East London NHS Foundation Trust

Audited Annual Accounts
For the year ended
31 March 2010

East London NHS
NHS Foundation Trust

FOREWORD TO THE ACCOUNTS

These accounts, for the year ended 31 March 2010, have been prepared in accordance with paragraphs 24 and 25 of schedule 7 to the NHS Act 2006.

STATEMENT ON INTERNAL CONTROL 2009/10

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

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 against the achievement of the policies, aims and objectives of East London NHS Foundation Trust; 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 East London NHS Foundation Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

The Trust Board are accountable to the Independent Regulator (Monitor) for performance and control issues, and submits quarterly monitoring returns and exception reports to Monitor in accordance with Monitor's Compliance Framework.

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained with the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into 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.

3 Capacity to handle risk

The Trust has a Risk Management Strategy and operational policies approved by the Trust Board. Leadership is given to the risk management process through a number of measures, including designation of Executive and Non-Executive Directors to key committees within the Trust's Healthcare Governance Framework structure. The Director of Nursing & Quality has delegated responsibility for ensuring the implementation of the Assurance Framework, and is assisted by the Associate Director of Governance, who leads and manages the Trust's Assurance Department. All directors have responsibility to identify and manage risk within their specific areas of control, in line with the management and accountability arrangements in the Trust. Directorates have identified leads for risk management.

The Assurance Department provides support to directorates and departments on all aspects of effective risk assessment and management. The Department maintains the Trust's incident and risk reporting system, and risk registers. The Department also has a vital role in training, which is given to staff on induction and regular training opportunities are provided to staff at all levels, including root cause analysis training.

The Assurance Department is responsible for the dissemination of good practice and lessons learned from incidents or near misses. Good practice is disseminated within the Trust through information sharing, cascading of information via the groups and committees included in the Healthcare Governance Framework, maintenance of the incident register and consequent learning from such incidents.

4 The risk and control framework

Key elements of the Risk Management Strategy

Attitude to, and management of, risk is embedded within the Trust's Risk Management Strategy. The strategy and related procedures set risk management activities within a broad framework within which the Trust leads, directs and controls its key functions in order to achieve its corporate objectives, safety and quality of services, and in which it relates to patients, staff, the wider community and partner organisations. The Trust has a Board Assurance Framework in place which provides a structure for the effective and focused management of the principal risks to meeting the Trust's key objectives. The Board Assurance Framework is fully mapped to Care Quality Commission standards.

The Board Assurance Framework enables easy identification of the controls and assurances that exist in relation to the Trust's key objectives and the identification of significant risks. High-level risk is assessed and monitored within the Assurance Committee, with more detailed risks being assessed and monitored by committees and groups within the Healthcare Governance Framework. Key issues emerging from this assessment and monitoring include a review of balance between absolute and acceptable risk, quantification of risks where these cannot be avoided, implementation of processes to minimise risks where these cannot be avoided and learning from incidents. These issues are cascaded throughout the Trust via Directorate representative and multi-disciplinary attendance at committee and group meetings.

STATEMENT ON INTERNAL CONTROL 2009/10 (continued)

Embedding risk management in the activity of the organisation
Risk management is embedded throughout the Trust's operational structures, with emphasis in ownership of risk within the directorates and a supporting role by the Assurance Department.

Directorates are responsible for maintaining their own risk registers, which feed into the Trust's corporate risk register. The local risk registers are reviewed at Directorate performance meetings that are held on a quarterly basis. The Associate Director of Governance receives risk registers from Directorates, as well as copies of committee and sub-group meetings throughout the Trust. Directorate representatives attend key committees of the Healthcare Governance Framework, ensuring formal channels of reporting, wide staff involvement, and sharing of learning. The implementation of incident and other risk related polices and procedures throughout the organisation ensures the involvement of all staff in risk management activity.

Involvement of public stakeholders
Risks to public stakeholders are managed through formal review processes with the Independent Regulator (Monitor) and the local PCTs through joint actions on specific issues such as emergency planning and learning from incidents, and through scrutiny meetings with Local Authorities' Health and Overview & Scrutiny Committees. The Members Council represents the interests of members and has a role to hold the Board of Directors to account for the performance of the Trust.

Information governance risks
Risks to information including data security are managed and controlled by the Trust in a robust way. The Trust has a nominated Caldicott Guardian (Medical Director), who is also the executive director lead for Information Governance, and is supported by key staff within the Information Management & Technology Department and directorate leads. Policies are in place which are compliant with NHS guidelines, and incident reporting procedures are in place and utilised by staff. An Information Governance Steering Group forms part of the Trust's Healthcare Governance Framework and the Trust Board receives reports on compliance with the Information Governance Toolkit.

Equality and diversity
Control measures are also in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

Carbon reduction
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 that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Quality report
There are controls in place to ensure that the Quality Report is an accurate statement of the Trust's position. The Quality Report contains two main areas of information; details of the Trust's quality priorities for 2010/11, and performance against quality indicators for 2009/10.

The quality priorities for 2010/11 have been developed in conjunction with senior clinicians and managers, the Members Council and user groups. They form part of the Trust's Annual Plan for 2010/11 which has been prepared in line with Monitor requirements, and agreed by the Trust Board.

Information regarding the Trust's performance is produced by the Trust's performance management systems, and is regularly reported to the Board and performance management meetings throughout the year. The Trust's Performance Management Framework has been reviewed by Internal Audit during the year and has received a substantial assurance opinion.

5 Review of economy, efficiency and effectiveness of the use of resources

As Accounting Officer, I have responsibility for ensuring economy, efficiency and effectiveness of the use of resources. Performance in this area is monitored by the Trust Board on a regular basis. The Trust Board discusses and approves the Trust's Annual Plan, taking into account the views of the Members Council. The Annual Plan includes the annual budgets. Throughout the year, the Trust Board receives regular finance and performance reports, which enable it to monitor progress in implementing the Annual Plan and the performance of the organisation, enabling the Board to take corrective action where necessary, and ensure value for money is obtained.

I am also supported by the work of internal audit, who, in carrying out a risk-based programme of work, provide reports on specific areas within the Trust and provide recommendations where necessary. The work of internal audit, and the progress of implementing their recommendations, is overseen by the Trust's Audit Committee.

6 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers within the NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Assurance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

STATEMENT ON INTERNAL CONTROL 2009/10 (continued)

6 Review of effectiveness (continued)

The Head of Internal Audit's opinion confirms that an Assurance Framework has been established which is designed and operating to meet the requirements of the 2009/10 Statement on Internal Control and provides reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation. In addition, the Head of Internal Audit opinion also confirms that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The effectiveness of the system of internal control is guaranteed by ensuring clear duties and accountability are allocated to each part of the Healthcare Governance Framework, and to individuals within the framework.

