

**Expert  
healthcare  
services  
for Tooting,  
London  
and beyond**

## Contents

### 1 Directors' statements

### 7 Auditor's report to the members of the board

### 9 Statement of Comprehensive Income

### 10 Statement of Financial Position

### 11 Statement of Changes in Taxpayers' Equity

### 12 Statement of Cash Flows

### 13 Notes to the accounts

## Directors' statements

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

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

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

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



**David Astley**

Chief Executive Date: 08/06/2010

### Statement of directors' responsibilities in respect to the accounts


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

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

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

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

By order of the Board



**David Astley**

Chief Executive Date 08/06/2010



**Richard Eley**

Director of Finance Date 08/06/2010

## STATEMENT ON INTERNAL CONTROL (SIC) 2009/10

### 1. Scope of responsibility

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

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

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

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

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

The system of internal control has been in place in St George's Healthcare NHS Trust for the year ended 31 March 2010 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, on behalf of the Trust Board, ensure that 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 provided by the Trust Secretary and the Director of Nursing and Patient Safety. This is delegated through the Trust Executive team and operationalised through the

Directors, Deputy Director for Governance and Performance, Divisional Directors of Operations, Divisional 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.

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

### 4. The risk and control framework

The key elements of the Trust's Risk Management 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 that staff are aware of their roles and responsibilities and outlines the structures and processes through which risk is assessed, controlled and managed.

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

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

Risks are evaluated using a recognised risk assessment tool (NPSA risk matrix), which assesses the impact and likelihood of the risk occurring using a 5 x 5 matrix scoring system. This risk score feeds into the decision-making process about whether a risk is considered tolerable. When a risk is accepted as tolerable it is still monitored, not disregarded. Higher level unacceptable 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 are in place (for an overview see Fig 1 below).

Systems are in place to ensure that the necessary risk assessments are carried out, risk registers are maintained, risk action plans approved, control measures implemented and monitored, and action plans are reported, reviewed and monitored. The Compliance Unit, which includes Risk Management, supports staff and disseminate good practice across the organisation. Involvement in risk management activities is also included within the Trust's objective setting and individual performance review of staff and the organisation's business planning process. The Risk Management Framework is a single document and is easily accessible to all staff on the Trust Intranet.

The Trust's Assurance Framework, which is aligned to the Trust's strategic corporate objectives and ratified by the Trust Board, is a

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

The Risk, Assurance and Compliance Committee, Executive Risk Committee and the Trust Board regularly reviewed and updated the Assurance framework during 2009/10. Divisional Risk Registers were reviewed regularly by the Organisational Risk Committee with high-level risks being escalated to the Executive Risk and Risk, Assurance and Compliance Committees. Reports detailing high level corporate risks and the actions taken to address any gaps in controls or assurances were received by the Executive Risk Committee on a monthly basis. These reports are then escalated to each Trust Board meeting via the Risk, Assurance and Compliance Committee, with regular feedback provided to the Audit Committee.

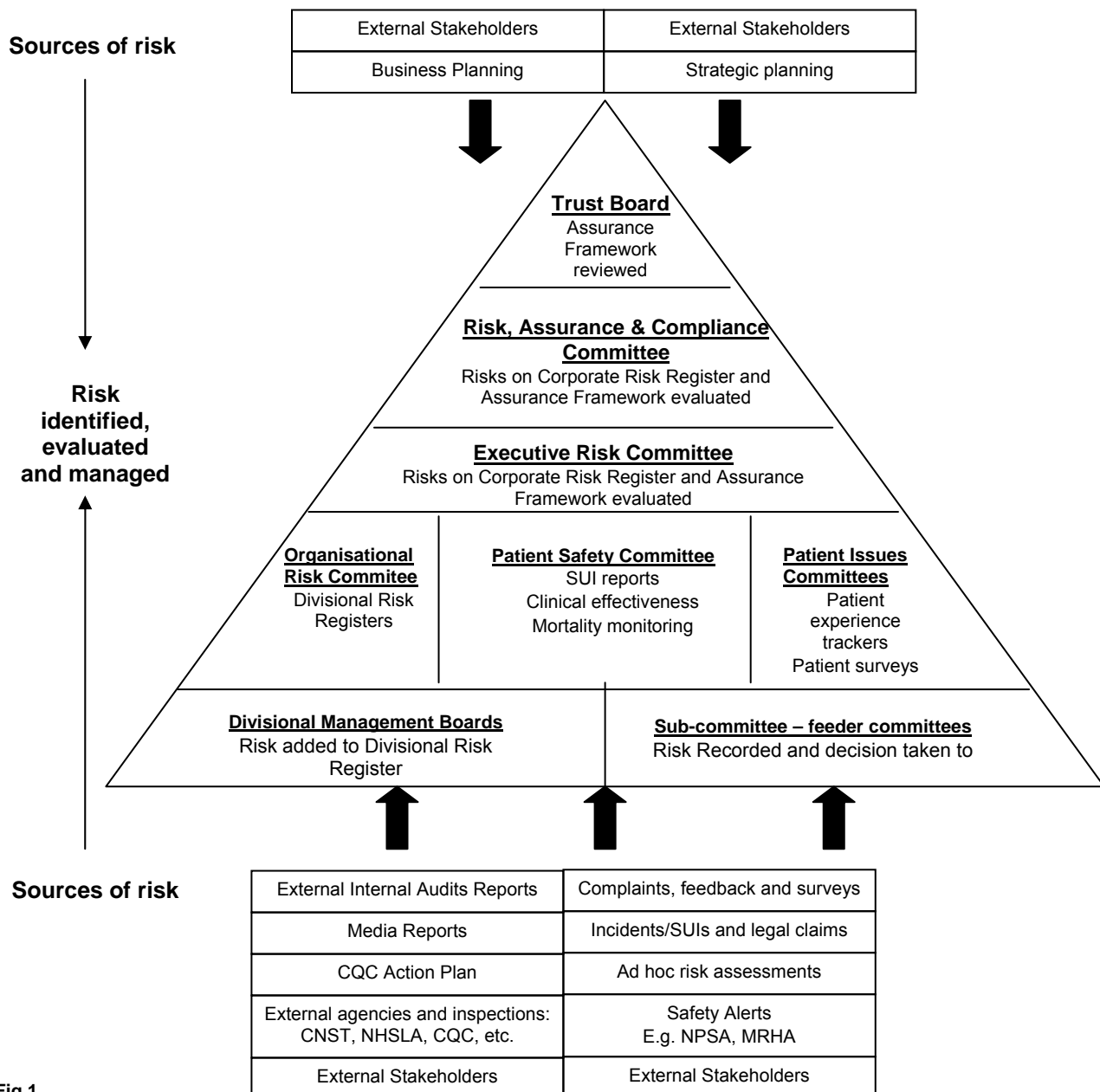


Fig 1

An assessment of the Assurance Framework identified some weaknesses and gaps in control and assurances in relation to some of the potential risks identified during 2009/10, and these weaknesses have, or are, being addressed through appropriate action plans.

