

Monitor

Independent Regulator  
of NHS Foundation Trusts

# NHS Foundation Trusts:

Consolidated Accounts 2010/11



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## NHS Foundation Trusts: Consolidated Accounts 2010/11 1 April 2010 - 31 March 2011

Presented to Parliament pursuant to Schedule 8, paragraph 11(5)(a) of the National Health Service Act 2006.

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## Foreword

Monitor, the Independent Regulator of NHS Foundation Trusts, is responsible for authorising, monitoring and regulating NHS foundation trusts and was established under the Health and Social Care (Community Health and Standards) Act 2003. This act was largely repealed on 1 March 2007 and re-enacted on that date in a consolidating act, the National Health Service Act 2006 (the Act).

Paragraph 25 of Schedule 7 to the Act requires newly authorised NHS foundation trusts to prepare accounts for the period beginning with the date on which they are authorised and ending with the following 31 March and for each successive 12 month period, and to submit them to Monitor. These accounts must be audited by auditors appointed by the NHS foundation trust's board of governors.

Paragraph 11(3) of Schedule 8 to the Act requires Monitor to prepare a report which provides an overall summary of the accounts of NHS foundation trusts, lay this before Parliament and send a copy to the Secretary of State for Health. There is no specification as to the nature of this summary and no requirement for an audit of this summary. However, in order to ensure the transparency and accuracy of its report, Monitor has prepared a full consolidation of the accounts of NHS foundation trusts and has requested the Comptroller and Auditor General to audit the consolidated accounts presented in this report. As far as Monitor's accounting officer, Dr David Bennett, is aware, there is no relevant audit information of which the entity's auditors are unaware. The accounting officer 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 this information.

The accounts presented in this report have been prepared from a consolidation of the audited accounts submitted by the 136 individual NHS foundation trusts which were authorised by Monitor prior to 31 March 2011. The dates of authorisation of these and periods of inclusion in the consolidated accounts presented in this report are as follows:

Authorised on or prior to 1 April 2009 and consolidated for the year ended 31 March 2010 and the year ended 31 March 2011:

- 2gether NHS Foundation Trust
- Aintree University Hospitals NHS Foundation Trust
- Alder Hey Children's NHS Foundation Trust
- Barnsley Hospital NHS Foundation Trust
- Basildon and Thurrock University Hospitals NHS Foundation Trust
- Basingstoke and North Hampshire NHS Foundation Trust
- Berkshire Healthcare NHS Foundation Trust
- Birmingham and Solihull Mental Health NHS Foundation Trust
- Birmingham Children's Hospital NHS Foundation Trust
- Birmingham Women's NHS Foundation Trust
- Blackpool, Fylde And Wyre Hospitals NHS Foundation Trust
- Bradford Teaching Hospitals NHS Foundation Trust
- Burton Hospitals NHS Foundation Trust
- Calderdale and Huddersfield NHS Foundation Trust
- Calderstones Partnership NHS Foundation Trust
- Cambridge University Hospitals NHS Foundation Trust
- Cambridgeshire and Peterborough NHS Foundation Trust
- Camden and Islington NHS Foundation Trust
- Central and North West London NHS Foundation Trust
- Central Manchester University Hospitals NHS Foundation Trust
- Chelsea and Westminster Hospital NHS Foundation Trust
- Cheshire and Wirral Partnership NHS Foundation Trust
- Chesterfield Royal Hospital NHS Foundation Trust
- City Hospitals Sunderland NHS Foundation Trust
- Clatterbridge Centre for Oncology NHS Foundation Trust
- Colchester Hospital University NHS Foundation Trust
- Countess of Chester Hospital NHS Foundation Trust

- County Durham and Darlington NHS Foundation Trust
- Cumbria Partnership NHS Foundation Trust
- Derby Hospitals NHS Foundation Trust
- Doncaster and Bassetlaw Hospitals NHS Foundation Trust
- Dorset County Hospital NHS Foundation Trust
- Dorset Healthcare NHS Foundation Trust
- East Kent Hospitals University NHS Foundation Trust
- East London NHS Foundation Trust
- Frimley Park Hospital NHS Foundation Trust
- Gateshead Health NHS Foundation Trust
- Gloucestershire Hospitals NHS Foundation Trust
- Greater Manchester West Mental Health Foundation Trust
- Great Western Hospitals NHS Foundation Trust
- Guy's and St Thomas' NHS Foundation Trust
- Harrogate and District NHS Foundation Trust
- Heart of England NHS Foundation Trust
- Heatherwood and Wexham Park Hospitals NHS Foundation Trust
- Hertfordshire Partnership NHS Foundation Trust
- Homerton University Hospital NHS Foundation Trust
- James Paget University Hospitals NHS Foundation Trust
- Kettering General Hospital NHS Foundation Trust
- King's College Hospital NHS Foundation Trust
- Lancashire Care NHS Foundation Trust
- Lancashire Teaching Hospitals NHS Foundation Trust
- Leeds Partnerships NHS Foundation Trust
- Lincolnshire Partnership NHS Foundation Trust
- Liverpool Women's NHS Foundation Trust
- Luton and Dunstable Hospital NHS Foundation Trust
- Medway NHS Foundation Trust
- Mid Cheshire Hospitals NHS Foundation Trust
- Mid Staffordshire NHS Foundation Trust
- Milton Keynes Hospital NHS Foundation Trust
- Moorfields Eye Hospital NHS Foundation Trust
- Norfolk and Norwich University Hospitals NHS Foundation Trust
- Norfolk and Waveney Mental Health NHS Foundation Trust
- North East London NHS Foundation Trust
- North Essex Partnership NHS Foundation Trust
- North Tees and Hartlepool NHS Foundation Trust
- Northern Lincolnshire and Goole Hospitals NHS Foundation Trust
- Northumbria Healthcare NHS Foundation Trust
- Oxfordshire and Buckinghamshire Mental Health NHS Foundation Trust
- Oxleas NHS Foundation Trust
- Papworth Hospital NHS Foundation Trust
- Pennine Care NHS Foundation Trust
- Peterborough and Stamford Hospitals NHS Foundation Trust
- Poole Hospital NHS Foundation Trust
- Queen Victoria Hospital NHS Foundation Trust
- Rotherham Doncaster and South Humber Mental Health NHS Foundation Trust
- Royal Berkshire NHS Foundation Trust
- Royal Bolton Hospital NHS Foundation Trust
- Royal Devon and Exeter NHS Foundation Trust
- Royal National Hospital for Rheumatic Diseases NHS Foundation Trust
- Salford Royal NHS Foundation Trust
- Salisbury NHS Foundation Trust
- Sandwell Mental Health and Social Care NHS Foundation Trust
- Sheffield Children's NHS Foundation Trust
- Sheffield Health & Social Care NHS Foundation Trust
- Sheffield Teaching Hospitals NHS Foundation Trust
- Sherwood Forest Hospitals NHS Foundation Trust

- Somerset Partnership NHS Foundation Trust
- South Devon Healthcare NHS Foundation Trust
- South Essex Partnership University NHS Foundation Trust
- South London and Maudsley NHS Foundation Trust
- South Staffordshire and Shropshire Healthcare NHS Foundation Trust
- Southend University Hospital NHS Foundation Trust
- Southern Health NHS Foundation Trust
- South Tyneside NHS Foundation Trust
- Stockport NHS Foundation Trust
- Surrey and Borders Partnership NHS Foundation Trust
- Sussex Partnership NHS Foundation Trust
- Tameside Hospital NHS Foundation Trust
- Taunton and Somerset NHS Foundation Trust
- Tavistock and Portman NHS Foundation Trust
- Tees, Esk and Wear Valleys NHS Foundation Trust
- The Christie NHS Foundation Trust
- The Dudley Group of Hospitals NHS Foundation Trust
- The Newcastle upon Tyne Hospitals NHS Foundation Trust
- The Rotherham NHS Foundation Trust
- The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust
- The Royal Marsden NHS Foundation Trust
- The Royal Orthopaedic Hospital NHS Foundation Trust
- University College London Hospitals NHS Foundation Trust
- University Hospital of South Manchester NHS Foundation Trust
- University Hospitals Birmingham NHS Foundation Trust
- University Hospitals Bristol NHS Foundation Trust
- Warrington and Halton Hospitals NHS Foundation Trust
- Wirral University Teaching Hospital NHS Foundation Trust
- Wrightington, Wigan and Leigh NHS Foundation Trust
- Yeovil District Hospital NHS Foundation Trust
- York Hospitals NHS Foundation Trust

Authorised on 1 May 2009 and consolidated for the 11 month period ended 31 March 2010 and the year ended 31 March 2011:

- Northamptonshire Healthcare NHS Foundation Trust
- South Tees Hospitals NHS Foundation Trust
- South West Yorkshire Partnership NHS Foundation Trust

Authorised on 1 June 2009 and consolidated for the ten month period ended 31 March 2010 and the year ended 31 March 2011:

- Royal Brompton & Harefield NHS Foundation Trust

Authorised on 1 August 2009 and consolidated for the eight month period ended 31 March 2010 and the year ended 31 March 2011:

- The Walton Centre NHS Foundation Trust

Authorised on 1 December 2009 and consolidated for the four month period ended 31 March 2010 and the year ended 31 March 2011:

- Liverpool Heart and Chest Hospital NHS Foundation Trust
- Northumberland, Tyne & Wear NHS Foundation Trust
- Royal Surrey County Hospital NHS Foundation Trust

Authorised on 1 February 2010 and consolidated for the two month period ended 31 March 2010 and the year ended 31 March 2011:

- Humber NHS Foundation Trust

Authorised on 1 March 2010 and consolidated for the one month period ended 31 March 2010 and the year ended 31 March 2011:

- 5 Boroughs Partnership NHS Foundation Trust
- Cornwall Partnership NHS Foundation Trust

- South Warwickshire NHS Foundation Trust

Authorised on 1 June 2010 and consolidated for the ten month period ended 31 March 2011:

- Airedale NHS Foundation Trust

Authorised on 1 October 2010 and consolidated for the six month period ended 31 March 2011:

- University Hospitals of Morecambe Bay NHS Foundation Trust

Authorised on 1 December 2010 and consolidated for the four month period ended 31 March 2011:

- Ashford and St Peter's Hospitals NHS Foundation Trust

Authorised on 1 February 2011 and consolidated for the two month period ended 31 March 2011:

- Derbyshire Healthcare NHS Foundation Trust
- Queen Elizabeth Hospital Kings Lynn NHS Foundation Trust

Authorised on 1 March 2011 and consolidated for the one month period ended 31 March 2011:

- South East Coast Ambulance Service NHS Foundation Trust
- South Western Ambulance Service NHS Foundation Trust

## Review of NHS foundation trust financial performance 2010/11

### Overview

In the context of an increasingly challenging environment the NHS foundation trust sector has delivered stable performance in 2010/11. The results for the year show that the majority of NHS foundation trusts generated an operating surplus for the year before charges for impairments (130 out of 136 NHS foundation trusts, 96%). The NHS foundation trust sector delivered a surplus before impairments for the year ended 31 March 2011 of £338.2 million (2009/10: £356.1 million) and held cash of £3.2 billion as at 31 March 2011 (2009/10: £2.9 billion), an increase of £375.7 million.

Six NHS foundation trusts generated operating deficits before impairments which totalled £27.1 million with the largest individual deficit being £10.4 million (4.7% of the foundation trust's operating income). The highest operating deficit as a percentage of operating income was 6.6%. Seven NHS foundation trusts reported a financial risk rating of 2 (where 5 represents the lowest risk and 1 represents the highest risk) at 31 March 2011 (2009/10: five trusts) and three trusts were rated 1 (the highest risk rating) for financial risk (2009/10: two trusts).

Three NHS foundation trusts have seen significant private finance initiative (PFI) arrangements become operational during 2010/11, which has impacted on impairments, capital additions and borrowing during the year. In 2010/11 the sector also completed the first few Transforming Community Services (TCS) transactions, with three NHS foundation trusts taking on community services previously provided by PCTs. As these transactions are within the Whole of Government Accounts boundary and constitute a machinery of government change they have, where practicable, been accounted for using merger accounting principles in the consolidated financial statements. The first half of 2011/12 will see the completion of a significant number of further TCS transactions.

### Operating performance

#### *Operating income*

In the year to 31 March 2011, 136 NHS foundation trusts generated total revenues of £30.4 billion, an increase of £2.5 billion (9%) compared with the prior year. Approximately 50% of this increase is being driven by the impact of new NHS foundation trusts authorised during the year (£0.4 billion) and the full year impact of NHS foundation trusts authorised during 2009/10 (£0.9 billion), with the balance being driven by increased activity across the rest of the sector (£1.2 billion).

#### *EBITDA*

In aggregate, EBITDA (earnings before interest, tax, depreciation and amortisation) as a proportion of turnover, which is a proxy for overall operating efficiency, decreased from 7.0% in 2009/10 to 6.6% in 2010/11 (before taking into account the impact of impairments). The surplus before impairments generated by all NHS foundation trusts in 2010/11 amounted to £338.2 million, a decrease of £17.9 million (5%) compared with the pre-impairment surplus of £356.1 million in 2009/10. This reflects a more difficult economic environment putting pressure on margins.

#### *Surplus before impairment and other comprehensive income*

The total surplus before impairment was £338.2m, which as a percentage of operating income for all NHS foundation trusts was 1.1% (2009/10: 1.3%). This pressure on margins was felt most by acute foundation trusts which make up 57% of the sector. The acute sector margin was significantly lower than the overall margin at 0.6% (2009/10: 0.9%). The margin for mental health, ambulance and specialist foundation trusts was 2.0%, 2.1% and 3.4% respectively. This reflects pressures on margins for core activities of acute NHS foundation trusts, for example as a result of the introduction of a marginal non-elective tariff which came into effect in 2010/11 and higher than planned non-elective activity, which is a significant proportion of acute NHS foundation trusts' revenue (29% of total operating revenue in 2010/11), which was in part delivered through the use of more expensive resources.

#### *Impact of impairments*

In 2010/11 property, plant and equipment was impaired by £1.0 billion (net). The total impairment charge is £1.5 billion lower than in the prior year. 2009/10 saw the impact of a change in methodology used to value specialist assets which took effect, from an existing use basis to a Modern Equivalent Asset (MEA) basis, which resulted in an increased impairment charge in that year.

Of the £1.0 billion of net impairments charged to the Consolidated Statement of Comprehensive Income, £532 million (74%) relates to three NHS foundation trusts with significant PFI schemes becoming operational during 2010/11 namely: University Hospitals Birmingham NHS Foundation Trust (£251 million); Peterborough and Stamford Hospitals NHS Foundation Trust (£143 million); and Sherwood Forest Hospitals NHS Foundation Trust (£138 million).

#### *Deficit for the year before other comprehensive income*

In the year, NHS foundation trusts generated a total deficit after impairments of £419.9 million, an improvement of £345.4 million compared with the deficit in 2009/10.

#### *Total comprehensive expense for the year*

The total comprehensive loss was £293.7 million compared with £2.2 billion in 2009/10. The reduction in the deficit despite a fairly stable operating surplus is driven by asset impairments charged to other comprehensive income being £1.5 billion lower in 2010/11.

### **Net finance costs**

Net finance costs increased by £30.7 million in the year, from £696.5 million in 2009/10 to £727.2 million in 2010/11. This increase is driven by an increase of £71.1 million in finance costs relating to PFI obligations. This is partially offset by a £22.4 million reduction in public dividend capital dividends resulting from a reduction in relevant net assets which are calculated net of cash held in Government Banking Services accounts.

### **Cash balances and borrowing**

Total cash balances amounted to £3.2 billion as at 31 March 2011 (2009/10: £2.9 billion), an increase of £375.7 million. The increase is driven by increased cash flow from operations of £562.8 million as a result of the increased operating profit for the year (£308.4 million) and improvement in working capital management. The number of receivables days at 14.3 days (2009/10: 16.9 days) and payables days at 35.9 days (2009/10: 39.7 days) remained reasonably consistent between years. Of the total cash balance, £3.1 billion was held with the Government Banking Service at the year end.

Total long term and working capital borrowing at 31 March 2011 was £5.2 billion (2009/10: £3.9 billion), which compares with the aggregate prudential borrowing limit for all NHS foundation trusts of £10.8 billion (2009/10: £10.7 billion). Of the £5.2 billion long term and working capital borrowing, £4.4 billion relates to PFI and finance leases (2009/10: £3.3 billion) and £789.4 million to loans (2009/10: £546.4 million). The principal driver for the increase in borrowing is three PFI schemes which have become operational during the year. The prudential borrowing limit is set at the beginning of the year by Monitor for each NHS foundation trust in accordance with the *Prudential Borrowing Code*, and represents the maximum that each trust may borrow.

### **Capital expenditure**

Total gross capital expenditure in the year amounted to £2.6 billion (2009/10: £2.1 billion), which was offset in part by receipts from the sale of assets which amounted to £82.6 million (2009/10: £45.0 million). The increase in capital expenditure of £501.1 million compared with the previous year was primarily driven by three PFI schemes being brought into operation during the year. An additional £13.0 million depreciation was charged in the year compared with 2009/10.

Total capital expenditure was £403 million (20%) below plan. This compares with a shortfall against plan in 2009/10 of 25%. However, NHS foundation trusts continue to invest in their estates at levels significantly ahead of the depreciation charges in the year.

### **Looking forward**

The overall financial position of the NHS foundation trust sector remained steady throughout 2010/11 although some underlying trends such as margin decline are indicative of the pressures on the sector. Notably this reflects the impact of no increase in tariffs on 2009/10 levels and upward pressure on costs. The combined impact has been the requirement for management to focus on higher levels of cost and efficiency savings.

Looking forward the settlement from the Spending Review in October 2010 will further tighten the financial pressure on the sector, notably with tariffs reducing by 1.5% on average. In addition, acute NHS foundation trusts in particular will continue to be impacted by the non-elective tariff and readmission penalties. Margins will be squeezed further as revenue constraints will have to be offset by increasingly ambitious cost reduction programmes. Margins will be further diluted across the sector by the expected volume of TCS transactions, which are anticipated to be at very low margins compared to the NHS foundation trust sector in 2010/11.

