



Annual Accounts 2009/10

Statement of Accounting Officer's responsibilities

Statement of the Chief Executive's responsibilities as the Accounting Officer of Chelsea and Westminster Hospital NHS Foundation Trust

The NHS Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of 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 NHS Act 2006, Monitor has directed Chelsea and Westminster Hospital 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 Chelsea and Westminster Hospital 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 Annual 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 Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- 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 her 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.

Heather Lawrence

Heather Lawrence OBE
Chief Executive and Accounting Officer
27 May 2010

Statement on Internal Control

Statement on internal control for the period 1 April 2009 to 31 March 2010

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. Purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Chelsea and Westminster Hospital NHS Foundation Trust, to 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 Chelsea and Westminster Hospital NHS Foundation Trust for the year ended 31 March 2010 and up until the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust has a risk management strategy and operational policies approved by the Trust Board. The accountability for clinical and corporate governance, including risk management, rests with the Director of Governance & Corporate Affairs.

All Directors working in the Trust take responsibility for risk mitigation within their areas of work and practice, in line with the management and accountability arrangements in the Trust. The delivery of risk management occurs through management action and accountability arrangements and

risk mitigation is monitored through the Trust's Operational Risk Management Committee and in addition other committees as appropriate eg the Health and Safety and Fire Committee, the Capital Programme Board and the Information Management and Technology Committee. The Operational Risk Management Committee reports to the Trust Executive for Clinical Governance and also provides reports to the Assurance Committee, which reports to the Board.

The risk management team within the Trust provides support to directorates and departments on all aspects of effective risk assessment and management. Directorates have an identified senior lead for risk management. The Trust risk management team maintain the Trust's incident/risk reporting system and risk and incident review registers. The team also has a vital role in training, the dissemination of good practice and lessons learned from incidents or near misses. This is also achieved through sharing incidents at relevant committees eg Operational Risk Management Committee and Trust Executive for Clinical Governance.

Risk management training is given to staff on induction and regular training opportunities are provided within the hospital to staff at all levels, including root cause analysis training.

The Trust maintained Level 2 of the Clinical Negligence Scheme for Trusts (CNST) maternity standards following the assessment in February 2010. The Trust achieved Level 2 in the general NHS Litigation Authority Risk Management Standards in December 2008.

4. The risk and control framework

The risk management strategy identifies the key elements to managing risk. This includes reactive risk management through analysis of incidents, identification of trends, investigations of serious incidents and identification of action plans to reduce risk. These actions are monitored through the incident monitoring database. Risk is identified in the Trust proactively in a number of different ways. Directorates and departments undertake an annual comprehensive risk review using a risk assessment tool. Key gaps in meeting risks are identified and action plans developed. Risks are also identified on an ad hoc basis and evaluated using the Trust risk assessment form. This captures risk information for clinical and non-clinical risks and supports risk evaluation and action planning. Risks may also be identified from incidents, complaints and claims.

A colour coded risk matrix is used to rate risks. Risk assessments are peer reviewed to include an assessment of the risk rating to ensure validity. All risks are entered into the centrally held risk register, which is managed by the corporate risk team. Risks that are red or orange are reviewed at the Operational Risk Management Committee and if appropriate by other committees eg those with capital implications are reviewed at the Capital Programme Board. Current Assurance Framework risks are monitored by the Board. Risks from previous objectives continue to be monitored through the executive team. Leads for risk areas provide updates either as risks are mitigated or by default every 3 months. Risk assessments and the directorate risk register are part of the quarterly Clinical Governance Reports which are reviewed by the directorates. Risks that are red are notified to the Trust Board and these are monitored quarterly.

Risk management is embedded in the activity of the organisation in a number of ways. The strategy describes local risk management processes which reflect the

overall strategy of the Trust. In addition directorates and departments are required to identify risks associated with objectives; risk identification is part of the business planning template; and risk identification is included in application forms for capital expenditure. The capital plan is regularly compared with the risk register to ensure significant risks requiring funding are prioritised.

Risks which may prevent the Trust from achieving its corporate objectives are identified during the development of the Trust's Assurance Framework.

The Trust manages its risks to data security through a number of different approaches. The Trust has a Board level Senior Information Risk Owner (SIRO). The SIRO chairs an Information Governance Committee (IGC) which is responsible for setting the framework for information governance standards in the Trust and ensuring delivery of action plans to improve compliance. A key part of the IGC's work is to review compliance against the Information Governance Toolkit and to ensure the evidence is externally assured through audit. The key strands of the Trust's management of risk to data security are:

- the development of appropriate information governance policies and staff procedures eg the Trust has an approved Information Risk policy which provides the framework for managing information risk in conjunction with an Information Governance Strategy and Policy, Information Security Policy and overall Risk Management Policy and Strategy
- developing a range of information governance training packages and literature, suitable to the needs of different staff groups and mandating this annually. The Trust has focused on areas of particular sensitivity eg HIV and sexual health services
- ensuring the Trust's IT systems are physically secure and have sufficient password protection and firewalls to prevent harm from malware or external hacking—this also includes provision of encrypted portable devices and provision of email encryption facilities

While the Trust has been externally assessed as green on its Information Governance toolkit, it has identified a few risk areas to improve as follows:

- Risk that not all staff complete their training and lack of assurance on staff competency in information governance awareness; this particularly relates to potential for lack of awareness of some staff and patients of the procedures to safeguard patient confidentiality and assure data protection
- Risk that not all flows of person identifiable information have been mapped
- Risk that the structure for managing information assets has not been fully embedded within the organisation to enable proactive risk assessment within each department

The Trust's plans for mitigating the above risks are:

- to conduct awareness surveys amongst staff and patients about the use of personal information

- to complete a comprehensive information flow mapping to analyse the type of information accessed by staff and their level of authorisation. The Trust's strategy is to implement an Electronic Document Management System which will help to address this risk
- to identify Information Asset Owners and Information Asset Administrators for each system and train them in their responsibilities for proactive information risk assessment

The outcomes of the above risk mitigation will be assessed as part of the Information Governance toolkit assessment for 2010/11 where all these areas will be targeted to improve from their current Level 2 status to Level 3.

The Trust reported a near miss to the Information Commissioner's Office where following the theft of two laptops from the Trust's premises, it was found that one was not encrypted. Whilst no loss of sensitive data occurred on this occasion, the Trust treated this as a serious incident with a full investigation and report to the Information Commissioner's Office and the Board. As a result, actions in relation to improving the physical security, completion of a full audit of the encryption of laptops and information governance training are being followed up by the Board.

The Audit Committee now receives a regular update on information governance and will assure the Board through the reports to the Board.

The lead PCT is involved in risks which affect them through negotiation on the contract. In addition there is liaison and partnership work with relevant bodies on risks which affect them or which they can mitigate eg ISS Mediclean for facilities management, Olympic South Limited for transport, and Norland for estates, the local safeguarding children's board for children's issues, and various organisations for safeguarding vulnerable adults. The Trust also works with local agencies on emergency and business continuity planning.

