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St George's Healthcare **NHS**

NHS Trust

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Annual Accounts 2008/09

23:59

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Directors' statements

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

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.



David Astley

Chief Executive Date: 03/06/2009

Statement of directors' responsibilities in respect to the accounts

The directors are required under the National Health Service Act 1977 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 of the trust for that period. In preparing those accounts, the directors are required to:

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



David Astley

Chief Executive Date 03/06/2009



Richard Eley

Director of Finance Date 03/06/2009

STATEMENT ON INTERNAL CONTROL 2008/09

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 Governance and Risk Management Strategy and 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. The Executive Team collectively, are responsible for providing the systems, processes and evidence of governance.

Improving patient care and safety is a key objective that the Trust achieves by working closely with partner organisations and the Strategic Health Authority (NHS London). Examples of a number of initiatives furthering partnership working include the Clinical Advisory group Healthcare for London, Healthcare for London Stroke and Trauma groups, Maternity Services Improvement Board, liaison with the Merton and Wandsworth Overview & Scrutiny Committees, Patient and Public Involvement activities, the Workforce Confederation, SW London Health Protection Unit and Cancer Network, participation in the local Safeguarding Boards, joint working on National Service Frameworks and Care Pathways and Service Level Agreement negotiations with local Primary Care Trust's (PCTs).

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 2009 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 and adheres to guidance issued by the Department of Health. I and the relevant Directors and the Assistant Director for Governance, on behalf of the Trust Board, ensure robust structures, processes and outcome monitoring is in place and that each committee has complementary terms of reference, which are reviewed annually and that resources in place to make sure this occurs.

Senior leadership in this process is given by the Medical Director (Governance) and the Director of Nursing, delegated through the Trust Executive team and operationalised through the Directors, Assistant Director for Governance, Divisional Directors of Operations, Assistant Directors of Nursing, General Managers, Clinical Directors and Heads of Department through Care Groups, Directorates, Divisions and sub committees, 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.

Through the Divisions, Directorates and Care Groups the Trust has systems in place to identify risks, assess their impact and devise strategies to manage and mitigate them. Risk management training is a mandatory requirement for Trust staff at induction and 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 & Safety Management Team supports the function. Policies, guidance and tools to support the management of risk are also available for 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 ½ days, network meetings and other internal and external events.

Actions taken to reduce risks are regularly monitored and reported, at Care Group, Directorate, Corporate Committee and Trust Board level. These actions also incorporate both learning and recommendations from external assurance assessments promoting both organisational and individual learning and the dissemination of good practice within the Trust.

In preparation for Foundation Trust status the organisation has been further developing the risk and assurance systems throughout the Trust and is confident of its ability to handle risk efficiently, effectively and economically and to embed learning.

4. The risk and control framework

The key elements of the Trust's Governance and Risk Management Strategy and Framework are to ensure 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 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 audit data, complaints, legal claims, patient and public feedback, stakeholder/partnership feedback and internal/external assurance assessments.

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. The level of control required is informed by the risk score, the risk is then prioritised. 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 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 Governance Directorate, which includes Risk & Safety Management, support 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 Governance and Risk Management Strategy and Framework is a single document and is easily accessible to all staff on the Trust Intranet.

Fig 1



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. The Trust's 08/09 strategic and corporate objectives were aligned to the domains of the DH Standards for Better Health and covered all of the organisation's functions. 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 Governance, Executive Risk, Organisational Risk Committees and the Trust Board regularly reviewed and updated the Assurance framework during 2008/09. Divisional Risk Registers were reviewed regularly by the Organisational Risk Committee and the Corporate high-level risks by the Governance Committee. From Q4 08/09, the Trust introduced an Executive Risk Committee to further strengthen the monitoring of the Assurance Framework and Corporate high-level risks. Monthly reports are made to the Executive Risk Committee on high level risks and the actions taken to address any gaps in controls or assurances; these are then escalated to each Trust Board meeting via the Governance Committee, with regular feedback provided to the Audit Committee.

Assessment of the Assurance Framework identified some weaknesses and gaps in control and assurances in relation to some of the potential risks identified during 08/09. However no significant gaps in controls and/or assurances have been identified or deemed issues of "significant internal control", with exception of the two issues outlined in Section 5. Weaknesses in controls and/or assurances have, or are, being addressed through the Trust's Assurance Framework/Standards for Better Health Action Plans. This section reviews the Assurance Framework and particularly highlights gaps in control or assurance and the key actions to address them, which align with some Core Standards for Better Health.

Human Resources governance

Governance - S4BH Core Standard C8b

Healthcare organisations support their staff through organisational and personal development programmes which recognise the contribution and value of staff, and address, where appropriate, under-representation of minority groups.

The standard was declared 'Not Met' for the year 2007 – 2008. During 2008 the Trust put in place dedicated resources to with the aim of meeting the standard in 2008/9. The key assurance for the Board was to demonstrate that sufficient staff had received an appraisal during the year. By the end of the financial year we have evidence that 65% of staff have been appraised. The 2008 staff survey outcomes additionally showed that our appraisal rates had increased and placed us above average for NHS acute trusts across KF11, KF13, KF14, and KF15. The Trust board was satisfied that this level of appraisal provided reasonable assurance that the standard had been met, with no significant lapse during 08/09.

Governance – S4BH Core Standard C11b

Healthcare organisations ensure that staff concerned with all aspects of the provision of healthcare participate in mandatory training programmes.

The Trust declared 'Not Met' in their 07/08 Standards for Better Health submission for this criteria in relation to statutory and mandatory training. During 2008 the Trust put in place dedicated resources to with the aim of meeting the standard in 2008/9. Although mandatory training was being delivered, the evidence had not been collated in previous years as it was maintained on a variety of systems.

During 08/09 we have streamlined our method of delivering mandatory training, and have collated training records from a variety of sources to demonstrate the level of training that has been undertaken in the Trust since April 2008. This work has only recently been completed, and therefore the standard was not declared compliant in the early part of the year. However having heard the evidence, the Board now takes the view that there has been no significant lapse in the provision of mandatory training, and are satisfied to declare the standard met for the entire year.

Financial governance

The Trust continued to monitor achievement of the financial targets and the key NHS performance targets during 2008/09. The Trust earned a second successive revenue surplus in 2008/09 of £1.7m following a run of four deficits in a row in the preceding four years (2003/04 - 2006/07 inclusive). Consequently the Trust was able to repay loans to the Department of Health of £8m reducing the total loans outstanding to £24m as at 31 March 2000. The Trust has strengthened controls over Payroll, with overpayments reducing to levels consistent with other trusts, has improved its payment systems by introducing invoice registration, and is in the process of improving its activity collection systems. It is recognized that controls over activity recognition need to be strengthened. The Trust has developed an action plan for this area that it is in the process of implementing.