The sector faces challenges in the context of proposed NHS reforms and more tightly constrained resources. Against this backdrop it is critical that NHS foundation trusts plan and implement efficiencies whilst maintaining and improving quality of care and meeting their strategic delivery objectives. NHS foundation trust boards will need to have in place robust mechanisms to monitor and track the impact of their cost improvement plans on quality to ensure quality of care is safeguarded.

In addition to a number of TCS transactions anticipated in 2011/12, there is also expected to be increased number of NHS foundation trusts developing business cases for potential mergers and acquisitions.

Dr David Bennett  
Chair and Interim Chief Executive  
7 July 2011

## Statement of responsibilities and accountability framework

Dr David Bennett is the Chair and Interim Chief Executive and Accounting Officer of Monitor. In this capacity, under paragraph 11(3) of Schedule 8 to the National Health Service Act 2006, he is responsible for ensuring that Monitor prepares a report which provides an overall summary of the accounts of NHS foundation trusts to lay before Parliament. He is not the Accounting Officer for each individual NHS foundation trust; this is the role of each NHS foundation trust's Chief Executive, designated as Accounting Officer by the National Health Service Act 2006. Monitor is responsible for determining, with the approval of HM Treasury, the form of accounts that each NHS foundation trust must adopt. This is described within the *NHS Foundation Trust Annual Reporting Manual (FT ARM)*, which is based on HM Treasury's *Financial Reporting Manual (FRM)*. The manual specifically requires:

- the application of suitable accounting policies on a consistent basis;
- judgements and estimates to be made on a reasonable basis;
- a statement within the accounts as to whether applicable accounting standards have been followed, and to disclose and explain any material departures; and
- the preparation of the accounts on a going concern basis (except for in the unlikely event that it is intended for all of the NHS foundation trust's services to be discontinued and transferred to another entity).

In discharging its responsibilities under paragraph 11(3) of Schedule 8 to the National Health Service Act 2006, Monitor has prepared a consolidated account on a basis consistent with the individual NHS foundation trusts' accounts and consolidated in accordance with International Financial Reporting Standards (IFRS), as amended for NHS foundation trusts by the FRM and the FT ARM.

## Statement on Internal Control

Monitor's system of internal control is designed to support the achievement of Monitor's policies, aims and objectives. As part of this system, Monitor has established the following processes to ensure these accounts provide a true and fair view of the NHS foundation trust sector:

- providing guidance to NHS foundation trusts and their auditors, including consolidation processes, through the FT ARM. This has been approved by HM Treasury;
- facilitating the Technical Issues Forum, to which senior representatives from the National Audit Office, the Audit Commission, HM Treasury and from each of the audit suppliers appointed as auditors of NHS foundation trusts are invited. The forum members discuss technical audit and accounting issues relating to NHS foundation trusts. The forum's terms of reference and minutes are published on Monitor's website;
- relying on the external auditors appointed by each NHS foundation trust's board of governors to ensure the truth and fairness of each set of accounts that have been consolidated into these accounts. These auditors have each undertaken an audit in accordance with the *Audit Code for NHS Foundation Trusts*, issued by Monitor;
- the appointment of the Quality Assurance Directorate of the Institute of Chartered Accountants in England and Wales to undertake a review of the quality of the work of these auditors and consideration of their findings;
- the appointment of the Comptroller and Auditor General to undertake an audit of the consolidated accounts presented in this report; and
- consideration by Monitor's management and Audit Committee of the consolidated accounts and the processes established to derive them.

The Board of Monitor is not accountable for the internal control and systems of NHS foundation trusts; this is the responsibility of each NHS foundation trust's board. As Accounting Officer, the Chief Executive of each NHS foundation trust has responsibility for maintaining a sound system of internal control that supports the achievement of that NHS foundation trust's policies, aims and objectives. In addition the Chief Executive, as Accounting Officer, has responsibility for safeguarding public funds and the organisation's assets as set out in the *NHS Foundation Trusts' Accounting Officer Memorandum*.

Each NHS foundation trust's annual report and accounts, which they lay before Parliament, includes a statement on internal control for the year ended 31 March 2011. These statements confirmed that all the NHS foundation trusts had adequate systems of internal control in place for the financial year

2010/11 and up to the dates of approval of their annual reports and accounts. Each individual statement on internal control explains how the Accounting Officer has reviewed the effectiveness of internal control during the period and highlights any significant control issues, where the risk cannot be effectively controlled.

#### *Mid Staffordshire NHS Foundation Trust*

Mid Staffordshire NHS Foundation Trust was found in significant breach of its terms of Authorisation in March 2009 as a result of significant failings relating to quality of care, governance and leadership within the NHS foundation trust. Following a strategic review of services delivered at the NHS foundation trust, a long-term plan for a clinically and financially viable solution is being produced. This will help secure the future of the NHS foundation trust. The plan was presented to the trust board in June 2011 and recommendations following from this will form the basis of the NHS foundation trust's plan going forward. In March 2011, a substantive Chief Executive, Lyn Hill-Tout, was appointed who formally started in post in June 2011. Please visit Monitor's website for more information on this NHS foundation trust.

As a result of this ongoing work Monitor accepted a request from Mid Staffordshire NHS Foundation Trust to delay submission of its 2010/11 accounts. Therefore, the audit opinion for Mid Staffordshire NHS Foundation Trust's accounts remains unsigned at the time of the signing of this Statement on Internal Control. We have therefore not included specific comments from the Mid Staffordshire NHS Foundation Trust Statement on Internal Control within this document. The operating income of Mid Staffordshire NHS Foundation Trust makes up less than 0.5% of total operating income for the sector and as such are not material to this statement.

### **Overview of internal control systems within NHS foundation trusts**

#### **Risk environment**

Individual NHS foundation trusts generally reported continued improvement in their internal control systems during 2010/11, including:

- further development of a risk-based approach to the identification and early rectification of potential problems through, for example, improved risk management and governance arrangements; and
- further improvements to information governance systems through, for example, revision of policies and procedures and further use of encryption to safeguard information.

As in previous years, in 2010/11 the majority of NHS foundation trusts reported continued focus on further development of internal control systems, including:

- further enhancement and embedding of information governance assurance programmes;
- system improvements to contribute to the achievement of key healthcare targets including MRSA and other infection control year-on-year reductions, and cancer, A&E and other waiting times; and
- systems and processes to ensure data quality.

#### **Governance**

NHS foundation trusts are assigned a quarterly governance risk rating on a scale from 'green' to 'red', the latter being the rating of greatest concern. Risk ratings are also updated in 'real time' to reflect, for example, a decision to find a trust in significant breach of its terms of authorisation or the Care Quality Commission's regulatory actions.

Over the course of 2010/11, the quarterly governance risk ratings assigned to NHS foundation trusts were as follows:

<b>Governance risk rating</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Green	81	77	75	82
Amber-green	29	36	32	17
Amber-red	7	6	15	25
Red	13	11	10	12
<b>Total</b>	<b>130</b>	<b>130</b>	<b>132</b>	<b>136</b>

### **Care Quality Commission registration**

From April 2010 all health and adult social care providers were required to be registered with the CQC. For some providers registration was conditional on further action being taken to address concerns about the safety and quality of care. Twelve NHS foundation trusts were registered with compliance conditions in April 2011, and eleven of these have since had these removed from their registration. Mid Staffordshire NHS Foundation Trust has one remaining compliance condition. Please visit Monitor's website for further information.

### **Financial**

Monitor's financial risk ratings (FRR) reflect the likelihood of a financial breach of the terms of Authorisation. A rating of 5 reflects the lowest level of financial risk and a rating of 1 the greatest. Over the course of 2010/11, the FRRs assigned to NHS foundation trusts were as follows:

<b>Financial risk rating</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
5	11	14	17	13
4	47	55	54	58
3	63	50	51	55
2	6	9	7	7
1	3	2	3	3
<b>Total</b>	<b>130</b>	<b>130</b>	<b>132</b>	<b>136</b>

Where appropriate NHS foundation trusts with FRR ratings of 1 and 2 have developed financial recovery plans that are in the process of being implemented.

### **NHS foundation trusts in significant breach of their terms of Authorisation**

During 2010/11 Monitor's Board:

- found three NHS foundation trusts in significant breach of their terms of Authorisation: Poole Hospital NHS Foundation Trust; Blackpool Teaching Hospitals NHS Foundation Trust; and Tameside Hospital NHS Foundation Trust; and
- continued to monitor six NHS foundation trusts which were in significant breach of their terms of Authorisation throughout 2010/11: Mid Staffordshire NHS Foundation Trust; Heatherwood and Wexham Park Hospitals NHS Foundation Trust; Gloucestershire Hospitals NHS Foundation Trust; Dorset County Hospital NHS Foundation Trust; Basildon and Thurrock University Hospitals NHS Foundation Trust; and Milton Keynes Hospital NHS Foundation Trust.

Since 1 April 2011 Medway NHS Foundation Trust has been found in significant breach of its terms of Authorisation.

Once an NHS foundation trust is in significant breach of its terms of Authorisation Monitor will meet with the trust regularly in order to ensure that the trust board develops a credible recovery plan and actions against the plan are closely monitored. In the case of financial concerns, Monitor will require the trust to report its financial position on a monthly basis.

Should Monitor find that sufficient progress is not being made, or that new problems have emerged, we will again consider the use of our statutory powers. At all times we work closely with the Care Quality Commission and require boards of trusts in significant breach to safeguard quality when implementing recovery plans.

During 2010/11, seven NHS foundation trusts were removed from significant breach of their terms of Authorisation, as a result of demonstrable improvements: Royal National Hospital for Rheumatic Diseases NHS Foundation Trust; University Hospital of South Manchester NHS Foundation Trust; Colchester Hospital University NHS Foundation Trust; Burton Hospitals NHS Foundation Trust; The Dudley Group of Hospitals NHS Foundation Trust; Heart of England NHS Foundation Trust; and Wrightington, Wigan and Leigh NHS Foundation Trust.

Further details on Monitor's regulatory action can be found in the Regulatory action section on its website.

### **Review of individual NHS foundation trusts' internal control weaknesses**

The following internal control weaknesses were disclosed by NHS foundation trusts in their individual statements on internal control and in their annual report and accounts. The reported control weaknesses generally reflect Monitor's regulatory position for those NHS foundation trusts in significant breach of their terms of Authorisation. Peterborough and Stamford Hospitals NHS Foundation Trust and Sherwood Forest Hospitals NHS Foundation Trust are both NHS foundation trusts which are not in significant breach of their terms of Authorisation. The annual reports and accounts of both these NHS foundation trusts highlight concerns about the existence of future uncertainty and its impact on future financial performance.

Weaknesses that are material in the context of the consolidation are included here; other, less significant weaknesses can be found in the statements on internal control of the individual NHS foundation trusts.

### **Use of resources**

In addition to the true and fair audit opinion on the accounts, external auditors of NHS foundation trusts are required to confirm that the audit has been completed in accordance with the requirements of the National Health Service Act 2006. Auditors are required to issue a qualified certificate where they are unable to satisfy themselves in relation to all requirements set out in the audit scope section of the Audit Code. A qualified audit certificate does not imply that the 'true and fair' audit opinion on the NHS foundation trust's accounts is qualified. Full audit opinions are included in the annual report and accounts of the individual NHS foundation trusts and are not reported again here.

Seven NHS foundation trusts received qualified audit certificates from their external auditors for the year ended 31 March 2011 in respect of their use of resources:

- Basildon and Thurrock University Hospitals NHS Foundation Trust – this relates to the intervention by Monitor in November 2009/10 following a significant breach of the terms of Authorisation as a result of serious concerns around patient safety and experience which remained in place during 2010/11;
- Blackpool Teaching Hospitals NHS Foundation Trust – this relates to a failure to meet the financial plan in the first quarter of 2010/11, not ensuring appropriate resources and governance arrangements were in place to deliver the annual plan and signing a contract which left the NHS foundation trust with an unacceptably high level of financial risk;
- Medway NHS Foundation Trust – this is in respect of concerns relating to Board level scrutiny and assurance processes concerning financial planning and performance at the NHS foundation trust;
- Peterborough and Stamford Hospitals NHS Foundation Trust - this relates to the NHS foundation trust facing a number of financial challenges in the year ahead which indicate the existence of a material uncertainty which may cast significant doubt on its ability to continue as a going concern;
- Poole Hospital NHS Foundation Trust – this was based on concerns around performance in 2009/10. The NHS foundation trust reported a deficit of £4.5 million (before impairments) against a planned surplus of £2.1 million and there was a lack of robustness in its plan to recover from this position;

- The Royal National Hospital for Rheumatic Diseases NHS Foundation Trust (for the period to October 2010) – this relates to the intervention in 2008/09 by Monitor in respect of poor financial governance. The NHS foundation trust was removed from significant breach by Monitor in October 2010; and
- Tameside Hospital NHS Foundation Trust – this relates to concerns about the financial position and the NHS foundation trust's financial governance arising from a deterioration in its finances in the second quarter of 2010/11 following a failure to take appropriate and timely action to control operating costs.

In all cases, the NHS foundation trusts' auditors have reported in their audit opinions on the accounts that the accounts themselves provide a true and fair view of financial performance for the year.

### **Financial standing**

The Accounting Officers of eight of the NHS foundation trusts have disclosed significant control issues relating to financial standing for 2010/11 within the NHS foundation trusts' individual Statements on Internal Control:

- Basildon and Thurrock Hospitals NHS Foundation Trust - Monitor's Section 52 notice in respect of the NHS foundation trust exercising its functions effectively, efficiently and economically was issued in November 2009 and remains in place in 2010/11. This intervention by Monitor followed a significant breach of the terms of Authorisation as a result of serious concerns around patient safety and experience;
- Blackpool Teaching Hospitals NHS Foundation Trust – this relates to a significant breach of condition two of its terms of Authorisation, being the general duty to exercise its functions effectively, efficiently and economically. External reports in relation to these breaches have been completed which have identified gaps in control for which action plans have been developed that are being monitored by the Board on a monthly basis;
- Dorset County Hospital NHS Foundation Trust – the NHS foundation trust remained in significant breach of condition two of its terms of Authorisation during the year. It reported a deficit in 2010/11 and continues to face significant challenges in 2011/12. The recovery plan approved by the NHS foundation trust's Board and agreed with Monitor shows a return to a surplus in 2011/12. In order to achieve this surplus the NHS foundation trust has set a challenging savings target for next year;
- Medway NHS Foundation Trust – this relates to a negative variance from forecast surplus for the year ended 31 March 2011. Together with the previous year's surplus not being achieved, this led to Monitor not being assured that the NHS foundation trust had a credible plan to return to a financial risk rating of three on a sustainable basis or over the level of board reporting and scrutiny in place to ensure that the plan is delivered;
- Milton Keynes Hospital NHS Foundation Trust – the NHS foundation trust has had a financial risk rating of one since December 2010 following the withdrawal of its working capital facility. A Transformation Programme has been formulated by the NHS foundation trust to bring it back to financial balance in 2012/13. Financing requirements have been identified to maintain liquidity during the Transformation Programme with sources of finance having been identified and in the process of being secured;
- Poole Hospital NHS Foundation Trust – in July 2010 the NHS foundation trust was judged by Monitor to be in significant breach of its terms of authorisation as a result of a reported operational deficit of £4.5 million in 2009/10 and weaknesses in its governance arrangements (the reported operational deficit for 2009/10 has since increased by £0.7 million as a result of a prior period adjustment). The NHS foundation trust anticipates that full compliance with its terms of Authorisation will be achieved in 2011/12;
- Tameside Hospital NHS Foundation Trust – this relates to a number of financial challenges during the course of 2010/11 resulting in a financial risk rating of two. Monitor found the NHS foundation trust to be in significant breach of its terms of authorisation in February 2011.

Although actively working towards financial recovery, the NHS foundation trust anticipates that it will not return to an FRR of three until 2012/13; and

- Sherwood Forest Hospitals NHS Foundation Trust – this relates to a forecast deficit for the next two financial years with a return to break-even in 2013/14 resulting from a significant cost improvement programme.

### **Private patient income cap**

Two NHS foundation trusts have disclosed a breach of their private patient income cap in 2010/11: Basildon and Thurrock University Hospitals NHS Foundation Trust and Liverpool Women's NHS Foundation Trust. Both of these NHS foundation trusts have in place an action plan to address the risk of further breaches in future years.

### **Information governance**

Information governance remains a significant area of internal control weakness for a number of NHS foundation trusts. A range of information governance incidents have been identified in the year; these include:

- losses and thefts of laptop computers containing patient information;
- losses of computer memory sticks containing patient information;
- losses of paper medical records; and
- accidental destruction of paper documents.

The following NHS foundation trusts reported serious untoward instances in relation to data security in the year:

- Aintree University Hospitals NHS Foundation Trust;
- Basildon and Thurrock University Hospitals NHS Foundation Trust;
- Birmingham and Solihull Mental Health NHS Foundation Trust;
- Calderdale and Huddersfield NHS Foundation Trust;
- Calderstones Partnership NHS Foundation Trust;
- Doncaster and Bassetlaw NHS Foundation Trust;
- Dorset County Hospital NHS Foundation Trust;
- Heatherwood and Wexham Park Hospitals NHS Foundation Trust;
- Northamptonshire Healthcare NHS Foundation Trust;
- Peterborough and Stamford Hospitals NHS Foundation Trust;
- The Rotherham NHS Foundation Trust;
- Sherwood Forest Hospitals NHS Foundation Trust; and
- South West Yorkshire Partnership NHS Foundation Trust.

In all of the reported cases, NHS foundation trusts have stated that they have taken the appropriate disciplinary action, prepared and implemented action plans and continue to monitor risks.

