

# Annual Report Southern Norfolk Primary Care Trust 2006/07



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## Contents Page

1. Introduction	4
2. Overview of business activity	4
3. Appendix 1 – Annual Accounts	
4. Appendix 2 – Remuneration Report	

## Introduction

On the 30 September 2006 Southern 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

The PCT made progress towards reducing waiting times for hospital outpatient appointments to a maximum 11 weeks for all patients, from 13 weeks in the previous March. Inpatient waiting times for surgery were also reducing from 26 weeks towards a maximum 20 weeks over the same period.

The PCT consistently met the 31 day target from referral to diagnosis and 62 day from referral to commencement of treatment targets for cancer.

The Norfolk and Norwich University Hospital became amongst the first in the country to introduce universal bowel cancer screening for over 65s, which benefited patients in Broadland, North Norfolk, Norwich and Southern Norfolk PCTs.

The PCT consistently met the 4 hour maximum wait target for A&E services.

The rapid response services within Southern Norfolk expanded during 2006/7. A satellite service was developed in Dereham, enabling shorter distances to be travelled to patients, and therefore increasing the teams efficiency. The teams also began hosting Social Services SWIFT carers.

In May the PCT gained first hand experience of dealing with avian flu with an outbreak on a poultry premises in North Tuddenham. The outbreak was caused by the H7N3 strain of the influenza which, fortunately, does not generally cause problems in humans. The PCT coordinated the establishment of a vaccination centre where prophylactic anti-viral drugs and seasonal flu vaccine was administered to the staff involved in culling the flock.

The PCT worked closely with colleagues from the Health Protection Agency throughout the duration of the outbreak. There was one case of conjunctivitis due to H7N3 in an exposed poultry worker which was successfully treated with anti-virals.

The three at the top were:

Chris Humphris	Chief Executive
Helen Wilson	Chair
Dr John Sampson	PEC Chair

By 30 September 2006 the PCT was forecasting a deficit of £13,358,000 for the year, had it stayed as a separate entity. The underlying position was forecast as a surplus of £1,255,000, 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

# Contents

	<b>Page</b>
Directors' Statements	2-3
Statement on Internal Control	4 - 7
Auditors' Report on the Primary Care Trust Accounts	8 - 9
Foreword	10
Operating Cost Statement	11
Statement of Recognised Gains & Losses	12
Balance Sheet	13
Cash Flow Statement	14
Notes to the Accounts	15 - 42

## 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

Dated: 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 Southern Norfolk PCT, I have assumed the Accountable Officer responsibilities from the previous Chief Executive of Southern Norfolk PCT for making this Statement on Internal Control in respect of the six months ended 30 September 2006.

The Board of Southern 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 Southern Norfolk PCT for the whole of the six months ended 30 September 2006 and up to the date of approval of the annual report and accounts.

### **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 Clinical and Corporate Governance working with the Director of Finance and Performance 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 provides 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 (Governance Policy) 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; and
- The undertaking of extensive work with patients and carers using questionnaires and focus groups to identify areas for improvement resulting in better communication and achievement of targets.

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 Clinical Governance 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 clinical governance 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.
- Developing the ways that it involves patients and the public in managing risks which impact on them. This was done through openness of risk assessments that were shared throughout the organisation and through public participation on committees such as the Clinical Governance Committee.

## **5. Review of effectiveness**

As Accountable Officer of Norfolk PCT, I have assumed responsibility for reviewing the effectiveness of Southern Norfolk PCT's system of internal control. My review is informed in a number of ways. The head of internal audit 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:

- the Information Governance Toolkit assessment;
- our research governance framework; 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 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 has 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 met quarterly to review 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 Finance Committee which carried out an analysis of expenditure and reviewed the financial plan;

- The Clinical Governance Committee which took an overview of significant risks within the organisation; and
- The senior management team which met frequently to support the achievement of the business plan and provide strategic 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 support 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 significant assurance. It is noted that weaknesses in the design and inconsistent application of controls put the achievement of the PCT's financial objectives at risk.

## **6 Significant control issues**

Two significant control issues specific to Southern 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 a number 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 £13.3 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 Southern 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

Dated: 6 July 2007

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

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

We have audited the financial statements of Southern 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 Southern 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**

Southern Primary Care Trust

These accounts for the year ended 30 September 2006 have been prepared by the Norfolk Primary Care Trust under the National Health Service Act 2006 in the form which the Secretary of State has, with the approval of the Treasury, directed.

