

St George's Healthcare



NHS Trust

 kind

 excellent

Annual accounts 2010/11

 respectful

 responsible



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Directors' statements

Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust

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

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

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



Peter Coles

Chief Executive Date: 08/06/2011

Statement of Directors' responsibilities in respect to the accounts

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board



Peter Coles

Chief Executive Date 08/06/2011



Richard Eley

Director of Finance Date 08/06/2011

STATEMENT ON INTERNAL CONTROL (SIC) 2009/10

1. Scope of responsibility

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

The Trust has an integrated governance approach to ensure decision-making is informed by a full range of corporate, financial, clinical and information governance. Accountability for Risk Management is set out in the Trust's Risk Management Framework, approved by the Board annually, where the Executive Team is accountable to the Chief Executive for key functions and for ensuring effective governance arrangements are in place in their individual areas of responsibilities and, in those key functions, supported by consistent evidence. These areas of responsibility are detailed in the Trust's Scheme of Delegation. The Executive Team collectively, are responsible for providing the systems, processes and evidence of governance.

2. The purpose of the system of internal control

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

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

The system of internal control has been in place in St George's Healthcare NHS Trust for the year ended 31 March 2011 and embedded up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust is committed to providing high quality care, which is safe for patients, visitors and staff and which is underpinned by the public service values of accountability, probity and openness. As Chief Executive, I have overall responsibility for ensuring that the organisation meets all its statutory and legal requirements, maintains its compliance with the Care Quality Commission registration standards and adheres to guidance issued by the Department of Health. I and the relevant Directors, on behalf of the Trust Board, ensure that robust structures, processes and outcome monitoring is in place and that each committee has terms of reference, which are reviewed annually and that resources in place to make sure this occurs.

Senior leadership in corporate governance is provided by the Trust Secretary through the Compliance Unit, and operationalised through corporate directorates led by directorate and clinical divisions led by Divisional Chairs, which have been aligned to ensure robust integrated governance and accountability arrangements. This system

provides a central steer whilst supporting local ownership in managing and controlling risks to which the Trust may be exposed.

Risk management training is a mandatory requirement for Trust staff at induction. Further education is available for Trust staff, relevant to their authority and duties; this includes modules within the Clinical Leadership Programme and Senior Staff Induction programme. Expert guidance and facilitation from the risk management team supports this function. Policies, guidance and tools to support the management of risk are also available to all staff through the Trust's intranet. The organisation seeks to promote a focus on learning and good practice and this is disseminated through a variety of activities including governance meetings, annual governance and audit half-days, network meetings and other internal and external events. This has been further strengthened in 2010/11 with the appointment of a Head of Patient Safety.

4. The risk and control framework

The key elements of the Trust's risk management framework is to ensure that all risks to the Trust's strategic objectives (whether clinical, non-clinical, information, research or financial) are identified, analysed, evaluated, treated, monitored and managed appropriately.

This is achieved through a sound organisational framework, which promotes early identification of risk, the co-ordination of risk management activity, the provision of a safe environment for staff and patients, and the effective use of financial resources. It ensures that staff are aware of their roles and responsibilities and outlines the structures and processes through which risk is assessed, controlled and managed.

Risks are identified through feedback from many sources, such as, proactive risk assessments, incident reporting and trends, clinical benchmarking and audit data, complaints, legal claims, patient and public feedback, stakeholder/partnership feedback and internal/external assurance assessments.

Key stakeholders are involved in the management of risks via patient and public involvement groups and activities, patient and staff surveys, public Board meetings, the Local Involvement Network and the local Overview and Scrutiny Committees.

Risks are evaluated using a recognised risk assessment tool (NPSA risk matrix), which assesses the impact and likelihood of the risk occurring using a 5 x 5 matrix scoring system. This risk score feeds into the decision-making process about whether a risk is considered tolerable. When a risk is accepted as tolerable it is still monitored, not disregarded. Higher level unaccepted risks require control measures/contingency plans to reduce them to a tolerable/acceptable level. A designated person is responsible for reviewing, reporting, reassessing and monitoring the effectiveness of the controls in place to manage and mitigate the risk and this is recorded and reported back regularly to the appropriate committees.

Risk management is embedded within the organisation through the Corporate, Divisional, Directorate and Care Group structures and the reporting and feedback mechanisms are in place (for an overview see Fig 1 below).

Systems are in place to ensure that the necessary risk assessments are carried out, risk registers are maintained, risk action plans approved, control measures implemented and monitored, and action

plans are reported, reviewed and monitored. The Compliance Unit, which includes risk management, supports staff and disseminate good practice across the organisation. Involvement in risk management activities is also included within the Trust's objective setting and individual performance review of staff and the organisation's business planning process. The Risk Management Framework is a single document and is easily accessible to all staff on the Trust Intranet.

The Trust's Assurance Framework, which is aligned to the Trust's strategic corporate objectives and ratified by the Trust Board, is a high-level document based on structured and on-going assessment of the principal risks to the Trust achieving its corporate objectives and the controls and assurances mechanisms in place to manage them. Material risks, which form part of the Corporate Risk Register, have also been linked into the Assurance Framework, as have details of sources of available positive or negative assurances.

The Executive Risk Committee, Risk, Assurance and Compliance Committee, and the Trust Board regularly reviewed and updated the Assurance framework during 2010/11. Divisional Risk Registers were reviewed regularly by the Organisational Risk Committee with high-level risks being escalated to the Executive Risk Committee. Reports

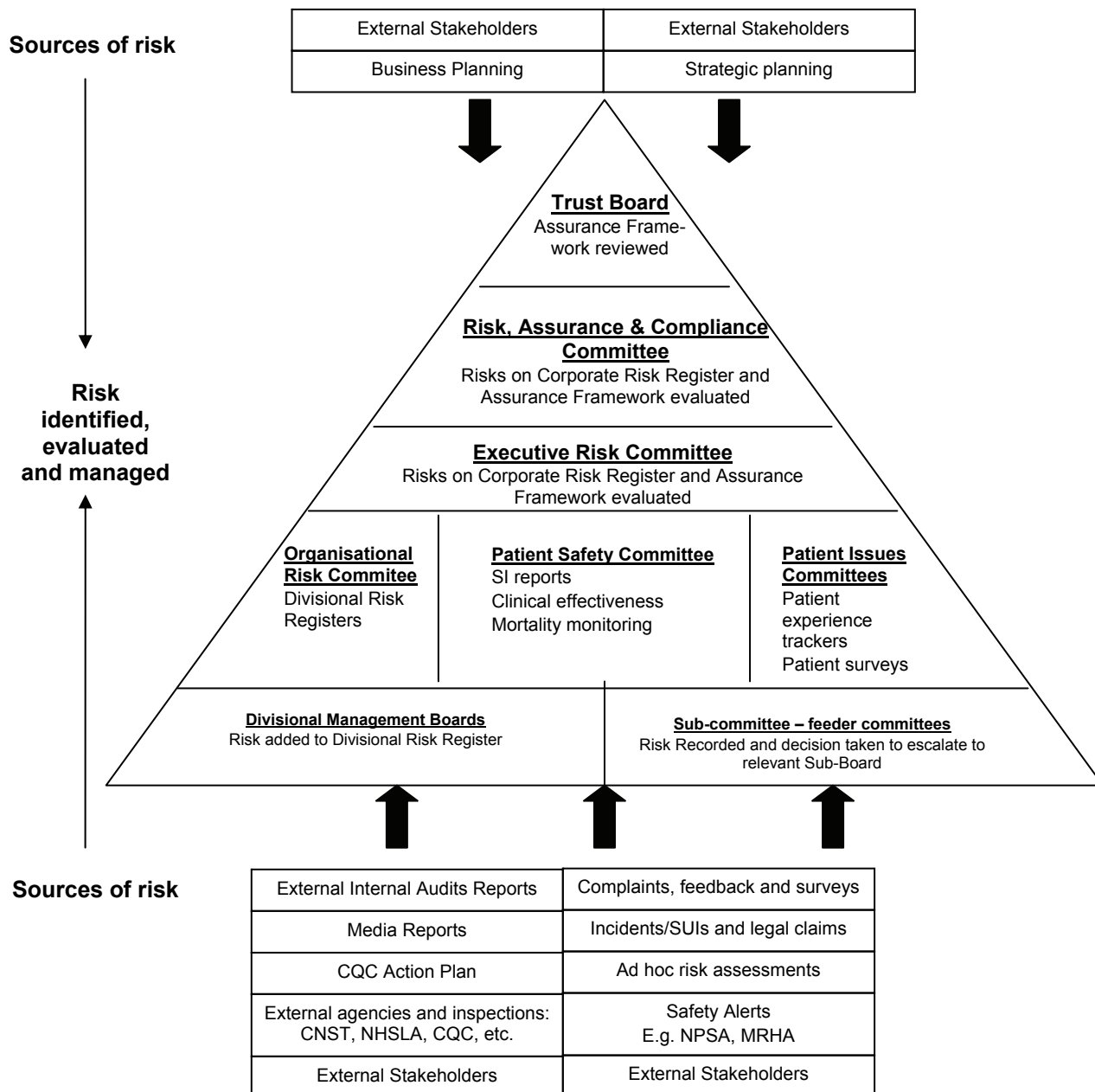
detailing high level corporate risks and the actions taken to address any gaps in controls or assurances were received by the Executive Risk Committee on a monthly basis. These reports are then escalated to each Trust Board meeting via the Risk, Assurance and Compliance Committee, with regular feedback provided to the Audit Committee.

