

# Annual Accounts

## 2010/11



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## DIRECTORS' STATEMENTS

### STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE PRIMARY CARE TRUST

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the primary care 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 primary care trust;
- the expenditure and income of the primary care 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 net operating cost, recognised gains and losses and cash flows for the year.

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

Signed  Chief Executive

Date: 8 June 2011

## 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 primary care trust and the net operating cost, recognised gains and losses and cash flows for the year. In preparing these accounts, 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 judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the primary care trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the primary care 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.

Date: 8 June 2011



Chief Executive



Date: 8 June 2011

Finance Director

## **STATEMENT ON INTERNAL CONTROL 2010/11**

### **NHS Norfolk**

#### **1. Scope of responsibility**

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

I have ensured appropriate accountability arrangements through my executive team and to the NHS Norfolk Board and am accountable to the East of England Strategic Health Authority, to the Secretary of State for Health and to Parliament. NHS Norfolk works in partnership with a wide variety of other organisations, such as:

- NHS, voluntary and independent sector organisations via service level agreements and contracts to deliver health services to agreed specifications
- Norfolk Social Services through legal agreements and pooled fund arrangements and joint commissioning
- Social care, specialised commissioning, Practice Based Commissioning (PBC) and newly emerging General Practice (GP) Consortia, carrying out joint needs assessments, strategic planning and joint commissioning
- Local partners and formal partnership Boards to promote the objectives of our local health plans and Local Area Agreement
- Norfolk Local Involvement Network and other agencies for public engagement and involvement

Strong reporting and accountability with all partnerships is maintained through robust partnership governance arrangements to ensure the delivery of NHS Norfolk's strategic objectives and the shared objectives of the wider health system.

#### **2. The purpose of the system of internal control**

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

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

The system of internal control has been in place in NHS Norfolk for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

The autonomous provider arm of NHS Norfolk, Norfolk Community Health and Care (NCH&C), legally separated from NHS Norfolk when it was established as an NHS Trust on 1<sup>st</sup> November 2010. NCH&C has had its own systems of internal control in place all year, with a Memorandum of Understanding prior to becoming an NHS Trust, detailing how it was accountable to the Board of

NHS Norfolk for its governance responsibilities for the seven months ended 31 October 2010. I have reviewed NCH&C's compliance with the Memorandum of Understanding up to 31 October 2010, its 2010/11 Statement on Internal Control and its Head of Internal Audit Opinion to take account, where appropriate, of any issues that need to be reflected in NHS Norfolk's Statement on Internal Control for the year ended 31 March 2011.

### **3. Capacity to handle risk**

As Accountable Officer I ensure that sufficient resources are invested in managing risk at every level of the organisation and I am supported in this task by a governance team. Leadership is given to the risk management process through executive directors and overseen by the Board and Board sub-committees. The Director of Corporate Services works closely with the Director of Finance and the Medical Director and Chief Nurse to ensure that these functions are integrated. Up to date Scheme of Delegation, Standing Financial Instructions and Standing Orders are in place and the Risk Strategy outlines the strategic direction for risk management and appetite for risk.

Staff are trained and equipped to identify and manage risk in a way appropriate to their authority and duties, through a documented system of risk assessment and mandatory, formal and ad hoc staff training. Guidance is available in the Risk Framework and supplemented by the governance team, who provide templates on risk assessments, risk registers and business continuity plans. A positive staff attitude to the control of risk is promoted. Risk management, whether financial, clinical or organisational, is fully embedded in all PCT activities, from monitoring the ongoing risk mitigation of current projects and commissioned services, to identifying risks to Quality Improvement Productivity & Prevention (QIPP) initiatives and to the commissioning of new services and pathways, so that risks are mitigated as far as reasonably practicable and managed at the right level of the organisation. Supporting staff to manage risk is particularly important during this period of transition to GP commissioning.

The Integrated Governance Committee (IGC) and Audit Committee scrutinise evidence to gain assurances that risk management is embedded in every activity of the organisation and to share learning experiences across the PCT, revising processes as necessary. These committees merged from January 2011. The Performance Assurance Review (PAR) Group, which I chair, meets monthly and reviews the effectiveness of risk mitigation linked to performance targets and the delivery of corporate objectives. This forum facilitates sharing of good practice across all the Delivery Units of the PCT. The Clinical Quality & Patient Safety Committee reviews and shares the learning from provider adverse events such as complaints and serious incidents to inform contract monitoring and commissioning.

NHS Norfolk participates in a number of county-wide and regional networks and risk management fora from which we apply good practice from elsewhere. The PCT benefits from strong support and guidance from our internal and external auditors who share best practice from other organisations. Our involvement in a number of formal partnerships enables learning from other agencies.

During the seven months ended 31<sup>st</sup> October 2010, NCH&C assured the PCT of its risk management processes through regular reporting under the Memorandum of Understanding from its Shadow Board and sub-committees and via its Shadow Board Assurance Framework. The report of NCH&C's Managing Director was a standing item at every NHS Norfolk Board meeting. NCH&C's risk management processes have been independently scrutinised by NHS Norfolk's Integrated Governance Committee and Audit Committee and have been independently reviewed by its internal auditors.

In January 2011 the Department of Health published guidance on implementing PCT clusters and NHS Norfolk has been confirmed as a cluster with NHS Great Yarmouth and Waveney. There are associated governance processes that are being closely followed and this will proceed with each organisation maintaining its own Chair and non executive team, but sharing a single executive

team. Our Boards will work together to identify and agree common issues within the cluster and this will provide greater resilience to both PCTs going forward.

#### **4. The risk and control framework**

Risk management in NHS Norfolk involves proactive identification, assessment, evaluation and mitigation as well as reactive response to, and learning from, adverse events such as complaints, and serious incidents (SIs). Each Delivery Unit and clinical team identifies and assesses risk to the delivery of their objectives and assigns to a risk owner the responsibility for ensuring that risk is mitigated to an acceptable level as quickly as possible. Risks are recorded onto live risk registers and regularly reviewed. Staff are encouraged to raise risks by a number of routes, including formal whistleblowing, and using a variety of information sources e.g. incidents, complaints, audits, early warning indicators, tests of business continuity etc. Controls are identified and assurances provided as to the effectiveness of these controls in mitigating the risk. The Executive team agree risk tolerance and significant, residual risks are escalated as appropriate and recorded in the Corporate Risk Register and Board Assurance Framework that provides the Board with assurances as to the effectiveness of the risk management system. NHS Norfolk has been active in reviewing its processes against the recommendations in the Audit Commission's publication "Taking it on Trust".

The PCT's major risks, as discussed in the Board assurance framework are:

- **Risk of failure to deliver Quality Improvement Productivity & Prevention (QIPP) initiatives and associated financial savings**  
Identified in year in response to funding challenges and the national economic downturn, this risk will continue into next year and is being mitigated by a robust plan, signed up to by all key system stakeholders, closer working with GP commissioners and more detail on the elective care management workstream. The PCT's Performance Management Office is being strengthened to ensure delivery. Each QIPP initiative has a list of associated outcomes for quality and value for money.
- **Risk of failure of specialised commissioning**  
A risk was identified at the start of 2010/11 around lack of sources of assurance relating to the governance and financial reporting processes of the East of England Specialist Commissioning Group (SCG), which is hosted by another PCT and in which NHS Norfolk participates along with a number of other PCT's in the region. This risk has been mitigated by increased executive team and Chief Executive focus, requesting more timely financial information from the SCG. This includes close monitoring of the timeliness of the financial information provided by the SCG and of its responses to recommendations made by its internal auditors. NHS Norfolk is also supporting the SCG with Medical Director input. Success of mitigation will be measured by the SCG's ability to provide more timely financial information and to meet its financial targets.
- **Failure to deliver national performance targets**  
Performance has improved this year, but the risk of not achieving certain stretch targets such as Chlamydia, smoking cessation, breastfeeding and accident and emergency waiting times was identified in year. More robust contract management and use of contract levers are the key part of the mitigation strategy.
- **Risks to business continuity and loss of corporate memory due to transition to GP Consortia**  
Identified at the publication of the White Paper "Equity and excellence: Liberating the NHS" in July 2010, this risk has been mitigated by a three-phase re-organisation of the PCT's structure, including the creation of new fit-for-purpose Delivery Units, commencing the alignment of staff to the emerging GP Consortia, as well as clustering with NHS Great Yarmouth & Waveney and a raft of measures of staff support, training, consultation and improved communication. NHS Norfolk's Risk Strategy has been updated to reflect the risks of transition,

and the strengthened mechanisms for staff to raise concerns about risk on a day-to-day basis.

- **Risks to data security** are monitored by the Information Governance (IG) Committee. Incidents are risk rated according to the risk matrix described in the Department of Health Gateway letter 9571, investigated as per Gateway letter 13177 and reported as required to the Information Commissioner. Incident trends are reviewed and lessons learnt widely shared. No Serious Incidents relating to Information losses for NHS Norfolk, NCH&C or GP Practices required reporting to the Information Commissioner's Office during 2010/2011. The Senior Information Risk Owner (SIRO) oversees the Information Asset Owners (IAOs) who are responsible for their information systems and carry out risk assessments. The PCT has submitted its self-assessment against the IG toolkit, following independent assessment of the PCT's scores for a sample of Toolkit requirements and of the governance arrangements underling the IG framework by the internal auditors. Two areas require increased executive focus to ensure compliance – pseudonymisation and staff training.
- NCH&C operates a Board Assurance Framework which identifies their major risks and mitigation plans against the delivery of their business objectives and which has received a moderate internal audit opinion. There has been much improvement in systems and processes following the internal auditor's limited assurance opinion last year, with a review undertaken against "Taking it on Trust", and a refresh of the BAF and Corporate Risk Register. Significant BAF risks include:
  - The risk of growing the business, mitigated by robust tender processes
  - Risk of achieving financial savings, mitigated by taking forward the Annual Business Plan and monitoring performance by the Executive team and Board
  - Risk to quality of prison healthcare; a comprehensive action plan is in place
  - Risk of loss of patient identifiable information – policies have been reviewed, further staff training provided and a self-assessment against the IG toolkit. No significant data losses have been reported to the Information Commissioners Office in 2010/11.

NCH&C have a half-yearly Statement on Internal Control review, with recommendations incorporated into the overall risk management action plan. NHS Norfolk monitored the risk of ultra-vires conduct by NCH&C prior to it becoming an independent NHS Trust, with the mitigation action described earlier.

Risk management is embedded in the activity of the organisation, all business cases and Board decisions are risk assessed. This includes equality impact assessments that are published separately on the NHS Norfolk website.

