St Helens and Knowsley Teaching Hospitals NHS
NHS Trust

# Part Three:
# Annual Accounts
## 2011 / 2012

# Contents



# Glossary Of Terms And Abbreviations

| | |
|---|---|
| **PDC** | Public dividend capital |
| **Payables** | Amounts owed to suppliers, etc (creditors) |
| **Receivables** | Amounts owed by customers, etc (debtors) |
| **PDC dividend** | Public dividend capital dividend payable by the Trust to the Department of Health, based on 3.5% of the Trust's net relevant assets. |
| **Statement of Financial Position (SOFP)** | Formerly known under UK GAAP as the Balance Sheet |
| **PFI** | Private Finance Initiative |
| **UK GAAP** | Generally Accepted Accounting Practice in the United Kingdom |
| **HMRC** | Her Majesty's Revenue and Customs |
| **IFRS** | International Financial Reporting Standards |
| **IFRIC** | International Financial Reporting Interpretations Committee |
| **IAS** | International Accounting Standard |
| **MEA** | Modern equivalent asset basis, a basis on which to value land and property assets |
| **PPE** | Property, plant and equipment |
| **R&D** | Research and development |
| **Non-current assets/liabilties** | Assets or liabilities due to be received/paid over after one year from the SOFP date. In terms of property, plant, equipment and intangible assets this would indicate assets from which would ensue a financial benefit beyond one year. |
| **Current assets / liabilities** | Assets or liabilities due to be received/paid over within one year of the SOFP date. |
| **Statement of Changes in Taxpayers' Equity (SOCITE).** | Formerly known under UK GAAP as Movements on Reserves |
| **Statement of Comprehensive Income (SOCI)** | A combination of the Income and Expenditure Account and Statement of Total Recognised Gains and Losses shown under UK GAAP. |

# Statement Of The Chief Executive's Responsibilities As The Accountable Officer Of The Trust

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers' Memorandum issued by the Department of Health. These include ensuring that:

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

A Marr

**A Marr, Chief Executive Officer**
1st June 2012

# Statement Of Directors' Responsibilities In Respect Of The Accounts

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cashflows for the year. In preparing those accounts, the directors are required to:

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

- make judgments and estimates which are reasonable and prudent;

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

A Marr

**A Marr, Chief Executive Officer**
1st June 2012

D Finn

**D Finn, Director of Finance, Information and Commercial Services**
1st June 2012

# Annual Governance Statement

## Scope of Responsibility

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

The Trust recognises the importance of working constructively with NHS North of England, local residents and partner organisations within the local health economy, not only to develop services which meet the health and social needs of the population, but also to manage the risks associated with achievement of our strategic objectives. Additionally, and critical to the Trust's success, is the relationship with New Hospitals, the special purpose vehicle established to deliver the Private Finance Initiative (PFI) development. To support these relationships and delivery of strategic objectives the Trust and its partners have a range of meetings and performance frameworks established. Amongst these are:

- Quarterly Executive Team to Executive Team meetings between the Trust and Merseyside Cluster Commissioners.
- Monthly meetings of the Strategic Partnership Board whose membership includes local authorities, local CCG's and Cluster Commissioners.
- Quarterly liaison meetings between the Trust and key members of New Hospitals project team.

The Trust's principal partner organisations are the Merseyside Cluster, an organisation made up of NHS Halton & St Helens, NHS Knowsley, Liverpool PCT, and NHS Sefton, in which a series of arrangements are in place relating to their role as both commissioners and strategic partners to the Trust.

The Trust has worked with all its partners including NHS North of England and the Merseyside Cluster to develop a Tripartite Formal Agreement setting out development plans, milestones and accountabilities that will enable the Trust to become a Foundation Trust within agreed deadlines.

Contractual commitments between provider and commissioner are regulated via a standard contact. Joint performance review mechanisms are in place, focusing key quality and contract deliverables and NHS Plan target delivery.

Central to the organisation's strategic management of risk identification and control is the business planning process which identifies risks and opportunities from a business perspective and how these issues will be managed. In addition, performance monitoring and management of the Trust's strategic objectives including national and local priorities, is regularly reviewed by the Trust Board and supported through sub-committees.

The Trust's Corporate Objectives continue to be reflected in Executive Directors' personal objectives agreed on an annual basis and cascaded through the organisation within individual objectives, appraisals and personal development plans.

## The Governance Framework of the Organisation

The Trust has a governance and risk management infrastructure addressing clinical and non- clinical issues. The Trust Governance Board and the Audit Committee develop the governance and risk management agenda. The Trust Governance Board receives a six monthly report from each care group. The report includes a general overview of risk management and governance as covered by this framework within the care group. The Audit Committee meets five times per year and is responsible for providing independent assurance to the Board of Directors on the systems in place for corporate risk management. In addition, the Audit Committee oversees financial and governance risk.

## Board of Directors

The Trust Board receives assurance from the work of the Audit Committee and the supporting governance infrastructure as described in this framework ensuring that governance and the management of risk is effective. The Board of Directors is informed of the effectiveness of the governance systems and process of internal control, by the Audit Committee, the Governance Board and the Councils reporting to the Governance Board.

A self assessment of Board members was undertaken using a questionnaire produced by the Foundation Trust network within its "Compendium of Best Practice". The results indicated positive scores, with effectiveness (measuring risk management) scoring very high, and Board structure (succession planning) and stakeholder engagement highlighted as areas of attention. The Board was also advised that more in depth, independently validated, assessment has been required of aspirant Foundation Trusts as described in the DH document "Board Governance Assurance Framework for Aspirant Foundation Trusts". It is planned that this will be addressed as part of the FT pipeline work.

## Executive Management Team

The Executive Management Team is responsible for planning, organising, directing and controlling the organisation's systems and resources to achieve service objectives and quality improvement through development and implementation of the Trust's objectives. It provides the Trust Board of Directors with confidence that the systems, policies, and people they have put in place to deliver operational performance of the Trust are effective, comply with standards, are focused on key risks and are driving the delivery of the Trust's objectives and are being managed effectively.

## Audit Committee

The Audit Committee has responsibility to review the establishment and maintenance of an effective system of internal control and risk management across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives. The Committee meets five times per year, and has membership of three non executive directors including the Chair. Before each full committee meeting the Committee meet with the External and Internal Auditors without any Executive Board Director present.

During the year the CEO was invited and attended the Committee to discuss the process for assuring the Trust Board that there are sound systems of internal control in place at the Trust. The Director of Finance is invited and has attended each of the full Committees during the year, along with representatives of both Internal and External Audit.

Additionally, during the last year the Committee requested the attendance of the Director of Nursing, Director of HR, Director of Operations and the Director of IM&T to report on specific areas of risk.

## Finance Committee

The Finance Committee has responsibility to scrutinise in detail the financial and operational performance of the Trust. The Finance Committee meets six times per year and its membership includes all Directors of the Trust.

## Trust Governance Board

The Trust Governance Board develops and supports the implementation of the governance framework, monitoring performance from the three councils that report to it, identifying any issues of concern and reporting to the Trust Board of Directors. The three councils reporting to the Trust Governance Board are the Clinical Performance Council, Patient Safety and Experience Council and the Human Resource Council.

The Governance Board supports the governance and risk management accountability arrangements within the Trust and ensures that all significant risks are properly considered and communicated. During the year three annual updates have been reported to the Trust Board of Directors through the Board Assurance Framework (BAF).

The Trust Governance Board monitors and receives reports regarding operational and corporate risk registers by exception.

The Trust Governance Board agrees and clarifies committee and working group responsibilities and agrees the governance and risk management framework annually. It ensures that the Trust responds to the requirements of different review bodies involved in independent verification and reviews the assurances / outcomes as appropriate (including monitoring of progress against action plans). The committee receives and takes necessary action on reports from the three councils.

The Trust Governance Board and the Audit Committee have delegated power in providing Trust Board Assurance. Therefore when deficits are identified in any of the above, the committee will monitor progress with improvement plans to ensure standards are maintained and safety is not compromised through the learning lessons process.

## Clinical Performance Council (CPC)

The CPC is responsible for ensuring high standards of clinical care are achieved and maintained by monitoring Trust clinical outcomes and benchmarking with local, regional and national standards. It is also responsible for ensuring the effective implementation of national quality standards e.g. National Institute for Health and Clinical Excellence (NIHCE), National Service Frameworks (NSF) and National Confidential Enquiries. The council is also responsible for ensuring that the Trust has a comprehensive and effective clinical audit and research programme, which results in improved clinical service provision.

## Patient Safety and Experience Council (PSEC)

The PSEC ensures service compliance with national patent safety mandates, improves analysis and understanding of Trust adverse incidents and enables appropriate remedial action planning to improve patient safety performance. The council ensures that improved patient experience is achieved through monitoring of performance against a range of indicators from the national surveys to local departmental initiatives.

## Human Resource Council (HRC)

The HRC is responsible for ensuring the effective achievements of best practice human resources standards and all aspects of learning and development, including staff training, staff survey, and work and wellbeing initiatives. Risk management training is provided to all staff levels and functions. Additionally clinical staff receive specialist training in risk assessment and equipment usage. Best practice guidance is disseminated through the governance councils and sub groups.

## Health and Safety Committee (HSC)

The HSC has responsibility for maintaining a healthy and safe environment for all patients, staff and visitors to St Helens and Knowsley Teaching Hospitals NHS Trust. The HSC has responsibility for implementation and performance monitoring of the Trust's Health & Safety programme and reports to the Human Resource Council. The HSC is constituted to act as a consultative and advisory forum in addition to its monitoring function.

## Information Governance Steering Group (IG)

The IG Steering Group leads on the information governance agenda and is chaired by the Trust's Caldicott Guardian. The group ensures that employees are aware of their responsibilities for all aspects of information. The group monitors compliance with all matters relating to the information governance agenda including compliance with the information governance toolkit. This group reports directly to the Trust Board of Directors bi-annually.

## Clinical Outcomes Committee (COC)

The Clinical Outcomes Committee aims to improve the care of our patients. Anyone working in the Trust may refer a case that she/he has concerns about. The clinical records are reviewed by senior clinical staff and discussed by the Committee which makes recommendations for improvements. The assessors and members of the Committee are drawn from a variety of specialities and professional groups. The referrals and cases are treated in a confidential and anonymised manner. The Committee has a non-judgmental approach which concentrates on system problems rather than individual performance. We aim to share the lessons learnt with Trust staff.
In addition to referred cases the Committee regularly samples cases. The Committee members also do an annual mortality review of 50 deaths, using the Berkshire template. The Chair of the Committee reports monthly to the Clinical Performance Committee.

## Improving Outcomes Group (IOG)

The IOG provides assurance to the Trust Board that patient safety and quality of care are being addressed by systems to monitor and act upon internal and external alerts. The Group actively monitors mortality rates, readmission rates, lengths of stay and patient safety indicators, and ensures where necessary action plans are in place and address alerts raised. The Group report to the Clinical Performance Council.

## Learning from Experience Group (Aggregated Adverse Incident Review Group -AAIRG)

The Learning from Experience Group has responsibility to make sure analysis of all incidents, complaints, including concerns / issues identified, and claims is undertaken on an aggregated basis, to optimise the recognition of trends and themes. In addition, the group is responsible for ensuring trends and themes are acted upon and managed effectively, including lessons learned through the action planning from deficits identified processes across the organisation. The group report to the PSEC bi-annually or more frequently by exception.

## Operational Performance Group (OPG)

The OPG meets monthly and is chaired by the Director of Operations. The Trust's operational performance framework meetings specifically accommodate an update and review of governance issues to ensure the link between strategic goals, operational delivery and governance is maintained and enhanced.

## Risk assessment

New risks added to the Board Assurance Framework during the year include; failure to deliver the tripartite formal agreement (TFA), achievement of the Foundation Trust pipeline requirements, the introduction of new bribery act and fraud and corruption legislation. Changes have been made to risks relating to; PAS system, 18 weeks performance, and external funding of the PFI. All changes to the BAF are recorded in the summary sheet accompanying the BAF board paper.