An assessment of the Assurance Framework identified some weaknesses and gaps in control and assurances in relation to some of the potential risks identified during the year, and these weaknesses have, or are, being addressed through appropriate action plans.

Below is a summary of the internal controls for some of the key disclosure this year.

Care Quality Commission

The Trust is fully compliant with CQC essential standards of quality and safety. The Trust registered with the CQC upon integrating with Community Services Wandsworth in October 2010 and remained registered without conditions, although an action plan was in place to ensure improvements in provision of healthcare services at HMP Wandsworth (completed in March 2011).



Compliance with NHS Pension Scheme Regulations

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. The Trust has control measures to meet the first three obligations.

Equality, Diversity and Human Rights

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and Human Rights legislation are complied with. The Trust's Single Equalities Scheme is available on the Trust's internet site. The Scheme takes account of all equality dimensions and is a 'live' document that is responsive to need and priorities. Our Diversity work is underpinned by Equalities and Human Rights legislation with a focus on achieving dignity and respect for all, irrespective of race, disability, gender, sexuality, age, deprivation, class or background.

Information Governance (IG)

Information governance risks, including data security, are managed in an integrated way as part of the Trust's risk management framework. The Trust has an Information Governance Steering Group chaired by the Caldicott Guardian (Medical Director) which reports into the Organisational Risk Committee and an Information Governance Manager. The Information Governance Steering Group reviews all data security breaches and ensures that risks are identified and addressed.

"Equity and excellence: Liberating the NHS"

The Board is kept informed regularly of developments in national and local policy and strategy and is responsible for setting the Trust strategy in response to these changes in the external environment. The impact of potential organisational/structural changes emerging in the light of proposed legislation is considered as part of setting the Trust's strategic aims and annual objectives and risks entered on the assurance framework where necessary.

Carbon reduction delivery plans

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

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways:

- the Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work .
 - This opinion provides reasonable assurance that the internal controls are operating effectively within the fundamental financial systems, as a whole. The Head of Internal Audit considered that improvements have continued to be made during the year and was able to provide either significant or reasonable

assurance on the majority of financial systems reviewed. Only limited assurance was provided on the controls operating within the Haemophilia income feeder system and various weaknesses were noted in the design or application of some of the controls for which recommendations were made and for which the Trust has developed action plans for further improvement. Despite these weaknesses it was not considered that the Trust had suffered material loss or error.

- Reviews of the Board Assurance Framework and CQC registration were carried out with the conclusion that they generally sound A wide range of audits were undertaken several of which provided significant assurance that the controls and systems were operating effectively. A number of reports contained limited assurance including theatre stores, disaster recovery arrangements, whistle blowing and estates & facilities maintenance. The Trust has drawn up action plans to take account of the recommendations made.
- Executive Directors and managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance
- the Assurance Framework itself provides evidence of the effectiveness of the controls used to manage the risks to the organisation achieving its principal objectives and these are regularly reviewed
- the Trust's committee structures ensure sound monitoring and review mechanisms to ensure the systems of internal control are working effectively.

My review is also informed by a variety of other sources of information. These include amongst others: the views and comments of stakeholders, patient and staff surveys, internal and external audit reports, clinical benchmarking and audit reports, mortality monitoring and reports from external assessments such as, CQC Quality Risk Profile, Deanery and Royal College assessments, accreditation inspections of clinical services, NHSLA Risk Management Standards for Acute Trusts assessments, and Patient Environmental Action Team self assessments. These are documented on the Trust's Assurance Map.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Risk, Assurance and Compliance Committee, Audit Committee and Trust Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has been actively engaged in the development and continuous review of the Assurance Framework at each Board meeting and through the committees and operational mechanisms identified and outlined above. It has been scrutinised by the Audit Committee and I have taken into account the Head of Internal Audit Opinion on the system of internal control.

During the year, through the review of the Assurance Framework, the Board has identified two significant internal control issues:

- **Financial performance / delivery of Cost Reduction Programme (CRP)**

We did not meet our challenged financial programme in total, within

that we did not meet our cost reduction programme in total and though we made a £5m surplus we did so through non-recurrent means, therefore leaving an underlying deficit.

The Trust has established a project management office and robust governance arrangements to oversee the development of sufficient CRPs to meet the financial targets for 2011/12, and to monitor their delivery. Each CRP work stream is led by an executive director and each project has a manager accountable for its delivery. Project Initiation Documents are developed for each CRP, including an impact assessment on quality and equality.

The Trust has an executive led CRP Monitoring Group which meets fortnightly, with fortnightly reports being circulated to Board members. The Board has reviewed the detail of the CRP schemes and receive assurances around the delivery of CRPs and the impact on patient quality. The Trust also has a robust risk management system in place that will monitor the impact of CRPs and report regularly to the Trust's Risk, Assurance and Compliance Committee and Board.

The Trust is also working closely with the acute commissioning unit and clinical commissioners to ensure robust management of demand jointly.

- **Service performance—Referral To Treatment (RTT) / 18 week tracking**

The Trust went live with the Cerner Millennium (iClip) system at the end of March 2010. As part of the implementation the Trust has been attempting to establish an 18 week PTL with a solution compatible with the Cerner Millennium system. Due to the failure of a number of potential solutions, both in-house and from BT, the Trust is currently facing issues with a large volume of data with no pathway ID and the quality of data with the PTL. The Trust has developed an action plan to address internal process as well as technical issues, to be implemented by September 2011.

With the exception of the internal control issues that I have outlined in this statement, my review confirms that St. George's Healthcare NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that those identified control issues are being addressed.



