</b>
Reversal of Impairments	0	0	0	0	0	<b>0</b>
Reclassifications	416	(454)	38	0	0	<b>0</b>
Revaluation gains	25	0	0	0	0	<b>25</b>
In year transfers to/from NHS bodies	(5)	0	0	0	0	<b>(5)</b>
Disposals other than by sale	(453)	0	0	0	0	<b>(453)</b>
Transferred to non-current assets held for sale	0	0	0	0	0	<b>0</b>
<b>At 31 March 2010</b>	<b>17,937</b>	<b>3,008</b>	<b>1,119</b>	<b>0</b>	<b>7,644</b>	<b>29,708</b>
<b>Net book value at 31 March 2010 comprises:</b>						
Purchased	18,917	3,046	1,079	0	554	<b>23,596</b>
Donated	0	0	1	0	0	<b>1</b>
Government Granted	3	0	0	0	619	<b>622</b>
<b>Net book value at 31 March 2010</b>	<b>18,920</b>	<b>3,046</b>	<b>1,080</b>	<b>0</b>	<b>1,173</b>	<b>24,219</b>

#### 11.1 Revaluation reserve balance for intangible assets

	Software purchased	Software internally generated	Licences and trademarks	Patents	Development expenditure	Total	
	2010-11	2010-11	2010-11	2010-11	2010-11	2010-11	2009-10
	£000	£000	£000	£000	£000	£000	£000
At 1 April	52	0	0	0	0	<b>52</b>	18
Changes	(43)	0	0	0	0	<b>(43)</b>	34
<b>At 31 March</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>52</b>

## 12 Impairments

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

## 13 Inventories

	Drugs £000	Consumables £000	Loan equipment £000	31 March 2011 Other £000	Total £000
At 1 April 2010	2,782	4,221	9,849	7,994	<b>24,846</b>
Adjustment for mergers	(66)	(179)	(2,889)	(745)	<b>(3,879)</b>
At 1 April 2010	2,716	4,042	6,960	7,249	<b>20,967</b>
Additions	15,524	11,104	7,767	15,265	<b>49,660</b>
Inventories recognised as an expense in the period	(16,497)	(11,054)	(7,272)	(14,760)	<b>(49,583)</b>
Write-down of inventories	0	(413)	(588)	(1,266)	<b>(2,267)</b>
Reversal of write-downs that reduced the expense	0	0	0	0	<b>0</b>
In year transfers to/from NHS bodies	(13)	13	277	(365)	<b>(88)</b>
<b>At 31 March 2011</b>	<b>1,730</b>	<b>3,692</b>	<b>7,144</b>	<b>6,123</b>	<b>18,689</b>

Of which held at net realisable value: **3,282**

### 14.1 Trade and other receivables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables	<b>311,285</b>	<b>2,164</b>	348,569	3,823
Other trade receivables	<b>292,911</b>	<b>13,980</b>	278,274	15,212
Provision for the impairment of receivables	14.3 <b>(46,062)</b>	<b>(1,053)</b>	(33,567)	(81)
Prepayments and accrued income	<b>304,326</b>	<b>17,256</b>	287,424	19,269
Deposits and Allowances	<b>0</b>	<b>0</b>	0	0
Finance lease receivables	<b>94</b>	<b>19,597</b>	181	9,574
Operating lease receivables	<b>2,148</b>	<b>0</b>	1,795	0
VAT	<b>42,696</b>	<b>0</b>	37,906	0
Other receivables	<b>90,039</b>	<b>19,226</b>	195,771	23,884
<b>Total</b>	<b>997,437</b>	<b>71,170</b>	1,116,353	71,681

### 14.2 Receivables past their due date but not impaired

	31 March 2011 £000	31 March 2010 £000
By up to three months	<b>210,021</b>	254,231
By three to six months	<b>39,509</b>	38,918
By more than six months	<b>66,339</b>	71,832
<b>Total</b>	<b>315,869</b>	364,981



## 14.3 Provision for impairment of receivables

	2010-11 £000	2009-10 £000
Balance at 1 April	<b>(33,648)</b>	(26,528)
Adjustment for mergers	<b>1,540</b>	0
Restated balance at 1 April	<b>(32,108)</b>	(26,528)
Amount written off during the year	<b>6,801</b>	3,860
Amount recovered during the year	<b>2,890</b>	4,443
(Increase)/decrease in receivables impaired	<b>(24,698)</b>	(15,423)
<b>Balance at 31 March</b>	<b>(47,115)</b>	(33,648)

## 15 Finance lease receivables

	Gross investments in leases 31 March 2011 £000	Present value of minimum lease payments 31 March 2011 £000	Gross investments in leases 31 March 2010 £000	Present value of minimum lease payments 31 March 2010 £000
<b>Amounts receivable under finance leases</b>				
Within one year	<b>416</b>	<b>94</b>	195	181
Between one and five years	<b>4,507</b>	<b>1,622</b>	944	886
After five years	<b>27,383</b>	<b>17,975</b>	9,785	8,688
Less future finance income	<b>(12,615)</b>		(1,169)	0
Present value of minimum lease payments	<b>19,691</b>	<b>19,691</b>	9,755	9,755
Less cumulative provision for uncollectable payments:	<b>0</b>	<b>0</b>	0	0
Total finance lease receivable recognised in the statement of financial position	<b>19,691</b>	<b>19,691</b>	9,755	9,755
Included in:				
Current finance lease receivables		<b>94</b>		181
Non-Current finance lease receivables		<b>19,597</b>		9,574
		<b>19,691</b>		9,755

The unguaranteed residual value accruing to the PCTs is £6,369,000.  
Future sublease payments expected to be received total £42,038,000.

## Rental revenue

	2010-11 £000	2009-10 £000
Contingent rent	<b>1,581</b>	1,601
Other	<b>2,049</b>	63
<b>Total rental revenue</b>	<b>3,630</b>	1,664

**16 Other financial assets**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Financial assets carried at fair value through profit and loss	125	2,885	125	6,571
Held to maturity investments at amortised cost	30	5,142	30	5,177
Available for sale financial assets carried at fair value	2,940	16,837	2,283	14,008
Loans carried at amortised cost	3,532	15,431	210	12,844
<b>Total</b>	<b>6,627</b>	<b>40,295</b>	<b>2,648</b>	<b>38,600</b>

**17 Other current assets**

	<b>31 March 2011 £000</b>	31 March 2010 £000
EU Emissions Trading Scheme Allowance	0	0
Other Assets	1,179	4,551
<b>Total</b>	<b>1,179</b>	<b>4,551</b>

**18 Cash and cash equivalents**

	<b>31 March 2011 £000</b>	31 March 2010 £000
Balance at 1 April	18,610	16,623
Adjustment for mergers	(419)	0
Restated balance at 1 April	18,191	16,623
Net change in year	3,432	1,987
<b>Balance at 31 March</b>	<b>21,623</b>	<b>18,610</b>
<b>Made up of</b>		
Cash with the Government banking service	18,323	17,323
Commercial banks and cash in hand	3,300	1,287
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>21,623</b>	<b>18,610</b>
Bank overdraft	(4,173)	(3,624)
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>17,450</b>	<b>14,986</b>

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

	Land	Buildings, including dwellings	Other property, plant and equipment	Intangible assets	Total
	£000	£000	£000	£000	£000
Amount brought forward at 1 April 2010	52,667	33,078	5	0	85,750
Adjustment for mergers	0	0	0	0	0
Restated amount brought forward at 1 April 2010	52,667	33,078	5	0	85,750
Assets classified as held for sale in year	38,618	33,278	5,130	82	77,108
Assets sold in year	(44,520)	(30,123)	(4,460)	(82)	(79,185)
Impairments of assets held for sale	(1,815)	(5,088)	(1)	0	(6,904)
Reversal of impairments of assets held for sale	1,162	1,667	0	0	2,829
Assets no longer held for sale (for reasons other than by sale)	(3,834)	(5,793)	0	0	(9,627)
<b>Balance carried forward at 31 March 2011</b>	<b>42,278</b>	<b>27,019</b>	<b>674</b>	<b>0</b>	<b>69,971</b>
<b>Associated liabilities at 31 March 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amount brought forward at 1 April 2009	29,492	36,810	94	0	66,396
Assets classified as held for sale in year	40,835	36,137	74	0	77,046
Assets sold in year	(13,696)	(29,368)	(162)	0	(43,226)
Impairments of assets held for sale	(2,002)	(5,486)	(1)	0	(7,489)
Reversal of impairments of assets held for sale	472	61	0	0	533
Assets no longer held for sale (for reasons other than by sale)	(2,434)	(5,076)	0	0	(7,510)
<b>Balance carried forward at 31 March 2010</b>	<b>52,667</b>	<b>33,078</b>	<b>5</b>	<b>0</b>	<b>85,750</b>
<b>Associated liabilities at 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Details on individual cases are contained the underlying PCT accounts.

**20 Trade and other payables**

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Payments received on account	1,680	0	1,685	0
NHS payables	1,079,939	5,025	1,235,902	5,085
FHS Contractors	1,761,520	0	1,876,883	0
Other trade payables	924,413	421	924,536	509
Tax and Social Security Costs	92,234	0	113,504	0
VAT	4,678	0	1,291	0
Accruals and deferred income	1,404,996	0	1,364,955	0
Other Payables	228,586	25,476	277,072	34,811
<b>Total</b>	<b>5,498,046</b>	<b>30,922</b>	<b>5,795,828</b>	<b>40,405</b>

Other liabilities include £nil (2009-10: £91,000) in respect of payments due in future years under arrangements to buy out the liability for zero early retirements over five instalments; and £26,769,000 (2009-10: £39,720,000) in respect of outstanding pensions contributions at 31 March 2011.

**21 Borrowings**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
Bank overdrafts-OPG	<b>1,977</b>	<b>0</b>	3,425	0
Bank overdrafts-Commercial accounts	<b>2,196</b>	<b>0</b>	199	0
PFI/LIFT liabilities	<b>50,162</b>	<b>1,898,283</b>	43,678	1,744,460
PFI liabilities – lifecycle replacement received in advance	<b>0</b>	<b>213</b>	0	221
LIFT liabilities – lifecycle replacement received in advance	<b>0</b>	<b>0</b>	419	15,023
Finance lease liabilities	<b>89,029</b>	<b>128,682</b>	41,026	208,165
Other	<b>0</b>	<b>9,826</b>	0	10,110
<b>Total</b>	<b>143,364</b>	<b>2,037,004</b>	88,747	1,977,979

**22 Other liabilities**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
PFI/LIFT deferred credit	<b>0</b>	<b>0</b>	85	867
Lease incentives	<b>183</b>	<b>2,749</b>	0	534
Other payables	<b>19,189</b>	<b>8,911</b>	23,485	15,835
<b>Total</b>	<b>19,372</b>	<b>11,660</b>	23,570	17,236

**23 Provisions**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
Pensions relating to former directors	<b>519</b>	<b>3,802</b>	619	5,000
Pensions relating to other staff	<b>25,743</b>	<b>197,647</b>	27,597	222,119
Legal claims	<b>13,874</b>	<b>17,614</b>	9,398	19,107
Restructurings	<b>10,487</b>	<b>4,519</b>	12,493	2,304
Redundancy <sup>1</sup>	<b>73,182</b>	<b>4,419</b>	0	0
Continuing care	<b>57,963</b>	<b>19,832</b>	44,007	14,208
Other (specify)	<b>61,936</b>	<b>53,837</b>	46,959	54,048
<b>Total</b>	<b>243,704</b>	<b>301,670</b>	141,073	316,786

1 Redundancy was collected separately for the first time in 2010-11

	<b>Pensions relating to former directors</b>	<b>Pensions relating to other staff</b>	<b>Legal claims</b>	<b>Restructurings</b>	<b>Redundancy</b>	<b>Continuing Care</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2010	5,619	249,716	28,505	14,797	0	58,217	101,005	<b>457,859</b>
Adjustment for mergers	0	(808)	(160)	(1,934)	0	(6)	(892)	<b>(3,800)</b>
Restated at 1 April 2010	5,619	248,908	28,345	12,863	0	58,211	100,113	<b>454,059</b>
Arising during the year	140	23,970	11,471	12,310	78,677	54,552	55,950	<b>237,070</b>
Used during the year	(860)	(49,443)	(4,852)	(4,878)	(4,416)	(13,733)	(23,054)	<b>(101,236)</b>
Reversed unused	(746)	(5,017)	(2,651)	(2,271)	(697)	(21,299)	(16,916)	<b>(49,597)</b>
Unwinding of discount	196	5,819	77	36	37	63	719	<b>6,947</b>
Transfers in year	(6)	582	(902)	(3,054)	4,000	1	(958)	<b>(337)</b>
Change in discount rate	(22)	(1,429)	0	0	0	0	(81)	<b>(1,532)</b>
<b>At 31 March 2011</b>	<b>4,321</b>	<b>223,390</b>	<b>31,488</b>	<b>15,006</b>	<b>77,601</b>	<b>77,795</b>	<b>115,773</b>	<b>545,374</b>

**Expected timing of cash flows**

No later than one year	519	26,044	13,874	10,487	73,182	57,963	62,039	<b>244,108</b>
Later than one year and no later than five years	1,894	95,296	7,540	3,848	2,872	16,861	28,577	<b>156,888</b>
Later than five years	1,908	102,050	10,074	671	1,547	2,971	25,157	<b>144,378</b>

£137,497,000 is included in the provisions of the NHS Litigation Authority at 31 March 2011 in respect of clinical negligence liabilities of the PCTs (31 March 2010 £101,904,000).

