East London NHS Foundation Trust

Audited Annual Accounts
For the year ended
31 March 2011

East London NHS
NHS Foundation Trust

FOREWORD TO THE ACCOUNTS

These accounts, for the year ended 31 March 2011, have been prepared in accordance with paragraphs 24 and 25 of schedule 7 to the NHS Act 2006.

Signed:

Dr Robert Dolan
Chief Executive

Date:

STATEMENT ON INTERNAL CONTROL 2010/11

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 organisation's 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 2011 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 the 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.

The Board Assurance Framework is reported to the Board on a quarterly basis, and red rated risks are reported to each meeting.

STATEMENT ON INTERNAL CONTROL 2010/11 (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 register, 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 ensure 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 & 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 Directorate 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
The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual. The Director of Nursing & Quality is the executive director lead for the 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 2011/12, and performance against quality indicators for 2010/11.

The quality priorities for 2011/12 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 2011/12 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 in 2009/10 and has received a substantial assurance opinion.

Review of effectiveness
I have drawn on the content of the Quality Report attached to this annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports.

Care Quality Commission
The Trust successfully registered with the Care Quality Commission in April 2010, without any conditions. In November 2010, the Care Quality Commission carried out an unannounced review of compliance. The Trust was found to be compliant with 79 out of 80 essential standards reviewed. The Trust was found to be non-compliant in relation to Outcome 2 (consent to care and treatment) in Tower Hamlets. The Trust had previously declared this as an area of non-compliance as part of the registration process with the Care Quality Commission in January 2010, and has recently revised its action plan in place to address this issue.

STATEMENT ON INTERNAL CONTROL 2010/11 (continued)

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.

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 2010/11 Statement on Internal Control and provides substantial 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 reasonable 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 on a quarterly basis, and receives a report on red rated risks at each meeting, 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 Quality Committee.

The Quality 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 Quality Committee 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 is 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.

STATEMENT ON INTERNAL CONTROL 2010/11

6 Review of effectiveness (continued)

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.

In February 2011, the Trust formally integrated Newham Community Health and Care Services. The services are now managed as part of a separate directorate within the Trust. The transaction as a whole, and in particular the governance and risk management elements, were reviewed by independent accountants as part of the Monitor assessment process, and all relevant approvals were obtained. There were no internal control issues identified in Community Health Newham in the period 1 February-31 March 2011.

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.

Internal Control Issues
The Trust's Internal Auditors have given a limited assurance opinions in the following areas:

- Business Continuity Planning – a number of weaknesses were identified, including the absence of approved Business Continuity Plans and monitoring and reporting to an appropriate committee. Work is underway to review Business Continuity Plans and regular reports are now submitted to the Health & Safety Committee, which is chaired by the Director of Nursing & Quality; and
- Data Quality – Sustainability - weaknesses were identified in relation to a lack of a sustainability strategy and the content of the annual report sustainability section. A sustainability strategy is being developed and will be submitted to the Trust Board. Monitor have removed the requirement to report on sustainability in the annual report.

The Trust's Board Assurance Framework (as of 31 March 2011) has five red rated risks:

- Increased demand causing over occupancy on inpatient wards;
- Serious incidents which affect reputation with stakeholders and regulators and result in loss of public confidence;
- Failure to secure PCT agreement to the Older Adults Service Reconfiguration Strategy proposals;
- Lack of service development arrangements which threaten the development of sustainable service plans; and
- Failure to develop and implement strategic plans for future years affects the sustainability of the Trust.

A summary of the action taken and current position is set out below:

- The Trust has received funding from the PCTs to provide an additional inpatient ward on a permanent basis, as well as increase staffing levels. A target of 90% occupancy has been set for 2011/12, and occupancy of 93% or higher will trigger a formal review by the PCT.
- The Trust has implemented a wide range of actions to improve the quality and safety of inpatient services, and has implemented action plans following reviews of serious incidents.
- The PCTs are expected to agree consultation proposals for the reconfiguration of the Older Adults Service in May 2011.
- The PCTs have approved the Trust's proposals to reconfigure community services in order to deliver Cash Releasing Efficiency Savings for 2011/12. Further work will now be done to develop plans to make savings required for 2012/13.