#### **Care Quality Commission**

The Care Quality Commission (CQC) is the independent health and social care regulator for England and as of April 2010 all NHS hospitals by law have to be registered with the CQC in order to provide their services. Registration is now the method by which health and social care is regulated. This means that NHS hospitals have a responsibility to ensure that the treatment, care and support they provide to patients meets the CQC's 28 essential standards of safety and quality.

The Trust is registered with the CQC with no conditions, which means that we successfully meet the requirements of safety and quality for each of the CQC's 28 standards. Furthermore, the CQC has not taken any enforcement action against St George's in 2009/10.

The Trust declared full compliance with the core Standards for Better Health for 2009/10.

#### **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). We are in the process of finalising our NHSPA data cleansing which has been programmed to complete in line with our planned go live on "Pensions Choice" in June 2010.

#### **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 (2007-2010) is available on the Trust's internet site and is currently being developed for republishing in September 2010. The Scheme takes account of all equality dimensions and is a 'live' document that is responsive to need and priorities. Our Diversity work is underpinned by Equalities and Human Rights legislation with a focus on achieving dignity and respect for all, irrespective of race, disability, gender, sexuality, age, deprivation, class or background.

#### **Carbon reduction delivery plans**

The trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

The Trust has joined the national 10:10 challenge, aiming to achieve a 10% cut in carbon emissions during 2010.

#### **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 2009 – 2010 achieved a score of 76% and serves as a benchmark for further improvement in the Trust's IG function. An internal audit of the submission gave an overall 'significant' assurance.

### **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 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 Audit Committee and Trust Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has been actively engaged in the development and continuous review of the Assurance Framework at each Board

meeting and through the committees and operational mechanisms identified and outlined above. It has been scrutinised by the Audit Committee and I have taken into account the Head of Internal Audit Opinion on the system of internal control.

No significant gaps in controls and/or assurances have been identified or deemed issues of "significant internal control", with exception of one issue:

Procurement (contracting process) – significant gaps in control have been identified in the way that the Trust has previously managed its tendering and contracting processes. A full investigation is currently ongoing to determine the extent of these gaps in control, but to date the Trust has not identified any material loss.

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



David Astley  
Chief Executive

# 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 2010 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### 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 to the summary 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 2009/10' issued in February 2010. 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 consider whether it is consistent with the audited financial statements. This other information comprises the sections in the Annual Report other than the commentary on the financial performance included within the Foreword to the summary financial statements and the part of the Remuneration Report that is described as having been audited. 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 2010 and of its income and expenditure for the year then ended;
- the financial statements and 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 2010.

#### **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.

Lindsey Mallors  
Engagement Lead  
Audit Commission  
First Floor, Millbank Tower  
London  
SW1P 4HQ

10 June 2010



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

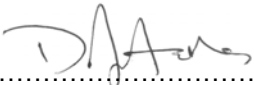
	NOTE	2009/10 £000	2008/09 £000
<b>Revenue</b>			
Revenue from patient care activities	5	417,960	365,716
Other operating revenue	6	70,870	73,263
Operating expenses	8	(468,802)	(425,587)
<b>Operating Surplus/(deficit)</b>		<b>20,028</b>	<b>13,392</b>
<b>Finance costs:</b>			
Investment revenue	14	76	1,102
Other gains and (losses)	15	1,929	(206)
Finance costs	16	(4,955)	(5,378)
Surplus/(deficit) for the financial year		<b>17,078</b>	<b>8,910</b>
Public dividend capital dividends payable		<b>(6,526)</b>	<b>(8,595)</b>
Retained surplus/(deficit) for the year		<b>10,552</b>	<b>315</b>
<b>Other comprehensive income</b>			
Impairments and reversals		(1,134)	(35,401)
<b>Gains on revaluations</b>		<b>13,084</b>	<b>2,934</b>
Receipt of donated/government granted assets		2,142	2,763
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		0	0
Net gains/(losses) on available for sale financial assets		0	0
Reclassification adjustments:			
- Transfer from donated and government grant reserves		(1,851)	(1,706)
- On disposal of available for sale financial assets		0	0
<b>Total comprehensive income for the year</b>		<b>22,793</b>	<b>(31,095)</b>

The notes on pages 13 to 43 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION AS AT

31 March 2010		31 March 2010	31 March 2009	1 April 2008
	NOTE	£000	£000	£000
<b>Non-current assets</b>				
Property, plant and equipment	17	288,723	275,426	323,058
Intangible assets	18	1,868	2,215	1,948
Investment property		0	0	0
Other financial assets	23	0	0	0
Trade and other receivables	22	79	77	0
<b>Total non-current assets</b>		<b>290,670</b>	<b>277,718</b>	<b>325,006</b>
<b>Current assets</b>				
Inventories	21	5,374	7,543	5,257
Trade and other receivables	22	39,671	28,278	43,587
Other financial assets	23	0	0	0
Other current assets	24	114	60	0
Cash and cash equivalents	25	16,144	4,954	3,938
		<b>61,303</b>	<b>40,835</b>	<b>52,782</b>
Non-current assets held for sale	26	7,756	13,987	0
<b>Total current assets</b>		<b>69,059</b>	<b>54,822</b>	<b>52,782</b>
<b>Total assets</b>		<b>359,729</b>	<b>332,540</b>	<b>377,788</b>
<b>Current liabilities</b>				
Trade and other payables	27	(60,310)	(47,432)	(46,439)
Other liabilities	29	0	(86)	0
DH Working capital loan		(7,994)	(7,994)	(7,994)
DH Capital loan		0	0	0
Borrowings	28	(1,921)	(2,047)	(2,639)
Other financial liabilities	34	0	0	0
Provisions	35	(640)	0	(2,847)
<b>Net current assets/(liabilities)</b>		<b>(1,806)</b>	<b>(2,737)</b>	<b>(7,137)</b>
<b>Total assets less current liabilities</b>		<b>288,864</b>	<b>274,981</b>	<b>317,869</b>
<b>Non-current liabilities</b>				
Borrowings	28	(53,730)	(53,825)	(58,166)
DH Working capital loan		(7,990)	(15,984)	(23,978)
DH Capital loan		0	0	0
Trade and other payables	27	0	0	0
Other financial liabilities	34	0	0	0
Provisions	35	(1,352)	(2,173)	(1,631)
Other liabilities	29	0	0	0
<b>Total assets employed</b>		<b>225,792</b>	<b>202,999</b>	<b>234,094</b>
<b>Financed by taxpayers' equity:</b>				
Public dividend capital		131,475	131,475	131,475
Retained earnings		(32,333)	(52,040)	(52,456)
Revaluation reserve		109,225	105,121	137,571
Donated asset reserve		13,395	16,170	15,196
Government grant reserve		2,880	1,123	1,158
Other reserves		1,150	1,150	1,150
<b>Total Taxpayers' Equity</b>		<b>225,792</b>	<b>202,999</b>	<b>234,094</b>