**24 Other financial liabilities**

	<b>Current 31 March 2011</b>	<b>Non-current 31 March 2011</b>	<b>Current 31 March 2010</b>	<b>Non-current 31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial Liabilities at Fair Value through Profit and Loss	<b>1,075</b>	<b>670</b>	229	741
<b>Total</b>	<b>1,075</b>	<b>670</b>	229	741

**25 Contingencies**

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
<b>Contingent liabilities</b>		
Contingent liabilities	<b>(48,929)</b>	(47,121)
Amounts recoverable	<b>133</b>	128
<b>Net value of contingent liabilities</b>	<b>(48,796)</b>	(46,993)
<b>Contingent assets</b>	<b>48,936</b>	44,416

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

The contingent liabilities are mainly in respect of continuing care liabilities.

**26 Commitments***26.1 Capital commitments*

	<b>31 March 2011</b> <b>£000</b>	31 March 2010 £000
Property, plant and equipment	<b>138,407</b>	245,313
Intangible assets	<b>294</b>	0
<b>Total</b>	<b><u>138,701</u></b>	<u>245,313</u>

*26.2 Other financial commitments*

	<b>31 March 2011</b> <b>£000</b>	31 March 2010 £000
Expire within one year	<b>53,244</b>	47,229
Expire within two to five years	<b>83,563</b>	119,706
Expire thereafter	<b>20,539</b>	12,507
<b>Total</b>	<b><u>157,346</u></b>	<u>179,442</u>

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

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
	<b>31 March 2011</b> <b>£000</b>	<b>31 March 2011</b> <b>£000</b>	31 March 2010 £000	31 March 2010 £000
Within one year	<b>87,224</b>	<b>80,369</b>	49,500	43,160
Between one and five years	<b>90,607</b>	<b>70,464</b>	163,692	137,576
After five years	<b>133,433</b>	<b>56,320</b>	141,791	57,759
Less future finance charges	<b><u>(104,111)</u></b>	<b><u>0</u></b>	<u>(116,488)</u>	<u>0</u>
Present value of minimum lease payments	<b><u>207,153</u></b>	<b><u>207,153</u></b>	<u>238,495</u>	<u>238,495</u>
Included in:				
Current borrowings		<b>80,369</b>		39,474
Non-current borrowings		<b><u>126,784</u></b>		<u>199,021</u>
		<b><u>207,153</u></b>		<u>238,495</u>

## 27.2 Amounts payable under finance leases: Land

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
	<b>31 March 2011 £000</b>	<b>31 March 2011 £000</b>	31 March 2010 £000	31 March 2010 £000
Within one year	<b>202</b>	<b>30</b>	750	750
Between one and five years	<b>809</b>	<b>162</b>	0	0
After five years	<b>3,185</b>	<b>1,198</b>	0	0
Less future finance charges	<b>(2,806)</b>	<b>0</b>	0	0
Present value of minimum lease payments	<b><u>1,390</u></b>	<b><u>1,390</u></b>	<u>750</u>	<u>750</u>
Included in:				
Current borrowings		<b>30</b>		750
Non-current borrowings		<b>1,360</b>		0
		<b><u>1,390</u></b>		<u>750</u>

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

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
	<b>31 March 2011 £000</b>	<b>31 March 2011 £000</b>	31 March 2010 £000	31 March 2010 £000
Within one year	<b>8,866</b>	<b>8,630</b>	1,321	1,093
Between one and five years	<b>680</b>	<b>538</b>	9,524	8,853
After five years	<b>0</b>	<b>0</b>	0	0
Less future finance charges	<b>(378)</b>	<b>0</b>	(899)	0
Present value of minimum lease payments	<b><u>9,168</u></b>	<b><u>9,168</u></b>	<u>9,946</u>	<u>9,946</u>
Included in:				
Current borrowings		<b>8,630</b>		802
Non-current borrowings		<b>538</b>		9,144
		<b><u>9,168</u></b>		<u>9,946</u>

Future non-cancellable sublease payments expected to be received total £42,038,000 (prior year £33,060,000).

Contingent rents recognised as an expense £276,000 (prior year £655,000).

## 28 PFI and NHS LIFT Schemes

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

In this financial year, 2 PCTs reported off-Statement of Financial Position LIFT schemes (2009-10: 2 PCTs). The estimated capital value of these schemes is £5,682,000 (2009-10: £5,894,000). The assets which make up this capital value are not assets of the PCTs. The amount included within operating expenses for these schemes is £804,000 (2009-10: £1,093,000).

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

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

In this financial year, 79 PCTs reported on-Statement of Financial Position LIFT schemes (2009-10: 76 PCTs). The assets of these schemes are treated as assets of the PCTs. The substance of each contract is that the PCT has a finance lease and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for these schemes is £43,813,000 (2009-2010: £36,354,000).

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

Total obligations for on-Statement of Financial Position NHS LIFT contracts due:

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
Not later than one year	<b>125,368</b>	106,051
Later than one year, not later than five years	<b>508,734</b>	431,737
Later than five years	<b>2,623,312</b>	2,387,227
Sub total	<b><u>3,257,414</u></b>	<u>2,925,015</u>
Less: interest element	<b>(1,832,124)</b>	(1,679,541)
<b>Total</b>	<b><u>1,425,290</u></b>	<u>1,245,474</u>

### 28.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-Statement of financial position NHS LIFT contracts and the service element of on-statement of financial position NHS LIFT contracts was £44,677,000 (2009-2010: £37,514,000).

The PCT is committed to the following annual charges:

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
<b>NHS LIFT scheme expiry date</b>		
Not later than one year	<b>45,563</b>	20,012
Later than one year, not later than five years	<b>200,693</b>	79,606
Later than five years	<b>1,162,093</b>	1,092,562
<b>Total</b>	<b><u>1,408,349</u></b>	<u>1,192,180</u>

The method of reporting the payments to which PCTs are committed has changed. In 2009-10 the requirement was to display the total amount committed in the period in which the agreement expired, in 2010-11 the requirement is to show the commitment as it falls due. The phasing of payments is therefore not comparable.



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

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

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

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

In this financial year, 28 PCTs reported on-Statement of Financial Position PFI schemes (2009-2010: 28 PCTs). The assets of these schemes are treated as assets of the PCTs. The substance of each contract is that the PCT has a finance lease and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for these schemes is £30,995,000 (2009-2010: £29,256,000).

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

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

	<b>31 March 2011</b> <b>£000</b>	31 March 2010 £000
Not later than one year	<b>42,666</b>	44,883
Later than one year, not later than five years	<b>167,682</b>	176,373
Later than five years	<b>807,742</b>	937,989
Sub total	<b>1,018,090</b>	1,159,245
Less: interest element	<b>(488,778)</b>	(616,581)
<b>Total</b>	<b>529,312</b>	542,664

#### 28.6 Charges to expenditure

The total charged in the year to expenditure in respect of off-Statement of financial position PFI contracts and the service element of on-Statement of financial position PFI contracts was £31,445,000 (2009-10: £33,650,000).

The PCT is committed to the following annual charges:

	<b>31 March 2011</b> <b>£000</b>	31 March 2010 £000
<b>PFI scheme expiry date</b>		
Not later than one year	<b>30,025</b>	9,150
Later than one year, not later than five years	<b>126,344</b>	36,153
Later than five years	<b>806,243</b>	674,442
<b>Total</b>	<b>962,612</b>	719,745

The method of reporting the payments to which PCTs are committed has changed. In 2009-10 the requirement was to display the total amount committed in the period in which the agreement expired, in 2010-11 the requirement is to show the commitment as it falls due. The phasing of payments is therefore not comparable.

**29 Movements in working capital**

	2010-11 £000	2009-10 £000
(Increase)/decrease in inventories	2,072	(1,879)
(Increase)/decrease in receivables	134,473	25,651
Increase/(decrease) in payables	(269,711)	353,559
Increase/(decrease) in other current assets	3,233	19,404
Increase/(decrease) in other liabilities	2,432	(68,149)
<b>Total</b>	<b>(127,501)</b>	<b>328,586</b>

**30 Adjustments for non cash transactions**

	2010-11 £000	2009-10 £000
Depreciation	339,814	338,287
Amortisation	8,764	6,360
Impairments and reversals	188,331	582,709
Cost of Capital Charge <sup>1</sup>	0	21,455
Net foreign exchange gains/(losses)	(12)	(0)
Transfer from donated asset reserve	(4,981)	(7,344)
Transfer from government grant reserve	(1,379)	(1,859)
Non Cash movement in provisions	184,031	27,968
Release of PFI deferred credit	(426)	(2,988)
<b>Total</b>	<b>714,142</b>	<b>964,588</b>

1 A capital charge of 3.5 per cent of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 figures.

**31 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 PCTs are met through Parliamentary Funding, financial instruments play a more limited role in creating risk that would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the PCTs' expected purchase and usage requirements and the PCTs are therefore exposed to little credit, liquidity or market risk.

*Currency risk*

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

*Interest rate risk*

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

*Credit risk*

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

*Liquidity risk*

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

**32 Related party transactions**

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

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

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

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

**33 Third party assets**

PCTs held £2,341,000 cash and cash equivalents at 31 March 2011 on behalf of patients (£3,237,000 at 31 March 2010). This is not an asset of the PCTs and has been excluded from the balances reported in the Summarised Account.

**34 Intra-Government balances**

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	53,638	2,067	164,117	93
Balances with Local Authorities	160,421	0	240,118	235
Balances with NHS Trusts and Foundation Trusts	289,926	684	1,015,505	4,950
Balances with Public Corporations and Trading Funds	4,969	0	12,786	0
<b>Intra Government balances</b>	<b>508,954</b>	<b>2,751</b>	<b>1,432,526</b>	<b>5,278</b>
Balances with bodies external to government	488,483	68,419	4,071,781	19,383
<b>At 31 March 2011</b>	<b>997,437</b>	<b>71,170</b>	<b>5,504,307</b>	<b>24,661</b>
Balances with other Central Government Bodies	54,820	3,334	189,613	103
Balances with Local Authorities	132,807	12,920	198,839	1,572
Balances with NHS Trusts and Foundation Trusts	281,415	9,934	1,168,958	4,982
Balances with Public Corporations and Trading Funds	38,464	0	93,411	0
<b>Intra Government balances</b>	<b>507,506</b>	<b>26,188</b>	<b>1,650,821</b>	<b>6,657</b>
Balances with bodies external to government	608,847	45,493	4,145,007	33,748
<b>At 31 March 2010</b>	<b>1,116,353</b>	<b>71,681</b>	<b>5,795,828</b>	<b>40,405</b>

### **35 Losses and special payments**

The total number of losses cases in PCTs in 2010-11 was 6,779, involving a total loss of £4,107,000 (2009-10: 36,776 cases and £2,983,000).

The total number of special payments in PCTs in 2010-11 was 753, involving a total loss of £7,592,000 (2009-10 1,669 cases and £4,061,000).

In 2010-11, there was one case over £250,000 (2009-10: three cases). North Staffordshire PCT made a payment of £722,000 to NHS Pensions relating to the settlement of a capitalised pension.

### **36 Events after the reporting period**

Implementation of the Government's reform programme in the NHS remains subject to the successful passage of the Health and Social Care Bill through Parliament. The timing of passage depends on the Parliamentary process. Following its response to the recommendations made in the NHS Future Forum's report, the Department of Health published a revised Impact Assessment relating to the Health and Social Care Bill on 8 September. The precise costs of reform, especially at the level of individual NHS organisations, will become more certain as those reforms are implemented through the health and social care systems.

These accounts were authorised for issue on 11 October 2011

# NHS Trust Summarised Account

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

Section 232 of schedule 15 of the National Health Service Act 2006 requires the Secretary of State to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. The accounts are prepared on behalf of the Secretary of State by the Accounting Officer on an accruals basis and must give a true and fair view of the state of affairs of NHS Trusts at the year end and their income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

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

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

# Statement on Internal Control 2010-11

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

## Scope of responsibility

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

## Purpose of the system of internal control

3 The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. The extent to which NHS Trusts had these processes in place during the financial year 2010-11 and up to the dates of the approval of their annual reports and accounts is set out in the analysis below.