Significant control issue

The Trust achieved a surplus for the second successive year in 2008/09. The revenue deficit accumulated in the four year period 2003/04 - 2006/07 is £30.5m as at the end of 2008/09 and therefore the Trust has breached the statutory requirement to break-even over the five year period ending 31 March 2009. The Trust has submitted a three year plan to NHS London for consideration.

Governance – S4BH Core Standard C12 - Research Governance

The Trust underwent inspection by the MHRA in October 2007 in respect of the management of clinical trials. The MHRA report detailed some critical and major findings. A full response and a detailed action plan to meet compliance with the findings was completed by the end of March 2008. The Trust was re-visited in March 2009 by the MHRA, the final report from this inspection has not yet been received by the Trust. However, although verbal feedback was supportive, the MHRA have suggested that the effects of the actions put into place following their last critical report in 07/08 are still not fully embedded in practice in relation to research governance. Therefore the Trust Board have taken the decision to declare this standard Not Met for the full year 08/09. Once the full report is received an action plan will immediately be developed and implemented, with a view to achieving full compliance by the end of September 09.

Clinical Governance

Some weakness in controls and assurances have been identified through risks on the Assurance Framework relating to capacity, clinical space and staffing. All these issues have action plans in place and are monitored regularly through one to one reviews and monthly reports to the Executive Risk Committee. Any areas of concern are escalated to the Governance Committee and Trust Board.

Information Governance (IG)

Information governance risks are managed in an integrated manner as part of the Trust's Governance and Risk Management Strategy and Framework. The Trust has an Information Governance Committee chaired by the Caldicott Guardian (Medical Director) and an Information Governance Manager. A Senior Information Risk Officer (SIRO) has been appointed at Board level, in line with National guidelines, to provide leadership to the NHS Information Risk Management programme across the Trust.

The Information Governance toolkit submission for 2008 – 2009 achieved a score of 73% and serves as a benchmark for further improvement in the Trust's IG function. An internal audit of the submission is currently being completed and any actions highlighted will be reviewed as part of the continuing IG process.

Gaps in assurances and controls relating to some aspects of IG is a risk identified on the organisation's Assurance Framework. Significant actions have been taken in-year to manage and reduce this risk, these include;

- Encrypted USB sticks (1000) distributed across Trust. A further supply of 1000 have been procured.
- Laptops - over 380 laptops have been encrypted. An ongoing process mandating encryption of all new laptops is in place.
- Device control - blocking of write access to all non Trust encrypted USB sticks to be enforced.
- Blocking of the C drive has been tested and will be implemented in a controlled manner across the Trust.
- Access to the national online Information Governance Training tool will be promoted to all staff.

- An IG communications campaign has been implemented supported at Board Level, raising staff awareness of IG issues.
- The Mandatory and Statutory training regime has been re-structured with IG training included in all Trust Inductions.
- Guidance for staff on phone authentication and confidential waste disposal.
- Update reports have been made to Wandsworth Overview and Scrutiny Committee and NHS London.

The Trust Board relies on the assurances of the internal systems and independent assurances obtained through the monitoring process to submit the Statement on Internal Control with confidence.

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.

The Assurance Framework has been internally audited during 08/09. I have received the draft Head of Internal Audit's Opinion (HOIA) and his opinion is as follows:

"• We can provide reasonable assurance that the internal controls are operating effectively within the fundamental financial systems, as a whole. We have, however, noted various weaknesses in the design or application of some of the controls, particularly in the area of payroll and staff-related payments. Despite these weaknesses, we do not consider the Trust has suffered material loss or error.

• In other reviews we have carried out, we have provided a range of assurances from satisfactory assurance to no assurance. In all cases, management has taken a positive approach and developed action plans to address the issues raised and we consider that the Trust will build upon the improvements already achieved during the year. These areas had been highlighted by Trust management as requiring review thus demonstrating an appetite for improvement."

The Trust is not fully compliant with the core Standards for Better Health, as it is declaring Not Met for Core Standard C12.

Core Standard C12 – Research Governance – Not Met

The Trust underwent inspection by the MHRA in October 2007 in respect of the management of clinical trials. The MHRA report detailed some critical and major findings. A full response and a detailed action plan to meet compliance with the findings was completed by the end of March 2008. The Trust was re-visited in March 2009 by the MHRA, the final report from this inspection has not yet been received by the Trust. However, although verbal feedback was supportive, the MHRA have suggested that the effects of the actions put into place following their last critical report in 07/08 are still not fully embedded in practice in relation to research governance. Therefore the Trust Board have taken the decision to declare this standard Not Met for the full year 08/09. Once the full report is received an action plan will immediately be developed and implemented, with a view to achieving full compliance by the end of September 09.

Two standards deemed non compliant for 2007/8 (**C12 and C20a**) were compliant from the 31st March 2008 and have been compliant for the full year. Two further standards deemed non compliant in 2007/08 (**C11b and C8b**) have been agreed compliant since 1st April

2008 (further detail above).

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.

With regard to Member Pension Scheme records, all NHS bodies must undertake a 'data cleansing' exercise which is a national initiative of the NHS Pensions Agency (NHSPA). The NHSPA requires NHS bodies to complete this data cleansing exercise during 2009/10 and therefore the Trust will ensure all member Pension Scheme records are updated in accordance with the NHSPA deadline in the next financial year.

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 (SES) is available on the Trust's internet site. We have developed an integrated Single Equalities Scheme for 2007-10 that 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.

The SES outlines the Trust's actions over three years, aiming to address aspects of the general duty outlined in equality legislation. The general duty is a positive duty that builds equality into the beginning of the process of policy, decision making and plans rather than making adjustments at the end of these processes. This simply means that as a public authority we actively seek out actual or potential discrimination, as well as barriers to access and do something about it, instead of waiting for a complaint or adverse effect on someone.

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
- 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: the Healthcare Commission's Annual Health-check final assessments, the views and comments of stakeholders, external and internal audit reports, clinical audit reports, reports from external assessments such as, NHSLA Risk Management Standards for Acute Trusts Level 2 accreditation, DH Infection Control Team review of compliance with the Health Act 2006, Patient Environmental Action Team self assessments, patient surveys, Royal College reports, staff surveys, HCC Reviews, the MHRA, Quality Assurance Agency Reports etc. 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 the Executive Directors, Assistant Director for Governance, the Risk and Safety Management Department, the Executive Risk Committee, the Clinical Management Board and the Audit, Governance, Organisational Risk, Patient Safety and Patient Issues Committees, plus the Trust Board. Feedback from the Auditor's Local Evaluation has also informed myself and the 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.

No significant internal control issues have been identified, with the exception of those relating to a **Not Met** submission for **S4BH core standard C12 Research Governance** (details of which are outlined in Section 4 above) and **SUI F43092** outlined below. The Trust has been in liaison with the Information Commissioner on the actions to address this SUI.

Information Governance Disclosures

During 2008/09 three serious untoward incidents (SUIs) related to breaches of confidentiality were reported to NHS London in line with DH Guidance (Gateway Reference No 9912 May 2008).