The financial statements on pages 9 to 43 were approved by the Board on 25th May 2010 and signed on its behalf by:

Signed:  (Chief Executive)

Date: ...08/06/2010.....

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend	Retained earn-	Revaluation	Donated asset	Gov't grant	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2008</b>							
As previously stated	131,475	(42,570)	121,652	15,196	1,158	1,150	228,061
Prior Period Adjustment	0	(9,886)	15,919	0	0	0	6,033
<b>Restated balance</b>	<b>131,475</b>	<b>(52,456)</b>	<b>137,571</b>	<b>15,196</b>	<b>1,158</b>	<b>1,150</b>	<b>234,094</b>
<b>Changes in taxpayers' equity for 2008/09</b>							
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	315	0	0	0	0	315
Transfers between reserves	0	101	(101)	0	0	0	0
Impairments and reversals	0	0	(35,283)	(100)	(18)	0	(35,401)
Net gain on revaluation of property, plant, equipment	0	0	2,934	0	0	0	2,934
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Net gain on revaluation of non current assets held for sale	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	2,703	60	0	2,763
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(1,629)	(77)	0	(1,706)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
<b>Balance at 31 March 2009</b>	<b>131,475</b>	<b>(52,040)</b>	<b>105,121</b>	<b>16,170</b>	<b>1,123</b>	<b>1,150</b>	<b>202,999</b>
<b>Changes in taxpayers' equity for 2009/10</b>							
<b>Balance at 1 April 2009</b>	<b>131,475</b>	<b>(52,040)</b>	<b>105,121</b>	<b>16,170</b>	<b>1,123</b>	<b>1,150</b>	<b>202,999</b>
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	10,552	0	0	0	0	10,552
Transfers between reserves	0	9,155	(8,980)	(175)	0	0	0
Impairments and reversals	0	0	0	(1,107)	(27)	0	(1,134)
Net gain on revaluation of property, plant, equipment	0	0	13,084	0	0	0	13,084
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Net gain on revaluation of non current assets held for sale	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	248	1,894	0	2,142
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(1,741)	(110)	0	(1,851)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
<b>Balance at 31 March 2010</b>	<b>131,475</b>	<b>(32,333)</b>	<b>109,225</b>	<b>13,395</b>	<b>2,880</b>	<b>1,150</b>	<b>225,792</b>

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2010

	NOTE	2009/10 £000	2008/09 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		20,028	13,392
Depreciation and amortisation		18,817	19,196
Impairments and reversals		1,083	0
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(1,741)	(1,629)
Transfer from government grant reserve		(110)	(77)
Interest paid		(3,930)	(5,389)
Dividends paid		(6,526)	(8,595)
(Increase)/decrease in inventories		2,169	(2,286)
(Increase)/decrease in trade and other receivables		(11,410)	12,289
(Increase)/decrease in other current assets		(54)	0
Increase/(decrease) in trade and other payables		11,506	993
Increase/(decrease) in other current liabilities		(86)	0
Increase/(decrease) in provisions	35	(214)	(2,305)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>29,532</b>	<b>25,589</b>
<b>Cash flows from investing activities</b>			
Interest received		76	1,102
(Payments) for property, plant and equipment	17	(19,730)	(17,777)
Proceeds from disposal of plant, property and equipment		8,173	0
(Payments) for intangible assets	18	(7)	(771)
Proceeds from disposal of intangible assets		0	0
(Payments) for investments with DH		0	0
(Payments) for other investments		0	0
Proceeds from disposal of investments with DH		0	0
Proceeds from disposal of other financial assets		0	0
Revenue rental income		0	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(11,488)</b>	<b>(17,446)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>18,044</b>	<b>8,143</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		0	0
Public dividend capital repaid		0	0
Loans received from the DH		0	0
Other loans received		0	0
Loans repaid to the DH		(7,994)	(7,994)
Other loans repaid		0	0
Other capital receipts		4,004	3,773
Capital element of finance leases and PFI		(2,864)	(2,906)
Cash transferred to NHS Foundation Trusts		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>(6,854)</b>	<b>(7,127)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,190</b>	<b>1,016</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>4,954</b>	<b>3,938</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	25	<b>16,144</b>	<b>4,954</b>

# Notes to the Accounts

## 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2009/10 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

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

### 1.2 Acquisitions and discontinued operations

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

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

Critical accounting judgements and key sources of estimation uncertainty, if any, are included in the individual subject notes rather than brought together here.

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

#### 1.3.1 Critical judgements in applying accounting policies

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

The Trust has made a critical judgement regarding the treatment of assets that are finance leases. Further details of Finance Lease are given in Notes 31 to 33.

#### 1.3.2 Key sources of estimation uncertainty

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

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

## 1.4 Revenue

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

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

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

## 1.5 Employee Benefits

### Short-term employee benefits

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

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

### Retirement benefit costs

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

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

Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trust's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

## 1.6 Other expenses

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

the fair value of the consideration payable.

## 1.7 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

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

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

### Valuation

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

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation

reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

### Subsequent expenditure

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

## 1.8 Intangible assets

### Recognition

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

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

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

### Measurement

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

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

## 1.9 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### 1.10 Donated assets

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

### 1.11 Government grants

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

### 1.12 Non-current assets held for sale

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

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

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

### 1.13 Leases

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

#### The trust as lessee

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

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

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

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

#### The trust as lessor

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

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

### 1.14 Private Finance Initiative (PFI) transactions

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

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

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

#### Services received

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

#### PFI Asset

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

#### PFI liability

A PFI liability is recognised at the same time as the PFI assets are

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

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

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

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

#### **Lifecycle replacement**

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

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

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

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

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

#### **Other assets contributed by the Trust to the operator**

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

### **1.15 Inventories**

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

### **1.16 Cash and cash equivalents**

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that

form an integral part of the Trust's cash management.