Peter Coles
Chief Executive
June 2011

Auditor's Report

Independent auditor's report to the Board of Directors of St. George's Healthcare NHS Trust

Opinion on the financial statements

I have audited the financial statements of St. George's Healthcare NHS Trust for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of St George's Healthcare NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2010.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and overall presentation of the financial statements. I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of St. George's Healthcare NHS Trust's as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In my opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in

England; and

- The information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Trust's Responsibilities

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

Auditor's Responsibilities

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

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

Basis of Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Trust has proper arrangements for:

- Securing financial resilience; and
- Challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects St. George's Healthcare NHS Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

I certify that I have completed the audit of the accounts of St. George's Healthcare NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Lindsey Mallors
Officer of the Audit Commission
Audit Commission
1st Floor, Millbank Tower
London
SW1P 4HQ

09/06/2011

Forward to the Accounts

St George's Healthcare 
NHS Trust

These accounts for the year ended 31 March 2011 have been prepared by the St George's Healthcare NHS Trust under section 98(2) of the National Health Service Act 2006 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED

	NOTE	2010-11 £000	Restated 2009-10 £000	Published 2009-10 £000
Revenue				
Revenue from patient care activities	5	529,091	517,802	417,960
Other operating revenue	6	75,156	71,729	70,870
Operating expenses	8	(593,044)	(569,281)	(468,802)
Operating Surplus/(deficit)		11,203	20,250	20,028
Finance costs:				
Investment revenue	14	151	76	76
Other gains and (losses)	15	5,171	1,929	1,929
Finance costs	16	(4,327)	(4,955)	(4,955)
Surplus/(deficit) for the financial year		12,198	17,300	17,078
Public dividend capital dividends payable		(7,178)	(6,526)	(6,526)
Retained surplus/(deficit) for the year		5,020	10,774	10,552

Other comprehensive income

Impairments and reversals		0	(1,134)	(1,134)
Gains on revaluations		0	13,084	13,084
Receipt of donated/government granted assets		2,332	2,142	2,142
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		0	0	0
Net gains/(losses) on available for sale financial assets		0	0	0
Reclassification adjustments:				
- Transfers from donated and government grant reserves		(1,463)	(1,851)	(1,851)
- On disposal of available for sale financial assets		0	0	0
Total comprehensive income for the year		5,889	23,015	22,793

The notes on pages 7 to 44 form part of these accounts.

Reported NHS financial performance position [Adjusted retained surplus/(deficit)]

Retained surplus/(deficit) for the year	5,020
IFRIC 12 adjustment	1,439
Impairments	0
Reported NHS financial performance position [Adjusted retained surplus/(deficit)]	6,459

A Trust's Reported NHS financial performance position is derived from its Retained surplus/(Deficit), but adjusted for the following:-

a) Impairments to Fixed Assets 2009/10 was the final year for organisations to revalue their assets to a Modern Equivalent Asset (MEA) basis of valuation. An impairment charge is not considered part of the organisation's operating position.

b) The revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) - NHS Trusts' financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation's operating position.

On 1 October 2010 St George's Healthcare NHS Trust integrated with Community Services Wandsworth (CSW), the provider arm of Wandsworth PCT. The annual revenue of CSW is approx £95m per annum.

These accounts have been prepared in accordance with the requirements of 'merger accounting' as set out in International Financial Reporting Standard 3. Accordingly the income and expenditure of Community Services Wandsworth for the whole 2010/11 financial year is included in these accounts and the comparative figures have been restated to include the income and expenditure of CSW for 2009/10. CSW made a surplus of £221,000 in 2009/10. This surplus is included in the restated retained surplus for the year for 2009/10 of £10,774,000.

STATEMENT OF FINANCIAL POSITION AS AT

31 March 2011		31 March 2011	Restated 31 March 2010	Published 31 March 2010
	NOTE	£000	£000	£000
Non-current assets				
Property, plant and equipment	17	288,602	288,723	288,723
Intangible assets	18	2,960	1,868	1,868
Other financial assets	23	0	0	0
Trade and other receivables	22	77	79	79
Total non-current assets		291,639	290,670	290,670
Current assets				
Inventories	21	5,886	5,512	5,374
Trade and other receivables	22	50,396	47,207	39,671
Other financial assets	23	0	0	0
Other current assets	24	2	114	114
Cash and cash equivalents	25	20,524	16,144	16,144
		76,808	68,977	61,303
Non-current assets held for sale	26	0	7,756	7,756
Total current assets		76,808	76,733	69,059
Total assets		368,447	367,403	359,729
Current liabilities				
Trade and other payables	27	(70,106)	(67,762)	(60,310)
Other liabilities	29	0	0	0
Borrowings	28	(10,646)	(9,915)	(9,915)
Other financial liabilities	34	0	0	0
Provisions	35	(682)	(640)	(640)
Net current assets/(liabilities)		(4,626)	(1,584)	(1,806)
Total assets less current liabilities		287,013	289,086	288,864
Non-current liabilities				
Borrowings	28	(53,770)	(61,720)	(61,720)
Trade and other payables	27	0	0	0
Other financial liabilities	34	0	0	0
Provisions	35	(1,330)	(1,352)	(1,352)
Other liabilities	29	0	0	0
Total assets employed		231,913	226,014	225,792
Financed by taxpayers' equity:				
Public dividend capital		131,475	131,475	131,475
Retained earnings		(20,555)	(32,111)	(32,333)
Revaluation reserve		102,513	109,225	109,225
Donated asset reserve		13,655	13,395	13,395
Government grant reserve		3,675	2,880	2,880
Other reserves		1,150	1,150	1,150
Total Taxpayers' Equity		231,913	226,014	225,792

The financial statements on pages 2 to 44 were approved by the Board on 7th June 2011 and signed on its behalf by:

Signed: ..  ..(Chief Executive)

Date: ...07/06/2011.....

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009							
As previously stated	131,475	(52,040)	105,121	16,170	1,123	1,150	202,999
Prior Period Adjustment	0	0	0	0	0	0	6,033
Restated balance	131,475	(52,040)	105,121	16,170	1,123	1,150	202,999
Changes in taxpayers' equity for 2009/10							
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	10,774	0	0	0	0	10,774
Transfers between reserves	0	9,155	(8,980)	(175)	0	0	0
Impairments and reversals	0	0	0	(1,107)	(27)	0	(1,134)
Net gain on revaluation of property, plant, equipment	0	0	13,084	0	0	0	13,084
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	248	1,894	0	2,142
Net gain/loss on other reserves (e.g. defined benefit pension)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(1,741)	(110)	0	(1,851)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
Balance at 31 March 2010	131,475	(32,111)	109,225	13,395	2,880	1,150	226,014
Changes in taxpayers' equity for 2010/11							
Balance at 1 April 2010	131,475	(32,111)	109,225	13,395	2,880	1,150	226,014
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	5,020	0	0	0	0	5,020
Transfers between reserves	0	6,536	(6,712)	283	(97)	0	10
Impairments and reversals	0	0	0	0	0	0	0
Net gain on revaluation of property, plant, equipment	0	0	0	0	0	0	0
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	1,186	1,146	0	2,332
Net gain/loss on other reserves (e.g. defined benefit pension)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(1,209)	(254)	0	(1,463)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
Balance at 31 March 2011	131,475	(20,555)	102,513	13,655	3,675	1,150	231,913

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2011

	NOTE	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Operating surplus/(deficit)		11,203	20,028
Depreciation and amortisation		18,363	18,817
Impairments and reversals		0	1,083
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(1,209)	(1,741)
Transfer from government grant reserve		(254)	(110)
Interest paid		(4,732)	(3,930)
Dividends paid		(7,178)	(6,526)
(Increase)/decrease in inventories		(374)	2,169
(Increase)/decrease in trade and other receivables		(10,855)	(11,410)
(Increase)/decrease in other current assets		0	(54)
Increase/(decrease) in trade and other payables		9,287	11,506
Increase/(decrease) in other current liabilities		0	(86)
Increase/(decrease) in provisions		(13)	(214)
Net cash inflow/(outflow) from operating activities		14,238	29,532
Cash flows from investing activities			
Interest received		151	76
(Payments) for property, plant and equipment		(14,716)	(19,730)
Proceeds from disposal of plant, property and equipment		13,302	8,173
(Payments) for intangible assets		(1,906)	(7)
Proceeds from disposal of intangible assets		0	0
(Payments) for investments with DH		0	0
(Payments) for other investments		0	0
Proceeds from disposal of investments with DH		0	0
Proceeds from disposal of other financial assets		0	0
Revenue rental income		0	0
Net cash inflow/(outflow) from investing activities		(3,169)	(11,488)
Net cash inflow/(outflow) before financing		11,069	18,044
Cash flows from financing activities			
Public dividend capital received		0	0
Public dividend capital repaid		0	0
Loans received from the DH		0	0
Other loans received		0	0
Loans repaid to the DH		(7,994)	(7,994)
Other loans repaid		0	0
Other capital receipts		2,973	4,004
Capital element of finance leases and PFI		(1,668)	(2,864)
Net cash inflow/(outflow) from financing		(6,689)	(6,854)
Net increase/(decrease) in cash and cash equivalents		4,380	11,190
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		16,144	4,954
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	25	20,524	16,144

Notes to the Accounts

1. Accounting Policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.4 Merger Accounting

On 1st October 2010 St George's Healthcare NHS Trust integrated with the provider arm of NHS Wandsworth - Community Services Wandsworth. The Treasury FReM notes that IFRS 3 Business Combinations excludes from its scope business combinations where entities are under common control. NHS bodies are required to apply merger accounting where at transfer of functions between NHS bodies or between NHS bodies and other public sector entities takes place. The Trust has therefore accounted for Community Services Wandsworth by re-stating brought forward balances and 2010-11 transactions as if the transfer of functions had always been the case. The PCT has therefore adjusted 1 April 2010 opening balances to reflect this requirement, and has excluded transactions for 2010-11 in its results as if it had carried out those functions for the whole year.