The Board Assurance Framework is a key part of NHS Norfolk's risk management arrangements and is reviewed by the Board at each meeting. The revised BAF for 2010/11 has an improved format and is of more manageable length; some risks have transferred to the Corporate Risk Register, managed by the Executive Team, whilst clinical risks are recorded on the Part 2 BAF. The internal audit reviews of both the NHS Norfolk Board Assurance Framework and NCH&C BAF gave moderate assurance opinions. Action is being taken to improve our processes such as improving the description of the sources of controls.

NHS Norfolk consults with public stakeholders on all significant business developments such as the new North Walsham Cottage Hospital. It also consults on strategy development and has Local Involvement Network (LINKs) representation on the Board and other key committees including Delivery Units.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are

complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

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

The PCT was accountable for NCH&C provider services until 1<sup>st</sup> November 2010, when NCH&C became an independent NHS Trust. During this time, NCH&C was fully compliant with the Care Quality Commission (CQC) essential standards of quality and safety, except CQC Regulation 9, Outcome 4 in relation to HM Prison Norwich, which management now consider fully compliant. There have been no other significant lapses or insufficient assurance of compliance against any of the remaining regulations.

NCH&C achieved Level 1 compliance for the NHS Litigation Authority (NHSLA) risk management standards at the end of 2009/10. Work is underway to achieve level 2.

## **5. Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work. The Head of Internal Audit Opinion for the year ended 31<sup>st</sup> March 2011 was that 'significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk'. There were no limited assurance reports issued to the PCT but two high risk recommendations were received. The first of these related to the Sollis information system support of Practice Based Commissioning, in response the PCT is monitoring the system for errors and working with the system provider to resolve the issue. The second high risk recommendation related to information governance and accessing training records, this has recently been resolved with the publication on our intranet of records of staff that have undertaken mandatory training including information governance.

I was also responsible for NCH&C as this was legally part of NHSN for the first seven months of this year. In preparing this statement for the year I have taken account of NCH&C's 2010/11 Head of Internal Audit Opinion and this also stated that 'significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk'. They did however have one report of limited assurance for staff appointments, with three high risk recommendations in this area and a further high risk recommendation for both information governance and key financial controls. Action has been taken to mitigate each of these risks that are now the responsibility of NCH&C since it legally separated from NHS Norfolk on 1<sup>st</sup> November 2010.

Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives is reviewed on an ongoing basis. My review is also informed by:

- the Information Governance toolkit V8 self assessment process, which is independently assessed by our internal auditors.
- Our research governance framework.
- The CQC registration process for our community services managed by NCH&C.
- NHSLA membership and risk management assessment for NCH&C.
- My attendance at key governance meetings.
- NCH&C governance reports and assurance reports to Board prior to becoming an independent NHS Trust.
- Contract meetings with providers and the work of the Clinical Quality & Patient Safety team in carrying out unannounced visits, inspections, monitoring provider serious incidents and risks, reviewing governance trend reports and the CQC's Quality & Risk profiles.
- Third party assurance (SAS70) in relation to the financial systems operated on the PCT's behalf by Anglia Support Partnership.
- SCG performance and governance reports.
- The external auditors' assessment of the PCT's arrangements for achieving value for money and opinion on financial statements including related reports.

The major sources of assurance on which reliance has been placed during the year have included the work of our internal and external auditors, the self assessment against the IG toolkit, reviews of partnership governance, the CQC registration process, the National Sentinel audit of Stroke, close working with LINKs, the Staff Survey, Counter Fraud Specialist Management Service, the visit from the National Intensive Support team for healthcare acquired infections, root cause analysis of serious incidents and benchmarking.

There have been no limited assurance opinions given by our internal auditors for 2010/11.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by:

- The Board which is collectively responsible for risk management and ensures sound systems of internal control are in place to manage risks and reviews assurances on controls via the BAF. The Board agenda is driven by the significant risks detailed in the BAF.
- The Audit Committee, whose agenda is driven by the Corporate Risk Register, and which reviews the adequacy of the risk management system and Delivery Unit risk registers on a rolling programme. It receives the Clinical Quality & Patient Safety Committee (CQPS) Chairs report at each meeting. In January 2011, the decision was taken to merge the Audit Committee and Integrated Governance Committee in order to reduce duplication and enable a sharper focus on integrated risk management, with reference to national guidance and best practice and advice from our internal auditors. The effectiveness of all Board sub-committees is reviewed annually.
- The Clinical Executive Committee, which gives clinical leadership and direction to the PCT.
- The Executive team, which supports the delivery of the operational plan and deals with day to day operational management of risk. It owns the Corporate Risk Register.
- The Clinical Quality & Patient Safety Committee, which as a sub-committee of the Board, ensures the services commissioned by the PCT are safe, effective, high quality and patient focused. It reviews the clinical risks facing NHS Norfolk and its providers and the effectiveness of risk mitigation. This is summarised in the Part 2 BAF which is reviewed by the Board at each meeting.
- I chair our monthly Performance Assurance Review (PAR) group meeting which calls to account each of my Executive Director Delivery Unit leads on performance and risk, and escalates risk as appropriate.
- The Health & Safety Committee, which ensures the health and safety of the PCT workforce, patients and all other persons working or visiting the PCT premises and reviews health & safety risk mitigation
- The Information Governance Committee, which reviews the risks of data losses, the IG toolkit self assessment and statutory obligations under the Data Protection Act 1998.

- The work of our internal auditors, who provide an independent and objective opinion to myself as Accountable Officer, to the Board and to the Audit Committee on the degree to which risk management, control and governance support the achievement of the organisation's objectives.
- The Delivery Units, which regularly review risks and identify emerging risks associated with their commissioning and procurement programmes, maintaining live risk registers.
- The PBC Governance Committee, which has provided scrutiny on PBC commissioning plans to the Board.

The NHS Norfolk Board Assurance Framework and self assessment against CQC regulations has identified the following gaps in control in 2010/11. Plans to address weaknesses and ensure continuous improvement of the system are in place, as summarised in section 4 above.

- Risk of failure to deliver Quality Improvement Productivity & Prevention (QIPP) initiatives and associated financial savings
- Risk of failure of specialised commissioning through lack of sources of assurance
- Failure to deliver national performance targets
- Risks to business continuity and loss of corporate memory due to transition to GP Consortia
- Risks to data security
- Non compliance with CQC Regulation 9, Outcome 4 in relation to HM Prison Norwich, which management now consider fully compliant. There have been no other significant lapses or insufficient assurance of compliance against any of the remaining regulations.

Each of these risks has a work plan associated with them and is summarised in the Board Assurance Framework that is considered at each Board meeting.

With the exception of these internal control issues my review confirms that NHS Norfolk has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

Andrew Morgan, Chief Executive



Date: 8 June 2011

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF NORFOLK PRIMARY CARE TRUST**

I have audited the financial statements of Norfolk Primary Care Trust for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. 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 Norfolk Primary Care 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 the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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. I read all the 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.

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

### **Opinion on regularity**

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

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of Norfolk Primary Care Trust's affairs as at 31 March 2011 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

## **Opinion on other matters**

In my opinion:

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

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

I have nothing to report in respect of the Statement on Internal Control on which I report to you if, in my opinion the Statement on Internal Control does not reflect compliance with the Department of Health's requirements.

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

### **Trust's responsibilities**

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.

### **Auditor's responsibilities**

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.

### **Basis of conclusion**

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 2010, 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 2011.

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 2010, I am satisfied that, in all significant respects, Norfolk Primary Care Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

### **Certificate**

I certify that I have completed the audit of the accounts of Norfolk Primary Care Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Harris  
Officer of the Audit Commission

Audit Commission  
3rd Floor  
Eastbrook  
Shaftesbury Road  
Cambridge  
CB2 8BF

## **FOREWORD TO THE ACCOUNTS**

Norfolk Primary Care Trust

These accounts for the year ended 31 March 2011 have been prepared by the Norfolk Primary Care Trust under the National Health Service Act 2006 in the form which the Secretary of State has, with the approval of the Treasury, directed.

On 1<sup>st</sup> November 2010 provider services in Norfolk were legally separated from the commissioning activities of Norfolk Primary Care Trust, to form a separate statutory body, Norfolk Community Health and Care NHS Trust.

Guidance from the Treasury Financial Reporting Manual (FRoM) states that the transfer of functions from the responsibility of one part of the public sector to another will be accounted for using merger accounting.

Following this guidance the primary statements and notes in these accounts have been restated as though the two bodies had always been separated. This is in line with International accounting Standard 1 and merger accounting. Consequently the Statement of Comprehensive Net Income refers only to the commissioning activities of the PCT in 2009/10 and 2010/11; the Statement of Financial Position refers to the commissioning PCT position at 31<sup>st</sup> March 2011, 31<sup>st</sup> March 2010 and 1<sup>st</sup> April 2009. Cash flows are presented only for commissioning activities.

Commissioning and provider services had a shared ledger until 31<sup>st</sup> March 2009. Commissioning and provider management have agreed the split used in the restated 1<sup>st</sup> April 2009 Statement of Financial Position. This did not include the allocation of any taxpayers' equity to the provider.

Corresponding details for provider services will be found in the Annual Accounts of Norfolk Community Health & Care NHS Trust.

**Statement of Comprehensive Net Expenditure for year ended  
31 March 2011**

	NOTE	2010-11 £000	restated 2009-10 £000
<b>Commissioning</b>			
Employee benefits	7.1	17,117	16,191
Other costs	5.1	1,226,766	1,157,994
Income	4	(41,614)	(42,663)
<b>PCT net operating costs before interest</b>		<b>1,202,269</b>	<b>1,131,522</b>
Investment income	9	(30)	(24)
Other (Gains)/Losses	10	(123)	0
Finance costs	11	919	715
<b>Net operating costs for the financial year</b>		<b>1,203,035</b>	<b>1,132,213</b>
<b>Other Comprehensive Net Expenditure</b>			
Net (gain) on revaluation of property, plant & equipment		(491)	(2,045)
Impairments and reversals		0	2,350
Transfers from donated and government grant reserves		372	134
Adjustment for nominal cost of capital charge		0	(817)
Transfers (to)/from other bodies within the Resource Account Boundary		(70)	0
<b>Total comprehensive net expenditure for the year</b>		<b>1,202,846</b>	<b>1,131,835</b>

The notes on pages 20 to 58 form part of this account.