### **1.17 Provisions**

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

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

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

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

### **1.18 Clinical negligence costs**

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

### **1.19 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.

### **1.20 EU Emissions Trading Scheme**

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

### **1.21 Contingencies**

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



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

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

## 1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

### Financial assets at fair value through profit and loss

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

### Held to maturity investments

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

### Available for sale financial assets

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

### Loans and receivables

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

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

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

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

If, in a subsequent period, the amount of the impairment loss

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

## 1.23 Financial liabilities

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

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

### Financial guarantee contract liabilities

Financial guarantee contract liabilities are subsequently measured at the higher of:

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

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

### Financial liabilities at fair value through profit and loss

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

### Other financial liabilities

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

## 1.24 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.

## 1.25 Foreign currencies

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

## 1.26 Third party assets

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

## **1.27 Public Dividend Capital (PDC) and PDC dividend**

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

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

## **1.28 Losses and Special Payments**

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

## **1.29 Subsidiaries**

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

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

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

## **1.30 Associates**

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

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

## **1.31 Joint ventures**

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

classified as joint ventures. Joint ventures are accounted for by proportional consolidation.

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

## **1.32 Joint operations**

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

## **1.33 Accounting standards that have been issued but have not yet been adopted**

All accounting standards that have been issued by the IASB and IFRIC have been adopted by the effective date stated within the relevant Standard.

## **1.34 Accounting standards issued that have been adopted early**

There has not been any early adoption of accounting standards issued by the IASB and IFRIC.

## 2. Pooled Budgets

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

## 3. Operating Segments

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

## 4. Income generation activities

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

## 5. Revenue from patient care activities

	2009/10 £000	2008/09 £000
Strategic health authorities	533	1,249
NHS trusts	64	409
Primary care trusts	409,446	307,575
Foundation trusts	395	787
Local authorities	0	0
Department of Health	500	50,209
NHS other	219	331
Non-NHS:		
Private patients	2,691	2,925
Overseas patients (non-reciprocal)	520	382
Injury costs recovery	2,103	1,408
Other	1,489	441
	<b>417,960</b>	<b>365,716</b>

Injury cost recovery income is subject to a provision for impairment of receivables of approx 33% to reflect expected rates of collection.

## 6. Other Operating Revenue

	2009/10 £000	2008/09 £000
Patient transport services	0	81
Education, training and research	51,734	53,315
Charitable and other contributions to expenditure	616	457
Transfers from Donated Asset Reserve	1,741	1,629
Transfers from Government Grant Reserve	110	77
Non-patient care services to other bodies	11,498	9,070
Income generation	2,162	6,425
Rental revenue	267	0
Other revenue	2,742	2,209
	<b>70,870</b>	<b>73,263</b>

## 7. Revenue

	2009/10 £000	2008/09 £000
From rendering of services	487,597	437,389
From sale of goods	1,233	1,590

## 8. Operating Expenses

	2009/10 £000	2008/09 £000
Services from other NHS Trusts	320	471
Services from PCTs	0	1,024
Services from other NHS bodies	0	79
Services from Foundation Trusts	137	123
Purchase of healthcare from non NHS bodies	2,019	908
Directors' costs	1,622	1,699
Other Employee Benefits	302,929	279,475
Supplies and services - clinical	89,936	82,671
Supplies and services - general	9,853	3,990
Consultancy services	3,429	3,655
Establishment	3,309	3,309
Transport	3,413	2,947
Premises	19,769	19,663
Provision for impairment of receivables	2,315	61
Inventories write offs	105	0
Depreciation	18,173	18,622
Amortisation	644	574
Impairments and reversals of property, plant and equipment	1,083	0
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets [by class]	0	0
Impairments and Reversals for Non Current Assets held for sale	0	0
Audit fees	263	273
Other auditor's remuneration [Internal Audit Services]	107	0
Clinical negligence	5,939	3,826
Research and development	709	0
Education and Training	683	395
Other	2,045	1,822
	<b>468,802</b>	<b>425,587</b>

## 9. Operating leases

### 9.1 As lessee

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

<b>Payments recognised as an expense</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	427	134
Contingent rents	0	0
Sub-lease payments	0	0
	<b>427</b>	<b>134</b>

<b>Total future minimum lease payments</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Payable:		
Not later than one year	220	61
Between one and five years	79	19
After 5 years	0	0
Total	<b>299</b>	<b>80</b>

### 9.2 As lessor

<b>Rental Revenue</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Contingent rent	0	0
Other	267	0
<b>Total rental revenue</b>	<b>267</b>	<b>0</b>

<b>Total future minimum lease payments</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Receivable:		
Not later than one year	0	0
Between one and five years	0	0
After 5 years	0	0
Total	<b>0</b>	<b>0</b>

## 10. Employee costs and numbers

### 10.1 Employee costs

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	256,372	224,444	31,928	238,303	207,653	30,650
Social Security Costs	21,035	21,035	0	18,279	18,279	0
Employer contributions to NHS Pension scheme	26,845	26,845	0	24,420	24,420	0
Other pension costs	148	148	0	144	144	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
<b>Employee benefits expense</b>	<b>304,400</b>	<b>272,472</b>	<b>31,928</b>	<b>281,146</b>	<b>250,496</b>	<b>30,650</b>
<b>Of the total above:</b>						
Charged to capital	1,983			877		
Employee benefits charged to revenue	302,417			280,269		
	<b>304,400</b>			<b>281,146</b>		

### 10.2 Average number of people employed

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental	1,002	933	69	922	909	13
Ambulance staff	0	0	0	0	0	0
Administration and estates	1,400	1,201	199	1,181	1,068	113
Healthcare assistants and other support staff	134	128	6	167	163	4
Nursing, midwifery and health visiting staff	2,401	1,968	433	2,146	1,779	367
Nursing, midwifery and health visiting learners	362	362	0	328	328	0
Scientific, therapeutic and technical staff	1,303	1,257	46	1,221	1,182	39
Social care staff	0	0	0	0	0	0
Other	41	0	41	19	0	19
<b>Total</b>	<b>6,643</b>	<b>5,849</b>	<b>794</b>	<b>5,984</b>	<b>5,429</b>	<b>555</b>
<b>Of the above:</b>						
Number of staff (WTE) engaged on capital projects	<b>32</b>			<b>14</b>		

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

### 10.3 Staff sickness absence

	2009/10 Number
Days lost (long term)	19,507
Days lost (short term)	27,842
<b>Total days lost</b>	<b>47,349</b>
<b>Total staff years</b>	<b>5,631</b>
Average working days lost	8.41
Total staff employed in period (headcount)	6,240
Total staff employed in period with no absence (headcount)	2,108
<b>Percentage staff with no sick leave</b>	<b>33.8%</b>

### 10.4 Management Costs

	2009/10 £000	2008/09 £000
Management costs	19,966	17,590
Income	488,830	438,979

## 11. Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://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, every five years) and an accounting valuation every year. An outline of these follows:

### a) Full actuarial (funding) valuation

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

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

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

### b) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data.

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

can also be obtained from The Stationery Office.