The incidents, related to loss of patient confidential records, were:

(i) SUI F42224:

21st April 2008: a recycling caddy containing loose confidential records of several patients in small containers and sacks were found in the waste compound. The records were taken to the waste manager's office for safe storage and subsequent disposal.

(ii) SUI F43092:

7th & 8th June 2008: 6 laptops containing basic patient details were stolen from a locked filing cabinet, in the Cardiothoracic Management offices. Actions taken as a result of this incident are outlined in Section 4 above.

Full reports of the investigation, the recommendations and the related action plans have been, or will be, sent to NHS London. Lessons learnt have been included in the 3 day Mandatory and Statutory Induction training and embedded throughout the organisation through the relevant Divisional/Directorate and Care Group meetings.



David Astley
Chief Executive

03 June 2009

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 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been 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 set out within them. 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of Directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Foreword and the extracts from the financial statements included in the Annual Report, is consistent with the financial statements.

I review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2008/09' issued 25 February 2009. I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and con-

sider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the unaudited part of the Remuneration Report, the Chairman's and Chief Executive's Statement and the remaining elements of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2009 and of its income and expenditure for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the foreword to the Annual Report is consistent with the financial statements.

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

Directors' Responsibilities

The directors are 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 by the Audit Commission Act 1998 to be satisfied that

proper arrangements have been made by the Trust 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 the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, St George's Healthcare NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Auditor's responsibilities

I have a duty under the Audit Commission Act 1998 to refer a matter to the Secretary of State if I have a reason to believe that the body, or an officer of the body, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 18 June 2008, my predecessor referred a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 in relation to St George's Healthcare NHS Trust's failure to achieve its statutory cumulative breakeven duty and proposal to continue to breach this duty in during the year 1 April 2008 and 31 March 2009.

Certificate

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



Philip Johnstone
Engagement Lead
First Floor, Millbank Tower
London
SW1P 4HQ

5 June 2009

Forward to the Accounts

St George's Healthcare 
NHS Trust

These accounts for the year ended 31 March 2009 have been prepared by the St George's Healthcare NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Income and expenditure account

For the year ended 31 March 2009

	NOTE	2008/09 £000	2007/08 £000
Income from activities	3	365,762	336,201
Other operating income	4	73,217	73,928
Operating expenses	5-7	(427,976)	(402,028)
OPERATING SURPLUS/(DEFICIT)		11,003	8,101
Cost of fundamental reorganisation/restructuring		0	0
Profit/(loss) on disposal of fixed assets	8	(206)	5,210
SURPLUS/(DEFICIT) BEFORE INTEREST		10,797	13,311
Interest receivable		1,102	1,606
Interest payable	9	(1,553)	(1,837)
Other finance costs - unwinding of discount	16	(33)	(34)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		10,313	13,046
Public Dividend Capital dividends payable		(8,595)	(7,074)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		1,718	5,972

The notes on pages 14 to 40 form part of these accounts.


All income and expenditure is derived from continuing operations.

Balance Sheet

As at 31 March 2009

	NOTE	2008/09 £000	2007/08 £000
FIXED ASSETS			
Intangible assets	10	2,215	1,948
Tangible assets	11	234,073	258,249
Financial assets	14	0	-
TOTAL FIXED ASSETS		236,288	260,197
CURRENT ASSETS			
Stocks and work in progress	12	7,543	5,257
Debtors	13	28,532	41,558
Investments		-	0
Other financial assets	14	0	-
Cash at bank and in hand	19.3	4,954	3,938
TOTAL CURRENT ASSETS		41,029	50,753
CREDITORS: Amounts falling due within one year	15.1	(55,513)	(54,433)
Financial liabilities	16	0	0
NET CURRENT ASSETS/(LIABILITIES)		(14,484)	(3,680)
TOTAL ASSETS LESS CURRENT LIABILITIES		221,804	256,517
CREDITORS: Amounts falling due after more than one year	15.2	(15,984)	(23,978)
Financial liabilities	16	0	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	(2,173)	(4,478)
TOTAL ASSETS EMPLOYED		203,647	228,061
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	23	131,475	131,475
Revaluation reserve	18	94,540	121,652
Donated asset reserve	18	16,170	15,196
Government grant reserve	18	1,063	1,158
Other reserves	18	1,150	1,150
Income and expenditure reserve	18	(40,751)	(42,570)
TOTAL TAXPAYERS' EQUITY		203,647	228,061

The financial statements on pages 2 to 40 were approved by the Board on (date) and signed on its behalf by:

Signed:  Chief Executive

Date: ...03/06/2009...

Statement of total recognised gains and losses

For the year ended 31 March 2009

	2008/09	2007/08
	£000	£000
Surplus / (deficit) for the financial year before dividend payments	10,313	13,046
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	(27,129)	16,078
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	2,703	1,861
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	0	0
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	(14,113)	30,985
Prior period adjustment	0	0
	<hr/>	<hr/>
Total gains and losses recognised in the financial year	(14,113)	30,985
	<hr/>	<hr/>

Cash flow statement

For the year ended 31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	19.1	32,875	23,192
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,102	1,606
Interest paid		(1,597)	(1,787)
Interest element of finance leases		0	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		(495)	(181)
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(17,777)	(17,924)
Receipts from sale of tangible fixed assets		0	8,677
(Payments) to acquire intangible assets		(771)	(1,000)
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		-	0
(Payments to acquire)/receipts from sale of financial instruments		0	-
Net cash inflow/(outflow) from capital expenditure		(18,548)	(10,247)
DIVIDENDS PAID		(8,595)	(7,074)
Net cash inflow/(outflow) before management of liquid resources and financing		5,237	5,690
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of investments with Department of Health		0	0
(Purchase) of other current asset investments		0	0
Sale of investments with Department of Health		0	0
Sale of other current asset investments		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		5,237	5,690
FINANCING			
Public dividend capital received		0	0
Public dividend capital repaid		0	(197)
Loans received from the Department of Health		0	4,800
Other loans received		0	0
Loans repaid to the Department of Health		(7,994)	(6,828)
Other loans repaid		0	0
Other capital receipts		3,773	362
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		(4,221)	(1,863)
Increase/(decrease) in cash		1,016	3,827

Notes to the Accounts

1 ACCOUNTING POLICIES

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Care Trust designation

St George's Healthcare NHS Trust is not a designated Care Trust.

1.5 Pooled Budgets

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

1.6 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year, they can be valued; and they have a cost of at least £5,000.

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

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.7 Tangible fixed assets

Capitalisation

Borrowing costs associated with the construction of new assets are not capitalised.

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

- individually have a cost of at least £5,000; or
- collectively 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
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Equipment other than information technology hardware and software is indexed using the National Statistics Office time series data for "Plant and Machinery - medical Equipment". Equipment other than information technology hardware and software is indexed using the National Statistics Office time series data for "Plant and Machinery - medical Equipment".

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

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

All adjustments arising from indexation and five-yearly revaluations

are taken to the Revaluation Reserve. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

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

Equipment is depreciated on current cost evenly over the estimated life of the asset.