**STATEMENT OF FINANCIAL POSITION AS AT  
31 March 2011**

	NOTE	31 March 2011 £000	restated 31 March 2010 £000	restated 31 March 2009 £000
<b>Non-current assets:</b>				
Property, plant and equipment	12	74,336	83,774	79,346
Intangible assets	13	82	111	150
Other financial assets	29	172	172	139
<b>Total non-current assets</b>		<b>74,590</b>	<b>84,057</b>	<b>79,635</b>
<b>Current assets:</b>				
Inventories	16	9	8	7
Trade and other receivables	17.1	7,080	11,958	10,026
Cash and cash equivalents	30	3	2	11
		<b>7,092</b>	<b>11,968</b>	<b>10,044</b>
Non-current assets held for sale	15	6,319	0	0
<b>Total current assets</b>		<b>13,411</b>	<b>11,968</b>	<b>10,044</b>
<b>Total assets</b>		<b>88,001</b>	<b>96,025</b>	<b>89,679</b>
<b>Current liabilities</b>				
Trade and other payables	18	(59,886)	(57,831)	(50,439)
Other liabilities	20	0	0	0
Provisions	21	(1,541)	(1,686)	(2,477)
Borrowings	19	(50)	(100)	(49)
<b>Total current liabilities</b>		<b>(61,477)</b>	<b>(59,617)</b>	<b>(52,965)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>26,524</b>	<b>36,408</b>	<b>36,714</b>
<b>Non-current liabilities</b>				
Provisions	21	(2,140)	(1,152)	(1,144)
Borrowings	19	(11,594)	(11,657)	(8,987)
<b>Total non-current liabilities</b>		<b>(13,734)</b>	<b>(12,809)</b>	<b>(10,131)</b>
<b>Total Assets Employed:</b>		<b>12,790</b>	<b>23,599</b>	<b>26,583</b>
<b>FINANCED BY:</b>				
<b>TAXPAYERS' EQUITY</b>				
General fund		(5,062)	5,277	7,816
Revaluation reserve		15,607	15,690	16,025
Donated asset reserve		1,370	1,704	1,793
Government grant reserve		875	928	949
<b>Total Taxpayers' Equity:</b>		<b>12,790</b>	<b>23,599</b>	<b>26,583</b>

The notes on pages 20 to 58 form part of this account.

The financial statements on pages 15 to 19 were approved by the Board on 8 June 2011 and signed on its behalf by

Chief Executive:



Date:

08 June 2011

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**For the year ended 31 March 2010**

	General fund	Revaluation reserve	Donated asset reserve	Govt. grant reserve	Total reserves
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2009</b>	7,816	16,025	1,793	949	<b>26,583</b>
<b>Changes in taxpayers' equity for 2009-10</b>					
Net operating cost for the year	(1,132,213)	0	0	0	<b>(1,132,213)</b>
Net gain on revaluation of property, plant, equipment	0	2,017	0	28	<b>2,045</b>
Impairments and reversals	0	(2,346)	(4)	0	<b>(2,350)</b>
Release of reserves to SoCNE	0	0	(85)	(49)	<b>(134)</b>
Non-cash charges – cost of capital	817	0	0	0	<b>817</b>
Transfers between reserves	6	(6)	0	0	<b>0</b>
<b>Total recognised income and expense for 2009-10</b>	<b>(1,131,390)</b>	<b>(335)</b>	<b>(89)</b>	<b>(21)</b>	<b>(1,131,835)</b>
Net Parliamentary funding	1,128,851	0	0	0	<b>1,128,851</b>
<b>Balance at 31 March 2010</b>	<b>5,277</b>	<b>15,690</b>	<b>1,704</b>	<b>928</b>	<b>23,599</b>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**For the year ended 31 March 2011**

	<b>General Fund</b>	<b>Revaluation Reserve</b>	<b>Donated Asset Reserve</b>	<b>Govt. Grant Reserve</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Changes in taxpayers' equity for 2010-11</b>					
Balance at 1 April 2010	5,277	15,690	1,704	928	23,599
Net operating cost for the year	(1,203,035)	0	0	0	(1,203,035)
Net gain on revaluation of property, plant, equipment	0	491	0	0	491
Release of reserves to SoCNE	0	0	(319)	(53)	(372)
Transfers between reserves	589	(574)	(15)	0	0
Transfers to/(from) other bodies within the Resource Account Boundary	70	0	0	0	70
<b>Total recognised income and expense for 2010-11</b>	<b>(1,202,376)</b>	<b>(83)</b>	<b>(334)</b>	<b>(53)</b>	<b>(1,202,846)</b>
Net Parliamentary funding	1,192,037	0	0	0	1,192,037
<b>Balance at 31 March 2011</b>	<b>(5,062)</b>	<b>15,607</b>	<b>1,370</b>	<b>875</b>	<b>12,790</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**

**31 March 2011**

	NOTE	2010-11 £000	restated 2009-10 £000
<b>Cashflow from operating activities</b>			
Net operating cost before interest		(1,202,269)	(1,131,522)
Other cash flow adjustments	37	8,009	9,332
Movements in Working Capital	36	6,070	5,459
Provisions utilised	21	(1,147)	(1,678)
Interest paid		(890)	(689)
<b>Net cash outflow from operating activities</b>		<b>(1,190,227)</b>	<b>(1,119,098)</b>
<b>Cash flows from investing activities</b>			
Payments to purchase property, plant and equipment		(5,173)	(10,524)
Proceeds of disposal of assets held for sale		3,179	820
Loans made in respect of LIFT		0	(33)
Interest received		30	24
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,964)</b>	<b>(9,713)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(1,192,191)</b>	<b>(1,128,811)</b>
<b>Cash flows from financing activities</b>			
Net Parliamentary Funding		1,192,037	1,128,851
Capital receipts		198	0
Capital element of payments in respect of finance leases, on-SoFP PFI and LIFT		(113)	(49)
Cash transfers (to)/from other NHS bodies		70	0
<b>Net cash inflow/(outflow) from financing</b>		<b>1,192,192</b>	<b>1,128,802</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1</b>	<b>(9)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>2</b>	<b>11</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>3</b>	<b>2</b>

## 1. Accounting policies

The Secretary of State for Health has directed that the financial statements of PCTs shall meet the accounting requirements of the PCT Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010-11 PCTs Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the PCT Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the PCT for the purpose of giving a true and fair view has been selected. The particular policies adopted by the PCT are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

For 2009-10 and 2010-11, in accordance with the directed accounting policy from the Secretary of State, the PCT does not consolidate the NHS charitable funds for which it is the corporate trustee.

### 1.1 Accounting Conventions

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

#### Acquisitions and Discontinued Operations

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

The Treasury FReM notes that IFRS 3 Business Combinations excludes from its scope business combinations where entities are under common control. NHS bodies are required to apply merger accounting where at transfer of functions between NHS bodies or between NHS bodies or between NHS bodies and other public sector entities takes place. The PCT has therefore accounted for the transfer of provider services to a new NHS Trust, Norfolk Community Health & Care, by re-stating brought forward balances and 2010-11 transactions as if the transfer of functions had always been the case. 2009/10 comparative figures and notes have also been restated to exclude provider services.

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

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

#### Critical judgements in applying accounting policies

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

- The PCT engaged professional advisors to conduct an impairment review of certain property held at 31 March 2011. Further details are given at note 12.

#### Key sources of estimation uncertainty

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

- The PCT includes an estimate of its liability for the costs of continuing care. Further details are given at note 21.

- The PCT includes an estimate of its liability for staff severance costs resulting from the transition towards GP Commissioning. Further details are given at note 21.

#### Accounting Standards issued but not yet adopted.

Neither the Treasury FReM nor the Department of Health's Manual for Accounts require the following Standards and Interpretations to be applied in 2010-11. The application of the Standards as revised would not have a material impact on the PCT accounts in 2010-11, were they applied in that year

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

IFRS 9 - Financial Instruments: Financial Assets: Financial Liabilities Uncertain

IAS 12 - Income Taxes amendment (effective 2012/13)

IAS 24 (Revised) Related Party Disclosures (2011/12)

IFRIC 14 amendment (2011/12)

IFRIC 19 - Extinguishing financial liabilities with Equity instruments (2011/12)

#### IAS 17 Leases.

The Standard was amended for accounting periods beginning on or after 1 January 2010, and the amendments were adopted by the PCT for 2010-11. Leases of land are now classified according to the criteria applicable for other asset categories and thus certain long land leases may be classified as finance leases where in 2009-10 they were classified as operating leases. However no material changes were required for the PCT financial position in 2010/11 or 2009/10.

## **1. Accounting policies (continued)**

### **1.2 Revenue and Funding**

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

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

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

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

### **1.3 Pooled budgets**

The PCT has entered into two pooled budgets with Norfolk County Council. Under the arrangement funds are pooled under S31 of the Health Act 1999 for learning difficulty services and medicines management activities.

The pool is hosted by Norfolk County Council. As a commissioner of healthcare services, the PCT makes contributions to the pool, which are then used to purchase healthcare services. The PCT accounts for its share of the assets, liabilities, income and expenditure of the pool as determined by the pooled budget agreement.

Following national changes to the way in which funds are allocated for learning difficulty services, the pooled budget with Norfolk County Council ceased at 31 March 2011.

### **1.4 Taxation**

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

### **1.5 Capital Charges**

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

## 1. Accounting policies (continued)

### 1.6 Property, Plant & Equipment

#### Recognition

Property, plant and equipment is capitalised if:

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

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

#### Valuation

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

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

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

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

A Modern Equivalent Asset (MEA) valuation was performed as at 31 March 2010 and an impairment review of property additions was performed as at 31 March 2011 under instruction from the PCT by Boshier & Co, who are members of the Royal Institute of chartered Surveyors (RICS), further details are given at note 12.

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. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. The impact of this change in accounting policy is not material. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of Comprehensive Net Expenditure

#### Subsequent expenditure

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

## 1. Accounting policies (continued)

### 1.7 Intangible Assets

#### Recognition

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

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

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

#### Measurement

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

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

### 1.8 Other Financial Assets

Norfolk PCT is a stakeholder in a LIFT company, Norlife Ltd. The loan stock is carried at cost £172,201.

### 1.9 Depreciation, amortisation and impairments

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

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

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

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

## **1. Accounting policies (continued)**

### **1.10 Donated assets**

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

### **1.11 Government grants**

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

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

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

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

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.

### **1.13 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.

### **1.14 Cash and cash equivalents**

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

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

### **1.15 Losses and Special Payments**

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

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

### **1.16 Clinical Negligence Costs**

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

The NHSLA operates a risk pooling scheme under which the PCT pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure in the year that it is due. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the PCT. The total value of clinical negligence provisions carried by the NHSLA on behalf of the PCT is disclosed at Note 21.

## **1. Accounting policies (continued)**

### **1.17 Employee benefits**

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

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

#### **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 PCT commits itself to the retirement, regardless of the method of payment.

### **1.18 Research and Development**

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

### **1.19 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.

### **1.20 Grant making**

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

### **1.21 EU Emissions Trading Scheme**

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

The PCT has not participated in the EU Emissions Trading Scheme in 2010/11 or any preceding year.

