

# Annual Report North Norfolk Primary Care Trust 2006/07



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## Introduction

On the 30 September 2006 North Norfolk Primary Care Trust (PCT) ceased to exist under the national Commissioning a Patient-Led NHS (CPLNHS) reconfiguration. Its activities were transferred to the newly formed Norfolk Primary Care Trust (PCT) on the 1 October 2006.

This report covers the six months ending September 2006 and should be read in conjunction with the 2006/07 report for Norfolk PCT.

## Overview of business activity

North Norfolk Primary Care Trust continued to deliver better and more responsive health services and to improve the health of the local people.

The PCT focussed on the patient experience and made good progress in all the national service targets particularly in waiting times for cancer diagnosis and treatment.

The PCT continued to pursue our intermediate care strategy and in July 2006 Wells Cottage Hospital achieved a special mention in the DOH document entitled 'our health our care our community-investing in community hospitals'. This was a commendation of best practice for public involvement and for the social enterprise model.

Whilst it was a difficult 6 months for the trust staff having to contend with the twin challenges of financial recovery and organisational change there was consistently good performance in areas of direct patient service. These included the trust being the best performer consistently in choose and book across the East of England and at one point was the 7th best performer in England.

Our GPs continued to deliver high quality Primary Care and achieved an average of over 97% of available points in the quality and outcomes framework.

Clinicians continued to work on new integrated pathways of care for older people and practitioners with special interests continued to provide locally accessible intermediate surgery.

The three at the top of the PCT:

Diana Clarke	Chief Executive
Bruce Barrell	Chair
Judy Byrne	PEC Chair

By 30 September 2006 the PCT was forecasting a deficit of £16,587,000 for the year, had it stayed as a separate entity. The underlying position was forecast as a deficit of £1,518,000, once non-recurring debt repayments were adjusted. In accordance with Department of Health guidance the accounts for the six months to 30 September 2006 record a balanced position against resource and cash limits. The PCT's financial results for this six month period have been included in those of Norfolk PCT for the year ended 31 March 2007. These are disclosed in Norfolk PCT's 2006/07 Annual Report.

# Accounts

For the Period

to

30 September 2006

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## DIRECTORS' STATEMENTS

### **STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE ORGANISATION.**

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the organisation. 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 PCT;
- the expenditure and income of the PCT has been applied to the purposes intended by Parliament and conform to the authorities who 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  
Julie Garbutt  
Chief Executive of Norfolk PCT

6 July 2007

### 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, the directors are required to:

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



Signed  
Julie Garbutt  
Chief Executive of Norfolk PCT

6 July 2007



Signed  
David Stonehouse  
Director of Finance

Dated: 6 July 2007

## **STATEMENT ON INTERNAL CONTROL FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006**

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

As Chief Executive of the Board of Norfolk PCT, the successor body of North Norfolk PCT, I have assumed the Accountable Officer responsibility from the previous Chief Executive of North Norfolk PCT for making this Statement on Internal Control in respect of the six months ended 30 September 2006.

The Board of North Norfolk PCT (the PCT) was accountable for internal control up to the date of the PCT's disestablishment on 30 September 2006, with the Accountable Officer being personally responsible, as set out in the Accountable Officer Memorandum, for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives and for safeguarding the public funds and the organisation's assets.

During the six months ended 30 September 2006, the PCT worked closely with other organisations through a variety of relationships, such as:

- Service Level Agreements with other NHS organisations to deliver health services to agreed specifications;
- Legal agreements with Norfolk Social Services;
- Performance management arrangements with the Norfolk, Suffolk and Cambridgeshire Strategic Health Authority;
- With patients through the Patients Forum;
- Accountability to the Secretary of State and to Parliament for the performance of functions and meeting statutory duties; and
- With local partners and wider communities, through working in partnership to promote the objectives of our local health delivery plans, the Board meeting in public, through publishing business plans and production of an annual report and accounts.

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

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

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives;
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically;
- Manage our financial resources effectively; and
- Provide a structure for governance within the PCT.

The system of internal control was in place in North Norfolk PCT for the whole of the six months ended 30 September 2006.

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

The Accountable Officer responsibilities include ensuring that sufficient resources are invested in managing risk. The PCT's risk management process was led through executive and non-executive directors with the Director of Nursing and Health Services working with the Acting Director of Finance to ensure that these functions were integrated.

Staff were trained and equipped to manage risk in a way appropriate to their authority and duties and this was done through a documented system of risk assessment, training and from frequent local meetings with them to identify and manage risk. Guidance was provided to staff by the governance team, who provided templates on how to undertake risk assessments and produce risk registers. Evidence of this was presented to the Clinical Governance Committee in order to share experience across the PCT and revise processes as necessary.

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

The risk and control framework was described in the PCT's Assurance Framework and the key features were that the organisation's risks were systematically identified throughout the organisation and a risk register maintained to evaluate and act on these organisation-wide risks. The risk register was also developed into a plan of action to address the most significant risks. Progress against the plan was monitored and reported regularly to the Risk Management Committee and Board.

Staff at all levels in the organisation contributed to the identification and assessment of risk. The risk management actions taken in the period by the PCT include:

- The resolution of many local risks in consultation with the staff that identify these risks. These issues were identified with staff through complaints and critical incidents and often only minor improvements have a significant improvement in working lives;
- Full implementation of the Freedom of Information Act;
- A committee structure that aligned clinical and corporate governance arrangements;
- Maintenance of accreditation against appropriate Improving Working Lives Standards;
- Increased awareness of risk management with all areas contributing to risk assessment;
- Compliance with the National Health Service Litigation Authority Risk Management Standard at level 1b.

The control environment was also supported by standing orders and standing financial instructions, directions on fraud, budgetary control systems, internal audit and information to support performance and risk monitoring processes.

Risk analysis is primarily concerned with quantifying risk in terms of likelihood and impact. In analysing the impact of risk, the PCT considered a wide range of factors, including effect upon patient care, staff well being, financial implications, legal obligations, the potential for impact on service provision and the possibility of claims or complaints against the PCT.

The risk analysis process highlights key priorities and the PCT followed the national guidance in its approach to quantifying risk through a risk scoring system that allowed acceptable and unacceptable risk to be identified. This model assessed the likelihood of an event occurring combined with the possible consequences to provide a standard approach to the assessment of the risk. Calculating risk helps to prioritise action plans. It also demonstrates the reduction of risk through the risk assessment process.

An assurance framework had been established by the Board and the Risk Management Committee. Its key elements included:

- Establishing principal objectives;
- Identifying the principal risks that may threaten the achievement of these objectives. The Board had reviewed its top risks and had reviewed the remainder on a rolling basis via the Risk Management Committee;
- Identifying and evaluating the design of key controls intended to manage these principal risks;
- Setting out the arrangements for obtaining assurance on the effectiveness of key controls across all areas of principal risk;

- Evaluating the assurance across all areas of principal risk;
- Identifying positive assurances and areas where there were gaps in controls and / or assurances;
- Putting in place plans to take corrective action where gaps had been identified in relation to principal risks; and
- Maintaining dynamic risk management arrangements including, crucially, a well founded risk register.

Stakeholders were involved at all stages of the risk management process, including Board level. This involvement included:

- The involvement of the Patient and Public Involvement Forum, North Norfolk District Council, and staff side representatives on the Board and its committees;
- Publication of an annual report and accounts;
- Wide consultation on principal objectives and strategic direction; and
- Documents such as the assurance framework and risk management strategy had been made publicly available.

## **5. Review of effectiveness**

As Accountable Officer of Norfolk PCT, I have assumed responsibility for reviewing the effectiveness of North Norfolk PCT's system of internal control. My review is informed in a number of ways. The head of internal audit has provided me with an opinion on the overall arrangements for gaining assurance through the PCT's Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who had responsibility for the development and maintenance of the system of internal control have provided me with assurance and the Assurance Framework itself has provided me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives had been reviewed.

My review has also been informed by:

- Internal and external audit reports;
- Health and safety reports;
- The NHS Litigation Authority;
- The Healthcare Commission Standards for Better Health declaration;
- the Information Governance Toolkit assessment; and
- the comprehensive governance reports submitted to the Board.

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, Professional Executive Committee, Audit Committee, Risk Management Committee, Performance Committee and the Clinical Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system was in place for the six months ended 30 September 2006. Where appropriate, elements of this plan have been taken forward in the risk management arrangements of Norfolk PCT.

The system of maintaining and reviewing the effectiveness of the system of internal control was achieved through the following committee structure:

- The Board, which had ultimate responsibility for reviewing the effectiveness of the system of internal control;
- The Professional Executive Committee, which gave clinical leadership and direction to the PCT;

- The Audit Committee, which reviewed the adequacy of the risk management system and control measures within the PCT. It coordinated the internal and external audit programmes, and received the reports of the internal and external auditors;
- The Clinical Governance Committee, which reviewed and managed the clinical risk agenda;
- The Risk Management Committee, which oversaw risk management within the organisation;
- The Performance Committee, which monitored the PCT's financial position, progress with financial recovery plans, and performance against key national targets; and
- The directors and senior management team, which managed and delivered the operational agenda and provided advice to the Board.

Internal Audit provided an independent and objective opinion to the Accountable Officer, the Board and the Audit Committee on the degree to which risk management, control and governance supported the achievement of the organisations agreed objectives. The Head of Internal Audit Opinion covered the whole of the six month period and was one of limited assurance. The principal reasons for limited assurance concerned weaknesses in relation to the financial reporting and budgetary control processes that were in place.