The Assurance Committee and Trust Board will continue to monitor these areas closely and agree additional action as required.

Signed:

Dr Robert Dolan
Chief Executive

Date:

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:

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	NOTE	2011 £000	2010 £000
Operating Income from continuing operations	3	**255,169**	193,697
Operating Expenses of continuing operations	4	**(248,919)**	(188,962)
OPERATING SURPLUS/(DEFICIT)		**6,250**	4,735
FINANCE COSTS			
Finance Income - interest receivable		**281**	350
Finance Expense - PFI and finance lease interest payable		**(1,902)**	(1,929)
PDC Dividends payable		**(3,143)**	(2,751)
NET FINANCE COSTS		**(4,764)**	(4,330)
SURPLUS/(DEFICIT) FOR THE YEAR		**1,486**	405
Other comprehensive income			
Revaluation gains/(losses) and impairment losses property, plant and equipment		**(208)**	(6,531)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		**1,278**	(6,126)

The notes on pages 15 to 42 form part of these accounts.
The prior year figures have not been adjusted for the merger with the Provider Arm of NHS Newham (refer to Note 1.2).

STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

	NOTE	2011 £000	2010 £000
NON-CURRENT ASSETS			
Intangible assets	11	212	293
Property, plant and equipment	12	140,846	120,222
Trade and other receivables	15	-	6,000
Total non-current assets		141,058	126,515
CURRENT ASSETS			
Inventories	14	240	312
Trade and other receivables	15	18,880	10,889
Cash and cash equivalents	17	22,327	40,127
Total current assets		41,447	51,328
CURRENT LIABILITIES			
Trade and other payables	18	36,384	28,168
Borrowings	19	458	424
Provisions	20	180	153
Total current liabilities		37,022	28,745
TOTAL ASSETS LESS CURRENT LIABILITIES		145,483	149,098
NON-CURRENT LIABILITIES			
Trade and other payables	18	-	6,000
Borrowings	19	21,303	21,747
Provisions	20	317	360
Total non-current liabilities		21,620	28,107
TOTAL ASSETS EMPLOYED		123,863	120,991
FINANCED BY (TAXPAYERS' EQUITY)			
Public dividend capital		76,854	75,260
Revaluation reserve		18,356	18,735
Donated asset reserve		1,895	1,940
Other reserves		(1,808)	(1,808)
Retained earnings		28,566	26,864
TOTAL TAXPAYERS' EQUITY		123,863	120,991

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

Dr Robert Dolan
Chief Executive

Jitesh Chotai
Director of Finance

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY 2010/11

	Public Dividend Capital	Revaluation Reserve	Donated Asset Reserve	Other Reserves	Retained Earnings	Total
	£000	£000	£000	£000	£000	£000
Taxpayers' Equity as at 1 April 2010	75,260	18,735	1,940	(1,808)	26,864	120,991
Total Comprehensive Income for the year		(208)			1,486	1,278
Public Dividend Capital received	1,594					1,594
Public Dividend Capital repaid						0
Transfer of realised profits/(losses) to the revaluation reserve						0
Reduction in the donated asset reserve due to depreciation			(45)		45	0
Reduction in the donated asset reserve due to impairment						0
Transfer of excess depreciation over historic cost depreciation		(171)			171	0
Other transfers between reserves						0
Taxpayers' Equity as at 31 March 2011	**76,854**	**18,356**	**1,895**	**(1,808)**	**28,566**	**123,863**

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY 2009/10

	Public Dividend Capital	Revaluation Reserve	Donated Asset Reserve	Other Reserves	Retained Earnings	Total
	£000	£000	£000	£000	£000	£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 CASH FLOWS
For the year ended 31 March 2011