The Board receives the Board Assurance Framework twice each year, receives reports from the Assurance Committee and from the Audit Committee, and notes minutes from key committees and groups within the framework. Reports submitted to the Board identify risk and are linked to the Board Assurance Framework, where relevant.

The Audit Committee is accountable to the Board for reviewing the establishment and maintenance of an effective system of internal control and risk management. It approves the annual audit plans for internal and external audit activities, receives regular progress reports and individual audit reports, and ensures that recommendations arising from audits are actioned by executive management. The Audit Committee receives the minutes of the Assurance Committee.

The Trust has a Counter Fraud service in place, in line with the Secretary of State's Directions on Fraud and Corruption and the Counter Fraud and Corruption Manual. The national Counter Fraud and Security Management Service (CFSMS) organisation rates the Trust's performance against a set of indicators on a scale of 1 – 4, with 4 being the highest score. The Trust has scored a level 4 rating. The Audit Committee receives regular reports from Counter Fraud services.

The Assurance Committee has delegated responsibility for the Board Assurance Framework, and meets on a quarterly basis to review and update the Board Assurance Framework. There is shared membership between the Audit and Assurance Committees via Internal Audit, the Director of Finance, the Associate Director of Governance and the Chair of the Assurance Committee. The Assurance Committee receives the minutes of the Audit and Healthcare Governance Committees.

The Healthcare Governance Committee integrates the processes of clinical governance and risk management. It receives reports from working groups, and reviews risk with the chairs of such groups. Executive Directors chair committees, with managers from various disciplines and from various services participating in the groups. The Healthcare Governance reports to the Assurance Committee, and also has links to the Service Delivery Board.

Internal Audit services are outsourced to Deloitte LLP, who provide an objective and independent opinion on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. Individual audit reports include a management response and action plan. Internal Audit routinely follows up action with management to establish the level of compliance and the results are reported to the Audit Committee.

Directors ensure that key risks have been identified and monitored within their directorates and the necessary action taken to address them. Directors are also directly involved in producing and reviewing the Board Assurance Framework, and attend the Audit and Assurance Committees to report on risk within their areas of control.

The interests of patients, clients and other stakeholders are given authority by inclusion of representatives on various groups of the Trust where possible and appropriate, as well as the role of the Members Council.

The Trust's regular reporting to Monitor provides additional assurance with regard to the Trust's governance arrangements and compliance with the Terms of Authorisation. The Trust has maintained a 'green' governance rating throughout the year.

In March 2009, the Trust was awarded Level 2 of the NHS Litigation Authority Risk Management Standards for Mental Health and Learning Disability services, which provided substantial assurance regarding our governance processes.

As part of the transition to the new Care Quality Commission system of registration, the Trust was required to carry out a mid-year review of compliance against the Standards for Better Health. The Trust identified two areas of non-compliance – Standard C2: Safeguarding Children and Standard C10: Employment Checks. Action plans were put in place and both areas were addressed by the end of January 2010.

The Trust submitted its application for registration against the new Care Quality Commission standards on 29 January 2010, and has been successfully registered, without any conditions.

The net result of these processes is that risk is assessed systematically, with internal reviews ensuring checks and balances, a local chain of reporting which ensures follow through of recommendations and actions, and wide staff involvement ensuring effective communication throughout the Trust.

STATEMENT ON INTERNAL CONTROL 2009/10 (continued)

Internal Control Issues

The Trust's Internal Auditors have given a limited assurance opinion following their review of the Trust's Staff Bank and Agency arrangements. Their key recommendations were that the Trust should establish clear procedures to enable payroll report entries to be checked to underlying documentation, ensure that all timesheets are signed by an authorised budget holder, and check all personnel details to ensure that a valid CRB check is on file for all Bank staff. In order to address these issues, the Trust is implementing a new system that utilises electronic timesheets. This system will create an electronic audit trail for both bookings and payroll, and will significant reduce the likelihood of errors and fraud. The Trust has carried out a large scale project to ensure that all staff have up to date CRB checks, and is also implementing an electronic disclosure system to enhance this process. The Trust's Audit Committee will monitor progress in implementing the recommendations.

There is one internal control issue that is rated as "red" on the Trust's Board Assurance Framework. This relates to the levels of bed occupancy for the Trust's inpatient services, which have increased due to higher demand, particularly in Hackney and Tower Hamlets. The Trust has conducted a detailed review of system and practice issues. Occupancy levels are monitored on a daily basis, and reports are submitted to the Trust Board each month. In January 2010, the Trust opened an additional ward in Hackney in order to meet the increased demand. The Trust has discussed this issue with NHS City & Hackney, as the commissioners for mental health services in Hackney, in order to agree funding issues.

Signed:

Dr Robert Dolan
Chief Executive

Date: 07.06.2010

Independent Auditor's report to the Board of Governors of East London NHS Foundation Trust

I have audited the financial statements of East London NHS Foundation Trust for the year ended 31 March 2010 under the National Health Service Act 2006. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes in Note 6.1 to the financial statements and
- the table of pension benefits of senior managers and related narrative notes in Note 6.2 to the financial statements.

This report is made solely to the Board of Governors of East London NHS Foundation Trust as a body in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006. My work was undertaken so that I might state to the Board of Governors those matters I am required to state to it in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for the audit report or for the opinions I form.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer's responsibilities for preparing the financial statements in accordance with directions made by the Independent Regulator of NHS Foundation Trusts (Monitor) are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with statute, the Audit Code for NHS Foundation Trusts 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 Monitor as being relevant to NHS Foundation Trusts. 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 Monitor as being relevant to NHS Foundation Trusts. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Directors' Report (page 6)and Financial Review (pages 37 – 39), included in the Annual Report, is consistent with the financial statements.

I review whether the Accounting Officer's Statement on Internal Control reflects compliance with the requirements of Monitor contained in the NHS Foundation Trust Annual Reporting Manual 2009/10. I report if it does not meet the requirements specified by Monitor 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 Accounting Officer's 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 compromises, the Annual Report except for the commentary on financial performance included in the Directors Report (page 6) and Financial Review (pages 37 to 39). 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 National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor, which requires compliance with International Standards on Auditing (United Kingdom 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 subject to audit. 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 subject to audit 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 subject to audit.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of East London NHS Foundation Trust as at 31 March 2010 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Trust;
- the financial statements and the part of the Remuneration Report subject to audit has been properly prepared in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts; and
- information which comprises the commentary on the financial performance included within the Directors Report (page 6) and Financial Review (pages 37 to 39), is consistent with the financial statements.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.