As required under IAS1 the income and expenditure statements and notes include all income and expenditure relating to Community Services Wandsworth from April 2010 to March 2011. When it has been reasonable within timescales 2009/10 comparators have been restated for Community Service Wandsworth and this has been indicated on the individual notes.

1.5.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most

significant effect on the amounts recognised in the financial statements.

The Trust has made a critical judgement regarding the treatment of assets that are finance leases. Further details of finance leases given in Notes 30 to 32.

1.5.2 Key sources of estimation uncertainty

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

Revenue figures have been adjusted for the Impairment of Receivables. The Trust has made an appropriate Provision for Impairment of debts past their due date according to their age.

1.6 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay/costs incurred to date compared to total expected costs.

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

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

1.7 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

1.8 Other expenses

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

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

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

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

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

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

Subsequent expenditure

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

1.10 Intangible assets

Recognition

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

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

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

Measurement

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

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

1.11 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the

reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.12 Donated assets

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

1.13 Government grants

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

1.14 Non-current assets held for sale

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

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

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

1.15 Leases

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

The trust as lessee

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

remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

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

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

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

The trust as lessor

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

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

1.16 Private Finance Initiative (PFI) transactions

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

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

- Payment for the fair value of services received;
- Payment for the PFI asset, including finance costs; and
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

Services received

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

PFI Asset

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

PFI liability

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

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

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

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS

17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement

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

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

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

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

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

Other assets contributed by the Trust to the operator

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

1.17 Inventories

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

1.18 Cash and cash equivalents

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

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

1.19 Provisions

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

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

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

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

1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

1.21 Non-clinical risk pooling

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

1.22 EU Emissions Trading Scheme

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

1.23 Contingencies

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

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

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

1.24 Financial assets

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

Financial assets are initially recognised at fair value.

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

the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

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

Loans and receivables

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

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

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

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

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

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

1.25 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at

the higher of:

The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

1.26 Value Added Tax

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

1.27 Foreign currencies

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

1.28 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 41 to the accounts.

1.29 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

1.30 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should

not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

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

1.31 Subsidiaries

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

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

1.32 Associates

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

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

1.33 Joint ventures

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

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

1.34 Joint operations

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

1.35 Research and Development

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

1.36 Accounting Standards issued but not yet adopted.

IFRIC 19 "Extinguishing financial liabilities with equity instruments" is effective from 1 July 2010. Neither the Treasury FReM nor the Department of Health's manual for Accounts require this standard to be applied in 2010-11. The application of the IFRIC would not have a material impact on the Trust accounts in 2010-11, were it applied in that year.

2. Pooled Budgets

St George's Healthcare NHS Trust does not have any pooled budget arrangements.

3. Operating Segments

This note is not applicable for St George's Healthcare NHS Trust as the organisation does not consider itself to have more than one operating segment which amounts to at least 10% of the total revenue.

4. Income generation activities

The trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of these are income generation activities whose full cost exceeded £1m or were otherwise material.

5. Revenue from patient care activities

	2010-11 £000	Restated 2009-10 £000	Published 2009-10 £000
Strategic health authorities	119	1,229	533
NHS trusts	1,120	818	64
Primary care trusts	518,550	506,376	409,446
Foundation trusts	2,122	480	395
Local authorities	0	1,334	0
Department of Health	311	500	500
NHS other	0	219	219
Non-NHS:			
Private patients	3,216	2,712	2,691
Overseas patients (non-reciprocal)	1,008	520	520
Injury costs recovery	2,536	2,118	2,103
Other	109	1,496	1,489
	<u>529,091</u>	<u>517,802</u>	<u>417,960</u>

Injury cost recovery income is subject to a provision for impairment of receivables of approx 23% to reflect expected rates of collection.

6. Other Operating Revenue

	2010-11	Restated 2009-10	Published 2009-10
	£000	£000	£000
Patient transport services	1	(1)	0
Education, training and research	53,232	51,751	51,734
Charitable and other contributions to expenditure	726	620	616
Transfers from Donated Asset Reserve	1,209	1,741	1,741
Transfers from Government Grant Reserve	254	110	110
Non-patient care services to other bodies	12,841	12,352	11,498
Income generation	2,859	2,162	2,162
Rental revenue from finance leases	0	0	0
Rental revenue from operating leases	264	267	267
Other revenue	3,770	2,727	2,742
	<u>75,156</u>	<u>71,729</u>	<u>70,870</u>

7. Revenue

	2010-11	Restated 2009-10	Published 2009-10
	£000	£000	£000
From rendering of services	602,758	588,313	487,597
From sale of goods	1,489	1,218	1,233

8. Operating Expenses

	2010-11	Restated 2009-10	Published 2009-10
	£000	£000	£000
Services from other NHS trusts	5,771	2,966	320
Services from PCTs	8,366	17,163	0
Services from other NHS bodies	9,608	7,493	0
Services from foundation trusts	635	137	137
Purchase of healthcare from non NHS bodies	3,097	2,035	2,019
Trust chair and non executive directors	67	63	1,622
Employee benefits	380,251	358,172	302,929
Supplies and services - clinical	103,764	98,432	89,936
Supplies and services - general	10,688	10,000	9,853
Consultancy services	2,177	3,429	3,429
Establishment	4,603	5,756	3,309
Transport	4,136	3,688	3,413
Premises	21,258	22,733	19,769
Provision for impairment of receivables	(227)	2,315	2,315
Inventories write down	5	105	105
Depreciation	17,549	18,173	18,173
Amortisation	814	644	644
Impairments and reversals of property, plant and equipment	0	1,083	1,083
Impairments and reversals of intangible assets	0	0	0
Impairments and reversals of financial assets	0	0	0
Impairments and reversals of non current assets held for sale	0	0	0
Audit fees	272	263	263
Other auditor's remuneration (Internal Audit and VAT Advisers)	345	107	107
Clinical negligence	7,034	6,276	5,939
Research and development	363	709	709
Education and Training	1,295	683	683
Other	11,173	6,856	2,045
	<u>593,044</u>	<u>569,281</u>	<u>468,802</u>

2009/10 Published Accounts included the cost of all Directors in the Director's Costs rather than Employee Benefits. This definition has been revised for 2010/11 to only include the cost of the Trust chair and non executive directors. All other Directors' costs are included in Employee Benefits.

Other Operating Revenue and Operating Expenses include revenue and expenditure relating to the London Procurement Programme that St George's Healthcare NHS Trust hosts. Other expenditure includes £2.8m of interim Staff for the LPP.

9. Operating leases

The comparative figures for 2009/10 in this note has not been restated for the Integration with Community Services Wandsworth as no additional Operating leases have been taken on.

9.1 As lessee

The Trust has a number of operating leases for short life office equipment such as Photocopiers and Pool Cars leased by the Transport department.

Payments recognised as an expense	2010-11 £000	2009-10 £000
Minimum lease payments	573	427
Contingent rents	0	0
Sub-lease payments	0	0
	<u>573</u>	<u>427</u>

Total future minimum lease payments	2010-11			Total £000	2009-10
	Buildings £000	Land £000	Other £000		Total £000
Payable:					
Not later than one year	0	0	317	317	220
Between one and five years	0	0	19	19	79
After 5 years	0	0	0	0	0
Total	<u>0</u>	<u>0</u>	<u>336</u>	<u>336</u>	<u>299</u>

9.2 As lessor

The Trust receives rental revenue from retail outlets on its premises.