	NOTE	2011 £000	2010 £000
Operating surplus/(deficit) from continuing operations		**6,250**	4,735
Non-cash income and expenses			
Depreciation and amortisation		**4,204**	4,017
Impairments	**4**	**1,558**	1,827
Reversals of impairments	**4**	**-**	(287)
(Increase)/decrease in trade and other receivables	**15**	**(5,114)**	(3,407)
(Increase)/decrease in inventories	**14**	**72**	(89)
Increase/(decrease) in trade and other payables	**18**	**4,054**	2,264
Increase/(decrease) in other liabilities	**18**	**(2,622)**	(3,826)
Increase/(decrease) in provisions	**20**	**(16)**	437
NET CASH GENERATED FROM/(USED IN) OPERATIONS		**8,386**	5,671
Cash flows from investing activities			
Interest received		**272**	347
Purchase of intangible assets	**11**	**(89)**	(82)
Purchase of property, plant and equipment	**12**	**(22,867)**	(7,702)
Net cash generated from/(used in) investing activities		**(22,684)**	(7,437)
Cash flows from financing activities			
Public dividend capital received		**1,594**	-
Capital element of PFI and finance lease payments		**(410)**	(387)
Interest element of PFI and finance lease payments		**(1,902)**	(1,929)
PDC dividend paid		**(2,784)**	(3,006)
Net cash generated from/(used in) financing activities		**(3,502)**	(5,322)
Increase/(decrease) in cash and cash equivalents		**(17,800)**	(7,088)
Cash and cash equivalents at 1 April 2010		**40,127**	47,215
Cash and cash equivalents at 31 March 2011		**22,327**	40,127

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 2010/11 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 Mergers and acquisitions

The Treasury FReM notes that IFRS 3 *Business Combinations* excludes from its scope business combinations where entities are under common control. NHS bodies are required to apply merger accounting where a transfer of functions between NHS bodies or between NHS bodies and other public sector entities takes place. The Trust has therefore accounted for the acquisition of the Provider Arm of NHS Newham on 1 February 2011 by stating the transactions of the combined entity from 1 April 2010.

Due to the limitation of information available, it has not been possible to restate prior year figures on the same basis.

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.

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.

Notes to the Accounts

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

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.

Notes to the Accounts

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.

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.

Notes to the Accounts

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.

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'.

Notes to the Accounts

1.14 Private Finance Initiative (PFI) transactions (continued)

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.

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.

Notes to the Accounts

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.

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.

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.

Notes to the Accounts

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 has two reportable segments - Mental Health and Community Services Newham.

	Mental Health	Community Services Newham	**Total**
	2011	2011	**2011**
	£000	£000	**£000**
Operating income by segment			
Income from Activities	187,854	54,051	**241,905**
Other Operating Income	11,569	1,695	**13,264**
	199,423	55,746	**255,169**
Operating expenses by segment	(193,348)	(55,571)	**(248,919)**
Operating surplus/(deficit)	6,075	175	**6,250**

Where possible, income and expenditure has been directly attributed to each of the segments.

Where transactions are not directly attributable to segments, the following allocation bases were used for material items:

Estates and corporate overheads - proportion of operating expenses
Corporate personnel - headcount

Notes to the Accounts

3 Operating income from continuing operations

	2011 £000	2010 £000
Income from Activities		
Strategic Health Authorities	**94**	73
NHS Trusts	**3,728**	512
Primary Care Trusts	**234,836**	176,905
Foundation Trusts	**328**	134
Local Authorities	**2,647**	4,346
Department of Health	**31**	-
Non NHS Other	**241**	-
	241,905	181,970
Other Operating Income		
Education and training	**6,174**	5,860
Research and development	**3,265**	2,489
Other income	**3,825**	3,378
	13,264	11,727
Total Operating Income from Continuing Operations	**255,169**	193,697

4 Operating expenses of continuing operations

Services from NHS Foundation Trusts	**4,937**	5,041
Services from NHS Trusts	**5,248**	2,264
Services from other NHS Bodies	**10,504**	2,657
Purchase of healthcare from non NHS bodies	**9,382**	10,669
Executive directors' costs	**1,080**	1,148
Non executive directors' costs	**169**	169
Staff costs	**177,098**	132,888
Drug costs	**3,925**	4,299
Supplies and services - clinical	**2,524**	463
Supplies and services - general	**5,807**	4,892
Establishment	**2,877**	2,623
Research and development	**2,576**	1,741
Transport	**922**	916
Premises	**8,412**	7,488
Provision for impairment of receivables	**1,217**	355
Depreciation and amortisation	**4,204**	4,017
Impairments and reversals of property, plant and equipment	**1,558**	1,540
Audit fees	**76**	69
Clinical negligence	**499**	424
Other services, eg external payroll	**611**	625
Redundancy costs	**27**	74
Other	**5,266**	4,600
Total Operating Expenses of Continuing Operations	**248,919**	188,962