S. M. Exton

Susan M Exton
Officer of the Audit Commission

1st Floor, Millbank Tower

Millbank

London SW1P 4HQ

Date 7 June 2010

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER

The National Health Service Act 2006 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officer Memorandum issued by the independent regulator of NHS foundation trusts ("Monitor").

Under the National Health Service Act 2006, Monitor has directed East London NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of East London NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS foundation trust Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS foundation trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.

Signed:

Dr Robert Dolan
Chief Executive

Date: 07.06.2010

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2010

	NOTE	2010 £000	2009 £000
Operating Income from continuing operations	3	193,697	184,753
Operating Expenses of continuing operations	4	(188,962)	(180,124)
OPERATING SURPLUS/(DEFICIT)		4,735	4,629
FINANCE COSTS			
Finance Income - interest receivable		350	2,602
Finance Expense - PFI and finance lease interest payable		(1,929)	(1,953)
PDC Dividends payable		(2,751)	(3,737)
NET FINANCE COSTS		(4,330)	(3,088)
SURPLUS/(DEFICIT) FOR THE YEAR		405	1,541
Other comprehensive income			
Revaluation gains/(losses) and impairment losses property, plant and equipment		(6,531)	(9,597)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		(6,126)	(8,056)

The notes on pages 15 to 43 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2010

	NOTE	2010 £000	2009 £000	2008 £000
NON-CURRENT ASSETS				
Intangible assets	11	**293**	363	36
Property, plant and equipment	12	**120,222**	124,378	126,004
Trade and other receivables	15	**6,000**	6,000	-
Total non-current assets		**126,515**	130,741	126,040
CURRENT ASSETS				
Inventories	14	**312**	223	-
Trade and other receivables	15	**10,889**	7,224	6,286
Non-current assets held for sale		**-**	-	8,500
Cash and cash equivalents	17	**40,127**	47,215	58,692
Total current assets		**51,328**	54,662	73,478
CURRENT LIABILITIES				
Trade and other payables	18	**28,168**	29,591	39,436
Borrowings	19	**424**	387	341
Provisions	20	**513**	76	353
Total current liabilities		**29,105**	30,054	40,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**148,738**	155,349	159,388
NON-CURRENT LIABILITIES				
Trade and other payables	18	**6,000**	6,000	-
Borrowings	19	**21,747**	22,171	22,558
Total non-current liabilities		**27,747**	28,171	22,558
TOTAL ASSETS EMPLOYED		**120,991**	127,178	136,830
FINANCED BY (TAXPAYERS' EQUITY)				
Public dividend capital		**75,260**	75,260	74,356
Revaluation reserve		**18,735**	25,833	37,930
Donated asset reserve		**1,940**	2,048	2,094
Other reserves		**(1,808)**	(1,808)	(1,808)
Retained earnings		**26,864**	25,845	24,258
TOTAL TAXPAYERS' EQUITY		**120,991**	127,178	136,830

The financial statements on pages 10 to 43 were approved by the Board on and signed on its behalf by:

Dr Robert Dolan
Chief Executive

7/6/2010

Jitesh Chotai
Director of Finance

7/6/2010

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY 2009/10

	Public Dividend Capital £000	Revaluation Reserve £000	Donated Asset Reserve £000	Other Reserves £000	Retained Earnings £000	Total £000
Taxpayers' Equity as at 1 April 2009	75,260	25,833	2,048	(1,808)	25,845	127,178
Total Comprehensive Income for the year		(6,531)			405	(6,126)
Public Dividend Capital received						0
Public Dividend Capital repaid						0
Transfer of realised profits/(losses) to the revaluation reserve						0
Reduction in the donated asset reserve due to depreciation			(47)		47	0
Reduction in the donated asset reserve due to impairment			(61)			(61)
Transfer of excess depreciation over historic cost depreciation		(567)			567	0
Other transfers between reserves						0
Taxpayers' Equity as at 31 March 2010	**75,260**	**18,735**	**1,940**	**(1,808)**	**26,864**	**120,991**

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY 2008/09

	Public Dividend Capital £000	Revaluation Reserve £000	Donated Asset Reserve £000	Other Reserves £000	Retained Earnings £000	Total £000
Taxpayers' Equity as at 1 April 2008	74,356	37,930	2,094	(1,808)	24,258	136,830
Total Comprehensive Income for the year		(9,597)			1,541	(8,056)
Public Dividend Capital received	904					904
Public Dividend Capital repaid						0
Transfer of realised profits/(losses) to the revaluation reserve		(2,500)				(2,500)
Reduction in the donated asset reserve due to depreciation			(46)		46	0
Reduction in the donated asset reserve due to impairment						0
Transfer of excess depreciation over historic cost depreciation						0
Other transfers between reserves						0
Taxpayers' Equity as at 31 March 2009	**75,260**	**25,833**	**2,048**	**(1,808)**	**25,845**	**127,178**

STATEMENT OF CASH FLOWS
For the year ended 31 March 2010

	NOTE	2010 £000	2009 £000
Operating surplus/(deficit) from continuing operations		**4,735**	4,629
Non-cash income and expenses			
Depreciation and amortisation		**4,017**	3,547
Impairments	4	**1,827**	2,068
Reversals of impairments	4	**(287)**	-
(Increase)/decrease in trade and other receivables	15	**(3,407)**	(6,938)
(Increase)/decrease in inventories	14	**(89)**	(223)
Increase/(decrease) in trade and other payables	18	**(1,562)**	(4,395)
Increase/(decrease) in provisions	20	**437**	(277)
NET CASH GENERATED FROM/(USED IN) OPERATIONS		**5,671**	(1,589)
Cash flows from investing activities			
Interest received		**347**	2,602
Purchase of intangible assets	11	**(82)**	(384)
Purchase of property, plant and equipment	12	**(7,702)**	(12,979)
Sales of property, plant and equipment	12	**-**	6,000
Net cash generated from/(used in) investing activities		**(7,437)**	(4,761)
Cash flows from financing activities			
Public dividend capital received		**-**	904
Capital element of PFI and finance lease payments		**(387)**	(341)
Interest element of PFI and finance lease payments		**(1,929)**	(1,953)
PDC dividend paid		**(3,006)**	(3,737)
Net cash generated from/(used in) financing activities		**(5,322)**	(5,127)
Increase/(decrease) in cash and cash equivalents		**(7,088)**	(11,477)
Cash and cash equivalents at 1 April 2009		**47,215**	58,692
Cash and cash equivalents at 31 March 2010		**40,127**	47,215

Notes to the Accounts

Accounting Policies and Other Information

1 Accounting policies

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2009/10 issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared on a going concern basis 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 at their value to the business by reference to their current costs. NHS foundation trusts, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with the requirements to report "earnings per share" or historical profits and losses. After making enquiries, the directors have a reasonable expectation that East London NHS Foundation Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'discontinued' where they meet all of the following conditions:

a) the sale or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;

b) if a termination, the former activities have ceased permanently;

c) the sale or termination has a material effect on the nature and focus of the Trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the Trust's continuing operations; and

d) the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all of these conditions are classified as continuing.