Dr David Bennett  
Chair and Interim Chief Executive  
7 July 2011

## **Independent auditor's report to the Independent Regulator of NHS Foundation Trusts (Monitor)**

I have audited the consolidated financial statements of NHS foundation trusts for the year ended 31 March 2011 in accordance with the letter of engagement dated 1 December 2010. These comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Independent Regulator of NHS Foundation Trusts and auditor**

As explained more fully in the Statement of Responsibilities and Accountability Framework, Monitor is responsible for the preparation of a report which provides an overall summary of the accounts of NHS foundation trusts. My responsibility is to audit the financial statements 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 circumstances of the consolidated accounts and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates; 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 financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the NHS foundation trust sector as at 31 March 2011 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Health Service Act 2006 and the accounting policies set out within the financial statements.

### **Opinion on other matters**

In my opinion:

- the information given within the Annual Review, which comprises the 'Review of NHS foundation trust financial performance 2010/11', for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Consolidated Statement of Comprehensive Income

	2010/11		2009/10 (Restated)	
	Before impairments £m	Impairments £m	Before impairments £m	After impairments £m
Operating Income				
Operating Expenses	30,356.1	75.7	27,943.0	27,956.1
<b>Operating surplus / (deficit)</b>	<b>1,066.5</b>	<b>(758.1)</b>	<b>1,052.3</b>	<b>(69.1)</b>
<b>Finance costs</b>				
Finance income	27.1		20.5	20.5
Finance expense - financial liabilities	(316.1)		(257.5)	(257.5)
Finance expense - unwinding of discount on provisions	(5.2)		(4.1)	(4.1)
PDC Dividends payable	(433.0)		(455.4)	(455.4)
<b>Net finance costs</b>	<b>(727.2)</b>		<b>(696.5)</b>	<b>(696.5)</b>
Share of Profit / (Loss) of Associates/Joint Ventures accounted for using the equity method	(1.1)		0.3	0.3
<b>Surplus/(deficit) for the year</b>	<b>338.2</b>	<b>(758.1)</b>	<b>356.1</b>	<b>(765.3)</b>
<b>Other comprehensive income</b>				
Impairments	-	(249.1)	-	(1,394.1)
Revaluations	327.1		76.7	76.7
Receipt of donated assets	90.3		84.5	84.5
Asset disposals	(8.8)		(35.2)	(35.2)
Other recognised gains and losses	(8.1)		3.7	3.7
Actuarial gains/(losses) on defined benefit pension schemes	3.6		-	-
Other reserve movements	(27.1)		(165.7)	(165.7)
<b>Total comprehensive income / (expense) for the period</b>	<b>715.2</b>	<b>(1,007.2)</b>	<b>320.1</b>	<b>(2,195.4)</b>
Prior Period Adjustments	(1.7)		(5.3)	(5.3)
<b>Total comprehensive income / (expense) for the year</b>	<b>713.5</b>	<b>(1,007.2)</b>	<b>314.8</b>	<b>(2,200.7)</b>

**Allocation of Profits/(Losses) for the period:**

	2010/11 £m	2009/10 £m
<b>(a) Surplus/(deficit) for the period attributable to:</b>		
(i) minority interest, and	-	-
(ii) owners of the parent.	(419.9)	(765.3)
<b>TOTAL</b>	<b>(419.9)</b>	<b>(765.3)</b>
<b>(b) total comprehensive income/ (expense) for the period attributable to:</b>		
(i) minority interest, and	-	0.1
(ii) owners of the parent.	(293.7)	(2,200.8)
<b>TOTAL</b>	<b>(293.7)</b>	<b>(2,200.7)</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37 and adjustments arising from Transforming Community Services (TCS) transactions as set out in note 38.

The notes on pages 26 to 76 form part of these accounts.

**Consolidated Statement of Financial Position**  
**Year ended 31 March**

	Note	2010/11 £m	Restated 2009/10 £m
<b>Non-current assets</b>			
Intangible assets	14	162.5	132.1
Property, plant and equipment	15	20,012.7	18,341.5
Investment Property	16	46.8	40.0
Investments in associates (and jointly controlled operations)	16	2.2	0.1
Trade and other receivables	20	197.9	185.8
Other assets		4.6	34.7
<b>Total non-current assets</b>		<b>20,426.7</b>	<b>18,734.2</b>
<b>Current assets</b>			
Inventories	19	397.3	364.4
Trade and other receivables	20	1,312.1	1,371.3
Other financial assets	21	37.9	34.2
Tax receivable		1.9	3.6
Non-current assets for sale and assets in disposal groups	22	79.1	62.8
Cash and cash equivalents	23	3,236.8	2,861.1
<b>Total current assets</b>		<b>5,065.1</b>	<b>4,697.4</b>
<b>Current liabilities</b>			
Trade and other payables	24	(2,569.2)	(2,369.4)
Borrowings	25	(177.2)	(164.5)
Other financial liabilities		(1.6)	(2.1)
Provisions	26	(212.7)	(136.8)
Tax payable		(338.6)	(294.0)
Other liabilities	27	(566.2)	(450.0)
<b>Total current liabilities</b>		<b>(3,865.5)</b>	<b>(3,416.8)</b>
<b>Total assets less current liabilities</b>		<b>21,626.3</b>	<b>20,014.8</b>
<b>Non-current liabilities</b>			
Trade and other payables	24	(24.6)	(25.3)
Borrowings	25	(4,992.5)	(3,730.0)
Other financial liabilities		(2.4)	(3.7)
Provisions	26	(243.0)	(219.4)
Tax payable		(0.6)	-
Other liabilities	27	(189.4)	(170.7)
<b>Total non-current liabilities</b>		<b>(5,452.5)</b>	<b>(4,149.1)</b>
<b>Total assets employed</b>		<b>16,173.8</b>	<b>15,865.7</b>
<b>Financed by (taxpayers' equity)</b>			
Minority Interest		0.1	-
Public Dividend Capital		11,587.9	11,100.1
Revaluation reserve	28	3,996.8	3,877.3
Donated Asset Reserve		781.8	739.7
Other reserves		74.8	65.2
Merger reserve		0.2	-
Income and expenditure reserve		(267.8)	83.4
<b>Total taxpayers' equity</b>		<b>16,173.8</b>	<b>15,865.7</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37. The notes on pages 26 to 76 form part of these accounts.

**Dr David Bennett**  
**Interim Chief Executive**  
**7 July 2011**

**Consolidated Statement of Changes In Taxpayers' Equity**  
**Year ended 31 March 2011**

	Minority Interest £m	Public Dividend Capital £m	Revaluation Reserve £m	Donated Assets Reserve £m	Other Reserves £m	Merger Reserve £m	Income and Expenditure Reserve £m	Total £m
<b>Taxpayers' Equity at 1 April 2010 - as previously stated</b>	-	11,100.1	3,803.6	739.7	65.2	-	77.6	15,786.2
Prior period adjustment	-	-	73.7	-	-	-	5.8	79.5
<b>Taxpayers' Equity at 1 April 2010 - restated</b>	-	11,100.1	3,877.3	739.7	65.2	-	83.4	15,865.7
<b>At start of period for new FTs</b>	-	424.7	144.9	13.3	8.8	-	(2.4)	589.3
Surplus/(deficit) for the year	-	-	-	-	-	-	(419.9)	(419.9)
Impairments	-	-	(225.3)	(23.8)	-	-	-	(249.1)
Revaluations	-	-	317.7	9.4	-	-	-	327.1
Receipt of donated assets	-	-	-	90.3	-	-	-	90.3
Asset disposals	-	-	(30.4)	(8.4)	(0.1)	-	30.1	(8.8)
Other recognised gains and losses	-	-	(11.2)	(6.6)	-	-	9.7	(8.1)
Actuarial gains/(losses) on defined benefit pension schemes	-	-	-	-	0.7	-	2.9	3.6
Public Dividend Capital received	-	42.6	-	-	-	-	-	42.6
Public Dividend Capital repaid	-	(5.5)	-	-	-	-	-	(5.5)
Other reserve movements	0.1	26.0	(76.2)	(32.1)	0.2	0.2	28.4	(53.4)
<b>Taxpayers' Equity at 31 March 2011</b>	<b>0.1</b>	<b>11,587.9</b>	<b>3,996.8</b>	<b>781.8</b>	<b>74.8</b>	<b>0.2</b>	<b>(267.8)</b>	<b>16,173.8</b>

**Consolidated Statement of Changes in Taxpayers' Equity  
Year ended 31 March 2010**

	Minority Interest £m	Public Dividend Capital £m	Revaluation Reserve £m	Donated Assets Reserve £m	Other Reserves £m	Income and Expenditure Reserve £m	Total £m
<b>Taxpayers' Equity at 1 April 2009 - as previously stated</b>	-	10,055.0	4,874.5	749.9	39.2	819.2	16,537.8
Prior period adjustment	-	-	10.5	0.3	-	(9.9)	0.9
<b>Taxpayers' Equity at 1 April 2009 - restated</b>	-	10,055.0	4,885.0	750.2	39.2	809.3	16,538.7
<b>At start of period for new FTs</b>	-	944.5	369.8	28.0	30.9	(39.0)	1,334.2
Surplus/(deficit) for the year	-	-	-	-	-	(765.3)	(765.3)
Impairments	-	-	(1,351.7)	(39.6)	(2.8)	-	(1,394.1)
Revaluations	-	-	(26.6)	(31.8)	-	-	(58.4)
Receipt of donated assets	-	-	-	84.5	-	-	84.5
Asset disposals	-	-	(23.1)	(82.2)	-	16.8	(88.5)
Other recognised gains and losses	-	-	-	-	-	3.7	3.7
Actuarial gains/(losses) on defined benefit pension schemes	-	-	-	-	0.5	(0.5)	-
Public Dividend Capital received	-	121.1	-	-	-	-	121.1
Public Dividend Capital repaid	-	(20.5)	-	-	-	-	(20.5)
Other reserve movements	-	-	(49.8)	30.6	(2.6)	52.6	30.8
<b>Taxpayers' Equity at 31 March 2010</b>	-	11,100.1	3,803.6	739.7	65.2	77.6	15,786.2

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37.

The notes on pages 26 to 76 form part of these accounts.

#### Public Dividend Capital

Public dividend capital is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS trust. A charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable as Public Dividend Capital Dividend.

#### Revaluation Reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income.

#### Donated Assets Reserve

The value of assets donated to foundation trusts from non-government bodies are recognised at their fair value. The value is released over the life of the asset in order to neutralise the costs associated in holding the donated asset.

#### Other Reserves

This reserve reflects balances formed on the creation of predecessor NHS bodies and adjustments to Public Dividend Capital.

#### Merger Reserve

This reserve reflects balances formed on merger of NHS bodies.

#### Income and Expenditure Reserve

The balance of this reserve is the accumulated surplus and deficits of the NHS foundation trust sector.

**Consolidated Cash Flow Statement**  
**Year ended 31 March**

	Note	2010/11 £m	Restated 2009/10 £m
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		308.4	(69.1)
<b>Non-cash income and expense:</b>			
Depreciation and amortisation	6	928.0	907.2
Impairments	6	833.8	1,134.5
Reversals of impairments	3	(75.7)	(13.1)
Transfer from the donated asset reserve		(55.9)	(82.0)
Amortisation of government grants		(2.2)	(0.7)
Amortisation of Private Finance Initiative (PFI) credit	3	(0.5)	(0.7)
(Increase)/Decrease in Trade and Other Receivables, including Tax Receivable	20	48.8	(138.8)
(Increase)/Decrease in Other Assets		26.4	(13.5)
(Increase) in Inventories	19	(32.9)	(41.4)
Increase in Trade and Other Payables, including Tax Payable	24	244.3	107.2
Increase in Other Liabilities and Other Financial Liabilities		133.1	68.4
Increase/(Decrease) in Provisions	26	99.5	(13.1)
Tax received		11.2	12.4
Movements in operating cash flow of discontinued operations		0.1	(0.2)
Other movements in operating cash flows		(17.5)	29.6
<b>NET CASH GENERATED FROM OPERATIONS</b>		<b>2,448.9</b>	<b>1,886.7</b>
<b>Cash flows from investing activities</b>			
Interest received		21.2	20.9
Purchase of financial assets		(974.4)	(895.1)
Sales of financial assets		976.5	1,015.8
Purchase of intangible assets		(36.8)	(42.8)
Purchase of Property, Plant and Equipment		(1,701.8)	(1,488.0)
Sales of Property, Plant and Equipment		82.6	45.0
Cash flows attributable to investing activities of discontinued operations		-	6.8
Cash from (disposals) of business units and subsidiaries		1.0	-
<b>NET CASH GENERATED USED IN INVESTING ACTIVITIES</b>		<b>(1,631.7)</b>	<b>(1,337.4)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		42.6	121.1
Public dividend capital repaid		(5.5)	(20.5)
Loans received		329.3	223.9
Loans repaid		(54.1)	(35.5)
Capital element of finance lease rental payments		(13.9)	(7.9)
Capital element of Private Finance Initiative Obligations		(96.5)	(62.2)
Interest paid		(22.3)	(14.2)
Interest element of finance lease		(7.8)	(32.3)
Interest element of Private Finance Initiative obligations		(275.4)	(205.1)
PDC Dividend paid		(420.8)	(484.0)
Cash flows from other financing activities		44.2	59.7
<b>NET CASH GENERATED USED IN FINANCING ACTIVITIES</b>		<b>(480.2)</b>	<b>(457.0)</b>
<b>Increase in cash and cash equivalents</b>		<b>337.0</b>	<b>92.3</b>
<b>Cash and Cash equivalents at 1 April</b>		<b>2,818.7</b>	<b>2,602.3</b>
<b>Cash and Cash equivalents at start of period for new FTs</b>	23	<b>71.9</b>	<b>124.1</b>
<b>Cash and Cash equivalents at 31 March</b>	23	<b>3,227.6</b>	<b>2,818.7</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note.

The notes on pages 28 to 79 form part of these accounts.

## Notes to the accounts

### 1 Accounting policies and other information

Paragraph 11(3) of Schedule 8 of the National Health Service Act 2006 requires Monitor to provide an overall summary of the accounts of NHS foundation trusts. Monitor has chosen to produce a consolidated account of NHS foundation trusts prepared on the accounting requirements in the *NHS Foundation Trust Annual Reporting Manual (FT ARM)*.

The accounting policies contained within the FT ARM are broadly consistent with those specified in HM Treasury's Financial Reporting Manual (FRm), which itself follows International Financial Reporting Standards (IFRS), to the extent that it is meaningful and appropriate in the public sector context. The FT ARM's divergences from the FRm are designed to ensure an appropriate financial reporting framework for the NHS foundation trust sector and have been approved by HM Treasury's Financial Reporting Advisory Board. The FT ARM's divergences from the FRm are listed within the manual.

Where NHS foundation trusts have discretion over their accounting policies Monitor has confirmed that any inconsistencies are immaterial to these accounts or adjustments have been made.

#### 1.1 Consolidation

##### Basis of consolidation

These accounts aggregate the accounts of all NHS foundation trusts using the principles of IFRS. It presents the consolidated results of the NHS foundation trust sector after the elimination of inter-NHS foundation trust balances and transactions. Monitor is not the parent undertaking for NHS foundation trusts and its results are not incorporated within these accounts. The accounts for Monitor are laid before Parliament separately.

Monitor is required under the National Health Service Act 2006 to summarise only the accounts of NHS foundation trusts. Accordingly, transactions since the date of authorisation as an NHS foundation trust are consolidated into these accounts and transactions and balances relating to the predecessor NHS trust are not included as comparative data.

Where an NHS foundation trust combines with another entity within the Whole of Government Accounts boundary (including other NHS foundation trusts and NHS trusts) this represents a 'machinery of government change.' The FT ARM states that these transactions fall within the 'Group Reconstruction' provisions of IFRS 3 and as a result are excluded from the scope of that standard. There is no IFRS standard that otherwise deals with accounting for group reconstructions and, as such, the FT ARM has followed the IAS 8 hierarchy to the selection of accounting policies and adopted merger accounting principles similar to those in FRS 6. This is in line with the FRm.

##### Subsidiaries

Subsidiary entities are those over which a trust has the power to exercise control or a dominant influence so as to gain economic or other benefits. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated in full into the appropriate financial statement lines. The capital and reserves attributable to minority interests are included as a separate item in the Statement of Financial Position.

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year, except where a subsidiary's financial year end is before 1 January or after 1 July, in which case the actual amounts for each month of the year to 31 March are obtained from the subsidiary and consolidated.

Where a subsidiary's accounting policies are not aligned with those of the NHS foundation trust (including where they report under UK GAAP) amounts are adjusted during consolidation where the differences are material.

Subsidiaries which are classified as 'held for sale' are measured at the lower of their carrying value and 'fair value less costs to sell'.

## **Associates**

Associate entities are those over which a trust has the power to exercise a significant influence. Associate entities are recognised in these financial statements using the equity method. The investment is initially recognised at cost. It is increased or decreased subsequently to reflect the NHS foundation trust's share of the entity's profit or loss or other gains and losses (e.g. revaluation gains on the entity's property, plant and equipment) following acquisition. It is also reduced when any distribution e.g. share dividends are received by the NHS foundation trust from the associate.

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

## **Joint ventures**

Joint ventures are separate entities over which an NHS foundation trust has joint control with one or more other parties. The meaning of control is the same as that for subsidiaries.

Joint ventures are accounted for using the equity method. Joint ventures which are classified as 'held for sale' are measured at the lower of their carrying value and 'fair value less costs to sell'.

## **Joint operations**

Joint operations are activities which are carried out with one or more other parties but which are not performed through a separate entity. An NHS foundation trust's share of the activities, assets and liabilities of these joint operations are included in these financial statements.

## **1.2 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. The main source of income for the trust is contracts with commissioners in respect of healthcare services.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

## **1.3 Expenditure on 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 annual leave entitlement 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.