Rental Revenue	2010-11 £000	2009-10 £000
Contingent rent	0	0
Other	264	267
Total rental revenue	<u>264</u>	<u>267</u>

Total future minimum lease payments	2010-11 £000	2009-10 £000
Receivable:		
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	<u>0</u>	<u>0</u>

10. Employee costs and numbers

The comparative figures for 2009/10 in this note has not been restated for the Integration with Community Services Wandsworth.

10.1 Employee costs

	Total	2010-11 Permanently employed	Other	Total	2009-10 Permanently employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	308,879	264,714	44,165	256,372	224,444	31,928
Social Security Costs	41,330	41,330	0	21,035	21,035	0
Employer contributions to NHS Pension scheme	31,206	31,206	0	26,845	26,845	0
Other pension costs	25	25	0	148	148	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	309	309	0	0	0	0
Employee benefits expense	381,749	337,584	44,165	304,400	272,472	31,928
Of the total above:						
Charged to capital	1,498			1,983		
Employee benefits charged to revenue	380,251			302,417		
	381,749			304,400		

10.2 Average number of people employed

	Total	2010-11 Permanently Employed	Other	Total	2009-10 Permanently Employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental	1,143	975	168	1,002	933	69
Ambulance staff	0	0	0	0	0	0
Administration and estates	1,911	1,661	251	1,400	1,201	199
Healthcare assistants and other support staff	536	536	0	134	128	6
Nursing, midwifery and health visiting staff	2,827	2,348	480	2,401	1,968	433
Nursing, midwifery and health visiting learners	0	0	0	362	362	0
Scientific, therapeutic and technical staff	1,699	1,635	63	1,303	1,257	46
Social care staff	0	0	0	0	0	0
Other	2	2	0	41	0	41
Total	8,118	7,157	961	6,643	5,849	794
Of the above:						
Number of staff whole time equivalent engaged on capital projects	41			32		

Administration and estates staff includes staff employed by the Trust to implement the new iClip Electronic Record system.

10.3 Staff sickness absence

	2010-11 Number	2009-10 Number
Total days lost	50,155	47,349
Total staff years	6,145	5,631
Average working days lost	8	8

10.4 Management Costs

	2010-11 £000	2009-10 £000
Management costs	24,801	19,966
Income	604,247	488,830

10.5 Exit Packages for staff leaving in 2010-11

Exit package cost band (including any special payment element)	*Number of compulsory redundancies	2010-11 *Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	2009-10 *Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
<£20,001	1	0	1	1	0	1
£20,001 - £40,000	3	0	3	0	0	0
£40,001 - 100,000	2	0	2	0	0	0
£100,001 - £150,000	1	0	1	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type (total cost)	7	0	7	1	0	1
Total resource cost (£000s)	309	0	309	10	0	10

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Scheme. Exit costs in this note are accounted for in full in the year of departure. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year.

11. Pension costs

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

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

a) Full actuarial (funding) valuation

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

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

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

b) Accounting valuation

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

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

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

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

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

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

12. Retirements due to ill-health

During 2010-11 there were nil (2009-10, 2) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £0 (2009-10: £38,679). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division. The comparative figures have not been restated for the integration of Community Services Wandsworth.

13. Better Payment Practice Code

The comparative figures for 2009/10 in this note has not been restated for the Integration with Community Services Wandsworth.

13.1 Better Payment Practice Code - measure of compliance

	2010-11		2009-10	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	130,047	216,122	103,617	177,684
Total Non NHS trade invoices paid within target	83,395	140,638	63,787	114,820
Percentage of Non-NHS trade invoices paid within target	64%	65%	62%	65%
Total NHS trade invoices paid in the year	4,382	59,573	3,393	27,438
Total NHS trade invoices paid within target	1,490	35,949	1,133	14,255
Percentage of NHS trade invoices paid within target	34%	60%	33%	52%

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

13.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2010-11	2009-10
	£000	£000
Amounts included in finance costs from claims made under this legislation	0	2
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	2

14. Investment revenue

	2010-11 £000	2009-10 £000
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	113	7
Other loans and receivables	38	69
Impaired financial assets	0	0
Other financial assets	0	0
Total	151	76

15. Other gains and losses

	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	5,341	1,929
Gain/(loss) on disposal of intangible assets	(170)	0
Gain/(loss) on disposal of financial assets	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Total	5,171	1,929

16. Finance Costs

	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	720	1,145
Interest on obligations under finance leases	351	512
Interest on obligations under PFI contracts:		
- main finance cost	3,223	3,263
- contingent finance cost	0	0
Interest on late payment of commercial debt	0	2
Other interest expense	0	0
Total interest expense	4,294	4,922
Other finance costs	33	33
Total	4,327	4,955

17. Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construc- tion and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2010-11									
Cost or valuation at 1 April 2010	71,588	183,222	334	6,853	85,221	144	18,988	11,586	377,936
Additions purchased	0	3,576	0	5,494	5,300	0	906	195	15,471
Additions donated	0	620	0	0	517	0	0	49	1,186
Additions government granted	0	0	0	0	1,146	0	0	0	1,146
Reclassifications	0	4,399	0	(4,540)	56	0	16	69	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	(310)	(8,111)	0	(555)	(44)	(9,020)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2011	71,588	191,817	334	7,497	84,129	144	19,355	11,855	386,719
Depreciation at 1 April 2010	0	10,841	17	0	62,212	140	10,591	5,412	89,213
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(8,111)	0	(490)	(44)	(8,645)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	9,473	14	0	5,606	1	1,669	786	17,549
Depreciation at 31 March 2011	0	20,314	31	0	59,707	141	11,770	6,154	98,117
Net book value									
Purchased	71,588	157,905	303	7,497	21,337	3	7,511	5,132	271,276
Donated	0	11,317	0	0	1,782	0	74	482	13,655
Government granted	0	2,281	0	0	1,303	0	0	87	3,671
Total at 31 March 2011	71,588	171,503	303	7,497	24,422	3	7,585	5,701	288,602
Asset financing									
Owned	71,588	122,317	303	7,497	19,455	3	6,445	3,454	231,062
Finance Leased	0	0	0	0	4,967	0	1,140	895	7,002
Private finance initiative	0	49,186	0	0	0	0	0	1,352	50,538
Total 31 March 2011	71,588	171,503	303	7,497	24,422	3	7,585	5,701	288,602

17.1 Revaluation reserve balance for property, plant & equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	57,615	37,617	3,087	10,712	23	171	0	109,225
Movements (Asset Disposals & Excess Deprecation)	(1,445)	(4,042)	(60)	(1,236)	0	(13)	84	(6,712)
At 31 March 2011	56,170	33,575	3,027	9,476	23	158	84	102,513

17. Property, plant and equipment (cont.)

Prior year:

	Land	Buildings excluding dwellings	Dwellings	Assets under construc- tion and	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2009-10:									
Cost or valuation at 1 April 2009	63,590	172,258	245	5,732	87,356	144	13,668	10,471	353,464
Additions purchased	0	5,778	0	3,741	4,498	0	3,658	1,326	19,001
Additions donated	0	91	0	6	109	0	11	31	248
Additions government granted	0	23	0	1,500	324	0	0	6	1,853
Reclassifications	0	1,644	0	(3,999)	41	0	1,791	233	(290)
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	(612)	0	(127)	(7,107)	0	(140)	(304)	(8,290)
Revaluation/indexation gains	7,998	4,896	89	0	0	0	0	101	13,084
Impairments	0	(856)	0	0	0	0	0	(278)	(1,134)
Reversal of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2010	<u>71,588</u>	<u>183,222</u>	<u>334</u>	<u>6,853</u>	<u>85,221</u>	<u>144</u>	<u>18,988</u>	<u>11,586</u>	<u>377,936</u>
Depreciation at 1 April 2009	0	0	0	0	63,633	138	9,353	4,914	78,038
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	(664)	0	0	(7,092)	0	(140)	(185)	(8,081)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	1,083	0	0	0	0	0	0	1,083
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	10,422	17		5,671	2	1,378	683	18,173
Depreciation at 31 March 2010	<u>0</u>	<u>10,841</u>	<u>17</u>	<u>0</u>	<u>62,212</u>	<u>140</u>	<u>10,591</u>	<u>5,412</u>	<u>89,213</u>
Net book value									
Purchased	71,588	160,575	317	6,853	19,228	4	8,297	5,590	272,452
Donated	0	10,918	0	0	1,888	0	100	485	13,391
Government granted	0	888	0	0	1,893	0	0	99	2,880
Total at 31 March 2010	<u>71,588</u>	<u>172,381</u>	<u>317</u>	<u>6,853</u>	<u>23,009</u>	<u>4</u>	<u>8,397</u>	<u>6,174</u>	<u>288,723</u>
Asset financing									
Owned	71,588	121,263	317	6,853	19,649	4	7,004	3,694	230,372
Finance leased	0	0	0	0	3,360	0	1,393	1,002	5,755
Private finance initiative	0	51,118	0	0	0	0	0	1,478	52,596
Total 31 March 2010	<u>71,588</u>	<u>172,381</u>	<u>317</u>	<u>6,853</u>	<u>23,009</u>	<u>4</u>	<u>8,397</u>	<u>6,174</u>	<u>288,723</u>

17. Property, plant and equipment (cont.)

The Trust received capital donations towards the cost of the refurbishment of the Paediatric Intensive Care Unit, the expansion of the Neo-Natal Unit and a new MRI scanner.

The Trust's land and buildings were revalued in 2009/10 by the Valuation Office under the new Modern Equivalent Asset (MEA) basis applicable to NHS Trust. The valuation was effective from 31 March 2010.

Buildings are subject to composite depreciation rates according to their elemental breakdown e.g. substructure 80 years, internal walls 25 years etc.

Medical equipment is in general depreciated over 5, 10 or 15 years.
Software licences are amortised over 5 years.

The Trust has received donations in year from St George's Hospital Charity, Ben Weir Charity and First Touch Charity.

Buildings (excluding dwellings) asset lives from 3 to 100 years
Dwellings asset lives from 15 to 80 years
Plant & Machinery asset lives from 1 to 25 years
Transport Equipment asset lives from 5 to 7 years
Information Technology asset lives from 3 to 15 years
Furniture & Fittings asset lives from 5 to 25 years

There is no compensation from third parties for assets impaired, lost or given up, that is included in the trust's surplus/deficit.

18. Intangible assets

2010-11:	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2010	0	4,599	0	0	2,780	7,379
Additions purchased	0	1,906	0	0	0	1,906
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation/indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Gross cost at 31 March 2011	0	6,505	0	0	2,780	9,285
Amortisation at 1 April 2010	0	2,731	0	0	2,780	5,511
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	0	814	0	0	0	814
Amortisation at 31 March 2011	0	3,545	0	0	2,780	6,325
Net book value						
Purchased	0	2,960	0	0	0	2,960
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
Total at 31 March 2011	0	2,960	0	0	0	2,960

18. Intangible assets (cont.)

Prior year:

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
2009-10:	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2009	4,302	0	0	0	2,780	7,082
Additions purchased	0	7	0	0	0	7
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	(4,302)	4,592	0	0	0	290
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Gross cost at 31 March 2010	0	4,599	0	0	2,780	7,379
Amortisation at 1 April 2009	2,087	0	0	0	2,780	4,867
Reclassifications	(2,087)	2,087	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	0	644	0	0	0	644
Amortisation at 31 March 2010	0	2,731	0	0	2,780	5,511
Net book value						
Purchased	0	1,864	0	0	0	1,864
Donated	0	4	0	0	0	4
Government granted	0	0	0	0	0	0
Total at 31 March 2010	0	1,868	0	0	0	1,868

18.2 Revaluation reserve balance for intangible assets

	2010-11 £000	2009-10 £000
At 1 April	0	0
Changes	0	0
At 31 March	0	0

19. Impairments

St George's Healthcare NHS Trust had no impairments of fixed assets in 2010-11.

20. Capital commitments

20.1. Capital commitments

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

	31 March 2011	31 March 2010
	£000	£000
Property, plant and equipment	6,305	5,439
Intangible assets	24	342
Total	<u>6,329</u>	<u>5,781</u>

The capital commitments for property plant and equipment include £2.57m for a new Acute Medical Unit and £2.3m for a new Breast Diagnostic Unit.

20.2. Other financial commitments

The Trust has no other financial commitments.

21. Inventories

21.1. Inventories

	31 March 2011	Restated 31 March 2010	Published 31 March 2010
	£000	£000	£000
Drugs	1,658	1,729	1,729
Work in progress	0	0	0
Consumables	3,833	3,460	3,322
Energy	266	156	156
Other	129	167	167
Total	<u>5,886</u>	<u>5,512</u>	<u>5,374</u>
Of which held at net realisable value:	<u>0</u>	<u>0</u>	<u>0</u>

21.2 Inventories recognised in expenses

	31 March 2011	31 March 2010
	£000	£000
Inventories recognised as an expense in the period	104	2,164
Write-down of inventories (including losses)	5	105
Reversal of write-downs that reduced the expense	0	0

22. Trade and other receivables

22.1 Trade and other receivables

	Current	Non-current	Restated Current	Restated Non-current
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	£000	£000	£000	£000
NHS receivables-revenue	21,557	77	34,732	0
NHS receivables-capital	0	0	0	0
Non-NHS receivables-revenue	15,444	0	13,488	79
Non-NHS receivables-capital	762	0	894	0
Provision for the impairment of receivables	(5,425)	0	(7,115)	0
Accrued income	16,508	0	2,690	0
Finance lease Receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	1,550	0	2,518	0
Other receivables	0	0	0	0
Total	<u>50,396</u>	<u>77</u>	<u>47,207</u>	<u>79</u>

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

22. Trade and other receivables (cont.)

22.2 Receivables past their due date but not impaired

	31 March 2011 £000	31 March 2010 £000
By up to three months	5,031	9,816
By three to six months	3,307	1,446
By more than six months	<u>7,738</u>	<u>4,090</u>
Total	<u>16,076</u>	<u>15,352</u>

22.3 Provision for impairment of receivables

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	(7,115)	(9,110)
Amount written off during the year	1,463	4,310
Amount recovered during the year	(31)	0
(Increase)/decrease in receivables impaired	<u>258</u>	<u>(2,315)</u>
Balance at 31 March	<u>(5,425)</u>	<u>(7,115)</u>

23. Other financial assets

The Trust has no other financial assets.

24. Other current assets

	31 March 2011 £000	31 March 2010 £000
EU Emissions trading scheme allowances	<u>2</u>	<u>114</u>
Total	<u>2</u>	<u>114</u>

25. Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	16,144	4,954
Net change in year	4,380	11,190
Balance at 31 March	20,524	16,144
Made up of		
Cash with Government banking services	20,474	16,157
Commercial banks and cash in hand	50	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	20,524	16,157
Bank overdraft - Government banking services	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	20,524	16,157

26. Non-current assets held for sale

	Land £000	Buildings, excl dwellings £000	Dwellings £000	Other property, plant and equipment £000	Intangible assets £000	Total £000
Balance at 1 April 2010	1,666	5,570	511	9	0	7,756
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	(1,666)	(5,570)	(511)	(9)	0	(7,756)
Less impairments of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance at 31 March 2011	0	0	0	0	0	0
Balance at 1 April 2009	3,251	6,080	4,586	70	0	13,987
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	(1,585)	(510)	(4,075)	(61)	0	(6,231)
Less impairments of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance at 31 March 2010	1,666	5,570	511	9	0	7,756

In January 2011 the Trust disposed of land and buildings on the Bolingbroke Hospital site in Wandsworth with a new book value of £7.75m.