## Capacity to handle risk

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

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

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

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

## The risk and control framework

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

9 For 2010-11 all NHS Trusts were required to have in place Assurance Frameworks that set out the strategic and high level directorate objectives mapped to the key risks, the controls in place to manage them and to describe how the board has gained assurance that the controls are effective. As part of this process NHS Trusts were required to identify gaps in controls and/or assurance arrangements and provide evidence that these had been or were being addressed.

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

- 10 NHS Trusts described their own Assurance Frameworks in their Statements on Internal Control (SICs). They also provided a range of comments on their risk management processes in planning and across all activities, developing a risk management culture and how they share information across the local health economy.
- 11 In view of the importance of information governance and security across the public sector, the NHS has policies and procedures to provide assurances regarding the processing of person identifiable information, particularly in the transfer of information within organisations and to outside locations. All NHS organisations:
  - identify a Senior Information Risk Owner at Board level;
  - explicitly include how risks to information are being managed and controlled in their annual statements on internal control; and
  - include details of any serious untoward incidents involving data loss or confidentiality breach in their annual reports.
- 12 Strategic Health Authorities (SHAs) made an independent assessment of the quality of the NHS Trusts' Assurance Frameworks against a number of criteria and this showed that at 31st March 2011<sup>2</sup>:
  - 100 per cent (107) of NHS Trusts were providing evidence that a system of internal control was in place; and
  - 98 per cent (105) of NHS Trusts had their system of internal control in place for the entire year.
- 13 This represents a small decrease compared with the 2009-10 position when 99 per cent of NHS Trusts provided evidence that system of internal control was in place for the entire year.
- 14 SHAs performance managed the ongoing development of NHS Trusts' Assurance Frameworks and the actions taken by the NHS Trusts to address any significant gaps in control or assurance.

## Review of effectiveness

- 15 I draw my major source of assurance on the NHS Trusts' systems of internal control from SICs, signed by Accountable Officers in support of the accounts for each NHS Trust, that have been summarised by the SHAs.
- 16 Each NHS trust has its own Head of Internal Audit who gives an opinion on the organisation's system of internal control. These opinions are drawn on by NHS trusts in their SICs that are included in their annual reports.
- 17 The SICs are subject to scrutiny by auditors appointed by the Audit Commission who comment if the statement is misleading or inconsistent with other information of which they are aware from their audit.
- 18 I have gained further assurance from reports from SHA Chief Executives that confirm whether NHS Trusts' Assurance Frameworks, that provide much of the evidence in support of the Accountable Officers' statements, are fit for purpose. The SHA Chief Executives also highlighted any issues they considered to be of a scale or nature to warrant singular attention or represented system-wide issues.
- 19 SHA Chief Executives reported if there were inconsistencies between each NHS Trust SIC and:
  - the external audit opinion;
  - evidence from the SHA performance management reviews; and
  - the NHS Trust head of internal audit opinion.
- 20 I have carried out sample checks of the analysis of the NHS Trusts' Assurance Frameworks and SICs prepared by the SHAs. There is nothing that leads me to believe that these do not reflect the underlying position.

<sup>2</sup> At the time of drafting, South London Healthcare NHS Trust had not submitted its accounts and is excluded from these percentages. NHS Direct NHS Trust is also excluded.



- 21 Accountable Officers gain their assurances from a range of sources. These include:
- executive managers who have responsibility for the development and maintenance of the system of internal control;
  - the work of their internal auditors, who work to the NHS Internal Audit Standards;
  - other internal reviewers, for example clinical auditors;
  - external reviewers including the Care Quality Commission and external audit; and
  - audit committees, risk management committees, governance committees and other board committees.
- 22 The SHA Chief Executives' reports recorded the following inconsistencies:
- one trust did not disclose in its SIC that it had failed the break-even duty.
- 23 I also gain assurance from reports made by the Audit Commission on the work of the auditors they have appointed at NHS bodies and the national reports made by the National Audit Office on NHS issues. I am aware that the appointed auditors for ten NHS Trusts issued a referral to the Secretary of State in respect of their financial situation.

### Significant Control Issues

- 24 My review of effectiveness concluded that 73 NHS Trusts disclosed a total of 299 significant control issues in their SICs. Of these, 128 were for failures to meet CQC's Essential Standards, 27 for breaches of the Vital Signs targets, 55 for data security incidents and 40 for financial performance issues. There were a further 50 significant control issues disclosed for other, uncategorized issues, such as backlogged maintenance, performing poorly in patient surveys and receiving limited assurance from internal audit reports. In all cases remedial action has or is being taken.
- 25 The Department failed to meet the Treasury timetable to publish the NHS Summarised Accounts before Parliament rose for the summer. The delay was due to a number of factors, none of which I consider individually to represent a significant internal control problem. Nevertheless, I consider the delay to laying the NHS Summarised Accounts, resulting from the cumulative impact of these factors, to represent a significant control problem. Each one of the individual issues is being addressed, and the Department is undertaking a lessons learnt review with the advice and assistance of the NAO to ensure that the 2011-12 NHS Summarised Accounts are published by the agreed date.

### Conclusion

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

*Sir David Nicholson KCB CBE*  
Accounting Officer

4 October 2011

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

I certify that I have audited the financial statements of the NHS Trusts for the year ended 31 March 2011 under the National Health Service Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Secretary of State, Accounting Officer and auditor

As explained more fully in the Statement of Secretary of State and Accounting Officer's Responsibilities, the Secretary of State and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Health Service Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the NHS Trusts' affairs as at 31 March 2011, and of the retained surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

11 October 2011

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

## Statement of Comprehensive Income for the year ended 31 March 2011

	2010-11		2009-10	
	Before Impairments £000	After Impairments £000	Before Impairments £000	After Impairments £000
<b>Revenue</b>				
Revenue from patient care activities	26,196,647	26,196,647	25,299,419	25,299,419
Other operating revenue	3,052,806	3,052,806	3,078,702	3,078,702
Operating expenses	(28,426,898)	(28,891,948)	(27,448,623)	(28,998,355)
<b>Operating (deficit)/surplus</b>	<b>822,555</b>	<b>(465,050)</b>	<b>929,498</b>	<b>(620,234)</b>
<b>Finance costs:</b>				
Investment revenue	9,432	9,432	8,780	8,780
Other gains and (losses)	(371)	(371)	3,437	3,437
Finance costs	(301,514)	(301,514)	(273,147)	(273,147)
<b>(Deficit)/surplus for the financial year</b>	<b>530,102</b>	<b>(465,050)</b>	<b>668,568</b>	<b>(881,164)</b>
Public dividend capital dividends payable	(432,198)	(432,198)	(503,952)	(503,952)
<b>Retained surplus/(deficit) for the year</b>	<b>97,904</b>	<b>(367,146)</b>	<b>164,616</b>	<b>(1,385,116)</b>
<b>Other comprehensive income</b>				
Impairments and reversals	0	(141,640)	0	(2,347,381)
Gains on revaluations	302,592	302,592	960,177	960,177
Receipt of donated/government granted assets	89,679	89,679	80,273	80,273
Net gain/(loss) on other reserves	0	0	(9,541)	(9,541)
Net gains/(losses) on available for sale financial assets	72	72	0	0
Movement in other reserves	3,258	3,258	0	0
Reclassification adjustments				
– Transfers from donated and government grant reserves	(50,611)	(50,611)	(81,507)	(81,507)
– On disposal of available for sale financial assets	0	0	(137)	(137)
<b>Total comprehensive income for the year</b>	<b>442,894</b>	<b>(606,690)</b>	<b>1,113,881</b>	<b>(2,783,232)</b>

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

## Statement of Financial Position as at 31 March 2011

		31 March 2011 £000	31 March 2010 £000	Merger adjustments 31 March 2010 £000	Restated balances 31 March 2010 £000
Note					
<b>Non-current assets</b>					
	Property, plant and equipment	12 <b>18,438,750</b>	18,284,057	4,587	<b>18,288,644</b>
	Intangible assets	13 <b>148,204</b>	120,421	33	<b>120,454</b>
	Investment property	14 <b>13,412</b>	12,952	0	<b>12,952</b>
	Financial assets	18 <b>82</b>	3,031	0	<b>3,031</b>
	Trade and other receivables	17.1 <b>216,018</b>	232,591	258	<b>232,849</b>
	<b>Total non-current assets</b>	<b>18,816,466</b>	18,653,052	4,878	<b>18,657,930</b>
<b>Current assets</b>					
	Inventories	16 <b>389,185</b>	390,753	3,368	<b>394,121</b>
	Trade and other receivables	17.1 <b>1,326,728</b>	1,431,391	82,554	<b>1,513,945</b>
	Other financial assets	18 <b>82</b>	259	0	<b>259</b>
	Other current assets	19 <b>1,277</b>	1,038	0	<b>1,038</b>
	Cash and cash equivalents	20 <b>847,583</b>	735,187	427	<b>735,614</b>
		<b>2,564,855</b>	2,558,628	86,349	<b>2,644,977</b>
	Non-current assets held for sale	21 <b>59,467</b>	33,334	0	<b>33,334</b>
	<b>Total current assets</b>	<b>2,624,322</b>	2,591,962	86,349	<b>2,678,311</b>
	<b>Total assets</b>	<b>21,440,788</b>	21,245,014	91,227	<b>21,336,241</b>
<b>Current liabilities</b>					
	Trade and other payables	22 <b>2,557,883</b>	2,596,185	80,958	<b>2,677,143</b>
	Borrowings	23 <b>287,452</b>	263,050	0	<b>263,050</b>
	Provisions	29 <b>146,860</b>	129,469	934	<b>130,403</b>
	Other liabilities	24 <b>18,047</b>	24,078	0	<b>24,078</b>
	<b>Net current (liabilities)</b>	<b>(385,920)</b>	(420,820)	4,457	<b>(416,363)</b>
	<b>Total assets less current liabilities</b>	<b>18,430,546</b>	18,232,232	9,335	<b>18,241,567</b>
<b>Non-current liabilities</b>					
	Trade and other payables	22 <b>62,775</b>	41,366	1,418	<b>42,784</b>
	Borrowings	23 <b>4,657,442</b>	3,876,588	0	<b>3,876,588</b>
	Provisions	29 <b>237,097</b>	263,118	0	<b>263,118</b>
	Other liabilities	24 <b>35,894</b>	58,791	0	<b>58,791</b>
	<b>Total assets employed</b>	<b>13,437,338</b>	13,992,369	7,917	<b>14,000,286</b>
<b>Financed by taxpayers' equity:</b>					
	Public dividend capital	<b>11,534,007</b>	11,747,218	3,606	<b>11,750,824</b>
	Retained earnings	<b>(2,382,570)</b>	(2,111,662)	(1,134)	<b>(2,112,796)</b>
	Revaluation reserve	<b>3,565,188</b>	3,652,664	70	<b>3,652,734</b>
	Donated asset reserve	<b>618,749</b>	606,227	125	<b>606,352</b>
	Government grant reserve	<b>25,153</b>	23,423	0	<b>23,423</b>
	Other reserves	<b>76,811</b>	74,499	5,250	<b>79,749</b>
	<b>Total taxpayers' equity</b>	<b>13,437,338</b>	13,992,369	7,917	<b>14,000,286</b>