**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	123,542	231,688
Less: Miscellaneous Income	3	<u>(8,274)</u>	<u>(13,708)</u>
Commissioning Net Operating Costs		<b>115,268</b>	217,980
<b>Provider</b>			
Gross Operating Costs	4	8,089	13,055
Less: miscellaneous income	3	<u>(528)</u>	<u>(677)</u>
Provider Net Operating Costs		<u>7,561</u>	<u>12,378</u>
<b>Net Operating cost for the Financial Period</b>		<b><u>122,829</u></b>	<b><u>230,358</u></b>

The notes on pages 15 to 42 form part of this account

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

	<b>1/4/06 - 30/9/06</b>	12 Months
	<b>£000</b>	2005/06
		£000
Unrealised surplus / (deficit) on fixed asset revaluations/indexation	<b>981</b>	(3,190)
Increase in the donated asset reserve and government grant reserve due to receipt of donated and government granted assets	<b>0</b>	338
Other reductions in reserves	<b>198</b>	(198)
<b>Total gains and losses recognised in the financial period</b>	<b><u>1,179</u></b>	<b><u>(3,050)</u></b>

The notes on pages 15 to 42 form part of this account

**BALANCE SHEET AS AT  
30 September 2006**

	NOTE	£000	30 September 2006 £000	31 March 2006 £000
<b>FIXED ASSETS</b>				
Tangible assets	8.1	15,496		14,765
Investments	8.3	37	<u>15,533</u>	<u>14,802</u>
<b>CURRENT ASSETS</b>				
Stocks and work in progress	9	20		20
Debtors	10	5,388		5,908
Cash at bank and in hand	14.3	749	<u>6,157</u>	<u>5,929</u>
<b>TOTAL CURRENT ASSETS</b>			<b>6,157</b>	5,929
CREDITORS : Amounts falling due within one year	11.1		<u>(14,310)</u>	<u>(25,924)</u>
<b>NET CURRENT LIABILITIES</b>			<b>(8,153)</b>	<b>(19,995)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>7,380</b>	(5,193)
Creditors: Amounts falling due after more than one year	11.1		0	(680)
Provisions for liabilities and charges	12		<u>(293)</u>	<u>(414)</u>
<b>TOTAL ASSETS EMPLOYED</b>			<b>7,087</b>	<b>(6,287)</b>
<b>FINANCED BY:</b>				
<b>TAXPAYERS' EQUITY</b>				
General Fund	13		3,507	(8,716)
Revaluation reserve	13		2,430	1,251
Donated asset reserve	13		530	541
Government grant reserve	13		<u>620</u>	<u>637</u>
<b>TOTAL TAXPAYERS' EQUITY</b>			<b>7,087</b>	<b>(6,287)</b>

The notes on pages 15 to 42 form part of this account

The financial statements on pages 10 to 42 were approved by the Board on 6 July 2007 and signed on its behalf by

**Chief Executive:**

Date: 6 July 2007

*Julie Gorbett*

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

	NOTE	£000	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
<b>OPERATING ACTIVITIES</b>				
<b>Net cash outflow from operating activities</b>	14.1		<b>(134,559)</b>	<b>(227,575)</b>
<b>CAPITAL EXPENDITURE</b>				
Payments to acquire tangible fixed assets		<b>(1,055)</b>		(532)
Receipts from sale of tangible fixed assets		<b>1,338</b>		155
Payments to acquire fixed asset investments		<b>0</b>		(23)
<b>Net cash inflow/(outflow) from capital expenditure</b>			<b>283</b>	<b>(400)</b>
<b>Net cash inflow/(outflow) before financing</b>			<b>(134,276)</b>	<b>(227,975)</b>
<b>FINANCING</b>				
Net Parliamentary Funding		<b>135,024</b>		227,759
Capital grants received		<b>0</b>		215
<b>Net cash inflow/(outflow) from financing</b>			<b>135,024</b>	227,974
<b>Increase/(decrease) in cash</b>	14.2		<b>748</b>	<b>(1)</b>

The notes on pages 15 to 42 form part of this account

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**NOTES TO THE ACCOUNTS****Note 1. Accounting policies**

The financial statements have been prepared in accordance with the 2006/07 Financial Reporting Manual (FReM) issued by HM Treasury. 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 issued by the Secretary of State and approved by HM Treasury.

As a consequence of "Commissioning a Patient Led NHS", Southern 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. Southern 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 Southern Norfolk PCT's disestablishment on 30 September 2006.

**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 provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income.

Income 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.

**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.

**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.

**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 over the shorter of the term of the licence and their useful economic lives.

**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.

## 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.

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. 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.

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). Any impairment caused by a permanent diminution in the value of the investment is charged to operating expenditure.

### **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.

### **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.

Intangible assets are amortised over the estimated lives of the assets.

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 £5,000 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 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 the Medicines Support pooled fund by Norfolk County Council. Memorandum accounts for these funds are shown at Note 22 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 lease 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) 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.

#### **i) 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.

#### **j) 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.

#### **k) 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. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Primary Care Trust is disclosed at Note 12.

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.

**l) 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 20 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.nhspa.gov.uk](http://www.nhspa.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 year's 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) 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. The PCT held no patient monies as at 30 September 2006 or 31 March 2006.