27. Trade and other payables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Restated Current 31 March 2010 £000	Restated Non-current 31 March 2010 £000
Interest payable	30	0	45	0
NHS payables-revenue	13,138	0	13,637	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue	23,955	0	17,317	0
Non NHS trade payables - capital	4,767	0	4,258	0
Accruals and deferred income	13,929	0	16,410	0
Social security costs	3,731	0	3,085	0
VAT	0	0	0	0
Tax	4,470	0	3,726	0
Other	6,086	0	9,284	0
Total	70,106	0	67,762	0

Other payables include:

£4,387,607 outstanding pensions contributions at 31 March 2011 (31 March 2010 £3,513,972). These outstanding pensions contributions were paid in April 2011.

28. Borrowings

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Bank overdraft - Government banking services	0	0	0	0
Bank overdraft - Commercial banks	0	0	0	0
Loans from:				
Department of Health	7,990	0	7,994	7,990
Other entities	0	0	0	0
PFI liabilities	661	48,729	578	49,430
LIFT	0	0	0	0
Finance lease liabilities	1,995	5,041	1,343	4,300
Other (describe)	0	0	0	0
Total	10,646	53,770	9,915	61,720

Working capital loans

In 2006/07 the Trust received working capital loans from the Department of Health totalling £34,000,000 to replace cash brokerage support received in 2005/06 of £37,107,000. The Trust pays interest of 5.45% pa on the loans which are repayable in ten equal instalments over 5 years.

In 2007/08 the Trust received additional 'roll-over' working capital loans totalling £4,800,000 and repaid £6,828,000 of the original loan. The trust pays interest of 5.20% pa and 3.98% pa on these roll over loans.

In 2008/09 the Trust repaid loans totalling £7,994,000.

In 2009/10 the Trust repaid loans totalling £7,994,000.

In 2010/11 the Trust repaid loans totalling £7,994,000. The balance of £7,990,000 loans outstanding as at 31 March 2011 is repayable by 31 March 2012 in two instalments of £3,995,000 on 15 September 2011 and 15 March 2012.

There are no changes to the 2009/10 comparators as a result of the integration of Community Services Wandsworth.

29. Other financial liabilities

The Trust has no other financial liabilities.

30. Finance lease obligations

The Trust has a number of finance leases for high value capital medical equipment and the Picture Archiving Communications System which is provided under a managed equipment service. In addition the Trust accounts for £1.5m capital investment in catering facilities undertaken by Mitie PLC in 2009-10 as a finance lease.

The Trust has no Building or land Finance Leases

Amounts payable under finance leases:

	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	31 March 2011 £000	31 March 2011 £000	31 March 2010 £000	31 March 2010 £000
Within one year	1,995	1,786	1,605	1,343
Between one and five years	5,008	4,637	3,860	3,374
After five years	613	613	945	926
Less future finance charges	(580)		(767)	
Present value of minimum lease payments	<u>7,036</u>	<u>7,036</u>	<u>5,643</u>	<u>5,643</u>
Included in:				
Current borrowings		1,995		1,343
Non-current borrowings		5,041		4,300
		<u>7,036</u>		<u>5,643</u>

31. Finance lease

The Trust does not have any Finance Leases where it is the lessor.

32. Finance lease commitments

The trust has not entered into any finance lease agreement whereby the asset will be made available for use and rental payments commence in future periods.

33. Private Finance Initiative contracts

33.1 PFI schemes off-Statement of Financial Position

St George's has no PFI schemes which are accounted as off-Statement of Financial Position.

33.2 PFI schemes on-Statement of Financial Position

On 20 March 2000 the Trust signed a contract for the exclusive use for 35 years of Atkinson Morley Wing. Blackshaw Healthcare Services Ltd, a special purpose vehicle company owned by a private consortium, constructed the building which the Trust uses to provide Cardiac and Neurosciences services. The estimated capital value of the facility is £50m.

	£000
Estimated capital value of the PFI scheme	50,000
Contract Start date:	20 March 2000
Contract End date:	8 August 2038

Accounting treatment

The first unitary payment was payable by the Trust when the new facility became available for use in August 2003 and the last payment will be payable by the Trust in 2038/39. Previously the Trust had accounted for this PFI scheme as 'off-balance sheet' however this accounting treatment has changed to on-Statement of Financial Position under IFRIC 12 which is applicable to NHS Trusts on the adoption of International Financial Reporting Standards (IFRS).

IFRIC12

Under IFRIC 12 the building is accounted as an asset of St George's Healthcare NHS Trust and the value of the building and fixtures and fittings subject to the contract are included within fixed assets. The contract is classified as a finance lease with the unitary payments split into two main components: the imputed finance lease charges (comprising interest payable and lease repayments) and service charges relating to the facilities management services eg buildings maintenance, domestic services provided by Blackshaw Healthcare Services Ltd.

Expiration of contract

On the expiration of the contract term in 2038/39 the Trust assumes ownership of all the building and equipment assets subject to the contract with BHS for £nil consideration and also assumes responsibility for the provision of the services provided during the contract by BHS.

Termination rights

The Trust may at any time within a period of 90 days after an Event of Default (as defined in the contract) by Blackshaw Healthcare Services Ltd terminate the contract without prejudice to any of its other rights and remedies by notice in writing to BHS with effect from 30 days of the notice.

Total obligations for on-statement of financial position PFI contracts due:

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	3,841	3,841
Later than one year, not later than five years	15,363	15,363
Later than five years	85,857	89,698
Sub total	<u>105,061</u>	<u>108,902</u>
Less: interest element	<u>(55,671)</u>	<u>(58,894)</u>
Total	<u>49,390</u>	<u>50,008</u>

33.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £5,600k (prior year £5,139k).

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	5,708	-
Later than one year, not later than five years	22,337	-
Later than five years	96,752	145,532
Total	<u>124,797</u>	<u>145,532</u>

34. Other financial liabilities

The Trust does not have any Other Financial Liabilities to disclose.

35. Provisions

	Current 31 March 2011 £000	Non- current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	136	1,330	137	1,352
Legal claims	291	0	248	0
Restructurings	0	0	0	0
Redundancy	0	0	-	-
Other (Agenda for Change)	255	0	255	0
Total	682	1,330	640	1,352

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Redundancy £000	Other £000	Total £000
At 1 April 2010	0	1,489	248	0		255	1,992
Arising during the year	0	80	219	0	0	0	299
Used during the year	0	(136)	(18)	0	0	0	(154)
Reversed unused	0	0	(158)	0	0	0	(158)
Unwinding of discount	0	33	0	0	0	0	33
At 31 March 2011	0	1,466	291	0	0	255	2,012

Expected timing of cash flows:

Within one year	0	136	291	0	0	255	682
Between one and five years	0	136	0	0	0	0	136
After five years	0	1,194	0	0	0	0	1,194

Provision for pension costs is calculated using information provided by the NHS Pensions Agency. Provision for legal claims has been calculated using figures and estimated probabilities supplied by the NHS Litigation Authority, the Trust solicitors and the Human Resources Department.

£65,706,575 is included in the provisions of the NHS Litigation Authority at 31/3/2011 in respect of clinical negligence liabilities of the trust (31/03/10 £45,495,254).

36. Contingencies

36.1 Contingent liabilities

	2010-11 £000	2009-10 £000
Equal pay cases	0	0
Other	0	(109)
Amounts recoverable against contingent liabilities	0	40
Total	0	(69)

The above reflects the member contingent liability arising under the Liabilities to Third Parties scheme as notified by the NHS Litigation Authority relating to claims received and logged at the NHSLA as at 31 March 2011.

36.2 Contingent assets

The Trust has no Contingent assets.

37. Financial Instruments

37.1 Financial assets

	At fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0			0
Receivables		39,313		39,313
Cash at bank and in hand		20,524		20,524
Other financial assets	0	0	0	0
Total at 31 March 2011	0	59,837	0	59,837

Embedded derivatives	0			0
Receivables		39,750		39,750
Cash at bank and in hand		16,144		16,144
Other financial assets	0	0	0	0
Total at 31 March 2010	0	55,894	0	55,894

37.2 Financial liabilities

	At fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0		0
Payables		50,061	50,061
PFI and finance lease obligations		56,426	56,426
Other borrowings		7,990	7,990
Other financial liabilities	0	0	0
Total at 31 March 2011	0	114,477	114,477

Embedded derivatives	0		0
Payables		34,640	34,640
PFI and finance lease obligations		55,651	55,651
Other borrowings		15,984	15,984
Other financial liabilities	0	0	0
Total at 31 March 2010	0	106,275	106,275

37.3 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The trust's operating costs are incurred under contracts with primary care trusts, which are financed from

resources voted annually by Parliament. The trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The trust is not, therefore, exposed to significant liquidity risks.