## **6. Significant control issues**

Two significant control issue specific to North Norfolk PCT have been identified in relation to the six months ended 30 September 2006, namely its ongoing underlying deficit financial position and the emergence in May 2006 of breakdowns in the controls for forecasting full year expenditure.

The Department of Health has set the PCT's revenue resource limit for the six months ended 30 September 2006 to match its expenditure and the accounts for this period therefore do not report an overspend against the revenue resource limit. The PCT had, however, forecast in September 2006 that it would have incurred an overspend of £16.587 million for the year ended 31 March 2007 had it continued to exist as a separate entity.

The PCT had established a Financial Recovery Plan, which has now been consolidated and further developed within the Financial Recovery Plan of the PCT's successor body, Norfolk PCT. Norfolk PCT has made progress in addressing the control weaknesses concerning the forecasting of full year expenditure in 2006/07 and is ensuring that any residual issues are remedied in 2007/08. Further information on Norfolk PCT's financial position as at 31 March 2007 and its plans for financial recovery are given in Norfolk PCT's Statement on Internal Control and its accounts for 2006/07.

This Statement on Internal Control for North Norfolk PCT should be read in conjunction with the 2006/07 Statement on Internal Control for Norfolk PCT, which includes a number of control issues that applied to the merged body as a whole.

To the best of my knowledge and belief, no significant internal control issues, other than those referred to above, have been identified in relation to the period ended 30 September 2006. As a result of my review, I am satisfied that this Statement on Internal Control provides a fair assessment of the PCT's control system.



Signed  
Julie Garbutt  
Chief Executive of Norfolk PCT

6 July 2007

## **Independent auditors' report to the Directors of the Board of North Norfolk PCT**

### **Opinion on the financial statements**

We have audited the financial statements of North Norfolk PCT for the 6 month period ended 30 September 2006 under the Audit Commission Act 1998, as applicable to the audit of part year financial statements. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report, including the opinion, has been prepared for and only for the Board of North Norfolk PCT in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Respective responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the financial statements and the Remuneration Report in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities. The Chief Executive's responsibility, as Accountable Officer, for ensuring the regularity of transactions is set out in the Statement of the Chief Executive's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether 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 as being relevant to the National Health Service in England. We also report whether 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.

We review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements "The Statement on Internal Control 2003/04" issued on 15 September 2003, "Statement on Internal Control 2005/06 – Disclosures", issued on 7 April 2006 and "Statements on Internal Control (SICs) 2006/2007 – reorganisation of SHA, PCTs and Ambulance Trusts" issued in June 2006. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the PCT's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, as applicable to the audit of part year financial statements, which requires compliance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the PCT's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the PCT's affairs as at 30 September 2006 and of its net operating costs for the period then ended;
- 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 as being relevant to the National Health Service in England; and
- 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.

## **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, as applicable to the audit of part year financial statements.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**

Norwich  
9 July 2007

## **FOREWORD TO THE ACCOUNTS**

North Norfolk Primary Care Trust

These accounts for the period 1 April 2006 to 30 September 2006 have been prepared by the North 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.

**OPERATING COST STATEMENT FOR THE PERIOD ENDED  
30 September 2006**

	NOTE	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
<b>Commissioning</b>			
Gross Operating Costs	4	<b>68,428</b>	128,539
Less: Miscellaneous Income	3	<b>(5,149)</b>	(7,643)
Commissioning Net Operating Costs		<b>63,279</b>	120,896
<b>Provider</b>			
Gross Operating Costs	4	<b>6,066</b>	11,821
Less: Miscellaneous Income	3	<b>(522)</b>	(1,238)
Provider Net Operating Costs		<b>5,544</b>	10,583
<b>Net Operating Cost for the Financial Period</b>		<b>68,823</b>	131,479

The notes on pages 15 to 46 form part of this account.

**STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED  
30 September 2006**

	1/4/06 - 30/9/06	12 Months 2005/06
	£000	£000
Unrealised surplus / (deficit) on fixed asset revaluations/indexation	(1,277)	414
Increase in the donated asset reserve and government grant reserve due to receipt of donated and government granted assets	0	33
Additions in the General Fund due to the transfer of assets from NHS bodies	<u>0</u>	<u>203</u>
<b>Recognised gains and losses for the financial period</b>	<b><u>(1,277)</u></b>	<b><u>650</u></b>

The notes on pages 15 to 46 form part of this account.

**BALANCE SHEET AS AT  
30 September 2006**

	NOTE	30 September 2006 £000	31 March 2006 £000
<b>FIXED ASSETS</b>			
Intangible assets	9	15	17
Tangible assets	10.1	11,207	12,653
Investments	10.4	<u>37</u>	<u>37</u>
		<b>11,259</b>	12,707
<b>CURRENT ASSETS</b>			
Stocks and work in progress	11	35	35
Debtors	12	2,694	2,357
Cash at bank and in hand	16.3	<u>295</u>	<u>1</u>
<b>TOTAL CURRENT ASSETS</b>		<b>3,024</b>	2,393
CREDITORS : Amounts falling due within one year	13.1	<u>(9,423)</u>	<u>(20,787)</u>
<b>NET CURRENT (LIABILITIES)</b>		<b>(6,399)</b>	<b>(18,394)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,860</b>	(5,687)
Creditors: Amounts falling due after more than one year	13.1	0	(383)
Provisions for liabilities and charges	14	<u>(136)</u>	<u>(136)</u>
<b>TOTAL ASSETS EMPLOYED / (LIABILITIES)</b>		<b><u>4,724</u></b>	<b><u>(6,206)</u></b>
<b>FINANCED BY:</b>			
<b>TAXPAYERS EQUITY</b>			
General Fund	15	2,897	(9,327)
Revaluation reserve	15	1,143	2,446
Donated asset reserve	15	465	469
Government grant reserve	15	<u>219</u>	<u>206</u>
<b>TOTAL TAXPAYERS EQUITY</b>		<b><u>4,724</u></b>	<b><u>(6,206)</u></b>

The notes on pages 15 to 46 form part of this account.

The financial statements on pages 10 to 46 were approved by the Board on 6 July 2007 and signed on its behalf by

Chief Executive:

Date:

**CASH FLOW STATEMENT FOR THE PERIOD ENDED**  
**30 September 2006**

	NOTE	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
<b>OPERATING ACTIVITIES</b>			
<b>Net cash outflow from operating activities</b>	16.1	<b>(81,155)</b>	(120,047)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(333)	(463)
Receipts from sale of tangible fixed assets		688	0
Payments to acquire fixed asset investments		<u>0</u>	<u>(23)</u>
<b>Net cash outflow from capital expenditure</b>		<b>355</b>	<b>(486)</b>
<b>Net cash outflow before financing</b>		<b><u>(80,800)</u></b>	<b><u>(120,533)</u></b>
<b>FINANCING</b>			
Net Parliamentary Funding		81,094	120,322
Capital grants received		<u>0</u>	<u>210</u>
<b>Net cash inflow from financing</b>		<b>81,094</b>	<b>120,532</b>
<b>Increase/(decrease) in cash</b>	16.2	<b><u>294</u></b>	<b><u>(1)</u></b>

The notes on pages 15 to 46 form part of this account.

## NOTES TO THE ACCOUNTS

### Note 1. Accounting policies

The financial statements have been prepared in accordance with the 2005/06 PCT manual for accounts which reflects the requirements of the Financial Reporting Manual (FRM) issued by HM Treasury as they are relevant to the NHS. The particular accounting policies adopted by the Primary Care Trust (PCT) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets, and stock where material, at their value to the business by reference to current costs. This is in accordance with directions issue by the Secretary of State and approved by HM Treasury.

As a consequence of "Commissioning a Patient Led NHS", North Norfolk PCT was disestablished on 30 September 2006 when its activities were transferred to its successor body, Norfolk PCT, which was established on 1 October 2006. In accordance with central NHS merger accounting guidance, Norfolk PCT has prepared accounts for the year ended 31 March 2007. North Norfolk PCT's assets and liabilities at 31 March 2006 have been included in Norfolk PCT's opening balance sheet as at 1 April 2006, and its transactions for the six months ended 30 September 2006 have been included in Norfolk PCT's 2006/07 accounts. Other than employment termination costs, which have been accrued for in Norfolk PCT's 2006/07 accounts, there have been no costs incurred, any impairments in asset values, or any additional provisions required as a result of North Norfolk PCT's disestablishment on 30 September 2006.

PCTs are not required to disclose historical cost surpluses or deficits. This is a departure from UK Financial Reporting Standards directed by the Secretary of State.

#### a) Income 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 income is income which relates directly to the operating activities of the PCT. It principally comprises fees and charges for services. It includes both income appropriated-in-aid of the Vote and income to the consolidated fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income has been received for a specific activity to be delivered in the following financial year, that income will be deferred.

#### b) Acquisitions and Discontinued Operations

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

#### c) 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.

#### d) Fixed Assets

##### i) Capitalisation

All assets falling into the following categories are capitalised:

**Intangible assets** which can be valued, are capable of being used in a PCT's activities for more than one year and have a cost equal to or greater than £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised on a straight line basis over the shorter of the term of the licence and their useful economic lives (this is currently taken to be 5 years).

**Tangible assets** which are capable of being used for a period which exceeds one year and which:

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000 and individually cost more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective costs; or
- form part of an I.T. network which collectively has a cost of more than £5,000 and individually have a cost of more than £250.