1.8 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also 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 the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expendi-

ture Reserve.

1.9 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Gains and losses on revaluations are also 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 Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.10 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides practical guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

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

1.11 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.12 Research and development

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

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

Expenditure so deferred is limited to the value of future benefits ex-

pected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

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

1.13 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 17.

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.

1.14 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, 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.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 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. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date 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 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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.

Scheme provisions as at 31 March 2009

The Scheme is a "final salary" scheme.

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 income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

Early payment of a pension 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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse or eligible unmarried partner.

New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

1.15 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.16 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.

1.17 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

1.18 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 29 to the accounts.

1.19 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term

of the lease.

1.20 Public Dividend Capital (PDC) and PDC Dividend

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash 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. 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.

1.21 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account 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).

1.22 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as Government Granted Other Current Asset, valued at open market value. As the Trust makes emissions a provision is recognised, with an off-setting transfer from the Government Grant Reserve. The provision is settled on surrender of the allowances. The current asset, provision and Government Grant Reserve are valued at current market value at the Balance Sheet date.

1.23 Financial Instruments

Financial assets

Financial assets are recognised on the balance sheet when the Trust becomes party to the financial instrument contract or, in the case of trade debtors, 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 the Income and Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

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 net carrying amount of the financial asset.

At the balance sheet date, 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.

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

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 Income and Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

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

1.24 Other Reserves

The trust has Other Reserves of £1.15m which represents the valuation of land at St George's Grove site not included in Public Dividend Capital when the Trust was created on 1 April 1993.

2 Segmental Analysis

This note is not applicable for St George's Healthcare NHS Trust as the organisation does not have more than one business segment.

3. Income from Activities

	2008/09	2007/08
	£000	£000
Strategic Health Authorities	1,249	1,426
NHS Trusts	409	635
Primary Care Trusts	307,575	279,656
Foundation Trusts	833	630
Local Authorities	0	0
Department of Health	50,209	48,253
NHS Other	331	331
Non NHS:		
- Private patients	2,925	3,117
- Overseas patients (non-reciprocal)	382	535
- Injury cost recovery	1,408	1,212
- Other	441	406
	365,762	336,201

Partially completed in-patient spells

In accordance with Department of Health guidance, the Trust has recognised income in 2008/09 relating to in-patient spells which were partially complete at 31 March 2008. Projected income of £1,634,000 for these in-patient spells is attributed to the financial year on the basis of the patients length of stay in hospital.

Injury Cost Recovery

Road Traffic Act income is subject to a provision for doubtful debts to reflect expected rates of collection.

Market Forces Factor

The Department of Health income of £50,209k is in respect of Market Forces Factor. This is a central allocation designed to address cost differentials relating to Geographic location. The Market Forces Factor represents the estimated difference between the cost the Trust incurs in providing NHS Services and the income receivable for those services under the Payment by Results regime.

4. Other Operating Income

	2008/09	2007/08
	£000	£000
Patient transport services	81	63
Education, training and research	53,315	52,333
Charitable and other contributions to expenditure	457	779
Transfers from donated asset reserve	1,629	1,788
Transfers from government grant reserve	77	64
Non-patient care services to other bodies	11,909	10,918
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Income Generation	3,540	3,251
Other income	2,209	4,732
	73,217	70,737

5. Operating Expenses

5.1 Operating expenses comprise:

	2008/09	2007/08
	£000	£000
Services from other NHS Trusts	3,709	2,021
Services from PCTs	977	1,511
Services from other NHS bodies	12,808	11,117
Services from Foundation Trusts	1,063	558
Purchase of healthcare from non NHS bodies	1,174	179
Directors' costs	1,700	1,439
Staff costs	278,149	256,914
Supplies and services - clinical	67,806	66,787
Supplies and services - general	9,331	11,172
Consultancy services	3,655	2,053
Establishment	2,790	2,684
Transport	2,947	2,727
Premises	19,590	19,993
Impairment of debtors	61	637
Depreciation	14,312	14,596
Amortisation	574	366
Tangible fixed asset impairments and reversals	0	0
Intangible fixed asset impairments and reversals	0	0
Impairments and reversals of financial assets (by class)	0	0
Change in the fair value of financial instruments	0	0
Audit fees	273	247
Other auditor's remuneration	0	0
Clinical negligence	3,826	4,277
Redundancy costs	72	448
Education and training	395	0
Other	2,764	2,302
	427,976	402,028

Staff costs

In 2008/09 the Trust has included expenditure in staff costs for the following:

- 1) £1,293k in respect of annual leave entitlement which employees' are permitted to carry forward to the following financial year.
- 2) £1,254k in respect of staff costs paid in arrears in April 2009 which were incurred in 2008/09 e.g. overtime, emergency, on-call and locum payments.

5.2 Operating leases

5.2/1 Operating expenses include:

	2008/09	2007/08
	£000	£000
Hire of plant and machinery	1,950	2,054
Other operating lease rentals	9,985	9,432
	11,935	11,486

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Operating leases which expire:				
Within 1 year	0	0	606	114
Between 1 and 5 years	0	0	1,093	2,001
After 5 years	9,174	8,884	790	726
	9,174	8,884	2,489	2,841

6. Staff costs and numbers

6.1 Staff costs

	2008/09			2007/08
	Total £000	Permanently Employed £000	Other £000	£000
Salaries and wages	237,048	207,653	29,395	219,096
Social Security Costs	18,279	18,279	0	17,243
Employer contributions to NHS BSA - Pensions Division	24,420	24,420	0	22,254
Other pension costs	144	144	0	142
	279,891	250,496	29,395	258,735

6.2 Average number of persons employed

	2008/09			2007/08
	Total Number	Permanently Employed Number	Other Number	Number
Medical and dental	922	909	13	824
Ambulance staff	0	0	0	0
Administration and estates	1,181	1,068	113	1,422
Healthcare assistants and other support staff	167	163	4	384
Nursing, midwifery and health visiting staff	2,146	1,779	367	1,971
Nursing, midwifery and health visiting learners	328	328	0	0
Scientific, therapeutic and technical staff	1,221	1,182	39	1,205
Social care staff	0	0	0	0
Other	19	0	19	0
	5,984	5,429	555	5,806

6.3 Employee benefits

No employee benefits paid.

6.4 Management costs

	2008/09 £000	2007/08 £000
Management costs	17,590	16,169
Income	438,979	410,129
Management costs as % of income	4.01%	3.94%

6.5 Retirements due to ill-health

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There were 4 retirements, at an additional cost of £83,922.79. This information has been supplied by NHS Pensions. These retirements represented 0.48 per 1,000 active schemes members.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	102,088	200,263
Total Non-NHS trade invoices paid within target	68,222	145,372
Percentage of Non-NHS trade invoices paid within target	67%	73%
Total NHS trade invoices paid in the year	3,110	20,797
Total NHS trade invoices paid within target	1,358	12,674
Percentage of NHS trade invoices paid within target	44%	61%

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.