Notes to the Accounts

5 Operating leases

	2011	2010
Payments recognised as an expense	**£000**	£000
Minimum lease payments	**1,478**	1,426
Total	**1,478**	1,426

Total future minimum lease payments

	2011	2010
	£000	£000
Payable:		
Within one year	**1,334**	1,312
Between one and five years	**3,518**	4,403
After five years	**628**	1,365
Total	**5,480**	7,080

Notes to the Accounts

6 Salary and pension entitlements of senior managers

6.1 Remuneration

Name and Title	2010/11 Salary (Bands of £5,000) £000	2010/11 Other Remuneration (Bands of £5,000) £000	2009/10 Salary (Bands of £5,000) £000	2009/10 Other Remuneration (Bands of £5,000) £000
Baroness Molly Meacher - Chair	45-50	-	45-50	-
Dr Robert Dolan - Chief Executive	180-185	45-50	175-180	40-45
John Wilkins - Deputy Chief Executive and Director of Performance & Business Development	115-120	-	105-110	-
Jitesh Chotai - Director of Finance	120-125	-	115-120	-
Fred Inman - Director of Operations	105-110	-	105-110	-
Dr Tim Lambert - Medical Director	85-90	85-90	85-90	85-90
Jonathan Warren - Director of Nursing & Quality (from 01/08/2010)(Acting from 01/06/2009)	105-110	-	85-90	-
Nicola Bastin - Non Executive Director	15-20	-	15-20	-
Alan Palmer - Non Executive Director (from 01/01/2010)	10-15	-	0-5	-
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, benefits in kind or performance related bonuses for any of the senior managers.

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) £000	Real increase in pension lump sum at age 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2011 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2011 (bands of £5,000) £000	Cash Equivalent Transfer value at 31 March 2011 £000	Cash Equivalent Transfer value at 31 March 2010 £000	Real increase in Cash Equivalent Transfer Value £000	Employer's contribution to pension £000
Dr Robert Dolan - Chief Executive	12.5 - 15.0	40.0 - 42.5	100 - 105	305 - 310	0	0	0	0
Jitesh Chotai - Director of Finance	0 - 2.5	2.5 - 5.0	40 - 45	130 - 135	759	803	-65	0
Fred Inman - Director of Operations	0 - 2.5	2.5 - 5.0	35 - 40	110 - 115	605	641	-51	0
Dr Tim Lambert - Medical Director	7.5 - 10.0	25.0 - 27.5	80 - 85	250 - 255	1,953	1,800	108	76
John Wilkins - Deputy Chief Executive and Director of Performance & Business Development	2.5 - 5.0	7.5 - 10.0	25 - 30	80 - 85	525	508	4	3
Jonathan Warren - Director of Nursing & Quality	2.5 - 5.0	10 - 12.5	25 -30	80 - 85	374	358	6	5

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
The Government Actuary Department factors for the calculation of Cash Equivalent Transfer Value assume that benefits are indexed in line with CPI, which are expected to be lower than RPI that was used previously.

Notes to the Accounts

7 Staff costs and numbers

7.1 Staff costs

	2011 £000	2010 £000
Salaries and wages	**144,145**	108,238
Social security costs	**12,317**	9,330
Employer's contributions to NHSPA	**16,291**	12,195
Agency/contract staff	**5,425**	4,273
Total	**178,178**	134,036

7.2 Average number of persons employed

	2011 Total Number	2010 Total Number
Medical and dental	**281**	282
Administration and estates	**760**	495
Nursing, midwifery and health visiting staff	**1,656**	1,234
Scientific, therapeutic and technical staff	**607**	442
Bank and agency staff	**479**	487
Other	**2**	24
Total	**3,785**	2,964

7.3 Management costs

	2011 £000	2010 £000
Management Costs	**7,503**	6,043
Income	**255,169**	193,697

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

7.4 Retirements due to ill-health

During 2010/11 there were 3 (2009/10, 2) early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £97k (2009/10, £80k). 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, employee's 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