### c) Scheme provisions

In 2008-09 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

#### Annual Pensions

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

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

#### Pensions Indexation

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.

#### Lump Sum Allowance

A lump sum is payable on retirement which is normally three times the annual pension payment.

#### Ill-Health Retirement

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

#### Death Benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

#### Additional Voluntary Contributions (AVCs)

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

#### Transfer between Funds

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

#### Preserved Benefits

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

#### Compensation for Early Retirement

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

## 12. Retirements due to ill-health

During 2009/10 there were 2 (2008/09: 4) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £38,679.26 (2008/09: £83,922). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## 13. Better Payment Practice Code

### 13.1 Better Payment Practice Code - measure of compliance

	2009/10		2008/09	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	103,617	177,684	102,088	200,263
Total Non NHS trade invoices paid within target	63,787	114,820	68,222	145,372
Percentage of Non-NHS trade invoices paid within target	62%	65%	67%	73%
Total NHS trade invoices paid in the year	3,393	27,438	3,110	20,797
Total NHS trade invoices paid within target	1,133	14,255	1,358	12,674
Percentage of NHS trade invoices paid within target	33%	52%	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.

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

	2009/10	2008/09
	£000	£000
Amounts included in finance costs from claims made under this legislation	2	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>2</b>	<b>0</b>



## 14. Investment revenue

	2009/10 £000	2008/09 £000
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	7	288
Other loans and receivables	69	0
Impaired financial assets	0	0
Other financial assets	0	814
<b>Total</b>	<b>76</b>	<b>1,102</b>

## 15. Other gains and losses

	2009/10 £000	2008/09 £000
Gain/(loss) on disposal of property, plant and equipment	1,929	(206)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets available for sale	0	0
<b>Total</b>	<b>1,929</b>	<b>(206)</b>

## 16. Finance Costs

	2009/10 £000	2008/09 £000
Interest on loans and overdrafts	1,145	1,553
Interest on obligations under finance leases	512	491
Interest on obligations under PFI contracts:		
- main finance cost	3,263	3,301
- contingent finance cost	0	0
Interest on late payment of commercial debt	2	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>4,922</b>	<b>5,345</b>
Other finance costs	33	33
<b>Total</b>	<b>4,955</b>	<b>5,378</b>

## 17. Property, plant and equipment

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

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

### Prior year:

	Land	Buildings exclud- ing dwell- ings	Dwell- ings	Assets under construct and poa	Plant and machin- ery	Transport equipment	Informa- tion tech- nology	Furniture & fittings	Total
<b>2008/09:</b>									
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	92,645	184,036	4,601	6,595	81,267	138	12,158	9,658	391,098
Additions purchased	0	5,752	133	4,449	3,030	0	1,474	344	15,182
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
Reclassifications	0	5,067	(182)	(5,227)	140	0	14	123	(65)
Reclassified as held for sale	(3,251)	(6,589)	(4,076)	0	0	0	0	(85)	(14,001)
Disposals other than by sale	0	(56)	0	(362)	(95)	0	0	(2)	(515)
Revaluation/indexation gains	104	386	0	0	2,991	6	0	296	3,783
Impairments	(25,908)	(9,266)	(122)	(105)	0	0	0	0	(35,401)
Reversal of impairments	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>63,590</b>	<b>181,464</b>	<b>354</b>	<b>5,732</b>	<b>87,356</b>	<b>144</b>	<b>13,668</b>	<b>10,471</b>	<b>362,779</b>
Depreciation at 1 April 2008	0	0	0	0	55,734	130	8,056	4,120	68,040
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	(14)	(14)
Disposals other than by sale	0	(48)	0	0	(95)	0	0	(1)	(144)
Revaluation/indexation gains	0	(1,291)	(35)	0	2,036	5	0	134	849
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	10,545	144	0	5,958	3	1,297	675	18,622
<b>Depreciation at 31 March 2009</b>	<b>0</b>	<b>9,206</b>	<b>109</b>	<b>0</b>	<b>63,633</b>	<b>138</b>	<b>9,353</b>	<b>4,914</b>	<b>87,353</b>
<b>Net book value</b>									
Purchased	63,590	158,394	245	5,343	21,439	6	4,216	4,967	258,200
Donated	0	12,900	0	389	2,284	0	99	491	16,163
Government granted	0	964	0	0	0	0	0	99	1,063
<b>Total at 31 March 2009</b>	<b>63,590</b>	<b>172,258</b>	<b>245</b>	<b>5,732</b>	<b>23,723</b>	<b>6</b>	<b>4,315</b>	<b>5,557</b>	<b>275,426</b>
<b>Asset financing</b>									
Owned	63,590	123,434	245	5,732	20,110	6	2,660	4,066	219,843
Finance Leased	0	0	0	0	3,613	0	1,655	18	5,286
Private finance initiative	0	48,824	0	0	0	0	0	1,473	50,297
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2009</b>	<b>63,590</b>	<b>172,258</b>	<b>245</b>	<b>5,732</b>	<b>23,723</b>	<b>6</b>	<b>4,315</b>	<b>5,557</b>	<b>275,426</b>

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

The Trust received a capital donation towards the cost of a new Child Development Centre in 2009/10.

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

The Trust incurred an impairment charge to the revenue account of approx £1m in respect of downward revaluations to certain buildings in excess of the balance within the revaluation reserve.

The overall net impact of the MEA valuation was to increase the value of land, buildings and fixtures/fittings by approx £10.9m.

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

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

The Trust has received donations in year from St George's Hospital Charity and Prostate Research Campaign UK.