## 1. Accounting policies (continued)

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

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

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

### 1.23 Leases

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

#### The PCT as lessee

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

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases. This is a change in accounting policy from previous years where leased land was always treated as an operating lease. The impact of this change in accounting policy is not material.

#### The PCT as lessor

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

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

### 1.24 Foreign exchange

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

### 1.25 Provisions

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

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

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

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

## 1. Accounting policies (continued)

### 1.26 Financial Instruments

#### Financial assets

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

Financial assets are initially recognised at fair value.

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

#### Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Statement of Comprehensive Net Expenditure on de-recognition. In the absence of a recognisable market for LIFT investments, fair value has been determined as equivalent to the cost of purchase.

#### Loans and receivables

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

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

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

At the Statement of Financial Position date, the PCT 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 the Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

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

## 1. Accounting policies (continued)

### Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

### Other financial liabilities

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

### 1.27 Private Finance Initiative (PFI) and NHS LIFT transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes (including NHS LIFT) where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The PCT 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'.

#### a) Services received

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

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

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

A LIFT 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 LIFT assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

## 1. Accounting policies (continued)

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

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

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

### c) Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the PCT'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.

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

## 2. Operating segments

The Chief Operating Decision Maker of the PCT is the Trust Board. The Board receives a detailed financial report to inform decision making at every monthly board meeting.

Up to 1 November 2010, the PCT was structured into a Commissioning Arm, which commissions healthcare services for the residents of Norfolk and a Provider Arm, which provides a range of hospital, community based and specialist services to residents of Norfolk.

As detailed in Note 1.1, HM Treasury has specified that the principles of merger accounting should be applied by the PCT in its 2010-11 accounts regarding the divestment of the Provider Arm. Accordingly, the directors of NHS Norfolk consider that a single operating segment applies to the accounts of the PCT, the commissioning of healthcare. The Commissioning Arm is deemed to be the only segment of the PCT in operation during 2010-11. As such, no segmental reporting information is disclosed in this note in accordance with IFRS 8.

The principle external income received by commissioning is for patient charges for dental services £11,048,000 (2009/10: £11,314,000).

The only external provider to the PCT amounting to more than 10% of total expenditure is the Norfolk & Norwich University Hospital Foundation Trust. Expenditure in 2010/11 was £297,024,000; (2009/10 £275,425,000)

### 3. Financial Performance Targets

#### 3.1 Revenue Resource Limit

	2010-11 £000	2009-10 £000
The PCTs' performance for the year ended 31 March 2011 is as follows:		
Total Net Operating Cost for the Financial Year	1,203,035	1,132,213
Non-Discretionary Expenditure <sup>1</sup>	-	6,510
<b>Net Operating Cost less Non Discretionary Expenditure</b>	<b>1,203,035</b>	<b>1,125,703</b>
Revenue Resource Limit	<b>1,203,994</b>	<b>1,126,398</b>
<b>Under/(Over)spend Against Revenue Resource Limit (RRL)</b>	<b>959</b>	<b>695</b>

<sup>1</sup> In 2010-11, due to changes in the way PCTs are funded, there is no non-discretionary expenditure

#### 3.2 Capital Resource Limit

	2010-11 £000	2009-10 £000
The PCT is required to keep within its Capital Resource Limit.		
<b>Total Gross Capital Expenditure</b>	<b>5,837</b>	14,502
less: Net Book Value of Non-Current Assets Disposed of to NHS Bodies #	<b>(1,683)</b>	0
less: Net Book Value of Non-Current Assets Disposed of to non-NHS Bodies	<b>(1,373)</b>	(820)
less: Net Book Value of assets transferred to NCH&C under merger accounting #	<b>(4,151)</b>	0
<b>Charge Against the Capital Resource Limit (CRL)</b>	<b>(1,370)</b>	13,682
Capital Resource Limit (CRL)	<b>(18)</b>	13,958
<b>(Over)/Underspend Against CRL</b>	<b>1,352</b>	<b>276</b>

# transfers and sales of assets to NCH&C resulted in a corresponding reduction in CRL

4. Miscellaneous Revenue			2010-11	restated 2009-10
	Appropriated- In-Aid £000	Not Appropriated- In-Aid £000	Total £000	Total £000
Dental Charge income from Contractor-Led GDS & PDS	11,048	0	<b>11,048</b>	11,314
Dental Charge income from Trust-Led GDS & PDS	111	0	<b>111</b>	0
Prescription Charge income	1,538	0	<b>1,538</b>	1,546
Strategic Health Authorities	0	4,258	<b>4,258</b>	4,044
NHS Trusts	0	4,294	<b>4,294</b>	4,874
NHS Foundation Trusts	0	2,360	<b>2,360</b>	2,915
Primary Care Trusts - Other	0	1,837	<b>1,837</b>	733
Primary Care Trusts - Lead Commissioning	0	5,549	<b>5,549</b>	7,953
Department of Health - Other	0	852	<b>852</b>	544
Local Authorities	1,721	0	<b>1,721</b>	1,766
Education, Training and Research	19	0	<b>19</b>	485
Transfers from the Donated Asset Reserve	0	319	<b>319</b>	85
Transfers from the Government Grant Reserve	0	53	<b>53</b>	49
Rental Income from Operating Leases	0	6,470	<b>6,470</b>	5,479
Other Income	1,052	133	<b>1,185</b>	876
<b>Total miscellaneous income</b>	<b>15,489</b>	<b>26,125</b>	<b>41,614</b>	<b>42,663</b>

## 5. Operating Costs

	2010-11	restated 2009-10
	£000	£000
<b>5.1 Analysis of operating costs:</b>		
<b>Goods and Services from Other PCTs</b>		
Healthcare	99,263	100,552
Non-Healthcare	958	1,080
<b>Total</b>	<b>100,221</b>	<b>101,632</b>
<b>Goods and Services from Other NHS Bodies other than FTs</b>		
Healthcare	237,716	250,680
Non-Healthcare	1,842	1,806
<b>Total</b>	<b>239,558</b>	<b>252,486</b>
Goods and Services from Foundation Trusts	418,745	372,008
Purchase of Healthcare from Non-NHS bodies	117,240	105,671
Expenditure on Drugs Action Teams	4,833	4,718
Non-GMS Services from GPs	9,132	5,231
Contractor Led GDS & PDS (excluding employee benefits)	36,752	36,232
Salaried Trust-Led PDS & PCT DS (excluding employee benefits)	3,536	2,349
Chair, Non-executive Directors & PEC remuneration	469	532
Consultancy Services	1,309	1,238
Prescribing Costs	126,395	121,356
G/PMS, APMS and PCTMS (excluding employee benefits)	108,685	104,811
Pharmaceutical Services	11,803	11,825
New Pharmacy Contract	18,017	8,079
General Ophthalmic Services	6,614	6,510
Supplies and Services - Clinical	1,990	3,062
Supplies and Services - General	31	11
Establishment	1,844	1,293
Transport	10	24
Premises	3,834	1,454
Impairments & Reversals of Property, plant and equipment	3,972	3,997
Impairments and Reversals of non-current assets held for sale	(975)	(60)
Depreciation	3,394	3,844
Amortisation	29	0
Cost of Capital Charge	0	817
Audit Fees	275	315
Clinical Negligence Costs	77	49
Education and Training	1,354	965
Other	7,622	7,545
<b>Total Operating costs charged to Statement of Comprehensive Net Expenditure</b>	<b>1,226,766</b>	<b>1,157,994</b>
<b>Employee Benefits</b>		
Employee Benefits associated with PCTMS	7	32
PCT Officer Board Members	1,319	1,213
Other Employee Benefits	15,791	14,946
<b>Total Employee Benefits charged to OCS</b>	<b>17,117</b>	<b>16,191</b>
<b>Total Operating Costs</b>	<b>1,243,883</b>	<b>1,174,185</b>

<b>5.2 Analysis of operating expenditure by expenditure classification</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Purchase of Primary Health Care</b>		
GMS / PMS/ APMS / PCTMS	107,809	103,264
Prescribing costs	126,395	121,356
Contractor led GDS & PDS	36,752	36,175
Trust led GDS & PDS	3,536	2,349
General Ophthalmic Services	6,614	6,510
Pharmaceutical services	11,803	11,825
New Pharmacy Contract	18,017	8,079
Non-GMS Services from GPs	9,132	7,157
Other	290	395
<b>Total Primary Healthcare purchased</b>	<b><u>320,348</u></b>	<b><u>297,110</u></b>
<b>Purchase of Secondary Healthcare</b>		
Learning Difficulties	47,292	46,060
Mental Illness	107,455	102,793
Maternity	27,910	26,316
General and Acute	497,003	468,409
Accident and emergency	13,807	11,412
Community Health Services	170,925	168,121
<b>Total Secondary Healthcare Purchased</b>	<b><u>864,392</u></b>	<b><u>823,111</u></b>
<b>Grant Funding</b>		
Grants (revenue) to fund Capital Projects - GMS	883	2,132
Grants (revenue) to LAs to fund Capital Projects	150	0
Grants (revenue) to fund Capital Projects - Dental	281	84
Grants (revenue) to fund Capital Projects - other	500	555
<b>Total Healthcare Purchased by PCT</b>	<b><u>1,186,554</u></b>	<b><u>1,122,992</u></b>

## 6. Operating Leases

6.1 PCT as lessee	Buildings £000	Land £000	Other £000	2010-11	restated
				Total £000	2009-10 £000
<b>Payments recognised as an expense</b>					
Minimum lease payments				695	688
<b>Total</b>				<b>695</b>	<b>688</b>
<b>Payable:</b>					
No later than one year	608	17	23	648	637
Between one and five years	2,189	70	49	2,308	2,221
After five years	3,361	253	0	3,614	4,031
<b>Total</b>	<b>6,158</b>	<b>340</b>	<b>72</b>	<b>6,570</b>	<b>6,889</b>

The PCT uses a number of buildings under operating leases, in all cases the PCT is the lease holder, no sub-leases are involved. The PCT also has operating leases for a small fleet of motor vehicles used for business purposes.

## 6.2 PCT as lessor

Recognised as income	2010-11	restated
	£000	2009-10 £000
<b>Recognised as income</b>		
Rents	6,470	5,479
<b>Total</b>	<b>6,470</b>	<b>5,479</b>
<b>Receivable:</b>		
No later than one year	1,232	5,422
Between one and five years	1,232	5,422
<b>Total</b>	<b>2,464</b>	<b>10,844</b>

The PCT owns community hospitals and other buildings which are the subject of a short term lease agreement with Norfolk Community Health & Care NHS Trust. The Trust provides community health services under a three year contract, so receivable sums are disclosed for two years only. At 31/3/10 the receivable sums disclosed cover all owned, leased and LIFT funded buildings. It is intended to transfer ownership of the owned and leased estate to the Trust in 2011/12, but the PCT will retain the LIFT funded buildings. Therefore the disclosure at 31/3/11 relates to the three LIFT funded buildings only.