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

	2008/09 £000	2007/08 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
TOTAL	0	0

8. Profit/(Loss) on Disposal of Fixed Assets

	2008/09 £000	2007/08 £000
Gain on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Gain on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Gain on disposal of land and buildings	0	5,232
(Loss) on disposal of land and buildings	0	0
Gains on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	(206)	(22)
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
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
	<u>(206)</u>	<u>5,210</u>

In July 2007 the Trust entered a joint public private partnership agreement with Thames Valley Housing Association and Bellway Homes PLC for the sale and re-development of the residential accommodation site at St George's Grove in Wandsworth. The disposal of land and buildings takes place in two phases: July 2007 and June 2009.

In 2007/08 the Trust made a profit on disposal of £5.2m in respect of the land and buildings leased/disposed under phase 1 of the agreement.

9. Finance Costs & Interest receivable

	2008/09 £000	2007/08 £000
Finance Costs		
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	1,553	1,837
Bank loans and overdrafts	0	0
Other interest and finance costs	0	0
TOTAL	<u>1,553</u>	<u>1,837</u>

	2008/09 £000	2007/08 £000
Interest Receivable		
Bank accounts	288	159
Impaired financial assets	0	0
Other financial assets	814	1,447
TOTAL	<u>1,102</u>	<u>1,606</u>

10. Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008		0	0	2,701	2,701
Indexation				79	79
Impairments	0	0	0	0	0
Reclassifications	65	0	0	0	65
Revaluation	0	0	0	0	0
Additions purchased	771	0	0	0	771
Additions donated	5	0	0	0	5
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	841	0	0	2,780	3,621
Amortisation at 1 April 2008	1,513	0	0	2,701	4,214
Indexation				79	79
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluation	0	0	0	0	0
Charged during the year	574	0	0	0	574
Disposals	0	0	0	0	0
Amortisation at 31 March 2009	2,087	0	0	2,780	4,867
Net book value					
- Purchased at 1 April 2008	1,944	0	0	0	1,944
- Donated at 1 April 2008	4	0	0	0	4
- Government granted at 1 April 2008	0	0	0	0	0
- Total at 1 April 2008	1,948	0	0	0	1,948
- Purchased at 31 March 2009	2,208	0	0	0	2,208
- Donated at 31 March 2009	7	0	0	0	7
- Government granted at 31 March 2009	0	0	0	0	0
- Total at 31 March 2009	2,215	0	0	0	2,215

11. Tangible Fixed Assets

11.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	92,645	128,218	4,601	6,595	66,692	138	8,978	7,537	315,404
Additions purchased	0	5,752	133	4,449	2,851	0	1,474	344	15,003
Additions donated	0	2,134	0	382	23	0	22	137	2,698
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	5,067	(182)	(5,227)	140	0	14	123	(65)
Indexation	(25,908)	(3,756)	(122)	(105)	2,819	6	0	296	(26,770)
Revaluation	104	386	0	0	0	0	0	0	490
Disposals	0	(56)	0	(362)	(95)	0	0	(2)	(515)
Cost or Valuation at 31 March 2009	66,841	137,745	4,430	5,732	72,430	144	10,488	8,435	306,245
Depreciation at 1 April 2008					46,789	130	6,804	3,432	57,155
Charged during the year	0	8,713	144	0	3,925	3	1,024	503	14,312
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	(1,291)	(35)	0	2,036	5	0	134	849
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	(48)	0	0	(95)	0	0	(1)	(144)
Depreciation at 31 March 2009	0	7,374	109	0	52,655	138	7,828	4,068	72,172
Net book value									
- Purchased at 1 April 2008	92,645	115,719	4,601	6,146	17,052	8	2,080	3,648	241,899
- Donated at 1 April 2008	0	11,447	0	449	2,851	0	94	351	15,192
- Government granted at 1 April 2008	0	1,052	0	0	0	0	0	106	1,158
- Total at 1 April 2008	92,645	128,218	4,601	6,595	19,903	8	2,174	4,105	258,249
- Purchased at 31 March 2009	66,841	116,507	4,321	5,343	17,491	6	2,561	3,777	216,847
- Donated at 31 March 2009	0	12,900	0	389	2,284	0	99	491	16,163
- Government granted at 31 March 2009	0	964	0	0	0	0	0	99	1,063
- Total at 31 March 2009	66,841	130,371	4,321	5,732	19,775	6	2,660	4,367	234,073

Of the totals at 31 March 2009, £1.67m related to land valued at open market value and £6.158m related to buildings valued at open market value and £nil related to dwellings valued at open market value.

Land has been revalued downwards by £25.9m to £66.8m in accordance with the index produced by the Valuation Office Agency for Residential Buildings for the period January 2008 to January 2009.

11.2 Asset Financing

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value 31 March 2009									
Owned	66,841	130,371	4,321	5,732	19,775	6	2,660	4,367	234,073
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Total 31 March 2009	66,841	130,371	4,321	5,732	19,775	6	2,660	4,367	234,073
Net book value 1 April 2008									
Owned	92,645	128,218	4,601	6,595	19,903	8	2,174	4,105	258,249
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Total 1 April 2008	92,645	128,218	4,601	6,595	19,903	8	2,174	4,105	258,249

11.3 The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2009	0	0	0	0	0	0	0	0	0
At 31 March 2008	0	0	0	0	0	0	0	0	0

11.4 The net book value of land, buildings and dwellings at 31 March 2009 comprises:

	31 March 2009 £000	31 March 2008 £000
Freehold	199,745	223,676
Long leasehold	1,788	1,788
Short leasehold	0	0
TOTAL	<u>201,533</u>	<u>225,464</u>

12. Stocks and Work in Progress

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	527	81
Work-in-progress	120	55
Finished goods	6,896	5,121
TOTAL	<u>7,543</u>	<u>5,257</u>

13. Debtors

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
NHS debtors	14,000	11,432
Non NHS trade debtors	0	0
Provision for impairment of debtors	(5,971)	(6,212)
Other prepayments and accrued income	5,265	21,874
Current part of PFI payment	0	0
Other debtors	15,161	14,374
Sub Total: falling due within one year	<u>28,455</u>	<u>41,468</u>
Amounts falling due after more than one year:		
NHS debtors	77	90
Non NHS trade debtors	0	0
Provision for impairment of debtors	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub Total: falling due after more than one year	<u>77</u>	<u>90</u>
TOTAL	<u>28,532</u>	<u>41,558</u>

Other Debtors include £77,039 prepaid pension contributions at 31st March 2008 (£89,879 at 31st March 2008)

13.2 Provision for impairment of debtors

	31 March £000
Balance at 1 April 2008	6,212
Amount written off during the year	(302)
Amount recovered during the year	0
(Increase)/decrease in debtors impaired	61
Balance at 31 March 2009	<u>5,971</u>