The finance costs of bringing fixed assets into use are not capitalised.

## ii) Valuation

Intangible fixed assets held for operational use are valued at historical cost, except research and development which is valued using appropriate index figures. Surplus intangible assets are valued at the net recoverable amount.

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

### Land, Buildings, Installations and Fittings

Land and buildings are restated at current cost using professional valuations at five-yearly intervals in accordance with FRS15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building and land values reported in the Property Market Report published by the Valuation Office and included in the manual for accounts. Valuations are carried out by the District Valuers of the Inland Revenue Government Department at five-yearly intervals. A five-yearly revaluation was carried out as at 1 April 2005. A further valuation was carried out by an independent surveyor under instruction from the PCT as at 1 April 2006 (see note 10).

The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. The Department of Health has directed certain departures from the RICS Appraisal and Valuation Manual in this and all preceding periodic NHS valuation exercises. The most significant of these are as follows:

- specialised operational NHS assets are valued on the basis that the existing building will be replaced by an asset of similar construction, whereas the RICS Appraisal and Valuation Manual requires the valuer to have regard to a modern substitute building where the cost is lower, except in cases where there is a paramount commitment to the retention of an existing building;
- in valuing assets under construction, no deduction is made for the risk of failure to complete the project, whereas the RICS Appraisal and Valuation Manual requires such deductions to be made;
- additional assumptions, in addition to those required by the RICS Appraisal and Valuation Manual, are required in the valuation of non-operational assets to market value:
  - the NHS body is assumed not to be in the market for the asset;
  - regard is had to dividing properties into lots to achieve the best price;
  - no adjustments are made to reflect hypothetical "flooding of the market";

- the RICS Appraisal and Valuation Manual requires adjustments to be made to the valuation of a building in respect of dilapidations. The Department of Health has directed that such adjustments should not be made for NHS properties. However, dilapidations are still reflected in the remaining useful economic life attached to properties;

- no adjustments are made to valuations for perceived functional or economic obsolescence, whereas the RICS Appraisal and Valuation Manual includes such adjustments.

In accordance with the requirements of the Department of Health, the asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on 31 March 2005.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The independent surveyor has determined the vast majority of the property is non-specialised and is therefore valued at Existing Use Value.

In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value. Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged to the Revaluation Reserve. These falls in value result from the adoption of ideal conditions as the basis for Depreciated Replacement Cost valuations.

#### **Fixed asset investments**

Fixed asset investments in Norlife Fundco 1 Ltd are recorded at initial cost rather than market value, as the level of equity as opposed to debt is immaterial (less than £1,000).

#### **Equipment**

Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at estimated net current replacement cost through annual uplift by the change in the value of the GDP deflator, other than IT equipment which is considered to have nil inflation.

#### **Assets in the course of construction**

Assets in the course of construction are valued at current cost using the index as for land and buildings (see above). These assets include any existing land or buildings under the control of a contractor.

#### **Residual interests in off-balance sheet Private Finance Initiative properties**

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets under "assets under construction and payments on account" where the PFI contract specifies the amount at which the assets will be transferred to the PCT at the end of the contract. The residual interest is built up during the life of the contract by capitalising the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance.

#### **iii) Depreciation, amortisation and impairments**

Depreciation is charged on a straight-line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off-balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the Primary Care Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer.

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset, which ranges from 5 to 15 years.

Vehicles are depreciated over 7 years.

Where buildings and their underlying or associated land are to be disposed of, they will be subject to an impairment review and revalued or subject to depreciation to reach open market value for alternative use at the point at which they are taken out of operational use. In these circumstances, the building and its underlying or associated land are treated as one single asset for the purposes of the impairment review. Consequently, movements in the value of land and buildings are considered together in these circumstances when calculating any impairment to be charged to revenue or recognised in the statement of total recognised gains and losses.

Intangible assets are amortised over the estimated lives of the assets, which are currently taken to be 5 years.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5000 or more is incurred. They are amortised over the shorter of the term of the license and their useful economic lives.

#### **iv) Donated assets**

Donated tangible fixed assets are capitalised at their valuation on receipt and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year an amount equal to the depreciation charge on the asset is released from the Donated Asset reserve to the Operating Cost Statement of the Primary Care Trust. Donated assets are revalued and depreciated as described above for purchased assets.

#### **v) Government grants**

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Government grants in respect of capital expenditure are credited to a government grant reserve and are released to the Operating Cost Statement over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to miscellaneous income in the Operating Cost Statement so as to match them with the expenditure to which they relate. The Government Grant Reserve is revalued each year to match the net book value of the assets it has financed.

#### **e) Cash, Bank and overdraft**

Cash, bank and overdraft balances are recorded at current values. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

#### **f) Pooled budgets**

The PCT has entered into a pooled budget arrangement with Norfolk County Council. Under this arrangement funds are pooled under s31 of the Health Act 1999 for the provision of services to people with learning difficulties, and a memorandum note to the accounts provides details of the joint income and expenditure. 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 income and expenditure of the pool as determined by the pooled budget agreement.

There are also two smaller pooled budget arrangements between Norfolk County Council and the six Norfolk PCTs. The Drugs Action Team pooled fund is hosted by Norwich PCT, and Medicines Support pooled fund by Norfolk County Council. Memorandum accounts for these funds are shown at Note 26 to the accounts.

**g) Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Primary Care Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payment discounted by the interest rate implicit in the lease. The interest element of finance leases payments is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight line basis over the term of the lease.

**h) Private Finance Initiative**

The amendment to FRS5 dealing with Private Finance Initiative contracts was adopted by the NHS from 1999/2000. The NHS follows HM Treasury's '*Technical Note 1 (revised) How to Account for PFI transactions*' which provides practical guidance for the application of the FRS5 amendment

PFI schemes are schemes under which premises and facilities are constructed and run by private sector organisations in return for annual payments from the PCT for the services provided at those premises or facilities.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the PCT has contributed land or buildings to the PFI provider to be used in the PFI scheme, a prepayment is recognised, valued at the net present value of the resulting reduction in the unitary charge payable under the PFI contract, and amortised over the life of the PFI contract by charge to the Operating Cost Statement. Where, at the end of a PFI contract, a property reverts to the PCT, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Primary Care Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

**i) Stocks and work-in-progress**

Stocks comprise raw materials and consumables and are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

**j) Research and development**

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- there is a clearly defined project
- the related expenditure is separately identifiable
- the outcome of the project has been assessed with reasonable certainty as to:
  - its technical feasibility
  - its resulting in a product or service which will eventually be brought into use
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increase in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Primary Care Trusts are unable to disclose the total amount of research and development expenditure charged to the Operating Cost Statement because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

**k) Provisions**

The Primary Care Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms (2.2% in 2005/06).

The PCT has established 'back to back' arrangements with NHS Trusts under HSC 1999/146. Under these arrangements PCTs are required to agree creditors with Trusts to match their unavoidable provisions (which include injury benefit claims and early retirement costs) so that Trusts can continue to meet their duty to break even year on year. These provisions are matched by an adjustment to the PCT's resource allocation so there is no effect on the PCT's ability to achieve operational financial balance.

**l) Clinical Negligence Costs**

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Primary Care Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Primary Care Trust.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2006/07 relates to the Primary Care Trust's contribution to the Clinical Negligence Scheme for Trusts.

**Non-clinical risk pooling**

The Primary Care Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Primary Care Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses as and when they become due.

**m) 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 Primary Care Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, Note 24 is compiled directly from the losses and compensations register which is prepared on a cash basis.

**n) Pension 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. As a consequence it is not possible for the Primary Care Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999.

Between valuations, the Government Actuary provides an update of the scheme liabilities. 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 Agency website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

Until 2002/03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003/04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004/05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%.

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Operating Cost Statement account at the time the Primary Care Trust commits itself to the retirement, regardless of the method of payment.

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

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

**o) Foreign currency**

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

**p) Third Party Assets**

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Primary Care Trust has no beneficial interest in them. Details of third party assets are given in Note 23 to the accounts and Note 16.3 for patient monies.

**q) Cost of Capital Charge**

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to the cost of capital charge in the financial year 2006/2007 was 3.5% (2005/2006: 3.5%) on all assets less liabilities, except for cash balances with the Office of the Paymaster General (OPG) and for donated assets where the charge is nil.

**r) Financial instruments**

The PCT may hold any of the following financial assets and liabilities:

**Assets**

- investments
- long-term debtors and accrued income
- short-term debtors and accrued income (not disclosed in note 22 under exemptions permitted by FRS13).

**Liabilities**

- loans and overdrafts
- long-term creditors
- short-term creditors (not disclosed in note 22 under exemptions permitted by FRS13)
- provisions arising from contractual arrangements
- finance lease obligations.

Fixed asset investments in Norlife Fundco 1 Ltd are recorded at initial cost rather than market value, as the level of equity as opposed to debt is immaterial (less than £1,000).

PCTs have no powers to invest or borrow and can only draw cash from the Office of the Paymaster General when it is required. Cash, Bank and Overdraft balances are recorded at current values. Account balances are set-off only where there is a formal agreement with the bank to do so. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

The PCT inherited no finance leases when it came into existence. The PCT will only enter into finance leases where these represent better value for money than purchasing or other leasing arrangements.

All other financial instruments are held for the sole purpose of managing the cash flow of the PCT on a day-to-day basis or arise from the operating activities of the PCT. The management of risks around these financial instruments therefore relates primarily to the PCT's overall arrangements for managing risks to their financial position.