**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 period to 30 September 2006 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.

**Note 2. Financial Performance Targets****Note 2.1 Operational Financial Balance**

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
The PCTs' performance to 30 September 2006 is as follows:		
Total net operating cost for the financial year	122,829	230,358
Less: Non-discretionary Expenditure	<u>645</u>	<u>3,215</u>
<b>Operating Costs less non-discretionary expenditure</b>	<b>122,184</b>	<b>227,143</b>
Revenue Resource Limit	122,184	216,186
<b>Under/(over) spend against Revenue Resource Limit</b>	<b>0</b>	<b>(10,957)</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, North Norfolk PCT, Norwich 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 £46.7million.

**Note 2.2. Capital Resource Limit**

The PCT is required to keep within its Capital Resource Limit

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
Gross Capital Expenditure	95	1,279
less: Net book value of assets disposed of	0	(1,206)
less: Capital grants	<u>0</u>	<u>(338)</u>
<b>Charge Against the Capital Resource Limit</b>	<b>95</b>	<b>(265)</b>
<b>Capital Resource Limit</b>	<b>95</b>	<b>193</b>
<b>(Over) / Underspend against Capital Resource Limit</b>	<b>0</b>	<b>458</b>

**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	8,089	13,055
less: Miscellaneous income relating to provider functions	<u>(528)</u>	<u>(677)</u>
<b>Net Operating Cost</b>	<b>7,561</b>	<b>12,378</b>
less: Costs met from PCT's own allocation	<u>(7,561)</u>	<u>(12,634)</u>
<b>Under / (over) recovery of costs</b>	<b>0</b>	<b>(256)</b>

**Note 3. Miscellaneous Income**

	£000	£000	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
	<b>Appropriated In Aid *</b>	<b>Not Appropriated In Aid</b>		
Dental charge income **	1,140	0	<b>1,140</b>	0
Prescription Charge Income	0	0	<b>0</b>	566
Strategic Health Authorities	0	0	<b>0</b>	487
NHS Trusts	0	25	<b>25</b>	250
Primary Care Trusts - other	0	33	<b>33</b>	133
Primary Care Trusts - Lead Commissioning Income	0	7,106	<b>7,106</b>	11,092
Local Authorities	357	0	<b>357</b>	567
Education, Training and Research	21	0	<b>21</b>	51
Charitable and other contributions to expenditure	0	0	<b>0</b>	820
Transfer from the donated asset reserve	0	11	<b>11</b>	11
Transfer from the Government Grant reserve	0	17	<b>17</b>	35
Other income ***	92	0	<b>92</b>	373
<b>TOTAL MISCELLANEOUS INCOME</b>	<b>1,610</b>	<b>7,192</b>	<b>8,802</b>	<b>14,385</b>

\* 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 of general dental services. As a consequence of this, the PCT now receives patient charge income collected by dentists. In 2005/06 there was no equivalent income.

\*\*\* Other contributions to expenditure in 2005/06 was funding for a Surestart scheme hosted by the PCT. The hosting of this scheme transferred to Norfolk County Council in 2006/07.

**Note 4. Operating Costs****Note 4.1 Analysis of gross operating costs:**

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
<b>Goods and services from other Primary Care Trusts</b>		
Healthcare	<b>12,809</b>	25,942
Non Healthcare	<b>2,436</b>	4,051
<b>Total</b>	<b>15,245</b>	29,993
<b>Goods and services from other NHS bodies excluding Foundation Trusts</b>		
Healthcare	<b>63,693</b>	118,660
Non Healthcare	<b>80</b>	462
<b>Total</b>	<b>63,773</b>	119,122
Goods and Services from Foundation Trusts	<b>410</b>	62
Purchase of healthcare from non-NHS providers	<b>6,891</b>	16,668
Expenditure on Drugs Action Teams	<b>428</b>	775
Personal Dental Services	<b>752</b>	1,446
PCT Board members' costs	<b>383</b>	487
PCT Executive Committee non-officer members' costs	<b>44</b>	48
Staff costs	<b>5,483</b>	10,881
Prescribing costs	<b>16,285</b>	31,154
GMS/PMS/APMS/PCTMS	<b>14,034</b>	26,038
Pharmaceutical Services	<b>986</b>	2,460
General Dental Services *	<b>3,690</b>	47
General Ophthalmic Services	<b>645</b>	1,274
Supplies and services - clinical	<b>378</b>	655
Supplies and services - general	<b>21</b>	64
Establishment	<b>426</b>	554
Transport	<b>3</b>	185
Premises	<b>460</b>	569
Depreciation and amortisation	<b>322</b>	501
(Profit)/loss on disposal of fixed assets	<b>0</b>	(114)
Cost of capital charge	<b>226</b>	(147)
Audit fees	<b>37</b>	124
Clinical negligence costs	<b>8</b>	16
Other finance costs - unwinding of discount	<b>0</b>	5
Change in the discount rate on provisions	<b>n/a</b>	27
Other	<b>701</b>	1,849
<b>Total</b>	<b>131,631</b>	244,743