Buildings (excluding dwellings) asset lives from 3 to 100 years

Dwellings asset lives from 15 to 80 years

Plant & Machinery asset lives from 1 to 25 years

Transport Equipment asset lives from 5 to 7 years

Information Technology asset lives from 3 to 15 years

Furniture & Fittings asset lives from 5 to 25 years

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

## 18. Intangible assets

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

## 18. Intangible assets (cont.)

Prior year:

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
	£000	£000	£000	£000	£000	£000
<b>2008/09:</b>						
Gross cost at 1 April 2008	3,461	0	0	0	2,701	6,162
Additions purchased	771	0	0	0	0	771
Additions internally generated	0	0	0	0	0	0
Additions donated	5	0	0	0	0	5
Additions government granted	0	0	0	0	0	0
Reclassifications	65	0	0	0	79	144
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2009</b>	<b>4,302</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,780</b>	<b>7,082</b>
Amortisation at 1 April 2008	1,513	0	0	0	2,701	4,214
Reclassifications	0	0	0	0	79	79
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	574	0	0	0	0	574
<b>Amortisation at 31 March 2009</b>	<b>2,087</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,780</b>	<b>4,867</b>
<b>Net book value</b>						
Purchased	2,208	0	0	0	0	2,208
Donated	7	0	0	0	0	7
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2009</b>	<b>2,215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,215</b>

Software Licences asset lives from 5 to 7 years

### 18.2 Revaluation reserve balance for intangible assets

	2009/10 £000	2008/09 £000
At 1 April	0	0
Changes	0	0
<b>At 31 March</b>	<b>0</b>	<b>0</b>

## 19. Impairments

In 2009/10 the Trust incurred an impairment charge of approx £1m to revenue account as a result of the Modern Equivalent Asset (MEA) valuation undertaken by the Valuation Office.

The impairment charge related to downward revaluations to the Hotung musko-skeletal centre £0.3m, the St John's Therapy Centre £0.2m and the new Acute Medical Unit £0.5m.

## 20. Capital commitments

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

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
Property, plant and equipment	5,439	3,271
Intangible assets	342	599
<b>Total</b>	<b>5,781</b>	<b>3,870</b>

## 21. Inventories

### 21.1. Inventories

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
Drugs	1,729	2,418
Work in progress	0	0
Consumables	3,322	4,703
Energy	156	169
Other	167	253
<b>Total</b>	<b>5,374</b>	<b>7,543</b>
Of which held at net realisable value:	0	0

### 21.2 Inventories recognised in expenses

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
Inventories recognised as an expense in the period	2,164	0
Write-down of inventories (including losses)	105	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>2,269</b>	<b>0</b>

## 22. Trade and other receivables

### 22.1 Trade and other receivables

	Current		Non-current	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	£000	£000	£000	£000
NHS receivables-revenue	28,275	15,903	0	77
NHS receivables-capital	0	135	0	0
Non-NHS receivables-revenue	12,658	11,293	79	0
Non-NHS receivables-capital	894	774	0	0
Provision for the impairment of receivables	(7,115)	(9,110)	0	0
Accrued income	2,506	7,114	0	0
Finance lease Receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	2,453	1,278	0	0
Other receivables	0	891	0	0
<b>Total</b>	<b>39,671</b>	<b>28,278</b>	<b>79</b>	<b>77</b>

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

### 22.2 Receivables past their due date but not impaired

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
By up to three months	9,816	2,266
By three to six months	1,446	129
By more than six months	4,090	143
<b>Total</b>	<b>15,352</b>	<b>2,538</b>

## 22.3 Provision for impairment of receivables

	31 March 2010 £000	31 March 2009 £000
<b>Balance at 1 April</b>	<b>(9,110)</b>	(11,879)
Amount written off during the year	4,310	2,830
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	<b>(2,315)</b>	(61)
<b>Balance at 31 March</b>	<b>(7,115)</b>	<b>(9,110)</b>

The Trust has made an appropriate Provision for Impairment on debts past their due date according to their age. A significant proportion of the provision relates to the Injury cost recovery scheme.

## 23. Other financial assets

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Embedded derivatives carried at fair value through profit and loss	0	0	0	0
Financial assets carried at fair value through profit and loss	0	0	0	0
Held to maturity investments at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 24. Other current assets

	31 March 2010 £000	31 March 2009 £000
EU Emissions trading scheme allowances	114	60
Other assets	0	0
<b>Total</b>	<b>114</b>	<b>60</b>



## 25. Cash and cash equivalents

	31 March 2010 £000	31 March 2009 £000
Balance at 1 April	4,954	3,938
Net change in year	11,190	1,016
<b>Balance at 31 March</b>	<b>16,144</b>	<b>4,954</b>
<b>Made up of</b>		
Cash with Office of HM Paymaster General	16,144	4,900
Commercial banks and cash in hand	0	54
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>16,144</b>	<b>4,954</b>
Bank overdraft - Office of HM Paymaster General	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>16,144</b>	<b>4,954</b>

## 26. Non-current assets held for sale

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

In August 2009 the Trust disposed of land and buildings with a net book value of approx £6.2m as part of the second and final phase of the sale and re-development of the St George's Grove site. These land and buildings were included in Non Current Assets held for sale as at 31 March 2009.

Under this joint public/private partnership agreement with Thames Valley Housing Association and Bellway Homes PLC the Trust:

(1) leases 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.

(2) leases 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 is off-balance sheet.

(3) leases 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 from Thames Valley Housing Association (TVHA) equivalent to approx £50,000 per annum from 2011/12 onwards in respect of the land leased to TVHA for 35 years which is retained on-balance sheet.

## 27. Trade and other payables

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Interest payable	45	52		
NHS payables-revenue	10,540	6,445	0	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue	13,045	19,233	0	0
Non NHS trade payables - capital	4,258	2,886	0	0
Accruals and deferred income	16,410	11,879	0	0
Social security costs	3,085	0		
VAT	0	0	0	0
Tax	3,712	0		
Other (including SGUL and NHS Pensions)	9,215	6,937	0	0
<b>Total</b>	<b>60,310</b>	<b>47,432</b>	<b>0</b>	<b>0</b>

## 28. Borrowings

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Bank overdraft - Office of HM Paymaster General	0	0		
Bank overdraft - Commercial banks	0	0		
Loans from:				
Department of Health	7,994	7,994	7,990	15,984
Other entities	0	0	0	0
PFI liabilities	578	578	49,430	50,008
LIFT	0	0	0	0
Finance lease liabilities	1,343	1,469	4,300	3,817
Other (describe)	0	0	0	0
<b>Total</b>	<b>9,915</b>	<b>10,041</b>	<b>61,720</b>	<b>69,809</b>

### 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.

In 2009/10 the trust repaid loans totalling £7,994,000. The balance of £15,984,000 loans outstanding at 31st March 2010 is repayable by 31st March 2012 in 2 annual instalments of £7,994,000 and £7,990,000.