13.3 Debtors past due date but not impaired

	31 March 2009 £000
By up to 3 months	0
By 3 to 6 months	0
By more than 6 months	0
TOTAL	<u>0</u>

14. Other Financial Assets

	Current financial assets 31 March 2009 £000	Fixed financial assets 31 March 2008 £000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	0	0
Loans carried at amortised cost	0	0
TOTAL	0	0

15. Creditors

15.1 Creditors at the balance sheet date are made up of:

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	7,994	7,994
Interest payable	52	96
Payments received on account	956	818
NHS creditors	6,778	8,405
Non - NHS trade creditors - revenue	19,233	11,908
Non - NHS trade creditors - capital	2,886	3,166
Tax	0	0
VAT	0	0
Social security costs	0	0
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	5,734	6,678
Accruals and deferred income	11,880	15,368
Current part of finance leases element of on balance sheet PFI contracts	0	0
Sub Total: Amounts falling due within one year	55,513	54,433
Amounts falling due after more than one year:		
Long - term loans	15,984	23,978
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors		
Imputed finance leases element of on balance sheet PFI contracts	0	0
Other	0	0
Sub Total: Amounts falling due after more than one year	15,984	23,978
TOTAL	71,497	78,411

Other creditors include; £3,178,815 outstanding pensions contributions at 31st March 2009 (£2,785,260 at 31st March 2008).

15.2 Loans

	Department of Health	Other	31 March 2009 £000	31 March 2008 £000
Amounts falling due:				
In one year or less	7,994	0	7,994	7,994
Between one and two years	7,994	0	7,994	7,994
Between two and five years	7,990	0	7,990	15,984
Over 5 years	0	0	0	0
TOTAL	23,978	0	23,978	31,972
	Department of Health	Other	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	23,978	0	23,978	31,972
Wholly repayable after five years, not by instalments	0	0	0	0
Wholly or partially repayable after five years, by instalments	0	0	0	0
TOTAL	23,978	0	23,978	31,972
Total repayable within five years by instalments	0	0	0	0

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. The balance of £23,978,000 loans outstanding at 31st March 2009 is repayable by 31st March 2012 in 3 annual instalments of £7,994,000, £7,994,000 and £7,990,000.

15.3 Finance lease obligations

	31 March 2009 £000	31 March 2008 £000
Payable:		
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	0
In more than 2 years but no longer than 5	0	0
In more than 5 years	0	0
	0	0
Less finance charges allocated to future periods	0	0
	0	0

15.4 Finance Lease Commitments

St George's Healthcare NHS Trust has not entered into any finance leases.

16. Other Financial Liabilities

	Due within one year 31 March 2009 £000	Due after more than one year 31 March 2009 £000
Financial liabilities carried at fair value through profit and loss	<u>0</u>	<u>0</u>

17. Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	Total £000
At 1 April 2008	0	1,505	629	0	2,344	4,478
Arising during the year	0	115	128	0	232	475
Utilised during the year	0	(163)	(362)	0	(2,288)	(2,813)
Reversed unused	0	0	0	0	0	0
Unwinding of discount	0	33	0	0	0	33
At 31 March 2009	<u>0</u>	<u>1,409</u>	<u>395</u>	<u>0</u>	<u>288</u>	<u>2,173</u>

Expected timing of cash flows:

Within one year	0	0	0	0	0	0
Between one and five years	0	0	0	0	0	0
After five years	0	1,490	395	0	288	2,173

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 and the Trust solicitors. Other provisions relate to probable non-medical expenditure as at 31 March 2009 from outstanding liabilities arising from the Agenda For Change NHS pay reform. £31,371,479 is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the NHS Trust (£23,578,664 at 31st March 2008). Legal claims of £395k includes £nil relating to equal pay claims.

18. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2008 as previously stated	121,652	15,196	1,158	1,150	(42,570)	96,586
PPA: Other	0	0	0	0	0	0
PPA: elimination of negative revaluation reserves in respect of change in policy on impairments	0	0	0	0	0	0
At 1 April 2008 as restated	<u>121,652</u>	<u>15,196</u>	<u>1,158</u>	<u>1,150</u>	<u>(42,570)</u>	<u>96,586</u>
Transfer from the income and expenditure account					1,718	1,718
Fixed asset impairments	0	0	0			0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	(27,011)	(100)	(18)			(27,129)
Transfer of realised profits/(losses) to the income and expenditure reserve	(101)	0	0		101	0
Receipt of donated/government granted assets		2,703	0			2,703
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets		(1,629)	(77)			(1,706)
Other transfers between reserves	0	0	0	0	0	0
Other movements on reserves [specify]				0		0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2009	<u>94,540</u>	<u>16,170</u>	<u>1,063</u>	<u>1,150</u>	<u>(40,751)</u>	<u>72,172</u>

19. Notes to the cash flow Statement

19.1 Reconciliation of operating surplus to net cash flow from operating activities:

	31 March 2009 £000	31 March 2008 £000
Total operating surplus/(deficit)	11,003	8,101
Depreciation and amortisation charge	14,886	14,962
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(1,629)	(1,788)
Transfer from the government grant reserve	(77)	(64)
(Increase)/decrease in stocks	(2,286)	18
(Increase)/decrease in debtors	11,956	(642)
Increase/(decrease) in creditors	1,360	1,117
Increase/(decrease) in provisions	(2,338)	1,488
	<u>32,875</u>	<u>23,192</u>
Net cash inflow/(outflow) from operating activities before restructuring costs	32,875	23,192
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	<u>32,875</u>	<u>23,192</u>

19.2 Reconciliation of net cash flow to movement in net debt

	31 March 2009 £000	31 March 2008 £000
Increase/(decrease) in cash in the period	1,016	3,827
Cash (inflow) from new debt	0	(4,800)
Cash outflow from debt repaid and finance lease capital payments	7,994	6,828
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	<u>9,010</u>	<u>5,855</u>
Non - cash changes in debt	0	0
Net debt at 1 April 2008	<u>(28,034)</u>	<u>(33,889)</u>
Net debt at 31 March 2009	<u>(19,024)</u>	<u>(28,034)</u>

19.3 Analysis of changes in net debt

	At 1 April 2008 £000	Cash Transferred (to)/from other NHS bodies £000	Other cash changes in year £000	Non-cash changes in year £000	At 31 March 2009 £000
OPG cash at bank	3,979	0	921	0	4,900
Commercial cash at bank and in hand	(41)	0	95	0	54
Bank overdraft	0	0	0	0	0
Loan from DH due within one year	(7,994)	0	0	0	(7,994)
Other debt due within one year	0	0	0	0	0
Loan from DH due after one year	(23,978)	0	7,994	0	(15,984)
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0	0	0
Current financial assets	0	0	0	0	0
	<u>(28,034)</u>	<u>0</u>	<u>9,010</u>	<u>0</u>	<u>(19,024)</u>

20. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £3,870,000 (31 March 2008 £4,821,000). This total includes £765,000 for the refurbishment of the Obstetrics Theatres & High Dependency Unit, £599,000 for the Integrated Clinical Information Programme (iCLIP) change management project and £324,000 for the realignment and refurbishment of wards.