The Foundation Trust is fully compliant with the core Standards for Better Health.

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

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

The Foundation Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place. They need to more fully take account of 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.

Annual 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 Board received an account of the steps which have been put in place to ensure that the Quality Report presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data. This was informed by a review of the standards for better data quality contained in the Audit Commission publication '*Figures you can trust: A briefing on data quality in the NHS 2009*'. This covers governance and leadership, policies, systems and processes, people and skills and data use and reporting. The Board also received a report of the quality assurance processes in place to prepare the report including external assurances where relevant.

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

The development and reporting of patient level costing and service level reporting ensures that the Board is aware of relative profitability and efficiency. This information is used proactively to identify opportunities for improving efficiency and profitability for each service. Service line reports have been developed to improve access to drill down reports to investigate cost variation.

Monthly finance and performance reports are provided to the Board. The Trust has exceeded the target net surplus. A new divisional structure to strengthen clinical accountability for resource use has been developed for implementation next year.

It is within Internal Audit's remit to make recommendations on the effective use of resources and they have undertaken a review of cost improvement and procurement processes.

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 the 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board ensures the effectiveness of the system of internal control through clear accountability arrangements.

The Audit Committee is a formal sub-committee of the Board and is accountable to the Board for reviewing the establishment and maintenance of an effective system of internal control and risk management. The committee meets at least 5 times per year. The Audit Committee approves the annual audit plans for internal and external audit activities and ensures that recommendations to improve weaknesses in control arising from audits are actioned by executive management.

The Audit Committee ensures the robustness of the underlying process used in developing the Assurance Framework. The Board monitors the Assurance Framework and objectives quarterly, ensuring actions to address gaps in control and gaps in assurance are progressed.

The Finance and Investment Committee conducts an objective review of financial and investment policy issues and reports to the Board.

The Assurance Committee is a formal sub-committee of the Board. This committee is accountable for seeking assurance that systems, processes and outcomes contribute to the Trust's aims and values and objectives, relating to patient safety and quality, safe and clean hospital environment and staff satisfaction and that there is evidence of robust governance and assurance processes in these areas. The Trust executive committees for clinical governance and general matters report into the Assurance Committee.

Internal Audit services are outsourced to RSM Tenon who provide an objective and independent opinion to the Chief Executive, the Board and the Audit Committee on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives. Each assignment is discussed with the appropriate line manager or director and a report including management responses and proposed action plan is presented to the Audit Committee. Internal Audit routinely follows up action with management to establish the level of compliance and the results are reported to the Audit Committee.

Executive Directors are accountable to the Board, the Audit Committee and the Assurance Committee for ensuring management arrangements are in place to develop relevant strategies, policies, systems and procedures to maintain internal control and to take action to address any gaps identified from the review of these systems. Executive Directors are responsible for setting team objectives to ensure the delivery of corporate objectives and the management of risk. Any need to change priorities or controls is clearly recorded and actioned as appropriate. There is

a quarterly report to the Board on progress on objectives, including a review of the risks.

The Quality Report has been prepared in accordance with our normal systems of control with some additional processes as described above. A review of data quality processes resulted in three recommendations, which are concerned with individual accountability for data quality, a focus on getting data right the first time and integration of data arrangements into business planning and management processes.

A near miss incident involving the theft of a laptop which was not encrypted, but contained no person identifiable data, was treated as a serious incident. All actions from a previous incident were reviewed with an emphasis on assurance and this is an approach which will continue for all serious incidents reported to the Board. The near miss incident was reported to the Information Commissioner and Monitor. The action plan is being monitored by the Board.

A risk relating to maternity services was graded red and reviewed by the Board. The risk was mitigated due to improved recruitment and close monitoring of agency staff.

The Trust has identified a gap in the current risk assessments and Carbon Reduction Delivery Plans but actions are in place to ensure compliance with the Adaptation Reporting requirements of the Climate Change Act.

7. Conclusion

Other than the control issues specified above, of which all have been mitigated or robust plans are in place to do so, there are no other significant control issues.



Heather Lawrence OBE
Chief Executive
27 May 2010

Independent Auditors' Report

Independent Auditors' Report to the Council of Governors and Board of Directors of Chelsea and Westminster Hospital NHS Foundation Trust

We have audited the financial statements of Chelsea and Westminster Hospital NHS Foundation Trust for the year ended 31 March 2010 under the National Health Service Act 2006 ("the Act") which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes 1 to 36. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Council of Governors and Board of Directors ("the Boards") of Chelsea and Westminster Hospital NHS Foundation Trust, as a body, in accordance with paragraph 4 of Schedule 10 of the National Health Service

Act 2006. Our audit work has been undertaken so that we might state to the Boards those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not, in giving our opinion, accept or assume responsibility to anyone other than the Trust and the Boards, as a body, for this report, or for the opinions we have formed.

Respective responsibilities of the Accounting Officer and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements (including statute and the Audit Code of NHS Foundation

Trusts) and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by Monitor, the Independent regulator of NHS Foundation Trusts. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the financial statements have not been prepared in accordance with directions made under paragraph 25 of Schedule 7 of the Act, the financial statements do not comply with the requirements of all other provisions contained in, or having effect under, any enactment applicable to the financial statements, or proper practices have not been observed in the compilation of the financial statements.

We review whether the statement on internal control reflects compliance with the requirements of Monitor contained in the NHS Foundation Trust Annual Reporting Manual. We report if it does not meet the requirements specified by Monitor or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with the Audit Code for NHS Foundation Trusts issued by Monitor, which requires compliance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It

also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of Chelsea and Westminster Hospital NHS Foundation Trust as at 31 March 2010 and of its income and expenditure for the year then ended in accordance with the accounting policies directed by Monitor, the Independent regulator of NHS Foundation Trusts
- the information given in the Directors' Report is consistent with the financial statements

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts.

Heather Bygrave
28 May 2010

Heather Bygrave FCA BA (Hons)
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants
3 Victoria Square, Victoria Street
St Albans AL1 3TF
28 May 2010

Foreword to the accounts

These accounts for the year ended 31 March 2010 have been prepared by Chelsea and Westminster Hospital NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006.

Heather Lawrence

Heather Lawrence OBE
Chief Executive
27 May 2010

Statement of comprehensive income for the year ended 31 March 2010

	Note	IFRS 2009/10 £000	IFRS Restatement 2008/09 £000
Operating income			
Operating income from operations	2	308,519	280,636
Operating expenses of operations	3	(292,483)	(260,668)
Operating surplus		16,036	19,968
Finance costs			
Finance income	7.1	95	1,438
Finance expense—financial liabilities	7.2	(613)	(856)
Public dividend capital dividends payable		(8,557)	(8,687)
Net finance costs		(9,075)	(8,105)
Surplus from operations	15.1	6,961	11,863
Surplus for the year		6,961	11,863
Other comprehensive income			
Revaluation (loss)/gain Property, Plant and Equipment		(38,246)	280
Increase in the donated asset reserve due to receipt of donated assets		155	240
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of donated assets		(240)	(212)
Total comprehensive (expense)/income for the year		(31,370)	12,171

Statement of financial position as at 31 March 2010

	Note	IFRS 31 Mar 2010 £000	IFRS Restatement 31 Mar 2009 £000	IFRS Restatement 1 Apr 2008 £000
Non-current assets				
Property plant and equipment	8	265,939	296,807	283,607
Total non-current assets		265,939	296,807	283,607
Current assets:				
Inventories	10	6,045	6,588	6,002
Trade and other receivables	11.1	18,617	11,418	9,990
Cash and cash equivalents	17	19,861	32,053	35,894
Total current assets		44,523	50,059	51,886
Current liabilities				
Trade and other payables	13.1	(27,843)	(29,347)	(23,146)
Borrowings	14.1	(919)	(1,621)	(4,746)
Provisions	16	(1,896)	(1,803)	(4,529)
Other liabilities	13.2	(4,863)	(2,560)	(4,593)
Total current liabilities		(35,521)	(35,331)	(37,014)
Total assets less current liabilities		274,941	311,535	298,479
Non-current liabilities				
Borrowings	14.2	(6,624)	(12,187)	(13,832)
Provisions	16	(459)	(470)	(1,040)
Other liabilities	13.2.1	(3,450)	(3,100)	0
Total non-current liabilities		(10,533)	(15,757)	(14,872)
Total assets employed		264,408	295,778	283,607
Financed by (taxpayers' equity)				
Public dividend capital		162,549	162,549	162,549
Revaluation reserve	19	55,696	91,320	91,040
Donated asset reserve		4,986	7,693	7,665
Income and expenditure reserve		41,177	34,216	22,353
Total taxpayers' equity		264,408	295,778	283,607

Heather Lawrence

Heather Lawrence OBE, Chief Executive
27 May 2010

Statement of changes in taxpayers' equity for the year ended 31 March 2010

Changes in taxpayers' equity 2009/10	Note	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Donated Assets Reserve £000	Income & Expenditure Reserve £000
Taxpayers' equity at 1 Apr 2009 as previously stated		295,778	162,549	91,320	7,693	34,216
Surplus for the year		6,961	0	0	0	6,961
Revaluation (losses) Property, Plant and Equipment		(38,246)	0	(35,624)	(2,622)	0
Increase in the donated asset reserve due to receipt of donated assets		155	0	0	155	0
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of donated assets		(240)	0	0	(240)	0
Taxpayers' equity at 31 Mar 2010		264,408	162,549	55,696	4,986	41,177
Changes in taxpayers' equity 2008/09						
Taxpayers' equity at 1 Apr 2008 as restated		279,473	162,549	91,040	7,533	18,351
Prior period adjustment	36	4,134	0	0	132	4,002
Taxpayers' equity at 1 Apr 2008—restated		283,607	162,549	91,040	7,665	22,353
Surplus for the year		11,863	0	0	0	11,863
Revaluation gains Property, Plant and Equipment		280	0	280	0	0
Increase in the donated asset reserve due to receipt of donated assets		240	0	0	240	0
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of donated assets		(212)	0	0	(212)	0
Taxpayers' equity at 31 Mar 2009		295,778	162,549	91,320	7,693	34,216

Cash flow statement for the year ended 31 March 2010

	IFRS 2009/10 £000	IFRS Restatement 2008/09 £000
Cash flows from operating activities		
Operating surplus from continuing operations	16,036	19,968
Non-cash income and expense	7,459	6,121
Depreciation	(240)	(212)
Transfer from the donated asset reserve	(7,199)	(604)
Increase in trade and other receivables	543	(586)
Decrease/(increase) in inventories	1,529	6,559
Increase in trade and other payables	238	119
Other movements in operating cash flows	82	(3,344)
Net cash generated from operations	18,448	28,021
Cash flows from investing activities		
Interest received	103	1,493
Sale of Property, Plant and Equipment	104	0
Purchase of Property, Plant and Equipment	(15,519)	(19,231)
Net cash used in investing activities	(15,312)	(17,738)
Cash flows from financing activities		
Loans repaid	(6,113)	(4,594)
Capital element of finance lease rental payments	(177)	(180)
Interest paid	(482)	(717)
Interest element of finance leases	(108)	(143)
PDC dividends paid	(8,448)	(8,687)
Cash flows from other financing activities	0	197
Net cash used in financing activities	(15,328)	(14,124)
Decrease in cash and cash equivalents	(12,192)	(3,841)
Cash and cash equivalents at 1 Apr 2009	32,053	35,894
Cash and cash equivalents at 31 Mar 2010	19,861	32,053

Notes to the accounts

1. Accounting policies and other information

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 accounts and accompanying notes will be prepared in accordance with the 2009/10 NHS Foundation Trust Annual Reporting Manual 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 New and revised standards and interpretations

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) but are not yet required to be adopted or are not yet effective.

- IAS 24 related party disclosures (revised 2009)
- IFRS 9 Financial Instruments

The Directors anticipate that the adoption of these standards and interpretations in future period will have no material impact on the financial statements. All other revised and new standards have not been listed here as they are not considered to have an impact on the Trust. Monitor does not permit the early adoption of accounting standards, amendments and interpretations that are in issue at the reporting date but effective at a subsequent reporting period.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention, modified by the revaluation of properties, and, where material, current asset investments and inventories to fair value as determined by the relevant accounting standard.

1.3 Income

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.

In accordance with IAS 18, income relating to those spells which are partially completed at the financial year end is apportioned across the financial years on a pro rata basis.

1.4 Expenditure on employee benefits

1.4.1 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 annual leave entitlement 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.

1.5 Pension costs

NHS Pension Scheme—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. It is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

Employers' pension cost contributions are charged to operating expenses as and when they become due. Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.6 Expenditure on other goods and services

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

1.7.1 Recognition

Property, Plant and Equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has a cost of at least £5,000
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control
- 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 eg plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

1.8 Measurement

1.8.1 Valuation

All Property, Plant and Equipment assets are measured initially at cost, representing the costs 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. Properties in the course of construction 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.

All assets are measured subsequently at fair value as follows:

- (a) Land and non-specialised buildings—market value
- (b) Specialised buildings—depreciated replacement cost
- (c) Non-property assets—depreciated historic cost

The carrying values of Property, Plant and Equipment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be fully recoverable.

All land and buildings are restated to fair value in accordance with IAS 16 and Monitor guidance, using professional valuations every five years and an interim valuation after three years to ensure that fair values are not materially different from the carrying amounts. Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual based on modern equivalent assets.

A valuation of land, buildings and dwellings was carried out by Montagu Evans (Independent Chartered Surveyors, Registration number OC312072). Buildings were valued at depreciated replacement cost on a modern equivalent asset basis as at 31 March 2010. In order to derive relevant build costs, Montagu Evans gave regard to the RICS Build Cost Indices in consultation with their own building surveyor. In accordance with the RICS and Treasury's Financial Reporting manual valuation guidelines, an 'instant build' approach was assumed in that the modern equivalent assets would be constructed at the date of valuation without phasing or lead in periods. It also assumes the site is cleared and ready to take the new buildings and therefore there is no allowance for the demolition of any existing buildings or site preparation.

In arriving at the valuation of the land, Montagu Evans have considered the value for development sites reflecting the expectation that throughout the London Borough where the properties are located, land would be acquired in competition for predominantly residential led, mixed use development. Therefore land was valued having regard to prevailing land values in the vicinity of the existing site.

1.8.2 Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised.

1.8.3 Depreciation

Items of Property, Plant and Equipment are depreciated over their remaining useful economic lives in a manner

consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Property, Plant and Equipment are depreciated over the following useful lives:

- Property excluding land: Buildings, installations and fittings are depreciated on a straight line basis, after accounting for residual value, over the remaining useful economic life of 38 years
- Equipment is depreciated on a straight line basis over the useful economic life of the asset, deemed as 5 years for short life assets, 10 years for medium life assets and 15 years for long life assets

1.8.4 Revaluation and impairment

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income.

Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

1.9 De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales
- the sale must be highly probable ie:
 - (a) management are committed to a plan to sell the asset
 - (b) an active programme has begun to find a buyer and complete the sale
 - (c) the asset is being actively marketed at a reasonable price
 - (d) the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'
 - (e) the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, Plant and Equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

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 income and expenditure account. Similarly, any impairment on donated assets charged to the income and expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the Income and Expenditure Reserve.

1.11 Private Finance Initiative (PFI) transactions

The Trust is not party to any PFI transactions.

1.12 Intangible assets

1.12.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Trust and where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

1.12.2 Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- (a) the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
- (b) the Trust intends to complete the asset and sell or use it
- (c) the Trust has the ability to sell or use the asset
- (d) how the intangible asset will generate probable future economic or service delivery benefits eg the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset
- (e) adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset
- (f) the Trust can measure reliably the expenses attributable to the asset during development

Expenditure which does not meet the criteria for capitalisation is treated as an operating expense in the year in which it is incurred. Where possible, the Trust discloses the total amount of research and development expenditure charged in the Statement of Comprehensive Income separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

1.13 Software

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of Property, Plant and Equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

1.14 Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as item of Other Comprehensive Income.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

1.15 Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

1.16 Government grants

Government grants are grants from Government bodies other than income from primary care trusts or NHS trusts for the provision of services. Grants from the Department of Health are accounted for as Government grants. Where the Government grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to operating income over the life of the asset in a manner consistent with the depreciation charge for that asset.

1.17 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the First In, First Out (FIFO) method.

1.18 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These balances exclude monies held in the Trust's bank account belonging to patients (see "third party assets" below).

Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within payables. Interest earned on bank accounts and interest charged on overdrafts is recorded respectively as "finance income" and "finance cost" in the periods to which they relate. Bank charges are recorded as operating expense in the periods to which they relate.

1.19 Financial instruments and financial liabilities

Financial instruments are defined as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Trust will commonly have the following financial assets and liabilities: trade receivables (but not prepayments), cash and cash equivalents, trade payables (but not deferred income), finance lease obligations, borrowings, provisions.

1.20 Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs ie when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described above.

Regular way purchases or sales are recognised and de-recognised, as applicable, using the trade date.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

1.21 De-recognition

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or the Trust has transferred substantially all of the risk and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

1.22 Classification and measurement

Financial assets are classified into the following specified categories:

- Financial assets at 'Fair Value through Income and Expenditure'
- 'Loans and receivables'
- 'Available-for-sale' financial assets

Financial liabilities are classified as either:

- Financial liabilities at 'Fair Value through Income and Expenditure'
- 'Other financial liabilities'

The Trust has no financial assets classified as at 'Fair Value through Income and Expenditure' or 'Available for Sale'. There are also no financial liabilities classified as at 'Fair Value through Income and Expenditure'.

1.23 Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the

purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the Statement of Comprehensive Income. Subsequent movements in the fair value are recognised as gains or losses in the Statement of Comprehensive Income.

The Trust has no financial assets classified as at 'Fair Value through Income and Expenditure', 'Available for Sale'. There are also no financial liabilities classified as at 'Fair Value through Income and Expenditure'.

1.24 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income, except for short-term receivables when the recognition of interest would be immaterial.

1.25 Other financial liabilities

All 'other' financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as non-current liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance Property, Plant and Equipment or intangible assets is not capitalised as part of the cost of those assets.

1.26 Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'Fair Value through Income and Expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only 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 the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of an allowance account/bad debt provision.

1.27 Leases

1.27.1 Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

1.27.2 Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

1.27.3 Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease.

1.28 Provisions

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

1.29 Clinical negligence costs

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

1.30 Non-clinical risk pooling

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

1.31 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets but are disclosed in the notes to the accounts where an inflow of economic benefits is probable. Contingent liabilities are not recognised but are disclosed in the notes to the accounts, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- (a) possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control
- (b) present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability

1.32 Public dividend capital

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.

1.33 Value Added Tax

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

1.34 Corporation tax

Corporation tax is not applicable to foundation trusts until 2010/11.

1.35 Foreign exchange

The functional and presentational currencies of the Trust are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction. Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items (other than financial instruments measured at 'Fair Value through Income and Expenditure') are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

1.36 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

2. Operating income from operations

2.1 Operating income (by classification)

Income from activities	Note	IFRS	IFRS
		2009/10 £000	restatement 2008/09 £000
Elective income		18,790	38,112
Non elective income		64,066	61,524
Outpatient income		64,601	60,679
Accident & Emergency income		10,380	9,979
Other NHS clinical income		97,632	63,129
Private patient income	2.3	8,184	7,969
Other non-protected clinical income		1,604	1,963
Total income from activities	2.4	265,257	243,355

2.2 Other operating income

	IFRS	IFRS
	2009/10 £000	restatement 2008/09 £000
Research and development	4,329	2,691
Education and training	24,514	22,257
Charitable and other contributions to expenditure	92	121
Transfers from donated asset reserve in respect of depreciation	240	212
Non-patient care services to other bodies	649	710
Profit on disposal of equipment	4	0
Other income	13,434	11,290
Total other operating income	43,262	37,281
Total operating income from operations	308,519	280,636

2.3 Private patient income

	Base year 2002/03 £000	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Private patient income	5,498	8,184	7,969
Total patient related income	157,015	265,257	243,355
Proportion (as percentage)	3.50%	3.09%	3.27%

2.4 Operating income (by type)

Income from activities	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
NHS Foundation Trusts	4	0
NHS Trusts	0	22
Primary Care Trusts	255,289	189,447
Department of Health: Other	176	43,673
Non NHS: Private patients	8,184	7,969
Non NHS: Overseas patients (non-reciprocal)	1,086	1,026
NHS injury scheme	414	838
Profit on disposal of equipment	4	0
Non NHS: Other	100	380
Total	265,257	243,355

3. Operating expenses from operations

Operating expenses	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Services from NHS Trusts	213	187
Purchase of healthcare from non-NHS bodies	708	376
Executive directors costs	743	736
Non executive directors costs	118	116
Staff costs	159,796	147,663
Drug costs	47,681	42,240
Supplies and services—clinical (excl drug costs)	34,944	29,060
Supplies and services—general	4,907	2,777
Establishment	4,872	4,600
Research and development	1,314	0
Transport	1,465	1,446
Premises	18,627	16,945
Increase in bad debt provision	216	195
Depreciation on Property, Plant and Equipment	7,459	6,121
Audit fees:		
Audit services—statutory audit	109	105
Audit services—regulatory reporting	0	40
Other auditors remuneration—further assurance services	12	0
Other auditors remuneration—other services	10	0
Clinical negligence	4,789	2,873
Loss on disposal of other Property, Plant and Equipment	168	118
Other	4,332	5,070
Total operating expenses from operations	292,483	260,668

3.1 Operating leases

3.1.1 Arrangements containing an operating lease

	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Minimum lease payments	1,988	1,423
Less sublease payments received	(28)	(24)
Total	1,960	1,399

3.1.2 Arrangements containing an operating lease

Land & Building/Plant & Machinery	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000
Future minimum lease payments due:		
• not later than 1 year	1,579	1,052
• later than 1 year and not later than 5 years	6,729	3,176
• later than 5 years	3,040	2,646
Total	11,348	6,874
Total of future minimum sublease lease payments to be received at the balance sheet date	0	220

4. Employee expenses and numbers

4.1 Employee expenses

	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Salaries and wages	125,233	114,416
Social security costs	10,669	10,040
Employers' contributions to NHS Pension Scheme	12,481	12,113
Agency/contract staff	13,078	11,403
Total	161,461	147,972

4.2 Average number of persons employed (WTE Basis)

	2009/10 N°	2008/09 N°
Medical and dental	538	515
Administration and estates	581	535
Healthcare assistants and other support staff	230	207
Nursing, midwifery and health visiting staff	1,012	985
Nursing, midwifery and health visiting learners	1	4
Scientific, therapeutic and technical staff	294	278
Bank and agency staff	523	470
Other	26	27
Total	3,205	3,021

4.3 Employee benefits

	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Employee benefits	69	427

4.4 Retirements due to ill-health

During 2009/10 there were three (2008/09—nil) early retirements from the Trust agreed on the grounds of ill-health (The estimated additional pension liabilities of ill-health retirements year ended 31 March 2010—£0.2m).

5. Better Payment Practice Code

5.1 Better Payment Practice Code—measure of compliance

	IFRS 2009/10		IFRS restatement 2008/09	
	N°	£000	N°	£000
Total bills paid in the year	73,168	162,743	70,804	143,549
Total bills paid within the target	57,803	130,195	62,628	128,136
Percentage of bills paid within target	79.0%	80.0%	88.5%	89.3%

The Better Payment Practice Code requires the Trust to aim to pay 95% of all valid invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

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

There were no amounts included within interest expense (note 7.2) arising from claims made under this legislation (2008/09—nil).

6. (Loss) on disposal of fixed assets

The loss on disposal of fixed assets was £0.16m (2008/09—£0.12m) consisting of various pieces of medical equipment decommissioned.

4.5 Salary and pension entitlements of senior managers (table on following page)

Non executive directors do not receive pensionable remuneration therefore there are no entries in respect of pensions for them. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figure shown relates to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefits in another scheme or arrangement in which the individual has transferred to the NHS pension scheme. They also include any additional pension benefits accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV—This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Real increase in CETV for current year may be significantly different from prior year. This is due to a change in the factors used to calculate CETVs, which came into force on 1 October 2008 as a result of the Occupational Pension Scheme (Transfer Value Amendment) regulation. These placed responsibility for the calculation method for CETVs (following actuarial advice) on Scheme Managers or Trustees. Further regulations from the Department for Work and Pensions to determine cash equivalent transfer values (CETV) from Public Sector Pension Schemes came into force on 13 October 2008.

7.1 Finance income

	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Interest on loans and receivables	95	1,438

7.2 Finance costs—interest expense

	2009/10 £000	2008/09 £000
Loans from Foundation Trust Financing Facility	482	587
Finance leases	131	147
Other loans	0	122
Total	613	856

4.5 Table of salary and pension entitlements of senior managers

	a) Remuneration		b) Pension				
	Salary for the year ended 31 Mar 2010 bands of £5,000	Salary for the year ended 31 Mar 2009 bands of £5,000	Accrued pension and related lump sum at age 60 as at 31 Mar 2010 bands of £2,500	Real increase/ (decrease) in pension and related lump sum at age 60 as at 31 Mar 2010 bands of £2,500	CETV at 31 Mar 2009 (£000)	CETV at 31 Mar 2010 (£000)	Real increase/ (decrease) in CETV for the year ended 31 Mar 2010 (£000)
Executive Directors							
Heather Lawrence, Chief Executive	170–175	170–175	305.0–307.5	(5.0)–(2.5)	1,826	0	0
Mike Anderson, Medical Director	150–155	155–160	270.0–272.5	(20.0)–(17.5)	1,651	1,675	24
Lorraine Bewes, Director of Finance & Information	125–130	125–130	120.0–122.5	5.0–7.5	487	564	77
Amanda Pritchard, Director of Service Integration & Modernisation (Deputy Chief Executive)	100–105	85–90	65.0–67.5	2.5–5.0	158	183	25
Andrew MacCallum, Director of Nursing	95–100	95–100	130.0–132.5	(2.5)–0.0	547	601	54
Mark Gammage, Interim Deputy Chief Executive ¹	35–40	0	0	0	0	0	0
Non-Executive Directors							
Professor Sir Christopher Edwards, Chairman	35–40	40–45	0	0	0	0	0
Andrew Havery, Non-Executive Director	15–20	15–20	0	0	0	0	0
Charles Wilson, Non-Executive Director	15–20	10–15	0	0	0	0	0
Karin Norman, Non-Executive Director	10–15	10–15	0	0	0	0	0
Professor Richard Kitney, Non-Executive Director	10–15	10–15	0	0	0	0	0
Colin Glass, Non-Executive Director	10–15	10–15	0	0	0	0	0
Directors							
Mark Gammage, Interim Director of Human Resources	120–125	85–90	0	0	0	0	0
Catherine Mooney, Director of Governance & Corporate Affairs	80–85	80–85	110.0–112.5	(2.5)–0.0	496	538	42
Amit Khutti, Director of Strategy & Service Planning	80–85	80–85	15.0–17.5	5.0–7.5	23	42	19
Alex Geddes, Director of Information Management & Technology ²	55–60	90–95	32.5–35.0	0.0–2.5	0	0	0
William Gordon, Acting Director of Information & Technology ³	45–50	0	0	0	0	0	0
Kelda Alleyne, Deputy Director of Finance ⁴	60–65	0	0.0–2.5	0.0–2.5	0	11	11
William Street, Deputy Director of Finance ⁵	55–60	0	0.0–2.5	0.0–2.5	0	10	10
Neil Callow, Deputy Director of Finance ⁶	10–15	70–75	80.0–82.5	(2.5)–0.0	293	323	30

Notes to senior managers' salary and pension table

¹ Started Interim Deputy Chief Executive position from January 2010. Salary for Interim Directors reported as full cost to the Trust.

² Left the Trust in November 2009

³ Started acting position from September 2009

⁴ Started employment with the Trust in June 2009

⁵ Started July 2009 and left the Trust in February 2010

⁶ Left the Trust in May 2009

8. Property, Plant and Equipment

8.1 Property, Plant and Equipment at the balance sheet date 31 March 2010

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 1 Apr 2009									
Owned at 1 Apr 2009	50,000	206,314	0	5,256	18,881	0	6,956	66	287,473
Finance lease at 1 Apr 2009	0	0	1,014	0	627	0	0	0	1,641
Donated at 1 Apr 2009	0	6,958	0	0	735	0	0	0	7,693
NBV Total at 1 Apr 2009	50,000	213,272	1,014	5,256	20,243	0	6,956	66	296,807
Cost or valuation at 1 Apr 2009	50,000	222,936	1,269	5,256	40,330	65	14,516	537	334,909
Additions—purchased	0	5,809	108	4,074	1,963	1	2,868	128	14,951
Additions—donated	0	0	0	0	35	120	0	0	155
Impairments charged to revaluation reserve	0	(51,804)	0	0	0	0	0	0	(51,804)
Reclassifications	0	3,255	60	(4,936)	(414)	0	2,003	32	0
Other revaluations	0	0	564	0	0	0	0	0	564
Disposals	0	0	0	0	(1,168)	0	0	0	(1,168)
Cost or valuation at 31 Mar 2010	50,000	180,196	2,001	4,394	40,746	186	19,387	697	297,607
Accumulated depreciation at 1 Apr 2009 as restated	0	9,664	255	0	20,087	65	7,560	471	38,102
Provided during the year	0	3,040	34	0	2,780	0	1,594	11	7,459
Revaluation impairment/surplus	0	(12,704)	(289)	0	0	0	0	0	(12,993)
Disposal	0	0	0	0	(900)	0	0	0	(900)
Depreciation at 31 Mar 2010	0	0	0	0	21,967	65	9,154	482	31,668
Net book value									
Owned at 31 Mar 2010	50,000	176,005	0	4,394	17,614	1	10,233	215	258,462
Finance lease at 31 Mar 2010	0	0	2,001	0	490	0	0	0	2,491
Donated at 31 Mar 2010	0	4,191	0	0	675	120	0	0	4,986
NBV Total at 31 Mar 2010	50,000	180,196	2,001	4,394	18,779	121	10,233	215	265,939
Net book value at 31 Mar 2010									
Protected assets at 31 Mar 2010	50,000	180,196	2,001	0	0	0	0	0	232,197
Unprotected assets at 31 Mar 2010	0	0	0	4,394	18,779	121	10,233	215	33,742
Total at 31 Mar 2010	50,000	180,196	2,001	4,394	18,779	121	10,233	215	265,939

8.2 Property, Plant and Equipment at the balance sheet date 31 March 2009

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Net book value at 1 Apr 2008									
Owned at 1 Apr 2008	50,000	200,832	1,107	2,237	16,964	2	4,781	19	275,942
Finance lease at 1 Apr 2008	0	0	0	0	0	0	0	0	0
Donated at 1 Apr 2008	0	7,102	0	0	563	0	0	0	7,665
NBV Total at 1 Apr 2008	50,000	207,934	1,107	2,237	17,527	2	4,781	19	283,607
Cost or valuation at 1 Apr 2008	50,000	214,914	1,269	2,237	36,565	65	11,462	471	316,983
Additions—purchased	0	3,430	0	8,050	4,599	0	2,774	66	18,919
Additions—donated	0	0	0	0	240	0	0	0	240
Reclassifications	0	4,592	0	(5,031)	439	0	0	0	0
Other revaluations	0	0	0	0	0	0	280	0	280
Disposals	0	0	0	0	(1,513)	0	0	0	(1,513)
Cost or valuation at 31 Mar 2009	50,000	222,936	1,269	5,256	40,330	65	14,516	537	334,909
Accumulated depreciation at 1 Apr 2008 as previously stated	0	11,088	188	0	19,038	63	6,681	452	37,510
Depreciation—prior period adjustment	0	(4,108)	(26)	0	0	0	0	0	(4,134)
Accumulated depreciation at 1 Apr 2008 as previously stated	0	6,980	162	0	19,038	63	6,681	452	33,376
Provided during the year	0	2,684	93	0	2,444	2	879	19	6,121
Disposal	0	0	0	0	(1,395)	0	0	0	(1,395)
Depreciation at 31 Mar 2009	0	9,664	255	0	20,087	65	7,560	471	38,102
Net book value									
Owned at 31 Mar 2009	50,000	206,314	1,014	5,256	19,512	0	6,956	66	289,118
Finance lease at 31 Mar 2009	0	0	0	0	0	0	0	0	0
Donated at 31 Mar 2009	0	6,958	0	0	731	0	0	0	7,689
NBV Total at 31 Mar 2009	50,000	213,272	1,014	5,256	20,243	0	6,956	66	296,807
Net book value at 31 Mar 2009									
Protected assets at 31 Mar 2009	50,000	209,915	1,014	0	0	0	0	0	260,929
Unprotected assets at 31 Mar 2009	0	3,357	0	5,256	20,243	0	6,956	66	35,878
Total at 31 Mar 2009	50,000	213,272	1,014	5,256	20,243	0	6,956	66	296,807

9. Net book value of assets held under finance leases contracts at the balance sheet date

9.1 Finance lease assets

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Dwellings	2,001	1,014	1,107
Plant and machinery	490	627	771

9.2 Total amount of depreciation charged to the income and expenditure account in respect of assets held under finance lease

	IFRS 2009/10 £000	IFRS restatement 2008/09 £000
Dwellings	34	93
Plant and machinery	137	144

10/10.1 Inventories

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Inventories			
Raw materials & consumables	6,045	6,588	6,002
Inventories recognised in expenses			
Write-down of inventories	1,100	0	0

11. Trade receivables and other receivables

11.1 Current receivables

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
NHS receivables	13,483	6,565	6,026
Provision for impaired receivables	(2,736)	(2,574)	(2,502)
Prepayments	837	458	684
Accrued income	901	312	766
Other receivables	6,132	6,657	5,016
Total current trade and other receivables	18,617	11,418	9,990

12. Provision for impairment of receivables

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
At 1 April	2,574	2,502	2,502
Increase in provision	1,165	195	0
Amounts utilised	(54)	(123)	0
Unused amounts reversed	(949)	0	0
At 31 March	2,736	2,574	2,502

12.1 Analysis of impaired receivables

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Ageing of impaired receivables			
Up to three months	133	195	0
In three to six months	678	121	148
Over six months	1,925	2,258	2,354
Total	2,736	2,574	2,502

12.2 Ageing of non-impaired receivables past due date

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Up to three months	9,184	3,206	3,019
In three to six months	913	979	431
Over six months	4,117	1,488	0
Total	14,214	5,673	3,450

13. Trade and other payables

13.1 Current liabilities

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
NHS payables	7,151	7,798	6,116
Trade payables—capital	395	1,076	1,235
Accruals	9,032	10,036	6,187
Other payables	5,277	10,437	9,608
Other trade payables	5,879	0	0
PDC payable	109	0	0
Total current liabilities	27,843	29,347	23,146

13.2 Other liabilities

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Current liabilities			
Deferred income	4,863	2,560	4,593
Total other current liabilities	4,863	2,560	4,593

13.2.1 Non-Current Liabilities

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Deferred government grant	3,450	3,100	0
Total other non-current liabilities	3,450	3,100	0

14. Borrowings

14.1 Current borrowings

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Loans from Foundation Trust Financing Facility	756	1,470	1,470
Obligations under finance leases	163	151	152
Other loans	0	0	3,124
Total current borrowings	919	1,621	4,746

14.2 Non-current borrowings

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Loans from Foundation Trust Financing Facility	4,161	9,560	11,030
Obligations under finance leases	2,463	2,627	2,802
Total non-current borrowings	6,624	12,187	13,832

15. Finance lease obligations

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Gross lease liabilities	3,563	3,827	4,124
of which liabilities are due:			
• not later than one year	267	264	260
• later than one year and not later than five years	971	1,093	1,114
• later than five years	2,325	2,470	2,750
Less: finance charges allocated to future periods	(937)	(1,049)	(1,169)
Net lease liabilities	2,626	2,778	2,955
of which liabilities are due:			
• not later than one year	163	152	141
• later than one year and not later than five years	646	731	704
• later than five years	1,817	1,895	2,110

15.1 Finance lease commitments

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Minimum payments	3,563	3,827	4,124
Number of years of commitment	18	19	20

16. Provisions for liabilities and charges

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Pensions relating to other staff	453	440	408
Other provisions including short time employment benefit	1,902	1,833	5,161
Total provisions for liabilities and charges	2,355	2,273	5,569

	Pensions— other staff £000	Others including employee benefit £000	Total £000
At 1 Apr 2009	440	1,833	2,273
Arising during the year	29	69	98
Utilised during the year	(16)	0	(16)
Reversed unused	0	0	0
At 31 Mar 2010	453	1,902	2,355

Expected timing of cash flows:			
• not later than one year	41	1,855	1,896
• later than one year and not later than five years	48	0	48
• later than five years	364	47	411
Total	453	1,902	2,355

Clinical Negligence Liabilities

Amount included in provisions of the National Health Service Litigation Authority at 31 March 2010 in respect of clinical negligence of the Trust is £40.48m (2008/09—£31.32m).

17. Cash and cash equivalents

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Balance at 1 Apr 2009	32,053	35,894	35,894
Net change in year	(12,192)	(3,841)	0
Balance at 31 Mar 2010	19,861	32,053	35,894

17.1 Comprising:			
Commercial banks and cash in hand	742	67	16,815
Cash with Office of HM Paymaster General	19,119	31,986	19,079
Cash and cash equivalents as in statement of cash flows	19,861	32,053	35,894

18. Prudential Borrowing Limit (PBL)

	31 Mar 2010		31 Mar 2009	
	Authorised £000	Actual £000	Authorised £000	Actual £000
Total long term borrowing	56,700	7,543	38,100	13,222
Working capital facility	20,000	20,000	20,000	20,000
Total	76,700	27,543	58,100	33,222

Financial ratios	Prudential borrowing limits	IFRS 31 Mar 2010		IFRS restatement 31 Mar 2009	
		Approved PBL ratio	Actual PBL ratio	Approved PBL ratio	Actual PBL ratio
Minimum dividend cover (times)	>1.0x	3.9x	2.7x	2.9x	3.1x
Minimum interest cover (times)	>3.0x	49.7x	38.5x	29.6x	34.4x
Minimum debt service to revenue (%)	>2.0x	5.7x	3.7x	4.8x	5.1x
Maximum debt service to revenue (%)	<3.0%	2.1%	2.0%	2.1%	1.9%

The Trust is required to comply and remain within a prudential borrowing limit. This is made up of two elements:

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

19. Revaluation Reserve

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Revaluation reserve at 1 Apr 2009—restated	91,320	91,040	91,040
Revaluation (losses)/gains and impairment losses on Property, Plant and Equipment	(35,624)	280	0
Revaluation reserve at 31 Mar 2010	55,696	91,320	91,040

20. Third party assets

The Trust held £0.05m cash at bank and in hand at 31 March 2010 (2008/09—£0.05m) which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts.

21. Contractual capital commitments

Commitments under capital expenditure contracts at 31 March 2010 were £0.5m (2008/09—£0.97m).

22. Post balance sheet events

There have been no post balance sheet events since the balance sheet date.

23. Contingencies

There were no contingent liabilities at the balance sheet date.

24. Related party transactions

Chelsea and Westminster Hospital NHS Foundation Trust is a public benefit corporation established by the order of the Secretary of State for Health.

Government Departments and their agencies are considered by HM Treasury as being related parties.

25. Main commissioners

	IFRS 31 Mar 2010	
	Income £000	Expenditure £000
Main commissioners		
NHS Kensington and Chelsea	99,503	319
NHS Hammersmith and Fulham	37,637	64
NHS Westminster	23,883	29
NHS Wandsworth	27,255	396
Other government departments and central bodies:		
• HM Revenue & Customs	0	39,796
• NHS Business Services Authority	0	5,487
• NHS Litigation Authority	0	4,803
	Accounts Receivables £000	Accounts Payables £000
25.1 Main Commissioners		
NHS Kensington and Chelsea	3,301	30
NHS Hammersmith and Fulham	656	52
NHS Westminster	571	51
NHS Wandsworth	703	446
Other government departments and central bodies:		
• HM Revenue & Customs	0	3,449
• NHS Business Services Authority	0	425

The Trust has also received income from Chelsea and Westminster Health Charity as donations towards revenue and capital expenditure. No funds are held in trust by Chelsea and Westminster Hospital NHS Foundation Trust but are held by the Trustees, who prepare the Charity's accounts independently of the Trust.

26. PFI schemes

The Trust is not party to any PFI schemes.

27. Losses and special payments

There were 68 cases of losses and special payments (2008/09—81 cases) totalling £0.06m (2008/09—£0.28m) for the year ended 31 March 2010.

28. Financial Instruments

IAS 32 (Financial Instruments: Disclosure and Presentation), IAS 39 (Financial Instrument Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures) require disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Trust does not have any complex financial instruments and does not hold or issue financial instruments for speculative trading purposes. Because of the continuing service provider relationship 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 non NHS business entities.

The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Finance and Investment Committee manages the Trust's funding requirements and financial risks in line with the Board approved treasury policies and procedures and their delegated authorities.

The Trust's financial instruments comprise loans, finance lease obligations, provisions, cash at bank and in hand and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Trust's operations.

29. Categories of Financial Instruments

29.1 Financial assets

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Loans and receivables (including cash)	37,642	43,013	45,199
Total	37,642	43,013	45,199

29.2 Financial liabilities

	IFRS 31 Mar 10 £000	IFRS restatement 31 Mar 09 £000	IFRS restatement 1 Apr 08 £000
Other financial liabilities (amortised cost)	34,262	39,827	40,796
Total	34,262	39,827	40,796

30. Book values of financial assets & liabilities

	Book value		
	31 Mar 10 £000	31 Mar 09 £000	1 Apr 08 £000
Financial assets	19,861	32,053	35,894
Financial liabilities			
Finance leases obligation for more than 1 year	2,463	2,627	2,802
Loans due in more than 1 year	4,161	9,560	11,030
Total	6,624	12,187	13,832

30.1 Fair values of financial assets & liabilities

	Fair value		
	31 Mar 10 £000	31 Mar 09 £000	1 Apr 08 £000
Financial assets	19,861	32,053	35,894
Financial liabilities			
Finance leases obligation for more than 1 year	2,463	2,627	2,802
Loans due in more than 1 year	4,161	9,560	11,030
Total	6,624	12,187	13,832

As allowed by IFRS 7, short term trade debtors and creditors measured at amortised cost may be excluded from the above disclosure as their book values reasonably approximate their fair values.

31. Liquidity and interest risk tables

31.1 Financial assets

	Weighted avg interest rate (%)	Less than 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000	Total £000
Non-interest bearing		17,780	0	0	0	17,780
Fixed interest rate instrument	0.45%	19,861	0	0	0	19,861
Variable interest rate instrument		0	0	0	0	0
Gross financial assets at 31 Mar 2010		37,641	0	0	0	37,641
Non-interest bearing		10,960	0	0	0	10,960
Fixed interest rate instrument	5.03%	32,053	0	0	0	32,053
Variable interest rate instrument		0	0	0	0	0
Gross financial assets at 1 Apr 2009		43,013	0	0	0	43,013

31.2 Financial liabilities

	Weighted avg interest rate (%)	Less than 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000	Total £000
Non-interest bearing		24,441	0	0	0	24,441
Finance lease liability	3.50%	267	271	699	2,327	3,564
Fixed interest rate instrument	4.85%	756	756	756	2,649	4,917
Provisions under contract		1,867	42	42	327	2,278
Gross financial liabilities at 31 Mar 2010		27,331	1,069	1,497	5,303	35,200
Non-interest bearing		26,165	0	0	0	26,165
Finance lease liability	3.50%	125	129	408	2,470	3,132
Fixed interest rate instrument	4.92%	1,482	1,482	4,446	4,060	11,470
Gross financial liabilities at 1 Apr 2009		27,772	1,611	4,854	6,530	40,767

32. Interest rate risk

100% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Chelsea and Westminster Hospital NHS Foundation Trust was not, therefore, exposed to significant interest rate risk.

33. Liquidity risk

The Trust's net operating costs are mainly incurred under legally binding contracts with primary care trusts, which are financed from resources voted annually by Parliament. This provides a reliable source of funding stream which significantly reduces the Trust's exposure to liquidity risk.

The Trust also manages liquidity risk by maintaining banking facilities and loan facilities to meet its short and long term capital requirements through continuous monitoring of forecast and actual cash flows.

In addition to internally generated resources the Trust finances its capital programme through a loan facility, while the working capital is backed by a committed facility of £20m, unused at 31 March 2010. Details are included in note 18.

34. Credit risk

Credit risk exists where the Trust can suffer financial loss through default of contractual obligations by a customer or counterparty.

Trade debtors consist of high value transactions with primary care trusts under contractual terms that require settlement of obligation within a time frame established generally by the Department of Health.

Other trade debtors include private and overseas patients, spread across diverse geographical areas. Credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, sufficient prepayment is required to mitigate the risk of financial loss.

Credit risk exposures of monetary financial assets are managed through the Trust's treasury policy which limits the value that can be placed with each approved counterparty to minimise the risk of loss. The counterparties are limited to the approved financial institutions with high credit ratings. Limits are reviewed regularly by senior management.

The Trust's net operating costs are mainly incurred under legally binding contracts with Primary Care Trusts, which are financed from resources voted annually by Parliament.

This provides a reliable source of funding stream which significantly reduces the Trust's exposure to liquidity risk.

The Trust also manages liquidity risk by maintaining banking facilities and loan facilities to meet its short and long term capital requirements through continuous monitoring of forecast and actual cash flows.

35. Operating segments

The Board of Directors is of the opinion that the Trust's operating activities fall under the single heading of healthcare for the purpose of operating segments disclosure.

IFRS 8 requirements were considered and the Trust has determined that the Chief Operating Decision Maker is

the Trust Board of Chelsea and Westminster Hospital NHS Foundation Trust.

It is the responsibility of the Trust Board to formulate financial strategy and approve budgets. Significant operating segments that are reported internally are the ones that are required to be disclosed in the financial statements.

There is no segmental reporting for revenue, assets or liabilities to the Trust Board. Expenditure is reported by segment to the Trust Board. However those segments fully satisfy the aggregation criteria to be one reportable segment as per IFRS 8.

Therefore all activities of the Trust are considered to be one segment, 'Healthcare', and there are no individual reportable segments on which to make disclosures.

36. Transition to IFRS

	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Total £000
Taxpayers' equity at 31 Mar 2009 under UK GAAP	29,289	91,320	7,472	0	128,081
Adjustments for IFRS changes:					
Leases	42				42
Employee benefits	(1,785)				(1,785)
Adjustments for:					
UK GAAP errors*	6,670		221		6,891
Taxpayers' equity at 1 Apr 2009 under IFRS	34,216	91,320	7,693	0	133,229
Surplus/(deficit) for 2008/09 under UK GAAP	9,634				
Adjustments for:					
Leases	(12)				(12)
Employee benefits	(427)				(427)
Adjustments for:					
UK GAAP errors*	2,668				2,668
Surplus/(deficit) for 2008/09 under IFRS	11,863				

* Depreciation of £6.891m relating to residual value of the buildings has been adjusted as a UK GAAP error in the Accounts. The adjustment has been reflected in the IFRS 2008/09 restatement and 1 April 2008 opening balance for the prior year element. £4.134m relates to prior year which has been adjusted in the 1 April 2008 opening balance as follows: increase to Income and Expenditure Reserve £4.002m; increase to Donated Assets Reserve £0.132m and increase to Property, Plant and Equipment £4.134m. The depreciation relating to 2008/09 was adjusted as follows: £2.668m in the restated 2008/09 Operating Surplus and £0.089m in Donated Assets Reserve.

Choose
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Westminster**

Chelsea and Westminster Hospital 

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