**Note 2. Financial Performance Targets**

**Note 2.1 Operational Financial Balance**

	<b>1/4/06 -</b>	12 Months
	<b>30/9/06</b>	2005/06
	<b>£000</b>	£000
The PCT's performance to 30 September 2006 is as follows:		
Total net operating cost for the financial year	68,823	131,479
Less: non-discretionary Expenditure	<u>345</u>	<u>2,230</u>
<b>Operating Costs less non-discretionary expenditure</b>	<b>68,478</b>	<b>129,249</b>
Revenue Resource Limit	<u>68,478</u>	<u>117,030</u>
<b>Overspend against Revenue Resource Limit</b>	<b><u>0</u></b>	<b><u>(12,219)</u></b>
<b>Operational Financial Balance</b>	<b><u>0</u></b>	<b><u>(12,219)</u></b>

In accordance with Department of Health guidance, the Revenue Resource Limit for the six months ended 30 September 2006 has been set to equal the net operating costs for the period.

Under NHS merger accounting requirements, the PCT's net operating costs for this period have, together with those of West Norfolk PCT, Norwich PCT, Southern Norfolk PCT and Broadland PCT been included in the accounts of the successor body, Norfolk PCT, for the year ended 31 March 2007.

Norfolk PCT's net operating costs for the year ended 31 March 2007 exceed its 2006/07 Revenue Resource Limit by £47million.

**Note 2.2. Capital Resource Limit**

	<b>1/4/06 -</b>	12 Months
	<b>30/9/06</b>	2005/06
	<b>£000</b>	£000
The PCT is required to keep within its Capital Resource Limit		
Gross Capital Expenditure	96	714
less: Net book value of assets disposed of	<u>0</u>	<u>(494)</u>
<b>Charge Against the Capital Resource Limit</b>	<b><u>96</u></b>	<b><u>220</u></b>
<b>Capital Resource Limit</b>	<u>96</u>	<u>478</u>
<b>Underspend against Capital Resource Limit</b>	<b><u>0</u></b>	<b><u>258</u></b>

In accordance with guidance on completion of these accounts, the PCT has matched its Capital Resource Limit as at 30 September 2006 to its net capital expenditure.

**Note 2.3. Provider full cost recovery duty**

The PCT is required to recover full costs in relation to its provider functions. The performance for the period to 30 September 2006 is as follows:

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
Provider gross operating cost	6,066	11,821
less: Miscellaneous income relating to provider functions	<u>(522)</u>	<u>(1,238)</u>
<b>Net Operating Cost</b>	5,544	10,583
less: Costs met from PCT's own allocation	<u>(5,576)</u>	<u>(9,443)</u>
<b>Under / (over) recovery of costs</b>	<u><b>(32)</b></u>	<u><b>1,140</b></u>

**Note 3. Miscellaneous Income**

	<b>£000</b>	<b>£000</b>	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
	<b>Appropriated In Aid*</b>	<b>Not Appropriated In Aid</b>		
Dental charge income**	502	0	<b>502</b>	26
Prescription charge income	162	0	<b>162</b>	332
Strategic Health Authorities	0	7	<b>7</b>	133
NHS Trusts	0	83	<b>83</b>	258
Primary Care Trusts - other	0	561	<b>561</b>	1,369
Primary Care Trusts - Lead Commissioning Income	0	4,032	<b>4,032</b>	5,965
Local Authorities	47	0	<b>47</b>	87
Patient Transport Services	0	0	<b>0</b>	0
Education, Training and Research	0	43	<b>43</b>	136
Transfer from the donated asset reserve	0	13	<b>13</b>	28
Transfer from the Government Grant reserve	0	4	<b>4</b>	8
Other income	<u>217</u>	<u>0</u>	<u><b>217</b></u>	<u>539</u>
<b>TOTAL MISCELLANEOUS INCOME</b>	<u><b>928</b></u>	<u><b>4,743</b></u>	<u><b>5,671</b></u>	<u><b>8,881</b></u>

\* Appropriated in aid income is income from outside of the NHS boundary and is therefore in addition to funding from the Department of Health. Therefore, any funding from the Department of Health or income from other NHS bodies is not appropriated in aid.

\*\* From 1 April 2006, PCTs became responsible for commissioning general dental services. As a consequence of this, the PCT now receives patient charge income collected by dentists. In 2005/06 the equivalent income was for one PDS scheme.

**Note 4. Operating Costs**

	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
<b>Note 4.1 Analysis of gross operating costs:</b>		
<b>Goods and services from other Primary Care Trusts</b>		
Healthcare	9,529	19,029
Non Healthcare	1,616	3,318
<b>Total</b>	<b>11,145</b>	<b>22,347</b>
<b>Goods and services from other NHS bodies excluding Foundation Trusts</b>		
Healthcare	27,612	55,379
Non Healthcare	93	89
<b>Total</b>	<b>27,705</b>	<b>55,468</b>
Goods and Services from Foundation Trusts	216	61
Purchase of healthcare from non-NHS providers	7,174	12,277
Expenditure on Drugs Action Teams	119	186
Personal Dental Services	68	131
PCT Board members' costs	128	258
PCT Executive Committee non-officer members' costs	44	99
Staff costs	6,254	11,487
Prescribing costs	9,395	17,980
GMS/PMS/APMS/PCTMS	7,390	14,333
Pharmaceutical Services	972	1,886
General Dental Services*	1,837	26
General Ophthalmic Services	345	651
Supplies and services - clinical	236	548
Supplies and services - general	20	46
Establishment	271	509
Transport	1	2
Premises	490	897
Depreciation and amortisation	267	494
(Profit) on disposal of fixed assets	0	(165)
Cost of capital charge	(47)	(48)
Audit fees	64	148
Clinical negligence costs	1	6
Other finance costs - unwinding of discount	0	4
Change in the discount rate on provisions	n/a	17
Other	399	712
<b>Total</b>	<b>74,494</b>	<b>140,360</b>

Lead commissioning arrangements between PCTs are accounted for as follows. Where North Norfolk PCT is the lead commissioner the expenditure in the above table includes expenditure with the provider made on behalf of other PCTs and the income received from them is shown as miscellaneous income. Similarly where another PCT is a lead commissioner and makes payments on our behalf, our payments to them are shown as purchase of goods or services from other Primary Care Trusts. Where no lead commissioning arrangements exist and the PCT directly commissions a service for its population only this expenditure is included above.

\* From 1 April 2006, PCTs became responsible for commissioning general dental services. Previously this expenditure was not charged to PCTs so there is no equivalent comparator for 2005/06.

**Note 4.2 Analysis of operating expenditure by expenditure classification**

<b>Note 4.2 Purchase of Health Care by PCT</b>	<b>1/4/06 - 30/9/06 £000</b>	<b>12 Months 2005/06 £000</b>
<b>Purchase of Primary Health Care</b>		
GMS / PMS/ APMS / PCTMS	7,390	14,301
Prescribing costs	9,395	17,980
Pharmaceutical services	972	1,886
General Dental Services*	1,837	26
General Ophthalmic Services	345	651
Personal Dental Services (PDS)	68	131
<b>Total Primary Healthcare purchased</b>	<b>20,007</b>	<b>34,975</b>
<b>Purchase of Secondary Healthcare</b>		
Learning Difficulties	2,808	5,740
Mental Illness	6,307	12,632
Maternity	1,344	2,651
General and Acute	27,002	52,915
Accident and Emergency	728	1,436
Community Health Services	9,512	16,470
<b>Total Secondary Healthcare Purchased</b>	<b>47,701</b>	<b>91,844</b>
Grants (revenue) to fund Capital Projects - GMS	0	32
<b>TOTAL HEALTHCARE PURCHASED BY PCT</b>	<b>67,708</b>	<b>126,851</b>
<b>Amount of self-commissioned secondary healthcare included above**</b>	<b>5,576</b>	<b>9,443</b>
<b>Healthcare purchased from Foundation Trusts included above</b>	<b>216</b>	<b>61</b>

\* From 1 April 2006, PCTs became responsible for commissioning general dental services. Previously this expenditure was not charged to PCTs so there is no equivalent comparator for 2005/06.

\*\* 'Self-commissioned secondary healthcare' refers to funds that the PCT has allocated to fund secondary healthcare that it has provided itself (see Note 2.3).

**Note 4.3 Operating Leases**

**4.3/1 Operating expenses include:**

	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
	<b>£000</b>	£000
Other operating lease rentals	<u>31</u>	<u>65</u>
<b>Total</b>	<b><u>31</u></b>	<b><u>65</u></b>

**Note 4.3/2 Annual commitments under non - cancellable operating leases are:**

	<b>1/4/06 - 30/9/06</b>	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06	12 Months 2005/06
	<b>Land and buildings</b>	<b>Other leases</b>	Land and buildings	Other leases
	<b>£000</b>	<b>£000</b>	£000	£000
<b>Operating leases which expire:</b>				
Within 1 year	0	24	0	23
Between 1 and 5 years	<u>0</u>	<u>55</u>	<u>0</u>	<u>57</u>
<b>Total</b>	<b><u>0</u></b>	<b><u>79</u></b>	<b><u>0</u></b>	<b><u>80</u></b>

**Note 5. Staff numbers and related costs****Note 5.1 Staff costs**

	1/4/06 - 30/9/06			12 Months 2005/06		
	Total £000	Permanently Employed £000	Other £000	Total £000	Permanently Employed £000	Other £000
Salaries and wages	5,711	3,569	2,142	10,470	6,899	3,571
Social security costs	264	264	0	505	505	0
Employer contributions to NHSPA	451	451	0	869	869	0
Other pension costs	0	0	0	0	0	0
<b>Total</b>	<b>6,426</b>	<b>4,284</b>	<b>2,142</b>	<b>11,844</b>	<b>8,273</b>	<b>3,571</b>

"Other" mainly relates to agency costs incurred by the PCT in its role as lead commissioner for continuing care.