	2011 Number	2011 £000
Total Non-NHS trade invoices paid in the year	**28,674**	**65,364**
Total Non-NHS trade invoices paid within target	**25,256**	**61,743**
Percentage of Non-NHS trade invoices paid within target	**88%**	**94%**
Total NHS trade invoices paid in the year	**1,322**	**15,528**
Total NHS trade invoices paid within target	**1,214**	**15,223**
Percentage of NHS trade invoices paid within target	**92%**	**98%**

	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%

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 2010/11

	Software licences £000
Gross cost at 1 April 2010	633
Additions purchased	89
Gross cost at 31 March 2011	**722**
Amortisation at 1 April 2010	340
Charged during the year	170
Amortisation at 31 March 2011	**510**
NBV Purchased at 31 March 2011	**212**
NBV Total at 31 March 2011	**212**
Useful economic life	
- Minimum useful economic life	**3**
- Maximum useful economic life	**3**

11.2 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

Notes to the Accounts

12 Property, plant and equipment

12.1 Property, plant and equipment 2010/11

	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 2010	29,607	83,449	4,694	1,714	35	3,674	3,748	126,921
Additions purchased	595	13,396	11,343	184	0	480	426	26,424
Reclassifications	0	494	(2,368)	0	0	1,874	0	0
Impairments charged to revaluation reserve	(374)	166	0	0	0	0	0	(208)
Revaluation surpluses	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Cost or Valuation at 31 March 2011	**29,828**	**97,505**	**13,669**	**1,898**	**35**	**6,028**	**4,174**	**153,137**
Depreciation at 1 April 2010	0	460	0	661	35	2,935	2,608	6,699
Charged during the year	0	2,688	0	277	0	631	438	4,034
Reversal of impairments	0	0	0	0	0	0	0	0
Impairments recognised in operating expenses	0	1,526	32	0	0	0	0	1,558
Revaluation surpluses	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Depreciation at 31 March 2011	**0**	**4,674**	**32**	**938**	**35**	**3,566**	**3,046**	**12,291**
Net book value								
- Owned at 31 March 2011	29,828	63,118	13,637	960	0	2,462	1,128	111,133
- Finance Leased at 31 March 2011	0	1,893	0	0	0	0	0	1,893
- PFI Contracts at 31 March 2011	0	25,925	0	0	0	0	0	25,925
- Donated at 31 March 2011	0	1,895	0	0	0	0	0	1,895
Total at 31 March 2011	**29,828**	**92,831**	**13,637**	**960**	**0**	**2,462**	**1,128**	**140,846**
Useful economic life								
- Minimum useful economic life		30		3		5	3	
- Maximum useful economic life		90		15		8	12	
- Protected assets at 31 March 2011	26,683	21,073	0	0	0	0	0	47,756
- Unprotected assets at 31 March 2011	3,145	71,758	13,637	960	0	2,462	1,128	93,090
Total at 31 March 2011	**29,828**	**92,831**	**13,637**	**960**	**0**	**2,462**	**1,128**	**140,846**

Notes to the Accounts

12 Property, plant and equipment

12.2 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

13 Finance leases

13.1 Net book value of assets held under finance lease 2010/11

	Buildings	PFI Contracts	**Total**
	£000	£000	**£000**
Cost or valuation at 1 April 2010	4,400	26,402	30,802
Cost or Valuation at 31 March 2011	**4,400**	**26,402**	**30,802**
Depreciation at 1 April 2010	-	-	-
Charged during the year	612	477	1,089
Depreciation at 31 March 2011	**19,077**	**477**	**19,554**
Net book value			
- Purchased at 1 April 2010	2,460	26,402	28,862
- Donated at 1 April 2010	1,940	-	1,940
Total at 1 April 2010	**4,400**	**26,402**	**30,802**
Net book value			
- Purchased at 31 March 2011	(16,572)	25,925	9,353
- Donated at 31 March 2011	1,895	-	1,895
Total at 31 March 2011	**(14,677)**	**25,925**	**11,248**

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

	Buildings	PFI Contracts	**Total**
	£000	£000	**£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**