## 29. Other liabilities

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
PFI asset – deferred credit	0	0	0	0
Lease incentives	0	0	0	0
Other	0	86	0	0
<b>Total</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>0</b>

### 30. Finance lease obligations

The Trust has a number of finance leases for high value capital medical equipment and the Picture Archiving Communications System which is provided under a managed equipment service. In addition the Trust accounts for £1.5m capital investment in catering facilities undertaken by Mitie PLC in 2009.10 as a finance lease.

Amounts payable under finance leases:	Minimum lease payments		Present value of minimum lease payments	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Within one year	1,605	1,978	1,343	1,469
Between one and five years	3,860	3,785	3,374	2,942
After five years	945	971	926	875
Less future finance charges	(767)	(1,448)		
Present value of minimum lease payments	<b>5,643</b>	<b>5,286</b>	<b>5,643</b>	<b>5,286</b>
Included in:				
Current borrowings			1,343	1,469
Non-current borrowings			4,300	3,817
	<b>0</b>	<b>0</b>	<b>5,643</b>	<b>5,286</b>

### 31. Finance lease receivables (i.e. as lessor)

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

Rental Revenue	2009/10 £000	2008/09 £000
Contingent rent	0	0
Other	0	0
<b>Total rental revenue</b>	<b>0</b>	<b>0</b>

### 32. Finance lease commitments

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

### 33. Private Finance Initiative contracts

#### 33.1 PFI schemes off-Statement of Financial Position

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

#### 33.2 PFI schemes on-Statement of Financial Position

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

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

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

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

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
Not later than one year	<b>3,841</b>	3,841
Later than one year, not later than five years	<b>15,363</b>	15,363
Later than five years	<b>89,698</b>	93,539
Sub total	<b>108,902</b>	112,743
Less: interest element	<b>(58,894)</b>	(62,157)
<b>Total</b>	<b>50,008</b>	50,586

#### 33.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £5,139,000 (prior year £5,139,000).

The trust is committed to the following annual charges

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
<sup>[1]</sup> <b>PFI scheme expiry date:</b>		
Not later than one year	<b>0</b>	5,319
Later than one year, not later than five years	<b>0</b>	20,557
Later than five years	<b>145,532</b>	130,114
<b>Total</b>	<b>145,532</b>	155,990

### 34. Other financial liabilities

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

## 35. Provisions

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2010	2009	2010	2009
	£000	£000	£000	£000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	137	0	1,352	1,490
Legal claims	248	0	0	395
Restructurings	0	0	0	0
Continuing care	0	0	0	0
Equal pay	0	0	0	0
Agenda for change	255	0	0	288
Other (specify)	0	0	0	0
<b>Total</b>	<b>640</b>	<b>0</b>	<b>1,352</b>	<b>2,173</b>

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Continuing care	Equal pay	Agenda for change	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008	0	1505	629	0	0	0	2,344	0	4,478
Arising during the year	0	115	128	0	0	0	232	0	475
Used during the year	0	-163	-362	0	0	0	(2,288)	0	(2,813)
Reversed unused	0	0	0	0	0	0	0	0	0
Unwinding of discount	0	33	0	0	0	0	0	0	33
Transfers in year	0	0	0	0	0	0	0	0	0
At 1 April 2009	0	1,490	395	0	0	0	288	0	2,173
Arising during the year	0	101	139	0	0	0	0	0	240
Used during the year	0	(135)	(34)	0	0	0	(33)	0	(202)
Reversed unused	0	0	(252)	0	0	0	0	0	(252)
Unwinding of discount	0	33	0	0	0	0	0	0	33
Transfers in year	0	0	0	0	0	0	0	0	0
At 31 March 2010	<b>0</b>	<b>1,489</b>	<b>248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>255</b>	<b>0</b>	<b>1,992</b>

### Expected timing of cash flows:

In the remainder of the spending review period to 31 March 2011	0	137	248	0	0	0	255	0	640
Between 1 April 2011 and 31 March 2016	0	639	0	0	0	0	0	0	639
Between 1 April 2016 and 31 March 2021	0	522	0	0	0	0	0	0	522
Thereafter	0	191	0	0	0	0	0	0	191

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

Agenda for Change provisions relate to probable non-medical expenditure as at 31 March 2010 from outstanding liabilities arising from the NHS pay reform.

£45,495,254 is included in the provisions of the NHS Litigation Authority at 31/3/2010 in respect of clinical negligence liabilities of the trust (31/03/09 £31,371,479).

## 36. Contingencies

### 36.1 Contingent liabilities

	2009/10 £000	2008/09 £000
Equal pay cases	0	0
Other	0	(109)
Amounts recoverable against contingent liabilities	0	40
<b>Total</b>	<b>0</b>	<b>(69)</b>

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 2010.

### 36.2 Contingent assets

The Trust has no Contingent assets.

## 37. Financial Instruments

### 37.1 Financial assets

	At fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0			0
Receivables		28,105		28,105
Cash at bank and in hand		4,954		4,954
Other financial assets	0	0	0	0
<b>Total at 31 March 2009</b>	<b>0</b>	<b>33,059</b>	<b>0</b>	<b>33,059</b>
Embedded derivatives	0			0
Receivables		39,750		39,750
Cash at bank and in hand		16,144		16,144
Other financial assets	0	0	0	0
<b>Total at 31 March 2010</b>	<b>0</b>	<b>55,894</b>	<b>0</b>	<b>55,894</b>

### 37.2 Financial liabilities

	At fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0		0
Payables		28,564	28,564
PFI and finance lease obligations		55,872	55,872
Other borrowings		23,978	23,978
Other financial liabilities	0	0	0
<b>Total at 31 March 2009</b>	<b>0</b>	<b>108,414</b>	<b>108,414</b>
Embedded derivatives	0		0
Payables		34,640	34,640
PFI and finance lease obligations		55,651	55,651
Other borrowings		15,984	15,984
Other financial liabilities	0	0	0
<b>Total at 31 March 2010</b>	<b>0</b>	<b>106,275</b>	<b>106,275</b>

### **37.3 Financial risk management**

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

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

#### **Currency risk**

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

#### **Interest rate risk**

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

#### **Credit risk**

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the Trade and other receivables note.

#### **Liquidity risk**

The trust's operating costs are incurred under contracts with primary care trusts, which are financed from resources voted annually by Parliament. The trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The trust is not, therefore, exposed to significant liquidity risks.

### 38. Events after the reporting period

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

### 39. Financial performance targets

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

#### 39.1 Breakeven Performance

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

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

The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2012/13.

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

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



### 39.2 Capital cost absorption rate

For 2009/10 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £6,526,000, bears to the actual average relevant net assets of £189,091,000, that is 3.5% (prior year 4.4%).