Discontinued operations are only recognised where the activities have ceased to be provided or have been sold or transferred to another non-public sector body.

Activities are considered to be 'acquired' whether or not they are acquired from outside the public sector.

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.4 Revenue

Income 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 income for the Trust is contracts with commissioners in respect of healthcare services.

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

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Notes to the Accounts

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.

1.6 Other expenses

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

1.7 Property, plant and equipment

Recognition
Property, plant and equipment is capitalised if:

a) it is held for use in delivering services or for administrative purposes;
b) it is probable that future economic benefits will flow to, or service potential will be supplied to, the Trust;
c) it is expected to be used for more than one financial year;
d) the cost of the item can be measured reliably; and
e) the item has a cost of at least £5,000; or
f) 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 have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
g) 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 is 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:

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

Notes to the Accounts

1.7 Property, plant and equipment (continued)

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. The Trust commissioned independent valuers, Montagu Evans, to carry out a full valuation of land and buildings using the modern equivalent asset methodology at 31 March 2010.

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 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:

a) it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; and
b) the cost of the asset can be measured reliably; and
c) the cost is at least £5,000.

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:

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

Valuation

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.

Notes to the Accounts

1.9 Depreciation, amortisation and impairments

Freehold land, properties under construction and assets held for sale 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 fixed assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the income and expenditure account. Similarly, any impairment on donated assets charged to the income and expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the Income and Expenditure Reserve.

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 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, an active programme must have been initiated to locate a buyer and complete the sale (actively marketed for sale at a price reasonable to its fair value); 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. Additionally, for the non-current asset to be classified as held for sale the remaining actions to complete the sale indicate that the plan is unlikely to change significantly or the sale to be abandoned. 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.

Notes to the Accounts

1.12 Non-current assets held for sale (continued)

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.

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 asset is 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.

Notes to the Accounts

1.14 Private Finance Initiative (PFI) transactions (continued)

PFI liability (continued)
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 weighted average cost formula. 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 reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Accounts

1.17 Provisions (continued)

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 27.

1.19 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 arises from past events 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 where the likelihood of a payment is probable.

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.

1.20 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 de-recognised 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. The fair value of the financial assets has been determiend as the transaction price.

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.

Notes to the Accounts

1.20 Financial assets (continued)

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.

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

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

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

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

1.21 Financial liabilities

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

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

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

a) The premium received (or imputed) for entering into the guarantee less cumulative amortisation; and
b) The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

Other financial liabilities
After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from the 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.

Notes to the Accounts

1.22 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.

1.23 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.

1.24 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 31 to the accounts.

1.25 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets, (ii) net cash balances held with the Government Banking Services and (iii) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

1.26 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.

Notes to the Accounts

2 Segmental analysis

The Trust does not consider that it has segments as defined by IFRS 8 to warrant Segmental reporting

Notes to the Accounts

3 Operating income from continuing operations

	2010 £000	2009 £000
Income from Activities		
Strategic Health Authorities	73	87
NHS Trusts	512	621
Primary Care Trusts	176,905	171,408
Foundation Trusts	134	174
Local Authorities	4,346	4,823
	181,970	177,113
Other Operating Income		
Education and training	5,860	5,725
Research and development	2,489	546
Other income	3,378	1,369
	11,727	7,640
Total Operating Income from Continuing Operations	193,697	184,753

4 Operating expenses of continuing operations

Services from NHS Foundation Trusts	5,041	5,138
Services from NHS Trusts	2,264	3,541
Services from other NHS Bodies	2,657	2,103
Purchase of healthcare from non NHS bodies	10,669	10,971
Executive directors' costs	1,148	1,054
Non executive directors' costs	169	195
Staff costs	132,888	125,892
Drug costs	4,299	4,422
Supplies and services - clinical	463	301
Supplies and services - general	4,892	4,126
Establishment	2,623	3,196
Research and development	1,741	609
Transport	916	1,125
Premises	7,488	7,665
Provision for impairment of receivables	355	-
Depreciation and amortisation	4,017	3,547
Impairments and reversals of property, plant and equipment	1,540	2,068
Audit fees	69	66
Other auditor's remuneration	128	125
Clinical negligence	424	340
Other services, eg external payroll	625	509
Redundancy costs	74	132
Other	4,472	2,999
Total Operating Expenses of Continuing Operations	188,962	180,124

Notes to the Accounts

5 Operating leases

Payments recognised as an expense	2010 £000	2009 £000
Minimum lease payments	1,426	1,219
Total	1,426	1,219

Total future minimum lease payments

	2010 £000	2009 £000
Payable:		
Within one year	1,312	1,081
Between one and five years	4,403	3,891
After five years	1,365	2,328
Total	7,080	7,299

Notes to the Accounts

6 Salary and pension entitlements of senior managers

6.1 Remuneration

Name and Title	2009/10 Salary (Bands of £5,000) £000	2009/10 Other Remuneration (Bands of £5,000) £000	2008/09 Salary (Bands of £5,000) £000	2008/09 Other Remuneration (Bands of £5,000) £000
Baroness Molly Meacher - Chair	45-50	-	45-50	-
Dr Robert Dolan - Chief Executive	175-180	40-45	170-175	40-45
Lynne Hunt - Deputy Chief Executive	95-100	-	115-120	-
Jitesh Chotai - Director of Finance (from 18/04/09)	115-120	-	-	-
Fred Inman - Director of Operations	105-110	-	95-100	-
Dr Tim Lambert - Medical Director	85-90	85-90	90-95	90-95
John Wilkins - Director of Performance & Business Development	105-110	-	95-100	-
Jonathan Warren - Director of Nursing (Acting) (from 01/06/09)	85-90	-	-	-
Roger Sirman - Director of Finance (to 17/04/09)	5-10	-	115-120	-
Patricia Flannery - Non Executive Director (to 31/12/09)	10-15	-	10-15	-
Alan Palmer - Non Executive Director (from 01/01/2010)	0-5	-	-	-
Nicola Bastin - Non Executive Director	15-20	-	15-20	-
Kingsley Peter - Non Executive Director	10-15	-	10-15	-
Clyde Williams - Non Executive Director	10-15	-	10-15	-
Professor Stefan Priebe - Non Executive Director	10-15	-	10-15	-
Carl Powell - Non Executive Director	10-15	-	10-15	-
Professor Sally Glen - Non Executive Director	10-15	-	10-15	-

There were no payments for golden hellos, compensation for loss of office or benefits in kind for any of the senior managers.
Lynne Hunt was seconded to NHS London 3 days per week between June 09 and December 09.