**7. Employee benefits and staff numbers**

	2010-11			restated 2009-10		
	Total £000	Permanently Employed £000	Other £000	Total £000	Permanently Employed £000	Other £000
Salaries and wages	13,648	12,524	1,124	13,697	11,761	1,936
Social security costs	1,087	1,067	20	854	800	54
Employer contributions to NHS Pensions scheme	1,673	1,643	30	1,508	1,467	41
Other pension costs	143	143	0	92	92	0
Termination benefits	645	645	0	95	95	0
<b>Total employee benefits</b>	<b>17,196</b>	<b>16,022</b>	<b>1,174</b>	<b>16,246</b>	<b>14,215</b>	<b>2,031</b>

**Recognised as:**

Commissioning employee benefits	17,117	16,191
Employee benefits capitalised as part of assets	79	55
<b>Total</b>	<b>17,196</b>	<b>16,246</b>

**7.2 Staff Numbers**

	2010-11			restated 2009-10		
	Total Number	Permanently Employed Number	Other Number	Total Number	Permanently Employed Number	Other Number
Medical and dental	2	2	0	2	2	0
Administration and estates	302	273	29	333	281	52
Healthcare assistants & other support staff	9	9	0	7	7	0
Nursing, midwifery & health visiting staff	17	15	2	11	11	0
Scientific, therapeutic and technical staff	17	17	0	16	16	0
Other	22	22	0	20	20	0
<b>Total staff numbers</b>	<b>369</b>	<b>338</b>	<b>31</b>	<b>389</b>	<b>337</b>	<b>52</b>

Numbers of staff above (wte) whose costs have been capitalised: 2

**7.3 Staff Sickness absence**

	2010-11 Number	restated 2009-10 Number
Total Days Lost	3,406	3,005
Total Staff Years	353	312
Average working Days Lost	9.65	9.63

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

Exit package cost band (including any special payment element)	2010-11			2009-10		Total number of exit packages by cost band
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	
	Number	Number	Number	Number	Number	
<£20,001	3	1	4	0	0	0
£20,001 - £40,000	0	0	0	0	0	0
£40,001 - 100,000	1	3	4	0	0	0
£100,001- £150,000	1	0	1	0	0	0
<b>Total number of exit packages by type</b>	<b>5</b>	<b>4</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total cost of exit packages (£000s)</b>	222	180	402	0	0	0

Redundancy and other departure costs have been paid in accordance with the provisions of the national terms of Agenda for Change. Three members of staff received ex-gratia payments agreed with the Treasury under the national Mutually Agreed Resignation Scheme (MARS) arrangements. Exit costs in this note are accounted for in full in the year of departure. Where the PCT has agreed early retirements, the additional costs are met by the PCT and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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

## 7.5 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](http://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.

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

### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### b) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

### c) Scheme provisions

The 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.

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 statement of comprehensive income at the time the PCT commits itself to the retirement, regardless of the method of payment.

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.

<b>7.6 Management Costs</b>	<b>2010-11</b>	<b>restated 2009-10</b>
Management costs (£000s)	11,124	12,746
Weighted population (number in units)	<b>737,096</b>	<b>728,442</b>
Management Cost per weighted head of population (£ per head)	<b>15.09</b>	17.50

PCT Management Costs are measured against a prescribed definition set out by the Department of Health, and comprise mainly of the cost of staff working in the PCT's core function areas. For 2009-10 and 2010-11 these costs have been re-stated to exclude the management costs relating to the PCT's former Provider Arm.

### 7.7 Running Costs

	<b>2010-11</b>		
	<b>Commissioning services</b>	<b>Public health</b>	<b>Total</b>
Running costs (£000s)	31,029	1,933	32,962
Weighted population (number in units)	737,096	737,096	737,096
Running costs per head of population (£ per head)	42.10	2.62	44.72

Running costs relating to the commissioning and public health functions of the PCT are reported for the first time in 2010-11. Running costs are those items of expenditure that are not direct payments for the provision of healthcare. Running costs therefore comprise a broader range of costs than those covered by the management cost definition.

### 7.8 Total Public Health Expenditure

	<b>2010-11 £000</b>
Total public health expenditure	<b>34,898</b>

Public health expenditure has been separately identified for the first time in 2010-11.

## 8. Better Payment Practice Code

<b>8.1 Measure of compliance</b>	<b>2010-11 Number</b>	<b>2010-11 £000</b>	<b>restated 2009-10 Number</b>	<b>restated 2009-10 £000</b>
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	21,408	156,304	20,190	80,015
Total Non-NHS Trade Invoices Paid Within Target	<b>18,396</b>	<b>140,571</b>	16,186	66,259
Percentage of Non-NHS Trade Invoices Paid Within Target	<b>85.93%</b>	<b>89.93%</b>	80.17%	82.81%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	3,471	782,545	2,554	609,765
Total NHS Trade Invoices Paid Within Target	<b>2,799</b>	<b>758,645</b>	1,276	582,799
Percentage of NHS Trade Invoices Paid Within Target	<b>80.64%</b>	<b>96.95%</b>	49.96%	95.58%

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

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

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

**9. Investment Income**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Interest Income</b>		
LIFT: loan interest receivable	<b>30</b>	24
<b>Total investment income</b>	<b><u>30</u></b>	<u>24</u>

**10. Other Gains and Losses**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	<b>123</b>	0
<b>Total</b>	<b><u>123</u></b>	<u>0</u>

**11. Finance Costs**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
<b>Interest</b>		
Interest on obligations under finance leases	<b>73</b>	75
Interest on obligations under LIFT contracts:		
- main finance cost	<b>748</b>	565
- contingent finance cost	<b>69</b>	49
Provisions - unwinding of discount	<b>29</b>	26
<b>Total</b>	<b><u>919</u></b>	<u>715</u>

## 12.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Assets under construction and payments on account	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2010-11</b>							
<b>Cost or valuation:</b>							
<b>At 1 April 2010 - restated</b>	14,736	65,987	4	2,509	11,297	95	<b>94,628</b>
Additions Purchased	0	0	5,837	0	0	0	<b>5,837</b>
Reclassifications	0	961	(2,041)	266	814	0	<b>0</b>
Reclassifications as Held for Sale	(1,960)	(5,729)	(225)	(57)	(1,667)	(21)	<b>(9,659)</b>
Disposals other than for sale	0	0	0	(1,379)	(5,820)	(62)	<b>(7,261)</b>
Upward revaluation/positive indexation	0	491	0	0	0	0	<b>491</b>
<b>At 31 March 2011</b>	<b>12,776</b>	<b>61,710</b>	<b>3,575</b>	<b>1,339</b>	<b>4,624</b>	<b>12</b>	<b>84,036</b>
<b>Depreciation</b>							
<b>At 1 April 2010 - restated</b>	0	1,078	0	1,779	7,916	81	<b>10,854</b>
Reclassifications as Held for Sale	0	(399)	0	(21)	(825)	(14)	<b>(1,259)</b>
Disposals other than for sale	0	0	0	(1,379)	(5,820)	(62)	<b>(7,261)</b>
Impairments	0	1,911	2,061	0	0	0	<b>3,972</b>
Charged During the Year	0	2,273	0	224	893	4	<b>3,394</b>
<b>At 31 March 2011</b>	<b>0</b>	<b>4,863</b>	<b>2,061</b>	<b>603</b>	<b>2,164</b>	<b>9</b>	<b>9,700</b>
<b>Net book value at 31 March 2011</b>	<b>12,776</b>	<b>56,847</b>	<b>1,514</b>	<b>736</b>	<b>2,460</b>	<b>3</b>	<b>74,336</b>
Purchased	12,640	54,738	1,514	736	2,460	3	<b>72,091</b>
Donated	136	1,234	0	0	0	0	<b>1,370</b>
Government Granted	0	875	0	0	0	0	<b>875</b>
<b>Total at 31 March 2011</b>	<b>12,776</b>	<b>56,847</b>	<b>1,514</b>	<b>736</b>	<b>2,460</b>	<b>3</b>	<b>74,336</b>
<b>12.2 Asset financing:</b>							
Owned	12,316	46,951	1,514	736	2,460	3	<b>63,980</b>
Held on finance lease	0	871	0	0	0	0	<b>871</b>
On-SOFP PFI contracts	460	9,025	0	0	0	0	<b>9,485</b>
<b>Total</b>	<b>12,776</b>	<b>56,847</b>	<b>1,514</b>	<b>736</b>	<b>2,460</b>	<b>3</b>	<b>74,336</b>

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

	Land	Buildings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2010	2,064	13,365	0	261	0	0	<b>15,690</b>
Increase on revaluation	0	491	0	0	0	0	<b>491</b>
Reduction on disposal	(212)	(123)	(4)	0	0	0	<b>(339)</b>
Recategorisation and other movements	9	(24)	38	(261)	0	3	<b>(235)</b>
<b>At 31 March 2011</b>	<b>1,861</b>	<b>13,709</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>15,607</b>

## 12.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Assets under construction and payments on account	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
<b>2009-10 - restated</b>							
<b>Cost or valuation:</b>							
<b>At 1 April 2009</b>	14,682	60,875	112	2,304	9,914	93	<b>87,980</b>
Additions - purchased	460	2,310	10,524	0	0	0	<b>13,294</b>
Reclassifications	0	9,043	(10,632)	205	1,383	1	<b>0</b>
Reclassified as held for sale	(305)	(515)	0	0	0	0	<b>(820)</b>
Revaluation & indexation gains	84	1,961	0	0	0	0	<b>2,045</b>
Impairments	(60)	(2,290)	0	0	0	0	<b>(2,350)</b>
<b>At 31 March 2010</b>	<b>14,861</b>	<b>71,384</b>	<b>4</b>	<b>2,509</b>	<b>11,297</b>	<b>94</b>	<b>100,149</b>
<b>Depreciation</b>							
<b>At 1 April 2009</b>	0	0	0	1,595	6,961	78	<b>8,634</b>
Impairments	129	3,868	0	0	0	0	<b>3,997</b>
Reversal of Impairments	(4)	(56)	0	0	0	0	<b>(60)</b>
Charged During the Year	0	2,663	0	184	955	2	<b>3,804</b>
<b>At 31 March 2010</b>	<b>125</b>	<b>6,475</b>	<b>0</b>	<b>1,779</b>	<b>7,916</b>	<b>80</b>	<b>16,375</b>
<b>Net book value</b>	<b>14,736</b>	<b>64,909</b>	<b>4</b>	<b>730</b>	<b>3,381</b>	<b>14</b>	<b>83,774</b>
Purchased	14,600	62,413	4	730	3,381	14	<b>81,142</b>
Donated	136	1,568	0	0	0	0	<b>1,704</b>
Government Granted	0	928	0	0	0	0	<b>928</b>
<b>Total at 31 March 2010</b>	<b>14,736</b>	<b>64,909</b>	<b>4</b>	<b>730</b>	<b>3,381</b>	<b>14</b>	<b>83,774</b>
<b>12.2 Asset financing:</b>							
Owned	14,736	54,509	4	730	3,381	14	<b>73,374</b>
Held on finance lease	0	915	0	0	0	0	<b>915</b>
On-SOFP PFI contracts	0	9,485	0	0	0	0	<b>9,485</b>
	<b>14,736</b>	<b>64,909</b>	<b>4</b>	<b>730</b>	<b>3,381</b>	<b>14</b>	<b>83,774</b>

## 12 (cont). Property, plant and equipment

The PCT is advised on property valuations by an independent firm of surveyors, Boshier & Co., who are members of the Royal Institute of Chartered Surveyors.