Lead commissioning arrangements are accounted for as follows. Where Southern 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 purchases of goods or service 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 of 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****Note 4.2 Purchase of Health Care by PCT**

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
<b>Purchase of Primary Health Care</b>		
GMS / PMS/ APMS / PCTMS	13,233	26,038
Prescribing costs	16,285	31,154
Pharmaceutical services	1,048	3,174
General Dental Services *	3,690	47
General Ophthalmic Services	645	1,274
Personal Dental Services	752	1,446
Local Pharmaceutical Services	0	0
Other	190	594
<b>Total Primary Healthcare purchased</b>	<b>35,843</b>	<b>63,727</b>
<b>Purchase of Secondary Healthcare</b>		
Learning Difficulties	4,587	10,209
Mental Illness	9,640	18,356
Maternity	2,931	6,299
General and Acute	52,261	112,307
Accident And Emergency	1,186	2,548
Community Health Services	14,685	25,972
Other Contractual	0	405
<b>Total Secondary Healthcare Purchased</b>	<b>85,290</b>	<b>176,096</b>
<b>TOTAL HEALTHCARE PURCHASED BY PCT</b>	<b>121,133</b>	<b>239,823</b>
<b>Amount of self-commissioned secondary healthcare included above**</b>	<b>7,561</b>	<b>12,634</b>
<b>Healthcare purchased from Foundation Trusts included above</b>	<b>407</b>	<b>62</b>

\* From 1 April 2006, PCTs became responsible for commissioning of 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 £000</b>	12 Months 2005/06 £000
Other operating lease rentals	<u>47</u>	<u>97</u>
<b>Total</b>	<b><u>47</u></b>	<b><u>97</u></b>

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

	<b>1/4/06 - 30/9/06 Other leases £000</b>	12 Months 2005/06 Other leases £000
<b>Operating leases which expire:</b>		
Within 1 year	51	45
Between 1 and 5 years	76	77
After 5 years	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>127</u></b>	<b><u>122</u></b>

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

	<b>1/4/06 - 30/9/06</b>			<b>12 Months 2005/06</b>		
	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	4,906	4,835	71	9,530	8,950	580
Social security costs	325	325	0	614	614	0
Other pension costs	607	607	0	1,166	1,166	0
<b>Total</b>	<b>5,838</b>	<b>5,767</b>	<b>71</b>	<b>11,310</b>	<b>10,730</b>	<b>580</b>

**Note 5.2 Staff Numbers**

	<b>1/4/06 - 30/9/06</b>			<b>12 Months 2005/06</b>		
	<b>Total Number</b>	<b>Permanently Employed Number</b>	<b>Other Number</b>	<b>Total Number</b>	<b>Permanently Employed Number</b>	<b>Other Number</b>
Medical and dental	2	2	0	2	2	0
Administration and estates	80	77	3	78	75	3
Healthcare assistants & other support staff	4	4	0	4	4	0
Nursing, midwifery & health visiting staff	215	207	8	206	199	7
Scientific, therapeutic and technical staff	71	71	0	71	71	0
Social Care staff	0	0	0	1	1	0
Other	1	1	0	0	0	0
<b>Total</b>	<b>373</b>	<b>362</b>	<b>11</b>	<b>362</b>	<b>352</b>	<b>10</b>

**Note 5.3 Employee benefits**

There are no employee benefits (none in 2005/06)

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

During the period 1/4/06 - 30/9/06 there were no early retirements from the Primary Care Trust agreed on the grounds of ill-health (Full year 2005/06 3). The estimated additional pension liabilities of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £nil (Full year 2005/06 £118,092).

**Note 5.5 Management costs**

	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
Management costs (£000s)	1,325	2,471
Weighted population (Number)	186,378	175,187
<b>Management cost per head of weighted population (£)</b>	<b>7.11</b>	<b>14.10</b>

*Note: weighted population figures from 06/07 exposition book. 2006 figures are for half year not full year.*

The PCT measures its management costs according to the definitions provided by the Department of Health

**Note 6. Better Payment Practice Code****Note 6.1 Better Payment Practice Code - measure of compliance**

	<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>Non-NHS Creditors</b>	<b>Number</b>	<b>£000</b>	Number	£000
Total bills paid in the year	1,969	4,492	3,906	5,202
Total bills paid within target	1,710	3,594	3,385	4,214
Percentage of bills paid within target	<b>86.85%</b>	<b>80.01%</b>	<b>86.66%</b>	<b>81.01%</b>
<b>NHS Creditors</b>				
Total bills paid in the year	<b>738</b>	<b>89,356</b>	1,012	153,795
Total bills paid within target	<b>492</b>	<b>77,077</b>	635	128,020
Percentage of bills paid within target	<b>66.67%</b>	<b>86.26%</b>	<b>62.75%</b>	<b>83.24%</b>

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

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

No interest was paid in 2006/07 (or 2005/06) in respect of late payment of debts.