Notes to the Accounts

6 Salary and pension entitlements of senior managers (continued)

6.2 Pension benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2010 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2010 (bands of £5,000)	Cash Equivalent Transfer value at 31 March 2010	Cash Equivalent Transfer value at 31 March 2009	Real increase in Cash Equivalent Transfer Value	Employer's contribution to pension
	£000	£000	£000	£000	£000	£000	£000	£000
Dr Robert Dolan - Chief Executive	2.5 - 5.0	7.5 - 10.5	85-90	255-260	0	0	0	31
Lynne Hunt - Deputy Chief Executive	7.5 - 10.0	25.0 - 27.5	60 - 65	180 - 185	1178	943	235	17
Jitesh Chotai - Director of Finance (from 18/04/09)	17.5 - 20.0	50.0 - 52.5	40 - 45	125 - 130	803	429	374	17
Fred Inman - Director of Operations	2.5 - 5.0	7.5 - 10.0	30 - 35	100 - 105	641	541	100	15
Dr Tim Lambert - Medical Director	7.5 - 10.0	22.5 - 25.0	70 - 75	215 - 220	1780	1512	268	22
John Wilkins - Director of Performance & Business Development	2.5 - 5.0	12.5 - 15.0	20 - 25	70 - 75	508	391	117	15
Jonathan Warren - Director of Nursing (Acting) (from 01/06/09)	0 - 2.5	5 - 7.5	20 - 25	65 - 70	358	295	63	11
Roger Sirman - Director of Finance (to 17/04/09)	(2.5) - (5.0)	(7.5) - (10.0)	45 - 50	140 - 145	0	1185	-1185	0

Pension benefits apply to Executive Directors only as Non-Executive Directors do not receive any pensionable remuneration.

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The reason for nil values for CETV for Dr Dolan is because no CETV applies when over 60 years of age

Notes to the Accounts

7 Staff costs and numbers

7.1 Staff costs

	2010 Total £000	2009 Total £000
Salaries and wages	108,238	103,104
Social security costs	9,330	8,766
Employer's contributions to NHSPA	12,195	11,152
Agency/contract staff	4,273	3,924
Total	134,036	126,946

7.2 Average number of persons employed

	2010 Total Number	2009 Total Number
Medical and dental	282	280
Administration and estates	495	543
Nursing, midwifery and health visiting staff	1,234	1,298
Scientific, therapeutic and technical staff	442	371
Bank and agency staff	487	518
Other	24	38
Total	2,964	3,048

7.3 Management costs

	2010 £000	2009 £000
Management Costs	6,043	5,732
Income	193,697	184,753

Management costs calculated in accordance with the Department of Health's definitions

7.4 Retirements due to ill-health

During 2009/10 there were 2 (2008/09, 3) early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £80k (£449k). The cost of these ill-health retirements will be borne by NHS Pensions.

Notes to the Accounts

8 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.pensions.nhsbsa.nhs.uk. 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. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) 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 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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

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

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

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

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

Notes to the Accounts

9 Better Payment Practice Code - measure of compliance

	2010 Number	2010 £000
Total Non-NHS trade invoices paid in the year	**36,397**	**54,845**
Total Non-NHS trade invoices paid within target	**34,337**	**50,745**
Percentage of Non-NHS trade invoices paid within target	**94%**	**93%**
Total NHS trade invoices paid in the year	**1,265**	**16,300**
Total NHS trade invoices paid within target	**1,071**	**14,644**
Percentage of NHS trade invoices paid within target	**85%**	**90%**
	2009 Number	2009 £000
Total Non-NHS trade invoices paid in the year	28,582	54,562
Total Non-NHS trade invoices paid within target	25,086	46,160
Percentage of Non-NHS trade invoices paid within target	88%	85%
Total NHS trade invoices paid in the year	1,308	21,908
Total NHS trade invoices paid within target	1,049	19,509
Percentage of NHS trade invoices paid within target	80%	89%

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.

10 Late Payment of Commercial Debts (Interest) Act 1998

There are no amounts included within other interest payable arising from claims made under this legislation

Notes to the Accounts

11 Intangible assets

11.1 Intangible assets 2009/10

	Software licences £000
Gross cost at 1 April 2009	551
Additions purchased	82
Gross cost at 31 March 2010	**633**
Amortisation at 1 April 2009	188
Charged during the year	152
Amortisation at 31 March 2010	**340**
NBV Purchased at 31 March 2010	**293**
NBV Total at 31 March 2010	**293**
Useful economic life	
- Minimum useful economic life	3
- Maximum useful economic life	3

11.2 Intangible assets 2008/09

	Software licences £000
Gross cost at 1 April 2008	167
Additions purchased	384
Gross cost at 31 March 2009	551
Amortisation at 1 April 2008	131
Charged during the year	57
Amortisation at 31 March 2009	188
NBV Purchased at 31 March 2009	363
NBV Total at 31 March 2009	363
Useful economic life	
- Minimum useful economic life	3
- Maximum useful economic life	3