There are no figures disclosed for social security costs or employer contributions to NHSPA for "Other" staff, as these are mainly agency staff employed by private organisations. As such, the PCT has no responsibility for payment of national insurance or pension contributions for these staff, and costs for these elements are not identified on invoices.

**Note 5.2 Staff Numbers**

	1/4/06 - 30/9/06			12 Months 2005/06		
	Total Number	Permanently Employed Number	Other Number	Total Number	Permanently Employed Number	Other Number
Medical and dental	1	1	0	1	1	0
Ambulance staff	0	0	0	0	0	0
Administration and estates	51	47	4	52	46	6
Healthcare assistants & other support staff	2	2	0	4	4	0
Nursing, midwifery & health visiting staff	314	193	121	284	189	95
Nursing, midwifery & health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	35	35	0	39	38	1
Social Care staff	1	0	1	1	0	1
Other	1	1	0	1	1	0
<b>Total</b>	<b>405</b>	<b>279</b>	<b>126</b>	<b>382</b>	<b>279</b>	<b>103</b>

**Note 5.3 Employee benefits**

There are no employee benefits in the period April to September 2006 (nil 2005/06).

**Note 5.4 Retirements due to ill-health**

During April to September 2006 there were no early retirements from the Primary Care Trust agreed on the grounds of ill-health (2005/06 nil). The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £0 (2005/06 £0).

**Note 5.5 Management costs**

The PCT measures its management costs according to the definitions provided by the Department of Health on <http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en>.

	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
Management costs (£000s)	1,278	2,386
Weighted population (Number)	98,385	98,385
<b>Management cost per head of weighted population (£)</b>	<b>12.99</b>	<b>24.25</b>
<b>Management costs as a percentage of gross operating costs</b>	<b>1.72%</b>	<b>1.70%</b>

**Note 6. Better Payment Practice Code**

**Note 6.1 Better Payment Practice Code - measure of compliance**

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

	<b>1/4/06 - 30/9/06</b>	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06	12 Months 2005/06
	<b>Number</b>	<b>£000</b>	Number	£000
<b>Non-NHS Creditors</b>				
Total bills paid in the year	2,338	4,905	4,346	6,436
Total bills paid within target	2,086	4,310	3,513	5,249
Percentage of bills paid within target	<b>89.22%</b>	<b>87.87%</b>	<b>80.83%</b>	<b>81.56%</b>
<b>NHS Creditors</b>				
Total bills paid in the year	611	50,237	701	72,306
Total bills paid within target	344	34,353	437	57,085
Percentage of bills paid within target	<b>56.30%</b>	<b>68.38%</b>	<b>62.34%</b>	<b>78.95%</b>

**Note 6.2 The Late Payment of Commercial Debts (Interest) Act 1998**

No interest was paid in either April to September 2006 or in 2005/06 in respect of late payment of debts.

**Note 7. Profit/(Loss) on Disposal of Fixed Assets**

	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
	<b>£000</b>	£000
Profit/(loss) on the disposal of fixed assets is made up as follows:		
Profit on disposal of land and buildings	0	165
<b>Total</b>	<b>0</b>	<b>165</b>

**Note 8. Interest Payable**

No interest was payable in April to September 2006 or in 2005/06.

**Note 9. Intangible Fixed Assets**

	<b>Software licences £000</b>	<b>Total £000</b>
Gross cost at 1 April 2006	21	21
<b>Gross cost at 30 September 2006</b>	<b>21</b>	<b>21</b>
Accumulated amortisation at 1 April 2006	4	4
Provided during the year	2	2
<b>Accumulated amortisation at 30 September 2006</b>	<b>6</b>	<b>6</b>
- Purchased at 1 April 2006	17	17
Total at 1 April 2006	17	17
- Purchased at 30 September 2006	15	15
<b>Total at 30 September 2006</b>	<b>15</b>	<b>15</b>

**Note 10. Tangible Fixed Assets**

**Note 10.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	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
Cost or valuation at 1 April 2006	3,042	9,164	31	235	300	34	<b>12,806</b>
Additions - purchased	0	0	96	0	0	0	<b>96</b>
Indexation	101	624	3	5	0	1	<b>734</b>
Reclassifications	0	0	0	(8)	8	0	<b>0</b>
Other in year revaluation	(1,273)	(737)	0	0	0	0	<b>(2,010)</b>
<b>At 30 September 2006</b>	<b>1,870</b>	<b>9,051</b>	<b>130</b>	<b>232</b>	<b>308</b>	<b>35</b>	<b>11,626</b>
Accumulated depreciation at 1 April 2006	0	0	0	87	65	1	<b>153</b>
Provided during the year	0	212	0	17	32	4	<b>265</b>
Indexation	0	0	0	1	0	0	<b>1</b>
<b>Accumulated depreciation at 30 September 2006</b>	<b>0</b>	<b>212</b>	<b>0</b>	<b>105</b>	<b>97</b>	<b>5</b>	<b>419</b>
Net book value							
- Purchased at 1 April 2006	3,034	8,497	31	148	235	33	<b>11,978</b>
- Donated at 1 April 2006	8	461	0	0	0	0	<b>469</b>
- Government Granted at 1 April 2006	0	206	0	0	0	0	<b>206</b>
Total at April 2006	<b>3,042</b>	<b>9,164</b>	<b>31</b>	<b>148</b>	<b>235</b>	<b>33</b>	<b>12,653</b>
Net book value							
- Purchased at 30 September 2006	1,854	8,171	130	127	211	30	<b>10,523</b>
- Donated at 30 September 2006	16	449	0	0	0	0	<b>465</b>
- Government Granted at 30 September 2006	0	219	0	0	0	0	<b>219</b>
<b>Total at 30 September 2006</b>	<b>1,870</b>	<b>8,839</b>	<b>130</b>	<b>127</b>	<b>211</b>	<b>30</b>	<b>11,207</b>

**Note 10.1 Tangible Fixed Assets (continued)**

An independent firm of surveyors, Boshier & Co., who are members of the Royal Institute of Chartered Surveyors, conducted a valuation of the PCT property portfolio with effect from 1 April 2005. The basis of the valuation used was that most properties could be valued at Existing Use Value (EUV), rather than the Depreciated Replacement Cost (DRC) traditionally used by the District Valuer. Any remaining specialised properties continued to be valued at DRC and non-operational property was valued to Market Value. In the valuation no allowance has been made for costs of acquisition or realisation. The property portfolio was valued by these methods at £9,522,000 compared to the opening net book value of £11,531,000. This has resulted in a decrease in the depreciation charge for the period to September 2006 of approximately £7,000 and a decrease in the cost of capital charges of £38,000.

Of the totals at 30 September 2006, £0 related to land valued at open market value (2005/06 £0) and £0 related to buildings, installations and fittings valued at open market value (2005/06 £0).

There have been no material changes in estimated useful economic life / residual value during April to September 2006 (nil 2005/06).

**Note 10.2 Net book value of assets held under finance leases and hire purchase contracts at the balance sheet date**

There were no assets held under finance leases and hire purchase contracts at the balance sheet date (nil 2005/06).

**The total amount of depreciation charged to the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts:**

There was no depreciation charged to the Operating Cost Statement in respect of assets held under finance leases and hire purchase contracts (nil 2005/06).

**Note 10.3 The net book value of land and buildings at 30 September 2006 comprises:**

	<b>30 September 2006</b>	<b>Purchased</b>	<b>Donated</b>	<b>Government Granted</b>	<b>31 March 2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Freehold	<b>9,990</b>	9,306	465	219	11,689
Long leasehold	<b>719</b>	719	0	0	517
<b>Total</b>	<b><u>10,709</u></b>	<b><u>10,025</u></b>	<b><u>465</u></b>	<b><u>219</u></b>	<b><u>12,206</u></b>

**Note 10.4 Fixed assets investments**

	<b>Loan-stock</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>
Balance as at 31 March 2006	<u>37</u>	<u>37</u>
Balance as at 30 September 2006	<b><u>37</u></b>	<b><u>37</u></b>

The fixed asset investment relates to an investment of £36,933 in the LIFT Company (Norlife Fundco 1 Ltd). This comprises debt of £36,533 and equity of £400. For further information in relation to LIFT see note 21.

**Note 11. Stock and work in progress**

	<b>30 September 2006</b>	31 March 2006
	<b>£000</b>	£000
Raw materials and consumables	<u>35</u>	<u>35</u>
<b>Total</b>	<b><u>35</u></b>	<b><u>35</u></b>

**Note 12. Debtors**

	<b>30 September 2006</b>	31 March 2006
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
NHS debtors	<b>371</b>	1,330
Other prepayments and accrued income	<b>2,005</b>	52
Capital debtors	<b>0</b>	688
Other debtors	<b>318</b>	287
<b>Total</b>	<b><u>2,694</u></b>	<b><u>2,357</u></b>

**NHS Debtors include;**

- no prepaid pension contributions at 30 September 2006 (31 March 2006 £0); and
- no prepayments from the buyout of early retirements (31 March 2006 £0).