21. Post Balance Sheet Events

There are no Post Balance Sheet Events which require disclosure.

22. Contingencies

	31 March	31 March
	2009	2008
	£000	£000
Contingent liabilities	(109)	(23)
Amounts recoverable against contingent liabilities	40	0
Net value of contingent liabilities	<u>(69)</u>	<u>(23)</u>
Contingent Assets	<u>0</u>	<u>0</u>

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 2009.

23. Movement in Public Dividend Capital

	31 March	31 March
	2009	2008
	£000	£000
Public Dividend Capital as at 1 April 2008	131,475	131,672
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	0	0
Public Dividend Capital repaid in year	0	(197)
Public Dividend Capital written off	0	0
Public Dividend Capital issued as originating capital on new establishment	0	0
Public Dividend Capital transferred to Foundation Trust	0	0
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2009	<u>131,475</u>	<u>131,475</u>

24. Financial Performance Targets

24.1 Breakeven Performance

The trust's breakeven performance for 2008/09 is as follows:

	B/f 97-03 £000	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Turnover		317,041	333,532	336,896	384,146	410,129	438,979
Retained surplus/(deficit) for the year		(650)	(21,656)	(33,569)	(2,901)	5,972	1,718
Adjustment for:							
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]		0	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)		0	0	0	0	0	0
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)		0	0	0	0	0	0
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)		0	0	0	0	0	0
- 2007/08 Prior Period Adjustment (relating to 1997/98 to 2006/07)		0	0	0	0	0	0
- 2008/09 Prior Period Adjustment (relating to 1997/98 to 2007/08)		0	0	0	0	0	0
- Adjustments for Impairments							0
- Other agreed adjustments		0	0	21,996	0	0	
Break-even in-year position		(650)	(21,656)	(11,573)	(2,901)	5,972	1,718
Break-even cumulative position	(1,290)	(1,940)	(23,596)	(35,169)	(38,070)	(32,098)	(30,380)
The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2012/13.							0

Materiality test (I.e. is it equal to or less than

- Break-even in-year position as a percentage of turnover	(0)	(6)	(3)	(1)	1	0
- Break-even cumulative position as a percentage of turnover	(0)	(1)	(7)	(10)	(10)	(7)

Resource Accounting and Budgeting (RAB) adjustment

The retained deficit of £33,569k for 2005/06 includes the obligation to repay £21,996k to the Department of Health in respect of deficits incurred in previous financial years. The accounting practice - which is known as Resource Accounting and Budgeting (RAB) - of charging the repayment of previous years' deficits to the Income and Expenditure account was required by HM Treasury. There was no RAB adjustment in 2006/07, 2007/08 or 2008/09.

23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £8,595,000, bears to the average relevant net assets of £195,732,000 that is 4.4%. The value of average relevant net assets has fallen due to the reduction in value of land and buildings in 2008/09. As a result of this fall in average net relevant assets the Capital cost absorption rate has increased to 4.4%.

23.3 External financing

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

	£000	2008/09 £000	2007/08 £000
External financing limit		(920)	(5,993)
Cash flow financing	(5,237)		(5,690)
Finance leases taken out in the year	0		0
Other capital receipts	(3,773)		(362)
External financing requirement		<u>(9,010)</u>	<u>(680)</u>
Undershoot/(overshoot)		<u>8,090</u>	<u>59</u>

24.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	18,477	19,626
Less: book value of assets disposed of	(371)	(3,468)
Plus: loss on disposal of donated assets	0	2
Less: capital grants	0	(290)
Less: donations towards the acquisition of fixed assets	<u>(2,703)</u>	<u>(1,571)</u>
Charge against the capital resource limit	15,403	14,299
Capital resource limit	14,098	20,427
(Over)/Underspend against the capital resource limit	<u>(1,305)</u>	<u>6,128</u>

The overspend was caused by additional capital expenditure on medical equipment including items funded by Central NHS Bodies for which the Trust did not receive an equivalent increase in its Capital Resource Limit.

25. Related Party Transactions

St. George's Healthcare NHS Trust is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as the ultimate controlling party. During the year St. George's Healthcare NHS Trust received monies amounting to £53,555k from the Department of Health. This related to grants for training, teaching and research; also included was £50,209k in respect of Payment by Results Market Forces Factor. As at 31 March 2009 the Trust accounts included a debtor balance of £680k and a £647k creditor balance with the Department of Health.

The Trust also received monies amounting to £108,407k from its main commissioners Wandsworth Teaching Primary Care Trust; £70,867k from Sutton & Merton PCT and £27,740k from Croydon PCT. These amounts related to the Trust's contracts for patient services. As at 31 March 2009 the Trust's accounts included a £6,051k debtor balance with Wandsworth Teaching Primary Care Trust; £2,017k with Sutton & Merton Primary Care Trust and £338k with Croydon Primary Care Trust. The Trust's accounts included creditor balances of £887k with Wandsworth Teaching Primary Care Trust; £17k with Sutton & Merton Primary Care Trust and £205k with Croydon Primary Care Trust.

The Trust received £45,964k from NHS London primarily in respect of Teaching and Training. As at 31 March 2009 the Trust accounts included a debtor balance of £889k and a creditor balance of £3k.

The Trust Chair, Naaz Coaker, is a board member of St George's University of London. During 2008/09 the Trust raised invoices amounting to £4,407k for costs incurred on behalf of St. George's Hospital Medical School, which is part of the University of London. The Medical School invoiced £6,831k to the Trust, for costs incurred on its behalf. These transactions related mainly to the provision of clinical staff and overhead costs. As at 31 March 2009 the Trust accounts included a debtor balance of £1,556k and a creditor balance of £1,443k in respect of the Medical School.

During 2008/09 the Charitable Foundation raised no charges to the Trust. The Trust incurred capital and revenue expenditure to be funded by the Charitable Foundation of £3,781k. As at 31 March 2009 the Trust accounts included a debtor balance of £871k and a creditor balance of £4k with the Charitable Foundation.

Assistant Director of Finance Kevin Harbottle is the Treasurer of the George Cordiner Radiological Fund. During the year the Trust made no payments to the fund. As at 31 March 2009 the Trust accounts included a debtor balance of £76k in respect of the fund.

26. Private Finance Transactions

26.1 PFI schemes deemed to be off-balance sheet

	2008/09 £000	2007/08 £000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	9,674	9,370
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	9,674	9,370

The NHS Trust is committed to make the following payments during the next year.

PFI scheme which expires;

Within one year*	0	0
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	753	726
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	0	0
26th to 30th years (inclusive)*	9,174	8,884
31st to 35th years (inclusive)*	0	0

The Trust has three PFI projects.