38. Events after the reporting period

There are no material non-adjusting events after the reporting period.

39. Financial performance targets

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

39.1 Breakeven Performance

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	£000	£000	£000	£000	£000	£000
Turnover	336,896	384,146	410,129	438,979	488,830	604,247
Retained surplus/(deficit) for the year	(33,569)	(2,901)	5,972	1,718	10,552	5,020
Adjustment for:						
Timing/non-cash impacting distortions:						
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
2006-07 PPA (relating to 1997-98 to 2005-06)	0					
2007-08 PPA (relating to 1997-98 to 2006-07)	0	0				
2008-09 PPA (relating to 1997-98 to 2007-08)	0	0	0			
Adjustments for Impairments				0	1,083	0
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					1,298	1,439
Other agreed adjustments	21,996	0	0	0	0	0
Break-even in-year position	<u>(11,573)</u>	<u>(2,901)</u>	<u>5,972</u>	<u>1,718</u>	<u>12,933</u>	<u>6,459</u>
Break-even cumulative position	<u>(35,169)</u>	<u>(38,070)</u>	<u>(32,098)</u>	<u>(30,380)</u>	<u>(17,447)</u>	<u>(10,988)</u>

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	%	%	%	%	%	%
Materiality test (i.e. is it equal to or less than 0.5%):						
Break-even in-year position as a percentage of turnover	-3%	-1%	1%	0%	3%	1%
Break-even cumulative position as a percentage of turnover	-10%	-10%	-8%	-7%	-4%	-2%

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

39.2 Capital cost absorption rate

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

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and the 2010/11 Capital Cost of Absorption Rate was 3.6%.

39.3 External financing

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

	2010-11	2009-10
£000	£000	£000
External financing limit	(4,718)	(18,395)
Cash flow financing	(11,069)	(18,044)
Finance leases taken out in the year	3,087	2,240
Other capital receipts	(2,973)	(4,004)
External financing requirement	(10,955)	(19,808)
Undershoot/(overshoot)	6,237	1,413

39.4 Capital Resource Limit

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

	2010-11	2009-10
	£000	£000
Gross capital expenditure	19,709	21,109
Less: book value of assets disposed of	(8,131)	(6,440)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	(1,145)	(1,839)
Less: donations towards the acquisition of non-current assets	(1,186)	(249)
Charge against the capital resource limit	9,247	12,581
Capital resource limit	16,034	20,542
(Over)/Underspend against the capital resource limit	6,787	7,961

The underspend was caused by the deferral of capital expenditure which was funded by a material asset disposal which

40. Related party transactions

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with St George's Healthcare NHS Trust.

The Department of Health is regarded as a related party. During the year St Georges Healthcare NHS 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:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
2010/11	£'000	£'000	£'000	£'000
Department of Health	0	220	0	92
NHS Litigation Authority	6,827	0	0	0
Strategic health Authorities				
- NHS London	71	46,697	69	226
Primary care trusts				
- Wandsworth Teaching PCT	11,194	203,526	3,169	5,583
- Sutton and Merton PCT	0	92,779	13	2,342
- Croydon PCT	58	64,620	205	1,728
- Surrey PCT	0	44,659	30	915
- Lambeth PCT	0	23,324	0	50
- Kingston PCT	0	18,781	0	1,438
- Richmond & Twickenham PCT	0	14,048	3	192
- Hampshire PCT	0	8,581	0	390
2009/10				
Department of Health	672	49	0	120
NHS Litigation Authority	6,191	0	1	0
Strategic health Authorities				
- NHS London	42	46,318	25	443
Primary care trusts				
- Wandsworth Teaching PCT	724	157,141	1,383	7,763
- Sutton and Merton PCT	18	86,799	0	4,863
- Croydon PCT	1	35,596	205	1,986

Amounts received from the Primary Care Trusts relate to the Trust's contracts for patient services. The amount received from NHS London primarily relates to Teaching and Training. The 2009/10 comparators in this note have not been updated for the integration of Community Services Wandsworth.

The trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the NHS trust board.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
2010/11	£'000	£'000	£'000	£'000
St George's University of London	6,631	2,881	4,313	2,487
<i>Naaz Coker, The Trust Chair, is a board member thereof</i>				
St George's Hospital Charity	17	774	0	71
George Cordiner Radiological Fund	0	39	0	0
<i>Where Assistant Director of Finance Kevin Harbottle is the Treasurer</i>				
2009/10	£'000	£'000	£'000	£'000
St George's University of London	7,092	485	4,289	1,181
<i>Naaz Coker, The Trust Chair, is a board member thereof</i>				
Charitable Foundation	0	118	0	142
George Cordiner Radiological Fund	0	4	0	0
<i>Where Assistant Director of Finance Kevin Harbottle is the Treasurer</i>				

Transactions with respect to St George's University of London on behalf of St George's Medical School mainly relate to the provision of clinical staff and overhead costs. Receipts from the Charitable Foundation relate to capital and revenue expenditure to be funded by the Charitable Foundation.

41. Third Party Assets

The Trust held £874 cash and cash equivalents at 31 March 2011 (£2,090 - at 31 March 2010) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

42. Intra-Government and Other Balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other central government bodies	18,604	0	17,973	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts and foundation trusts	4,132	0	7,986	0
Balances with public corporations and trading funds	451	0	0	0
Intra government balances	23,187	0	25,959	0
Balances with bodies external to government	27,209	77	44,147	0
At 31 March 2011	50,396	77	70,106	0
Balances with other central government bodies	18,663	0	7,329	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts and foundation trusts	3,588	0	2,303	0
Balances with public corporations and trading funds	918	0	908	0
Intra government balances	23,169	0	10,540	0
Balances with bodies external to government	16,502	79	49,770	0
At 31 March 2010	39,671	79	60,310	0

43. Losses and Special Payments

There were 91 cases of losses and special payments (2009-10: 64 cases) totalling £39,983 (2009-10: £17,885) accrued during 2010-11.

St George's Healthcare NHS Trust

Blackshaw Road

Tooting

London SW17 0QT

020 8672 1255

www.stgeorges.nhs.uk

Support from us

Our PALS team offers support, information and assistance to patients, relatives and visitors. The PALS office at St George's Hospital is open 9am to 5pm, Monday to Friday.

020 8725 2453

pals@stgeorges.nhs.uk

Work for us

If you are interested in working for St George's Healthcare visit our website www.stgeorges.nhs.uk or get in touch with our recruitment services team.

020 8725 0600

hrrecruitment@stgeorges.nhs.uk

Giving to George's

As well as making a donation there are many ways you can get involved with the St George's Hospital Charity. To find out more talk to the Giving to George's team.

020 8725 4916

giving@stgeorges.nhs.uk

www.givingtogeorges.nhs.uk

Request a summary report and poster

Contact the communications team if you would like a copy of the summary annual report, including the living our values poster.

020 8725 5151

communications@stgeorges.nhs.uk

Let us know what you think

Please let us know what you think about this annual report so you can help us improve the information included in next year's report. You can complete the survey online or get in touch with the communications team.

020 8725 5151

communications@stgeorges.nhs.uk

We launched our staff values in April 2010 and have been working hard to establish them throughout St George's Healthcare. These values set out the standards of behaviour we expect from all our staff.



We are here to support patients with life-limiting conditions and their families to make sure that all patients are treated with dignity until the end of their lives.

 **responsible**



Our children's speech and language therapists help children with their communication skills whilst supporting their families, teachers and other health professionals.

 **excellent**



Last year St George's Hospital managed 315 major trauma cases, with a further 85 trauma cases each month.

 **kind**



Last year we treated 600 of the most vulnerable babies from across south west London.

Read the full St George's Healthcare annual report at www.stgeorges.nhs.uk