### **Pension costs**

#### *NHS Pension Scheme*

Past and present employees are covered by the provisions of the NHS Pension 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. It is not possible for the NHS foundation trust sector to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme. Employer pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the NHS foundation trust commits itself to the retirement, regardless of the method of payment.

#### *Local Government Superannuation Scheme*

Some NHS foundation trust employees are members of the Local Government Superannuation Scheme which is a defined benefit pension scheme. Where the NHS foundation trust is able to identify its share of the underlying scheme liabilities these are accounted for as a defined benefit pension scheme ('on Statement of Financial Position'). The scheme assets and liabilities attributable to these employees can be identified, are recognised in the accounts of NHS foundation trusts and are consolidated here.

The assets are measured at fair value and the liabilities at the present value of 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 in the Statement of Comprehensive Income as an item under 'other comprehensive income'.

Where the NHS foundation trust is unable to identify its share of the underlying scheme liabilities these are accounted for as defined contribution pension schemes ('off Statement of Financial Position').

*Other pension schemes*

Some NHS foundation trusts have employees who are members of defined benefit pension schemes other than the NHS Pension Scheme and the Local Government Superannuation Scheme. Where the NHS foundation trust is able to identify its share of the underlying scheme liabilities these are accounted for as a defined benefit pension scheme ('on Statement of Financial Position'). Otherwise, these are accounted for as defined contribution pension schemes ('off Statement of Financial Position').

All schemes are defined benefit pension schemes and these are listed below. For further details please refer to the individual NHS foundation trust accounts.

<b>Trust</b>	<b>Pension Scheme</b>	<b>Accounting treatment in financial statements</b>
Camden and Islington NHS Foundation Trust	London Borough of Islington Pension Scheme	Off Statement of Financial Position
Southern Health NHS Foundation Trust	Hampshire Pension Fund	On Statement of Financial Position
Hertfordshire Partnership NHS Foundation Trust	Hertfordshire Local Government Pension Scheme	Off Statement of Financial Position
Rotherham, Doncaster and South Humber NHS Foundation Trust	South Yorkshire Local Government Pension Scheme	On Statement of Financial Position
Sandwell Mental Health and Social Care NHS Foundation Trust	Sandwell Metropolitan Borough Council Pension Scheme	On Statement of Financial Position
Sheffield Health and Social Care NHS Foundation Trust	South Yorkshire Local Government Pension Scheme	On Statement of Financial Position
South Essex Partnership University NHS foundation trust	Local Government Pension Scheme	On Statement of Financial Position
South Staffordshire and Shropshire Healthcare NHS Foundation Trust	Local Government Superannuation Scheme	On Statement of Financial Position
The Tavistock and Portman NHS Foundation Trust	Teachers Pensions Scheme (England and Wales)	Off Statement of Financial Position

**1.4 Expenditure on other goods and services**

Expenditure on goods and services is recognised when, and to the extent that, they have been received and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

## 1.5 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised where:

- 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 be provided to, the NHS foundation trust;
- it is expected to be used for more than one financial year; and the cost of the item can be measured reliably; and
- the cost of the asset or group assets exceeds the local capitalisation threshold.

NHS foundation trusts may set their capitalisation threshold no higher than £5,000. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

### Measurement

#### Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs 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.

IAS 16 permits property, plant and equipment to be valued either at cost less accumulated depreciation or at a revalued amount, being fair value at the date of revaluation less subsequent depreciation and impairment. The FT ARM, in accordance with the FReM, does not allow NHS foundation trusts to apply the historical cost model, except for assets which have a short useful economic life or low value or both.

All land and buildings are valued every five years to ensure the fair value is not misstated. Valuations are carried out by professional valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the FT ARM. Interim revaluations are also carried out as necessary to ensure that the carrying amount of each asset does not differ materially from its fair value at the Statement of Financial Position date. The last full valuation was undertaken as at 31 March 2010 and reflected in the 2009/10 financial statements.

#### Application of Property Plant and Equipment accounting policy

Monitor requires NHS foundation trusts to apply modern equivalent asset basis (MEA) for valuation of specialised assets. The MEA method assumes that the existing asset would be replaced with a modern asset of equivalent capacity and function. This asset need not be restricted to the current location and thus, where it would meet the contractual location requirements of the service being provided, an alternate site may instead be used as the basis of valuation.

It is for individual NHS foundation trusts to determine whether the alternative site approach is appropriate when undertaking an MEA based valuation. To indicate the extent to which the alternative site approach has been applied across the sector, a table has been included below:

Net Book Value	Buildings excluding dwellings		
	Land	Dwellings	Dwellings
	£m	£m	£m
Modern Equivalent Asset (no Alternative Site)	2,107.3	10,158.6	143.6
Modern Equivalent Asset (Alternative Site)	556.0	2,870.0	34.5
Other Professional Valuations	427.5	1,057.2	28.2
<b>Total</b>	<b>3,090.8</b>	<b>14,085.8</b>	<b>206.3</b>

### **Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

### **Depreciation**

Items of property, plant and equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position Private Finance Initiative (PFI) contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

### **Revaluation gains and losses**

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

### **Impairments**

In accordance with the FT ARM, impairments that are due to a loss of economic benefit or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss are reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

### **De-recognition**

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales; and
- the sale must be highly probable i.e.:
  - management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;
  - the sale is expected to be completed within 12 months of the date of classification as 'held for sale'; and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met. Property, plant and equipment

which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

### **Donated assets**

Donated non-current assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. These assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also 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 the income and expenditure account. Similarly, any impairment on donated assets charged to the income and expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the Income and Expenditure Reserve.

### **PFI transactions**

PFI transactions which meet the IFRS Interpretations Committee (IFRIC) 12 definition of a service concession, as interpreted in the FReM, are accounted for as 'on-Statement of Financial Position' by the NHS foundation trust.

The underlying assets are recognised as property, plant and equipment at their fair value. An equivalent financial liability is recognised in accordance with International Accounting Standard (IAS) 17.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

### **Useful Economic Life of Property, Plant and Equipment**

	<b>Min Life Years</b>	<b>Max Life Years</b>
Land	10	Infinite
Buildings excluding dwellings	1	188
Dwellings	1	99
Assets under Construction	1	90
Plant & Machinery	1	89
Transport Equipment	1	21
Information Technology	1	22
Furniture & Fittings	1	50

## **1.6 Intangible assets**

### **Recognition**

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

### **Internally generated intangible assets**

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the NHS foundation trust incurring the expense intends to complete the asset and sell or use it;
- that NHS foundation trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the NHS foundation trust to complete the development and sell or use the asset; and
- the NHS foundation trust carrying out the development can measure reliably the expenses attributable to the asset during development.

### Software

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

### Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently, intangible assets are measured at fair value. Revaluation gains and losses and impairments are treated in the same manner as for property, plant and equipment.

Intangible assets 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'.

### Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

### Useful economic life of intangible assets

	<b>Min Life Years</b>	<b>Max Life Years</b>
<b>Intangible assets - internally generated</b>		
Information technology	1	10
Development expenditure	1	99
Other	3	10
<b>Intangible assets - purchased</b>		
Software	1	20
Licences & Trademarks	1	12
Patents	1	10
Other	1	10
Goodwill	3	10

### 1.7 Investment properties

Investment properties are measured at fair value. Changes in fair value are recognised as revenue gains or losses.

Only those assets which are held solely to generate a commercial return are considered to be investment properties. Where an asset is held, in part, for support service delivery objectives, then it is considered to be an item of property, plant and equipment. Properties occupied by employees, whether or not they pay rent at market rates, are not investment properties.

## 1.8 Government grants

Government grants are grants from Government bodies other than income from Primary Care Trusts or NHS trusts for the provision of services. Grants from the Department of Health, are accounted for as Government grants, as are grants from the Big Lottery Fund. Where the Government grant is used to fund revenue expenditure it is credited to operating income to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to operating income over the life of the asset in a manner consistent with the depreciation charge for that asset.

## 1.9 Inventories

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

## 1.10 Financial instruments and financial liabilities

### Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the NHS foundation trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

NHS foundation trusts are permitted to recognise and de-recognise, as applicable, regular way purchases or sales using either the trade or settlement date.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

### De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the NHS foundation trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

### Classification and measurement

Financial assets are categorised as 'Fair Value through Income and Expenditure', 'Loans and receivables' or 'Available-for-sale financial assets'.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

### Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category.

Assets and liabilities in this category are classified as current assets and current liabilities. These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

NHS foundation trust 'loans and receivables' comprise: 'current investments'; 'cash and cash equivalents'; 'NHS debtors'; 'accrued income'; and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

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

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the NHS foundation trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item under 'other comprehensive income'. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised under 'Finance Costs' in the Statement of Comprehensive Income.

### **Financial liabilities**

All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

### **Determination of fair value**

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from quoted market prices, independent appraisals or discounted cash flow analysis.

### **Impairment of financial assets**

At the Statement of Financial Position date, the NHS foundation trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only 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 Income and the carrying amount of the asset is reduced.

### **1.11 Cash and cash equivalents**

Cash and cash equivalents is comprised of cash at bank and in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

### **1.12 Leases**

#### ***Finance leases***

Where substantially all risks and rewards of ownership of a leased asset are borne by an NHS foundation trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to finance costs in the Statement of Comprehensive Income.

#### ***Operating leases***

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

#### ***Leases of land and buildings***

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

### **1.13 Provisions**

The NHS foundation trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 2.2% in real terms, except for early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of 2.9% in real terms.

#### ***Clinical negligence costs***

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trusts is disclosed at Note 26.

#### ***Non-clinical risk pooling***

NHS foundation trusts can participate in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the NHS foundation trust pays an annual contribution to the NHS Litigation Authority and in return receives 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 when the liability arises.

### **1.14 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in Note 35 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 35, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

### **1.15 Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32. A charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets, (ii) net cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the NHS foundation trusts' annual accounts.

### **1.16 Transforming community services (TCS) transactions**

TCS transactions meet the definition of a 'machinery of government' change and have been accounted for using merger accounting in line with the FT ARM. Merger accounting requires the restatement of the opening Statement of Financial Position and the prior year's Statement of Comprehensive Income, the Statement of Changes in Taxpayer's Equity and the Cash Flow Statement. Where appropriate, the notes to the accounts have also been restated.

### **1.17 Value Added Tax**

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.

### **1.18 Corporation tax**

The Finance Act 2004 amended S519A Income and Corporation Taxes Act 1998 to provide power to the Treasury to make certain non-core activities of NHS foundation trusts potentially subject to corporation tax. Subsequently HM Revenue and Customs decided that Corporation tax would not be payable by NHS foundation trusts until the 2010/11 financial year.

NHS foundation trusts may also incur corporation tax through NHS charitable trusts which are consolidated into their financial statements.

Corporation tax expense recognised in these financial statements represents the sum of the tax currently payable and deferred tax.

Current tax is the expected tax payable on the taxable surpluses generated during the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are not discounted.

### **1.19 Foreign exchange**

The functional and presentational currencies of the NHS foundation trust are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the NHS foundation trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised as income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

### **1.20 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS foundation trust has no beneficial interest in them.

However, they are disclosed in a separate note to the accounts in accordance with the requirements of the FReM (see note 42 to the accounts).

### **1.21 Going concern**

Two NHS foundation trusts, Milton Keynes Hospital NHS Foundation Trust and Peterborough and Stamford NHS Foundation Trust, have highlighted their reasoning for preparing accounts on a going concern basis despite adverse financial conditions. The auditors of both NHS foundation trusts have highlighted these conditions by including an emphasis of matter opinion within their audit opinions on the NHS foundation trusts' 2010/11 accounts. The audit opinions are not qualified in this respect. The combined operating income of both NHS foundation trusts makes up less than 1.3% of total operating income for the sector.

As a result of ongoing work on the strategic review and its recommendations, Monitor accepted a request from Mid Staffordshire NHS Foundation Trust to delay submission of their 2010/11 accounts. Therefore, the audit opinion for Mid Staffordshire NHS Foundation Trust's accounts remains unsigned at the time of the signing of these NHS Foundation Trust consolidated accounts. Monitor has consolidated unaudited 2010/11 accounts for Mid Staffordshire on a going concern basis. The operating income of Mid Staffordshire NHS Foundation Trust makes up less than 0.5% of total operating income for the sector.

Monitor has prepared these consolidated accounts on a going concern basis which reflects the basis on which the underlying NHS foundation trust accounts have been prepared.

## 2 Operating segments

The foundation trust sector is formed of four types of foundation trust, providing different services:

- acute – provision of general acute healthcare;
- ambulance – provision of ambulance services;
- mental health – provision of specialist mental health services; and
- specialist – foundation trusts providing other specialist treatment and services.

### 2010/11 – highlighted rows to be updated once inter-FT transactions/balances finalised

	Acute £m	Ambulance £m	Mental Health £m	Specialist £m	Total £m
<b>Income</b>					
Segment Income	22,667.6	25.1	6,070.0	2,065.5	<b>30,828.2</b>
Inter-Foundation Trust	(298.5)	(0.4)	(57.2)	(40.3)	<b>(396.4)</b>
Income	22,369.1	24.7	6,012.8	2,025.2	<b>30,431.8</b>
<b>Surplus/(Deficit) for the year</b>					
Surplus before impairments	142.3	0.5	127.5	67.9	<b>338.2</b>
Impairments	(668.0)	-	(63.6)	(26.5)	<b>(758.1)</b>
Surplus/(deficit) for the year	(525.7)	0.5	63.9	41.4	<b>(419.9)</b>
<b>Assets</b>					
Total segment assets	18,585.2	159.5	5,171.4	1,693.6	<b>25,609.7</b>
Inter-Foundation Trust	(93.7)	(0.2)	(13.0)	(11.0)	<b>(117.9)</b>
Assets	18,491.5	159.3	5,158.4	1,682.6	<b>25,491.8</b>
<b>Liabilities</b>					
Total segment liabilities	(7,516.3)	(44.8)	(1,498.3)	(376.5)	<b>(9,435.9)</b>
Inter-Foundation Trust	77.6	0.5	20.6	19.2	<b>117.9</b>
Liabilities	(7,438.7)	(44.3)	(1,477.7)	(357.3)	<b>(9,318.0)</b>
<b>Other information</b>					
Finance income	15.3	-	6.1	5.7	<b>27.1</b>
Finance expenses	(575.2)	(0.4)	(146.7)	(32.0)	<b>(754.3)</b>
Depreciation and amortisation	(727.5)	(1.3)	(124.3)	(74.9)	<b>(928.0)</b>
Additions to Non-Current Assets	2,215.8	6.0	360.1	177.7	<b>2,759.6</b>

2009/10 (restated)

	Acute £m	Ambulance £m	Mental Health £m	Specialist £m	Total £m
<b>Income</b>					
Segment Income	21,083.7	-	5,237.4	1,807.4	<b>28,128.5</b>
Inter-Foundation Trust	(106.7)	-	(32.9)	(32.8)	<b>(172.4)</b>
Income	20,977.0	-	5,204.5	1,774.6	<b>27,956.1</b>
<b>Surplus/(Deficit) for the year</b>					
Surplus before impairments	196.3	-	98.4	61.4	<b>356.1</b>
Impairments	(846.5)	-	(247.0)	(27.9)	<b>(1,121.4)</b>
Surplus/(deficit) for the year	(650.2)	-	(148.6)	33.5	<b>(765.3)</b>
<b>Assets</b>					
Total segment assets	17,073.8	-	4,832.2	1,586.5	<b>23,492.5</b>
Inter-Foundation Trust	(56.2)	-	(3.3)	(1.4)	<b>(60.9)</b>
Assets	17,017.6	-	4,828.9	1,585.1	<b>23,431.6</b>
<b>Liabilities</b>					
Total segment liabilities	(6,011.9)	-	(1,292.1)	(322.8)	<b>(7,626.8)</b>
Inter-Foundation Trust	56.6	-	2.9	1.4	<b>60.9</b>
Liabilities	(5,955.3)	-	(1,289.2)	(321.4)	<b>(7,565.9)</b>
<b>Other information</b>					
Finance income	13.2	-	4.0	3.3	<b>20.5</b>
Finance expenses	(562.1)	-	(125.5)	(29.4)	<b>(717.0)</b>
Depreciation and amortisation	(718.4)	-	(125.8)	(63.0)	<b>(907.2)</b>
Additions to Non-Current Assets	1,680.2	-	402.8	160.9	<b>2,243.9</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37 and adjustments arising from Transforming Community Services (TCS) transactions as set out in note 38.

### 3.1 Income from activities - by activity

	2010/11 £m	Restated 2009/10 £m
<b>Income from Activities</b>		
<b>Acute Trusts</b>		
Elective income	4,672.3	4,248.5
Non-elective income	5,978.9	5,791.8
Outpatient income	3,744.6	3,402.2
A & E income	675.9	592.2
Other NHS clinical income	5,942.1	5,513.1
<b>Mental Health Trusts</b>		
Cost and Volume Contract income	568.5	370.9
Block Contract income	4,373.6	3,869.6
Clinical Partnerships providing mandatory services (including S31 agreements)	200.5	169.2
Clinical income for the Secondary Commissioning of mandatory services	50.8	50.5
Other clinical income from mandatory services	183.2	190.7
<b>All Trusts</b>		
Private patient income	252.0	223.5
Other non-protected clinical income	225.1	187.4
<b>Total income from activities</b>	<b>26,867.5</b>	<b>24,609.6</b>
<b>Other operating income</b>		
Research and development	386.7	343.4
Education and training	1,307.3	1,275.3
Charitable and other contributions to expenditure	50.8	54.2
Transfer from donated asset reserve in respect of depreciation on donated assets	55.9	57.1
Non-patient care services to other bodies	610.6	611.4
Profit on disposal of fixed asset investments	-	2.8
Profit on disposal of land and buildings	9.8	2.3
Profit on disposal of other tangible fixed assets	2.8	0.7
Gain on disposal of assets held for sale	0.6	5.3
Reversal of impairments of assets held for sale and investments	5.4	0.9
Reversal of impairments of property, plant and equipment	70.3	12.2
Amortisation of PFI deferred credits	0.5	0.7
Other	1,063.6	980.2
<b>Total other operating income</b>	<b>3,564.3</b>	<b>3,346.5</b>
<b>TOTAL OPERATING INCOME</b>	<b>30,431.8</b>	<b>27,956.1</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37 and adjustments arising from Transforming Community Services (TCS) transactions as set out in note 38.