An MEA valuation of the freehold property owned by the PCT and property held under LIFT agreements was conducted as at 31 March 2010. The valuation did not include property held under leasehold or finance lease arrangements. Property and land were valued at Existing Use Value (EUV) by reference to market conditions, other than non-operational property which was valued to Market Value.

As at 31 March 2011, an impairment review was conducted for property, plant and equipment for sites that had been the subject of additions in 2010/11 or that were the subject of business cases leading to a potential for impairment. Overall values were impaired £3,972,000 and in accordance with the Treasury adaptation of IAS 36 in 2010/11 that sum has been taken to operating costs in year. An adjustment of £172,400 has been made from the revaluation reserve to the general fund in respect of one property where the carrying value was impaired to nil.

Of the totals at 31 March 2011, £nil (2009/10 £1,857,000) relate to land and buildings

### Economic Lives of Non-Current Assets

	Min life Years	Max life Years
Property, Plant and Equipment		
Buildings exc Dwellings	8	62
Plant & Machinery	5	15
Transport Equipment	5	5
Information Technology	5	5
Furniture and Fittings	5	7

### 13.1 Intangible non-current assets

<b>2010-11</b>	<b>Software purchased £000</b>	<b>Total £000</b>
<b>Cost or valuation:</b>		
At 1 April 2010 - restated	365	<b>365</b>
<b>At 31 March 2011</b>	<u>365</u>	<u><b>365</b></u>
<b>Amortisation</b>		
At 1 April 2010 - restated	254	<b>254</b>
Charged in-year	29	<b>29</b>
<b>At 31 March 2011</b>	<u>283</u>	<u><b>283</b></u>
<b>NBV at 31 March 2011</b>	82	<b>82</b>
<b>Net book value at 31 March 2011 comprises:</b>		
Purchased	82	<b>82</b>
<b>Total at 31 March 2011</b>	<u>82</u>	<u><b>82</b></u>

#### 2009-10 - restated

	<b>£000</b>	<b>£000</b>
<b>Cost or valuation:</b>		
At 1 April 2009	365	<b>365</b>
<b>At 31 March 2010</b>	<u>365</u>	<u><b>365</b></u>
<b>Amortisation</b>		
At 1 April 2009	215	<b>215</b>
Charged During the Year	39	<b>39</b>
<b>At 31 March 2010</b>	<u>254</u>	<u><b>254</b></u>
<b>Net book value at 31 March 2010</b>	111	<b>111</b>
<b>Net book value at 31 March 2010 comprises:</b>		
Purchased	111	<b>111</b>
<b>Total at 31 March 2010</b>	<u>111</u>	<u><b>111</b></u>

### 13.2 Intangible non-current assets

The purchased computer software licences are carried at current value. Depreciated historical cost is used as a proxy for current value as the assets are short-lived and low value. Intangibles are amortised over the shorter of the term of the licence and their useful economic lives which has been assessed as between 3 and 5 years.

#### 14. Impairments

An impairment review identified the following impairments:

- Impairment on bringing works at Rebecca House, North Walsham into use £893,183
- Impairment on bringing works at Caroline House, Norwich into use £216,815
- Impairment resulting from implementing the PCT intermediate services plan, North Walsham Cottage Hospital demolition £705,548
- Impairment resulting from implementing the PCT intermediate services plan, St. Michael's Hospital, Aylsham demolition £946,920
- Impairment of donated assets at St. Michael's Hospital, Aylsham and North Walsham Cottage Hospital £248,241
- other impairments of property, plant and equipment £960,922

#### 15. Non-current assets held for sale

	Land	Buildings, excl. dwellings	Assets Under Construction	Other property, plant and equipment	Total
	£000	£000	£000	£000	£000
Balance brought forward 1 April 2010	0	0	0	0	0
Plus assets classified as held for sale in the year	1,960	5,328	225	887	8,400
Less assets sold in the year	(545)	(1,399)	(225)	(887)	(3,056)
Plus reversal of impairment of assets held for sale	0	975	0	0	975
<b>Balance carried forward 31 March 2011</b>	<b>1,415</b>	<b>4,904</b>	<b>0</b>	<b>0</b>	<b>6,319</b>
Balance brought forward 1 April 2009	0	0	0	0	0
Plus assets classified as held for sale in the year	305	515	0	0	820
Less assets sold in the year	(305)	(515)	0	0	(820)
<b>Balance carried forward 31 March 2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Four disposals of surplus properties were made in 2010/11:

- Thetford Cottage Hospital, which had been replaced by the Healthy Living Centre
- Wells Cottage Hospital was disposed of to the Wells Charitable Trust, as the PCT no longer commissioned or provided in-patient
- Following completion of the Learning Difficulties resettlement programme, former residences were surplus at Greenfields, Hales and Tall Trees, Besthorpe.

The former headquarters of the PCT, St. Andrew's House was marketed late in 2010/11 and sale agreed for completion in 2011/12. As a result the valuation was adjusted to sale price less cost of sales and a previous impairment of £975,000 reversed to operating costs.

Three health centres were marketed during 2010/11, with sale of one agreed for completion early in 2011/12. As a result the valuation was adjusted to sale price less cost of sales and the increase of £490,924 taken to revaluation reserve. The other health centres are expected to be sold in 2011/12, pending agreement they continue to be held at carrying value.

<b>16 Inventories</b>	<b>Other £000</b>	<b>Total £000</b>
Balance at 01/04/2010 - restated	8	8
Additions	1	1
<b>Balance at 31/03/11</b>	<b>9</b>	<b>9</b>

The detailed movements of inventories is disclosed for the first time in 2010-11.

<b>17.1 Trade and other receivables</b>	<b>Current</b>	
	<b>31 March 2011</b>	restated 31 March 2010
	<b>£000</b>	£000
NHS receivables - revenue	3,513	4,115
Non-NHS receivables - revenue	1,324	66
Non-NHS receivables - capital	0	198
Provision for the impairment of receivables	0	(1)
VAT	265	0
Prepayments & other accrued income	1,262	5,146
Other Receivables	716	2,434
<b>Total</b>	<b>7,080</b>	<b>11,958</b>

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

<b>17.2 Receivables past their due date but not impaired</b>	<b>Current</b>	
	<b>31 March 2011</b>	restated 31 March 2010
	<b>£000</b>	£000
By up to three months	735	894
By three to six months	21	218
By more than six months	981	666
<b>Total</b>	<b>1,737</b>	<b>1,778</b>

<b>17.3 Provision for impairment of receivables</b>	<b>Current</b>	
	<b>2010-11</b>	restated 2009-10
	<b>£000</b>	£000
<b>Balance at 1 April</b>	<b>(1)</b>	0
Amount written off during the year	1	0
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	0	(1)
<b>Balance at 31 March</b>	<b>0</b>	<b>(1)</b>

### 18. Trade and other payables

	Current		Non-current	
	31 March 2011 £000	restated 31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Payments received on account	0	0	0	0
NHS payables - revenue	11,904	15,743	0	0
NHS Payables - capital	114	0	0	0
FHS Payables	24,724	22,115	0	0
Non-NHS trade payables - revenue	6,168	4,519	0	0
Non-NHS trade payables - capital	872	322	0	0
Tax and Social Security Costs	338	3	0	0
Other Payables	206	3	0	0
Accruals & Deferred Income	15,560	15,126	0	0
<b>Total</b>	<b>59,886</b>	<b>57,831</b>	<b>0</b>	<b>0</b>

Other payables include £202,968 in respect of outstanding pensions contributions at 31 March 2011 (31 March 2010: £3,593).

### 19. Borrowings

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities	28	26	1,089	1,117
LIFT liabilities:				
Main liability	22	74	10,505	10,540
<b>Total</b>	<b>50</b>	<b>100</b>	<b>11,594</b>	<b>11,657</b>

### 20. Other liabilities

	Current		Non-current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
PFI/LIFT deferred credit	0	0	0	0
Lease incentives	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**21. Provisions**

	Current		Non-current		Notes (see below)
	31 March 2011 £000	restated 31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	
Pensions relating to other staff	2	0	29	0	(ii)
Legal claims	73	71	997	1,152	(iii)
Restructurings	0	119	0	0	(ii)
Continuing Care	903	1,496	0	0	(iv)
Onerous Contracts	107	0	1,114	0	(v)
Redundancy	456	0	0	0	(vi)
<b>Total</b>	<b>1,541</b>	<b>1,686</b>	<b>2,140</b>	<b>1,152</b>	

	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	Redundancy £000	Total £000
<b>At 1 April 2010 - restated</b>	0	1,223	119	1,496	0	<b>2,838</b>
Arising during the year	37	2	0	2,771	456	<b>3,266</b>
Utilised during the year	(1)	(71)	(119)	(956)	0	<b>(1,147)</b>
Reversed unused	0	(118)	0	(1,187)	0	<b>(1,305)</b>
Unwinding of discount	(5)	34	0	0	0	<b>29</b>
<b>At 31 March 2011</b>	<b>31</b>	<b>1,070</b>	<b>0</b>	<b>2,124</b>	<b>456</b>	<b>3,681</b>
<b>Expected timing of cash flows:</b>						
Within one year	2	73	0	1,010	456	<b>1,541</b>
Between one and five years	9	265	0	1,114	0	<b>1,388</b>
After five years	20	732	0	0	0	<b>752</b>

i) £423,000 is included in the provisions of the NHS Litigation Authority at 31 March 2011 in respect of clinical negligence liabilities of the PCT (31.03.2010 £111,544).

ii) With effect from 31 March 2010 the PCT outsourced the provision of financial services and as a result a small number of staff were on notice of redundancy, resulting in a provision of £118,923 at 31.03.10. The position with regards these staff was resolved during 2010/11 and therefore there is no remaining provision at 31 March 2011.