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

Profit/(loss) on the disposal of fixed assets is made up as follows:

	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
	<b>£000</b>	£000
Profit on disposal of land and buildings	0	114
<b>Total</b>	<b>0</b>	<b>114</b>

**Note 8. Tangible Fixed Assets****Note 8.1 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	2,921	11,210	0	151	633	28	<b>14,943</b>
Additions - purchased	0	0	95	0	0	0	<b>95</b>
Indexation	166	812	0	3	0	1	<b>982</b>
Disposals	(11)	(12)	0	0	0	0	<b>(23)</b>
<b>At 30 September 2006</b>	<b>3,076</b>	<b>12,010</b>	<b>95</b>	<b>154</b>	<b>633</b>	<b>29</b>	<b>15,997</b>
Accumulated depreciation at 1 April 2006	0	0	0	72	100	6	<b>178</b>
Provided during the year	0	249	0	10	61	2	<b>322</b>
Indexation	0	0	0	1	0	0	<b>1</b>
<b>Accumulated depreciation at 30 September 2006</b>	<b>0</b>	<b>249</b>	<b>0</b>	<b>83</b>	<b>161</b>	<b>8</b>	<b>501</b>
Net book value							
- Purchased at 1 April 2006	2,921	10,032	0	79	533	22	<b>13,587</b>
- Donated at 1 April 2006	0	541	0	0	0	0	<b>541</b>
- Government Granted at 1 April 2006	0	637	0	0	0	0	<b>637</b>
Total at April 2006	<b>2,921</b>	<b>11,210</b>	<b>0</b>	<b>79</b>	<b>533</b>	<b>22</b>	<b>14,765</b>
Net book value							
- Purchased at 30 September 2006	3,076	10,611	95	71	472	21	<b>14,346</b>
- Donated at 30 September 2006	0	530	0	0	0	0	<b>530</b>
- Government Granted at 30 September 2006	0	620	0	0	0	0	<b>620</b>
<b>Total at 30 September 2006</b>	<b>3,076</b>	<b>11,761</b>	<b>95</b>	<b>71</b>	<b>472</b>	<b>21</b>	<b>15,496</b>

**Note 8.2 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</b>	<b>31 March 2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Granted</b>	<b>£000</b>
				<b>£000</b>	
Freehold	13,373	12,223	530	620	12,779
Long leasehold	1,464	1,464	0	0	1,352
<b>TOTAL</b>	<b>14,837</b>	<b>13,687</b>	<b>530</b>	<b>620</b>	<b>14,131</b>

**Note 8.3 Fixed assets investments**

	<b>Equity</b>	<b>Loan-stock</b>	<b>Total</b>
	<b>shareholdings</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 31 March 2006	0	37	37
Balance as at 30 September 2006	<b>0</b>	<b>37</b>	<b>37</b>

This loan stock represents the PCT's investment in LIFT, a partnership with West Norfolk PCT, North Norfolk PCT and Norlife, a private sector partner, to build new primary care premises in the PCT area over the next 25 years. For more information on LIFT, see note 17.

**Note 9. Stock and work in progress**

	<b>30 September 2006</b>	<b>31 March 2006</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	20	20
<b>Total</b>	<b>20</b>	<b>20</b>

**Note 10. Debtors**

	<b>30 September 2006</b>	<b>31 March 2006</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
NHS debtors	1,859	3,584
Other prepayments and accrued income	369	875
Capital debtors	19	1,334
Other debtors	3,141	115
<b>TOTAL</b>	<b>5,388</b>	<b>5,908</b>

**Note 11. Creditors****Note 11.1 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>6,519</b>	13,465
Family Health Services (FHS) creditors	<b>5,871</b>	4,858
Non - NHS trade creditors - revenue	<b>1</b>	3,785
Non - NHS trade creditors - capital	<b>5</b>	965
Tax and social security costs	<b>214</b>	224
Other creditors	<b>1,700</b>	174
Accruals and deferred income	<b>0</b>	2,453
	<b>14,310</b>	25,924
<b>Amounts falling due after more than one year:</b>		
Other	<b>0</b>	680
	<b>0</b>	<b>680</b>
<b>Total</b>	<b>14,310</b>	<b>26,604</b>