### **3.2 Private patient income**

NHS foundation trusts received £252.0 million of private patient income in 2010/11 (2009/10: £223.5 million). This figure represents 1.1% of the total patient related income of NHS foundation trusts in 2010/11 (2009/10: 1.0%).

At the time of authorisation of each NHS foundation trust Monitor sets a limit, expressed as a percentage of the NHS foundation trust's total patient related income, for the amount of private patient income that that NHS foundation trust can generate (the private patient income cap). In their annual audited accounts NHS foundation trusts disclose the actual percentage of patient related income which private patient income comprises. In 2010/11, two NHS foundation trusts (Basildon and Thurrock University Hospitals NHS Foundation Trust and Liverpool Women's NHS Foundation Trust) breached their private patient income cap.

The private patient income figures quoted above are calculated using the rules outlined in the 2010/11 and 2009/10 NHS Foundation Trust Annual Reporting Manuals. These rules were subject to legal challenge and on 9 December 2009, the Administrative Court found them to be unlawful. Monitor accepted the ruling and revised rules on Private Patient Income applied from 1 April 2010.

#### 4 Operating Income - by source

	2010/11	Restated 2009/10
	£m	£m
<b>Income from activities</b>		
NHS Trusts	51.1	34.1
Strategic Health Authorities	261.3	263.9
Primary Care Trusts	25,429.3	23,207.7
Local Authorities	467.9	456.4
Department of Health - grants	0.8	2.7
Department of Health - other	34.3	51.0
NHS Other	120.3	153.2
Non-NHS: Private patients	245.0	218.3
Non-NHS: Overseas patients (non-reciprocal)	12.1	9.8
NHS injury scheme (was RTA)	94.7	86.8
Non-NHS: Other	150.7	125.7
<b>Total income from activities</b>	<b>26,867.5</b>	<b>24,609.6</b>
<b>Other operating income</b>		
Research and development	386.7	342.7
Education and training	1,307.3	1,273.7
Charitable and other contributions to expenditure	50.8	54.3
Transfer from donated asset reserve in respect of depreciation on donated assets	55.9	57.1
Non-patient care services to other bodies	610.6	609.4
Profit on disposal of fixed asset investments	-	2.8
Profit on disposal of land and buildings	9.8	2.2
Profit on disposal of other tangible fixed assets	2.8	0.6
Gain on disposal of assets held for sale	0.6	5.5
Reversal of impairments of assets held for sale and investments	5.4	0.9
Reversal of impairments of property, plant and equipment	70.3	12.2
Reversal of impairments of intangible assets	-	-
Amortisation of PFI deferred credits	0.5	0.7
Other	1,063.6	984.4
<b>Total other operating income</b>	<b>3,564.3</b>	<b>3,346.5</b>
<b>TOTAL OPERATING INCOME</b>	<b>30,431.8</b>	<b>27,956.1</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37 and adjustments arising from Transforming Community Services (TCS) transactions as set out in note 38.

## 5.1 Operating lease income

Income generated in lease agreements where foundation trusts are the lessor.

	2010/11	2009/10
	£m	£m
<b>Operating Lease Income</b>		
Rents recognised as income in the period	29.9	22.4
Contingent rents recognised as income in the period	0.2	0.3
<b>TOTAL</b>	<b>30.1</b>	<b>22.7</b>
<b>Future minimum lease payments due</b>		
- not later than one year;	25.0	18.6
- later than one year and not later than five years;	66.3	51.4
- later than five years.	128.3	107.9
<b>TOTAL</b>	<b>219.6</b>	<b>177.9</b>

## 5.2 Arrangements containing an operating lease

Costs and commitments incurred in lease arrangements where foundation trusts are lessees.

	2010/11	2009/10
	£m	£m
Minimum lease payments	199.1	190.8
Contingent rents	0.1	-
Less sublease payments received	(1.6)	(0.4)
<b>TOTAL</b>	<b>197.6</b>	<b>190.4</b>
<b>Future minimum lease payments due:</b>		
- not later than one year;	141.1	106.7
- later than one year and not later than five years;	320.9	242.2
- later than five years.	372.7	417.4
<b>TOTAL</b>	<b>834.7</b>	<b>766.3</b>
Total of future minimum sublease lease payments to be received at the date of the Statement of Financial Position	9.2	3.3

## 6 Operating expenses

	2010/11	Restated 2009/10
	£m	£m
Services from NHS Trusts	154.7	171.6
Services from other NHS Bodies	169.0	196.3
Purchase of healthcare from non NHS bodies	240.7	240.2
Employee Expenses - Executive directors	125.9	116.0
Employee Expenses - Non-executive directors	16.8	16.0
Employee Expenses - Staff	19,155.7	17,620.3
Drug costs	2,103.3	1,887.8
Supplies and services - clinical (excluding drug costs)	2,531.8	2,263.1
Supplies and services - general	568.5	545.6
Establishment	414.0	399.4
Research and development	71.7	66.7
Transport	121.5	113.8
Premises	1,400.1	1,265.9
Increase / (decrease) in bad debt provision	43.4	48.3
Other impairment of financial assets	-	12.1
Depreciation on property, plant and equipment	896.1	883.1
Amortisation on intangible assets	31.9	24.1
Impairments of property, plant and equipment	824.1	1,129.9
Impairments of intangible assets	7.3	2.2
Impairments of assets held for sale	2.4	2.4
Audit fees		
audit services- statutory audit	10.0	8.7
audit services -regulatory reporting	0.7	0.9
Other auditors remuneration		
further assurance services	3.1	2.7
other services	3.5	2.7
Clinical negligence	372.1	318.3
Loss on disposal of investments	-	3.3
Loss on disposal of intangible fixed assets	0.2	-
Loss on disposal of land and buildings	2.6	2.7
Loss on disposal of other property, plant and equipment	8.9	4.1
Loss on disposal of assets held for sale	0.2	0.4
Legal fees	39.4	29.5
Consultancy costs	156.1	141.6
Training, courses and conferences	99.3	88.6
Patient travel	22.0	21.8
Car parking & Security	11.1	9.8
Redundancy	82.2	12.6
Early retirements	0.7	5.6
Hospitality	3.8	3.8
Publishing	1.2	1.5
Insurance	20.8	18.3
Other services, eg external payroll	53.2	51.8
Grossing up consortium arrangements	9.0	7.8
Losses, ex gratia & special payments	9.5	13.1
Other	334.9	270.8
<b>Total Operating Expenses</b>	<b>30,123.4</b>	<b>28,025.2</b>

Prior year comparatives have been restated to take account of prior period adjustments as set out in note 37 and adjustments arising from Transforming Community Services (TCS) transactions as set out in note 38. Reversals of impairments have been included within operating income in 2010/11

Other auditor remuneration is made up as follows:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>
Taxation services	0.5	0.3
IT services	0.0	0.1
Internal audit services	3.1	2.7
Valuation and actuarial services	0.0	0.1
Corporate finance transactions	0.6	0.3
Other	2.4	1.9
<b>TOTAL</b>	<b>6.6</b>	<b>5.4</b>

59 NHS foundation trusts have a clause in their engagement letter with their auditors which states that the liability of the auditor (whether in contract, negligence or otherwise) shall in no circumstances exceed a fixed amount. The amount of that limit ranges between £0.5m to £10.0 million.

## 7.1 Staff costs

			2010/11	Restated 2009/10
	Permanent	Other	Total	Total
	£m	£m	£m	£m
Salaries and wages	15,224.2	336.4	15,560.6	14,177.9
Social security costs	1,165.2	17.0	1,182.2	1,088.8
Employers contributions to NHS Pensions	1,743.6	19.5	1,763.1	1,600.7
Pension Cost - other contributions	3.0	0.4	3.4	4.2
Termination benefits	78.8	0.1	78.9	15.0
Agency/contract staff	27.4	827.3	854.7	766.4
<b>TOTAL</b>	<b>18,242.2</b>	<b>1,200.7</b>	<b>19,442.9</b>	<b>17,653.0</b>

Staff costs here and in note 6 differ by the cost of staff seconded between NHS organisations, the cost of staff recharged between NHS organisations, staff cost capitalised and staff costs classified as research & development expenditure.

## 7.2 Staff numbers (whole time equivalents)

			2010/11	2009/10
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	45,652	4,679	50,331	47,773
Ambulance staff	3,472	29	3,501	-
Administration and estates	100,595	2,154	102,749	95,954
Healthcare assistants and other support staff	63,598	1,802	65,400	60,802
Nursing, midwifery and health visiting staff	161,337	3,035	164,372	157,919
Nursing, midwifery and health visiting learners	1,963	58	2,021	1,948
Scientific, therapeutic and technical staff	64,993	1,115	66,108	62,861
Social care staff	1,788	597	2,385	2,447
Bank and agency staff	-	20,043	20,043	19,943
Other	4,080	70	4,150	4,141
<b>TOTAL</b>	<b>447,478</b>	<b>33,582</b>	<b>481,060</b>	<b>453,788</b>

## 8 Staff Benefits

The amount spent on staff benefits during the year totalled £11.1 million (2009/10: £10.8 million).

## 9 Pensions

All NHS foundation trusts participate in the NHS Pension Scheme. This is a statutory, defined benefit scheme, the regulations of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). NHS foundation trusts pay contributions at rates specified from time to time by the Secretary of State, as advised by the Government Actuary and with the consent of HM Treasury. For 2010/11, the contribution rate was 14% (2009/10: 14%)

## 10 Retirements due to ill-health

During 2010/11 there were 621 retirements on the grounds of ill-health (2009/10: 571). The estimated additional pension liability (calculated on an average basis and borne by the NHS Pensions Scheme) will be £40.5 million (2009/10: £34.9 million).

## 11 The late payment of commercial debts (Interest) Act 1998

In 2010/11 eight NHS foundation trusts (together NHS Foundation Trust, Basingstoke and North Hampshire NHS Foundation Trust, Camden and Islington NHS Foundation Trust, East Kent Hospitals University NHS Foundation Trust, Great Western Hospitals NHS Foundation Trust, Medway NHS Foundation Trust, Surrey and Borders Partnership NHS Foundation Trust and The Rotherham NHS Foundation Trust) incurred expenditure arising from claims made under this legislation. The total amounts paid in respect of both interest and debt recovery costs reimbursed was less than £25,000.

In 2009/10 nine NHS foundation trusts (Berkshire Healthcare NHS Foundation, Colchester Hospital University NHS Foundation Trust, East Kent Hospitals University NHS Foundation Trust, Heatherwood and Wexham Park Hospitals NHS Foundation Trust, King's College Hospital NHS Foundation, Lincolnshire Partnership NHS Foundation Trust, Medway NHS Foundation Trust, Royal National Hospital for Rheumatic Diseases NHS Foundation Trust and University Hospitals Bristol NHS Foundation Trust) also incurred expenditure arising from claims made under this legislation. The total amounts paid in respect of both interest and debt recovery costs reimbursed was less than £60,000.

## 12 Finance income

	2010/11	2009/10
	£m	£m
Interest on loans and receivables	12.8	9.9
Interest on held-to-maturity financial assets	0.6	0.7
Other gains (investment properties)	4.6	3.7
Net gains / (losses) on available for sale financial assets through income and expenditure	9.1	6.2
<b>TOTAL</b>	<b>27.1</b>	<b>20.5</b>

## 13 Finance expenditure – financial liabilities

	2010/11	2009/10
	£m	£m
Loans from the Foundation Trust Financing Facility	20.3	14.4
Commercial loans	0.4	0.3
Finance leases	7.5	7.2
Other	7.0	0.9
Finance Costs in PFI obligations		
Main Finance Costs	242.1	203.6
Contingent Finance Costs	38.8	31.2
<b>TOTAL</b>	<b>316.1</b>	<b>257.6</b>

## 14.1 Intangible assets 2010/11

	Software licences (purchased)	Licences & trademarks (purchased)	Information technology (internally generated)	Development expenditure (internally generated)	Other (purchased)	Intangible Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Valuation/Gross Cost at 1 April 2010 - as previously stated</b>	173.0	2.6	29.8	4.0	2.3	25.7	237.4
Prior period adjustments	-	-	-	-	-	0.2	0.2
<b>Valuation/Gross cost at 1 April 2010 - restated</b>	173.0	2.6	29.8	4.0	2.3	25.9	237.6
<b>Valuation/Gross cost at start of period for new FTs</b>	7.4	-	1.4	-	-	-	8.8
Additions - purchased	25.2	0.4	3.6	1.2	0.3	23.9	54.6
Additions - donated	0.1	-	-	-	0.6	0.4	1.1
Reclassifications	23.7	0.3	3.9	(1.6)	(0.1)	(21.3)	4.9
Revaluations	0.6	-	-	-	0.2	-	0.8
Disposals	(1.8)	-	(0.6)	-	(0.1)	-	(2.5)
<b>Gross cost at 31 March 2011</b>	<b>228.2</b>	<b>3.3</b>	<b>38.1</b>	<b>3.6</b>	<b>3.2</b>	<b>28.9</b>	<b>305.3</b>
<b>Amortisation at 1 April 2010 - restated</b>	89.1	1.3	12.8	2.1	0.2	-	105.5
<b>Amortisation at start of period for new FTs</b>	<b>4.5</b>	-	<b>0.7</b>	-	-	-	<b>5.2</b>
Provided during the year	26.6	0.3	4.7	0.3	-	-	31.9
Impairments recognised through operating expenditure	7.3	-	-	-	-	-	7.3
Reclassifications	(3.5)	-	0.1	(1.6)	0.3	-	(4.7)
Revaluation surpluses	-	-	-	-	-	-	-
Disposals	(1.8)	-	(0.6)	-	-	-	(2.4)
<b>Amortisation at 31 March 2011</b>	<b>122.2</b>	<b>1.6</b>	<b>17.7</b>	<b>0.8</b>	<b>0.5</b>	-	<b>142.8</b>
<b>NBV total at 1 April 2010 as restated</b>	<b>83.9</b>	<b>1.3</b>	<b>17.0</b>	<b>1.9</b>	<b>2.1</b>	<b>25.9</b>	<b>132.1</b>
<b>NBV total at 31 March 2011</b>	<b>106.0</b>	<b>1.7</b>	<b>20.4</b>	<b>2.8</b>	<b>2.7</b>	<b>28.9</b>	<b>162.5</b>

## 14.2 Intangible assets 2009/10

	Software licences (purchased)	Licences & trademarks (purchased)	Information technology (internally generated)	Development expenditure (internally generated)	Other (purchased)	Goodwill	Intangible Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Valuation/Gross cost at 1 April 2009</b>	141.8	2.3	20.5	3.5	1.4	0.9	10.3	180.7
Prior period adjustments	-	-	-	-	-	-	0.2	0.2
<b>Gross cost at 1 April 2009 - restated</b>	141.8	2.3	20.5	3.5	1.4	0.9	10.5	180.9
<b>Gross cost at start of period for new FTs</b>	4.2	-	-	0.1	-	-	0.6	4.9
Additions - purchased	24.1	0.3	5.1	0.6	0.8	-	14.2	45.1
Additions - donated	0.3	-	-	-	-	-	0.3	0.6
Reclassifications	4.1	-	4.2	(0.2)	-	-	0.3	8.4
Revaluations	-	-	-	-	0.1	-	-	0.1
Transferred to disposal group as asset held for sale	(0.1)	-	-	-	-	-	-	(0.1)
Disposals	(1.4)	-	-	-	-	(0.9)	-	(2.3)
<b>Valuation/Gross cost at 31 March 2010</b>	173.0	2.6	29.8	4.0	2.3	-	25.9	237.6
<b>Amortisation at 1 April 2009</b>	65.3	1.1	11.2	1.7	0.2	0.7	-	80.2
<b>Amortisation at start of period for new FTs</b>	1.6	-	-	-	-	-	-	1.6
Provided during the year	21.9	0.2	1.6	0.4	-	-	-	24.1
Impairments recognised through operating expenditure	2.1	-	-	-	-	-	-	2.1
Reclassifications	(0.4)	-	-	-	-	-	-	(0.4)
Revaluation surpluses	(0.1)	-	-	-	-	-	-	(0.1)
Transferred to disposal group as asset held for sale	-	-	-	-	-	-	-	-
Disposals	(1.3)	-	-	-	-	(0.7)	-	(2.0)
<b>Amortisation at 31 March 2010</b>	89.1	1.3	12.8	2.1	0.2	-	-	105.5
<b>NBV total at 1 April 2009</b>	76.5	1.2	9.3	1.8	1.2	0.2	10.3	100.5
<b>NBV total at 31 March 2010 as restated</b>	83.9	1.3	17.0	1.9	2.1	-	25.9	132.1

### 14.3 Intangible asset financing

	Software licences (purchased)	Licences & trademarks (purchased)	Information technology (internally generated)	Development expenditure (internally generated)	Other (purchased)	Intangible Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Net book value</b>							
NBV - Purchased at 31 March 2011	99.5	1.8	20.4	2.8	2.7	28.4	155.6
NBV - Finance leases at 31 March 2011	2.9	-	-	-	-	-	2.9
NBV - Donated at 31 March 2011	3.6	(0.1)	-	-	-	0.5	4.0
<b>NBV total at 31 March 2011</b>	<b>106.0</b>	<b>1.7</b>	<b>20.4</b>	<b>2.8</b>	<b>2.7</b>	<b>28.9</b>	<b>162.5</b>
<b>Net book value</b>							
NBV - Purchased at 31 March 2010 (restated)	79.9	1.3	16.9	1.9	2.1	25.6	127.7
NBV - Finance leases at 31 March 2010 (restated)	3.6	-	-	-	-	-	3.6
NBV - Donated at 31 March 2010 (restated)	0.4	-	0.1	-	-	0.3	0.8
<b>NBV total at 1 April 2010 as restated</b>	<b>83.9</b>	<b>1.3</b>	<b>17.0</b>	<b>1.9</b>	<b>2.1</b>	<b>25.9</b>	<b>132.1</b>