1 Atkinson Morley Wing

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

The Trust is committed to paying unitary charges totalling £9,174,000 per annum at 2008/09 prices to Blackshaw Healthcare the exclusive use of the building. The annual cost of the unitary charge is comprised as follows:

	£000
Availability Charge	7,124
Performance Charge	1,439
Volume Charge	611
	9,174

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.

2 Picture Archiving and Communications System (PACS)

The Trust entered a managed service contract with Philips Medical Systems PLC on 1 July 2003 for the provision of a Picture Archiving and Communications System (PACS). The contract is for 12 years and the estimated capital value of the equipment provided under the contract is £3.04m.

The Trust is committed to paying the lease rentals equivalent to £726,000 per annum at 2007/08 prices to Philips Medical Systems.

The annual cost of the lease rentals is comprised as follows:

	£000
Provision of Picture Archiving and Communications System	694
Extension of imaging service	59
	<hr/> 753 <hr/>

The first payment was payable by the Trust when the PACS system was brought into use in July 2003 and the last payment will be payable by the Trust in April 2015.

3 St George's Grove residential accommodation site

In July 2007 the Trust entered a joint public private partnership agreement with Thames Valley Housing Association and Bellway Homes PLC for the sale and re-development of the residential accommodation site at St George's Grove in Wandsworth. The disposal of land and buildings takes place in two phases: July 2007 and June 2009. Under the agreement the Trust :

(1) will lease approx 35% of the site to Thames Valley Housing Association on an operating lease for 35 years for the re-development of key-worker accommodation to which the Trust's employees will have priority access. The Trust has not entered into a void guarantee undertaking in respect of this priority access. The land leased by the Trust for 35 years is retained on-balance sheet. At the end of 35 years the key worker accommodation reverts to the Trust at no charge and accordingly the Trust accounts for the reversionary interest over the lease term.

(2) will lease approx 22% of the site to Thames Valley Housing Association on a 125 year lease for the development of shared equity housing. The land subject to this lease will be off-balance sheet.

(3) will lease approx 43% of the site to Bellway Homes PLC on a 125 year lease for the development of private housing. The land leased by the Trust for 125 years is off-balance sheet.

(4) The risks and rewards of management of the site and buildings lie with TVHA/Bellway including the construction and maintenance of all buildings. The Trust makes no payments to either Thames Valley Housing Association or Bellway Homes PLC during the term of the contract.

(5) The Trust will receive ground rent of approx £50k pa from 2009/10 onwards.

In 2007/08 the Trust made a profit on disposal of £5.3m in respect of the land and buildings leased under phase 1 of the agreement. The details of phase 1 of the agreement are disclosed in note 8.

The Trust accounts for all three PFI schemes as off-balance sheet.

26.2 'Service' element of PFI schemes deemed to be on-balance sheet

St. George's Healthcare NHS Trust does not have any PFI schemes deemed to be on-balance sheet.

	2008/09	2007/08
	£000	£000
Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on-balance sheet	0	0
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	0	0

Imputed finance lease obligations comprise;

	2008/09	2007/08
	£000	£000
Rentals due within 1 year	0	0
Rentals due within 2 to 5 years	0	0
Rentals due after 5 years	0	0
Sub total	0	0
Less: interest element	0	0
TOTAL	0	0

The Trust is committed to make the following service payments during the next year.

	2008/09	2007/08
	£000	£000
PFI scheme which expires;		
Within one year*	0	0
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	0	0
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	0	0
26th to 30th years (inclusive)*	0	0
31st to 35th years (inclusive)*	0	0
Etc*		

27 Pooled Budget

St. George's Healthcare NHS Trust has no pooled budget arrangements.

28 Financial Instruments

Financial Reporting Standard 29 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 these 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

0% of the Trust's financial assets and 34.4% of its financial liabilities carry nil or fixed rates of interest. St. George's Healthcare NHS Trust is not, therefore, exposed to significant interest-rate risk. The two tables in note 28.1 show the interest rate profiles of the Trust's financial assets and liabilities.

Credit risk

Because of 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 exposure as at 31 March 2009 are in receivables from customers, as disclosed in the debtors note.

Liquidity risk

The Trust's new operating costs are incurred under contract 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.

28.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate	Non-interest bearing	
					Weighted average interest rate		Weighted average period for which fixed
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	33,563	4,954	77	28,532	2	6	0
Other	0	0	0	0	0	0	0
Gross financial assets	33,563	4,954	77	28,532			
At 31 March 2008							
Sterling	51,430	3,938	90	47,402	0	7	0
Other	0	0	0	0	0	0	0
Gross financial assets	51,430	3,938	90	47,402			

28.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate	Non-interest bearing	
					Weighted average interest rate		Weighted average period for which fixed
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	(71,239)	0	(23,978)	(47,261)	5	3	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	(71,239)	0	(23,978)	(47,261)			
At 31 March 2008							
Sterling	(215,820)	0	(31,972)	(183,848)	0	4	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	(215,820)	0	(31,972)	(183,848)			

Note: The public dividend capital is of unlimited term.

28.3 Financial Assets

	At 'fair value through profit and loss	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0	0	0	0
NHS debtors	0	0	0	0
Non NHS debtors	0	0	0	0
Cash at bank and in hand	4,954	0	0	4,954
Other financial assets	0	0	0	0
At 31 March 2009	4,954	0	0	4,954

28.4 Financial Liabilities

	At 'fair value through profit and loss	Other	Total
	£000	£000	£000
Embedded derivatives	0	0	0
NHS creditors	0	0	0
Non NHS creditors	0	0	0
Borrowings	(23,978)	0	(23,978)
Private Finance Initiative and finance	0	0	0
Other financial liabilities	0	0	0
At 31 March 2009	(23,978)	0	(23,978)

29 Third Party Assets

The Trust held £5,664 cash at bank and in hand at 31 March 2009 (£17,349 - at 31 March 2008) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

30 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	14,363	0	10,269	15,984
Balances with Local Authorities	46	0	64	0
Balances with NHS Trusts and Foundation Trusts	3,430	0	2,783	0
Balances with Public Corporations and Trading Funds	102	0	270	0
Intra Government balances	<u>17,941</u>	<u>0</u>	<u>13,386</u>	<u>15,984</u>
Balances with bodies external to government	10,514	77	42,127	0
At 31 March 2009	<u>28,455</u>	<u>77</u>	<u>55,513</u>	<u>15,984</u>
Balances with other Central Government Bodies	13,407	90	3,264	23,978
Balances with Local Authorities	35	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,901	0	2,734	0
Balances with Public Corporations and Trading Funds	67	0	552	0
Intra Government balances	<u>17,410</u>	<u>90</u>	<u>6,550</u>	<u>23,978</u>
Balances with bodies external to Government	24,058	0	47,883	0
At 31 March 2008	<u>41,468</u>	<u>90</u>	<u>54,433</u>	<u>23,978</u>

31 Losses and Special Payments

There were 67 cases of losses and special payments (2007/08: 56 cases) totalling £13,113 (2007/08: 18,152) during 2008/09.

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