Risks to the Trust are highlighted via threats to the financial and operational performance of the Trust and through failure to meet national and organisational targets. Risks are identified via the following processes:

**Risk assessment -** All service and corporate functions undertake annual risk assessments in accordance with the Trust's Risk Assessment Procedure. Managers review their services, sites and staff roles to identify any hazards or potential hazards.

**Accident/Incident reporting -** reporting by staff is an efficient and effective system for identifying risk. Effective reporting also allows for rapid action in resolving how and why an incident may have occurred and can facilitate the organisation in learning how to avoid repeat occurrences of similar incidents. The Trust has implemented a fair blame culture, to ensure that staff feel safe in being open to report events.

**Complaint reporting -** Any risks highlighted via the complaints process are identified via Assistant Directors of Operations and Heads of Corporate Functions.

**Health and Social Care Regulations -** The Trust ensures that systems are in place within the organisation to support in year monitoring against the Health and Social Care Regulations and associated outcomes. Failure to comply with the regulations is deemed as a risk to the organisation and is risk assessed and entered onto the Trust Board Assurance Framework - Corporate Risk Register. Any changes to inspection / compliance criteria within the CQC are reflected in this process.

**Patient Safety Alerts -** Safety alerts are issued by the Central Alerting System, which incorporates alerts on behalf of the: Medicines and Healthcare products Regulatory Agency (MHRA), the National Patients Safety Authority (NPSA), Chief Medical Officers' Public Health Link and NHS Estates as well as specific guidance from the Department of Health. The Trust ensures that the system in place supports distribution, assessment of compliance and where deficits are identified these are acted upon and consistently monitored until all actions completed. Failure to comply with alert actions within the required timescales is deemed as a risk to the organisation and is entered onto the risk register.

**Audit -**There is an annual programme of clinical and non-clinical audit within the organisation, which has the potential to highlight risks. The Audit Committee oversees corporate audit activity and is responsible for the scrutiny of received assurance and exception reports. The Clinical Performance Council performs this same function for clinical audit and the Human Resource Council for health and safety.

## Information Governance and Data Security

The principles of Information Governance require that all reasonable care is taken to protect patient information in NHS organisations. This is not only governed by the law, but also NHS Codes of Practice, Department of Health Guidance and Professional Codes of Conduct.

St Helens & Knowsley Teaching Hospitals Trust is continuously working to ensure compliance with NHS standards and in particular the protection and safe transfer of its information.

The Trust ensures all incidents and risks are identified by the use of security and data audits and also incidents and concerns reported to the IT helpdesk and the Governance Team. A risk assessment is performed on each incident reported. These incidents are managed and resolved internally by the Information Governance Manager and IT Security Engineer. In addition, the creation and management of a specific IM&T risk register has been developed and incorporated into the assurance framework. This will ensure appropriate visibility and regular review of IM&T risks within the IM&T management team and the Information Governance Steering group.

During 2011/12 two information security incidents were reported to the Information Governance team. Both of these incidents resulted in information being sent out in error to employees. The two incidents were reported to the Information Commissioner's Office. The Information Commissioner has taken no action against the Trust as a result of the first incident reported; and a ruling is awaited on the second incident.

As a result of these incidents, the Information Governance Steering Group agreed that an external audit would be commissioned in order to identify any areas of concern regarding the handling of information and to make recommendations to improve the security of information within the Department where the errors occurred. The Trust is awaiting the final report on this.

The Trust is also committed to ensuring that procedures are in place for the creation and management of reliable and useable corporate records whilst maintaining the confidentiality and security of these.

In order to achieve this, a Corporate Records Audit is planned to commence in May 2012. The Trust will be using a stepped approach as it is the most practical way to begin the Inventory. Specific directorates/ departments will be targeted until all records have been covered.

The Trust Quality Account is prepared in adherence to strict DoH requirements and compliance is tested by both internal and external audit. All data sources are subject to rigorous testing to ensure data accuracy and completeness. Priorities for future action are determined in accordance with the Trust objectives, utilising feedback from stakeholders with particular reference to patient representative groups and feedback directly from service users as well as learning from adverse events.

## CQC Standards and the Quality Risk Profile

Overall responsibility for ensuring compliance with the CQC standards lies with the Governance Board as a Trust Board subgroup. Each of the three Councils has a role in developing the evidence needed to ensure compliance against a range of relevant standards. The Governance Board are tasked with undertaking evidence reviews against each of the CQC outcomes which will result in a completed Provider Compliance Assessment for each outcome. The Trust receives regular updates to the CQC Quality Risk Profile, provided to the Trust. Each of the outcome standard indicators are risk assessed and graded based upon information drawn from a number of sources. Any risk rated red, which signals a performance worse than expected, is subject to remedial action planning and further evaluation.

- The priorities described in the CQC 'Essential Standards' are reflected in the key priorities of the Trust and the risk register reflects relevant risks to achieving those priority goals.
- The standard owners are required to describe any remedial action needed to ensure continuous quality improvement and provide status updates to the relevant council.
- The Quality and Risk Profile (QRP) is provided to the Trust six times per year by the Care Quality Commission. It is based on the wide variety of external monitoring information comparing Trust performance against CQC desired outcomes and provides an assessment of risk against outcomes. The overall risk profile and risk profile for each outcome is then summarised from the RAG ratings within the QRP. Each Red rating, other than those relating to individual patient opinion, is shared with relevant service leads and subject to action to improve performance and subsequent RAG rating. The QRP is reported via the Trust Governance Board.

## Corporate Risk Register – Board Assurance Framework

The BAF is utilised by the Trust Board as a planned and systematic approach to the identification, assessment and mitigation of the principal risks that could hinder the Trust achieving its objectives. The BAF is reviewed by Executive Team and Trust Board three times annually. The BAF contains the major risks and controls in place. Changes and developments are noted following Board discussion. The Assurance Framework reflects each of the corporate objectives and includes both internal and external assurance that Trust goals are being met.

Where risks are identified, mitigations and subsequent action plans are mapped against them. Risks are scored using the same methodology as recommended by the NPSA; impact x likelihood. The total score generated is known as the risk rating.

## The Risk and Control Framework

Risks are controlled and thereby prevented through the effective risk management processes described in the previous section. The management of risks is undertaken via the Trust risk register database, a single system that holds all departmental and corporate risks, key controls and residual scoring. Specialty risk registers are held by each specialty and monitored monthly at the specialty governance meetings. Any risk that the specialty considers cannot be managed at that level or has the potential to affect the care group in which the specialty is located is escalated to the relevant care group governance and risk meeting for consideration of inclusion on the care group risk register.

The Care Group and Directorate Risk Register are held at Care Group/ Directorate Level and monitored at least quarterly at the Directorate Risk/ Governance meeting. Any risk identified with the potential to affect the care group or Trust is escalated to the relevant Director for consideration of inclusion on the Corporate Risk Register/Board Assurance Framework.

The decision to escalate a risk from the operational risk register to the BAF/ Risk Register is taken by the Executive Team. Similarly, there may be occasions when it is deemed appropriate to transfer a risk from the BAF to the operational risk register. This will usually be because it is considered that there are adequate controls in place to ensure the risk does not impact on any of the Trust's high level objectives contained within the BAF Framework but there is still a requirement for the risk to be monitored by the Board of Directors.

In relation to fraud risks the Trust agree annually a proactive counter fraud plan using a nominated and nationally accredited Local Counter Fraud Specialist (LCFS). The Trust's plan covers seven areas of activity including anti fraud culture and deterrence to fraud, supplemented by a local risk assessment which examines local fraud vulnerabilities.

Regular monitoring of counter fraud activity is undertaken with progress reports at each Audit Committee and the production of an Annual Report of counter fraud activity. The monitoring process includes the identification of any fraudulent activity against the Trust. In December 2011 the Trust received an independent report from NHS Protect on its overall counter fraud work which identified no significant weaknesses in current fraud and corruption arrangements.

## Review of the Effectiveness of Risk Management and Internal Control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The systems of risk management and internal control are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide a reasonable and not absolute assurance of effectiveness.

I have formed a view on the effectiveness of these systems in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of the work of internal audit. Opinion for 2011/12 has stated that there is an overall significant level of assurance on Trust systems of risk management, control and governance, which are being applied consistently and are designed to support the achievement of Trust objectives.

Executive Directors and managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review has also been informed by:

- The Trust continuing to hold CQC registration without conditions.
- Independent external financial review and diagnostic.
- Consistent delivery against all key access targets as reported through the Trust's performance framework and reviewed by the Trust Board.
- Delivery against internal key performance indicators aligned to the Trust's corporate objectives to achieve a higher level of performance than that nationally prescribed as the minimum required standard.
- Delivery of financial duties.

- Internal Audit concluded that the systems and processes in place regarding the Assurance Framework are designed and operated to meet the requirements of the annual governance statement. They have also provided significant assurance regarding the systems and processes underpinning the CQC care outcome standards; and significant assurance that there are robust systems and processes in place for the production of the annual Quality Account.
- The ongoing maintenance of the Trust's Risk Register to capture, report upon and monitor improvement against all key risk issues raised.
- Benchmarking results as provided in staff and patient surveys.
- The Trust Board being actively engaged in the governance and assurance process in identifying, quantifying, monitoring and preparing risk mitigation strategies to ensure identified risks are managed appropriately.
- Annual self-assessment using the NHS Information Governance Toolkit. The Toolkit provides assurances of the Trust's systems of information governance in protecting patient information through the principles of confidentiality, integrity and availability of patient information.
- The Trust received significant assurance from Internal Audit on the systems and processes in place for the production of the annual Quality Account and that that the approach was reported as robust and grounded.
- The achievement of level 2 compliance with NHSLA assessment, which included high praise to the governance team in the methodology, evidence and work undertaken against the standards.

### Assurances received through the Governance Structure

The Trust Board receives assurance from the work of the Audit Committee and the supporting governance infrastructure (as described in the Governance Framework section) that governance is effective. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, the Governance Board and the Councils reporting to the Governance Board. Plans to ensure continuous improvement of systems are in place. Progress is continually monitored by the Trust Board.

Key senior managers are continually working on the collation of evidence to demonstrate the Trusts compliance with the new CQC standards. This will be reflected in a revision of the board assurance framework to reflect registration compliance which in turn will ensure continuous improvement of the internal control system that is in place.

In the course of the year I have reviewed the systems of control and governance, attended supporting Boards and Committees and reviewed internal and external reports, ensuring identified areas of risk are being appropriately managed. In doing so I am able to report that there are no significant areas of risk to report.

The system of internal control has been in place at St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31st March 2012 and up to the date of the approval of the annual report and accounts.

Ann Marr

**Ann Marr, Chief Executive Officer**
St Helens & Knowsley Teaching Hospitals NHS Trust
1st June 2012

# Independent Auditor's Report To The Directors Of St Helens And Knowsley Teaching Hospitals NHS Trust

I have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of St Helens and Knowsley Teaching Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### Respective responsibilities of Directors and auditor

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

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, 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 report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of St Helens and Knowsley Teaching Hospitals NHS Trust as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I report to you if:

- in my opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- I refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because I have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998

I have nothing to report in these respects.