Notes to the Accounts

12 Property, plant and equipment

12.1 Property, plant and equipment 2009/10

	Land	Buildings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	34,107	96,733	1,836	1,115	35	3,537	3,366	140,729
Additions purchased	0	2,029	4,694	599	0	137	382	7,841
Reclassifications	0	1,836	(1,836)	0	0	0	0	0
Impairments charged to revaluation reserve	(4,301)	(2,230)	0	0	0	0	0	(6,531)
Revaluation surpluses	(199)	(14,919)	0	0	0	0	0	(15,118)
Disposals	0	0	0	0	0	0	0	0
Cost or Valuation at 31 March 2010	**29,607**	**83,449**	**4,694**	**1,714**	**35**	**3,674**	**3,748**	**126,921**
Depreciation at 1 April 2009	0	10,806	0	535	35	2,582	2,393	16,351
Charged during the year	0	3,171	0	126	0	353	215	3,865
Reversal of impairments	0	(287)	0	0	0	0	0	(287)
Impairments recognised in operating expenses	199	1,689	0	0	0	0	0	1,888
Revaluation surpluses	(199)	(14,919)	0	0	0	0	0	(15,118)
Disposals	0	0	0	0	0	0	0	0
Depreciation at 31 March 2010	**0**	**460**	**0**	**661**	**35**	**2,935**	**2,608**	**6,699**
Net book value								
- Owned at 31 March 2010	29,607	52,187	4,694	1,053	0	739	1,140	89,420
- Finance Leased at 31 March 2010	0	2,460	0	0	0	0	0	2,460
- PFI Contracts at 31 March 2010	0	26,402	0	0	0	0	0	26,402
- Donated at 31 March 2010	0	1,940	0	0	0	0	0	1,940
Total at 31 March 2010	**29,607**	**82,989**	**4,694**	**1,053**	**0**	**739**	**1,140**	**120,222**
Useful economic life								
- Minimum useful economic life		30		3		5	3	
- Maximum useful economic life		90		15		8	12	
- Protected assets at 31 March 2010	26,683	21,562	0	0	0	0	0	48,245
- Unprotected assets at 31 March 2010	2,924	61,427	4,694	1,053	0	739	1,140	71,977
Total at 31 March 2010	**29,607**	**82,989**	**4,694**	**1,053**	**0**	**739**	**1,140**	**120,222**

Notes to the Accounts

12 Property, plant and equipment (continued)

12.2 Property, plant and equipment 2008/09

	Land	Buildings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	45,555	83,728	242	801	35	3,361	3,080	136,802
Additions purchased	1,156	9,889	1,703	314	0	176	286	13,524
Reclassifications	0	109	(109)	0	0	0	0	0
Impairments charged to revaluation reserve	(12,604)	0	0	0	0	0	0	(12,604)
Revaluation surpluses	0	3,007	0	0	0	0	0	3,007
Disposals	0	0	0	0	0	0	0	0
Cost or Valuation at 31 March 2009	34,107	96,733	1,836	1,115	35	3,537	3,366	140,729
Depreciation at 1 April 2008	0	6,010	0	471	35	2,048	2,229	10,793
Charged during the year	0	2,728	0	64	0	534	164	3,490
Reversal of impairments	0	0	0	0	0	0	0	0
Impairments recognised in operating expenses	0	2,068	0	0	0	0	0	2,068
Revaluation surpluses	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Depreciation at 31 March 2009	0	10,806	0	535	35	2,582	2,393	16,351
Net book value								
- Owned at 31 March 2009	34,107	53,161	1,836	580	0	955	973	91,612
- Finance Leased at 31 March 2009	0	4,222	0	0	0	0	0	4,222
- PFI Contracts at 31 March 2009	0	26,496	0	0	0	0	0	26,496
- Donated at 31 March 2009	0	2,048	0	0	0	0	0	2,048
Total at 31 March 2009	34,107	85,927	1,836	580	0	955	973	124,378
Useful economic life								
- Minimum useful economic life		30		3		5	3	
- Maximum useful economic life		90		15		8	12	
- Protected assets at 31 March 2009	31,282	24,334	0	0	0	0	0	55,616
- Unprotected assets at 31 March 2009	2,825	61,593	1,836	580	0	955	973	68,762
Total at 31 March 2009	34,107	85,927	1,836	580	0	955	973	124,378

Notes to the Accounts

13 Finance leases

13.1 Net book value of assets held under finance lease 2009/10

	Buildings £000	PFI Contracts £000	**Total £000**
Cost or valuation at 1 April 2009	7,096	26,965	34,061
Revaluation surpluses	(1,653)	(938)	(2,591)
Impairments charged to revaluation reserve	(1,043)	375	(668)
Cost or Valuation at 31 March 2010	**4,400**	**26,402**	**30,802**
Depreciation at 1 April 2009	826	469	1,295
Charged during the year	827	469	1,296
Revaluation surpluses	(1,653)	(938)	(2,591)
Depreciation at 31 March 2010	**-**	**-**	**-**
Net book value			
- Purchased at 1 April 2009	4,222	26,496	30,718
- Donated at 1 April 2009	2,048	-	2,048
Total at 1 April 2009	**6,270**	**26,496**	**32,766**
Net book value			
- Purchased at 31 March 2010	2,460	26,402	28,862
- Donated at 31 March 2010	1,940	-	1,940
Total at 31 March 2010	**4,400**	**26,402**	**30,802**

13.2 Net book value of assets held under finance lease 2008/09

	Buildings £000	PFI Contracts £000	Total £000
Cost or valuation at 1 April 2008	7,096	26,965	34,061
Cost or Valuation at 31 March 2009	7,096	26,965	34,061
Depreciation at 1 April 2008	-	-	-
Charged during the year	826	469	1,295
Depreciation at 31 March 2009	826	469	1,295
Net book value			
- Purchased at 1 April 2008	5,002	26,965	31,967
- Donated at 1 April 2008	2,094	-	2,094
Total at 1 April 2008	7,096	26,965	34,061
Net book value			
- Purchased at 31 March 2009	4,222	26,496	30,718
- Donated at 31 March 2009	2,048	-	2,048
Total at 31 March 2009	6,270	26,496	32,766

Notes to the Accounts

14 Inventories

Movements in pharmacy stock for the year:	2010 £000	2009 £000	2008 £000
Balance at 1 April 2009	223	-	-
Purchased during year	3,639	1,180	-
Issued during year	(3,550)	(957)	-
Balance at 31 March 2010	312	223	-

15 Trade and other receivables

Amounts falling due within one year:	2010 £000	2009 £000	2008 £000
NHS debtors	6,512	3,014	3,686
Other trade receivables	2,572	2,993	1,817
Provision for impaired receivables	(406)	(145)	(250)
Prepayments and accrued income	1,016	495	48
Other receivables	1,195	867	985
Sub Total	10,889	7,224	6,286
Amounts falling due after more than one year:			
Other receivables	6,000	6,000	-
Sub Total	6,000	6,000	-
Total	16,889	13,224	6,286