Sir David Nicholson KCB CBE  
Accounting Officer

4 October 2011

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

## Statement of Changes in Taxpayers' Equity

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2009</b>	12,428,419	(1,079,469)	5,731,760	676,341	17,348	116,247	17,890,646
Transferred to Foundation Trusts 1 April 2009	(107,417)	(13,116)	(50,503)	(65)	(112)	755	(170,458)
Adjustment for Trust Mergers	43,552	236,230	(278,666)	0	0	(1,116)	0
Restated at 1 April 2009	12,364,554	(856,355)	5,402,591	676,276	17,236	115,886	17,720,188
<b>Changes in taxpayers' equity for 2009-10</b>							
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	(1,385,116)	0	0	0	0	(1,385,116)
Impairments and reversals	0	0	(2,289,699)	(53,744)	(3,938)	0	(2,347,381)
Gains on revaluation	0	0	936,503	23,429	245	0	960,177
Receipt of donated/government granted assets	0	0	0	68,187	12,086	0	80,273
Net gain/loss on other reserves	0	0	0	0	0	(9,541)	(9,541)
Reclassification adjustments:							
– transfer from donated asset/ government grant reserve	0	0	0	(79,902)	(1,605)	0	(81,507)
– Net gains/(losses) on available for sale financial assets	0	0	(137)	0	0	0	(137)
Other movements in reserves	0	(12)	9	(3)	0	0	(6)
Transfers between reserves	0	77,749	(77,594)	(17)	(18)	(120)	0
New PDC received	309,596	0	0	0	0	0	309,596
PDC repaid in year	(90,172)	0	0	0	0	0	(90,172)
Other movements in PDC in year	292	0	0	0	0	0	292
Transferred to Foundation Trusts in-year	(837,052)	52,072	(319,009)	(27,999)	(583)	(31,726)	(1,164,297)
<b>Balance at 31 March 2010</b>	11,747,218	(2,111,662)	3,652,664	606,227	23,423	74,499	13,992,369
<b>Balance at 1 April 2010</b>	11,747,218	(2,111,662)	3,652,664	606,227	23,423	74,499	13,992,369
Adjustment for mergers	3,606	(1,134)	70	125	0	5,250	7,917
Restated after mergers 1 April 2010	11,750,824	(2,112,796)	3,652,734	606,352	23,423	79,749	14,000,286
Transferred to Foundation Trusts 1 April 2010	(26,505)	(4,214)	(11,554)	(79)	0	5,751	(36,601)
Restated at 1 April 2010	11,724,319	(2,117,010)	3,641,180	606,273	23,423	85,500	13,963,685
<b>Changes in taxpayers' equity for 2010-11</b>							
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	(367,146)	0	0	0	0	(367,146)
Impairments and reversals	0	0	(131,939)	(9,983)	282	0	(141,640)
Gains on revaluation	0	0	296,836	5,790	(34)	0	302,592
Receipt of donated/government granted assets	0	0	0	86,197	3,482	0	89,679
Net gain/loss on other reserves	0	0	0	0	0	(1,238)	(1,238)
Reclassification adjustments:							
– transfer from donated asset/ government grant reserve	0	0	0	(49,437)	(1,174)	0	(50,611)
Other movements in reserves	0	9,031	(14,287)	275	(97)	0	(5,078)
Actuarial gains and losses	0	2,000	0	0	0	0	2,000
Transfers between reserves	0	88,177	(81,735)	(7,004)	(668)	1,229	(1)
New PDC received	294,387	0	0	0	0	0	294,387
PDC repaid in year	(59,947)	0	0	0	0	0	(59,947)
Transferred to Foundation Trusts in-year	(424,752)	2,378	(144,867)	(13,362)	(61)	(8,680)	(589,344)
<b>Balance at 31 March 2011</b>	11,534,007	(2,382,570)	3,565,188	618,749	25,153	76,811	13,437,338

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

## Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		357,505	(620,234)
Depreciation and amortisation		996,751	1,030,036
Impairments and reversals		465,050	1,549,802
Transfer from donated asset reserve		(49,437)	(79,902)
Transfer from government grant reserve		(1,174)	(1,605)
Interest paid		(290,890)	(262,907)
Dividends paid		(418,106)	(506,675)
(Increase) in inventories		(6,956)	(32,465)
Decreases/(increase) in trade and other receivables		147,489	(13,283)
(Decrease)/increase in other current assets		(7)	4,496
Increase in trade and other payables		(24,683)	186,171
(Decrease) in other current liabilities		(4,065)	(6,544)
Increase/(decrease) in provisions		5,948	(30,512)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1,177,425</b>	<b>1,216,378</b>
<b>Cash flows from investing activities</b>			
Interest received		7,399	8,469
(Payments) for property, plant and equipment		(1,313,751)	(1,525,897)
Proceeds from disposal of plant, property and equipment		71,756	100,197
(Payments) for intangible assets		(49,310)	(33,034)
Proceeds from disposal of intangible assets		166	464
(Payments) for investments with DH		(754,500)	(922,102)
(Payments) for other financial assets		(213)	(323,000)
Proceeds from disposal of investments with DH		754,500	922,102
Proceeds from disposal of other financial assets		0	323,000
Revenue from rental income		0	199
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,283,953)</b>	<b>(1,449,602)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(106,528)</b>	<b>(233,224)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		294,387	309,596
Public dividend capital repaid		(59,947)	(90,172)
Loans received from the DH		242,042	232,776
Other loans received		8,954	18,785
Loans repaid to the DH		(163,462)	(160,436)
Other loans repaid		(7,062)	(20,138)
Other capital receipts		85,645	48,167
Capital element of finance leases and PFI		(117,629)	(80,970)
<b>Net cash inflow/(outflow) from financing</b>		<b>282,928</b>	<b>257,608</b>
Cash transferred to Foundation Trusts in-year		(59,408)	(110,487)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>116,992</b>	<b>(86,103)</b>
<b>Cash, cash equivalents and bank overdrafts at the beginning of the financial year</b>		<b>725,450</b>	<b>820,803</b>
Adjustment for mergers		231	
Transferred to Foundation Trusts 1 April 2010		(4,407)	(9,250)
Restated at 1 April 2010		721,274	811,553
Effect of exchange rate changes on the balance of cash held in foreign currencies		(6)	0
<b>Cash, cash equivalents and bank overdrafts at the end of the financial year</b>	20	<b>838,260</b>	<b>725,450</b>

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

# Notes to the Accounts

## 1 Accounting policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the underlying and summarised financial statements have been prepared in accordance with the 2010-11 NHS Trusts 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. The particular policies adopted for the NHS Trusts Summarised Account are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Basis of consolidation

These accounts comprise a consolidation of 116 NHS trusts. Transactions between entities included in the consolidation are eliminated. Seven of these NHS trusts achieved Foundation Trusts status during the year, and figures are included for these seven trusts for the period they operated as NHS trusts only.

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

For 2010-11, in accordance with a divergence granted by HM Treasury, NHS trusts do not consolidate the NHS charitable funds for which they are the corporate trustee.

### 1.2 Accounting convention

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

### 1.3 Acquisitions and discontinued operations

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

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

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

### 1.5 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trusts is from commissioners for healthcare services.

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

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



## 1.6 Employee Benefits

### Short-term employee benefits

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

### Retirement benefit costs

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

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

## 1.7 Other expenses

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

## 1.8 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

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

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

### Valuation

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

Land and buildings used for a trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying

amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- land and non-specialised buildings – market value for existing use; and
- specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest. Revaluations by individual NHS trusts will have been carried out by various qualified valuers. The date of the latest revaluation and the name and details of the valuer are disclosed in the accounts of the underlying bodies.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment. Where there is an economic impairment the decrease is charged to expenditure, any balance in the revaluation reserve relating to this asset is transferred to retained earnings. All other impairments are charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

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

### **Subsequent expenditure**

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

## *1.9 Intangible assets*

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating

expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

### Measurement

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

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

#### 1.10 Depreciation, amortisation and impairments

Until 2009-10 the accounts included a FReM departure which had been agreed with HM Treasury, whereby the accumulated depreciation as at the end of the previous financial year was netted off against the cost of the asset brought forward as at the beginning of the current financial year, for the following classes of assets:

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

From 2010-11, NHS trusts are required to show gross values in respect of these classes of assets, unless assets have been revalued in the year. This change ensures consistency of presentation across the NHS and Department of Health. Where an asset has been revalued, the accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The adjustment to the 1 April 2010 brought-forward balances for both "cost or valuation" and "cumulative depreciation" elements of Note 12 shows the effects of the change in presentation and the elimination of cumulative depreciation related to revalued assets. It is not practicable to adjust 1 April 2009 comparative figures in this way because underlying data in respect of valuations and cumulative depreciation is not available for this date.

Properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount. Economic impairments are charged to expenditure, and the revaluation reserve balance for the asset is transferred to retained earnings. All other impairment losses are charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

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

- Buildings excluding dwellings: between 1 and 104 years;
- Dwellings: between 1 and 182 years;
- Plant and machinery: between 1 and 50 years;
- Transport equipment: between 1 and 20 years;
- Information technology: between 1 and 40 years;
- Fixtures and fittings: between 1 and 99 years;
- Software licences: between 1 and 15 years;
- Licences and trademarks: between 1 and 15 years;
- Patents: between 1 and 15 years; and
- Development expenditure: between 1 and 99 years.

#### *1.11 Donated assets*

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

#### *1.12 Government grants*

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

#### *1.13 Non-current assets held for sale*

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the

sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

#### *1.14 Leases*

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

##### **Trusts as lessee**

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

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

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

Where a lease is for land and buildings, the land and building components are separated and each component of the lease is assessed for accounting treatment.

##### **Trusts as lessor**

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

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

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

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

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

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

### **Services received**

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

### **PFI and LIFT Asset**

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

### **PFI and LIFT liability**

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

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

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

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

### **Lifecycle replacement**

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

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

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

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

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

## Other assets contributed by trusts to the operator

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

### 1.16 Inventories

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

### 1.17 Cash and cash equivalents

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

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

### 1.18 Provisions

Provisions are recognised when the trusts have a present legal or constructive obligation as a result of a past event, it is probable that the trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.9% for pension provisions and 2.2% for other provisions, in real terms. Prior to 2010-11 all provisions were discounted at 2.2%. Data is not collect at a national level that would quantify the effect of this change on future periods.

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

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

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

### 1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trusts pay an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contributions are charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trusts. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trusts is disclosed at note 29.

### 1.20 Non-clinical risk pooling

The trusts participate in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trusts pay an annual contribution to the NHS Litigation Authority and, in return,

receive assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

### *1.21 EU Emissions Trading Scheme*

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

### *1.22 Contingencies*

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

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

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

### *1.23 Financial assets*

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

Financial assets are initially recognised at fair value.

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

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

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

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

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

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

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



## Loans and receivables

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

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

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

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

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

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

### 1.24 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the trusts become party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

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

### Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of:

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

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

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

### Other financial liabilities

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

### 1.25 Value Added Tax

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

### 1.26 Foreign currencies

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

### 1.27 Third party assets

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

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

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

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as PDC dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Government banking services. The average carrying amount of assets is calculated, for each trust, as a simple average of opening and closing relevant net assets. Prior to 2009-10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts for each trust discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

### 1.29 Losses and Special Payments

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

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

### 1.30 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 Income 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.

### 1.31 Associates

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

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

### 1.32 Joint ventures

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

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

### 1.33 Joint operations

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

### 1.34 Pooled Budgets

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

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

The following standards and interpretations have been adopted by the European Union but are not required to be followed in 2010-11. None of them are expected to impact upon the trust summarised financial statements.

IAS 1 – Presentation of Financial Statements (amendment) – amendment to SOCTE presentation applicable for accounting periods beginning on or after 1 January 2011

IFRS 7 – Financial Instruments: Disclosures (amendment) – transfers of financial assets – effective 2012-13

IFRS 9 – Financial Instruments – applicable for accounting periods beginning on or after 1 January 2013

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments – applicable for accounting periods beginning on or after 1 July 2010

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

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

### 1.37 Transfer of Functions

The Treasury FReM notes that IFRS 3 Business Combinations excludes from its scope business combinations where entities are under common control. NHS bodies are required to apply merger accounting where a transfer of functions between NHS bodies or between NHS bodies and other public sector entities takes place. 15 Trusts have therefore accounted for the transfer of functions to, or from, another public sector entity by re-stating brought forward balances and 2010-11 transactions as if the transfer of functions had always been the case.

It is impracticable to re-state prior-period comparator figures in view of the degree of estimation and risk of mis-statement that would have attended re-statements of financial data by individual NHS bodies. Had such information been available, 2009-10 comparator figures in respect of, mainly, revenue for the provision of healthcare from PCTs would have increased, the corresponding adjustments would have been an increase in expenditure on employee benefits and supplies and services.

The provisions of IAS 1 Presentation of Financial Statements has been followed in presenting re-stated balances to the extent that this is possible. 1 April 2010 Statement of Financial Position balances and the opening balances of the Statement of Changes in Taxpayers' Equity, Notes 12, 13, 16, 20 and 29 have therefore been re-stated to show the position that would have applied at that date had the transfers of functions always been the case.

As per IAS 1, the detailed comparatives for the Statement of Changes in Taxpayers' Equity, Note 12, 13, 16, 17, 20, 22, and 29 have not been restated as this would be impractical.

## 2 Operating expenses

The NHS Trust accounts are segmented by Strategic Health Authority area as this is the way financial information is presented throughout the year to the NHS chief executive, who is considered to be the chief operating decision maker.

In order to reconcile the operating segment analysis to the reported figures in the primary statements it is necessary to show the elimination of inter trusts balances. These are balances between trusts that are included in the operating segments, but are eliminated in the reported figures to prevent double counting.