### 14.4 Intangible assets acquired by government grant

	Software licences	Licences & trademarks	Other	Total
	£m	£m	£m	£m
Initial fair value	-	-	0.5	0.5
Carrying amount at 1 April 2010	2.3	1.5	0.8	4.6
Carrying amount at 1 April 2011	1.1	-	1.2	2.3
Measured using cost or revaluation model	-	-	1.1	1.1

## 15.1 Property, Plant and Equipment 2010/11

	Land	Buildings excluding dwellings	Dwellings	Assets under Construction and POA	Plant & machinery	Transport equipment	Information Technology	Furniture & fittings	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Valuation/Gross cost at 1 April 2010 - as previously stated</b>	<b>3,002.9</b>	<b>14,170.5</b>	<b>231.2</b>	<b>801.4</b>	<b>3,489.1</b>	<b>29.0</b>	<b>943.9</b>	<b>265.4</b>	<b>22,933.4</b>
Prior period adjustments	143.5	(43.3)	(3.0)	(3.8)	(4.9)	(0.1)	1.6	(1.7)	88.3
<b>Valuation/Gross cost at 1 April 2010 - restated</b>	<b>3,146.4</b>	<b>14,127.2</b>	<b>228.2</b>	<b>797.6</b>	<b>3,484.2</b>	<b>28.9</b>	<b>945.5</b>	<b>263.7</b>	<b>23,021.7</b>
<b>Valuation/Gross cost at start of period for new FTs</b>	<b>103.9</b>	<b>401.2</b>	<b>8.6</b>	<b>22.6</b>	<b>109.1</b>	<b>77.4</b>	<b>59.6</b>	<b>12.4</b>	<b>794.8</b>
Additions - purchased	20.7	1,533.9	2.7	737.8	228.4	2.7	77.7	11.6	2,615.5
Additions - donated	-	10.2	-	49.4	28.4	0.2	0.6	0.3	89.1
Impairments recognised through the revaluation reserve	(72.7)	(171.8)	(4.4)	(0.1)	(0.1)	-	-	-	(249.1)
Reclassifications	19.5	754.9	4.9	(815.8)	43.9	0.3	25.3	5.5	38.5
Revaluations	31.6	(423.0)	(1.6)	(10.1)	(5.9)	-	0.6	(0.1)	(408.5)
Transferred to disposal group as asset held for sale	(46.6)	(26.3)	(2.6)	(1.9)	(0.7)	-	-	-	(78.1)
Disposals	(13.2)	(33.6)	(1.6)	(2.2)	(240.7)	(3.9)	(44.8)	(5.9)	(345.9)
<b>Valuation/Gross cost at 31 March 2011</b>	<b>3,189.6</b>	<b>16,172.7</b>	<b>234.2</b>	<b>777.3</b>	<b>3,646.6</b>	<b>105.6</b>	<b>1,064.5</b>	<b>287.5</b>	<b>25,478.0</b>
<b>Accumulated depreciation at 1 April 2010 - as previously stated</b>	<b>3.3</b>	<b>1,707.0</b>	<b>28.6</b>	<b>-</b>	<b>2,153.4</b>	<b>22.2</b>	<b>598.9</b>	<b>157.8</b>	<b>4,671.2</b>
Prior period adjustments	80.1	(77.5)	(3.5)	5.2	3.3	-	1.8	(0.4)	9.0
<b>Accumulated depreciation at 1 April 2010 - restated</b>	<b>83.4</b>	<b>1,629.5</b>	<b>25.1</b>	<b>5.2</b>	<b>2,156.7</b>	<b>22.2</b>	<b>600.7</b>	<b>157.4</b>	<b>4,680.2</b>
<b>Depreciation at start of period for new FTs</b>	<b>-</b>	<b>12.7</b>	<b>0.1</b>	<b>0.2</b>	<b>74.6</b>	<b>40.2</b>	<b>40.2</b>	<b>8.0</b>	<b>176.0</b>
Provided during the year	-	461.4	7.8	-	290.1	2.9	113.3	20.6	896.1
Impairments recognised through operating expenditure	18.5	715.8	1.7	14.4	3.2	-	0.1	0.1	753.8
Reclassifications	-	1.0	-	(0.3)	1.0	0.1	(2.1)	(1.1)	(1.4)
Revaluation surpluses	(0.6)	(715.1)	(6.6)	(9.5)	(3.4)	-	0.4	-	(734.8)
Transferred to disposal group as asset held for sale	(2.7)	(0.5)	(0.1)	-	-	-	-	-	(3.3)
Disposals	-	(17.8)	(0.2)	-	(230.4)	(3.8)	(43.8)	(5.3)	(301.3)
<b>Accumulated depreciation at 31 March 2011</b>	<b>98.6</b>	<b>2,087.0</b>	<b>27.8</b>	<b>10.0</b>	<b>2,291.8</b>	<b>61.6</b>	<b>708.8</b>	<b>179.7</b>	<b>5,465.3</b>
<b>NBV total at 1 April 2010 as restated</b>	<b>3,063.0</b>	<b>12,497.7</b>	<b>203.1</b>	<b>792.4</b>	<b>1,327.5</b>	<b>6.7</b>	<b>344.8</b>	<b>106.3</b>	<b>18,341.5</b>
<b>NBV total at 31 March 2011</b>	<b>3,091.0</b>	<b>14,085.7</b>	<b>206.4</b>	<b>767.3</b>	<b>1,354.8</b>	<b>44.0</b>	<b>355.7</b>	<b>107.8</b>	<b>20,012.7</b>

## 15.2 Property, Plant and Equipment 2009/10

	Land	Buildings excluding dwellings	Dwellings	Assets Under Construction and POA	Plant & machinery	Transport equipment	Information Technology	Furniture & fittings	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Valuation/Gross cost at 1 April 2009 - as previously stated</b>	<b>3,065.7</b>	<b>13,860.4</b>	<b>214.4</b>	<b>607.6</b>	<b>3,108.4</b>	<b>26.8</b>	<b>809.9</b>	<b>235.5</b>	<b>21,928.7</b>
Prior period adjustments	143.4	(54.9)	(3.1)	(3.9)	(5.4)	(0.1)	2.2	(2.7)	75.5
<b>Valuation/Gross cost at 1 April 2009 - restated</b>	<b>3,209.1</b>	<b>13,805.5</b>	<b>211.3</b>	<b>603.7</b>	<b>3,103.0</b>	<b>26.7</b>	<b>812.1</b>	<b>232.8</b>	<b>22,004.2</b>
<b>Valuation/Gross cost at start of period for new FTs</b>	<b>300.1</b>	<b>1,047.5</b>	<b>11.6</b>	<b>48.4</b>	<b>206.4</b>	<b>2.9</b>	<b>64.3</b>	<b>17.7</b>	<b>1,698.9</b>
Additions - purchased	9.3	959.2	6.1	801.0	247.7	1.3	74.9	14.9	2,114.4
Additions - donated	-	7.6	-	35.5	39.1	0.1	1.4	0.2	83.9
Impairments recognised through the revaluation reserve	(365.8)	(2,118.6)	(17.9)	(8.6)	(1.5)	-	(2.6)	(0.5)	(2,515.5)
Reclassifications	14.4	512.6	19.2	(682.0)	84.9	0.7	35.1	8.3	(6.8)
Revaluations	0.6	(23.3)	0.6	(0.1)	0.4	-	-	-	(21.8)
Transferred to disposal group as asset held for sale	(12.7)	(20.9)	(0.7)	-	-	-	(0.3)	-	(34.6)
Disposals	(8.6)	(42.4)	(2.0)	(0.3)	(195.8)	(2.8)	(39.4)	(9.7)	(301.0)
<b>Valuation/Gross cost at 31 March 2010</b>	<b>3,146.4</b>	<b>14,127.2</b>	<b>228.2</b>	<b>797.6</b>	<b>3,484.2</b>	<b>28.9</b>	<b>945.5</b>	<b>263.7</b>	<b>23,021.7</b>
<b>Accumulated depreciation at 1 April 2009 - as previously stated</b>	<b>1.7</b>	<b>1,184.3</b>	<b>19.7</b>	<b>-</b>	<b>1,959.1</b>	<b>20.8</b>	<b>499.4</b>	<b>139.0</b>	<b>3,824.0</b>
Prior period adjustments	80.0	(90.7)	(3.5)	5.2	3.3	-	1.8	(0.8)	(4.7)
<b>Accumulated depreciation at 1 April 2009 - restated</b>	<b>81.7</b>	<b>1,093.6</b>	<b>16.2</b>	<b>5.2</b>	<b>1,962.4</b>	<b>20.8</b>	<b>501.2</b>	<b>138.2</b>	<b>3,819.3</b>
<b>Depreciation at start of period for new FTs</b>	<b>-</b>	<b>22.8</b>	<b>0.1</b>	<b>-</b>	<b>125.8</b>	<b>2.0</b>	<b>36.3</b>	<b>11.1</b>	<b>198.1</b>
Provided during the year	-	493.5	8.6	-	258.3	2.0	102.9	17.8	883.1
Impairments recognised through operating expenditure	-	-	-	-	-	-	-	-	-
Reclassifications	-	2.0	(0.4)	-	(0.9)	-	(0.1)	(0.2)	0.4
Revaluation surpluses	1.8	34.7	0.6	-	(0.3)	-	-	-	36.8
Transferred to disposal group as asset held for sale	-	(5.7)	-	-	-	-	(0.4)	-	(6.1)
Disposals	(0.1)	(11.4)	-	-	(188.6)	(2.6)	(39.2)	(9.5)	(251.4)
<b>Accumulated depreciation at 31 March 2010</b>	<b>83.4</b>	<b>1,629.5</b>	<b>25.1</b>	<b>5.2</b>	<b>2,156.7</b>	<b>22.2</b>	<b>600.7</b>	<b>157.4</b>	<b>4,680.2</b>
<b>NBV total at 1 April 2009 as restated</b>	<b>3,127.4</b>	<b>12,711.9</b>	<b>195.1</b>	<b>598.5</b>	<b>1,140.6</b>	<b>5.9</b>	<b>310.9</b>	<b>94.6</b>	<b>18,184.9</b>
<b>NBV total at 31 March 2010 as restated</b>	<b>3,063.0</b>	<b>12,497.7</b>	<b>203.1</b>	<b>792.4</b>	<b>1,327.5</b>	<b>6.7</b>	<b>344.8</b>	<b>106.3</b>	<b>18,341.5</b>

### 15.3 Property, Plant and Equipment financing

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under Construction and POA £m	Plant & machinery £m	Transport equipment £m	Information Technology £m	Furniture & fittings £m	Total £m
<b>Net book value - 31 March 2011</b>									
Owned	2,934.3	10,096.5	173.9	741.7	1,148.7	37.8	345.0	101.8	15,579.7
Finance Lease	59.7	571.6	16.4	-	34.7	5.5	1.5	0.1	689.5
PFI	4.4	2,924.0	14.8	0.2	18.6	-	0.8	0.3	2,963.1
Donated	92.6	493.6	1.3	25.4	152.8	0.7	8.4	5.6	780.4
<b>NBV total at 31 March 2011</b>	<b>3,091.0</b>	<b>14,085.7</b>	<b>206.4</b>	<b>767.3</b>	<b>1,354.8</b>	<b>44.0</b>	<b>355.7</b>	<b>107.8</b>	<b>20,012.7</b>
<b>Net book value - 31 March 2010 (restated)</b>									
Owned	2,934.7	9,314.3	171.6	684.6	1,138.6	6.0	333.3	98.7	14,681.8
Finance Lease	62.3	601.9	19.3	-	35.7	0.1	1.2	0.7	721.2
PFI	5.1	2,240.5	9.2	78.7	11.3	-	0.5	-	2,345.3
Donated	60.9	341.0	3.0	29.1	141.9	0.5	9.9	6.9	593.2
<b>NBV total at 31 March 2010 (restated)</b>	<b>3,063.0</b>	<b>12,497.7</b>	<b>203.1</b>	<b>792.4</b>	<b>1,327.5</b>	<b>6.6</b>	<b>344.9</b>	<b>106.3</b>	<b>18,341.5</b>

### 15.4 Analysis of property, plant and equipment

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under Construction and POA £m	Plant & Machinery £m	Transport Equipment £m	Information Technology £m	Furniture & fittings £m	Total £m
<b>Net book value as at 31 March 2010 (restated)</b>									
Protected assets	2,512.1	11,469.4	81.3	-	-	-	-	-	14,062.8
Unprotected assets	550.9	1,028.3	121.8	792.4	1,327.5	6.6	344.9	106.3	4,278.7
<b>Total</b>	<b>3,063.0</b>	<b>12,497.7</b>	<b>203.1</b>	<b>792.4</b>	<b>1,327.5</b>	<b>6.6</b>	<b>344.9</b>	<b>106.3</b>	<b>18,341.5</b>
<b>Net book value as at 31 March 2011</b>									
Protected assets	2,601.3	14,238.3	43.0	-	-	-	-	-	16,882.6
Unprotected assets	489.7	(152.6)	163.4	767.3	1,354.8	44.0	355.7	107.8	3,130.1
<b>Total</b>	<b>3,091.0</b>	<b>14,085.7</b>	<b>206.4</b>	<b>767.3</b>	<b>1,354.8</b>	<b>44.0</b>	<b>355.7</b>	<b>107.8</b>	<b>20,012.7</b>

## 16.1 Investments

	Investment Property		Investments in associates (and jointly controlled operations)	
	2010/11 £m	2009/10 £m	2010/11 £m	2009/10 £m
<b>Carrying Value at 1 April</b>	<b>40.0</b>	<b>17.1</b>	<b>0.1</b>	<b>0.1</b>
At start of period for new FTs	-	28.1	-	(0.1)
Acquisitions in year	0.7	0.2	3.0	0.1
Share of profit/(loss)	-	-	(0.9)	-
Revaluations	5.4	(0.8)	-	-
Transfers to assets held in disposal groups	0.7	(4.6)	-	-
<b>Carrying Value at 31 March</b>	<b>46.8</b>	<b>40.0</b>	<b>2.2</b>	<b>0.1</b>

## 16.2 Investment Property income

	2010/11 £m	2009/10 £m
Investment Property income	1.6	1.5

## 17.1 Fair value of investments in associates and jointly controlled operations

	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Profit/(Loss)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>31 March 2011</b>	16.8	(14.4)	(0.7)	-
<b>31 March 2010 (restated)</b>	0.9	(0.7)	0.2	-

Prior year figures have been restated to reflect changes in the underlying value of investments.

## 17.2 Disclosure of aggregate amounts for assets and liabilities of associates and jointly controlled operations

	<b>2010/11</b>	<b>2009/10</b>
	<b>£m</b>	<b>£m</b>
Current assets	18.3	0.2
Non current assets	13.7	2.0
<b>Total assets</b>	<b>32.0</b>	<b>2.2</b>
Current liabilities	(24.2)	(2.0)
Non current liabilities	(8.1)	(0.1)
<b>Total liabilities</b>	<b>(32.3)</b>	<b>(2.1)</b>
Operating income	49.6	0.6
Operating expenses	(50.0)	(0.5)
<b>Surplus /(deficit) for the year</b>	<b>(0.4)</b>	<b>0.1</b>

## 18 Impairment of assets

	2010/11	2009/10
	£m	£m
Loss or damage from normal operations	14.8	21.5
Abandonment of assets in course of construction	1.5	3.7
Unforeseen obsolescence	30.1	3.5
Over specification of assets	12.2	0.6
Other	446.9	1,830.4
Changes in market price	577.4	668.9
<b>TOTAL IMPAIRMENTS</b>	<b>1,082.9</b>	<b>2,528.6</b>

In 2010/11, £833.8 million of impairments have been charged to operating expenses, and £249.1 million to reserves (in 2009/10: £1,134.5 million was charged to operating expenses and £1,394.1 million to reserves).

In line with HM Treasury reporting requirements, the Other category includes impairments arising from Modern Equivalent Asset revaluations.