**Note 13. Creditors**

**Note 13.1 Creditors at the balance sheet date are made up of:**

	<b>30 September 2006</b>	31 March 2006
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
NHS creditors	<b>3,452</b>	12,200
Family Health Services (FHS) creditors	<b>3,359</b>	3,007
Non - NHS trade creditors - revenue	<b>0</b>	2,408
Non - NHS trade creditors - capital	<b>15</b>	252
Tax and social security costs	<b>169</b>	349
Other creditors	<b>107</b>	243
Accruals and deferred income	<b>2,321</b>	2,328
	<b>9,423</b>	20,787
<b>Amounts falling due after more than one year:</b>		
Other	<b>0</b>	383
	<b>0</b>	<b>383</b>
<b>Total</b>	<b>9,423</b>	<b>21,170</b>

NHS creditors include;

- no payments due in future years under arrangements to buy out the liability for early retirements over 5 years (2005/06 £0); and
- £103,204 outstanding pensions contributions (employer's and employees' contributions) at 30 September 2006 (£109,644 at 31 March 2006). This is included within "Other creditors".

**Note 13.2 Finance lease obligations**

The PCT has no finance lease obligations as at 30 September 2006 (nil 2005/06).

**Note 13.3 Finance Lease Commitments**

The PCT has no finance lease commitments as at 30 September 2006 (nil 2005/06).

**Note 14. Provisions for liabilities and charges**

	Other £000	<b>Total £000</b>
At 1 April 2006	136	<b>136</b>
Arising during the period	0	<b>0</b>
Utilised during the period	0	<b>0</b>
Reversed unused	0	<b>0</b>
Unwinding of discount	0	<b>0</b>
<b>At 30 September 2006</b>	<b><u>136</u></b>	<b><u>136</u></b>
<b>Future Payments to NHS trusts</b>	132	<b>132</b>
<b>Expected timing of cash flows:</b>		
Within 1 year	12	<b>12</b>
1 - 5 years	29	<b>29</b>
Over 5 years	95	<b>95</b>

£132,000 of the PCT's provisions are made under "back to back" agreements with NHS Trusts (2005/06 £132,000). As commissioner the PCT must include in its accounts its share of the Trusts' provisions. These provisions therefore represent North Norfolk PCT's share of provisions for injury benefit and early retirements at the following Trusts:

- Norfolk & Norwich University Hospitals NHS Trust;
- Norfolk & Waveney Mental Health Partnership NHS Trust;
- Kings Lynn & Wisbech Hospitals NHS Trust; and

As such the timing and amounts depend on events within these Trusts.

The remainder of the provisions (£4,000) are the PCT's "own" provisions (2005/06 £4,000). These relate to potential costs of restitution following the Coughlan judgement on responsibility for funding of continuing care. It is anticipated that these cases will be resolved in 2006/07. There are further amounts relating to restitution included in Note 19 Contingent Liabilities (£1,763,000; 2005/06 £1,763,000).

There were no material movements in provisions in the period 1/4/06 - 30/9/06. The balances on provisions at 1 April 2006 and 30 September 2006, together with movements on these provisions after 1 October 2006, are included in the accounts for Norfolk PCT for the year ended 31 March 2007.

**Note 15. Movements on Reserves**

Movements on reserves in the period comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	General Fund £000	<b>Total £000</b>
At 1 April 2006	2,446	469	206	(9,327)	<b>(6,206)</b>
Net Parliamentary Funding	0	0	0	81,094	<b>81,094</b>
Cost of Capital Charge	0	0	0	(47)	<b>(47)</b>
Transfer from the Operating Cost Statement	0	0	0	(68,823)	<b>(68,823)</b>
Surplus/(deficit) on other revaluations/indexation of fixed assets	(1,303)	9	17	0	<b>(1,277)</b>
Depreciation of donated/Government granted assets	0	(13)	(4)	0	<b>(17)</b>
<b>At 30 September 2006</b>	<b>1,143</b>	<b>465</b>	<b>219</b>	<b>2,897</b>	<b>4,724</b>

**Note 16. Notes to the cash flow statement**

<b>Note 16.1 Reconciliation of operating costs to net cash flow from operating activities:</b>	<b>1/4/06 - 30/9/06</b>	<b>12 Months 2005/06</b>
	<b>£000</b>	<b>£000</b>
Net operating cost	<b>(68,823)</b>	(131,479)
Depreciation charge	<b>267</b>	494
Cost of capital charge	<b>(47)</b>	(48)
(Profit) on disposal of fixed assets	<b>0</b>	(165)
Transfer from donated asset reserve	<b>(13)</b>	(28)
Transfer from the Government grant reserve	<b>(4)</b>	(8)
(Increase) in stocks	<b>0</b>	(4)
(Increase) in debtors	<b>(1,025)</b>	(379)
Increase/(decrease) in creditors	<b>(11,510)</b>	11,558
Increase in provisions	<b>0</b>	12
<b>Net cash outflow from operating activities</b>	<b><u>(81,155)</u></b>	<b><u>(120,047)</u></b>

<b>Note 16.2 Reconciliation of net cash flow to movement in net debt</b>	<b>1/4/06 - 30/9/06</b>	<b>12 Months 2005/06</b>
	<b>£000</b>	<b>£000</b>
Increase/(decrease) in cash in the period	<b>294</b>	(1)
<b>Change in net debt resulting from cash flows</b>	<b><u>294</u></b>	<b><u>(1)</u></b>
Net debt at 1 April 2006	<b>1</b>	2
<b>Net debt at 30 September 2006</b>	<b><u>295</u></b>	<b><u>1</u></b>

<b>Note 16.3 Analysis of changes in net debt</b>	<b>At 30 September 2006</b>	<b>Cash flows in year</b>	<b>At 1 April 2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
OPG cash at bank	<b>283</b>	282	1
Cash at bank and in hand	<b>12</b>	12	0
<b>Total</b>	<b><u>295</u></b>	<b><u>294</u></b>	<b><u>1</u></b>

There are no amounts held in PCT accounts relating to patients' money (nil 2005/06).

**Note 17. Capital Commitments**

Commitments under capital expenditure contracts at the balance sheet date were £0 (2005/06 £0).

**Note 18. Post Balance Sheet Events****Organisational Change**

To help achieve the Department of Health's objectives outlined in "The NHS Improvement Plan - Putting People at the Heart of Public Services", and following public consultation, a reconfiguration of the number and boundaries of Primary Care Trusts and Strategic Health Authorities has taken place in England in 2006-07.

North Norfolk PCT merged with Broadland PCT, Norwich PCT, Southern Norfolk PCT, and West Norfolk PCT from 1 October 2006.

There has been no significant expenditure relating to the reconfiguration as at 30 September 2006, and as such this does not affect the financial position of North Norfolk PCT at 30 September 2006.

**Note 19. Contingencies**

The Primary Care Trust has the following contingent (losses)/gains which have not been included in the accounts:

	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
	<b>£000</b>	£000
Gross value	(3,033)	(2,733)
Net Contingent Liability	<b><u>(3,033)</u></b>	<b><u>(2,733)</u></b>

The contingent liability for 1/4/06 - 30/9/06 relates to three areas: continuing care, LIFT and GP superannuation (as in 2005/06).

1) The continuing care element (£1,763,000; 2005/06 £1,763,000) 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 13.1 as accruals or Note 14 as provisions, depending on the progress with settlement of the claim.

Cases where a panel has decided that the claimant was not eligible for continuing care are included in the above contingent liability as it is considered that there is a possibility of appeal against the panel's decision.

Cases that are yet to be discussed at a panel, but which have been subject to a clinical assessment, represent a possible future financial obligation for the PCT and so are also included as contingent liabilities.

Those cases received but not yet subject to a clinical assessment have been excluded from the contingent liability total as it is uncertain whether the PCT will have a possible liability.

The resolution of these cases will vary according to the number and timing of cases that are taken to appeal. Furthermore, it is anticipated that financial support will be available to the PCT to cover any liabilities arising in the remainder of 2006/07.

There has been no material movement in the contingent liability for continuing care restitution costs in the period 1/4/06 - 30/9/06. The values of contingent liabilities at 1 April 2006 and 30 September 2006, together with movements in these contingent liabilities after 1 October 2006, are included in the accounts for Norfolk PCT for the year ended 31 March 2007.

2) North Norfolk PCT, along with Southern Norfolk and West Norfolk PCTs, is a stakeholder in Norfolk Local Improvement Finance Trust (LIFT) - an initiative to enable investment in the construction of new primary and social care facilities.

As a vehicle for this initiative, a separate LIFT company (Norlife Limited) was established by the PCTs in partnership with Guildhouse Investment Management Limited and Partnerships for Health Limited. The Shareholder Agreement for Norlife Ltd stipulates that the company will recover its initial set-up costs by allocating them across the first £39.2m capital value of LIFT projects.

The Agreement requires that, if the value of projects is insufficient to enable total set-up costs to be recovered within 7 years (ie by 2011), the PCTs will reimburse any outstanding balance. The PCTs also contribute towards the accumulated interest on the loan taken out by Norlife when it was established.

Initial set-up costs to be underwritten (as specified in the Shareholder Agreement) were £906,200. This had been reduced to £718,000 through costs charged to schemes which were either completed or underwritten. In addition, the PCTs' share of accumulated interest totalled £93,000, giving a total to be underwritten in the future of £811,000. This represents a contingent liability for each participating PCT of approximately £270,000.

Further schemes are planned which are expected to comprise a significant proportion of the remaining capital value over which set-up costs will be allocated.