A further provision for premature retirements has arisen in 2010/11 relating to a former employee of a predecessor organisation. Whilst the employee took retirement in March 1995 the liability has only been notified in 2010/11, resulting in a provision at 31 March 2011 of £30,906 (31.03.10 £nil).

iii) Provisions for legal claims relate to the following items:

- £1,067,857 (31.03.10 £1,223,078) back to back provisions under HSC 1999/146 for staff injury claims with the PCT's provider trusts and Foundation trusts.
- £2,250 (31.03.10 £nil) relates to employers liability claims. A further £750 is included in Note 22 contingent liabilities.

iv) The continuing care provision £903,135 (31.03.10 £1,495,728) relates to the following two areas:

- £595,301 (31.03.10 £1,306,384) potential cost of restitution following the Coughlan judgement on responsibility for funding of continuing care. A provision is established where a claimant has been assessed as eligible for continuing care funding but the value has not been agreed. It is expected that this liability would be settled within one year. There are further amounts relating to restitution included in Note 18 Trade and other payables £640,596 (31.03.10 £246,960) and Note 22 Contingent Liabilities £2,743,000 (31.03.10 £2,065,000);
- £307,834 (31.03.10 £189,344) potential costs of redress (financial compensation) payable to claimants in respect of eg loss of asset value from having to sell a house or investments early in order to meet care costs, and loss of income by a person who gave up work to look after a patient who remained in their own home. This liability arises as a result of changes to the guidance governing continuing care restitution payments in March 2007 that was then reflected in a PCT policy on redress payments in January 2008.

v) The PCT has two contracts for long term finance leases of buildings for which it no longer has any practical use. Whilst the contracts have break clauses in 2015 and 2020, a large penalty is payable to exercise the break. The PCT has established a provision for the unavoidable costs of meeting the outstanding rental obligations and exercising the break clause in 2015. The provision has been adjusted for the SOFP entries required to remove the leased asset and borrowings from the SOFP. Total provision value at 31 March 2011 for onerous contracts is £1,220,353 (31.03.10 £nil).

vi) NHS Norfolk is undertaking a three stage transition process to GP Commissioning. Stage 2 resulted in the production of a new organisational structure and roles in the light of the Government White Paper on the future of the NHS and the need to reduce management costs. As a result of this process, 10 staff were given formal notice of redundancy by early April. The anticipated costs of redundancy and early retirement for these staff have been included as a provision of £456,584 as at 31 March 2011 (31.03.10 £nil). A further amount of £101,000 relating to potential redundancy costs for the Integrated Commissioning Team is reflected in Note 22 Contingent Liabilities (31.03.10 £nil).

**22. Contingencies**

	31 March 2011	restated 31 March 2010
	£000	£000
<b>Contingent liabilities</b>		
Continuing Care	2,743	2,065
NHSLA Liabilities to Third Parties Scheme	1	0
Phase 2 transition staff severance costs	101	0
<b>Total</b>	<u>2,845</u>	<u>2,065</u>

The contingent liability as at 31 March 2011 relates to continuing care, the NHS Litigation Authority Liabilities to Third Parties Scheme, and the on-going PCT restructuring as part of the transition to GP Commissioning.

1) The continuing care element (£2,743,000; 31.03.10 £2,065,000) relates to the potential costs of restitution following the Coughlan judgement on responsibility for funding of continuing care. All restitution claims received are subjected to a clinical assessment, and reviewed by a Continuing Care panel. The panel considers each assessment and decides whether the patient should have received NHS funded continuing care according to the Coughlan judgement. The panels are chaired by a medical professional, and membership includes other clinical staff and a non-executive director.

Cases where a panel has decided that the claimant was eligible for continuing care are reflected accordingly in either Note 18 as accruals or Note 21 as provisions, depending on the progress with settlement of the claim.

Cases that are yet to be discussed at a panel, or for which the assessment is incomplete, represent a potential future financial obligation for the PCT and have been reflected within contingent liabilities.

Cases where a panel has decided that the claimant was not eligible for continuing care are included in the contingent liability as it is considered that there is a possibility of appeal against the panel's decision. Those cases included in the contingent liability as at 31.03.10 but where there has been no appeal for at least 3 years are excluded from the contingent liability as at 31.03.11.

2) There is a contingent liability of £750 (31.03.10 £nil) in respect of claims for employer's liability and public liability under the NHS Litigation Authority (NHSLA) Liabilities to Third Parties Scheme. There is a further amount of £2,250 included within Provisions in Note 21.

3) NHS Norfolk is undertaking a 3 stage transition process to GP Commissioning. Stage 2 resulted in the production of a new organisational structure and roles in the light of the Government White Paper on the future of the NHS and the need to reduce management costs. As a result of this process, 10 staff were given formal notice of redundancy by early April. The anticipated costs of redundancy and early retirement for these staff have been included as a provision of £456,584 in Note 21.

As part of stage 2, NHS Norfolk is working with Norfolk County Council (NCC) to form an Integrated Commissioning Team, which involves 9 existing NHS Norfolk posts and 40 NCC posts reducing to 37 posts in the new integrated team. This process could therefore result in up to 12 redundancies between NHS Norfolk and NCC. As this process is more involved than that for other PCT staff, it is taking longer to conclude and also it is likely that there are more options for alternative employment across the 2 organisations. Hence there is no clear obligation at 31 March 2011 and so no provision has been reflected in Note 21 in respect of the Integrated Commissioning Team.

It is appropriate though to reflect a Contingent Liability at 31 March 2011 in respect of the possible future costs resulting from obligations present at the balance sheet date, which is estimated to be £101,000 (31.03.10 £nil).

**23. Capital Commitments**

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

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

## 24. Finance lease obligations

Amounts payable under finance leases (Buildings)	Minimum lease payments		Present value of minimum lease payments	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Within one year	99	99	28	26
Between one and five years	396	396	123	123
After five years	1,468	1,567	966	994
Less future finance charges	(846)	(919)		
Present value of minimum lease payments	<u>1,117</u>	<u>1,143</u>	<u>1,117</u>	<u>1,143</u>
Included in:				
Current borrowings			28	26
Non-current borrowings			<u>1,089</u>	<u>1,117</u>
			<u>1,117</u>	<u>1,143</u>

No amounts are payable under finance leases for land or other categories.

Contingent rents recognised as an expense £49,145 (prior year £50,115)

The disclosure above relates to three buildings; of those two have been identified as the subject of onerous contracts and a provision was established in 2010/11. Note 21 gives further detail.

## 25. PFI and NHS LIFT Schemes

### 25.1 PFI and NHS LIFT schemes off-Statement of Financial Position

The PCT does not have any LIFT contracts deemed to be off-Statement of Financial Position and is not party to any PFI contracts.

### 25.2 PFI and NHS LIFT schemes on-Statement of Financial Position

The PCT is party to LIFT schemes operated by Norlife Ltd. at three sites:

Norlife has redeveloped the health centre at Sheringham and is leasing it to the PCT for a period of 25 years, from 1 August 2005 to 31 July 2030. The estimated capital value of the LIFT scheme was £2.3m.

Norlife has built a new Healthy Living Centre in Thetford which includes GPs, out-patient clinics, radiology, mental health, drug and alcohol services, dentistry, podiatry and childrens services. The lease term is for 25 years from 9 February 2007 to 8 February 2032. The estimated capital value of the LIFT scheme was £4.2m.

Norlife has purchased the former Turnstone Court building at Norwich Community Hospital and converted it into two theatre spaces primarily for Podiatric Surgery. The lease term is for 25 years from 31 March 2010 to 30 March 2035. The estimated capital value of the LIFT scheme was £2.8m.

All of the above arrangements are subject to standard NHS LIFT contracts, which obligate the LIFT company to provide uninterrupted services throughout the contract period, have specified inflation clauses for the unitary payment and give an option to purchase at the end of the contract. It is assumed that the PCT will exercise the right to purchase, subject to contract.

Under IFRIC 12, the asset is treated as an asset of the trust and the substance of the contract is that the PCT has a finance lease. Payments comprise two elements: imputed finance lease charges and service charges. Details of the imputed finance lease charges are noted in the table below.

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

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
Not later than one year	<b>766</b>	827
Later than one year, not later than five years	<b>3,209</b>	3,078
Later than five years	<b>21,494</b>	22,474
Sub total	<b>25,469</b>	26,379
Less: interest element	<b>(14,942)</b>	(15,765)
<b>Total</b>	<b>10,527</b>	10,614

### 25.3 Charges to expenditure

The total charged in the year to expenditure in respect of the service element of on-statement of financial position LIFT contracts was £290,109 (prior year £238,611).

The PCT is committed to the following charges

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
<b>PFI/LIFT scheme expiry date:</b>		
Not later than one year	<b>376</b>	290
Later than one year, not later than five years	<b>1,425</b>	1,472
Later than five years	<b>8,957</b>	9,286
<b>Total</b>	<b><u>10,758</u></b>	<b><u>11,048</u></b>

## 26. Financial Instruments

### Financial risk management

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

### Currency risk

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

### Interest rate risk

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

### Credit Risk

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

### Liquidity Risk

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

<b>27.1 Financial Assets</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Receivables - NHS	3,513	0	<b>3,513</b>
Receivables - non-NHS	2,040	0	<b>2,040</b>
Cash at bank and in hand	3	0	<b>3</b>
Other financial assets	0	172	<b>172</b>
<b>Total at 31 March 2011</b>	<b><u>5,556</u></b>	<b><u>172</u></b>	<b><u>5,728</u></b>
Receivables - NHS	4,115	0	<b>4,115</b>
Receivables - non-NHS	2,698	0	<b>2,698</b>
Cash at bank and in hand	2	0	<b>2</b>
Other financial assets	0	172	<b>172</b>
<b>Total at 31 March 2010 - restated</b>	<b><u>6,815</u></b>	<b><u>172</u></b>	<b><u>6,987</u></b>

<b>27.2 Financial Liabilities</b>	<b>Other £000</b>	<b>Total £000</b>
NHS payables	12,018	<b>12,018</b>
Non-NHS payables	31,764	<b>31,764</b>
PFI & finance lease obligations	11,644	<b>11,644</b>
<b>Total at 31 March 2011</b>	<b><u>55,426</u></b>	<b><u>55,426</u></b>
NHS payables	15,743	<b>15,743</b>
Non-NHS payables	26,956	<b>26,956</b>
PFI & finance lease obligations	11,757	<b>11,757</b>
<b>Total at 31 March 2010 - restated</b>	<b><u>54,456</u></b>	<b><u>54,456</u></b>

## 28. NHS LIFT Investments

	Loan £000	Share capital £000	Total £000
Balance at 31 March 2010	172	0	172
Balance as at 31 March 2011	<u>172</u>	<u>0</u>	<u>172</u>
Balance as at 1 April 2009	139	0	139
Additions	33	0	33
Balance as at 31 March 2010	<u>172</u>	<u>0</u>	<u>172</u>

Norfolk PCT is a stakeholder in a LIFT company, Norlife Ltd. The loan stock value is carried at cost, as an approximation of fair value, £172,201.