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

### Respective responsibilities of the Trust and auditor

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, St Helens and Knowsley Teaching Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Julian Farmer

**Julian Farmer, Officer of the Audit Commission**

2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton BL6 6QQ

Date: 8th June 2012

# Foreword To The Accounts St Helens And Knowsley Teaching Hospitals NHS Trust

**These accounts for the year ended 31 March 2012 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.**

# Statement of Comprehensive Income for year ended 31 March 2012

| | NOTE | 2011-12 £000 | 2010-11 £000 (restated) |
|---|---|---|---|
| Employee benefits | 9.1 | **(150,690)** | (148,358) |
| Other costs | 7 | **(122,771)** | (119,227) |
| Revenue from patient care activities | 4 | **212,596** | 204,389 |
| Other Operating revenue | 5 | **51,268** | 48,615 |
| **Operating surplus/(deficit)** | | **(9,597)** | (14,581) |
| | | | |
| Investment revenue | 11 | **53** | 44 |
| Other gains and (losses) | 12 | **0** | 0 |
| Finance costs | 13 | **(14,172)** | (8,679) |
| **Surplus/(deficit) for the financial year** | | **(23,716)** | (23,216) |
| Public dividend capital dividends payable | | **(1,740)** | (2,526) |
| **Retained surplus/(deficit) for the year** | | **(25,456)** | (25,742) |
| | | | |
| **Other Comprehensive Income** | | | |
| | | | |
| Impairments and reversals taken to the revaluation reserve | | **0** | (3,105) |
| Net gain/(loss) on revaluation of property, plant & equipment | | **0** | 10,457 |
| **Total comprehensive income for the year** | | **(25,456)** | (18,390) |
| | | | |
| **Financial performance for the year *** | | | |
| Retained surplus/(deficit) for the year | | **(25,456)** | |
| IFRIC 12 adjustment ** | 37 | **21,481** | |
| Impairments | | **4,240** | |
| Adjustments in respect of donated asset/gov't grant reserve elimination | | **40** | |
| Adjusted retained surplus | | **305** | |

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

** This value includes impairments of £20,777,000. Added to the £4,240,000, this makes a total of £25,017,000 as per Note 7, page 38. Note that prior year performance is not re-assessed following any accounting restatements.

The notes on pages 23 to 67 form part of this account.

# Statement of Financial Position as at 31 March 2012

| | NOTE | 31 March 2012 £000 | 1 April 2011 £000 | 31 March 2011 (restated) £000 | 31 March 2010 (restated) £000 |
|---|---|---|---|---|---|
| **Non-current assets:** | | | | | |
| Property, plant and equipment | 14 | **330,248** | 344,450 | 344,450 | 314,895 |
| Intangible assets | 15 | **833** | 954 | 954 | 882 |
| Investment property | | **0** | 0 | 0 | 0 |
| Other financial assets | 23 | **0** | 0 | 0 | 0 |
| Trade and other receivables | 21.1 | **1,487** | 1,636 | 1,636 | 1,681 |
| **Total non-current assets** | | **332,568** | 347,040 | 347,040 | 317,458 |
| **Current assets:** | | | | | |
| Inventories | 20 | **2,424** | 2,650 | 2,650 | 2,603 |
| Trade and other receivables | 21.1 | **7,253** | 9,599 | 9,599 | 9,087 |
| Other financial assets | 23 | **0** | 0 | 0 | 0 |
| Other current assets | 24 | **243** | 283 | 283 | 288 |
| Cash and cash equivalents | 25 | **3,821** | 3,951 | 3,951 | 2,670 |
| **Total current assets** | | **13,741** | 16,483 | 16,483 | 14,648 |
| Non-current assets held for sale | 26 | **0** | 0 | 0 | 0 |
| **Total current assets** | | **13,741** | 16,483 | 16,483 | 14,648 |
| **Total assets** | | **346,309** | 363,523 | 363,523 | 332,106 |
| **Current liabilities** | | | | | |
| Trade and other payables | 27 | **(16,453)** | (21,923) | (21,923) | (18,600) |
| Other liabilities | 28 | **0** | 0 | 0 | 0 |
| Provisions | 34 | **(1,780)** | (919) | (919) | (865) |
| Borrowings | 29 | **(6,517)** | (4,587) | (4,587) | (382) |
| Other financial liabilities | 30 | **0** | 0 | 0 | 0 |
| Working capital loan from Department | | **0** | 0 | 0 | 0 |
| Capital loan from Department | | **0** | 0 | 0 | 0 |
| **Total current liabilities** | | **(24,750)** | (27,429) | (27,429) | (19,847) |
| **Non-current assets plus/less net current assets/ liabilities** | | **321,559** | 336,094 | 336,094 | 312,259 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 27 | **0** | 0 | 0 | 0 |
| Other Liabilities | 28 | **0** | 0 | 0 | 0 |
| Provisions | 34 | **(2,444)** | (2,418) | (2,418) | (2,521) |
| Borrowings | 29 | **(277,954)** | (267,059) | (267,059) | (224,731) |
| Other financial liabilities | 30 | **0** | 0 | 0 | 0 |
| Working capital loan from Department | | **0** | 0 | 0 | 0 |
| Capital loan from Department | | **0** | 0 | 0 | 0 |
| **Total non-current liabilities** | | **(280,398)** | (269,477) | (269,477) | (227,252) |
| **Total Assets Employed:** | | **41,161** | 66,617 | 66,617 | 85,007 |
| **FINANCED BY:** | | | | | |
| **TAXPAYERS' EQUITY** | | | | | |
| Public Dividend Capital | | **62,721** | 62,721 | 62,721 | 62,721 |
| Retained earnings | | **(45,819)** | (21,840) | (21,840) | (3,178) |
| Revaluation reserve | | **24,259** | 25,736 | 25,736 | 25,464 |
| Other reserves | | **0** | 0 | 0 | 0 |
| **Total Taxpayers' Equity:** | | **41,161** | 66,617 | 66,617 | 85,007 |

The notes on pages 23 to 67 form part of this account. The financial statements on pages 19 to 22 were approved by the Board and signed on its behalf by:

Chief Executive: Ann Marr Date: 1st June 2012



# Statement of Changes in Taxpayers' Equity For the year ended 31 March 2012

| | Public Dividend capital £000 | Retained earnings £000 | Revaluation reserve £000 | Other reserves £000 | Total reserves £000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2011** | 62,721 | (21,840) | 25,736 | 0 | **66,617** |
| Opening balance adjustments | | 0 | 0 | 0 | **0** |
| Adjustments for Transforming Community Services transactions | | 0 | 0 | 0 | **0** |
| **Restated balance at 1 April 2011** | 62,721 | (21,840) | 25,736 | 0 | **66,617** |
| **Changes in taxpayers' equity for 2011-12** | | | | | |
| Retained surplus/(deficit) for the year | | (25,456) | | | **(25,456)** |
| Transfers between reserves | | 1,477 | (1,477) | 0 | **0** |
| Net recognised revenue/(expense) for the year | **0** | **(23,979)** | **(1,477)** | **0** | **(25,456)** |
| **Balance at 31 March 2012** | **62,721** | **(45,819)** | **24,259** | **0** | **41,161** |
| Included above: | | | | | |
| Transfer from revaluation reserve to retained earnings in respect of impairments | | 1,459 | (1,459) | | 0 |
| **Changes in taxpayers' equity for 2010-11** | | | | | |
| **Balance at 1 April 2010** | 62,721 | (3,178) | 25,464 | 0 | 85,007 |
| Retained surplus/(deficit) for the year | | (25,742) | | | (25,742) |
| Net gain / (loss) on revaluation of property, plant, equipment | | | 10,457 | | 10,457 |
| Impairments and reversals | | | (3,105) | | (3,105) |
| Transfers between reserves | | 7,080 | (7,080) | 0 | 0 |
| Net recognised revenue/(expense) for the year | **0** | **(18,662)** | **272** | **0** | **(18,390)** |
| **Balance at 31 March 2011** | **62,721** | **(21,840)** | **25,736** | **0** | **66,617** |
| Included above: | | | | | |
| Transfer from revaluation reserve to retained earnings in respect of impairments | | 3,298 | (3,298) | | 0 |

# Statement Of Cash Flows For The Year Ended 31 March 2012

| | NOTE | 2011-12 £000 | 2010-11 £000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Operating Surplus (Deficit) | | **(9,597)** | (14,581) |
| Depreciation and Amortisation | | **10,190** | 11,820 |
| Impairments and Reversals | | **25,017** | 22,128 |
| Donated Assets received credited to revenue but non-cash | | **(17)** | (132) |
| Interest Paid | | **(14,081)** | (8,775) |
| Dividend paid | | **(1,917)** | (2,498) |
| Release of PFI/deferred credit | | **0** | 0 |
| (Increase)/Decrease in Inventories | | **226** | (47) |
| (Increase)/Decrease in Trade and Other Receivables | | **2,443** | (416) |
| (Increase)/Decrease in Other Current Assets | | **0** | 152 |
| Increase/(Decrease) in Trade and Other Payables | | **(5,678)** | 4,427 |
| Increase/(Decrease) in Other Current Liabilities | | **0** | 0 |
| Provisions Utilised | | **(709)** | (747) |
| Increase/(Decrease) in Provisions | | **1,603** | 848 |
| **Net Cash Inflow/(Outflow) from Operating Activities** | | **7,480** | 12,179 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest Received | | **52** | 46 |
| (Payments) for Property, Plant and Equipment | | **(2,881)** | (7,502) |
| (Payments) for Intangible Assets | | **(174)** | (424) |
| Proceeds of disposal of assets held for sale (PPE) | | **0** | 117 |
| **Net Cash Inflow/(Outflow) from Investing Activities** | | **(3,003)** | (7,763) |
| **NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING** | | **4,477** | 4,416 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT | | **(4,677)** | (3,267) |
| Capital grants and other capital receipts | | **70** | 132 |
| **Net Cash Inflow/(Outflow) from Financing Activities** | | **(4,607)** | (3,135) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(130)** | 1,281 |
| **Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period** | | **3,951** | 2,670 |
| Opening balance adjustment - TCS transactions | | **0** | 0 |
| **Restated Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period** | | **3,951** | 2,670 |
| Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies | | **0** | 0 |
| **Cash and Cash Equivalents (and Bank Overdraft) at year end** | 25 | **3,821** | 3,951 |

# Notes To The Accounts

## 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2011-12 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

## 1.1 Accounting convention

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

## 1.2 Acquisitions and discontinued operations

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

## 1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of merger accounting. The Treasury FREM provides that where a transfer takes place in 2011-12, the recipient of the transfer will account for transferred activity in full for the period (and the original provider for none) to reflect the position had the transfer always applied.

For TCS transactions specifically, it is impracticable to adjust the prior period's revenue account in each body and so restatement is effected by an adjustment to 1 April 2011 opening balances rather than by full restatement of comparators.

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

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

### 1.4.1 Critical judgements in applying accounting policies

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

- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the balance sheet as assessed independently under IFRIC 12.

### 1.4.2 Key sources of estimation uncertainty

The only key area of uncertainty, as at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is provisions, ie. early retirements, permanent injury benefit awards, public and employer's liability claims, European Union Carbon Emissions Trading Scheme (EU ETS) and pay issues in respect of the staff and associate specialist contract.

### 1.5 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end is not presently accounted for on the basis of materiality.

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

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

### 1.6 Employee Benefits

#### Short-term employee benefits

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

#### Retirement benefit costs

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

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

### 1.7 Other expenses

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

### 1.8 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

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

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

#### Valuation

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

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

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

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

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

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

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

### Subsequent expenditure

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

## 1.9 Intangible assets

### Recognition

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

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment.

Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

### Measurement

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

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

## 1.10 Depreciation, amortisation and impairments

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

## 1.11 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

## 1.12 Government grants

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

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

## 1.13 Non-current assets held for sale

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

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

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

## 1.14 Leases

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

### The Trust as lessee

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

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

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

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

### The Trust as lessor

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

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

## 1.15 Private Finance Initiative (PFI) transactions

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

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

a) Payment for the fair value of services received;

b) Payment for the PFI asset, including finance costs; and

c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

### Services received

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

### PFI Asset

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

### PFI liability

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

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

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

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

### Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively. However, taking into account the Trust's current estate valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to orginal standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment. With regard to the managed equipment service element of the PFI, major lifecycle costs are capitalised.

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

### Assets contributed by the Trust to the operator for use in the scheme

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

### Other assets contributed by the Trust to the operator

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

## 1.16 Inventories

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

## 1.17 Cash and cash equivalents

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

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

## 1.18 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.8% for employee early departure obligations including injury benefit provisions).

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

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

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

## 1.19 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 34.

## 1.20 Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the 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 as and when they become due.

## 1.21 EU Emissions Trading Scheme

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

## 1.22 Contingencies

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

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

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

## 1.23 Financial assets

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

Financial assets are initially recognised at fair value.