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

### 39.3 External financing

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

	2009/10	2008/09
£000	£000	£000
External financing limit	(18,395)	(920)
Cash flow financing	(18,044)	(5,237)
Finance leases taken out in the year	2,240	0
Other capital receipts	(4,004)	(3,773)
External financing requirement	<b>(19,808)</b>	<b>(9,010)</b>
<b>Undershoot/(overshoot)</b>	<b>1,413</b>	<b>8,090</b>

### 39.4 Capital Resource Limit

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

	2009/10	2008/09
	£000	£000
Gross capital expenditure	21,109	18,477
Less: book value of assets disposed of	(6,440)	(371)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	(1,839)	0
Less: donations towards the acquisition of non-current assets	(249)	(2,703)
Charge against the capital resource limit	<b>12,581</b>	<b>15,403</b>
Capital resource limit	<b>20,542</b>	<b>14,098</b>
<b>(Over)/Underspend against the capital resource limit</b>	<b>7,961</b>	<b>(1,305)</b>

## 40. Related party transactions

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

The Department of Health is regarded as a related party. During the year St Georges Healthcare NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
<b>2009/10</b>	£'000	£'000	£'000	£'000
<b>Department of Health</b>	672	49		120
<b>NHS Litigation Authority</b>	6,191		1	
<b>Strategic health Authorities</b>				
- NHS London	42	46,318	25	443
<b>Primary care trusts</b>				
- Wandsworth Teaching PCT	724	157,141	1,383	7,763
- Sutton and Merton PCT	18	86,799		4,863
- Croydon PCT	1	35,596	205	1,986
<b>2008/09</b>				
<b>Department of Health</b>	788	53,555	647	680
<b>NHS Litigation Authority</b>	3,009		333	
<b>Strategic health Authorities</b>				
- NHS London	18	45,964	3	889
<b>Primary care trusts</b>				
- Wandsworth Teaching PCT	1,413	108,407	887	6,051
- Sutton and Merton PCT	20	70,867	17	2,017
- Croydon PCT		27,704	205	338

Amounts received from Wandsworth Teaching PCT, Sutton and Merton PCT and Croydon PCT relate to the Trust's contracts for patient services. The amount received from NHS London primarily relates to Teaching and Training.

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

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
<b>2009/10</b>	£'000	£'000	£'000	£'000
<b>St George's University of london</b> <i>Naaz Coker, The Trust Chair, is a board member thereof</i>	7,092	485	4,289	1,181
<b>Charitable Foundation</b>	0	118		142
<b>George Cordiner Radiological Fund</b> <i>Where Assistant Director of Finance Kevin Harbottle is the Treasurer</i>		4		
<b>2008/09</b>				
<b>St George's University of london</b> <i>Naaz Coker, The Trust Chair, is a board member thereof</i>	6,831	4,470	1,443	1,556
<b>Charitable Foundation</b>		3,781	4	871
<b>George Cordiner Radiological Fund</b> <i>Where Assistant Director of Finance Kevin Harbottle is the Treasurer</i>				76

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

## 41. Third Party Assets

The Trust held £2,090 cash and cash equivalents at 31 March 2010 (£5,664 - at 31 March 2009) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

## 42. Intra-Government and Other Balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	18,663	0	7,329	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,588	0	2,303	0
Balances with Public Corporations and Trading Funds	918	0	908	0
Intra Government balances	23,169	0	10,540	0
Balances with bodies external to Government	16,502	79	49,770	0
<b>At 31 March 2010</b>	<b>39,671</b>	<b>79</b>	<b>60,310</b>	<b>0</b>
Balances with other Central Government Bodies	14,186	0	10,269	0
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	17,764	0	13,386	0
Balances with bodies external to Government	10,514	77	34,046	0
<b>At 31 March 2009</b>	<b>28,278</b>	<b>77</b>	<b>47,432</b>	<b>0</b>

## 43. Losses and Special Payments

There were 64 cases of losses and special payments (2008/09: 67 cases) totalling £17,884.66 (2008/09: £13,113) during 2009/10.

## 44. Transition to IFRS

The transition to IFRS has made significant changes to the Trust's reported position. The PFI scheme for Atkinson Morley wing is now accounted on-Statement of Financial Position as well as capital equipment previously accounted under operating leases.

The approx additional charge to revenue account of IFRS changes was approx £1.4m in 2009/10.

	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP:</b>	<b>(40,751)</b>	<b>94,540</b>	<b>16,170</b>	<b>1,063</b>
Adjustments for IFRS changes:				
Private finance initiative	(10,056)	9,279	0	0
Leases	(1,233)	1,302	0	0
Others (specify)	0	0	0	0
Adjustments for:				
Impairments recognised on transition	0	0	0	0
UK GAAP errors	0	0	0	0
<b>Taxpayers' equity at 1 April 2009 under IFRS:</b>	<b>(52,040)</b>	<b>105,121</b>	<b>16,170</b>	<b>1,063</b>
	<b>£000</b>			
<b>Surplus/(deficit) for 2008/09 under UK GAAP</b>	<b>1,718</b>			
Adjustments for:				
Private finance initiative	(1,450)			
Leases	115			
Others (specify)	(68)			
<b>Surplus/(deficit) for 2008/09 under IFRS</b>	<b>315</b>			

**St George's Healthcare NHS Trust**  
**St George's Hospital**  
**Blackshaw Road**  
**London SW17 0QT**  
**T 020 8672 1255**  
**[www.stgeorges.nhs.uk](http://www.stgeorges.nhs.uk)**

#### **Support from us**

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

T: 020 8725 2453

E: [pals@stgeorges.nhs.uk](mailto:pals@stgeorges.nhs.uk)

#### **Careers with us**

If you are interested in a career at St George's, visit the trust's website [www.stgeorges.nhs.uk](http://www.stgeorges.nhs.uk), or get in touch with our recruitment services team.

T: 020 8725 0600

E: [HRRrecruitment@stgeorges.nhs.uk](mailto:HRRrecruitment@stgeorges.nhs.uk)

#### **Feed back to us**

Please feed back to the communications team and help us improve the information included in the report next year.

Additional copies of this report can also be requested.

T: 020 8725 5151

E: [communications@stgeorges.nhs.uk](mailto:communications@stgeorges.nhs.uk)

#### **Give to us**

Would you like to give to St George's? You can do so in many ways so please talk to St George's Hospital Charity about how you can help.

T: 020 8725 4916

E: [giving@stgeorges.nhs.uk](mailto:giving@stgeorges.nhs.uk)