## 29. Other financial assets

	Non-current	
	31 March 2011 £000	31 March 2010 £000
Available for sale financial assets carried at fair value	172	172
<b>Total</b>	<u>172</u>	<u>172</u>

## 30. Cash and Cash Equivalents

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	2	11
Net change in year	1	(9)
<b>Balance at 31 March</b>	<u>3</u>	<u>2</u>
<b>Made up of</b>		
Commercial banks and cash in hand	3	2
<b>Cash and cash equivalents as in statement of financial position</b>	<u>3</u>	<u>2</u>
<b>Cash and cash equivalents as in statement of cash flows</b>	<u>3</u>	<u>2</u>

### 31. Related party transactions

Details of related party transactions with individuals who exercise control over the PCT are as follows:

Certain members of the Clinical Executive are also partners in GP practices. Payments to their practice are regarded as a related party transaction and are listed below. The payments relate to the practice as a whole for the provision of general primary medical and other services.

<u>Name</u>	<u>Practice</u>	<u>Payments to practice as a whole (£000s)</u>
Dr. Ian Mack, GP Partner & CLEX member	Watlington Medical Centre, Kings Lynn	775
Dr. Chris Francis, GP Partner & CLEX member	Bacon Road Medical Centre, Norwich	574
Dr. Cath Robinson, GP Partner & CLEX member	Oak Street Medical Practice, Norwich	972

#### Other related party transactions are:

<u>Name</u>	<u>Related Party</u>	<u>Payment purpose</u>	<u>PCT payment to related party (£000s)</u>
# Andrew Morgan, CEO of PCT, also Non-Executive Director of:	Health Enterprise East Ltd.	membership fee	4
Sheila Childerhouse, Chair of PCT, also trustee for:	Keystone Development Trust	services provided in support of Thetford Healthy Town, including stop smoking	178
Dr. Ian Mack, Chair of CLEX, also elected member for:	Kings Lynn and West Norfolk Borough Council	project Safe Haven, local MH services	53
Paul Cracknell, PCT director, also trustee director of:	Open Youth Trust	Funding for SOS bus medical unit (alcohol abuse services)	100

The Department of Health is regarded as a related party. During the year Norfolk PCT 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:

Norfolk and Norwich University Hospital NHS Foundation Trust  
 Queen Elizabeth Hospital King's Lynn NHS Foundation Trust  
 Norfolk and Waveney Mental Health NHS Foundation Trust  
 Norfolk Community Health & Care NHS Trust  
 South East Essex PCT  
 East of England Ambulance Services NHS Trust  
 Cambridge University Hospital NHS Foundation Trust  
 West Suffolk Hospitals NHS Trust  
 Suffolk Mental Health Partnership NHS Trust  
 Cambridgeshire And Peterborough NHS Foundation Trust  
 James Paget University Hospitals NHS Foundation Trust  
 Papworth Hospital NHS Foundation Trust  
 East of England Strategic Health Authority  
 Great Yarmouth and Waveney PCT #

# On 16 February 2011, Norfolk PCT and Great Yarmouth & Waveney PCT, received approval to operate as a PCT cluster and Andrew Morgan was appointed as Chief Executive of the PCT cluster, although the PCTs remain separate statutory bodies.

In addition, the PCT has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Norfolk County Council in respect of joint enterprises.

The PCT has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the PCT board. Following separation of provider services on 1 November 2010, the PCT ceased to have any interest in charitable funds. The audited accounts of the Funds Held on Trust are published separately.

### 32. Third party assets

The PCT held £nil cash and cash equivalents at 31 March 2011 on behalf of patients (£nil-restated at 31 March 2010).

### 33. Intra-Government Balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	2,358	0	1,681	0
Balances with Local Authorities	935	0	3,011	0
Balances with NHS Trusts and Foundation Trusts	1,156	0	10,529	0
Balances with Public Corporations and Trading Funds	0	0	0	0
<b>Total Intra-Government balances</b>	<b>4,449</b>	<b>0</b>	<b>15,221</b>	<b>0</b>
Balances with bodies external to government	2,631	0	44,665	0
<b>At 31 March 2011</b>	<b>7,080</b>	<b>0</b>	<b>59,886</b>	<b>0</b>
Balances with other Central Government Bodies	2,418	0	2,491	0
Balances with Local Authorities	901	0	1,652	0
Balances with NHS Trusts and Foundation Trusts	3,223	0	12,700	0
Balances with Public Corporations and Trading Funds	0	0	0	0
<b>Total Intra-Government balances</b>	<b>6,542</b>	<b>0</b>	<b>16,843</b>	<b>0</b>
Balances with bodies external to government	5,416	0	40,988	0
<b>At 31 March 2010-restated</b>	<b>11,958</b>	<b>0</b>	<b>57,831</b>	<b>0</b>

### 34. Losses and Special Payments

The total number of losses cases in 2010/11 was 6, involving a total loss of £2,274 (2009/10-restated: 0 cases and £nil).

The total number of special payments in 2010/11 was 1, involving a total of £300 (2009/10-restated: 0 cases and £nil).

No cases exceeded £250,000 during this year or last.

### 35. Events after the reporting period

In accordance with "Transforming Community Services" guidance issued by the Department of Health the PCT has agreed to transfer ownership of all operational property, other than those funded by LIFT schemes, to its former provider services organisation, Norfolk Community Health & Care NHS Trust. The transfer value is approximately £67m and it is anticipated that the transfer will take place in 2011/12.

With operational effect from 1 April 2011 funding for services for people with learning difficulties has been removed from PCTs and transferred to local government. The reduction in Norfolk PCT funding will be £33m. Following this transfer of funding the Norfolk LD Pooled Fund has ceased to operate, although the PCT continues to jointly commission services with Norfolk County Council.

In February 2011, Norfolk PCT and Great Yarmouth & Waveney PCT, received approval to operate as a PCT cluster, which means a single executive team will manage both organisations. Consultation was published 4 April 2011 to form a single executive team, this process may lead to a small number of executive redundancies. Alison Taylor was appointed as Executive Director of Finance for the PCT cluster 27 May 2011.

	2010-11	restated 2009-10
	£000	£000
<b>36. Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	4,680	(1,932)
(Increase)/decrease in inventories	(1)	(1)
Increase/(decrease) in trade and other payables	1,391	7,392
<b>Total</b>	<b>6,070</b>	<b>5,459</b>

	2010-11	restated 2009-10
	£000	£000
<b>37. Other cashflow adjustments</b>		
Depreciation	3,394	3,804
Amortisation	29	39
Impairments and reversals	2,997	3,937
Cost of Capital Charge	0	817
Transfer from donated asset reserve	(319)	(85)
Transfer from government grant reserve	(53)	(49)
Non-cash movements in provisions	1,961	869
<b>Total</b>	<b>8,009</b>	<b>9,332</b>

**38. Restatement of 2009/10 statements due to merger accounting**

On 1<sup>st</sup> November 2010 provider services in Norfolk were legally separated from the commissioning activities of Norfolk Primary Care Trust, to form a separate statutory body, Norfolk Community Health and Care NHS Trust.

Guidance from the Treasury Financial Reporting Manual (FReM) states that, the transfer of functions from the responsibility of one part of the public sector to another, will be accounted for using merger accounting.

Following this guidance the primary statements and notes in these accounts have been restated as though the two bodies had always been separated. This is in line with International accounting Standard 1 and merger accounting. Consequently the Statement of Comprehensive Net Income refers only to the commissioning activities of the PCT in 2009/10 and 2010/11; the Statement of Financial Position refers to the commissioning PCT position at 31<sup>st</sup> March 2011, 31<sup>st</sup> March 2010 and 1<sup>st</sup> April 2009. Cash flows are presented only for commissioning activities.

The effect of this restatement on figures previously reported for 2009/10 is set out in the table below.

	Previous reported value £000	Value reclassified under merger accounting £000	Value reported in restated comparatives £000
<b>Statement of Comprehensive Net Expenditure for 2009/10</b>			
Commissioning			
- employee benefits	16,192	(1)	16,191
- other costs	1,045,410	112,584	1,157,994
- income	(32,882)	(9,781)	(42,663)
Provider			
- employee benefits	85,555	(85,555)	0
- other costs	42,603	(42,603)	0
- income	(25,356)	25,356	0
<b>PCT net operating costs before interest</b>	<b>1,131,522</b>	<b>0</b>	<b>1,131,522</b>
<b>Statement of Financial Position as at 31 March 2010</b>			
Property, plant and equipment	87,906	(4,132)	83,774
Intangible assets	129	(18)	111
Other financial assets	172	0	172
<b>Total non-current assets</b>	<b>88,207</b>	<b>(4,150)</b>	<b>84,057</b>
Inventories	554	(546)	8
Trade and other receivables	16,432	(4,474)	11,958
Cash and cash equivalents	2	0	2
<b>Total current assets</b>	<b>16,988</b>	<b>(5,020)</b>	<b>11,968</b>
Trade and other payables	(64,246)	6,415	(57,831)
Provisions	(4,441)	2,755	(1,686)
Borrowings	(100)	0	(100)
<b>Total current liabilities</b>	<b>(68,787)</b>	<b>9,170</b>	<b>(59,617)</b>
Provisions	(1,152)	0	(1,152)
Borrowings	(11,657)	0	(11,657)
<b>Total non-current liabilities</b>	<b>(12,809)</b>	<b>0</b>	<b>(12,809)</b>
<b>Total Assets Employed:</b>	<b>23,599</b>	<b>0</b>	<b>23,599</b>
<b>Statement of cash flows for the year ended 31 March 2010</b>			
Net operating cost before interest	(1,131,522)	0	(1,131,522)
Other cash flow adjustments	10,418	(1,086)	9,332
Movements in Working Capital	5,889	(430)	5,459
Provisions utilised	(1,888)	210	(1,678)
Interest paid	(689)	0	(689)
<b>Net cash outflow from operating activities</b>	<b>(1,117,792)</b>	<b>(1,306)</b>	<b>(1,119,098)</b>
Payments to purchase property, plant and equipment	(11,821)	1,297	(10,524)
Payments to purchase intangible assets	(9)	9	0
Proceeds of disposal of assets held for sale	820	0	820
Loans made in respect of LIFT	(33)	0	(33)
Interest received	24	0	24
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(11,019)</b>	<b>1,306</b>	<b>(9,713)</b>
<b>Net cash inflow/(outflow) before financing</b>	<b>(1,128,811)</b>	<b>0</b>	<b>(1,128,811)</b>

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