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

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

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

### Held to maturity investments

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

### Available for sale financial assets

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

### Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques as appropriate.
The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

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

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

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

## 1.24 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.
Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

### Financial guarantee contract liabilities

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

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

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

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

### Other financial liabilities

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

## 1.25 Value Added Tax

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

## 1.26 Foreign currencies

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

## 1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 43 to the accounts.

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

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

## 1.29 Losses and Special Payments

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

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

## 1.30 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

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

For 2010-11 and 2011-12 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

## 1.31 Associates

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

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

## 1.32 Joint ventures

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

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

## 1.33 Joint operations

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

## 1.34 Research and Development

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

## 1.35 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation
IAS 12 - Income Taxes (amendment) - subject to consultation
IAS 19 Post-employment benefits (pensions) - subject to consultation
IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 7 - Financial Instruments: Disclosures (annual improvements) - effective 2012-13
IFRS 9 Financial Instruments - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

## 2. Operating segments

The activities of St Helens and Knowsley Teaching Hospitals NHS Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total revenue for 2011/12 was £263.864m of which primary care trusts provided 98% for patient activities alone.

## 3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. There are no income generation activities where the full cost exceeded £1m.

## 4. Revenue from patient care activities

| | **2011-12 £000** | 2010-11 £000 |
|---|---|---|
| Strategic health authorities | **0** | 0 |
| NHS trusts | **0** | 0 |
| Primary care trusts - tariff | **164,806** | 161,240 |
| Primary care trusts - non-tariff | **36,724** | 32,824 |
| Primary care trusts - market forces factor | **7,098** | 6,684 |
| Foundation trusts | **0** | 0 |
| Local authorities | **0** | 0 |
| Department of Health | **0** | 41 |
| NHS other | **0** | 0 |
| Non-NHS: | | |
| Private patients | **96** | 49 |
| Overseas patients (non-reciprocal) | **32** | 39 |
| Injury costs recovery * | **1,611** | 1,287 |
| Other ** | **2,229** | 2,225 |
| | **212,596** | 204,389 |

* Injury cost recovery income is subject to a provision for impairment of receivables of 10.5% to reflect expected rates of collection.

** Main component of this is patient care contracts with non-English NHS bodies.

## 5. Other operating revenue

| | **2011-12 £000** | 2010-11 £000 |
|---|---|---|
| Recoveries in respect of employee benefits | **0** | 0 |
| Patient transport services | **0** | 0 |
| Education, training and research | **11,332** | 10,126 |
| Charitable and other contributions to expenditure | **1** | 3 |
| Receipt of donations for capital acquisitions | **17** | 132 |
| Receipt of Government grants for capital acquisitions | **0** | 0 |
| Non-patient care services to other bodies | **13,072** | 12,430 |
| Income generation | **1,318** | 1,428 |
| Rental revenue from finance leases | **0** | 0 |
| Rental revenue from operating leases | **0** | 0 |
| Other revenue * | **25,528** | 24,496 |
| | **51,268** | 48,615 |
| **Total operating revenue** | **263,864** | 253,004 |

* The principal item here is income relating to the Trust's PFI development (£20.329m)

## 6. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

## 7. Operating expenses (excluding employee benefits)

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| Services from other NHS trusts | **779** | 1,214 |
| Services from PCTs | **44** | 4,615 |
| Services from other NHS bodies | **52** | 52 |
| Services from foundation trusts | **4,996** | 791 |
| Purchase of healthcare from non NHS bodies | **438** | 193 |
| Trust chair and non executive directors | **58** | 58 |
| Supplies and services - clinical | **31,068** | 27,656 |
| Supplies and services - general | **1,309** | 1,289 |
| Consultancy services | **140** | 71 |
| Establishment | **3,694** | 3,194 |
| Transport | **303** | 279 |
| Premises | **10,444** | 10,069 |
| Impairments and Reversals of Receivables | **146** | 112 |
| Inventories write down | **0** | 0 |
| Depreciation | **9,823** | 11,459 |
| Amortisation | **367** | 361 |
| Impairments and reversals of property, plant and equipment | **25,017** | 22,128 |
| Audit fees | **111** | 144 |
| Other auditor's remuneration | **8** | 0 |
| Clinical negligence | **4,163** | 3,684 |
| Research and development (excluding staff costs) | **0** | 0 |
| Education and Training | **563** | 555 |
| Other * | **29,248** | 31,303 |
| | **122,771** | 119,227 |
| | | |
| Employee benefits | | |
| Employee benefits excluding Board members | **149,861** | 147,506 |
| Board members | **829** | 852 |
| Total employee benefits | **150,690** | 148,358 |
| | | |
| Total operating expenses | **273,461** | 267,585 |

* The main component here is PFI service costs (£22.727m).

## 8. Operating Leases

### 8.1 Trust as lessee

| | Land £000 | Buildings £000 | Other £000 | 2011-12 Total £000 | 2010-11 £000 |
|---|---|---|---|---|---|
| **Payments recognised as an expense** | | | | | |
| Minimum lease payments | **0** | **0** | **97** | **97** | 138 |
| Contingent rents | **0** | **0** | **0** | **0** | 0 |
| Sub-lease payments | **0** | **0** | **0** | **0** | 0 |
| **Total** | **0** | **0** | **97** | **97** | 138 |
| | | | | | |
| **Payable:** | | | | | |
| No later than one year | **0** | **0** | **54** | **54** | 98 |
| Between one and five years | **0** | **0** | **17** | **17** | 71 |
| After five years | **0** | **0** | **0** | **0** | 0 |
| **Total** | **0** | **0** | **71** | **71** | 169 |
| | | | | | |
| Total future sublease payments expected to be received: | | | | 0 | 0 |

### 8.2 Trust as lessor

The Trust has no leases where it is the lessor.

## 9. Employee benefits and staff numbers

### 9.1 Employee benefits

| | Total £000 | Permanently employed £000 | Other £000 |
|---|---|---|---|
| **Employee Benefits 2011-12 - gross expenditure** | | | |
| Salaries and wages | **127,719** | **119,435** | **8,284** |
| Social security costs | **9,221** | **8,827** | **394** |
| Employer contributions to NHS Pensions scheme | **13,750** | **13,162** | **588** |
| Other pension costs | **-** | **-** | **-** |
| Other post-employment benefits | **-** | **-** | **-** |
| Other employment benefits | **-** | **-** | **-** |
| Termination benefits | **-** | **-** | **-** |
| **Total employee benefits** | **150,690** | **141,424** | **9,266** |
| Less recoveries in respect of employee benefits | **-** | **-** | **-** |
| **Total - Net Employee Benefits including capitalised costs** | **150,690** | **141,424** | **9,266** |
| Employee costs capitalised | **-** | **-** | **-** |
| **Net Employee Benefits excluding capitalised costs** | **150,690** | **141,424** | **9,266** |

| | Total £000 | Permanently employed £000 | Other £000 |
|---|---|---|---|
| **Employee Benefits 2010-11 - net expenditure** | | | |
| Salaries and wages | 125,165 | 116,287 | 8,878 |
| Social security costs | 9,529 | 9,198 | 331 |
| Employer contributions to NHS Pensions scheme | 13,664 | 13,189 | 475 |
| Other pension costs | - | - | - |
| Other post-employment benefits | - | - | - |
| Other employment benefits | - | - | - |
| Termination benefits | - | - | - |
| **Total employee benefits** | 148,358 | 138,674 | 9,684 |
| Employee costs capitalised | - | | |
| **Net Employee Benefits excluding capitalised costs** | 148,358 | | |

### 9.2 Staff Numbers

| | 2011-12 Total Number | Permanently employed Number | Other Number | 2010-11 Total Number |
|---|---|---|---|---|
| **Average Staff Numbers** | | | | |
| Medical and dental | **479.3** | **446.5** | **32.8** | 466.0 |
| Ambulance staff | **-** | **-** | **-** | - |
| Administration and estates | **821.0** | **793.7** | **27.3** | 852.0 |
| Healthcare assistants and other support staff | **68.5** | **68.5** | **-** | 70.1 |
| Nursing, midwifery and health visiting staff | **1,747.5** | **1,623.0** | **124.5** | 1,785.0 |
| Nursing, midwifery and health visiting learners | **-** | **-** | **-** | - |
| Scientific, therapeutic and technical staff | **439.6** | **437.6** | **2.0** | 417.0 |
| Social Care Staff | **-** | **-** | **-** | 6.0 |
| Other | **-** | **-** | **-** | - |
| **TOTAL** | **3,555.9** | **3,369.3** | **186.6** | 3,596.1 |

None of the above staff were engaged on capital projects.(Prior year also nil).

### 9.3 Staff Sickness absence and ill health retirements

| | 2011-12 Number | 2010-11 Number |
|---|---|---|
| Total Days Lost | **40,302** | 44,150 |
| Total Staff Years | **5,420** | 4,265 |
| Average working Days Lost | **7** | 10 |

The above figures are estimates based on data from the calendar year 2011. Please note that these figures also include staff whose costs are not met by the Trust but for which the Trust pays over statutory deductions to HMRC via an agency arrangement.

| | 2011-12 Number | 2010-11 Number |
|---|---|---|
| Number of persons retired early on ill health grounds | **4** | 5 |
| | **£000** | £000 |
| Total additional pensions liabilities accrued in the year * | **422** | 569 |

* See Note 9.5 section C re ill health retirements.

## 9.4 Exit Packages agreed in 2011-12

| Exit package cost band (including any special payment element) | 2011-12 *Number of compulsory redundancies | 2011-12 *Number of other departures agreed | 2011-12 Total number of exit packages by cost band | 2010-11 *Number of compulsory redundancies | 2010-11 *Number of other departures agreed | 2010-11 Total number of exit packages by cost band |
|---|---|---|---|---|---|---|
| | Number | Number | Number | Number | Number | Number |
| Less than £10,000 | **0** | **2** | **2** | 0 | 0 | 0 |
| £10,001-£25,000 | **0** | **9** | **9** | 0 | 0 | 0 |
| £25,001-£50,000 | **0** | **13** | **13** | 0 | 0 | 0 |
| £50,001-£100,000 | **0** | **2** | **2** | 0 | 0 | 0 |
| £100,001 - £150,000 | **0** | **0** | **0** | 0 | 0 | 0 |
| £150,001 - £200,000 | **0** | **0** | **0** | 0 | 0 | 0 |
| >£200,000 | **0** | **0** | **0** | 0 | 0 | 0 |
| **Total number of exit packages by type** | **0** | **26** | **26** | 0 | 0 | 0 |
| **Total resource cost (£000s)** | **0** | **840** | **840** | 0 | 0 | 0 |

*Redundancy and other departure costs have been paid in accordance with the provisions of a local NHS Mutually Agreed Resignation Scheme (MARS). Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

## 9.5 Pension costs

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

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

### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates. The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

### b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undetaking this actuarial assessment, the methodology prescribed in IAS19, relevant FReM interpretations, and a discount rate prescribed by HM Treasury have also been used.

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

### c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:
The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation". Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12, the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable
For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

## 10 Better Payment Practice Code

### 10.1 Measure of compliance

| | 2011-12 Number | 2011-12 £000 | 2010-11 Number | 2010-11 £000 |
|---|---|---|---|---|
| **Non-NHS Payables** | | | | |
| Total Non-NHS Trade Invoices Paid in the Year | **45,322** | **107,946** | 45,950 | 104,374 |
| Total Non-NHS Trade Invoices Paid Within Target | **44,173** | **105,200** | 42,759 | 97,379 |
| Percentage of NHS Trade Invoices Paid Within Target | **97.5%** | **97.5%** | 93.1% | 93.3% |
| **NHS Payables** | | | | |
| Total NHS Trade Invoices Paid in the Year | **1,867** | **16,076** | 2,053 | 22,804 |
| Total NHS Trade Invoices Paid Within Target | **1,848** | **16,004** | 2,034 | 22,604 |
| Percentage of NHS Trade Invoices Paid Within Target | **99.0%** | **99.6%** | 99.1% | 99.1% |

The Better Payment Practice Code requires the Trust to aim to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. The Trust is also an approved signatory to the Government's Prompt Payment Code.