	Reconciling items to primary statements										Total £000			
	North East SHA £000	North West SHA £000	Yorkshire & Humber SHA £000	East Midlands SHA £000	West Midlands SHA £000	East of England SHA £000	London SHA £000	South East Coast SHA £000	South Central SHA £000	South West SHA £000		Total operating segments £000	NHS Direct £000	Inter-Trust Consolidation Elimination £000
Revenue	105,991	3,000,158	2,298,241	2,759,586	3,497,972	2,483,129	8,118,192	2,574,987	2,376,185	2,162,786	29,377,227	149,607	(277,381)	29,249,453
Interest revenue	20	522	1,021	789	1,088	1,201	3,835	290	385	231	9,382	50		9,432
Interest expenses	378	26,645	21,779	5,771	51,691	14,643	94,684	21,310	48,620	10,877	296,398	0		296,398
Depreciation and amortisation	7,060	94,541	82,633	93,760	111,838	68,694	273,661	80,054	96,114	84,091	992,446	4,305		996,751
<b>Retained surplus/(deficit) for the year before impairments</b>	<b>3,120</b>	<b>19,700</b>	<b>9,212</b>	<b>2,548</b>	<b>24,832</b>	<b>22,329</b>	<b>(34,692)</b>	<b>13,507</b>	<b>6,971</b>	<b>27,647</b>	<b>95,174</b>	<b>2,730</b>		<b>97,904</b>
Impairments and reversals charged to operating expenses	1,768	49,503	69,707	54,684	107,366	52,928	86,101	41,530	(15,117)	16,580	465,050	0		465,050
<b>Retained surplus/(deficit) for the year</b>	<b>1,352</b>	<b>(29,803)</b>	<b>(60,495)</b>	<b>(52,136)</b>	<b>(82,534)</b>	<b>(30,599)</b>	<b>(120,793)</b>	<b>(28,023)</b>	<b>22,088</b>	<b>11,067</b>	<b>(369,876)</b>	<b>2,730</b>		<b>(367,146)</b>
<b>Additions to non current assets</b>	<b>8,612</b>	<b>170,917</b>	<b>368,858</b>	<b>134,266</b>	<b>277,059</b>	<b>281,028</b>	<b>549,043</b>	<b>239,341</b>	<b>71,071</b>	<b>115,941</b>	<b>2,216,136</b>	<b>23,659</b>		<b>2,239,795</b>
<b>Total assets</b>	<b>55,216</b>	<b>1,986,195</b>	<b>1,722,972</b>	<b>1,941,054</b>	<b>2,450,310</b>	<b>1,449,089</b>	<b>6,799,013</b>	<b>1,659,218</b>	<b>1,955,927</b>	<b>1,425,380</b>	<b>21,444,374</b>	<b>60,269</b>		<b>21,440,788</b>
<b>Total liabilities</b>	<b>(14,448)</b>	<b>(842,671)</b>	<b>(904,117)</b>	<b>(359,779)</b>	<b>(1,076,839)</b>	<b>(556,063)</b>	<b>(2,421,204)</b>	<b>(545,565)</b>	<b>(976,993)</b>	<b>(343,829)</b>	<b>(8,041,508)</b>	<b>(25,802)</b>		<b>(63,855)</b>
														<b>63,855</b>
														<b>(8,003,450)</b>
<b>2009-10</b>														
Revenue	335,362	3,075,356	2,415,006	2,737,276	3,276,685	2,160,513	7,591,053	2,466,421	2,257,239	2,178,020	28,492,931	191,037	(305,847)	28,378,121
Interest revenue	149	523	1,614	700	692	480	3,533	353	368	299	8,711	69		8,780
Interest expenses	4,057	27,163	20,071	5,214	44,369	9,369	81,676	16,487	44,583	13,567	266,556	0		266,556
Depreciation and amortisation	12,593	104,762	84,985	91,459	127,111	70,298	270,738	87,704	95,547	81,830	1,027,027	3,009		1,030,036
<b>Retained surplus/(deficit) for the year before impairments</b>	<b>9,052</b>	<b>10,897</b>	<b>7,937</b>	<b>17,654</b>	<b>40,679</b>	<b>28,989</b>	<b>(2,738)</b>	<b>35,027</b>	<b>(10,835)</b>	<b>27,003</b>	<b>163,665</b>	<b>951</b>		<b>164,616</b>
Impairments and reversals charged to operating expenses	49,635	238,283	162,008	76,203	178,088	118,206	375,024	94,641	167,433	89,710	1,549,231	501		1,549,732
<b>Retained surplus/(deficit) for the year</b>	<b>(40,583)</b>	<b>(227,386)</b>	<b>(154,071)</b>	<b>(58,549)</b>	<b>(137,409)</b>	<b>(89,217)</b>	<b>(377,762)</b>	<b>(59,614)</b>	<b>(178,268)</b>	<b>(62,707)</b>	<b>(1,385,566)</b>	<b>450</b>		<b>(1,385,116)</b>
<b>Additions to non current assets</b>	<b>19,902</b>	<b>297,686</b>	<b>202,416</b>	<b>192,262</b>	<b>148,433</b>	<b>117,205</b>	<b>623,038</b>	<b>127,616</b>	<b>363,374</b>	<b>158,680</b>	<b>2,250,612</b>	<b>3,235</b>		<b>2,253,847</b>
<b>Total assets</b>	<b>53,002</b>	<b>2,131,782</b>	<b>1,625,136</b>	<b>2,015,970</b>	<b>2,303,668</b>	<b>1,410,500</b>	<b>6,541,347</b>	<b>1,770,784</b>	<b>1,958,919</b>	<b>1,449,584</b>	<b>21,260,692</b>	<b>48,597</b>		<b>21,245,014</b>
<b>Total liabilities</b>	<b>(14,106)</b>	<b>(829,728)</b>	<b>(687,100)</b>	<b>(377,020)</b>	<b>(892,620)</b>	<b>(403,067)</b>	<b>(2,245,313)</b>	<b>(445,809)</b>	<b>(1,013,912)</b>	<b>(391,391)</b>	<b>(7,300,066)</b>	<b>(16,854)</b>		<b>(7,252,645)</b>

### 3 Revenue

#### 3.1 Revenue from patient care activities

	2010-11 £000	2009-10 £000
Strategic health authorities	<b>302,363</b>	318,379
Primary care trusts	<b>25,028,127</b>	24,022,590
Foundation trusts	<b>95,721</b>	116,894
Local authorities	<b>191,847</b>	192,276
Department of Health	<b>66,384</b>	118,265
NHS other	<b>31,623</b>	43,472
Non-NHS:		
Private patients	<b>175,641</b>	190,283
Overseas patients (non-reciprocal)	<b>23,184</b>	17,036
Injury costs recovery	<b>108,329</b>	99,038
Other	<b>173,428</b>	181,186
<b>Total</b>	<b><u>26,196,647</u></b>	<b><u>25,299,419</u></b>

#### 3.2 Other Operating Revenue

	2010-11 £000	2009-10 £000
Patient transport services	<b>6,738</b>	7,701
Education, training and research	<b>1,653,260</b>	1,606,586
Charitable and other contributions to expenditure	<b>33,640</b>	33,302
Transfers from Donated Asset Reserve	<b>49,437</b>	79,902
Transfers from Government Grant Reserve	<b>1,174</b>	1,605
Non-patient care services to other bodies	<b>600,322</b>	612,995
Income generation	<b>225,824</b>	245,352
Rental revenue – finance lease	<b>19</b>	148
Rental revenue – operating lease	<b>46,577</b>	47,775
Other revenue	<b>435,815</b>	443,336
<b>Total</b>	<b><u>3,052,806</u></b>	<b><u>3,078,702</u></b>

**4 Operating expenses**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Services from PCTs	<b>149,609</b>	131,238
Services from other NHS bodies	<b>31,074</b>	26,197
Services from foundation trusts	<b>94,411</b>	83,463
Purchase of healthcare from non NHS bodies	<b>216,196</b>	199,563
Chair and non-exec Directors' costs <sup>1</sup>	<b>7,465</b>	114,908
Other employee benefits	<b>18,886,475</b>	18,059,957
Supplies and services – clinical	<b>4,260,026</b>	4,086,731
Supplies and services – general	<b>647,677</b>	632,081
Consultancy services	<b>117,605</b>	141,332
Establishment	<b>384,863</b>	379,728
Transport	<b>348,255</b>	320,225
Premises	<b>1,268,377</b>	1,184,337
Provision for impairment of receivables	<b>18,590</b>	19,565
Depreciation	<b>965,203</b>	1,004,184
Amortisation	<b>31,548</b>	25,852
Impairments and reversals of property, plant and equipment	<b>462,101</b>	1,543,515
Impairments and reversals of intangible assets	<b>19</b>	4,230
Impairments and reversals of financial assets	<b>0</b>	70
Impairments and reversals of non-current assets held for sale	<b>2,930</b>	1,987
Inventories write down	<b>7,275</b>	2,665
Audit fees <sup>2</sup>	<b>19,829</b>	20,214
Other auditor's remuneration	<b>5,835</b>	6,092
Clinical negligence	<b>414,343</b>	381,131
Research and development	<b>74,508</b>	67,104
Education and training	<b>96,419</b>	97,437
Other	<b>381,315</b>	464,549
<b>Total</b>	<b><u>28,891,948</u></b>	<u>28,998,355</u>

1 Details of the Chair and non-executive Directors' costs were separately identified for the first time in 2010-11. The figure shown for 2009-10 is Total Directors' costs, therefore the figures are not directly comparable.

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

## 5 Operating leases

### 5.1 As lessee

	2010-11 £000	2009-10 £000
<b>Payments recognised as an expense</b>		
Minimum lease payments	202,064	171,704
Contingent rents	280	186
Sub-lease payments	0	1,771
<b>Total</b>	<b>202,344</b>	<b>173,661</b>

	2010-11 £000	2009-10 £000
<b>Total future minimum lease payments</b>		
Payable:		
Not later than one year	148,572	127,127
Between one and five years	314,030	279,618
After 5 years	325,815	310,110
<b>Total</b>	<b>788,417</b>	<b>716,855</b>

2010-11  
£000

### Future minimum lease payments – land

Payable:	
Not later than one year	4,003
Between one and five years	8,089
After 5 years	42,514
<b>Total</b>	<b>54,606</b>

2010-11  
£000

### Future minimum lease payments – buildings

Payable:	
Not later than one year	64,508
Between one and five years	164,266
After 5 years	253,161
<b>Total</b>	<b>481,935</b>



	<b>2010-11</b>
	<b>£000</b>
<b>Future minimum lease payments – other</b>	
Payable:	
Not later than one year	<b>80,061</b>
Between one and five years	<b>141,675</b>
After 5 years	<b>30,140</b>
<b>Total</b>	<b><u>251,876</u></b>

Total future sub-lease payments expected to be received: £5,903,000 (2009-10 £5,495,000).  
The detailed disclosure provided for 2010-11 is not available for 2009-10.

## 5.2 As lessor

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Rental Revenue</b>		
Contingent rent	<b>10,365</b>	11,130
Other	<b>36,212</b>	36,645
<b>Total rental revenue</b>	<b><u>46,577</u></b>	<u>47,775</u>

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Total future minimum lease payments</b>		
Receivable:		
Not later than one year	<b>34,380</b>	32,465
Between one and five years	<b>77,181</b>	74,051
After 5 years	<b>171,798</b>	186,574
<b>Total</b>	<b><u>283,359</u></b>	<u>293,090</u>

## 6 Employee benefits and numbers

### 6.1 Employee benefits

	2010-11			2009-10		
	Total	Permanently Employed	Not Permanently Employed	Total	Permanently Employed	Not Permanently Employed
	£000	£000	£000	£000	£000	£000
Salaries and wages	15,977,472	14,397,300	1,580,172	15,441,924	13,864,500	1,577,424
Social Security Costs	1,187,730	1,163,233	24,497	1,136,839	1,114,463	22,376
Employer contributions to NHS Pension scheme	1,699,875	1,679,287	20,588	1,622,969	1,604,852	18,117
Other pension costs	3,659	3,407	252	5,295	4,886	409
Other employment benefits	125	125	0	2,957	2,649	308
Termination benefits	60,620	60,573	47	15,142	15,137	5
<b>Total</b>	<b>18,929,481</b>	<b>17,303,925</b>	<b>1,625,556</b>	<b>18,225,126</b>	<b>16,606,487</b>	<b>1,618,639</b>

Included in the figures below are 986 staff engaged on capital projects (2009-10 823), the cost of these staff is included in the figures above £44,856,000 (2009-10 £39,663,000).