16 Provision for impaired receivables

	2010 £000	2009 £000	2008 £000
Balance at 1 April 2009	(145)	(250)	(250)
Written off during year	94	105	-
Provided in year	(355)	-	-
Balance at 31 March 2010	(406)	(145)	(250)

17 Cash and cash equivalents

	2010 £000	2009 £000	2008 £000
Balance at 1 April 2009	47,215	58,692	37,621
Net change in cash and cash equivalent balances	(7,088)	(11,477)	21,071
Balance at 31 March 2010	40,127	47,215	58,692
The above balance at 31 March 2010 was held at:			
Government banking service	40,042	47,158	58,580
Commercial banks and cash in hand	85	57	112
Total	40,127	47,215	58,692

Notes to the Accounts

18 Trade and other payables

	2010 £000	2009 £000	2008 £000
Amounts falling due within one year:			
NHS creditors	**1,983**	3,035	2,943
Other trade creditors	**13,682**	10,961	6,490
Capital creditors	**748**	609	59
Other payables	**2,095**	1,614	1,608
Accruals	**713**	730	5,668
Deferred income	**4,436**	8,262	18,862
Other taxation and social security	**4,511**	4,380	3,806
Sub Total	**28,168**	29,591	39,436
Amounts falling due after more than one year:			
Other payables	**6,000**	6,000	-
Sub Total	**6,000**	6,000	-
Total	**34,168**	35,591	39,436

19 Borrowings

	2010 £000	2009 £000	2008 £000
Amounts falling due within one year:			
Current part of finance leases	**165**	160	148
Current part of PFI contracts	**259**	227	193
Sub Total	**424**	387	341
Amounts falling due after more than one year:			
Finance leases	**608**	773	898
PFI contracts	**21,139**	21,398	21,660
Sub Total	**21,747**	22,171	22,558
Total	**22,171**	22,558	22,899

20 Provisions

	Pensions - other staff £000	Legal claims £000	**Total £000**
Balance at 1 April 2009	-	76	**76**
Utilised during the year	-	(76)	**(76)**
Arising during the year	403	110	**513**
Balance at 31 March 2010	403	110	**513**
Expected timing of cashflows:			
Not later than one year	**43**	110	153
Later than one year and not later than five years	**214**	-	214
Later than five years	**146**	-	146
Total	**403**	110	513

£735k is included in the provisions of the NHS Litigation Authority at 31 March 2010 in respect of clinical negligence liabilities of the Trust.

Notes to the Accounts

21 Finance leases

The Trust has the following leases which are deemed to be finance leases:

York House, 411 Barking Road, London, E6 8AL
15 Homerton Row, London, E9 6ED

A lease is deemed to be a finance lease where substantially all of the risks and rewards of the lease contract are carried by the Trust. An asset and a liability are recognised in the Statement of Financial Position. The asset is shown at current Market Value and is depreciated over the term of the lease. The liability is shown at an amount equivalent to the present value of future lease payments and is reduced by apportioning lease payments between capital and interest elements over the term of the lease.

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Payable:				
Within one year	**188**	188	**165**	160
Between one and five years	**639**	752	**607**	698
After five years	**-**	75	**-**	75
Less future finance charges	**(54)**	(82)		
Present value of minimum lease payments	**773**	933	**773**	933

22 PFI contracts on-Statement of Financial Position

The Trust has the following PFI contract which is deemed to be on-Statement of Financial Position:

Newham Centre for Mental Health & Coborn Centre for Mental Health

A PFI contract is deemed to be on-Statement of Financial Position where substantially all of the risks and rewards of the contract are carried by the Trust. An asset and a liability are recognised in the Statement of Financial Position. The asset is shown at depreciated replacement cost and is depreciated over the term of the contract. The liability is shown at an amount equivalent to the present value of future lease payments and is reduced by apportioning lease payments between capital and interest elements over the term of the contract.

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Payable:				
Within one year	**3,710**	3,710	**1,831**	1,809
Between one and five years	**14,841**	14,841	**7,577**	7,471
After five years	**73,983**	77,693	**51,267**	53,204
Less future finance charges	**(31,860)**	(33,760)		
Present value of minimum lease payments	**60,675**	62,484	**60,675**	62,484

The PFI contract has 30 years concession period, commencing 20 April 2002, for the PFI partner to initially carry out the design and construction of the works and subsequently to provide a fully serviced facility. At the expiry of the contract period the Trust may negotiate a new agreement with the company for the continuation of the services. Subject to this, the agreement shall terminate and the Trust is under no obligation to pay compensation of any kind to the company. The Trust has granted a 30 year head lease to the PFI partner.The PFI partner has granted a 30 year underlease to the Trust to occupy the facilities.

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

	2010	2009
	£000	£000
PFI schemes which expire:		
21st to 25th years (inclusive)	**4,364**	4,144
Total	**4,364**	4,144

Notes to the Accounts

23 Prudential borrowing limit

	2010 £000	2009 £000
Maximum cumulative long term borrowing set by Monitor	**44,900**	40,000
Working capital facility agreed by Monitor	**13,400**	13,400
Total prudential borrowing limit	**58,300**	53,400
Actual borrowing in the period - long term	**0**	0
Actual borrowing in the period - working capital	**0**	0

East London NHS Foundation Trust is required to comply and remain within a prudential borrowing limit.

This is made up of two elements:

1) The maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit.

2) The amount of any working capital facility approved by Monitor.

Further information on the NHS Foundation Trust Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation trusts.

Financial Ratios	**Actual ratio 2010**	**Approved PBL Ratios 2010**	Actual ratio 2009	Approved PBL Ratios 2009
Minimum dividend cover	**3.3**	**> 1.0**	2.9	> 1.0
Minimum interest cover	**5.7**	**> 3.0**	6.6	> 3.0
Minimum debt service cover	**5.7**	**> 2.0**	6.6	> 2.0
Minimum debt service to revenue	**1%**	**< 3%**	1%	< 3%

24 Capital commitments

At the year end capital commitments not provided for in these Accounts amounted to £4.92m. This amount relates to property, plant and equipment as part of the Wolfson House scheme.

25 Subsequent events

The Trust purchased 16-18 Greatorex Street, London, E1 on 6 April 2010 for £5.52m. This will be included on the Statement of Financial Position in the year ended 31 March 2011.