### 19.1 Inventories

	2010/11	2009/10
	£m	£m
Materials	331.1	321.6
Work in progress	7.7	7.5
Finished goods	56.1	35.3
Inventories carried at fair value less costs to sell	2.4	-
<b>TOTAL Inventories</b>	<b>397.3</b>	<b>364.4</b>

### 19.2 Inventories recognised in expenses

	2010/11	2009/10
	£m	£m
Inventories recognised in expenses	2,323.4	2,256.1
Write-down of inventories recognised as an expense	2.2	3.5
Reversal of any write down of inventories resulting in a reduction of recognised expenses	(0.1)	(0.1)
<b>TOTAL Inventories recognised in expenses</b>	<b>2,325.5</b>	<b>2,259.5</b>

## 20.1 Trade and other receivables

	2010/11 £m	2009/10 £m
<b>Current</b>		
NHS Receivables	583.5	738.2
Other receivables with related parties	99.6	50.2
Provision for impaired receivables	(169.0)	(137.8)
Prepayments	180.0	170.5
PFI Prepayments		
Prepayments - Capital contributions	3.3	-
Prepayments - Lifecycle replacements	3.2	1.2
Accrued income	202.6	123.5
Finance Lease Receivables	0.1	0.1
PDC receivable	13.6	27.3
Other receivables	395.2	398.1
<b>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</b>	<b>1,312.1</b>	<b>1,371.3</b>
<b>Non-Current</b>		
NHS Receivables	42.6	39.8
Other receivables with related parties	3.1	3.1
Provision for impaired receivables	(8.7)	(4.1)
Prepayments	9.8	13.8
PFI Prepayments		
Prepayments - Capital contributions	0.1	1.7
Prepayments - Lifecycle replacements	69.1	56.8
Accrued income	12.0	6.0
Finance Lease Receivables	3.6	3.7
Other receivables	66.3	65.0
<b>TOTAL NON CURRENT TRADE AND OTHER RECEIVABLES</b>	<b>197.9</b>	<b>185.8</b>

## 20.2 Provision for impairment of receivables

	2010/11 £m	2009/10 £m
<b>At 1 April</b>	<b>141.9</b>	<b>102.6</b>
At start of period for new FTs	1.5	3.3
Increase in provision	78.2	68.3
Amounts utilised	(8.5)	(12.5)
Unused amounts reversed	(35.4)	(19.8)
<b>At 31 March</b>	<b>177.7</b>	<b>141.9</b>

### 20.3 Analysis of impaired receivables

	2010/11	2009/10
	£m	£m
<b>Ageing of impaired receivables</b>		
Up to three months	47.9	49.2
In three to six months	21.6	27.5
Over six months	118.8	89.0
<b>Total</b>	<b>188.3</b>	<b>165.7</b>
<b>Ageing of non-impaired receivables past their due date</b>		
Up to three months	308.4	351.8
In three to six months	55.6	55.8
Over six months	87.5	89.7
<b>Total</b>	<b>451.5</b>	<b>497.3</b>

### 21 Other financial assets

	2010/11	2009/10
	£m	£m
<b>Current</b>		
Held to maturity investments	8.7	5.0
Loan and receivables	29.2	29.2
<b>Total</b>	<b>37.9</b>	<b>34.2</b>

## 22.1 Non-current assets for sale and assets in disposal groups

	Property, Plant and Equipment	Other	2010/11 Total	2009/10 Total
	£m	£m	£m	£m
<b>NBV of non-current assets for sale and assets in disposal groups at 1 April</b>	<b>62.8</b>	-	<b>62.8</b>	<b>45.9</b>
<b>At start of period for new FTs</b>	<b>1.3</b>	-	<b>1.3</b>	<b>6.6</b>
<i>Plus</i> assets classified as available for sale in the year	74.9	0.1	<b>75.0</b>	<b>28.5</b>
<i>Less</i> assets sold in year	(38.4)	-	<b>(38.4)</b>	<b>(16.6)</b>
<i>Less</i> Impairment of assets held for sale	(2.4)	-	<b>(2.4)</b>	<b>(3.5)</b>
<i>Plus</i> Reversal of impairment of assets held for sale	-	-	-	<b>0.9</b>
<i>Less</i> assets no longer classified as held for sale, for reasons other than disposal by sale	(19.2)	-	<b>(19.2)</b>	<b>1.0</b>
<b>NBV of non-current assets for sale and assets in disposal groups at 31 March</b>	<b>79.0</b>	<b>0.1</b>	<b>79.1</b>	<b>62.8</b>

## 23 Cash and cash equivalents

	2010/11 £m	2009/10 £m
<b>At 1 April</b>	<b>2,861.1</b>	<b>2,602.3</b>
<b>At start of period for new FTs</b>	<b>71.9</b>	<b>124.1</b>
Net change in year	303.8	134.7
<b>At 31 March</b>	<b>3,236.8</b>	<b>2,861.1</b>
Broken down into:		
Cash at commercial banks and in hand	63.7	77.6
Cash with the Government Banking Service	3,131.8	2,704.0
Other current investments	41.3	79.5
<b>Cash and cash equivalents as in SoFP</b>	<b>3,236.8</b>	<b>2,861.1</b>
Bank overdraft	(9.2)	(42.4)
<b>Cash and cash equivalents as in SoCF</b>	<b>3,227.6</b>	<b>2,818.7</b>

## 24.1 Trade and other payables

	<b>2010/11</b>	<b>2009/10</b>
	£m	£m
<b>Current</b>		
Receipts in advance	84.7	59.8
NHS payables	374.0	477.2
Amounts due to other related parties	110.2	43.7
Trade payables - capital	185.2	198.8
Other trade payables	397.4	357.5
Other payables	491.7	490.5
Accruals	919.8	737.3
PDC payable	6.2	4.6
<b>TOTAL CURRENT TRADE AND OTHER PAYABLES</b>	<b>2,569.2</b>	<b>2,369.4</b>
<b>Non-current</b>		
Receipts in advance	3.5	1.1
Amounts due to other related parties	5.2	3.6
Trade payables - capital	5.0	0.3
Other trade payables	0.2	0.4
Other payables	10.3	19.9
Accruals	0.4	-
<b>TOTAL NON-CURRENT TRADE AND OTHER PAYABLES</b>	<b>24.6</b>	<b>25.3</b>

## 24.2 Early retirements detail included in NHS payables above

	<b>2010/11</b>	<b>2009/10</b>
	£m	£m
To buy out the liability for early retirements over 5 years	2.5	3.2
Outstanding pension contributions	49.2	59.9

The number of cases involved in 2010/11 is 205 (2009/10: 379).

## 25.1 Borrowings

	2010/11 £m	2009/10 £m
<b>Current</b>		
Bank overdrafts	9.2	42.4
Drawdown in committed facility	15.0	14.4
Loans from Foundation Trust Financing Facility	39.0	23.3
Other Loans	9.0	7.0
Obligations under finance leases	17.8	13.8
Obligations under Private Finance Initiative contracts	87.2	63.6
<b>TOTAL CURRENT BORROWINGS</b>	<b>177.2</b>	<b>164.5</b>
<b>Non-current</b>		
Loans from Foundation Trust Financing Facility	670.5	428.6
Other Loans	46.7	30.7
Obligations under finance leases	84.1	78.9
Obligations under Private Finance Initiative contracts	4,191.2	3,191.8
<b>TOTAL OTHER NON CURRENT LIABILITIES</b>	<b>4,992.5</b>	<b>3,730.0</b>

## 25.2 Prudential borrowing limit

	2010/11 £m	Restated 2009/10 £m
Total long term borrowing limit set by Monitor	8,841.9	8,875.0
Working capital facility agreed by Monitor	1,978.0	1,810.2
<b>TOTAL PRUDENTIAL BORROWING LIMIT</b>	<b>10,819.9</b>	<b>10,685.2</b>
<b>Borrowing as defined in the Prudential Borrowing Code</b>		
Long term borrowing at 1 April	3,837.7	2,100.9
Long term borrowing at start of period for new FTs	51.2	257.8
Net movement in year	1,256.6	1,479.0
<b>At 31 March</b>	<b>5,145.5</b>	<b>3,837.7</b>
Working capital borrowing at 1 April	44.9	38.5
Working capital borrowing at start of period for new FTs	-	33.0
Net actual borrowing/(repayment) in year - working capital	(9.8)	(26.6)
<b>Working capital borrowing at 31 March</b>	<b>35.1</b>	<b>44.9</b>

Prior year comparatives have been restated to reflect revised net movement in long term borrowing figures.

## 26.1 Provisions for liabilities and charges

	Current		Non-current	
	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m
Pensions relating to former directors	0.2	0.3	1.6	1.6
Pensions relating to other staff	14.0	15.4	150.1	140.0
Other legal claims	29.2	23.3	24.4	22.8
Agenda for Change	24.4	-	2.2	-
Other	144.9	97.8	64.7	55.0
<b>Total</b>	<b>212.7</b>	<b>136.8</b>	<b>243.0</b>	<b>219.4</b>

## 26.2 Provisions for liabilities and charges analysis

	Pensions - former directors		Pensions - other staff		Other legal claims		Agenda for Change		Other		Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2010</b>	<b>1.9</b>	<b>155.4</b>	<b>46.2</b>	<b>1.2</b>	<b>7.9</b>	<b>23.0</b>	<b>152.7</b>	<b>1.2</b>	<b>356.2</b>	<b>(1.5)</b>	<b>354.7</b>
Prior period adjustments	-	(0.6)	(2.1)	1.2	0.6	23.0	7.9	(1.8)	(7.5)	(1.5)	(1.5)
<b>At 1 April 2010, as restated</b>	<b>1.9</b>	<b>154.8</b>	<b>44.1</b>	<b>1.2</b>	<b>0.6</b>	<b>23.0</b>	<b>153.9</b>	<b>1.2</b>	<b>354.7</b>	<b>(1.5)</b>	<b>354.7</b>
At start of period for new FTs	-	13.3	1.2	1.2	0.6	23.0	7.9	(1.8)	(7.5)	(1.5)	(1.5)
Change in the discount rate	(0.1)	(5.3)	(0.3)	(0.3)	-	(7.5)	(1.8)	(1.8)	(7.5)	(1.5)	(1.5)
Arising during the year	0.2	13.8	25.5	13.8	12.7	184.2	132.0	12.7	184.2	(1.5)	184.2
Utilised during the year	(0.3)	(12.8)	(10.1)	(12.8)	20.9	(63.9)	(61.6)	20.9	(63.9)	(1.5)	(63.9)
Reversed unused	-	(3.6)	(7.7)	(3.6)	(8.6)	(40.1)	(20.2)	(8.6)	(40.1)	(1.5)	(40.1)
Unwinding of discount	0.1	4.0	0.3	4.0	-	5.3	0.9	-	5.3	(1.5)	5.3
<b>At 31 March 2011</b>	<b>1.8</b>	<b>164.2</b>	<b>53.0</b>	<b>164.2</b>	<b>25.6</b>	<b>455.7</b>	<b>211.1</b>	<b>25.6</b>	<b>455.7</b>	<b>5.3</b>	<b>455.7</b>
Expected timing of cashflows:											
- not later than one year	0.2	14.0	29.0	14.0	23.5	212.7	146.0	23.5	212.7	(1.5)	212.7
- later than one year and not later than five years	0.6	55.8	18.4	55.8	2.1	111.9	35.0	2.1	111.9	(1.5)	111.9
- later than five years	1.0	94.4	5.6	94.4	-	131.1	30.1	-	131.1	(1.5)	131.1
<b>TOTAL</b>	<b>1.8</b>	<b>164.2</b>	<b>53.0</b>	<b>164.2</b>	<b>25.6</b>	<b>455.7</b>	<b>211.1</b>	<b>25.6</b>	<b>455.7</b>	<b>5.3</b>	<b>455.7</b>

### 26.3 Clinical negligence liabilities

	2010/11 £m	2009/10 £m
Amount included in provisions of the NHSLA at 31 March	2,879.7	2,290.3

### 27 Other liabilities

	2010/11 £m	2009/10 £m
<b>Current</b>		
Deferred Income	544.9	425.8
Deferred PFI credits	0.9	0.8
Deferred Government Grant	8.6	9.7
Net Pension Scheme Liability	11.8	13.7
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>566.2</b>	<b>450.0</b>
<b>Non-current</b>		
Deferred Income	113.2	98.6
Deferred PFI credits	19.7	20.5
Deferred Government Grant	53.2	47.7
Net Pension Scheme Liability	3.3	3.9
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b>189.4</b>	<b>170.7</b>

## 28 Revaluation reserve

	Revaluation Reserve - intangibles	Revaluation Reserve - property, plant and equipment	Total Revaluation Reserve 2010/11	Total Revaluation Reserve 2009/10
	£m	£m	£m	£m
<b>Revaluation reserve at 1 April</b>	<b>0.5</b>	<b>3,803.1</b>	<b>3,803.6</b>	<b>4,874.5</b>
Prior period adjustment	(0.1)	73.8	73.7	10.5
<b>Revaluation reserve at 1 April - restated</b>	<b>0.4</b>	<b>3,876.9</b>	<b>3,877.3</b>	<b>4,885.0</b>
<b>At start of period for new FTs</b>	<b>-</b>	<b>144.9</b>	<b>144.9</b>	<b>369.8</b>
Impairments	-	(225.3)	(225.3)	(1,351.7)
Revaluations	0.8	316.9	317.7	(26.6)
Asset disposals	-	(30.4)	(30.4)	(23.1)
Other recognised gains and losses	(0.2)	(11.0)	(11.2)	-
Other reserve movements	(0.1)	(76.1)	(76.2)	(49.8)
<b>Revaluation reserve at 31 March</b>	<b>0.9</b>	<b>3,995.9</b>	<b>3,996.8</b>	<b>3,803.6</b>

## 29 Contractual capital commitments

	2010/11	2009/10
	£m	£m
Property, Plant and Equipment	521.8	642.0
Intangible assets	8.8	7.9
<b>Total</b>	<b>530.6</b>	<b>649.9</b>

### 30.1 Finance lease receivables

Receivables generated in lease agreements where foundation trusts are the lessor:

	2010/11	2009/10
	£m	Restated £m
<b>Gross lease receivables</b>	<b>6.6</b>	<b>4.1</b>
of which those receivable		
- not later than one year;	0.2	0.1
- later than one year and not later than five years;	2.3	0.6
- later than five years.	4.1	3.4
<b>Total</b>	<b>6.6</b>	<b>4.1</b>
Unearned interest income	(2.9)	(0.3)
<b>Net lease receivables</b>	<b>3.7</b>	<b>3.8</b>
of which those receivable		
- not later than one year;	0.1	0.1
- later than one year and not later than five years;	1.5	1.8
- later than five years.	2.1	1.9
<b>Total</b>	<b>3.7</b>	<b>3.8</b>

Prior year figures have been restated to reflect revised underlying accounts figures.

The unguaranteed residual value accruing to NHS foundation trusts is £1.5 million (2009/10: £1.5 million).

The accumulated allowance for uncollectable minimum lease payments receivable is £1.4 million (2009/10: £1.6 million).

Contingent rents recognised as income in the period is £0.1 million (2009/10: £0.3 million).

### 30.2 Finance lease obligations

Obligations incurred in lease agreements where foundation trusts are lessees:

	2010/11	2009/10
	£m	£m
<b>Gross lease liabilities</b>	<b>165.0</b>	<b>155.5</b>
of which liabilities are due		
- not later than one year;	23.3	19.7
- later than one year and not later than five years;	60.7	54.7
- later than five years.	81.0	81.1
<b>Total</b>	<b>165.0</b>	<b>155.5</b>
Finance charges allocated to future periods	(63.1)	(62.8)
<b>Net lease liabilities</b>	<b>101.9</b>	<b>92.7</b>
of which liabilities are due		
- not later than one year;	17.2	13.7
- later than one year and not later than five years;	42.2	38.3
- later than five years.	42.5	40.7
<b>Total</b>	<b>101.9</b>	<b>92.7</b>

### 31.1 On-Statement of Financial Position Private Finance Initiative (PFI) obligations

	2010/11 £m	Restated 2009/10 £m
<b>Gross PFI liabilities</b>	<b>9,476.3</b>	<b>7,326.9</b>
of which liabilities are due		
- not later than one year;	328.2	266.7
- later than one year and not later than five years;	1,290.6	1,036.0
- later than five years.	7,857.5	6,024.2
<b>Total</b>	<b>9,476.3</b>	<b>7,326.9</b>
Finance charges allocated to future periods	(5,197.9)	(4,071.5)
<b>Net PFI obligation</b>	<b>4,278.4</b>	<b>3,255.4</b>
of which liabilities are due		
- not later than one year;	87.2	63.6
- later than one year and not later than five years;	382.2	281.2
- later than five years.	3,809.0	2,910.6
<b>Total</b>	<b>4,278.4</b>	<b>3,255.4</b>

The timing of net PFI liabilities is an analysis of when the total net PFI obligation falls due. This note was disclosed on a different basis in the 2009/10 accounts, and comparative figures have been restated for consistency.

### 31.2 Foundation trusts are committed to make the following payments in respect of the service element of on-Statement of Financial Position PFI obligations:

	2010/11 £m	2009/10 £m
Commitments		
Within one year	336.4	272.3
2nd to 5th years (inclusive)	1,417.0	1,198.2
Later than five years	10,692.9	9,266.2
<b>Total</b>	<b>12,446.3</b>	<b>10,736.7</b>

### 32 Off-Statement of Financial Position PFI

#### 32.1 For PFI schemes deemed to be off-Statement of Financial Position

	2010/11	2009/10
	£m	£m
Net charge to operating expenses in respect of off-balance sheet PFI transaction(s)	10.5	14.8

#### 32.2 Foundation trusts are committed to make the following payments for off-Statement of Financial Position PFIs:

	2010/11	2009/10
	£m	£m
Commitments		
Within one year	9.3	3.2
2nd to 5th years (inclusive)	32.9	8.3
Later than five years	18.1	14.3
<b>Total</b>	<b>60.3</b>	<b>25.8</b>

### 33.1 Financial assets by category

	Loans and receivables £m	Assets at fair value through the I&E £m	Held to maturity £m	Available-for- sale £m	Total £m
<b>Assets included within the SoFP at 31 March 2011</b>					
Trade and other receivables excluding non-financial assets	1,237.8	6.7	-	-	<b>1,244.5</b>
Other Investments	2.2	-	-	-	<b>2.2</b>
Other Financial Assets	36.2	-	1.7	-	<b>37.9</b>
Non current assets held for sale and assets held in disposal group excluding non-financial assets	-	-	-	79.1	<b>79.1</b>
Cash and cash equivalents (at bank and in hand)	3,236.8	-	-	-	<b>3,236.8</b>
<b>Total at 31 March 2011</b>	<b>4,513.0</b>	<b>6.7</b>	<b>1.7</b>	<b>79.1</b>	<b>4,600.5</b>
<b>Assets included within the SoFP at 31 March 2010 (restated)</b>					
Trade and other receivables excluding non-financial assets	1,303.5	9.6	-	-	<b>1,313.1</b>
Other Investments	0.1	-	-	-	<b>0.1</b>
Other Financial Assets	28.7	0.5	5.0	-	<b>34.2</b>
Non current assets held for sale and assets held in disposal group excluding non-financial assets	-	-	-	62.8	<b>62.8</b>
Cash and cash equivalents (at bank and in hand)	2,861.1	-	-	-	<b>2,861.1</b>
<b>Total at 31 March 2010 (restated)</b>	<b>4,193.4</b>	<b>10.1</b>	<b>5.0</b>	<b>62.8</b>	<b>4,271.3</b>

### 33.2 Financial liabilities by category

	Other financial liabilities £m	Liabilities at fair value through the I&E £m	Total £m
<b>Liabilities included within the SoFP at 31 March 2011</b>			
Borrowings excluding Finance lease and PFI liabilities	789.4	-	789.4
Obligations under finance leases	99.4	2.5	101.9
Obligations under Private Finance Initiative contracts	4,254.9	23.5	4,278.4
Trade and other payables excluding non-financial liabilities	2,477.2	28.4	2,505.6
Other financial liabilities	3.9	0.1	4.0
Provisions under contract	285.3	10.6	295.9
Liabilities in disposal groups excluding non-financial liabilities	0.8	-	0.8
<b>Total at 31 March 2011</b>	<b>7,910.9</b>	<b>65.1</b>	<b>7,976.0</b>
<b>Liabilities included within the SoFP at 31 March 2010 (restated)</b>			
Borrowings excluding Finance lease and PFI liabilities	546.4	-	546.4
Obligations under finance leases	91.8	0.9	92.7
Obligations under Private Finance Initiative contracts	3,255.4	-	3,255.4
Trade and other payables excluding non-financial liabilities	2,307.4	26.4	2,333.8
Other financial liabilities	5.8	-	5.8
Provisions under contract	222.2	6.7	228.9
Liabilities in disposal groups excluding non-financial liabilities	-	-	-
<b>Total at 31 March 2010 (restated)</b>	<b>6,429.0</b>	<b>34.0</b>	<b>6,463.0</b>

### **33.3 Financial risk management**

The risks arising from financial instruments and the NHS foundation trust sector's policies and processes in response to these risks are described below. Individual NHS foundation trusts may have their own bespoke policies and processes in place to deal with the risks they face as an entity.