**Note 12. Provisions for liabilities and charges**

	Pensions relating to other staff	Legal claims	Other	<b>Total</b>
	£000	£000	£000	<b>£000</b>
At 1 April 2006	120	71	223	<b>414</b>
Utilised during the year	(120)	0	(1)	<b>(121)</b>
<b>At 30 September 2006</b>	<b>0</b>	<b>71</b>	<b>222</b>	<b>293</b>

**Expected timing of cash flows:**

Within 1 year	0	71	31	<b>102</b>
1 - 5 years	0	0	0	<b>0</b>
Over 5 years	0	0	191	<b>191</b>

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

Legal claims £71,000 (2005/06 £71,000) cover the potential cost of restitution following the Coughlan judgement on responsibility for funding of continuing care. It is anticipated that these cases will be resolved in the next 12 months. There are further amounts relating to restitution included in Note 11.1 Accruals £58,000; 2005/06 £58,000) and in Note 17 Contingent Liabilities (£3,044,000; 2005/06 £3,044,000).

Other provisions made, totalling £222,000 cover:

(i) £191,000 of the PCT's provisions are made under "back to back" arrangements with NHS Trusts (2005/06 £191,000). As commissioner the PCT must include in its accounts its share of the Trusts' provisions. These provisions therefore represent Southern 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.

(ii) £31,000 relates to provisions for the likely cost of staff appeals under the Agenda for Change process (2005/06 £32,000). Staff that are successful in their appeals will have their pay increase backdated to October 2004, and an estimate of these costs is included here.

No amounts are included in the provisions of the NHS Litigation Authority at 30 September 2006 (2005/06 £nil) in respect of clinical negligence provisions for the PCT.

There were no material movements in provisions in the period 1/4/06-30/09/06. All movements in provisions relating to Southern Norfolk PCT in 2006/07 are included in the full year accounts of Norfolk PCT.

**Note 13. Movements on Reserves**

Movements on reserves in the year comprised the following:

	Revaluation reserve		Donated asset reserve		Government grant reserve		General Fund		Total	
	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000	1/4/06 - 30/9/06 £000	12 Months 2005/06 £000
At 1 April 2006	<b>1,251</b>	4,948	<b>541</b>	214	<b>637</b>	672	<b>(8,716)</b>	(6,279)	<b>(6,287)</b>	(445)
Net Parliamentary Funding							<b>135,024</b>	227,759	<b>135,024</b>	227,759
Cost of Capital Charge							<b>226</b>	(147)	<b>226</b>	(147)
Transfer from the OCS							<b>(122,829)</b>	(230,358)	<b>(122,829)</b>	(230,358)
Surplus/(deficit) on other revaluations/indexation of fixed assets	<b>981</b>	(3,190)	<b>0</b>	0	<b>0</b>	0			<b>981</b>	(3,190)
Receipt of donated/Government granted assets			<b>0</b>	338	<b>0</b>	0			<b>0</b>	338
Depreciation and disposal of donated/Government granted assets			<b>(11)</b>	(11)	<b>(17)</b>	(35)			<b>(28)</b>	(46)
Other movements on reserves	<b>198</b>	(507)	<b>0</b>	0	<b>0</b>	0	<b>(198)</b>	309	<b>0</b>	(198)
<b>At 30 September 2006</b>	<b>2,430</b>	1,251	<b>530</b>	541	<b>620</b>	637	<b>3,507</b>	(8,716)	<b>7,087</b>	(6,287)

Other movements on reserves relate to a transfer from the revaluation reserve to the General Fund in respect of the difference between depreciation charged on revalued assets and that which would have been charged on historic cost

**Note 14. Notes to the cash flow statement****Note 14.1 Reconciliation of operating costs to net cash flow from operating activities:**

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
Net operating Cost	(122,829)	(230,358)
Depreciation charge	322	501
Cost of capital charge	226	(147)
(Profit)/loss on disposal of fixed assets	0	(114)
Transfer from donated asset reserve	(11)	(11)
Transfer from the Government grant reserve	(17)	(35)
(Increase)/decrease in debtors	(795)	3,464
Increase/(decrease) in creditors	(11,334)	(899)
Increase/(decrease) in provisions	(121)	24
<b>Net cash outflow from operating activities</b>	<b>(134,559)</b>	<b>(227,575)</b>

**Note 14.2 Reconciliation of net cash flow to movement in net debt**

	<b>1/4/06 - 30/9/06 £000</b>	12 Months 2005/06 £000
Increase/(decrease) in cash in the period	748	(1)
<b>Change in net debt resulting from cash flows</b>	<b>748</b>	<b>(1)</b>
Net debt at 1 April 2006	1	2
<b>Net debt at 30 September 2006</b>	<b>749</b>	<b>1</b>

**Note 14.3 Analysis of changes in net debt**

	<b>At 30 September 2006 £000</b>	Cash flows in year £000	At 1 April 2006 £000
OPG cash at bank	734	734	0
Cash at bank and in hand	15	14	1
<b>Total</b>	<b>749</b>	<b>748</b>	<b>1</b>

**Note 15. Capital Commitments**

There were no capital commitments at the balance sheet date (none in 2005/06)

**Note 16. 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 takes place in 2006-07.

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

**Note 17. Contingencies**

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

	<b>1/4/06 -</b>	12 Months
	<b>30/9/06</b>	2005/06
	<b>£000</b>	£000
Gross value	(3,314)	(3,347)
Amounts recoverable (if any)	3,044	3,044
Net Contingent Liability	<u><b>(270)</b></u>	<u><b>(303)</b></u>

The contingent liability for 2006/07 relates to continuing care and LIFT (2005/06 also included Agenda for Change).