Notes to the Accounts

14 Inventories

Movements in pharmacy stock for the year:	2011 £000	2010 £000
Balance at 1 April 2010	**312**	223
Purchased during year	**3,081**	3,639
Issued during year	**(3,153)**	(3,550)
Balance at 31 March 2011	**240**	312

15 Trade and other receivables

Amounts falling due within one year:	2011 £000	2010 £000
NHS receivables	**15,429**	6,512
Other trade receivables	**2,138**	2,572
Provision for impaired receivables	**(1,369)**	(406)
Prepayments and accrued income	**1,672**	1,016
Other receivables	**1,010**	1,195
Sub Total	**18,880**	10,889
Amounts falling due after more than one year:		
Other receivables	**-**	6,000
Sub Total	**-**	6,000
Total	**18,880**	16,889

16 Provision for impaired receivables

	2011 £000	2010 £000
Balance at 1 April 2010	**(406)**	(145)
Written off during year	**254**	94
Provided in year	**(1,217)**	(355)
Balance at 31 March 2011	**(1,369)**	(406)

17 Cash and cash equivalents

	2011 £000	2010 £000
Balance at 1 April 2010	**40,127**	47,215
Net change in cash and cash equivalent balances	**(17,800)**	(7,088)
Balance at 31 March 2011	**22,327**	40,127
The above balance at 31 March 2011 was held at:		
Government banking service	**22,198**	40,042
Commercial banks and cash in hand	**129**	85
Total	**22,327**	40,127

Notes to the Accounts

18 Trade and other payables

	2011 £000	2010 £000
Amounts falling due within one year:		
NHS payables	**8,127**	1,983
Other trade payables	**14,357**	13,682
Capital payables	**1,428**	748
Other payables	**4,204**	2,095
Accruals	**484**	713
Deferred income	**1,918**	4,436
Taxes and social security payables	**5,866**	4,511
Sub Total	**36,384**	28,168
Amounts falling due after more than one year:		
Other payables	**-**	6,000
Sub Total	**-**	6,000
Total	**36,384**	34,168

19 Borrowings

	2011 £000	2010 £000
Amounts falling due within one year:		
Current part of finance leases	**176**	165
Current part of PFI contracts	**282**	259
Sub Total	**458**	424
Amounts falling due after more than one year:		
Finance leases	**446**	608
PFI contracts	**20,857**	21,139
Sub Total	**21,303**	21,747
Total	**21,761**	22,171

20 Provisions

	Pensions - other staff £000	Legal claims £000	Total £000
Balance at 1 April 2010	403	110	513
Utilised during the year	(43)	(110)	(153)
Arising during the year	-	137	137
Balance at 31 March 2011	**360**	**137**	**497**
Expected timing of cashflows:			
Not later than one year	43	137	180
Later than one year and not later than five years	214	-	214
Later than five years	103	-	103
Total	360	137	497

£1,202k is included in the provisions of the NHS Litigation Authority at 31 March 2011 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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Within one year	**193**	188	**176**	165
Between one and five years	**461**	639	**446**	607
After five years	**-**	-	**-**	-
Less future finance charges	**(32)**	(54)		
Present value of minimum lease payments	**622**	773	**622**	773

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	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Payable:				
Within one year	**2,139**	2,139	**282**	259
Between one and five years	**8,554**	8,554	**1,406**	1,290
After five years	**40,426**	42,565	**19,451**	19,849
Less future finance charges	**(29,980)**	(31,860)		
Present value of minimum lease payments	**21,139**	21,398	**21,139**	21,398

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:

	2011	2010
	£000	£000
PFI schemes which expire:		
21st to 25th years (inclusive)	**4,572**	4,364
Total	**4,572**	4,364

Notes to the Accounts

23 Prudential borrowing limit

	2011 £000	2010 £000
Maximum cumulative long term borrowing set by Monitor	**43,100**	44,900
Working capital facility agreed by Monitor	**13,400**	13,400
Total prudential borrowing limit	**56,500**	58,300
Actual borrowing in the period - long term - PFI & finance leases	**21,303**	21,747
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 four 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 2011**	**Approved PBL Ratios 2011**	Actual ratio 2010	Approved PBL Ratios 2010
Minimum dividend cover	**3.9**	**> 1.0**	3.3	> 1.0
Minimum interest cover	**6.5**	**> 3.0**	5.7	> 3.0
Minimum debt service cover	**6.5**	**> 2.0**	5.7	> 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 £4.1m. This amount relates to property, plant and equipment as part of capital projects which are expected to be completed in 2011/12.