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

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| Amounts included in finance costs from claims made under this legislation | **0** | 1 |
| Compensation paid to cover debt recovery costs under this legislation | **0** | 0 |

## 11 Investment Revenue

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| **Rental Income** | | |
| PFI finance lease revenue (planned) | **0** | 0 |
| PFI finance lease revenue (contingent) | **0** | 0 |
| Other finance lease revenue | **0** | 0 |
| **Subtotal** | **0** | 0 |
| **Interest Income** | | |
| LIFT: equity dividends receivable | **0** | 0 |
| LIFT: loan interest receivable | **0** | 0 |
| Bank interest | **53** | 44 |
| Other loans and receivables | **0** | 0 |
| Impaired financial assets | **0** | 0 |
| Other financial assets | **0** | 0 |
| **Subtotal** | **53** | 44 |
| **Total investment income** | **53** | 44 |

## 12 Other Gains and Losses

There are no other gains or losses to report (prior year also nil) regarding the following items:

- The disposal of property, plant, equipment, intangible assets and financial assets;
- Foreign exchange transactions;
- Changes in the fair value of financial assets and liabilities carried at fair value through the SoCI;
- Changes in the fair value of investment property and;
- Recycling from equity on the disposal of financial assets held for sale.

## 13 Finance Costs

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| **Interest** | | |
| Interest on loans and overdrafts | **0** | 0 |
| Interest on obligations under finance leases | **39** | 3 |
| Provisions - unwinding of discount | **71** | 56 |
| Interest on obligations under PFI contracts: | | |
| - main finance cost | **10,216** | 6,444 |
| - contingent finance cost | **3,826** | 2,327 |
| Interest on obligations under LIFT contracts: | | |
| - main finance cost | **0** | 0 |
| - contingent finance cost | **0** | 0 |
| Interest on late payment of commercial debt | **0** | 1 |
| Other interest expense | **0** | 0 |
| **Total interest expense** | **14,152** | 8,831 |
| Other finance costs * | **20** | (152) |
| **Total** | **14,172** | 8,679 |

* These finance costs relate to the change in discount rate used in the calculation of certain provisions.

## 14.1 Property, plant and equipment

| 2011-12 | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construction & payments on account £000 | Plant & machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or valuation:** | | | | | | | | | |
| **At 31 March 2011** | 12,700 | 316,083 | 1,280 | 15,000 | 36,515 | 127 | 12,006 | 5,940 | **399,651** |
| Prior period adjustments | 0 | (24,181) | (1,280) | 0 | 0 | 0 | 0 | 0 | **(25,461)** |
| **At 1 April 2011 restated** | 12,700 | 291,902 | 0 | 15,000 | 36,515 | 127 | 12,006 | 5,940 | **374,190** |
| Additions Purchased | 0 | 16,923 | 0 | 0 | 2,811 | 0 | 604 | 283 | **20,621** |
| Additions Donated | 0 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | **17** |
| Additions Government Granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | 0 | 15,000 | 0 | (15,000) | 0 | 0 | 0 | 0 | **0** |
| Reclassifications as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than for sale | 0 | (8,205) | 0 | 0 | (1,650) | (41) | (1) | (15) | **(9,912)** |
| Upward revaluation/positive indexation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments/negative indexation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Cumulative dep'n adjustment following revaluation | 0 | (16,923) | 0 | 0 | 0 | 0 | 0 | 0 | **(16,923)** |
| **At 31 March 2012** | **12,700** | **298,697** | **0** | **0** | **37,693** | **86** | **12,609** | **6,208** | **367,993** |
| **Depreciation** | | | | | | | | | |
| **At 31 March 2011** | 0 | 24,181 | 1,280 | 0 | 19,255 | 99 | 7,260 | 3,126 | **55,201** |
| Prior period adjustments | 0 | (24,181) | (1,280) | 0 | 0 | 0 | 0 | 0 | **(25,461)** |
| **At 1 April 2011 restated** | 0 | 0 | 0 | 0 | 19,255 | 99 | 7,260 | 3,126 | **29,740** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than for sale | 0 | (8,205) | 0 | 0 | (1,650) | (41) | (1) | (15) | **(9,912)** |
| Upward revaluation/positive indexation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | 25,017 | 0 | 0 | 0 | 0 | 0 | 0 | **25,017** |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Charged During the Year | 0 | 3,822 | 0 | 0 | 3,674 | 12 | 1,742 | 573 | **9,823** |
| Cumulative dep'n adjustment following revaluation | 0 | (16,923) | 0 | 0 | 0 | 0 | 0 | 0 | **(16,923)** |
| **At 31 March 2012** | **0** | **3,711** | **0** | **0** | **21,279** | **70** | **9,001** | **3,684** | **37,745** |
| **Net book value at 31 March 2012** | 12,700 | 294,986 | 0 | 0 | 16,414 | 16 | 3,608 | 2,524 | **330,248** |
| Purchased | 12,700 | 294,900 | 0 | 0 | 16,297 | 16 | 3,601 | 2,524 | **330,038** |
| Donated | 0 | 86 | 0 | 0 | 117 | 0 | 7 | 0 | **210** |
| Government Granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total at 31 March 2012** | **12,700** | **294,986** | **0** | **0** | **16,414** | **16** | **3,608** | **2,524** | **330,248** |
| **Asset financing:** | | | | | | | | | |
| Owned | 12,700 | 18,703 | 0 | 0 | 11,357 | 16 | 3,608 | 2,524 | **48,908** |
| Held on finance lease | 0 | 0 | 0 | 0 | 506 | 0 | 0 | 0 | **506** |
| On-SOFP PFI contracts | 0 | 276,283 | 0 | 0 | 4,551 | 0 | 0 | 0 | **280,834** |
| **Total** | **12,700** | **294,986** | **0** | **0** | **16,414** | **16** | **3,608** | **2,524** | **330,248** |

### Revaluation Reserve Balance for Property, Plant & Equipment

| | Land £000's | Buildings £000's | Dwellings £000's | Assets under construction & payments on account £000 | Plant & machinery £000's | Transport equipment £000's | Information technology £000's | Furniture & fittings £000's | Total £000's |
|---|---|---|---|---|---|---|---|---|---|
| **At 31 March 2011** | 6,705 | 18,527 | 0 | 0 | 447 | 2 | 0 | 55 | **25,736** |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 1 April 2011 restated** | 6,705 | 18,527 | 0 | 0 | 447 | 2 | 0 | 55 | **25,736** |
| Movements * | 0 | (1,459) | 0 | 0 | (18) | 0 | 0 | 0 | **(1,477)** |
| **At 31 March 2012** | 6,705 | 17,068 | 0 | 0 | 429 | 2 | 0 | 55 | **24,259** |

* Movements relate to the elimination of the reserve as a result of the disposal of assets.

## 14.2 Property, plant and equipment

| 2010-11 | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation:** | | | | | | | | | |
| **At 1 April 2010** | 12,622 | 260,239 | 1,280 | 15,000 | 34,888 | 127 | 11,232 | 6,964 | **342,352** |
| Additions - purchased | 78 | 48,441 | 0 | 0 | 6,390 | 0 | 772 | 147 | **55,828** |
| Additions - donated | 0 | 53 | 0 | 0 | 70 | 0 | 9 | 0 | **132** |
| Additions - government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (4,835) | 0 | (7) | (1,171) | **(6,013)** |
| Revaluation & indexation gains | 0 | 10,455 | 0 | 0 | 2 | 0 | 0 | 0 | **10,457** |
| Impairments | 0 | (3,105) | 0 | 0 | 0 | 0 | 0 | 0 | **(3,105)** |
| Reversals of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2011** | **12,700** | **316,083** | **1,280** | **15,000** | **36,515** | **127** | **12,006** | **5,940** | **399,651** |
| **Depreciation** | | | | | | | | | |
| **At 1 April 2010** | 0 | 0 | 0 | | 18,506 | 89 | 5,208 | 3,654 | **27,457** |
| Reclassifications | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | **0** |
| Reclassifications as held for sale | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | **0** |
| Disposals other than for sale | 0 | 0 | 0 | | (4,665) | 0 | (7) | (1,171) | **(5,843)** |
| Upward revaluation/positive indexation | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | 42,135 | 1,248 | 0 | 508 | 0 | 0 | 0 | **43,891** |
| Reversal of Impairments | 0 | (21,763) | 0 | 0 | 0 | 0 | 0 | 0 | **(21,763)** |
| Charged During the Year | 0 | 3,809 | 32 | 0 | 4,906 | 10 | 2,059 | 643 | **11,459** |
| **At 31 March 2011** | 0 | 24,181 | 1,280 | 0 | 19,255 | 99 | 7,260 | 3,126 | 55,201 |
| **Net book value** | **12,700** | **291,902** | **0** | **15,000** | **17,260** | **28** | **4,746** | **2,814** | **344,450** |
| Purchased | 12,700 | 291,461 | 0 | 15,000 | 17,115 | 24 | 4,737 | 2,814 | **343,851** |
| Donated | 0 | 441 | 0 | 0 | 145 | 4 | 9 | 0 | **599** |
| Government Granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total at 31 March 2011** | 12,700 | 291,902 | 0 | 15,000 | 17,260 | 28 | 4,746 | 2,814 | **344,450** |
| **Asset financing:** | | | | | | | | | |
| Owned | 12,700 | 23,302 | 0 | 0 | 12,609 | 28 | 4,746 | 2,814 | **56,199** |
| Held on finance lease | 0 | 0 | 0 | 0 | 19 | 0 | 0 | 0 | **19** |
| On-SOFP PFI contracts | 0 | 268,600 | 0 | 15,000 | 4,632 | 0 | 0 | 0 | **288,232** |
| | 12,700 | 291,902 | 0 | 15,000 | 17,260 | 28 | 4,746 | 2,814 | **344,450** |

## Revaluation Reserve Balance for Property, Plant & Equipment

| | Land | Buildings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000 | £000's | £000's | £000's | £000's | £000's |
| **At 1 April 2010 restated** | 6,705 | 17,339 | 764 | | 589 | 2 | 9 | 56 | **25,464** |
| Movements * | 0 | 1,188 | (764) | | (142) | 0 | (9) | (1) | **272** |
| **At 31 March 2011** | 6,705 | 18,527 | 0 | 0 | 447 | 2 | 0 | 55 | **25,736** |

* Movements relate to impact of the revaluation of buildings and the elimination of the reserves on disposal of assets.

## 14.3 Property, plant and equipment

Equipment is depreciated evenly over the estimated life of the asset. The ranges of asset lives used for different categories of plant and equipment are shown below:

| | |
|---|---|
| - Plant and machinery | 5 to 15 years |
| - Transport equipment | 7 years |
| - Information Technology | 5 to 8 years |
| - Furniture and fittings | 7 to 10 years |

Building asset lives will vary according to their latest valuation. At the end of March 2012 the range of asset lives for these assets fell between 12 years and 89 years.

Donated assets at a cost of £17,000 were financed by the Trust's charitable funds which in turn have been provided by members of the public or other non-NHS organisations.