26 Contingencies

	2010 £000	2009 £000
Contingent liabilities	**67**	43
Amounts recoverable against contingent liabilities	**-**	-
Net value of contingent liabilities	**67**	**43**

Contingent liabilities relate to cases being managed by NHS Litigation Authority

Notes to the Accounts

27 Clinical negligence

The Trust belongs to the Clinical Negligence Scheme for Trusts (CNST) and pays an annual insurance premium to the NHS Litigation Authority (NHSLA). Under the terms of this agreement, since 1 April 2002, financial responsibility for clinical negligence claims transferred to the NHSLA and the liability for claims is provided for in their Accounts. At 31 March 2010 the NHSLA were providing £915k against twenty four claims on behalf of the Trust.

28 Related party transactions

East London NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

During the time period which these Accounts relate to, none of the Board members, the Members Council or members of key management staff or parties related to them has undertaken any material transactions with the Trust.

Baroness Molly Meacher, Chair, is the chair of the Clinical Ethics Committee for Central and North West London (CNWL) NHS Foundation Trust. The Trust expended £13k for services received.

Lynne Hunt, Deputy Chief Executive, cohabits with a Director of Prime Projects Ltd. The Trust expended £84k for services received. She was also seconded to NHS London 3 days per week during the period June 09 to December 09. Total income received by the Trust in 2009/10 from NHS London was £5,933k.

Professor Stefan Priebe, Non Executive Director, is the Professor of Social and Community Psychiatry at Queen Mary University of London. The Trust received £109k income for services provided and expended £1,455k for services received.

Jonathan Warren, Director of Nursing (Acting), provided consultancy to Islington PCT for which he received £5k. Total income received by the Trust in 2009/10 from this body was £396k.

The Department of Health is regarded as a related party. During the period, the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

NHS London
City & Hackney Teaching PCT
Newham PCT
Tower Hamlets PCT
Barking & Dagenham PCT
Homerton University Hospital NHS Foundation Trust
Barts & The London NHS Trust
Newham Healthcare NHS Trust
NHS Litigation Authority
NHS Purchasing and Supply Agency

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Newham, Hackney and Tower Hamlets Local Authorities in respect of joint enterprises.

The Trust has not received revenue or capital payments from any charitable sources.

Notes to the Accounts

29 Financial instruments

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of Financial Position are as follows:

	Carrying amount 2010 £000	Carrying amount 2009 £000	Fair value 2010 £000	Fair value 2009 £000
Cash and cash equivalents (note 17)	40,127	47,215	40,127	47,215
Trade and other receivables (note 15)	9,191	12,547	9,191	12,547
Total loans and receivables	49,318	59,762	49,318	59,762
Trade and other payables (note 18)	11,256	20,684	11,256	20,684
Accruals (note 18)	7,216	730	7,216	730
Capital creditors (note 18)	748	609	748	609
Borrowings (note 19)	22,171	22,558	22,171	22,558
Provisions (note 20)	513	76	513	76
Total financial liabilities	41,904	44,657	41,904	44,657
Total financial instruments	7,414	15,105	7,414	15,105

Notes to the Accounts

30 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 Trust has with primary care trusts and the way those primary care trusts are financed, the 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 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 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.

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 most significant exposure to credit risk is in receivables from customers, as disclosed in Trade and other receivables (note 15).

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 also largely finances its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

Credit quality of financial assets and impairment losses

The aging of trade receivables at 31 March 2010 was:

	Gross 2010 £000	**Impairment 2010 £000**	**Carrying amount 2010 £000**
Not past due	**2,983**	**-**	**2,983**
Past due (0-30 days)	**1,035**	**-**	**1,035**
Past due (31-180 days)	**776**	**-**	**776**
Past due (180+ days)	**2,026**	**(406)**	**1,620**
Total	**6,820**	**(406)**	**6,414**

	Gross 2009 £000	Impairment 2009 £000	Carrying amount 2009 £000
Not past due	1,085	-	1,085
Past due (0-30 days)	1,650	-	1,650
Past due (31-180 days)	906	-	906
Past due (180+ days)	717	(145)	572
Total	4,358	(145)	4,213

Notes to the Accounts

31 Third Party Assets

The Trust held £1,173k cash at bank and in hand as at 31 March 2010 which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the Accounts.

32 Losses and special payments

There were 40 cases (year ended 31 March 2009, 31 cases) of losses and special payments totalling £43k approved during the year ended 31 March 2010 (year ended 31 March 2009, £95k). There were no clinical negligence, fraud cases, personal injury cases, compensation under either legal obligation cases or fruitless payment cases where the net cash payment exceeded £100k.

33 Transition to IFRS

International Financial Reporting Standards (IFRS) are accounting standards issued by the International Accounting Standards Board (IASB). The Treasury announced that public sector bodies (including NHS Foundation Trusts) will be required to follow IFRS from 2009/10. Although 2009/10 is the first year of accounting using IFRS, comparative figures are required for 2008/09. To produce the 2008/09 figures an IFRS compliant balance sheet is required as at 1 April 2008.

The following summarises the impact of the key adjustments made to the Trust's primary statements as a result of the restatement of the accounts under International Financial Reporting Standards.

Accounting for Leases

International Accounting Standard 17 provides updated guidance on the categorisation of leases. IAS 17 outlines criteria which have been used to assess whether the Trust's current lease agreements are operating or finance leases and these leases have been reclassified where necessary.

Accounting for Private Finance Initiatives

IFRIC Interpretation 12 provides guidance on the accounting for public-to-private service concession arrangements. IFRIC 12 applies to operators, however the Treasury has used this as the basis to determine whether PFI schemes should be recognised on-Statement of Financial Position. As the Trust's PFI scheme falls within the remit of IFRIC 12, the PFI Scheme has been reclassified as on-Statement of Financial Position and the changes have been applied retrospectively. The Trust has followed the PFI model provided by Grant Thornton in accounting for the PFI scheme.

Presentation of Financial Statements

International Accounting Standard 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. IAS 1 has been implemented in the production of the financial statements for the financial year ended 31 March 2010.

33.1 Reconciliation of 2008/09 UK GAAP to IFRS balances

	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000
Taxpayer's equity at 31 March 2009 under UK GAAP	28,544	16,948	-
Adjustments for IFRS:			
Private finance initiative	(2,056)	4,953	-
Finance leases	(643)	3,932	2,048
Taxpayer's equity at 31 March 2009 under IFRS	25,845	25,833	2,048

	£000
Surplus/(deficit) for 2008/09 under UK GAAP	2,748
Private finance initiative	(528)
Finance leases	(679)
Surplus/(deficit) for 2008/09 under UK IFRS	1,541

The UK GAAP 2008/09 cash flow statement included net movements in liquid resources of £(11,477). This net movement is included in the bottom line cash and cash equivalents figure in the 2009/10 statement of cash flows under IFRS.