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.

The continuing care element (£3,044,000; 2005/06 £3,044,000) relates to the potential costs of restitution following the Coughlan judgement on responsibility for funding of continuing care. All restitution claims received are subject 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 11 as accruals or note 12 as provisions, depending on the progress with 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 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 2006/07.

Southern Norfolk PCT, along with West Norfolk and North Norfolk PCTs is a stakeholder in Norfolk Local Investment 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 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 (i.e. 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.

**Note 18. Related Party Transactions**

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

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Southern Norfolk Primary Care Trust.

The Department of Health is regarded as a related party. During the year Southern 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;

Norfolk, Suffolk and Cambridgeshire Strategic Health Authority  
Norfolk and Norwich University Hospital NHS Trust  
Norwich Primary Care Trust  
Broadland Primary Care Trust  
North Norfolk Primary Care Trust  
Various other Norfolk, Suffolk and Cambridgeshire NHS Trusts and Primary Care Trusts  
Various other Health bodies

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.

**Note 19. 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 Primary Care Trust's net operating costs are financed primarily from resources voted annually by Parliament. The Primary Care Trust largely finances its capital expenditure from funds made available from Government under an agreed resource limit. The 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. The 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 19.1 Financial Assets**

Currency	Total	Non-interest bearing
	£000	£000
At 30 September 2006		
Sterling	786	786
At 31 March 2006		
Sterling	38	38

**Note 19.2 Financial Liabilities**

Currency	Total	Fixed rate	Non-interest bearing	Fixed rate Weighted average interest rate	Non-interest bearing Weighted average term until maturity
	£000	£000	£000	%	Years
At 30 September 2006					
Sterling	191	191	0	2.2	0
At 31 March 2006					
Sterling	859	179	680	2.2	1

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 19.3 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

	<b>30 September 2006</b>		31 March 2006	
	<b>Book Value</b>	<b>Fair Value</b>	Book Value	Fair Value
	£000	£000	£000	£000
<b>Financial assets</b>				
Fixed Asset investments	37	37	37	37
Cash	749	749	1	1
<b>Total</b>	<b>786</b>	<b>786</b>	<b>38</b>	<b>38</b>
<b>Financial liabilities</b>				
Creditors over one year	0	0	680	680
Provisions under contract	191	191	179	179
<b>Total</b>	<b>191</b>	<b>191</b>	<b>859</b>	<b>859</b>

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 3.5% in real terms.

**Note 20 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 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 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 2 cases of losses and special payments (prior year: 2 cases) totalling £609 (prior year: £377) approved during 2006-2007.

There were no cases where the net payment exceeded £100,000 (prior year: no cases).

**Note 21 Intra-government balances**

	<b>Debtors Amounts falling due within 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	1,770	2,059	0
Balances with local authorities	26	0	0
Balances with NHS Trusts/FTs	89	4,460	0
Balances with bodies external to Government	3,503	7,791	0
<b>At 30 September 2006</b>	<b>5,388</b>	<b>14,310</b>	<b>0</b>
Balances with other central government bodies	3,830	4,186	0
Balances with local authorities	245	2,050	680
Balances with NHS Trusts/FTs	200	9,532	0
Balances with public corporations and trading funds	0	111	0
Balances with bodies external to Government	1,633	10,045	0
<b>At 31 March 2006</b>	<b>5,908</b>	<b>25,924</b>	<b>680</b>

**Note 22. Pooled Budgets****Note 22.1 Learning Difficulties Pooled Fund**

In 2006/07, Southern Norfolk PCT ("the PCT") was party to a pooled fund agreement with Norfolk County Council ("the County Council"), West Norfolk PCT, North 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:

	<b>unaudited</b>	
	<b>1/4/06 -</b>	12 Months
	<b>30/9/06</b>	2005/06
	<b>£000</b>	£000
<b>Funding</b>		
Norfolk PCTs*	19,013	34,448
Norfolk County Council	20,253	38,430
<b>Total Funding</b>	<b><u>39,266</u></b>	<b><u>72,878</u></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><u>38,413</u></b>	<b><u>70,644</u></b>
<b>Net (Underspend)</b>	<b><u>(853)</u></b>	<b><u>(2,234)</u></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 Southern Norfolk PCT's share is £4,983,840 (2005/06 full year £8,905,000). This is shown in the PCT's operating expenses (note 4.1)

The debtors in note 10 of these accounts include the sum of £2,482,830 relating to the prepayment of pooled fund contributions for October - December 2006 (in "Other prepayments and accrued income").