## 15.1 Intangible non-current assets

| 2011-12 | Software internally generated £000 | Software purchased £000 | Licences & trademarks £000 | Patents £000 | Development expenditure £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost or valuation:** | | | | | | |
| **At 31 March 2011** | 0 | 3,476 | 0 | 0 | 0 | **3,476** |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 1 April 2011 restated** | 0 | 3,476 | 0 | 0 | 0 | **3,476** |
| Additions - purchased | 0 | 246 | 0 | 0 | 0 | **246** |
| Additions - internally generated | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions - donated | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions - government granted | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than by sale | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation & indexation gains | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments charged to reserves | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of impairments charged to reserves | 0 | 0 | 0 | 0 | 0 | **0** |
| Cumulative amortisation adjustment following revaluation | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2012** | 0 | 3,722 | 0 | 0 | 0 | **3,722** |
| **Amortisation** | | | | | | |
| **At 31 March 2011** | 0 | 2,522 | 0 | 0 | 0 | **2,522** |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 1 April 2010** | 0 | 2,522 | 0 | 0 | 0 | **2,522** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than by sale | 0 | 0 | 0 | 0 | 0 | **0** |
| Revaluation or indexation gains | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | **0** |
| Charged during the year | 0 | 367 | 0 | 0 | 0 | **367** |
| Cumulative amortisation adjustment following revaluation | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2012** | 0 | 2,889 | 0 | 0 | 0 | **2,889** |
| **Net book value at 31 March 2012** | **0** | **833** | **0** | **0** | **0** | **833** |
| **Net book value at 31 March 2012 comprises:** | | | | | | |
| Purchased | 0 | 833 | 0 | 0 | 0 | **833** |
| Donated | 0 | 0 | 0 | 0 | 0 | **0** |
| Government Granted | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total at 31 March 2012** | 0 | 833 | 0 | 0 | 0 | **833** |

### Revaluation reserve balance for intangible non-current assets

| | £000's | £000's | £000's | £000's | £000's | £000's |
|---|---|---|---|---|---|---|
| **At 31 March 2011** | 0 | 0 | 0 | 0 | 0 | **0** |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 1 April 2011 restated** | 0 | 0 | 0 | 0 | 0 | **0** |
| Movements | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2012** | 0 | 0 | 0 | 0 | 0 | **0** |

## 15.2 Intangible non-current assets

| 2010-11 | Software internally generated | Software purchased | Licences & trademarks | Patents | Development expenditure | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation:** | | | | | | |
| At 1 April 2010 | 0 | 3,054 | 0 | 0 | 0 | **3,054** |
| Additions - purchased | 0 | 433 | 0 | 0 | 0 | **433** |
| Additions - internally generated | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions - donated | 0 | 0 | 0 | 0 | 0 | **0** |
| Additions - government granted | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than by sale | 0 | (11) | 0 | 0 | 0 | **(11)** |
| Revaluation & indexation gains | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | **0** |
| **At 31 March 2011** | 0 | 3,476 | 0 | 0 | 0 | **3,476** |
| **Amortisation** | | | | | | |
| At 1 April 2010 | 0 | 2,172 | 0 | 0 | 0 | **2,172** |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | **0** |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | **0** |
| Disposals other than by sale | 0 | (11) | 0 | 0 | 0 | **(11)** |
| Revaluation or indexation gains | 0 | 0 | 0 | 0 | 0 | **0** |
| Impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | **0** |
| Reversal of impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | **0** |
| Charged during the year | 0 | 361 | 0 | 0 | 0 | **361** |
| **At 31 March 2011** | 0 | 2,522 | 0 | 0 | 0 | **2,522** |
| **Net book value at 31 March 2010** | 0 | 954 | 0 | 0 | 0 | **954** |
| **Net book value at 31 March 2010** comprises: | | | | | | |
| Purchased | 0 | 954 | 0 | 0 | 0 | **954** |
| Donated | 0 | 0 | 0 | 0 | 0 | **0** |
| Government Granted | 0 | 0 | 0 | 0 | 0 | **0** |
| **Total at 31 March 2011** | 0 | 954 | 0 | 0 | 0 | **954** |

All the Trust's intangible assets related to computer software purchases which have been depreciated over 5 years. Cost is deemed to be a fair reflection of fair value.

## 16 Analysis of impairments and reversals recognised in 2011-12

| | 2011-12 Total £000 |
|---|---|
| **Property, Plant and Equipment impairments and reversals taken to SoCI:** | |
| Loss or damage resulting from normal operations | 0 |
| Over-specification of assets | 0 |
| Abandonment of assets in the course of construction | 0 |
| **Total charged to Departmental Expenditure Limit** | 0 |
| Unforeseen obsolescence | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 25,017 |
| Changes in market price | 0 |
| **Total charged to Annually Managed Expenditure** | 25,017 |
| Property, Plant and Equipment impairments and reversals charged to the revaluation reserve | 0 |
| **Total Impairments of Property, Plant and Equipment** | **25,017** |
| **Intangible assets impairments and reversals charged to SoCI:** | |
| Total charged to Departmental Expenditure Limit | 0 |
| Total charged to Annually Managed Expenditure | 0 |
| Intangible Assets impairments and reversals charged to the Revaluation Reserve | 0 |
| **Total Impairments of Intangibles** | 0 |
| **Financial Assets charged to SoCI** | |
| Total charged to Departmental Expenditure Limit | 0 |
| Total charged to Annually Managed Expenditure | 0 |
| Total impairments for Financial Assets charged to reserves | 0 |
| **Total Impairments of Financial Assets** | 0 |
| **Non-current assets held for sale - impairments and reversals charged to SoCI.** | |
| Total charged to Departmental Expenditure Limit | 0 |
| Total charged to Annually Managed Expenditure | 0 |
| **Total impairments of non-current assets held for sale** | 0 |
| **Investment Property impairments charged to SoCI** | |
| Total charged to Annually Managed Expenditure | 0 |
| **Total Investment Property impairments charged to SoCI** | 0 |
| **Total Impairments charged to Revaluation Reserve** | 0 |
| **Total Impairments charged to SoCI - DEL** | 0 |
| **Total Impairments charged to SoCI - AME** | 25,017 |
| **Overall Total Impairments** | **25,017** |
| **Of which:** | |
| Impairment on revaluation to "modern equivalent asset" basis | 0 |
| **Donated and Gov Granted Assets, included above** | |
| Donated Asset Impairments: amount charged to SOCI - DEL | 0 |
| Donated Asset Impairments: amount charged to SOCI - AME | 350 |
| Donated Asset Impairments: amount charged to revaluation reserve | 0 |
| **Total Donated Asset Impairments** | 350 |
| Government Granted Asset Impairments: amount charged to SoCI - DEL | 0 |
| Government Granted Asset Impairments: amount charged to SoCI - AME | 0 |
| Government Granted Asset Impairments: amount charged to revaluation reserve | 0 |
| **Total Gov Granted asset Impairments.** | 0 |
| **TOTAL DONATED/GOVERNMENT GRANTED ASSET IMPAIRMENTS** | **350** |

The impairments shown above are related to the introduction of new PFI buildings, being part of Whiston Phase 2 of the Trust's strategic hospital redevelopment project and also the demolition of buildings associated with this.

## 17 Investment property

The Trust had no investment property as at 31 March 2012 (prior year also nil).

## 18 Commitments

### 18.1 Capital commitments

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

| | **31 March 2012 £000** | 31 March 2011 £000 |
|---|---|---|
| Property, plant and equipment | **22** | 9 |
| Intangible assets | **0** | 0 |
| **Total** | **22** | 9 |

### 18.2 Other financial commitments

The Trust has no other financial commitments as at 31 March 2012 (prior year also nil).

## 19 Intra-Government and other balances

| | **Current receivables £000s** | **Non-current receivables £000s** | **Current payables £000s** | **Non-current payables £000s** |
|---|---|---|---|---|
| Balances with other Central Government Bodies | 1,407 | 0 | 637 | 0 |
| Balances with Local Authorities | 221 | 0 | 0 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 1,790 | 0 | 1,745 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 3,835 | 1,487 | 14,071 | 0 |
| **At 31 March 2012** | **7,253** | **1,487** | **16,453** | **0** |
| **prior period:** | | | | |
| Balances with other Central Government Bodies | 3,818 | 0 | 4,347 | 0 |
| Balances with Local Authorities | 1 | 0 | 0 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 1,076 | 0 | 2,515 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 4,704 | 1,636 | 15,061 | 0 |
| **At 31 March 2011** | **9,599** | **1,636** | **21,923** | **0** |

## 20 Inventories

| | **Drugs £000** | **Consumables £000** | **Energy £000** | **Total £000** |
|---|---|---|---|---|
| **Balance at 1 April 2011** | 981 | 1,497 | 172 | **2,650** |
| Prior period adjustment | 0 | 0 | 0 | **0** |
| Merger adjustment | 0 | 0 | 0 | **0** |
| **Restated at 1 April 2011** | 981 | 1,497 | 172 | **2,650** |
| Additions | 11,862 | 11,307 | 3,041 | **26,210** |
| Inventories recognised as an expense in the period | (11,882) | (11,498) | (3,056) | **(26,436)** |
| Write-down of inventories (including losses) | 0 | 0 | 0 | **0** |
| Reversal of write-down previously taken to SoCI | 0 | 0 | 0 | **0** |
| **Balance at 31 March 2012** | 961 | 1,306 | 157 | **2,424** |

## 21.1 Trade and other receivables

| | **Current** | | **Non-current** | |
|---|---|---|---|---|
| | **31 March 2012 £000** | 31 March 2011 £000 | **31 March 2012 £000** | 31 March 2011 £000 |
| NHS receivables - revenue | **1,293** | 3,220 | **0** | 0 |
| NHS receivables - capital | **0** | 0 | **0** | 0 |
| NHS prepayments and accrued income | **1,258** | 485 | **0** | 0 |
| Non-NHS receivables - revenue | **1,088** | 1,655 | **0** | 0 |
| Non-NHS receivables - capital | **0** | 53 | **0** | 0 |
| Non-NHS prepayments and accrued income | **1,688** | 1,951 | **0** | 109 |
| Provision for the impairment of receivables | **(327)** | (272) | **(166)** | (153) |
| VAT | **509** | 757 | **0** | 0 |
| Current part of PFI and other PPP arrangements prepayments and accrued income | **0** | 0 | **0** | 0 |
| Interest receivables | **5** | 4 | **0** | 0 |
| Finance lease receivables | **0** | 0 | **0** | 0 |
| Operating lease receivables | **0** | 0 | **0** | 0 |
| Other receivables | **1,739** | 1,746 | **1,653** | 1,680 |
| **Total** | **7,253** | 9,599 | **1,487** | 1,636 |
| **Total current and non current** | **8,740** | 11,235 | | |
| Included in NHS receivables are prepaid pension contributions: | **0** | 0 | | |

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

## 21.2 Receivables past their due date but not impaired

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---|---|---|
| By up to three months | **506** | 447 |
| By three to six months | **0** | 1 |
| By more than six months | **0** | 10 |
| **Total** | **506** | 458 |

No collateral is held against any of these outstanding debts.

## 21.3 Provision for impairment of receivables

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| **Balance at 1 April 2011** | **(425)** | (337) |
| Adjustments | **0** | 0 |
| **Restated balance at 1 April 2011** | **(425)** | (337) |
| Amount written off during the year | **78** | 24 |
| Amount recovered during the year | **0** | 0 |
| (Increase)/decrease in receivables impaired | **(146)** | (112) |
| Transfer to NHS Foundation Trust | **0** | 0 |
| **Balance at 31 March** | **(493)** | **(425)** |

## 22 NHS LIFT investments

The Trust had no LIFT investments as 31 March 2012 (prior year also nil).

## 23 Other financial assets

The Trust had no other finanacial assets investments as 31 March 2012 (prior year also nil).

## 24 Other current assets

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---|---|---|
| EU Emissions Trading Scheme Allowance | **243** | 283 |
| Other Assets | **0** | 0 |
| **Total** | **243** | 283 |

## 25 Cash and Cash Equivalents

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---|---|---|
| **Opening balance at** | **3,951** | 2,670 |
| Opening balance adjustment | **0** | 0 |
| **Restated** | **3,951** | 2,670 |
| Net change in year | **(130)** | 1,281 |
| **Closing balance** | **3,821** | 3,951 |
| **Made up of** | | |
| Cash with Government Banking Service | **3,785** | 3,916 |
| Commercial banks | **7** | 10 |
| Cash in hand | **29** | 25 |
| Current investments | **0** | 0 |
| **Cash and cash equivalents as in statement of financial position** | **3,821** | 3,951 |
| Bank overdraft - Government Banking Service | **0** | 0 |
| Bank overdraft - Commercial banks | **0** | 0 |
| **Cash and cash equivalents as in statement of cash flows** | **3,821** | 3,951 |
| Patients' money held by the Trust, not included above | 1 | 0 |

## 26 Non-current assets held for sale

The Trust has no non-current assets for sale as at 31 March 2012 (prior year also nil).