3) From 1 April 2004, a new national contract arrangement was introduced for GPs. One of the implications of this new contract was to increase the amount of GP income that was deemed to be superannuable under the NHS Pension Scheme. All practices had to submit their final end of year superannuation certificates for 2004/05 by the end of February 2006, as a result of which it became clear that the employer's superannuation contribution payable by each practice had increased. Nine out of twelve practices in North Norfolk have since submitted claims to the PCT for an increase to their contract values, backdated to 1 April 2004, in order to cover this extra cost. Based on the claims received to date, it is estimated that the total cost impact for all twelve practices would be around £400,000 per year. The PCT has not agreed to meet these claims, but as there is a possible future financial obligation for the PCT a contingent liability is included for £1,000,000 (2005/06: £700,000), representing the potential total cost for 2004/05, 2005/06 and April to September 2006.

#### **Note 20. Related Party Transactions**

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

During the period to 30 September 2006 none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with North Norfolk Primary Care Trust.

The Department of Health is regarded as a related party. During the period to 30 September 2006 North Norfolk Primary Care Trust 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 listed below;

Broadland PCT	Norfolk, Suffolk & Cambridgeshire Strategic Health Authority
Great Yarmouth PCT	Norfolk & Norwich University Hospital NHS Trust
Huntingdonshire PCT	Norfolk & Waveney Mental Health Partnership NHS Trust
Norwich PCT	James Paget University Hospitals NHS Trust
Southern Norfolk PCT	The Queen Elizabeth Hospital King's Lynn NHS Trust
Suffolk West PCT	East Anglian Ambulance NHS Trust
West Norfolk PCT	East of England Strategic Health Authority
NHS Logistics	East of England Ambulance Service
NHS Direct	

In addition, the Primary Care Trust has had a significant 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 the Learning Difficulties Pooled Budget and the provision of registered nursing care.

The PCT has also been engaged in a number of transactions with the Norwich PCT Charitable Funds of which Norwich PCT is the corporate Trustee.

The only difference from related party transactions disclosed in 2005/06 concerns the bodies listed above with which the PCT has had material transactions. In 2006/07 the reconfiguration of NHS bodies has led to the inclusion of the East of England Strategic Health Authority and the East of England Ambulance Service. Also, in 2005/06 the list included Craven & Harrogate PCT.

**Note 21. Private Finance Transactions**

The PCT was not involved in any PFI transactions in April to September 2006 (nil 2005/06).

However, on 21 May 2004 the PCT, along with Southern Norfolk PCT and West Norfolk PCT, entered into a Public Private Partnership under the Local Improvement Finance Trust (LIFT) initiative. This was set up to develop and manage primary and community care premises. Each PCT has a 6.7% stake in the LIFT Company (Norlife Fundco 1 Ltd). For further information see Note 10.4 Fixed Asset Investments and Note 19 Contingencies. Norlife has redeveloped the health centre at Sheringham and are 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 £2,330,000.

**Note 21.1 LIFT schemes deemed to be off-balance sheet**

	<b>1/4/06 -</b>	12 Months
	<b>30/9/06</b>	2005/06
	<b>£000</b>	£000
Amounts included within operating expenses in respect of LIFT transactions deemed to be off-balance sheet -gross.	<u>116</u>	<u>170</u>
<b>Net charge to operating costs</b>	<b><u>116</u></b>	<b><u>170</u></b>

The PCT is committed to make the following payments during the next year in relation to the LIFT scheme, which expires:

	<b>1/4/06 -</b>	12 Months
	<b>30/9/06</b>	2005/06
	<b>£000</b>	£000
21 to 25 years (inclusive)	232	242

**Note 21.2 LIFT schemes deemed to be on-balance sheet**

The PCT has no LIFT schemes deemed to be on-balance sheet (nil 2005/06).

**Note 22. Financial Instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Primary Care Trusts are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The PCT has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the PCT in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

**Liquidity risk**

The PCT's net operating costs are financed primarily from resources voted annually by Parliament. The PCT also largely finances its capital expenditure from funds made available from Government under an agreed resource limit. North Norfolk PCT is not, therefore, exposed to significant liquidity risks.

**Interest-Rate Risk**

100% of the PCT's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. North Norfolk PCT is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the PCT's financial assets and liabilities:

**Note 22.1 Financial Assets**

Currency	Total £000	Non-interest bearing £000
At 30 September 2006		
Sterling	294	294
Other	37	37
<b>Gross financial assets</b>	<b>331</b>	<b>331</b>
At 31 March 2006		
Sterling	1	1
Other	37	37
Gross financial assets	38	38

**Note 22.2 Financial Liabilities**

Currency	Total £000	Fixed rate £000	Nil rate £000
At 30 September 2006			
Sterling	0	0	0
Other	136	136	0
<b>Gross financial assets</b>	<b>136</b>	<b>136</b>	<b>0</b>
At 31 March 2006			
Other	136	136	383
Gross financial assets	136	136	383

It has not been possible to calculate the weighted average period for which the rate is fixed for financial liabilities relating to back to back provisions held with NHS Trusts.

### Foreign Currency Risk

The PCT has no foreign currency income or expenditure.

### Note 22.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the PCT's financial assets and liabilities as at 30 September 2006

	1/4/06 - 30/9/06		12 Months 2005/06		Basis of fair valuation
	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000	
<b>Financial assets</b>					
Fixed Asset investments	37	37	37	37	
Cash	295	295	1	1	
<b>Total</b>	<b>332</b>	<b>332</b>	<b>38</b>	<b>38</b>	
<b>Financial liabilities</b>					
Creditors over 1 year:					
- Other	0	0	383	383	
Provisions under contract	136	136	136	136	<i>Note a</i>
<b>Total</b>	<b>136</b>	<b>136</b>	<b>519</b>	<b>519</b>	
<b>Maturity profile of financial liabilities</b>					
		1/4/06 - 30/9/06 £000		12 Months 2005/06 £000	
Due within 1 year		12		12	
Due in 1 to 2 years		0		383	
Due in 2 to 5 years		29		29	
Due over 5 years		95		95	

*a Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.*

### Note 23. Third party assets

The PCT held no monies on behalf of patients or any other third party assets during April to September 2006 (nil 2005/06).

**Note 24. Losses and Special Payments**

Losses and special payments are transactions 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, and special notation in the accounts to draw them to the attention of Parliament. They are divided into different categories, which govern the way that each individual case is handled.

These payments are charged to the income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore, this note is compiled on a cash basis.

Clinical negligence cases are managed by the NHS Litigation Authority and transactions relating to such cases are held in their accounts. The PCT pays a premium for their services and excesses on some cases. Therefore, these cases have not been accounted for in the PCT's accounts.

There were no cases of losses and special payments (2005/06 3 cases) totalling £0 (2005/06 £338) approved during April to September 2006.

**Note 25. Intra-government balances**

	<b>Debtors Amounts falling due within one year £000</b>	<b>Debtors Amounts falling due after more than one year £000</b>	<b>Creditors Amounts falling due within one year £000</b>	<b>Creditors Amounts falling due after more than one year £000</b>
Balances with other central government bodies	257	0	2,449	0
Balances with local authorities	1,420	0	383	0
Balances with NHS Trusts/FTs	130	0	1,276	0
Balances with public corporations and trading funds	10	0	0	0
Balances with bodies external to Government	877	0	5,315	0
<b>At 30 September 2006</b>	<b>2,694</b>	<b>0</b>	<b>9,423</b>	<b>0</b>
Balances with other central government bodies	1,291	0	7,049	0
Balances with local authorities	2	0	1,907	383
Balances with NHS Trusts/FTs	114	0	5,584	0
Balances with public corporations and trading funds	10	0	18	0
Balances with bodies external to Government	940	0	6,229	0
<b>At 31 March 2006</b>	<b>2,357</b>	<b>0</b>	<b>20,787</b>	<b>383</b>

**Note 26. Pooled Budgets****Note 26.1 Learning Difficulties Pooled Fund**

In 2006/07, North Norfolk PCT ("the PCT") was party to a pooled fund agreement with Norfolk County Council ("the County Council"), West Norfolk PCT, Southern Norfolk PCT, Broadland PCT, Norwich PCT and Great Yarmouth PCT ("the contributing PCTs"), drawn up under the partnership provisions contained in section 31 of the Health Act 1999. The arrangements set out in the pooled fund agreement were inherited by the contributing PCTs from their predecessor body, Norfolk Health Authority, which signed the agreement with the County Council in March 2002. The purpose of the agreement is to improve the services to adult clients with learning difficulties. Under the agreement, the County Council is the host body for the pooled fund.

Details of the pooled fund's memorandum account for the period ended 30 September 2006 are as follows:

	Unaudited	
	1/4/06 -	12 Months
	30/9/06	2005/06
	£000	£000
<b>Funding</b>		
Norfolk PCTs*	19,013	34,448
Norfolk County Council	20,253	38,430
<b>Total Funding</b>	<b>39,266</b>	<b>72,878</b>
<b>Expenditure</b>		
Commissioner costs	89	130
Norwich PCT SLA	7,994	16,397
Norfolk County Council SLA	29,730	52,367
Other SLAs	600	1,750
<b>Total Expenditure</b>	<b>38,413</b>	<b>70,644</b>
<b>Net (Underspend)</b>	<b>(853)</b>	<b>(2,234)</b>

\* The Norfolk Primary Care Trusts have contributed a total of £19,013,000 to the pooled fund for April to September 2006, of which North Norfolk PCT's share is £2,809,260 (2005/06 full year £4,961,000). This is shown in the PCT's operating expenses (note 4.2).