The creditors in note 11 of these accounts include the following balances relating to the pooled fund (both in "Other creditors"):

- credit note due in respect of the 2005/06 underspend on the pooled fund £270,225;
- payment due in respect of the overspends in 2003/04 and 2004/05 £680,211.

**Note 22.2 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:

	<b>unaudited</b>	
	<b>1/4/06 -</b>	<b>12 Months</b>
	<b>30/9/06</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
<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><u>125</u></b>	<b><u>245</u></b>
<b>Expenditure</b>		
Specialist health care services	102	222
Specialist social care services	2	6
<b>Total Expenditure</b>	<b><u>104</u></b>	<b><u>228</u></b>
<b>Net Underspend</b>	<b><u>(21)</u></b>	<b><u>(17)</u></b>

The PCT's expenditure of £28,000 (2005/06 £55,000) is included within "Purchase of Healthcare from non-NHS providers" in note 4.1 to the Operating Cost Statement.

**Note 22.3 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:

	<b>unaudited</b>	
	<b>1/4/06 - 30/9/06</b>	12 Months 2005/06
	<b>£000</b>	£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 £428,000 (2005/06 £775,000). This is fully included in operating costs (note 4.1),

## **Southern 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 his salary was being considered and the Head of Human Resources attended in a secretarial capacity.

### **Determination of Remuneration**

The remuneration of the following posts is 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, is 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:

Helen Wilson	Chairman
Philip Richardson	Non Executive Director
Sandy Sankar	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>Southern Norfolk PCT</b>						
<b>Board Members</b>						
Helen Wilson (Chair)	5-10	0	4	15-20	0	12
Paul Sanders (NED)	0-5	0	1	5-10	0	1
Philip Richardson (NED)	0-5	0	0	5-10	0	0
Anne Lavery (NED)	0-5	0	4	5-10	0	0
Gillian Hickling (NED)	-	-	-	0-5	0	0
Sandy Sankar (NED)	0-5	0	1	5-10	0	1
Don John (NED)	0-5	0	1	5-10	0	2
Chris Humphries (Chief Executive)	50-55	0	0	100-105	0	0
Wendy Hardicker	35-40	0	1	-	-	-
Matthew Colmer (Director of Finance & Performance)	35-40	0	0	70-75	0	0
Dr John Battersby (Director of Public Health)	40-45	0	17	75-80	0	16
Dr John Sampson (GPChair of PEC & Board Member)	15-20	0	0	30-35	0	0
Duncan Butler (Director of Modernisation)	15-20	0	11	55-60	0	24
Jonathan Cook (Director of Clinical & Corporate Governance)	30-35	0	0	55-60	0	0
Valerie McQueen(Director of Clinical Services)	25-30	0	4	55-60	0	8
Timothy Prail (Director of Acute Commissioning)	30-35	0	17	65-70	0	19
<b>Professional Executive Committee (PEC)</b>						
Dr Iain Brooksby (Medical Consultant on PEC)	0-5	0	0	5-10	0	0
Dr Hilary Byrne (GP on PEC)	0-5	0	0	5-10	0	0
Ruby James (Nurse on PEC)	0-5	15-20	1	5-10	30-35	4
Adrian Lemmon (Pharmacist on PEC)	0-5	0	0	5-10	0	0
Geoffrey Murphy (Physio on PEC)	0-5	10-15	2	5-10	15-20	1
Chris Tate (Nurse on PEC)	0-5	0	0	5-10	0	0
Dr Nigel Thomson (GP on PEC)	0-5	0	0	5-10	0	0
Joanna Tyas(Nurse on PEC)	0-5	15-20	0	5-10	25-30	0
Gordon Watkins (Dental Practitioner on PEC)	0-5	0	0	5-10	0	0

### Pension Benefits (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>Southern Norfolk PCT Board Members</b>							
Chris Humphris	0-2.5	2.5-5	25-30	80-85	375	402	22
Matthew Colmer	0-2.5	0-2.5	10-15	40-45	139	145	4
Tim Prail	0-2.5	0-2.5	25-30	80-85	440	440	-5
John Battersby	0-2.5	0-2.5	10-15	35-40	132	144	11
Jon Cook	0-2.5	0-2.5	15-20	55-60	247	257	7
Val McQueen	0-2.5	0-2.5	5-10	15-20	98	105	5
Duncan Butler	0-2.5	0-2.5	10-15	40-45	181	191	8

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

Dated: 6 July 2007