25 Subsequent events

The Trust purchased a long leasehold interest in 41-65 Three Colts Lane, London on 15 April 2011 for £1.3m. This will be included on the Statement of Financial Position in the year ended 31 March 2012.

26 Contingencies

	2011 £000	2010 £000
Contingent liabilities	**55**	67
Amounts recoverable against contingent liabilities	**-**	-
Net value of contingent liabilities	**55**	**67**

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 2011 the NHSLA were providing £1,202k 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.

Professor Stefan Priebe, Non Executive Director, is the Professor of Social and Community Psychiatry at Queen Mary University of London. The Trust received £59k income for services provided and expended £2,342k for services received.

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 2011 £000	Carrying amount 2010 £000	**Fair value 2011 £000**	Fair value 2010 £000
Cash and cash equivalents (note 17)	**22,327**	40,127	**22,327**	40,127
Trade and other receivables (note 15)	**16,668**	9,191	**16,668**	9,191
Total loans and receivables	**38,995**	49,318	**38,995**	49,318
Trade and other payables (note 18)	**18,465**	11,256	**18,465**	11,256
Accruals (note 18)	**8,707**	7,216	**8,707**	7,216
Capital creditors (note 18)	**1,428**	748	**1,428**	748
Borrowings (note 19)	**21,761**	22,171	**21,761**	22,171
Provisions (note 20)	**497**	513	**497**	513
Total financial liabilities	**50,858**	41,904	**50,858**	41,904
Total financial instruments	**(11,863)**	7,414	**(11,863)**	7,414

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 2011 was:

	Gross 2011 £000	**Impairment 2011 £000**	**Carrying amount 2011 £000**
0 - 3 months	**15,355**	**(175)**	**15,180**
3 - 6 months	**1,072**	**(329)**	**743**
6 + months	**967**	**(865)**	**102**
Total	**17,394**	**(1,369)**	**16,025**

	Gross 2010 £000	Impairment 2010 £000	Carrying amount 2010 £000
0 - 3 months	4,298	-	4,298
3 - 6 months	442	-	442
6 + months	2,080	(406)	1,674
Total	6,820	(406)	6,414

Notes to the Accounts

31 Third party assets

The Trust held £1,028k cash at bank and in hand as at 31 March 2011 (£1,173k 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 43 cases (year ended 31 March 2010, 40 cases) of losses and special payments totalling £48k approved during the year ended 31 March 2011 (year ended 31 March 2010, £43k). 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 Merger

The Trust acquired the Provider Arm of NHS Newham on 1 February 2011 as part of the Government's Transforming Community Services program.

In accordance with IFRS 3 and HM Treasury guidance this transaction has been treated using merger accounting. Transactions for Newham Provider Arm have therefore been included for the full financial year.

	East London FT	Newham Provider Arm	East London FT	**Total**
	Apr 10 to Jan 11	Apr 10 to Jan 11	Feb 11 to Mar 11	**2011**
	£000	£000	£000	**£000**
Operating income				
Income from Activities	158,032	44,375	39,498	**241,905**
Other Operating Income	8,044	1,496	3,724	**13,264**
	166,076	45,871	43,222	**255,169**
Operating expenses	(159,791)	(45,704)	(43,424)	**(248,919)**
Operating surplus/(deficit)	6,285	167	(202)	**6,250**

34 Redundancy costs

The Trust made the following redundancy payments during the year:

	Compulsory Redundancies	**Voluntary Redundancies**	Compulsory Redundancies	Voluntary Redundancies
	2011	**2011**	2010	2010
	Number	**Number**	Number	Number
Redundancy package cost band				
Less than £10,000	**1**	**3**	-	1
£25,001 - £50,000	**-**	**-**	1	1
	1	**3**	1	2
	£000	**£000**	£000	£000
Total cost	**8**	**19**	26	48