The debtors in note 12 of these accounts include the sum of £1,409,780 relating to the prepayment of pooled fund contributions for October - December 2006 (in "Other prepayments and accrued income").

The creditors in note 13 of these accounts include the following balances relating to the pooled fund (both in "Accruals and deferred income"):

- credit note due in respect of the 2005/06 underspend on the pooled fund £150,538;
- payment due in respect of the overspends in 2003/04 and 2004/05 £383,000.

**Note 26.2 Medicine Support Service Pooled Fund**

The Medicines Support pooled fund commenced 1 September 2003. Partners to the fund are Norfolk County Council and the six Norfolk PCTs. The purpose of the arrangement is to provide training and support to staff in residential homes to help them to manage patients' medication and to improve compliance and reduce wastage.

Details of the pooled fund's memorandum account for the period ended 30 September 2006 are as follows:

	Unaudited	
	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
<b>Funding</b>		
Broadland PCT	16	31
Great Yarmouth PCT	13	26
North Norfolk PCT	19	38
Norwich PCT	17	32
Southern Norfolk PCT	28	55
West Norfolk PCT	23	45
Norfolk County Council	9	18
<b>Total Funding</b>	<b>125</b>	<b>245</b>
<b>Expenditure</b>		
Specialist health care services	102	222
Specialist social care services	2	6
<b>Total Expenditure</b>	<b>104</b>	<b>228</b>
<b>Net Underspend</b>	<b>(21)</b>	<b>(17)</b>

The PCT's expenditure of £19,000 (2005/06 £38,000) is included within "Goods and service from other Primary Care Trusts: Healthcare" in note 4.1 to the Operating Cost Statement.

**Note 26.3 Drug Action Team Memorandum Account**

In April - September 2006 the PCT was party to a pooled budget for the provision of a Drug Action Team (DAT). Partners to the fund are Norfolk County Council and the six Norfolk PCTs, and the fund is hosted by Norwich PCT.

The majority of expenditure for this period was with Norfolk County Council, who have used the funds managed by them to:

- develop services in Thetford and rural areas and for people under 19;
- enhance clinical services for all substance misuse providers in Norfolk;
- implement Drug Treatment and Testing Orders;
- perform a crack cocaine needs assessment;
- establish treatment bases;
- develop substance misuse services for homeless people and sex workers;
- continue the development of structured day care services;
- implement the Criminal Justice Intervention Programme;
- develop IT networks and administration capacity to meet data collection requirements;
- provide training for working with crack cocaine users;
- provide enhanced training for substance misuse workers with UEA; and
- provide a diversity and young peoples' substance misuse needs assessments.

Details of the pooled fund's memorandum account for the period ended 30 September 2006 are as follows:

	Unaudited	
	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
Main income from Department of Health	303	589
Contributions from other pooled budget members		
Broadland PCT	241	436
North Norfolk PCT	238	431
Southern Norfolk PCT	428	775
Great Yarmouth PCT	230	418
West Norfolk PCT	335	608
<b>Total Income</b>	<b><u>1,775</u></b>	<b><u>3,257</u></b>
Expenditure by Norwich PCT in respect of DAT		
Norfolk County Council	1,614	2,375
Norfolk Mental Healthcare Trust	103	200
Pharmacies (Supervised consumption)	70	50
Shared Care Protocols	11	4
Various Voluntary Agencies	27	53
Southern Norfolk PCT	9	18
West Norfolk PCT	72	140
AIDS (GT Yarmouth PCT)	166	324
Other costs	0	14
<b>Total Expenditure</b>	<b><u>2,072</u></b>	<b><u>3,178</u></b>
Underspend brought forward from previous year	126	47
<b>Surplus Income over Expenditure</b>	<b><u>(171)</u></b>	<b><u>126</u></b>

The PCT's contribution to the fund in April to September 2006 is £238,000 (2005/06 £431,000). This is fully included in operating costs (note 4.1), analysed between the following lines:

	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
Goods and Services from other PCTs: Healthcare	0	59
Expenditure on Drugs Action Teams	119	186
GMS/PMS/APMS/PCTMS	119	186

## **North Norfolk Remuneration Report**

The Primary Care Trust decided that for this disclosure “Senior Managers” is defined as the PCT Board members including non-statutory appointments and members of the Professional Executive Committee.

The Remuneration Committee consisted of the Chair of the Trust Board and two non executive members(see Below). The Chief Executive also attended except when her salary was being considered, and the Head of Human Resources attended in a secretarial capacity.

## **Determination of Remuneration**

The remuneration of the following posts was set by the Secretary of State for Health:

Board Chairman  
Non Executive Board Directors  
Professional Executive Committee (PEC) Chairman  
PEC members

The remuneration for the executive directors of the PCT, which includes the Chief Executive Officer, the Director of Finance and the Director of Public Health, was determined by the PCT’s Remuneration Committee. The pay award to them however, followed that awarded to all other staff in the PCT. The members of this committee were:

Carol Palfrey	Chairman
Bruce Barrell	Non Executive Director
Judith Byrne	Non Executive Director

There was no performance pay. Performance was measured through appraisals which monitored and identified objectives for Directors which followed from the Corporate Objectives of the Trust. All Directors were on substantive contracts with a three month notice period.

The Chief Executive was appointed by the Board as a result of an intensive, comprehensive recruitment process. Interviewers were invited to participate on the recruitment panel from key stakeholder organisations such as the Strategic Health Authority for this and for all Senior Executive appointments. The Chief Executive was appointed on an ‘open ended’ basis, with formal performance reviews taking place at Remuneration Committee for this and other senior executives. The Secretary of State/delegated nominee on behalf of the Secretary’s office may remove the Chief Executive from post, as well as other Senior Executives.

### Salaries and Allowances (Audited Information)

Name and Title	April – September 2006			2005-2006		
	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Benefits in kind (rounded to the nearest £00)	Salary (bands of £5,000)	Other Remuneration (bands of £5,000)	Benefits in kind (Rounded to the nearest £00)
	£000	£000	£00	£000	£000	£00
<b>North Norfolk PCT Board Members</b>						
Bruce Barrell (Chair)	5-10	0	2	15-20	0	1-2
Peter North (NED)	0-5	0	0	5-10	0	0-1
Bridget Cuthbert (NED)	0-5	0	0	5-10	0	0-1
Carola Sutton (NED)	0-5	0	0	5-10	0	0-1
Carol Palfrey (NED)	0-5	0	0	5-10	0	0-1
Ian Ponton (NED)	0-5	0	0	5-10	0	0-1
Charles Tucker (NED)	0-5	0	0	5-10	0	0-1
Diana Clarke (Chief Executive & PEC member)	45-50	0	15	90-95	0	29-30
Gavin Bultitude (DoF to 10/7/05 and PEC Member)	0	0	0	15-20	0	7-8
John Ingham (DoF from 11/7/05 and PEC member)	25-30	0	0	35-40	0	3-4
Dr Anoop Dhesi	0-5	0	0	5-10	0	0-1
Judith Byrne (also PEC Chair)	0-5	10-15	3	5-10	0	0
<b>Professional Executive Committee</b>						
Judith Byrne (PEC Chair from April 05- Sept 06)	10-15	0	0	5-10	35-40	3-4
Linda Hillman	0-5	35-40	14	25-30	45-50	Consent not given
Mike Leaf Associate Dir of Public Health 11/04-8/05	0	0	0	30-35	0	0
Dr Anoop Dhesi	0-5	0	0	5-10	0	0-1
Dr Paola De Marco	0-5	0	0	5-10	0	0
Dr Paul Everden	0-5	0	0	5-10	0	0
Katrine Kiertzner	0-5	20-25	9	5-10	30-35	1-2
Dr Alasdair Lennox	0-5	0	0	Consent not given	Consent not given	Consent not given
Dr Henry Harris-Hall	0-5	0	0	5-10	Consent not given	Consent not given
Karen Wadham (Left 1 July 2006)	0-5	15-20	0	5-10	25-30	0
Sue Woodruff	0-5	10-15	21	5-10	20-25	4-5
Pat Ambrozevich (Senior Officer)	-	25-30	15	55-60	0	33-34
Carol Haddow (Senior Officer)	-	20-25	0	-	-	-
Sue Kenyon (Senior Officer)	-	20-25	15	-	-	-
Mark Hansell	-	-	-	0-5	0	0

### Pension Benefit (Audited Information)

Name & Title	Real increase in pension at age 60 (bands of £2,500)	Lump sum at aged 60 related to real increase in pension (bands of £2,500)	Total accrued pension at age 60 at 30 Sept 2006 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 30 Sept 2006 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2006	Cash Equivalent Transfer Value at 30 Sept 2006	Real increase in Cash Equivalent Transfer Value
	£000	£000	£000	£000	£000	£000	£000
<b>North Norfolk PCT Board Members</b>							
Diana Clark	0-2.5	0-2.5	30-35	95-100	495	521	20
David John Ingham	0-2.5	0-2.5	10-15	30-35	104	116	11
Patricia Ambrozevich	0-2.5	0-2.5	10-15	30-35	148	154	4

Details are not required of non executive directors, non pensionable managers and independent GPs who are on the professional executive committees of PCTs/LHBs since pension disclosures are not required for these groups.

### Cash Equivalent Transfer Values

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

### Real Increase in CETV

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

Signed  
Julie Garbutt



6 July 2007