## 27 Trade and other payables

| | Current | | Non-current | |
|---|---|---|---|---|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £000 |
| Interest payable | **0** | 0 | 0 | 0 |
| NHS payables - revenue | **74** | 878 | **0** | 0 |
| NHS payables - capital | **0** | 0 | **0** | 0 |
| NHS accruals and deferred income | **2,247** | 7,707 | **0** | 0 |
| Non-NHS payables - revenue | **1,873** | 1,691 | **0** | 0 |
| Non-NHS payables - capital | **487** | 160 | **0** | 0 |
| Non_NHS accruals and deferred income | **11,702** | 8,437 | **0** | 0 |
| Social security costs | **1** | 0 | | |
| VAT | **0** | 0 | **0** | 0 |
| Tax | **1** | 0 | | |
| Payments received on account | **0** | 0 | **0** | 0 |
| Other | **68** | 3,050 | **0** | 0 |
| **Total** | **16,453** | 21,923 | **0** | 0 |
| **Total payables (current and non-current)** | **16,453** | 21,923 | | |

| | | |
|---|---|---|
| **Included above:** | | |
| to Buy Out the Liability for Early Retirements Over 5 Years | **0** | 0 |
| number of Cases Involved (number) | **0** | 0 |
| outstanding Pension Contributions at the year end | **0** | 2,782 |

## 28 Other liabilities

The Trust has no other liabilities as at 31 March 2012 (prior year also nil).

## 29 Borrowings

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2012 £000** | 31 March 2011 £000 | **31 March 2012 £000** | 31 March 2011 £000 |
| Bank overdraft - Government Banking Service | **0** | 0 | | |
| Bank overdraft - commercial banks | **0** | 0 | | |
| Loans from Department of Health | **0** | 0 | **0** | 0 |
| Loans from other entities | **0** | 0 | **0** | 0 |
| **PFI liabilities:** | | | | |
| Main liability | **6,383** | 4,575 | **277,600** | 267,059 |
| Lifecycle replacement received in advance | **0** | 0 | **0** | 0 |
| **LIFT liabilities:** | | | | |
| Main liability | **0** | 0 | **0** | 0 |
| Lifecycle replacement received in advance | **0** | 0 | **0** | 0 |
| Finance lease liabilities | **134** | 12 | **354** | 0 |
| Other | **0** | 0 | **0** | 0 |
| **Total** | **6,517** | **4,587** | **277,954** | **267,059** |
| **Total other liabilities (current and non-current)** | **284,471** | **271,646** | | |

Note: Further information on the Trust's borrowings can be found on page 59, Note 32 (finance leases) and on page 61, Note 36 (PFI).

## 30 Other financial liabilities

The Trust has no other financial liabilities as at 31 March 2012 (prior year also nil).

## 31 Deferred income

| | Current | | Non-current | |
|---|---|---|---|---|
| | **31 March 2012 £000** | 31 March 2011 £000 | **31 March 2012 £000** | 31 March 2011 **£000** |
| **Opening balance at 1 April 2011** | **5,668** | 5,799 | 0 | 0 |
| Deferred income addition | **(5,668)** | 5,711 | 0 | 0 |
| Transfer of deferred income | **581** | (5,842) | 0 | 0 |
| **Current deferred Income at 31 March 2012** | **581** | 5,668 | 0 | 0 |
| **Total deferred income (current and non-current)** | **581** | 5,668 | | |

## 32 Finance lease obligations as lessee

These relate to a medical equipment lease.

| **Amounts payable under finance leases** | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **31 March 2012 £000** | 31 March 2011 £000 | **31 March 2012 £000** | 31 March 2011 £000 |
| Within one year | **173** | 12 | **134** | 12 |
| Between one and five years | **389** | 0 | **354** | 0 |
| After five years | **0** | 0 | **0** | 0 |
| Less future finance charges | **(74)** | 0 | **0** | 0 |
| Present value of minimum lease payments | **488** | 12 | **488** | 12 |
| Included in: | | | | |
| Current borrowings | | | **134** | 12 |
| Non-current borrowings | | | **354** | 0 |
| | | | **488** | 12 |

| **Finance leases as lessee** | **31 March 2012 £000** | 31 March 2011 £000 |
|---|---|---|
| Future Sublease Payments Expected to be received | **0** | 0 |
| Contingent Rents Recognised as an Expense | **0** | 0 |

## 33 Finance lease receivables as lessor

The Trust has no finance lease receivables as at 31 March 2012 (prior year also nil).

## 34 Provisions

| | Total £000s | Pensions to Former Directors £000s | Pensions Relating to Other Staff £000s | Legal Claims £000s | Restructuring £000s | Continuing Care £000s | Agenda for Change £000s | Redundancy £000s | Other * £000s |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2011** | **3,337** | 0 | 1,034 | 250 | 0 | 0 | 0 | 0 | 2,053 |
| Prior period adjustment | **0** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Restated Balance at 1 April 2011** | **3,337** | 0 | 1,034 | 250 | 0 | 0 | 0 | 0 | 2,053 |
| Arising During the Year | **1,598** | 0 | 64 | 1,042 | 0 | 0 | 0 | 0 | 492 |
| Utilised During the Year | **(709)** | 0 | (75) | (129) | 0 | 0 | 0 | 0 | (505) |
| Reversed Unused | **(93)** | 0 | (49) | (44) | 0 | 0 | 0 | 0 | 0 |
| Unwinding of Discount | **71** | 0 | 28 | 0 | 0 | 0 | 0 | 0 | 43 |
| Change in Discount Rate | **20** | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 13 |
| **Balance as at 31 March 2012** | **4,224** | **0** | **1,009** | **1,119** | **0** | **0** | **0** | **0** | **2,096** |
| | | | | | | | | | |
| **Expected Timing of Cash Flows:** | | | | | | | | | |
| No Later than One Year | **1,780** | **0** | **76** | **1,119** | **0** | **0** | **0** | **0** | **585** |
| Later than One Year and not later than Five Years | **665** | **0** | **284** | **0** | **0** | **0** | **0** | **0** | **381** |
| Later than Five Years | **1,779** | **0** | **649** | **0** | **0** | **0** | **0** | **0** | **1,130** |

| **Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:** | **£000s** |
|---|---|
| As at 31 March 2012 | 19,884 |
| As at 31 March 2011 | 12,037 |

*The provisions classified under "other" include amounts for permanent injury benefit awards, medical contract issues, equal pay, the EU Greenhouse Gas Emissions Trading Scheme and the Carbon Reduction Commitment Scheme.

** The timing of cashflows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.

## 35 Contingencies

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---|---|---|
| **Contingent liabilities** | | |
| Equal Pay | **0** | 0 |
| Other * | **(844)** | (38) |
| Amounts Recoverable Against Contingent Liabilities | **0** | 0 |
| **Net Value of Contingent Liabilities** | **(844)** | (38) |
| | | |
| **Contingent Assets** | | |
| Contingent Assets * | **43** | 41 |
| **Net value of contingent assets/(liabilities)** | **(801)** | 3 |

* Please note that these liabilities are uncertain. The figures above are in addition to any provisions made in the accounts as shown in note 34. "Other" contingent liabilities relate to legal claims against the Trust and the contingent assets relate to unrealised excess carbon emission allowances valued as at 31 March 2012.

## 36 PFI - additional information

The information below is required by the Department of Heath for inclusion in national statutory accounts:

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| **Charges to operating expenditure and future commitments in respect of ON SOFP PFI** | | |
| Service element of on SOFP PFI charged to operating expenses in year | **22,727** | 25,384 |
| **Total** | **22,727** | 25,384 |
| | | |
| **Payments committed to in respect of the service element of ON SOFP PFI** | | |
| No Later than One Year | **22,690** | 22,407 |
| Later than One Year, No Later than Five Years | **89,951** | 91,330 |
| Later than Five Years | **679,951** | 739,804 |
| **Total** | **792,592** | 853,541 |
| | | |
| **Imputed "finance lease" obligations for ON SOFP PFI contracts due:** | | |
| No Later than One Year | **21,677** | 17,561 |
| Later than One Year, No Later than Five Years | **81,477** | 74,252 |
| Later than Five Years | **556,380** | 517,514 |
| **Subtotal** | **659,534** | 609,327 |
| Less: Interest Element | **(375,551)** | (337,693) |
| **Total** | **283,983** | 271,634 |
| | | |
| **Value of PFI** | | |
| Value of PFI schemes pre April 2011 | **361,421** | 361,421 |
| Value of PFI schemes post April 2011 | **0** | 0 |
| **Total** | **361,421** | 361,421 |

The PFI arrangement is between the Trust and New Hospitals, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme is to build two new hospitals at the Trust's two sites in St Helens and Whiston. The new St Helens Hospital was completed and handed over in September 2008 while the first phase of the new Whiston Hospital was completed and handed over in January 2010, the last phase ending in 2012. The contract term runs to August 2047, the price base being uplifted annually by the Retail Price Index as at December, the base RPI having been set in December 2002. For the duration of the arrangement Vinci will provide hard facilities management (FM) services while soft FM services are currently provided by Medirest until 2013 when the service will be market tested (and every 5 years thereafter).

At the end of the arrangement the ownership of the buildings will pass to the Trust. Under IFRIC12 as interpreted for the public sector, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

The PFI arrangement also incorporates a managed equipment service provided by GE which expires in 2026. In the contract the legal title of equipment remains that of GE for the duration of the contract with the legal title passing to the Trust upon expiry of the MES Contract term when the Trust shall purchase all functioning MES Equipment at a price equivalent to the current net book value.

## 37 Impact of IFRS treatment - current year

The information below is required by the Department of Heath for budget reconciliation purposes

| | Total £000 |
|---|---|
| **Revenue costs of IFRS: Arrangements reported on SoFP under IFRIC12 (PFI)** | |
| Depreciation charges | 4,355 |
| Interest Expense | 14,042 |
| Impairment charge - AME | 20,777 |
| Other Expenditure | 22,727 |
| Impact on PDC dividend payable | 235 |
| **Total IFRS Expenditure (IFRIC12)** | **62,136** |
| Revenue consequences of PFI / LIFT schemes under UK GAAP / ESA95 (net of any sublease income) | (40,655) |
| **Net IFRS change (IFRIC12)** | **21,481** |
| | |
| **Capital Consequences of IFRS : PFI under IFRIC12:** | |
| Capital expenditure 2011-12 | 17,731 |
| UK GAAP capital expenditure 2011-12 (Reversionary Interest) | 2,074 |

## 38 Financial Instruments

### 38.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with primary care trusts and the way those primary care trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

#### Currency risk

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

#### Interest rate risk

The Trust may borrow from government for capital expenditure, subject to affordability as confirmed by the Strategic Health Authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

#### Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2012 are in receivables from customers, as disclosed in the trade and other receivables note.

#### Liquidity risk

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

### 38.2 Financial Assets

| | At 'fair value through profit and loss' £000 | Loans and receivables £000 | Available for sale £000 | Total £000 |
|---|---|---|---|---|
| Embedded derivatives | 0 | | | **0** |
| Receivables - NHS | | 1,293 | | **1,293** |
| Receivables - non-NHS | | 1,088 | | **1,088** |
| Cash at bank and in hand | | 3,821 | | **3,821** |
| Other financial assets | 0 | 0 | 0 | **0** |
| **Total at 31 March 2012** | 0 | 6,202 | 0 | **6,202** |
| | | | | |
| Embedded derivatives | 0 | | | **0** |
| Receivables - NHS | | 3,220 | | **3,220** |
| Receivables - non-NHS | | 1,708 | | **1,708** |
| Cash at bank and in hand | | 3,951 | | **3,951** |
| Other financial assets | 0 | 0 | **0** | **0** |
| **Total at 31 March 2011** | **0** | **8,879** | **0** | **8,879** |

### 38.3 Financial Liabilities

| | At 'fair value through profit and loss' £000 | Other £000 | Total £000 |
|---|---|---|---|
| Embedded derivatives | 0 | | **0** |
| NHS payables | | 74 | **74** |
| Non-NHS payables | | 2,360 | **2,360** |
| Other borrowings | | 0 | **0** |
| PFI & finance lease obligations | | 284,471 | **284,471** |
| Other financial liabilities | 0 | 0 | **0** |
| **Total at 31 March 2012** | 0 | 286,905 | **286,905** |
| Embedded derivatives | 0 | | **0** |
| NHS payables | | 878 | **878** |
| Non-NHS payables | | 1,851 | **1,851** |
| Other borrowings | | 0 | **0** |
| PFI & finance lease obligations | | 271,646 | **271,646** |
| Other financial liabilities | 0 | 0 | **0** |
| **Total at 31 March 2011** | **0** | **274,375** | **274,375** |

### 39 Events after the end of the reporting period

There are no events to report.