### 6.2 Average number of people employed

	2010-11			2009-10		
	Total	Permanently Employed	Not Permanently Employed	Total	Permanently Employed	Not Permanently Employed
	Number	Number	Number	Number	Number	Number
Medical and dental	50,336	45,452	4,884	51,352	46,738	4,614
Ambulance staff	26,513	26,365	148	25,604	25,528	76
Administration and estates	98,714	92,000	6,714	100,095	92,611	7,484
Healthcare assistants and other support staff	69,103	62,423	6,680	65,937	59,557	6,380
Nursing, midwifery and health visiting staff	145,456	134,376	11,080	151,298	139,528	11,770
Nursing, midwifery and health visiting learners	1,560	1,301	259	3,147	2,829	318
Scientific, therapeutic and technical staff	60,172	58,047	2,125	56,738	54,397	2,341
Social care staff	284	170	114	562	183	379
Other	3,181	2,763	418	3,321	2,694	627
<b>Total</b>	<b>455,319</b>	<b>422,897</b>	<b>32,422</b>	<b>458,054</b>	<b>424,065</b>	<b>33,989</b>

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

## 6.3 Exit Packages for staff leaving in 2010-11

Exit package cost band (including any special payment element)	2010-11			2009-10		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number	Number	Number	Number
<£20,001	318	566	884	114	179	293
£20,001 – £40,000	172	175	347	58	21	79
£40,001 – £100,000	134	119	253	43	18	61
£100,001 – £150,000	32	14	46	13	4	17
£150,001 – £200,000	9	0	9	3	1	4
>£200,000	4	5	9	5	4	9
<b>Total number of exit packages by type</b>	<b>669</b>	<b>879</b>	<b>1,548</b>	236	227	463
<b>Total resource cost (£000s)</b>	<b>22,573</b>	<b>19,242</b>	<b>41,815</b>	8,837	4,178	13,015

Exit costs in this note are accounted for in full in the year of departure. Where the trust has agreed early retirements, the additional costs are met by the trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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

## 7 Pension costs

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

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

### a Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

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

## **b Accounting valuation**

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

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

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

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

## **c Scheme provisions**

The scheme is a 'final salary' scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

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

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

**8 Revenue**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
From rendering of services	<b>29,028,513</b>	28,158,244
From sale of goods	<b>149,144</b>	185,209

**9 Investment revenue**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest revenue:		
Bank accounts	<b>5,104</b>	5,442
Other loans and receivables	<b>2,853</b>	2,283
Impaired financial assets	<b>464</b>	0
Other financial assets	<b>1,011</b>	1,056
<b>Total</b>	<b>9,432</b>	8,780

**10 Other gains and losses**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
(Loss)/gain on disposal of property, plant and equipment	<b>(1,000)</b>	3,307
(Loss) on disposal of intangible assets	<b>(531)</b>	(25)
(Loss) on disposal of financial assets	<b>(234)</b>	0
Gain on investment properties	<b>0</b>	165
Net (loss) on foreign exchange	<b>(6)</b>	0
Change in fair value of financial assets carried at fair value through profit and loss	<b>38</b>	(10)
Change in fair value of financial liabilities carried at fair value through profit and loss	<b>1,362</b>	0
<b>Total</b>	<b>(371)</b>	3,437

**11 Finance Costs**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest on loans and overdrafts	<b>26,853</b>	27,875
Interest on obligations under finance leases	<b>11,709</b>	12,515
Interest on obligations under PFI and LIFT contracts	<b>257,112</b>	226,138
Interest on late payment of commercial debt	<b>111</b>	75
Other interest expense	<b>613</b>	(47)
<b>Total interest expense</b>	<b>296,398</b>	266,556
Other finance costs	<b>5,116</b>	6,591
<b>Total</b>	<b>301,514</b>	273,147

## 12.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	3,182,880	13,910,515	245,324	743,867	3,791,869	372,239	1,175,398	270,403	<b>23,692,495</b>
Transferred to Foundation Trusts 1 April 2010	(11,440)	(32,487)					(1,836)		<b>(45,763)</b>
Adjustment for mergers	0	1,335	0	0	6,646	321	1,553	1,425	<b>11,280</b>
Adjustment to show revalued assets at net book value	(62,935)	(968,078)	(8,379)	(19,789)	297				<b>(1,058,884)</b>
Restated at 1 April 2010	3,108,505	12,911,285	236,945	724,078	3,798,812	372,560	1,175,115	271,828	<b>22,599,128</b>
Additions purchased	10,216	1,067,928	2,174	634,355	246,571	21,652	99,522	15,434	<b>2,097,852</b>
Additions donated	0	8,558	0	56,481	19,916	265	511	164	<b>85,895</b>
Additions government granted	0	391	0	0	1,417	0	39	0	<b>1,847</b>
Reclassifications	8,465	660,542	(777)	(817,701)	52,482	48,967	35,093	(7,908)	<b>(20,837)</b>
Reclassified as held for sale	(37,864)	(25,963)	(2,631)	(2)	(15,792)	(14,773)	(194)	(64)	<b>(97,283)</b>
Disposals	(4,091)	(17,750)	(399)	(1,796)	(269,414)	(41,960)	(80,989)	(11,484)	<b>(427,883)</b>
Revaluation gains	48,662	231,291	8,070	116	14,182	95	135	430	<b>302,981</b>
Impairments	(29,352)	(125,417)	(1,670)	(1,178)	(1,461)	(17)	(6)	(146)	<b>(159,247)</b>
Reversal of impairments	3,510	14,597	333	0	0	0	0	0	<b>18,440</b>
Transferred to Foundation Trusts in-year	(103,893)	(404,770)	(8,629)	(21,810)	(109,341)	(77,339)	(59,599)	(12,347)	<b>(797,728)</b>
<b>At 31 March 2011</b>	<b>3,004,158</b>	<b>14,320,692</b>	<b>233,416</b>	<b>572,543</b>	<b>3,737,372</b>	<b>309,450</b>	<b>1,169,627</b>	<b>255,907</b>	<b>23,603,165</b>
Depreciation at 1 April 2010	89,304	1,833,444	24,983	19,789	2,328,513	229,148	730,349	152,908	<b>5,408,438</b>
Transferred to Foundation Trusts 1 April 2010		(3,317)					(514)		<b>(3,831)</b>
Adjustment for mergers	0	0	0	0	4,836	201	767	889	<b>6,693</b>
Depreciation not carried forward in respect of revalued assets	(62,935)	(968,078)	(8,379)	(19,789)	297	0	0	0	<b>(1,058,884)</b>
Restated at 1 April 2010	26,369	862,049	16,604	0	2,333,646	229,349	730,602	153,797	<b>4,352,416</b>
Reclassifications	0	1,284	(324)	0	(5,191)	495	(534)	(6,960)	<b>(11,230)</b>
Reclassified as held for sale	(18)	(6,387)	(74)	0	(14,770)	(14,540)	(167)	(12)	<b>(35,968)</b>
Disposals	0	(1,064)	(19)	0	(260,657)	(35,803)	(80,894)	(10,970)	<b>(389,407)</b>
Revaluation	0	(4,540)	(831)	0	5,718	50	0	152	<b>549</b>
Impairments	24,477	512,198	4,644	15,736	6,605	28	853	749	565,290
Reversal of impairments	(3,500)	(98,808)	(753)	(128)	0	0	0	0	<b>(103,189)</b>
Charged during the year	13	454,048	7,635	0	310,376	40,210	133,707	19,214	<b>965,203</b>
Transferred to Foundation Trusts in-year	(54)	(15,829)	(133)	(186)	(74,564)	(40,198)	(40,230)	(8,055)	<b>(179,249)</b>
<b>Depreciation at 31 March 2011</b>	<b>47,287</b>	<b>1,702,951</b>	<b>26,749</b>	<b>15,422</b>	<b>2,301,163</b>	<b>179,591</b>	<b>743,337</b>	<b>147,915</b>	<b>5,164,415</b>
Net book value									
Purchased	2,938,045	12,190,390	203,002	480,985	1,328,211	129,195	422,638	104,715	<b>17,797,181</b>
Donated	18,826	407,275	3,665	76,136	105,092	352	3,538	3,105	<b>617,989</b>
Government granted	0	20,076	0	0	2,906	312	114	172	<b>23,580</b>
<b>Total at 31 March 2011</b>	<b>2,956,871</b>	<b>12,617,741</b>	<b>206,667</b>	<b>557,121</b>	<b>1,436,209</b>	<b>129,859</b>	<b>426,290</b>	<b>107,992</b>	<b>18,438,750</b>
<b>Asset financing</b>									
Owned	2,954,824	9,076,929	172,219	534,061	1,244,045	119,968	420,247	103,102	<b>14,625,395</b>
Finance Leased	100	39,425	24,809	0	86,139	9,891	3,582	1,455	<b>165,401</b>
Private Finance Initiative	1,947	3,501,387	9,639	23,060	106,025	0	2,461	3,435	<b>3,647,954</b>
<b>Total at 31 March 2011</b>	<b>2,956,871</b>	<b>12,617,741</b>	<b>206,667</b>	<b>557,121</b>	<b>1,436,209</b>	<b>129,859</b>	<b>426,290</b>	<b>107,992</b>	<b>18,438,750</b>

## 12.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	3,806,060	14,519,697	271,484	776,234	3,955,668	356,774	1,178,749	272,513	25,137,179
Transferred to Foundation Trusts 1 April 2009	(39,906)	(121,261)	0	(737)	(1,905)	(1,077)	(2,815)	(2,773)	(170,474)
Restated at 1 April 2009	3,766,154	14,398,436	271,484	775,497	3,953,763	355,697	1,175,934	269,740	24,966,705
Additions purchased	8,650	1,012,981	3,728	676,378	289,227	22,737	104,038	17,448	2,135,187
Additions donated	0	12,303	0	21,783	30,582	100	2,358	802	67,928
Additions government granted	0	6,176	0	4,118	498	0	68	20	10,880
Reclassifications	2,899	559,991	(1,717)	(649,333)	18,585	23,569	23,295	4,840	(17,871)
Reclassified as held for sale	(14,534)	(8,916)	(3,401)	(283)	(1,420)	(9,051)	0	(121)	(37,726)
Disposals	(13,104)	(26,613)	(1,130)	(21,366)	(303,153)	(20,117)	(66,737)	(7,319)	(459,539)
Revaluation gains	207,658	715,994	25,085	3,216	10,741	1,062	364	1,143	965,263
Impairments	(508,910)	(1,798,305)	(37,180)	(18,428)	(2,821)	(2)	(5)	(949)	(2,366,600)
Reversal of impairments	582	14,236	158	1,210	373	66	80	33	16,738
Transferred to Foundation Trusts in-year	(266,515)	(975,768)	(11,703)	(48,925)	(204,506)	(1,822)	(63,997)	(15,234)	(1,588,470)
At 31 March 2010	3,182,880	13,910,515	245,324	743,867	3,791,869	372,239	1,175,398	270,403	23,692,495
Depreciation at 1 April 2009					2,451,361	221,061	703,276	154,137	3,529,835
Transferred to Foundation Trusts 1 April 2009					(1,245)	(600)	(1,150)	(1,188)	(4,183)
Restated at 1 April 2009					2,450,116	220,461	702,126	152,949	3,525,652
Reclassifications	0	5,999	(115)	0	(11,632)	(94)	(5,521)	(1,118)	(12,481)
Reclassified as held for sale	0	(140)	(22)	0	(1,182)	(8,836)	0	(65)	(10,245)
Disposals	0	(5,831)	(3)	0	(297,046)	(19,491)	(65,381)	(6,754)	(394,506)
Revaluation	0	378	0	0	4,522	570	0	96	5,566
Impairments	109,004	1,426,817	17,217	20,620	10,405	(5)	2,325	(726)	1,585,657
Reversal of Impairments	(13,287)	(28,450)	(405)	0	0	0	0	0	(42,142)
Charged during the year	1	506,609	8,548	0	297,880	37,974	134,464	18,708	1,004,184
Transferred to Foundation Trusts in-year	(6,414)	(71,938)	(237)	(831)	(124,550)	(1,431)	(37,664)	(10,182)	(253,247)
Depreciation at 31 March 2010	89,304	1,833,444	24,983	19,789	2,328,513	229,148	730,349	152,908	5,408,438
Net book value									
Purchased	3,071,449	11,635,157	217,117	695,222	1,341,157	142,264	440,165	113,157	17,655,688
Donated	22,127	425,524	3,224	26,731	118,522	560	4,787	4,129	605,604
Government granted	0	16,390	0	2,125	3,677	267	97	209	22,765
Total at 31 March 2010	3,093,576	12,077,071	220,341	724,078	1,463,356	143,091	445,049	117,495	18,284,057
Asset financing									
Owned	3,092,106	9,280,035	183,735	704,112	1,265,402	129,490	437,943	114,379	15,207,202
Finance Leased	0	46,254	21,996	344	86,208	13,601	3,362	1,638	173,403
PFI residual interests	1,470	2,750,782	14,610	19,622	111,746	0	3,744	1,478	2,903,452
Total at 31 March 2010	3,093,576	12,077,071	220,341	724,078	1,463,356	143,091	445,049	117,495	18,284,057

## 12.2 Revaluation reserve balance for property plant and equipment

	2010-11							2009-10	
	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	1,257,288	2,156,590	83,307	125,846	4,918	3,412	6,072	3,637,433	5,105,828
Changes	(46,428)	(28,922)	942	(10,909)	(1,659)	(1,014)	(2,097)	(90,087)	(1,468,395)
<b>At 31 March 2011</b>	<b>1,210,860</b>	<b>2,127,668</b>	<b>84,249</b>	<b>114,937</b>	<b>3,259</b>	<b>2,398</b>	<b>3,975</b>	<b>3,547,346</b>	<b>3,637,433</b>



**13.1 Intangible assets**

	Computer software – purchased £000	Computer software – internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2010	112,257	82,201	2,021	9	35,074	<b>231,562</b>
Transferred to Foundation Trusts 1 April 2010	0	(690)	0	0	0	<b>(690)</b>
Adjustment for mergers	64	0	0	0	0	<b>64</b>
Restated at 1 April 2010	112,321	81,511	2,021	9	35,074	<b>230,936</b>
Additions purchased	19,649	7,308	19,852	0	5,915	<b>52,724</b>
Additions internally generated	0	0	0	0	0	<b>0</b>
Additions donated	223	79	0	0	0	<b>302</b>
Additions government granted	64	0	162	744	205	<b>1,175</b>
Reclassifications	37,376	(28,664)	81	0	118	<b>8,911</b>
Reclassified as held for sale	0	0	0	0	0	<b>0</b>
Disposals	(3,036)	(2,385)	(538)	(133)	(1,409)	<b>(7,501)</b>
Revaluation	0	0	0	0	160	<b>160</b>
Impairments	0	0	(26)	(62)	0	<b>(88)</b>
Reversals of impairments	0	0	0	0	0	<b>0</b>
Transferred to Foundation Trusts in-year	(4,271)	(4,656)	0	0	0	<b>(8,927)</b>
<b>Gross cost at 31 March 2011</b>	<b>162,326</b>	<b>53,193</b>	<b>21,552</b>	<b>558</b>	<b>40,063</b>	<b>277,692</b>
Amortisation at 1 April 2010	50,942	44,843	1,116	7	14,233	<b>111,141</b>
Transferred to Foundation Trusts 1 April 2010	0	(471)	0	0	0	<b>(471)</b>
Adjustment for mergers	31	0	0	0	0	<b>31</b>
Restated at 1 April 2010	50,973	44,372	1,116	7	14,233	<b>110,701</b>
Reclassifications	18,374	(19,074)	28	0	303	<b>(369)</b>
Reclassified as held for sale	0	0	0	0	0	<b>0</b>
Disposals	(2,506)	(3,120)	(167)	0	(1,292)	<b>(7,085)</b>
Impairments	19	0	0	0	0	<b>19</b>
Charged during the year	21,095	7,248	1,143	2	2,060	<b>31,548</b>
Transferred to Foundation Trusts in-year	(2,799)	(2,527)	0	0	0	<b>(5,326)</b>
<b>Amortisation at 31 March 2011</b>	<b>85,156</b>	<b>26,899</b>	<b>2,120</b>	<b>9</b>	<b>15,304</b>	<b>129,488</b>
<b>Net book value</b>						
Purchased	76,454	26,340	19,350	0	23,969	<b>146,113</b>
Donated	503	106	11	0	15	<b>635</b>
Government granted	61	0	71	549	775	<b>1,456</b>
<b>Total at 31 March 2011</b>	<b>77,018</b>	<b>26,446</b>	<b>19,432</b>	<b>549</b>	<b>24,759</b>	<b>148,204</b>

**13.1 Intangible assets**

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

## 13.2 Revaluation reserve balance for intangible assets

	2010-11					2009-10	
	Computer software – purchased	Computer software internally generated	Licenes and trademarks	Patents	Development expenditure (internally generated)	Total	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	263	21	20	0	33	337	344
Changes	(263)	(1)	0	0	0	(264)	(7)
At 31 March 2011	0	20	20	0	33	73	337

## 14 Investment property

	31 March 2011	31 March 2010
	£000	£000
<b>At Fair Value</b>		
Balance at 1 April 2010	12,952	40,803
Transferred to Foundation Trusts 1 April 2010	0	(4,926)
Restated at 1 April 2010	12,952	35,877
Net gain from fair value adjustments	0	165
Other changes	460	0
Transferred to Foundation Trusts in-year	0	(23,090)
<b>Balance at 31 March 2011</b>	<b>13,412</b>	<b>12,952</b>

## 15 Capital commitments

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

	31 March 2011	31 March 2010
	£000	£000
Property, plant and equipment	728,095	909,805
Intangible assets	2,902	5,222
<b>Total</b>	<b>730,997</b>	<b>915,027</b>

**16 Inventories**

	<b>Drugs</b>	<b>Work in progress</b>	<b>Consumables</b>	<b>Energy</b>	<b>Other</b>	<b>Total</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2010	133,477	264	238,576	8,484	9,952	390,753	
Transferred to Foundation Trusts 1 April 2010			(41)			(41)	
Adjustment for mergers	101	0	203	0	3,064	3,368	
Restated at 1 April 2010	133,578	264	238,738	8,484	13,016	394,080	
Additions	1,395,303	0	895,169	16,196	27,051	2,333,719	
Inventories recognised as an expense in the period	(1,393,954)	(36)	(883,919)	(14,921)	(26,397)	(2,319,227)	(2,197,479)
Write-down of inventories	(2,184)	0	(2,284)	(112)	(2,797)	(7,377)	(2,881)
Reversal of write-downs that reduced the expense	77	0	0	25	0	102	216
Transfer to Foundation Trust	(3,404)	0	(7,985)	(718)	(5)	(12,112)	
<b>Balance at 31 March 2011</b>	<b>129,416</b>	<b>228</b>	<b>239,719</b>	<b>8,954</b>	<b>10,868</b>	<b>389,185</b>	
<b>Balance at 31 March 2010</b>	<b>133,477</b>	<b>264</b>	<b>238,576</b>	<b>8,484</b>	<b>9,952</b>	<b>390,753</b>	
Of which held at net realisable value:						<b>60,750</b>	54,622

## 17 Trade and other receivables

### 17.1 Trade and other receivables

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March</b>	<b>31 March</b>	31 March	31 March
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
NHS receivables	<b>612,220</b>	<b>29,884</b>	754,474	41,317
Other trade receivables	<b>287,754</b>	<b>31,504</b>	297,114	35,922
Provision for the impairment of receivables	<b>(84,284)</b>	<b>(4,735)</b>	(86,120)	(3,379)
VAT	<b>74,608</b>	<b>0</b>	71,251	0
Prepayments and accrued income	<b>297,436</b>	<b>70,029</b>	263,099	60,141
Finance lease receivables	<b>0</b>	<b>4,139</b>	0	4,148
Other receivables	<b>138,994</b>	<b>85,197</b>	131,573	94,442
<b>Total</b>	<b><u>1,326,728</u></b>	<b><u>216,018</u></b>	<u>1,431,391</u>	<u>232,591</u>

The great majority of trade is with primary care trusts, as commissioners for NHS patient care services. As primary care trusts are funded by government to buy NHS patient care services, no credit scoring of them is considered necessary.

### 17.2 Receivables past their due date but not impaired

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
By up to three months	<b>140,965</b>	200,343
By three to six months	<b>41,225</b>	53,385
By more than six months	<b>72,334</b>	74,794
<b>Total</b>	<b><u>254,524</u></b>	<u>328,522</u>

### 17.3 Provision for impairment of receivables

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
<b>Balance at 1 April 2010</b>	<b>(89,499)</b>	(94,882)
Transferred to Foundation Trusts 1 April 2010	<b>892</b>	117
Adjustment for mergers	<b>(1,602)</b>	0
Restated at 1 April 2010	<b>(90,209)</b>	(94,765)
Amount written off during the year	<b>18,811</b>	21,675
Amount recovered during the year	<b>10,214</b>	10,034
(Increase) in receivables impaired	<b>(28,804)</b>	(29,599)
Transferred to Foundation Trusts in-year	<b>969</b>	3,156
<b>Balance at 31 March 2011</b>	<b><u>(89,019)</u></b>	<u>(89,499)</u>

**18 Other financial assets**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Financial assets carried at fair value through profit and loss	<b>0</b>	<b>0</b>	198	2,910
Available for sale financial assets carried at fair value	<b>82</b>	<b>82</b>	61	121
<b>Total</b>	<b>82</b>	<b>82</b>	259	3,031

**19 Other current assets**

	<b>31 March 2011 £000</b>	31 March 2010 £000
EU Emissions trading scheme allowances	<b>1,130</b>	888
Other assets	<b>147</b>	150
<b>Total</b>	<b>1,277</b>	1,038

**20 Cash and cash equivalents**

	<b>31 March 2011 £000</b>	31 March 2010 £000
Balance at 1 April 2010	<b>735,187</b>	837,198
Transferred to Foundation Trusts 1 April 2010	<b>(4,407)</b>	(9,250)
Adjustment for mergers	<b>427</b>	
Restated at 1 April 2010	<b>731,207</b>	827,948
Net change in year	<b>116,376</b>	(92,761)
<b>Balance at 31 March 2011</b>	<b>847,583</b>	735,187
<b>Made up of</b>		
Cash with the Government banking service	<b>842,077</b>	731,296
Commercial banks and cash in hand	<b>5,505</b>	3,883
Current investments	<b>1</b>	8
<b>Cash and cash equivalents as in statement of financial position</b>	<b>847,583</b>	735,187
Bank overdraft	<b>(9,323)</b>	(9,737)
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>838,260</b>	725,450

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

	Land £000	Buildings, including dwellings £000	Other property, plant and equipment £000	Total £000
Balance at 1 April 2010	20,073	13,252	9	33,334
Assets classified as held for sale in year	43,594	23,425	1,334	68,353
Assets sold in year	(11,033)	(18,651)	(1,323)	(31,007)
Impairments of assets held for sale	(906)	(2,289)	(10)	(3,205)
Reversal of impairments of assets held for sale	237	38	0	275
Assets no longer held for sale (for reasons other than by sale)	(6,171)	(867)	0	(7,038)
Transferred to Foundation Trusts in-year	(320)	(925)	0	(1,245)
<b>Balance at 31 March 2011</b>	<b>45,474</b>	<b>13,983</b>	<b>10</b>	<b>59,467</b>

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

**22 Trade and other payables**

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Interest payable	1,551	0	868	0
NHS payables	294,835	1,207	300,988	1,032
Other trade payables	755,368	13,772	795,302	5,467
Tax and social security costs	290,515	0	281,504	0
VAT	1,010	1,912	594	2,187
Accruals and deferred income	1,016,476	44,448	1,004,677	29,282
Other	198,128	1,436	212,252	3,398
<b>Total</b>	<b>2,557,883</b>	<b>62,775</b>	<b>2,596,185</b>	<b>41,366</b>

Other payables include £49,000 (2009-10 £311,000) for payments due in future years under arrangements to buy out the liability for two (9) early retirements over 5 instalments; and £120,500,000 (2009-10 £102,490,000) outstanding pensions contributions at 31 March 2011.

**23 Borrowings**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Bank overdraft	<b>9,323</b>		9,737	
Loans from:				
Department of Health	<b>150,580</b>	<b>528,080</b>	145,807	465,565
Other entities	<b>2,060</b>	<b>4,540</b>	327	825
PFI and LIFT liabilities	<b>93,432</b>	<b>4,008,299</b>	80,391	3,275,205
Finance lease liabilities	<b>32,057</b>	<b>112,797</b>	26,788	130,551
Other	<b>0</b>	<b>3,726</b>	0	4,442
<b>Total</b>	<b>287,452</b>	<b>4,657,442</b>	263,050	3,876,588

**24 Other liabilities**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Lease incentives	<b>438</b>	<b>8,560</b>	438	8,766
PFI asset – deferred credit	<b>2,674</b>	<b>463</b>	178	5,372
Other	<b>14,935</b>	<b>26,871</b>	23,462	44,653
<b>Total</b>	<b>18,047</b>	<b>35,894</b>	24,078	58,791

**25 Finance lease obligations**

	<b>Minimum lease payments 31 March 2011 £000</b>	<b>Present value of minimum lease payments 31 March 2011 £000</b>	Minimum lease payments 31 March 2010 £000	Present value of minimum lease payments 31 March 2010 £000
<b>Amounts payable under finance leases</b>				
<b>Buildings</b>				
Within one year	<b>6,510</b>	<b>4,525</b>	6,329	4,735
Between one and five years	<b>21,607</b>	<b>10,436</b>	22,073	12,079
After five years	<b>115,675</b>	<b>28,352</b>	101,286	29,861
Less future finance charges	<b>(100,479)</b>		(83,013)	
Present value of minimum lease payments	<b>43,313</b>	<b>43,313</b>	46,675	46,675

Included in:

Current borrowings	<b>4,525</b>	2,788
Non-current borrowings	<b>38,788</b>	43,887
	<b>43,313</b>	46,675



<b>Amounts payable under finance leases</b>	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
	<b>31 March 2011</b>	<b>31 March 2011</b>	31 March 2010	31 March 2010
<b>Land</b>	<b>£000</b>	<b>£000</b>	£000	£000
Within one year	11	0	0	0
Between one and five years	45	1	0	0
After five years	711	79	0	0
Less future finance charges	(687)		0	
Present value of minimum lease payments	<u>80</u>	<u>80</u>	<u>0</u>	<u>0</u>
Included in:				
Current borrowings		0		0
Non-current borrowings		80		0
		<u>80</u>		<u>0</u>

<b>Amounts payable under finance leases</b>	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
	<b>31 March 2011</b>	<b>31 March 2011</b>	31 March 2010	31 March 2010
<b>Other</b>	<b>£000</b>	<b>£000</b>	£000	£000
Within one year	31,168	27,532	28,361	23,636
Between one and five years	69,977	60,482	78,780	68,885
After five years	18,089	13,447	25,432	18,143
Less future finance charges	(17,773)		(21,909)	
Present value of minimum lease payments	<u>101,461</u>	<u>101,461</u>	<u>110,664</u>	<u>110,664</u>
Included in:				
Current borrowings		27,532		24,000
Non-current borrowings		73,929		86,664
		<u>101,461</u>		<u>110,664</u>

There were no non cancellable future sublease payments expected to be received in 2010-11 (2009-10 £124,000).

Contingent rents recognised as an expense £1,495,000 (2009-10 £1,594,000).

#### Finance lease commitments

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
Lease	<u>24,658</u>	<u>28,758</u>

**26 Finance lease receivables**

<b>Amounts receivable under finance leases</b>	<b>Gross investments in leases</b>	<b>Present value of minimum lease payments</b>	<b>Gross investments in leases</b>	<b>Present value of minimum lease payments</b>
<b>Buildings</b>	<b>31 March 2011</b>	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	10	10	12	12
Between one and five years	40	40	44	44
After five years	4,089	4,089	4,092	4,092
Less future finance income	0	0	0	0
Present value of minimum lease payments	<u>4,139</u>	<u>4,139</u>	<u>4,148</u>	<u>4,148</u>
Included in:				
Non-current finance lease receivables		<u>4,139</u>		<u>4,148</u>
		<u>4,139</u>		<u>4,148</u>

There was no unguaranteed residual value accruing to trusts in 2010-11 (2009-10 £2,194,000).

<b>Rental Revenue</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Contingent rent	49	148
Other	0	0
<b>Total rental revenue</b>	<u>49</u>	<u>148</u>

## 27 Private Finance Initiative contracts

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

In this financial year, four trusts reported off-Statement of Financial Position PFI schemes (2009-10: four trusts). The estimated capital value of these schemes is £14,857,000 (2009-10: £9,407,000). The assets which make up this capital value are not assets of the trusts. The amount included within operating expenses for these schemes is £11,938,000 (2009-10: £8,381,000).

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

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

In this financial year, 48 trusts reported on-Statement of Financial Position PFI schemes (2009-10: 52 trusts). The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the trust has a finance lease and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for these schemes is £403,325,000 (2009-10: £361,238,000).

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

Imputed finance lease obligations for on-Statement of Financial Position PFI contracts due:

	<b>31 March 2011 £000</b>	31 March 2010 £000
Not later than one year	<b>311,867</b>	275,739
Later than one year, not later than five years	<b>1,310,451</b>	1,050,096
Later than five years	<b>6,756,225</b>	5,711,052
Sub total	<b>8,378,543</b>	7,036,887
Less: interest element	<b>(4,293,380)</b>	(3,696,815)
<b>Total</b>	<b>4,085,163</b>	3,340,072

### 27.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £415,263,000 (2009-10 £369,619,000).

The payments to which trusts are committed is as follows

	<b>31 March 2011 £000</b>	31 March 2010 £000
<b>PFI scheme expiry date</b>		
Not later than one year	<b>428,339</b>	0
Later than one year, not later than five years	<b>1,724,195</b>	16,470
Later than five years	<b>12,304,311</b>	11,551,887
<b>Total</b>	<b>14,456,845</b>	11,568,357

The method of reporting the payments to which the trusts are committed has changed. In 2009-10 the requirement was to display the total amount committed in the period in which the agreement expired, whereas in 2010-11 the requirement is to show the commitment as it falls due. The phasing of payments is therefore not comparable.

## 28 LIFT contracts

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

In this financial year, three trusts (2009-10 two) reported on-Statement of Financial Position LIFT schemes. The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the trust has a finance lease and payments comprise an imputed finance lease charge and a service charge.

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

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

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
Not later than one year	<b>1,720</b>	1,621
Later than one year, not later than five years	<b>6,784</b>	5,993
Later than five years	<b>32,867</b>	31,714
Sub total	<b>41,371</b>	39,328
Less: interest element	<b>(24,803)</b>	(23,804)
<b>Total</b>	<b>16,568</b>	15,524

### 28.2 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position LIFT contracts was £528,000 (2009-10 £490,000).

The payments to which trusts are committed is as follows:

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
<b>LIFT scheme expiry date:</b>		
Not later than one year	<b>620</b>	0
Later than one year, not later than five years	<b>2,659</b>	0
Later than five years	<b>14,127</b>	17,057
<b>Total</b>	<b>17,406</b>	17,057

The method of reporting the payments to which the trusts are committed has changed. In 2009-10 the requirement was to display the total amount committed in the period in which the agreement expired, whereas in 2010-11 the requirement is to show the commitment as it fall due. The phasing of payments is therefore not comparable.

**29 Provisions**

	<b>Current 31 March 2011 £000</b>	<b>Non-current 31 March 2011 £000</b>	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions	15,472	157,743	17,241	181,637
Legal claims	27,212	16,118	27,847	16,490
Restructurings	19,986	2,185	13,563	3,386
Agenda for change	4,704	3,322	14,650	42
Redundancy	27,882	73	0	0
Other	51,604	57,656	56,168	61,563
<b>Total</b>	<b>146,860</b>	<b>237,097</b>	129,469	263,118

	<b>Pensions £000</b>	<b>Legal claims £000</b>	<b>Restructurings £000</b>	<b>Agenda for change £000</b>	<b>Redundancy £000</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 1 April 2010	198,878	44,337	16,949	14,692	0	117,731	392,587
Transferred to Foundation Trusts 1 April 2010	(1,142)	(82)	0	0	0	(620)	(1,844)
Adjustment for mergers	38	232	15	0	0	649	934
Restated at 1 April 2010	197,774	44,487	16,964	14,692	0	117,760	391,677
Arising during the year	16,570	22,946	24,026	4,430	33,836	38,729	140,537
Used during the year	(23,701)	(10,847)	(12,437)	(3,352)	(3,886)	(20,765)	(74,988)
Reversed unused	(4,912)	(12,363)	(5,171)	(7,133)	(1,088)	(17,200)	(47,867)
Unwinding of discount	4,307	260	48	0	0	1,389	6,004
Change in the discount rate	(5,134)	0	0	0	0	(3,137)	(8,271)
Transferred to Foundation Trusts In-year	(11,689)	(1,153)	(1,259)	(611)	(907)	(7,516)	(23,135)
At 31 March 2011	<b>173,215</b>	<b>43,330</b>	<b>22,171</b>	<b>8,026</b>	<b>27,955</b>	<b>109,260</b>	<b>383,957</b>

**Expected timing of cash flows**

Within one year	15,472	27,212	19,986	4,704	27,882	51,604	<b>146,860</b>
Between one and five years	60,560	9,623	776	190	73	23,306	<b>94,528</b>
After five years	97,183	6,495	1,409	3,132	0	34,350	<b>142,569</b>

£3,110,602,000 is included in the provisions of the NHS Litigation Authority at 31 March 2011 in respect of clinical negligence liabilities of NHS trusts (31 March 2010 £2,575,664,000).

### 30 Contingent liabilities

#### 30.1 Contingent liabilities

	2010-11 £000	2009-10 £000
Equal pay cases	(391)	(1,503)
Other	(37,649)	(36,837)
<b>Total</b>	<b>(38,040)</b>	<b>(38,340)</b>

Other contingent liabilities include costs of delays in completion of a building contract and employment and legal claims. These do not include cases of clinical litigation which are accounted for by the NHS Litigation Authority.

#### 30.2 Contingent assets

	2010-11 £000	2009-10 £000
Contingent assets	<b>1,131</b>	<b>1,812</b>

The majority of contingent assets relate to VAT claims.

### 31 Other financial commitments

	2010-11 £000	2009-10 £000
Commitments expire:		
Within one year	40,667	25,083
Between one and five years	30,678	29,965
After five years	143	151
<b>Total</b>	<b>71,488</b>	<b>55,199</b>

### 32 Financial instruments

The NHS Trust Summarised Account includes the accounts of 116 underlying NHS trusts. It is within the underlying accounts of these 116 NHS trusts that detailed IFRS7 disclosures have been made. The following paragraphs provide an overview of the major financial risks for NHS trusts and how they are managed at the individual level.

#### Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that NHS trusts have with primary care trusts and the way those primary care trusts are financed, NHS trusts are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. NHS trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the trusts in undertaking their activities.

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

*Currency risk*

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

*Interest rate risk*

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

*Credit risk*

Because the majority of the trusts' income comes from contracts with other public sector bodies, the trusts have low exposure to credit risk. The maximum exposures as at 31 March 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

*Liquidity risk*

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

*Market risk*

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

**33 Events after the reporting period**

As at 31 March 2011 there were 109 NHS trusts (including care trusts). It is expected that further NHS trusts will achieve Foundation Trust status in 2011-12.

Implementation of the Government's reform programme in the NHS remains subject to the successful passage of the Health and Social Care Bill through Parliament. The timing of passage depends on the Parliamentary process. Following its response to the recommendations made in the NHS Future Forum's report, the Department of Health published a revised Impact Assessment relating to the Health and Social Care Bill on 8 September. The precise costs of reform, especially at the level of individual NHS organisations, will become more certain as those reforms are implemented through the health and social care systems.

Extension of IAS 27 (Separate Financial Statements) to all NHS organisations:

HM Treasury announced on 30 June, that with effect from 1 April 2013, the consolidation accounting standard will be applied to all NHS organisations. A significant impact of this change will be that NHS trusts will be required to consolidate charitable fund accounts in their annual statutory financial statements. The extent to which this change needs to be reflected in the NHS Trust Summarised Account will be clarified by HM Treasury no later than in the Financial Reporting Manual relating to the 2013-14 financial year. At this early stage there is insufficient information to quantify the financial impact on the NHS Trust Summarised Account.

These accounts were authorised for issue on 11 October 2011

**34 Financial performance targets**

NHS trusts are required to comply with certain financial performance targets. The performance of each trust against these targets is set out in the individual accounts for each trust.

**35 Third party assets**

NHS trusts held £11,968,000 cash and cash equivalents at 31 March 2011 (£8,576,000 – at 31 March 2010) which relates to monies held by NHS trusts on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

**36 Intra Government and other balances**

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	608,770	35,452	584,839	3,119
Balances with Local Authorities	25,822	520	11,543	74
Balances with NHS Trusts and Foundation Trusts	81,521	5,081	71,450	0
Balances with Public Corporations and Trading Funds	3,969	5	10,582	0
Intra Government balances	<u>720,082</u>	<u>41,058</u>	<u>678,414</u>	<u>3,193</u>
Balances with bodies external to Government	606,646	174,960	1,879,469	59,582
<b>At 31 March 2011</b>	<u><b>1,326,728</b></u>	<u><b>216,018</b></u>	<u><b>2,557,883</b></u>	<u><b>62,775</b></u>
Balances with other Central Government Bodies	610,298	38,955	465,813	3,219
Balances with Local Authorities	25,582	10,796	18,619	0
Balances with NHS Trusts and Foundation Trusts	172,359	13,890	81,529	0
Balances with Public Corporations and Trading Funds	5,626	665	21,071	0
Intra Government balances	<u>813,865</u>	<u>64,306</u>	<u>587,032</u>	<u>3,219</u>
Balances with bodies external to Government	617,526	168,285	2,009,153	38,147
<b>At 31 March 2010</b>	<u><b>1,431,391</b></u>	<u><b>232,591</b></u>	<u><b>2,596,185</b></u>	<u><b>41,366</b></u>

**37 Losses and special payments**

There were 47,385 cases of losses (2009-10: 67,245 cases) totalling £22,916,000 (2009-10: £20,615,000) and 4,607 cases of special payments (2009-10: 4,610 cases) totalling £11,031,000 (2009-10: £19,261,000) approved during 2010-11. There were four cases of £1,837,000 where the net payment exceeded £250,000 (2009-10: one case, £10,750,000).



For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

DG Ref: 009643-001

Published by TSO (The Stationery Office) and available from:

**Online**

**[www.tsoshop.co.uk](http://www.tsoshop.co.uk)**

**Mail, Telephone, Fax & email**

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/general enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliamentary Square,

London SW1A 2JX

Telephone orders/general enquiries 020 7219 3890

Fax orders 020 7219 3866

Email [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other accredited agents**

ISBN 978-0-10-297037-1



9 780102 970371