#### Liquidity risk

The level of income generated by foundation trusts is dependent on the contractual arrangements they have with their commissioning NHS Primary Care Trusts (PCTs). In the majority of cases, these contractual arrangements are either based on a tariff for services performed or on a contract based on assumptions for the amount of work to be carried out by the foundation trust. Section 53 of the National Health Service Act 2006 allows for foundation trusts to be subject to the Insolvency Act 1986.

As part of their terms of Authorisation, NHS foundation trusts are required to carry out their functions effectively, efficiently and economically and to be a going concern as defined by generally accepted accounting practice. Monitor supervises the risk of individual NHS foundation trusts breaching these terms of Authorisation by reviewing a range of financial metrics and calculating a Financial Risk Rating for each trust every three months. If Monitor feels an NHS foundation trust is in risk of breaching its terms of Authorisation, it may intervene in the management of the trust using the powers under the National Health Service Act 2006.

Details of the Compliance Framework used by Monitor to monitor these risks and risk ratings for individual foundation trusts can be accessed on the Monitor website ([www.monitor-nhsft.gov.uk](http://www.monitor-nhsft.gov.uk)).

#### Credit risk

The vast majority of the foundation trust sector's income is generated from public sector bodies and as such is exposed to low credit risk.

NHS foundation trusts are permitted to generate income derived from private patients, however the proportion of this income as a total of the patient relevant income of the NHS foundation trust is capped by the National Health Service Act 2006 to the level generated in the year to 31 March 2003 (or first year as a NHS trust, if later). The Health Act 2009 changed the limit on the proportion of income derived from private patients by mental health NHS foundation trusts to 1.5%. Other sources of income from non-public sector bodies amount to a small proportion of total trust income. Accordingly, the effective credit risk posed by income derived from private patients or non-public sector entities to the sector is low.

The maximum exposures as at 31 March 2011 are in receivables, as disclosed in the Trade and other receivables note.

#### Currency risk

The foundation trust sector operates purely within England and as such has only negligible amount of transactions, assets and liabilities which are not in Sterling. Therefore the foundation trust sector has low exposure to currency risk.

#### Interest rate risk

Foundation trusts have the power to enter into loans and working capital facilities with commercial lenders. Foundation trusts are also able to borrow from the Foundation Trust Financing Facility (FTFF), managed by the Department of Health. The term of FTFF loans can range up to 25 years with the interest rate fixed at the National Loan Fund fixed rate for the period of the loan prevailing on the date of signing of the loan agreement.

Under the National Health Service Act 2006, NHS foundation trusts are required to maintain their borrowing within a limit determined by a code devised by Monitor. Monitor's objective with this code is to ensure that individual NHS foundation trusts are at least as financial stable as the minimum investment grade category as defined by the top three credit rating agencies. If an NHS foundation trust exceeded its borrowing limit it would be in breach of its terms of Authorisation and as such maybe subject to Monitor intervening in the management of the trust.

A copy of the Prudential Borrowing Code (PBC) for NHS foundation trusts can be accessed on the Monitor website ([www.monitor-nhsft.gov.uk](http://www.monitor-nhsft.gov.uk)).

### 34.1 Fair values of financial assets

	<b>Book Value</b>	<b>Fair value</b>
	<b>£m</b>	<b>£m</b>
<b>As at 31 March 2011</b>		
Non-current trade and other receivables excluding non-financial assets	128.4	108.4
Other Investments	0.2	0.3
Other	1,298.3	1,278.9
<b>Total</b>	<b>1,426.9</b>	<b>1,387.6</b>
<b>As at 31 March 2010</b>		
Non-current trade and other receivables excluding non-financial assets	112.6	77.2
Other Investments	0.3	0.3
Other	1,025.4	998.8
<b>Total</b>	<b>1,138.3</b>	<b>1,076.3</b>

### 34.2 Fair values of financial liabilities

	<b>Book Value</b>	<b>Fair value</b>
	<b>£m</b>	<b>£m</b>
<b>As at 31 March 2011</b>		
Non-current trade and other payables excluding non-financial liabilities	232.1	204.7
Provisions under contract	258.7	199.0
Loans	664.7	607.7
Other	2,196.2	2,128.4
<b>Total</b>	<b>3,351.7</b>	<b>3,139.8</b>
<b>As at 31 March 2010</b>		
Non-current trade and other payables excluding non-financial liabilities	15.6	109.6
Provisions under contract	228.9	172.7
Loans	504.0	431.6
Other	1,165.0	1,090.3
<b>Total</b>	<b>1,913.5</b>	<b>1,804.2</b>

### 35 Contingent assets and liabilities

At 31 March 2010 the net value of contingent liabilities (after allowing for recoverable amounts) was £14.8 million (2009/10: £19.5 million), while the net value of contingent assets was £1.9 million (2009/10: £1.5 million).

## 36 Pensions

### 36.1 Changes in the benefit obligation and fair value of plan assets during the year for the amounts recognised in the Statement of Financial Position

	2010/11	Restated 2009/10
	£m	£m
<b>Present Value of the defined benefit obligation at 1 April</b>	<b>(7.4)</b>	<b>(11.5)</b>
<b>Present Value of the defined benefit obligation at start of period for new FTs</b>	<b>-</b>	<b>9.1</b>
Current service cost	(0.7)	0.3
Interest cost	(0.3)	0.8
Contribution by plan participants	(0.1)	(0.2)
Actuarial gain/(losses)	4.9	(5.6)
Benefits paid	(0.1)	(0.3)
Past service costs	0.9	-
<b>Present Value of the defined benefit obligation at 31 March</b>	<b>(2.8)</b>	<b>(7.4)</b>
<b>Plan assets at fair value at 1 April</b>	<b>4.6</b>	<b>10.6</b>
<b>Plan assets at fair value at start of period for new FTs</b>	<b>0.1</b>	<b>(7.7)</b>
Expected return on plan assets	0.4	4.1
Actuarial gain/(losses)	(1.3)	(2.4)
Contributions by the employer	0.3	(0.2)
Contributions by the plan participants	0.1	(0.1)
Benefits paid	0.1	0.3
<b>Plan assets at fair value at 31 March</b>	<b>4.3</b>	<b>4.6</b>
<b>Present Value of the defined benefit obligation at 31 March</b>	<b>(2.8)</b>	<b>(7.4)</b>
<b>Plan assets at fair value at 31 March</b>	<b>4.3</b>	<b>4.6</b>
<b>Plan surplus/(deficit)</b>	<b>1.5</b>	<b>(2.8)</b>

Prior year figures have been restated to reflect revised underlying plan assets and obligations.

### 36.2 Amounts recognised in the Statement of Comprehensive Income

	2010/11	2009/10
	£m	£m
Current service cost	3.0	-
Interest cost	(1.4)	(1.0)
Expected return on plan assets	1.0	0.9
Past Service cost not recognised as an asset	0.9	-
<b>Total</b>	<b>3.5</b>	<b>(0.1)</b>

### 37 Prior Period Adjustments

Prior period adjustments in the 2010/11 consolidated NHS foundation trust accounts arise from NHS foundation trusts in 2010/11 accounts correcting, restating or reclassifying 2009/10 figures.

There are no prior period adjustments disclosed by NHS foundation trusts in their 2010/11 accounts which warrant disclosure here.

### 38 Transforming Community Services Transactions

Over the course of 2010/11 three NHS foundation trusts have undergone a TCS transaction as follows:

Name of NHS foundation trust	Name of the community service transferred	Date of the transaction	Net assets transferred	Fair value and composition of the consideration	Impact on 2010/11 SOCI up to the transaction date	Impact on 2009/10 comparative figures
Oxleas NHS Foundation Trust	Bexley Community Health Services	1 July 2010	£336,000	£336,000 Public Dividend Capital received from the Secretary of State	£4.9m income and £5.0m expenses	SOCI: £19.8m income and expenses SOFP: information unavailable
East London NHS Foundation Trust	NHS Newham Community Services	1 February 2011	-	£167,000 Cash	£27.2m income and expenses	SOCI and SOFP: information unavailable
Central and Northwest London NHS Foundation Trust	Hillingdon Community Services	1 February 2011	-	£634,000 Cash	£45.9m income and £45.7m expenses; £0.6m additional property plant and equipment and trade and other payables	SOCI: £33.5m income and expenses SOFP: no impact

There is no effect on the 2009/10 consolidated Statement of Financial Position.

These transactions represent the transfer of services between public sector bodies which are under common control and are therefore 'machinery of government changes'. These transactions meet the definition of a 'Group Reconstruction' under IFRS 3 'Business Combinations' and therefore fall outside the scope of that standard. Consequently, in accordance with the FT ARM the principles of merger accounting have been applied to these transactions as set out in Financial Reporting Standard 6 'Acquisitions and mergers' issued by the United Kingdom Accounting Standards Board, to the extent that this has been deemed practicable by the NHS foundation trusts involved.

East London NHS Foundation Trust has not restated any comparatives, and Oxleas NHS Foundation Trust has not restated its Statement of Financial Position, considering it impracticable to do so within the meaning of IAS 1 - Presentation of financial statements, as a result of lack of there being a lack of financial information available to make the restatements.

Further details of each NHS Foundation Trust's transaction can be found in each organisation's individual accounts.

### 39 Events after the reporting period

Events after the reporting period having a material effect on the accounts are:

#### Additional NHS Foundation Trusts

As at 31 March 2011 there were 136 NHS foundation trusts. One NHS trust has been authorised since the year end as a new NHS foundation trust.

Authorised

The Hillingdon Hospital NHS Foundation Trust

1 April 2011

#### Transforming Community Services (TCS)

47 NHS foundation trusts have undergone a TCS transaction which has taken effect since the year end.

	Date of transfer	Estimated impact on full year annual income
		£m
2gether NHS Foundation Trust	1 April 2011	17
5 Boroughs Partnership NHS Foundation Trust	1 April 2011	43
Airedale NHS Foundation Trust	1 April 2011	5
Berkshire Healthcare NHS Foundation Trust	8 April 2011	104
Bradford Teaching Hospitals NHS Foundation Trust	1 April 2011	16
Calderdale and Huddersfield NHS Foundation Trust	1 April 2011	14
Calderstones Partnership NHS Foundation Trust	1 April 2011	2
Central and North West London NHS Foundation Trust	5 April 2011	87
Central Manchester University NHS Foundation Trust	1 April 2011	55
Cheshire and Wirral Partnership NHS Foundation Trust	1 April 2011	25
Cornwall Partnership NHS Foundation Trust	1 April 2011	12
County Durham and Darlington NHS Foundation Trust	1 April 2011	123
Cumbria Partnership NHS Foundation Trust	1 April 2011	76
Derbyshire Healthcare NHS Foundation Trust	1 April 2011	3
Dorset Healthcare NHS Foundation Trust	1 June 2011	123
Great Western Hospitals NHS Foundation Trust	1 June 2011	70
Guy's and St Thomas' Hospital NHS Foundation Trust	1 April 2011	94
Harrogate and District NHS Foundation Trust	1 April 2011	36
Homerton University Hospital NHS Foundation Trust	1 April 2011	52
Humber NHS Foundation Trust	1 April 2011	43
Lancashire Care NHS Foundation Trust	1 June 2011	120
Lincolnshire Partnership NHS Foundation Trust	1 April 2011	5
North East London NHS Foundation Trust	1 May 2011	69
North Lincolnshire and Goole NHS Foundation Trust	1 April 2011	14

Northamptonshire Healthcare NHS Foundation Trust	1 July 2011	77
Northumbria Healthcare NHS Foundation Trust	1 April 2011	82
Oxford Health NHS Foundation Trust	1 April 2011	93
Oxleas NHS Foundation Trust	1 April 2011	34
Pennine Care NHS Foundation Trust	1 April 2011	96
Royal Bolton Hospital NHS Foundation Trust	1 July 2011	64
Rotherham, Doncaster and South Humber NHS Foundation Trust	1 April 2011	55
Salford Royal NHS Foundation Trust	1 April 2011	45
Sheffield Teaching Hospitals NHS Foundation Trust	1 April 2011	50
Sheffield Health and Social Care NHS Foundation Trust	1 April 2011	8
Sheffield Children's NHS Foundation Trust	1 April 2011	13
Sherwood Forest Hospitals NHS Foundation Trust	1 May 2011	14
Southern Health NHS Foundation Trust	1 April 2011	123
South Tees NHS Foundation Trust	1 April 2011	50
Stockport NHS Foundation Trust	25 April 2011	30
South Tyneside NHS Foundation Trust	1 July 2011	75
South Warwickshire NHS Foundation Trust	1 April 2011	58
South West Yorkshire Partnership NHS Foundation Trust	1 April/1 May 2011	96
Tees, Esk and Wear Valleys NHS Foundation Trust	1 June 2011	18
The Dudley Group of Hospitals NHS Foundation Trust	1 April 2011	21
The Newcastle upon Tyne Hospital NHS Foundation Trust	1 April 2011	55
The Royal Marsden NHS Foundation Trust	1 April 2011	38
University Hospitals Birmingham NHS Foundation Trust	1 April 2011	9

#### 40 Related Parties

NHS foundation trusts are public benefit corporations established under the Health and Social Care (Community Health and Standards) Act 2003. From 1 March 2007, the provisions of the 2003 Act relating to NHS foundation trusts were consolidated in the National Health Service Act 2006. The Department of Health is regarded as a related party.

During the period, NHS foundation trusts had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent department, i.e. all strategic health authorities, NHS trusts, Primary Care Trusts, NHS agencies and all special health authorities. In addition NHS foundation trusts had a significant number of material transactions with other Government bodies including central and local government bodies. NHS foundation trusts had some transactions with a number of charitable funds and certain of the trustees are also members of the NHS foundation trust boards.

Details of all NHS foundation trusts' related party transactions are shown in the accounts of the individual NHS foundation trust.

#### 40.1 Related Party Transactions

	Income £m	Expenditure £m
Value of transactions with board members in 2010/11	1.3	20.8
Value of transactions with key staff members in 2010/11	-	0.1
Value of transactions with other related parties in 2010/11	29,352.0	5,955.8
<b>Total</b>	<b>29,353.3</b>	<b>5,976.7</b>
Value of transactions with board members in 2009/10	1.2	12.8
Value of transactions with key staff members in 2009/10	0.1	1.8
Value of transactions with other related parties in 2009/10	26,455.6	2,395.2
<b>Total</b>	<b>26,456.9</b>	<b>2,409.8</b>

#### 40.2 Related Party Balances

	Receivables £m	Payables £m
<b>Balances as at 31 March 2011</b>		
Value of balances (other than salary) with board members	0.1	0.1
Value of balances (other than salary) with related parties in relation to doubtful debts	12.0	-
Value of balances (other than salary) with related parties in respect of doubtful debts written off in year	0.5	-
Value of balances with other related parties at 31 March 2011	1,053.7	995.5
<b>Total</b>	<b>1,066.3</b>	<b>995.6</b>
<b>Balances as at 31 March 2010</b>		
Value of balances (other than salary) with board members	0.1	0.2
Value of balances (other than salary) with key staff members	-	0.4
Value of balances (other than salary) with related parties in relation to doubtful debts	6.3	-
Value of balances (other than salary) with related parties in respect of doubtful debts written off in year	4.2	-
Value of balances with other related parties at 31 March 2010	765.2	514.8
<b>Total</b>	<b>775.8</b>	<b>515.4</b>

#### 41 Losses and special payments

In the year there were 36,070 (2009/10: 32,832) cases of loss with a total value of £20.2 million (2009/10: £12.6 million) and 5,066 (2009/10: 4,286) cases of special payments with a total value of £12.4 million (2009/10: £8.7 million).

There were 2 cases of loss or special payment in excess of £0.1 million (2009/10: no cases).

The total costs are included in the notes to the accounts.

#### 42 Third Party Assets

The balance of patients' money held within the NHS foundation trusts' bank accounts at 31 March 2011 was £56.5 million (31 March 2010: £38.0 million). This has been excluded from the balance sheet as it is not an asset of the NHS foundation trusts but is held in trust on behalf of patients.



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