### 40 Related party transactions

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with St Helens and Knowsley Teaching Hospitals NHS Trust.

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

- Halton and St Helens Primary Care Trust
- Knowsley Primary Care Trust
- NHS Litigation Authority
- NHS Business Services Authority
- NHS Purchasing and Supply Agency
- North West Strategic Health Authority
- Various other primary care trusts, NHS trusts and NHS foundation trusts.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the NHS Trust board. Transactions will need to be disclosed and reference made to the separate Trustees Report and Accounts for the NHS Charity.

### 41 Losses and special payments

The total number of losses cases in 2011-12 and their total value was as follows:

| | Total Value of Cases £s | Total Number of Cases |
|---|---|---|
| Losses | **48,590** | **21** |
| Special payments | **139,636** | **72** |
| **Total losses and special payments** | **188,226** | **93** |

The total number of losses cases in 2010-11and their total value was as follows

| | Total Value of Cases £s | Total Number of Cases |
|---|---|---|
| Losses | 24,171 | 38 |
| Special payments | 145,411 | 89 |
| **Total losses and special payments** | 169,582 | 127 |

There were no cases exceeding £250,000 in 2011-12 (2010-11 also nil).

### 42 Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

## 42.1 Breakeven performance

| | 2005-06 £000 | 2006-07 £000 | 2007-08 £000 | 2008-09 £000 | 2009-10 £000 | 2010-11 £000 | 2011-12 £000 |
|---|---|---|---|---|---|---|---|
| Turnover | 190,323 | 197,085 | 268,405 | 214,116 | 236,411 | 252,944 | 263,864 |
| Retained surplus/(deficit) for the year | 106 | 257 | 219 | (22,687) | (44,653) | (25,613) | (25,456) |
| Adjustment for: | | | | | | | |
| Timing/non-cash impacting distortions: | | | | | | | |
| Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements] | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2006/07 PPA (relating to 1997/98 to 2005/06) | 0 | | | | | | |
| 2007/08 PPA (relating to 1997/98 to 2006/07) | 0 | 0 | | | | | |
| 2008/09 PPA (relating to 1997/98 to 2007/08) | 0 | 0 | 0 | | | | |
| Adjustments for Impairments | | | | 22,904 | 37,155 | 21,939 | 25,017 |
| Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12* | | | | | 7,723 | 3,970 | 704 |
| Adjustments for impact of policy change re donated/ government grants assets** | | | | | | | 40 |
| Other agreed adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Break-even in-year position | 106 | 257 | 219 | 217 | 225 | 296 | 305 |
| Break-even cumulative position | 2,114 | 2,371 | 2,590 | 2,807 | 3,032 | 3,328 | 3,633 |

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

** Similar to the principle above, the impact of national policy changes in the accounting for donated and government-grant assets is excluded when measuring breakeven performance and the figures for prior year shown above are therefore the original figures, not the restated figures as shown in the Statement of Comprehensive Income on page 19.

| | 2005-06 % | 2006-07 % | 2007-08 % | 2008-09 % | 2009-10 % | 2010-11 % | 2011-12 % |
|---|---|---|---|---|---|---|---|
| Materiality test (I.e. is it equal to or less than 0.5%): | | | | | | | |
| Break-even in-year position as a percentage of turnover | 0.06 | 0.13 | 0.08 | 0.10 | 0.10 | 0.12 | 0.12 |
| Break-even cumulative position as a percentage of turnover | 1.11 | 1.20 | 0.96 | 1.31 | 1.28 | 1.32 | 1.38 |

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have not been restated to IFRS and remain on a UK GAAP basis.

## 42.2 Capital cost absorption rate

Until 2008/09 the Trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

## 42.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

| | £000 | 2011-12 £000 | 2010-11 £000 |
|---|---|---|---|
| External financing limit | | **(3,967)** | (1,790) |
| Cash flow financing | **(4,477)** | | (4,416) |
| Finance leases taken out in the year | **579** | | 0 |
| Other capital receipts | **(70)** | | (132) |
| External financing requirement | | **(3,968)** | (4,548) |
| **Undershoot** | | **1** | **2,758** |

## 42.4 Capital resource limit

The Trust is given a capital resource limit which it is not permitted to exceed.

| | 2011-12 £000 | 2010-11 £000 |
|---|---|---|
| Gross capital expenditure | **20,884** | 56,393 |
| Less: book value of assets disposed of | **0** | (170) |
| Less: capital grants | **0** | 0 |
| Less: donations towards the acquisition of non-current assets | **(17)** | (132) |
| Charge against the capital resource limit | **20,867** | **56,091** |
| Capital resource limit | **20,943** | 56,399 |
| **Underspend against the capital resource limit** | **76** | **308** |

## 43 Third party assets

The Trust held cash and cash equivalents which relate to moneys held by the NHS Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

The Trust held £903 cash and cash equivalents as at 31 March 2012 (prior year £1,822) which relates to moneys held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

# Directors Remuneration Report

The banded remuneration of the highest paid director in St Helens & Knowsley Teaching Hospitals NHS Trust in the financial year 2010/2011 was £191,737.30. This was 7.80 times the median remuneration of the workforce, which was £24,554.00.

In 2011/2012 the banded remuneration of the highest paid director in St Helens & Knowsley Teaching Hospitals NHS Trust in the financial year 2011/2012 was £168,405.72. This was 6.86 times the median remuneration of the workforce, which was £24,554.00.

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

During the 2011/2012 year there was a change of Medical Director. There has been no pay award during the reference period.

Section 234B and Schedule 7A of the Companies Act, as interpreted for the public sector requires NHS bodies to prepare a Remuneration Report containing information about directors' remuneration.

## A) Remuneration

**Notes:**

The Trust Board oversees the running and direction of the Trust and is accountable for financial and operational performance. The Chair and five Non-executive Directors are initially appointed for a four-year term by the Secretary of State for Health and can be reappointed for further similar terms. The Chief Executive post is a standard NHS contract with no time element included and is reviewed by the Trust's Remuneration Committee on an annual basis. In attendance at this committee is the Chairman, Chief Executive and at least two Non-executive Directors, except when the CEO's salary is discussed. The Human Resources Director also serves the Remuneration Committee except when the Human Resources Director's remuneration is discussed. The Finance Director, Human Resources Director and Nursing Director posts are substantive appointments. Along with the Chief Executive their posts would be subject to national competition if they became vacant. The Medical Director is appointed from within the Trust consultant body on a fixed-term contract.

In respect of pay awards for Executive Directors, these are made in line with Department of Health guidance. The Trust has a robust appraisal process in place for Executive Directors but does not operate a performance-related pay framework

Please note that elements of the Remuneration Report are subject to audit, namely the salary and pension entitlements of senior managers (ie. the Board), compensation paid to former directors, details of amounts payable to third parties for the services of a director (if made) and the median remuneration of the Trust's staff and the ratio between this and the mid-point of the banded remuneration of the hightest paid director. performance-related pay framework. All the Trust Executive Directors are employed on a full-time substantive contract with a 6 months contract termination notice period either side. There have been no significant awards made to past Executive Directors for early terminations of contract.

| Name and Title | 2011-12 | | 2010-11 | |
|---|---|---|---|---|
| | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 | Salary (bands of £5000) £000 | Other Remuneration (bands of £5000) £000 |
| Mr L Howell, Chairman (Started 1 June 2008) | 20 - 25 | 0 | 20 - 25 | 0 |
| Ms AM Marr, Chief Executive | 160 - 165 | 0 | 165 - 170 | 0 |
| Mr DP Finn, Director of Finance and Information | 100 - 105 | 0 | 95 - 100 | 0 |
| Dr M Lynch, Medical Director (Started 1 April 2007, now retired) | 15 - 20 | 115 - 120 | 25 - 30 | 190 - 195 |
| Dr J Tappin, Acting Medical Director (Acting with effect from 14 November 2011, pay pro-rata'd) | 5 - 10 | 60 - 65 | | |
| Ms G Core, Director of Nursing, Midwifery & Governance | 95 - 100 | 0 | 95 - 100 | 0 |
| Mrs AM Stretch, Director of Human Resources & Deputy Chief Executive | 95 - 100 | 0 | 100 - 105 | 0 |
| Mr D Bradbury, Non-executive Director (Started 1 June 2004, second term of office to 31 May 2012) | 5 - 10 | 0 | 5 - 10 | 0 |
| Mr R Swainson, Non-executive Director (Started 1 November 2006, second term of office from 1 November 2010) | 5 - 10 | 0 | 5 -10 | 0 |
| Mrs A Close, Non-executive Director (Started 1 November 2008, first term of office to 31 October 2012 - salary costs recharged from her main employer) | 5 - 10 | 0 | 5 - 10 | 0 |
| Mr R Hill, Non-executive Director (Started 1 December 2005, second term of office to 30 November 2013) | 5 - 10 | 0 | 5 - 10 | 0 |
| Mr W Hobden, Non-executive Director (Started 18 June 2009, first term of office to 17 June 2013) | 5 - 10 | 0 | 5 - 10 | 0 |

## B) Pension Benefits

| Name and title | Real increase/ (decrease) in pension at age 60 (bands of £2500) £000 | Real increase/ (decrease) in lump sum at age 60 related to real increase/ (decrease) in pension (bands of £2500) £000 | Total accrued pension at age 60 at 31 March 2012 (bands of £5000) £000 | Lump sum at age 60 related to accrued pension at 31 March 2012 (bands of £5000) £000 | Cash Equivalent Transfer Value at 31 March 2012 £000 | Cash Equivalent Transfer Value at 31 March 2011 £000 | Real increase/ (decrease) in Cash Equivalent Transfer Value £000 | Employers Contribution to Stakeholder Pension £000 |
|---|---|---|---|---|---|---|---|---|
| Ms AM Marr, Chief Executive | 0 - 2.5 | 0 - 2.5 | 60 - 65 | 190 - 195 | 1,258 | 1,132 | 92 | 0 |
| Mr DP Finn, Director of Finance and Information | 0 - 2.5 | 0 - 2.5 | 25 - 30 | 80 - 85 | 409 | 307 | 92 | 0 |
| Dr M Lynch, Medical Director (see note below) | | | | | | | | 0 |
| Dr J Tappin, Acting Medical Director | (0 - 2.5) | (5 - 7.5) | 80 - 85 | 190 - 195 | 1,644 | 1,595 | 0 | 0 |
| (Acting with effect from 14 November 2011) | | | | | | | | |
| Ms G Core, Director of Nursing, Midwifery & Governance | 0 - 2.5 | 0 - 2.5 | 40 - 45 | 120 - 125 | 742 | 648 | 74 | 0 |
| Mrs AM Stretch, Director of Human Resources & Deputy Chief Executive | (0 - 2.5) | (0 - 2.5) | 35 - 40 | 105 - 110 | 585 | 502 | 67 | 0 |

**Please note that the above information has been provided by the NHS Business Services Agency - Pensions Division.**

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. Please note that no figures are shown for Dr Lynch who had retired in March 2011 but returned as Medical Director and has since retired from the post during 2011/12.

The CETV figures, and other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. The Government Actuary Department (GAD) factors for the calculation of CETVs assume that benefits are indexed in line with CPI which is expected to be lower than RPI which was used previously and hence will tend to produce lower transfer values. However, it should be noted that common market valuation factors have not been used by the NHS Business Services-Pensions Agency for the start and end of the period as new factors have been applied as at 31 March 2012.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer.