



Annual Accounts

2010/11

Finance

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 NHS Foundation Trust 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 OBE
Chief Executive and Accounting Officer
26 May 2011

Annual Governance Statement

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.

The purpose of the system of internal control

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

to the achievement of the 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 2011 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Trust has a risk management strategy and operational policies approved by the Trust Board.

All Directors working in the Trust take responsibility for risk identification, management and mitigation within their areas of work and practice, in line with the management and accountability arrangements in the Trust. The Divisions are responsible for their areas and this is supported by quarterly Divisional quality reports which contain a wide range of information including information on risks, incidents, complaints, infection control, and training.

Risk management is overseen at corporate level through the Trust's Risk Management Committee and in addition other

committees as appropriate eg the Health and Safety and Fire Committee, the Capital Programme Board and the Facilities Committee. The Risk Management Committee reports to the Trust Executive Quality Committee and also provides reports to the Assurance Committee, which reports to the Board.

The dissemination of good practice and lessons learned from incidents or near misses is achieved through a variety of mechanisms including Divisional reports, discussion of incidents and risk assessments at relevant committees eg the Risk Management Committee and Trust Executive Quality Committee, and newsletters such as 'Risk News'.

Risk management training is given to staff on induction and regular training opportunities are provided within the hospital to staff at all levels, based on their responsibilities and the Training Needs Analysis. Compliance with training requirements is monitored quarterly at divisional and executive level and reported to the Assurance Committee.

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.

The risk and control framework

The key elements of the quality governance arrangements are as described in Monitor's Quality Governance Framework; strategy, capabilities and culture, processes and structure and measurement. The Trust is committed to continuous improvement and learning; from incidents and complaints, outcomes from audits and experiences of others. The quality of performance information is assessed through data quality reports to Divisions and regular audit. Compliance with CQC registration is assured by the Assurance Committee through review of the CQC standards compliance and by the monitoring of action plans and feedback from patients and staff.

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.
- The development of 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 that 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 e-mail encryption facilities.

The Trust has been externally assessed as green (scoring at least level 2 on all 45 requirements) on its Information Governance Toolkit for 2010/11 and the following are the key areas of focus:

- The 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.
- The risk that not all flows of person identifiable information have been mapped.
- The 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 Information Governance Toolkit assessment for 2010/11 which was independently verified by Internal Audit, assessed all key requirement areas at Level 3.

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

The major organisational risks relate to uncertainty about the Health and Social Care Bill and long term sustainability and the Trust will work with staff and partners in agreeing a plan for mitigation, which will build on the current plans.

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 subsequently identification of action plans to reduce risk. These actions are monitored through the divisions and the Risk Management Committee. The Trust's risk objectives include a target to increase incident reporting and this will be a particular focus for 2010/11.

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. Gaps in meeting key 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. Risks graded red are considered serious risks and risks graded orange are considered high risk.

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 Risk Management Committee and if appropriate by other committees eg those with capital implications are reviewed at the Capital Programme Board. Risks identified through completion of the Assurance Framework are monitored by the Board. Risk assessments and the directorate risk register are part of the quarterly Quality 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 further embedded in the activity of the organisation in a number of other ways. Local risk management processes reflect the overall strategy of the Trust. Directorates and departments are required to identify risks associated with the delivery of 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.

Equality impact assessments are undertaken for major service changes, as well as for policies and procedures.

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, 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 registration requirements of the Care Quality Commission.

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 into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

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 in accordance

with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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

The development and reporting of patient level costing and service level reporting continues to ensure 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 and are reported to the service on a monthly basis.

Monthly finance and performance reports are provided to the Board. The Trust has exceeded the target for generation of net surplus and has delivered its target Cost Improvement Programme. A new divisional structure to strengthen clinical accountability for resource use was in place during the 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.

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, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework.

I have drawn on the content of the Quality Report attached to this Annual report and other performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Assurance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board ensures the effectiveness of the system of internal control through clear accountability and reporting 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 five 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 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, a safe and clean hospital environment and staff satisfaction and to ensure that there is evidence of robust governance and assurance processes in these areas.

The Trust Executive Quality Committee, the Risk Management Committee and the Facilities Committee report into the Assurance Committee.

Until December 2010 internal audit services were outsourced to RSM Tenon and from January 2011 to KPMG. Both have provided 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 a 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. There is a quarterly report to the Board on progress on objectives, including a review of the risks.

There is a clinical audit strategy, a policy and a yearly plan which takes into account national and local clinical audit requirements. There is a continued focus on clinical audit to drive service improvement and patient safety.

Conclusion

No significant internal control issues have been identified.

Heather Lawrence OBE
Chief Executive
26 May 2011

Independent Auditor's Report

Independent Auditor's Report to the Board 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 2011 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers Equity, the Cash Flow Statement, and the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by Monitor—Independent Regulator of NHS Foundation Trusts.

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 auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trust and the Boards as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the accounting officer and auditor

As explained more fully in the Accounting Officer's Responsibilities Statement, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Audit Code of NHS Foundation Trusts and International Standards on Auditing (UK and Ireland).

Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the trust's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the accounting policies directed by Monitor—Independent Regulator of NHS Foundation Trusts; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Opinion on other matter prescribed by the National Health Service Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the National Health Service Act 2006 requires us to report to you if, in our opinion:

- proper practices have not been observed in the compilation of the financial statements; or
- the NHS foundation trust has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

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 FCA BA (Hons)
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

27 May 2011

Foreword to the accounts

These accounts for the year ended 31 March 2011 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 OBE
Chief Executive
26 May 2011

Statement of comprehensive income for the year ended 31 March 2011

	Note	2010/11 £000	2009/10 £000
Operating income			
Operating income from operations	2	331,807	308,519
Operating expenses from operations	3	(308,701)	(292,483)
Operating surplus		23,106	16,036
Finance costs			
Finance income	7.1	112	95
Finance expense—financial liabilities	7.2	(462)	(613)
Public dividend capital dividends payable		(8,951)	(8,557)
Net finance costs		(9,301)	(9,075)
Surplus for the year		13,805	6,961
Other comprehensive income			
Revaluation gain/(loss) property, plant and equipment		40,278	(38,246)
Receipt of donated assets		50	155
Other reserve movements		(186)	(240)
Total comprehensive income/(expense) for the year		53,947	(31,370)

Statement of financial position as at 31 March 2011

	Note	31 Mar 2011 £000	31 Mar 2010 £000
Non-current assets			
Intangible assets	8	4,870	0
Property, plant and equipment	9	318,342	265,939
Total non-current assets		323,212	265,939
Current assets			
Inventories	11	6,081	6,045
Trade and other receivables	12	15,554	18,617
Cash and cash equivalents	20	38,773	19,861
Total current assets		60,408	44,523
Current liabilities			
Trade and other payables	14	(40,320)	(27,843)
Borrowings	16.1	(169)	(919)
Provisions	19.1	(2,386)	(1,896)
Other liabilities	15.1	(6,745)	(4,863)
Total current liabilities		(49,620)	(35,521)
Total assets less current liabilities		334,000	274,941
Non-current liabilities			
Borrowings	16.2	(14,819)	(6,624)
Provisions	19.2	(456)	(459)
Other liabilities	15.2	(370)	(3,450)
Total non-current liabilities		(15,645)	(10,533)
Total assets employed		318,355	264,408
Financed by (taxpayers' equity)			
Public dividend capital		162,549	162,549
Revaluation reserve	22	94,791	55,696
Donated asset reserve		5,909	4,986
Income and expenditure reserve		55,106	41,177
Total taxpayers' equity		318,355	264,408

Heather Lawrence

Heather Lawrence OBE, Chief Executive
26 May 2011

Statement of changes in taxpayers' equity for the year ended 31 March 2011

	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Donated Assets Reserve £000	Income & Expenditure Reserve £000
Taxpayers' equity at 1 Apr 2010 as previously stated	264,408	162,549	55,696	4,986	41,177
Surplus for the year	13,805	0	0	0	13,805
Revaluation gain on property, plant and equipment	40,278	0	39,219	1,059	0
Receipt of donated assets	50	0	0	50	0
Asset disposals	0	0	(124)	0	124
Other reserve movements	(186)	0	0	(186)	0
Taxpayers' equity at 31 Mar 2011	318,355	162,549	94,791	5,909	55,106
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
Impairments on property, plant and equipment	(38,246)	0	(35,624)	(2,622)	0
Receipt of donated assets	155	0	0	155	0
Asset disposals	0	0	0	0	0
Other reserve movements	(240)	0	0	(240)	0
Taxpayers' equity at 31 Mar 2010	264,408	162,549	55,696	4,986	41,177

Statement of cash flows for the year ended 31 March 2011

Note	2010/11 £000	2009/10 £000
Cash flows from operating activities		
Operating surplus from continuing operations	23,106	16,036
Non-cash income and expense		
Depreciation and Amortisation 3	8,478	7,459
Transfer from the Donated Asset Reserve 2.2	(186)	(240)
Amortisation of Government Grants	(5)	0
Decrease/(Increase) in Trade and Other Receivables	3,063	(7,199)
(Increase)/Decrease in Inventories	(36)	543
Increase in Trade and Other Payables	7,746	1,529
(Decrease) in Other Liabilities	(1,192)	0
Increase in Provisions	387	82
Other movements in Operating Cash flows	148	238
Net cash generated from operations	41,509	18,448
Cash flows from investing activities		
Purchase of intangible assets	(615)	0
Purchase of property, plant and equipment	(20,565)	(15,519)
Sale of property, plant and equipment	0	104
Net cash used in investing activities	(21,180)	(15,415)
Cash flows from financing activities		
Interest received	110	103
Loans received	12,525	0
Loans repaid	(4,917)	(6,113)
Capital element of finance lease rental payments	(158)	(177)
Interest paid	(234)	(482)
Interest element of finance leases	(127)	(108)
PDC dividends paid	(8,616)	(8,448)
Net cash used in financing activities	(1,417)	(15,225)
Increase/(decrease) in cash and cash equivalents	18,912	(12,192)
Cash and cash equivalents at 1 Apr 2010	19,861	32,053
Cash and cash equivalents at 31 Mar 2011	38,773	19,861

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 2010/11 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: Financial Assets & Liabilities
- IFRS 7 Financial Instruments: Disclosures—Transfers of Financial Assets
- IAS 12 Income Taxes Amendment
- IFRIC 14 amendment
- IFRIC 19 "Extinguishing financial liabilities with Equity Instruments"

The directors anticipate that the adoption of these standards and interpretations in future periods 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 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 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 are 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; or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives 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 specialised buildings 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 2011. 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.

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 have been reclassified as 'Held for Sale' cease 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:

- Buildings are depreciated on a straight line basis, after accounting for residual value, over the remaining useful economic life of 37 years;
- Dwellings and leasehold improvements are depreciated over the shorter of the useful economic life or lease term;
- Plant and machinery, furniture and fittings and information technology are 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 a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses 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'.

In accordance with the Foundation Trust Annual Reporting Manual, impairments that are due to a loss of economic benefits or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss are reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

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

1.11 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; and
- (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 eg 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 eg 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.

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. Software is amortised over 5–10 years.

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. These balances are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Monies held in the Trust's bank account belonging to patients are excluded from cash and cash equivalents (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 that, 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'; or
- 'Loans and receivables'; or
- 'Available-for-sale' financial assets

Financial liabilities are classified as either:

- Financial liabilities 'at fair value through Income and Expenditure'; or
- '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 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.

1.24 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 date of the Statement of Financial Position, 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.

1.25 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 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. Evidence is gathered via formal communication between the Trust and the counterparties.

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 bad debt provision. The bad debt provision is charged to operating expenses.

1.26 Leases

1.26.1 Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the 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.

1.26.2 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.

1.26.3 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.

1.27 Provisions

The 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.

1.28 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 19.3 to the accounts.

1.29 Non-clinical risk pooling

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

1.30 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; or
- (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.

1.31 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 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 Service (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, 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 of the audit of the annual accounts.

1.32 Value Added Tax

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

1.33 Corporation tax

Corporation tax is not applicable to the Trust.

1.34 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; and
- 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.

1.35 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. 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	2010/11 £000	2009/10 £000
Elective income		43,869	42,007
Non elective income		80,761	75,876
Outpatient income		62,209	54,414
Accident & Emergency income		10,631	10,380
Other NHS clinical income		80,616	72,792
Private patient income	2.3	10,788	8,184
Other non-protected clinical income		2,274	1,604
Total income from activities	2.4	291,148	265,257

Income categorised within Other NHS clinical income has been reviewed and it was found more appropriate to reclassify certain elements of 2009/10 income into specific categories as follows: £36.7m moved from Other NHS clinical income to Elective Income (£23.2m) and Non-Elective income (£13.5m) and £11.8m moved to Other NHS Clinical Income from Non-Elective income (£1.6m) and Outpatient income (£10.2m).

2.2 Other operating income

	2010/11 £000	2009/10 £000
Research and development	4,153	4,329
Education and training	25,286	24,514
Charitable and other contributions to expenditure	22	92
Transfers from donated asset reserve in respect of depreciation on donated asset	186	240
Non-patient care services to other bodies	914	649
Profit on disposal of equipment	0	4
Other income	10,098	13,434
Total other operating income	40,659	43,262
Total operating income from operations	331,807	308,519

Other income includes the following significant amounts: Staff recharges £3.5m (2009/10—£3.6m), Estates recharges £1.5m (2009/10—£3.6m) and Clinical Excellence Awards £1.0m (2009/10—£1.1m).

2.3 Private patient income (PPI)

	Base year restated £000	2010/11 £000	2009/10 £000
Private patient income	5,824	10,788	8,184
Total patient related income	157,015	291,148	265,257
Proportion (as percentage)	3.7%	3.7%	3.1%

In following the guidance of PPI Cap Revised Rules (Monitor February 2010) the Trust has carried out a review of all income stream categories to determine what private income/charges to include in the PPI Cap. The identified change comprises the inclusion of Overseas Non Reciprocal income and exclusion of top up charges to NHS patients for private facilities used. This resulted in a restatement of the base year PPI cap.

2.4 Operating income (by type)

Income from activities	2010/11 £000	2009/10 £000
NHS Foundation Trusts	1,129	4
NHS Trusts	10	0
Primary Care Trusts	278,085	255,289
Local Authorities	27	0
Department of Health—other	0	176
Non NHS: Private patients	9,843	8,184
Non NHS: Overseas patients (non-reciprocal)	945	1,086
NHS injury scheme	887	414
Non NHS: Other	222	104
Total	291,148	265,257

3. Operating expenses from operations

Operating expenses	2010/11 £000	2009/10 £000
Staff costs	163,832	159,796
Executive directors costs	830	743
Non executive directors costs	137	118
Termination benefit	96	0
Early retirements	28	0
Drug costs	50,634	47,681
Supplies and services—clinical (excl drug costs)	34,950	34,944
Supplies and services—general	4,897	4,907
Transport	1,440	1,465
Research and Development	943	1,314
Establishment	4,947	4,872
Premises	19,299	18,627
Services from NHS Trusts	513	213
Purchase of healthcare from non-NHS bodies	1,273	708
Legal fees	611	170
Consultancy costs	1,354	1,905
Training, courses and conferences	773	708
Patient travel	112	110
Car parking & Security	4	30
Hospitality	77	107
Insurance	191	183
Audit fees:		
Audit services—statutory audit	138	109
Audit services—regulatory reporting	0	0
Other auditors remuneration—further assurance services	12	12
Other auditors remuneration—other services	0	10
Clinical negligence	5,124	4,789
Increase in bad debt provision	6,559	216
Depreciation on property, plant and equipment	8,453	7,459
Amortisation on intangible assets	25	0
Loss on disposal of other property, plant and equipment	50	168
Other	1,399	1,119
Total operating expenses from operations	308,701	292,483

3.1 Operating leases

3.1.1 Arrangements containing an operating lease

	2010/11 £000	2009/10 £000
Minimum lease payments	1,817	1,988
Less sublease payments received	0	(28)
Total	1,817	1,960

3.1.2 Arrangements containing an operating lease

	31 Mar 11 £000	31 Mar 10 £000
Future minimum lease payments due:		
• not later than 1 year	1,769	1,579
• later than 1 year and not later than 5 years	5,209	6,729
• later than 5 years	3,334	3,040
Total	10,312	11,348
Total of future minimum sublease lease payments to be received at the Statement of Position date	0	0

4. Employee expenses and numbers

4.1 Employee expenses

	2010/11 £000	2009/10 £000
Salaries and wages	127,436	125,233
Social security costs	11,189	10,669
Employers' contributions to NHS Pension Scheme	13,945	12,481
Termination benefit	96	0
Agency/contract staff	12,120	13,078
Total	164,786	161,461

4.2 Average number of persons employed (WTE Basis)

	2010/11 WTE	2009/10 WTE
Medical and dental	539	538
Administration and estates	592	581
Healthcare assistants and other support staff	248	230
Nursing, midwifery and health visiting staff	1,057	1,012
Nursing, midwifery and health visiting learners	0	1
Scientific, therapeutic and technical staff	300	294
Bank and agency staff	411	523
Other	27	26
Total	3,174	3,205

(WTE—Whole Time Equivalent)

4.3 Employee benefits

	2010/11 £000	2009/10 £000
Employee benefits	100	69

4.4 Retirements due to ill-health

During 2010/11 there were three (2009/10—three) early retirements from the Trust agreed on the grounds of ill-health.

The estimated additional pension liabilities of ill-health retirements for the year ended 31 March 2011 were £0.2m (2009/10—£0.2m)

5. Better Payment Practice Code

5.1 Better Payment Practice Code—measure of compliance

	2010/11		2009/10	
	N°	£000	N°	£000
Total bills paid in the year	62,846	161,633	73,168	162,743
Total bills paid within the target	56,892	142,138	57,803	130,195
Percentage of bills paid within target	90.5%	87.9%	79.0%	80.0%

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.

4.5 Exit packages

During 2010/11 there were three compulsory redundancies, each within banding £25,001–£50,001. There were no other departures for staff except for exit packages relating to senior managers disclosed in the Directors' remuneration note, whose details are within note 4.6.

4.6 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 spouse's contingent 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) regulations. 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.

4.6 Table of salary and pension entitlements of senior managers

	a) Remuneration				b) Pension				
	Salary for the year ended 31 Mar 2011 bands of £5,000	Salary for the year ended 31 Mar 2010 bands of £5,000	Other costs for the year ended 31 Mar 2011 bands of £5,000	Other costs for the year ended 31 Mar 2010 bands of £5,000	Accrued pension and related lump sum at age 60 as at 31 Mar 2011 bands of £2,500	Real increase/ (decrease) in pension and related lump sum at age 60 as at 31 Mar 2011 bands of £2,500	CETV at 31 Mar 2010 £000	CETV at 31 Mar 2011 £000	Real increase/ (decrease) in CETV for the year ended 31 Mar 2011 £000
Executive Directors									
Heather Lawrence OBE, Chief Executive	175–180	170–175	0	0	307.5–310.0	(15.0)–(12.5)	0	0	0
Dr Mike Anderson, Medical Director	160–165	150–155	0	0	297.5–300.0	15.0–17.5	1,675	1,752	(12)
Lorraine Bewes, Executive Director of Finance	130–135	125–130	0	0	127.5–130.0	0–2.5	564	544	(50)
Amanda Pritchard, Deputy Chief Executive (Director of Integrated Service Delivery & Modernisation)	80–85	100–105	0	0	70.0–72.5	2.5–5.0	183	160	(33)
Mark Gammage, Interim Deputy Chief Executive ¹	75–80	35–40	0	0	0	0	0	0	0
Andrew MacCallum, Director of Nursing	25–30	95–100	0	0	132.5–135.0	(5.0)–(2.5)	601	529	(105)
Therese Davis, Chief Nurse and Director of Patient Flow & Patient Experience ²	140–145	0	0	0	0	0	0	0	0
Non-Executive Directors									
Professor Sir Christopher Edwards, Chairman	35–40	35–40	0	0	0	0	0	0	0
Andrew Havery, Non-Executive Director	15–20	15–20	0	0	0	0	0	0	0
Charles Wilson, Non-Executive Director	15–20	15–20	0	0	0	0	0	0	0
Karin Norman, Non-Executive Director	10–15	10–15	0	0	0	0	0	0	0
Professor Richard Kitney OBE, Non-Executive Director	10–15	10–15	0	0	0	0	0	0	0
Colin Glass, Non-Executive Director	5–10	10–15	0	0	0	0	0	0	0
Sir John Baker CBE, Non-Executive Director Designate	0–5	0	0	0	0	0	0	0	0
Jeremy Loyd, Non-Executive Director Designate	0–5	0	0	0	0	0	0	0	0
Sir Geoffrey Mulcahy, Non-Executive Director Designate	0–5	0	0	0	0	0	0	0	0
Directors									
Mark Gammage, Director of HR and Organisational Development ¹	60–65	120–125	0	0	52.5–55.0	45.0–47.5	0	192	192
Catherine Mooney, Director of Governance & Corporate Affairs	85–90	80–85	0	0	120.0–122.5	2.5–5.0	538	523	(43)
Alexander Geddes, Director of Information management & Technology ³	0	55–60	25–30	0	0	0	0	0	0
Amit Khutti, Director of Strategy and Service Planning ⁴	10–15	80–85	0	0	15.0–17.5	(2.5)–0	42	34	(11)
Lucy Hatfield, Director of Strategy and Service Planning ⁵	75–80	0	0	0	0	0	0	0	0
Axel Heitmüller, Director of Strategy and Service Planning ⁶	25–30	0	0	0	0–2.5	0–2.5	0	3	3
William Gordon, Director of Information Management and Technology	80–85	45–50	0	0	0	0	0	0	0
Neil Callow, Deputy Director of Finance ⁷	0	10–15	0	0	0	0	0	0	0
Kelda Alleyne, Deputy Director of Finance ⁸	85–90	60–65	0	0	2.5–5.0	0–2.5	11	22	10

Notes to senior managers' salary and pension table

¹ Covered maternity leave of the Deputy Chief Executive until 31 Oct 2010—paid via Dearden Consulting Ltd for this period. From 1 Nov 2011 reverted to Director of HR, paid via Dearden Consulting Ltd until joined Trust payroll in March 2011. Cost reported until 28 Feb 2011 is therefore full cost to the Trust. Mark Gammage is Managing Director of Dearden Consulting Ltd.

² Paid via Delphi Consulting Ltd for this period therefore cost reported is full cost to the Trust. Therese Davis is Managing Director of Delphi Consulting Ltd.

³ Left the Trust in November 2009—other costs relate to payments made within a compromise agreement

⁴ Left the Trust in May 2010

⁵ Interim paid via agency between May and December 2010 therefore cost reported is full cost to the Trust

⁶ Joined the Trust in December 2010

⁷ Left the Trust in May 2009

⁸ Joined the Trust in June 2009

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 (2009/10—nil).

6. Loss on disposal of fixed assets

The loss on disposal of fixed assets was £0.05m (2009/10—£0.16m) consisting of various pieces of medical equipment decommissioned.

7. Finance

7.1 Finance income

	2010/11 £000	2009/10 £000
Interest on loans and receivables	112	95

7.2 Finance costs—interest expense

	2010/11 £000	2009/10 £000
Loans from Foundation Trust Financing Facility	331	482
Finance leases	122	131
Other	9	0
Total	462	613

8. Intangible assets

8.1 Intangible assets at the balance sheet date comprise the following elements

	Software licences £000
Cost or valuation at 1 Apr 2010	0
Additions—purchased	914
Additions—donated	0
Impairments	0
Reclassifications	5,186
Revaluation surpluses	0
Disposals	0
Cost or valuation at 31 Mar 2011	6,100
Amortisation at 1 Apr 2010	0
Provided during the year	25
Reclassifications	1,205
Revaluation surpluses	0
Disposal	0
Amortisation at 31 March 11	1,230
Net book value	
Owned at 31 Mar 2011	4,870
Finance lease at 31 Mar 2011	0
Donated at 31 Mar 2011	0
NBV Total at 31 Mar 2011	4,870

9. Property, plant and equipment

9.1 Property, plant and equipment at the balance sheet date comprises the following elements

	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
Cost or valuation at 1 Apr 2010	50,000	180,196	2,001	4,394	40,746	186	19,387	697	297,607
Additions—purchased	0	0	0	22,440	1,899	0	149	71	24,559
Additions—donated	0	0	0	0	50	0	0	0	50
Impairments charged to revaluation reserve	0	0	0	0	0	0	0	0	0
Reclassifications	0	7,641	0	(10,907)	693	0	(2,742)	129	(5,186)
Other revaluations	0	38,075	0	0	0	0	0	0	38,075
Disposals	0	(16)	0	0	(3,865)	(65)	(5,671)	(470)	(10,087)
Cost or valuation at 31 Mar 2011	50,000	225,896	2,001	15,927	39,523	121	11,123	427	345,018
Accumulated depreciation at 1 Apr 2010	0	0	0	0	21,967	65	9,154	482	31,668
Provided during the year	0	2,456	111	0	3,358	24	2,468	36	8,453
Impairment	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	(1,205)	0	(1,205)
Revaluation surplus	0	(2,203)	0	0	0	0	0	0	(2,203)
Disposal	0	(12)	0	0	(3,819)	(65)	(5,671)	(470)	(10,037)
Accumulated depreciation at 31 Mar 2011	0	241	111	0	21,506	24	4,746	48	26,676
Net book value									
Owned at 31 Mar 2011	50,000	220,450	0	15,927	17,056	1	6,377	379	310,190
Finance lease at 31 Mar 2011	0	0	1,890	0	353	0	0	0	2,243
Donated at 31 Mar 2011	0	5,205	0	0	608	96	0	0	5,909
Total at 31 Mar 2011	50,000	225,655	1,890	15,927	18,017	97	6,377	379	318,342
Net book value									
Protected assets at 31 Mar 2011	50,000	221,943	0	0	0	0	0	0	271,943
Unprotected assets at 31 Mar 2011	0	3,712	1,890	15,927	18,017	97	6,377	379	46,399
Total at 31 Mar 2011	50,000	225,655	1,890	15,927	18,017	97	6,377	379	318,342
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
Total at 31 Mar 2010	50,000	180,196	2,001	4,394	18,779	121	10,233	215	265,939
Net book value									
Protected assets at 31 Mar 2010	50,000	177,828	0	0	0	0	0	0	227,828
Unprotected assets at 31 Mar 2010	0	2,368	2,001	4,394	18,779	121	10,233	215	38,111
Total at 31 Mar 2010	50,000	180,196	2,001	4,394	18,779	121	10,233	215	265,939

10. Net book value of assets held under finance lease contracts at the Statement of Position date

10.1 Finance lease assets

	31 Mar 11 £000	31 Mar 10 £000
Dwellings	1,890	2,001
Plant and machinery	353	490

10.2 Total amount of depreciation charged to the Statement of Comprehensive Income in respect of assets held under finance lease

	2010/11 £000	2009/10 £000
Dwellings	111	34
Plant and machinery	137	137

Contingent rents charged to the Statement of Comprehensive Income in the period are not material.

11. Inventory

11.1 Inventories

	31 Mar 11 £000	31 Mar 10 £000
Raw materials & consumables	6,081	6,045

11.2 Inventories recognised in expenses

	31 Mar 11 £000	31 Mar 10 £000
Inventories recognised in expenses	45,027	42,864
Write-down of inventories as expense	0	1,100
Total	45,027	43,964

12. Trade receivables and other receivables

12.1 Current receivables

	31 Mar 11 £000	31 Mar 10 £000
NHS receivables	13,950	13,483
Provision for impaired receivables	(7,938)	(2,736)
Prepayments	1,422	837
Accrued income	337	901
Other receivables	7,783	6,132
Total current trade and other receivables	15,554	18,617

13. Impairment of receivables

13.1 Provision for impairment of receivables

	31 Mar 11 £000	31 Mar 10 £000
At 1 April	2,736	2,574
Increase in provision	9,326	1,165
Amounts utilised	(1,357)	(54)
Unused amounts reversed	(2,767)	(949)
At 31 March	7,938	2,736

13.2 Analysis of impaired receivables

	31 Mar 11 £000	31 Mar 10 £000
Ageing of impaired receivables		
Up to three months	3,919	133
In three to six months	139	678
Over six months	3,880	1,925
Total	7,938	2,736
Ageing of non-impaired receivables past their due date		
Up to three months	0	9,184
In three to six months	718	913
Over six months	0	4,117
Total	718	14,214

14. Trade and other payables

14.1 Current payables

	31 Mar 11 £000	31 Mar 10 £000
NHS payables	10,406	7,151
Trade payables—capital	4,688	395
Other trade payables	5,042	5,879
Other payables	6,393	5,386
Accruals	13,791	9,032
Total current payables	40,320	27,843

15. Other liabilities

15.1 Current

	31 Mar 11 £000	31 Mar 10 £000
Deferred income	6,745	4,863
Deferred Government grant	0	0
Total other current liabilities	6,745	4,863

15.2 Non-current

	31 Mar 11 £000	31 Mar 10 £000
Deferred income	6	0
Deferred Government grant	364	3,450
Total other non-current liabilities	370	3,450

16. Borrowings

16.1 Current borrowings

	31 Mar 11 £000	31 Mar 10 £000
Loans from Foundation Trust Financing Facility	0	756
Obligations under finance leases	169	163
Total current borrowings	169	919

16.2 Non-current borrowings

	31 Mar 11 £000	31 Mar 10 £000
Loans from Foundation Trust Financing Facility	12,525	4,161
Obligations under finance leases	2,294	2,463
Total non-current borrowings	14,819	6,624

17. Finance lease

17.1 Finance lease obligations

	31 Mar 11 £000	31 Mar 10 £000
Gross lease liabilities	3,296	3,563
of which liabilities are due:		
• not later than one year	271	267
• later than one year and not later than five years	848	971
• later than five years	2,177	2,325
	3,296	3,563
Less: finance charges allocated to future periods	(833)	(937)
Net lease liabilities	2,463	2,626
of which liabilities are due:		
• not later than one year	176	163
• later than one year and not later than five years	555	646
• later than five years	1,732	1,817

17.2 Finance lease commitments

	31 Mar 11 £000	31 Mar 10 £000
Minimum payments	3,277	3,563
Number of years of commitment	17	18

18. Prudential Borrowing Limit (PBL)

	31 Mar 2011		31 Mar 2010	
	Authorised £000	Actual £000	Authorised £000	Actual £000
Total long term borrowing	42,200	14,988	56,700	7,543
Working capital facility	20,000	0	20,000	0
Total	62,200	14,988	76,700	7,543

Disclosure of the actual working capital facility as at 31 March 2011 and 31 March 2010 is the amount drawn down whereas in prior years the available facility was disclosed.

Financial ratios	Prudential borrowing limits	IFRS 31 Mar 2011		IFRS 31 Mar 2010	
		Approved PBL ratio	Actual PBL ratio	Approved PBL ratio	Actual PBL ratio
Minimum dividend cover (times)	>1.0x	4.1x	3.5x	3.9x	2.7x
Minimum interest cover (times)	>3.0x	40.7x	70.0x	49.7x	38.5x
Minimum debt service cover (times)	>2.0x	20.1x	5.7x	5.7x	3.7x
Maximum debt service to revenue (%)	<3.0%	0.5%	1.7%	2.1%	2.0%

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 four ratio tests set out in the Prudential Borrowing Code for NHS foundation trusts. 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, and
- the amount of any working capital facility approved by Monitor.

Further information on the Prudential Borrowing Code for NHS foundation trusts and Compliance Framework can be found on Monitor's website.

19. Provisions for liabilities and charges

19.1 Current provisions

	31 Mar 11 £000	31 Mar 10 £000
Pensions relating to other staff	3	42
Other provisions including short term employee benefit	2,383	1,854
Total current provisions	2,386	1,896

19.2 Non-current provisions

	31 Mar 11 £000	31 Mar 10 £000
Pensions relating to other staff	408	411
Other provisions including short term employee benefit	48	48
Total non-current provisions	456	459

19.3 Provisions for liabilities and charges analysis

	Pensions— other staff £000	Others incl employee benefit £000	Total provision £000
At 1 April 2010	453	1,902	2,355
Arising during the year	0	500	500
Utilised during the year	(13)	0	(13)
Reversed unused	(29)	29	0
At 31 Mar 2011	411	2,431	2,842
Expected timing of cash flows:			
Not later than one year	3	2,383	2,386
Later than one year and not later than five years	12	0	12
Later than five years	396	48	444
Total	411	2,431	2,842

Clinical Negligence Liabilities

Amount included in provisions of the National Health Service Litigation Authority at 31 March 2011 in respect of clinical negligence of the Trust is £46.26m (2009/10—£40.48m).

20. Cash and cash equivalents

	31 Mar 11 £000	31 Mar 10 £000
Balance at 1 Apr 2010	19,861	32,053
Net change in year	18,912	(12,192)
Balance at 31 Mar 2011	38,773	19,861
Comprising:		
Cash at commercial banks and in hand	46	742
Cash with the Government Banking Service	38,727	19,119
Cash and cash equivalents as in Statement of Cash Flows	38,773	19,861

21. Third party assets

The Trust held £0.02m cash at bank at 31 March 2011 (2009/10—£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.

22. Revaluation reserve

	31 Mar 11 £000	31 Mar 10 £000
Revaluation reserve at 1 Apr	55,696	91,320
Revaluation gains/(losses) and impairment losses on property, plant and equipment	39,219	(35,624)
Asset disposals	(124)	0
Revaluation reserve at 31 Mar	94,791	55,696

23. Contractual capital commitments

Commitments under capital expenditure contracts at 31 March 2011 were £6.0m (2009/10—£0.5m).

24. Events after the reporting period

There have been no events after the reporting period since the Statement of Position date.

25. Contingencies

There were no contingent liabilities at the Statement of Position date.

26. 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. No funds are held in trust by Chelsea and Westminster Hospital NHS Foundation Trust on behalf of the Chelsea and Westminster Health Charity, but are held by the Trustees who prepare the Charity's accounts independently of the Trust. There were related party transactions for HR consultancy services between Dearden and the Trust during the year, however the balances and transactions were not material. Mark Gammage, Director of Human Resources and Organisational Development, is Managing Director of Dearden.

27. Significant related parties

27.1 Related party transactions

	31 Mar 2011	
	Income £000	Expenditure £000
Main commissioners		
Kensington and Chelsea PCT	60,005	20
Croydon PCT	50,526	6
Hammersmith and Fulham PCT	38,761	15
Wandsworth PCT	29,561	217
Westminster PCT	23,591	103
NHS London	22,613	0
Ealing PCT	9,398	0
Hounslow PCT	7,352	0
London Specialised Commissioning Group	5,109	0
Richmond and Twickenham PCT	4,792	0
Lambeth PCT	4,595	0
Brent PCT	4,136	0
Department of Health	3,382	0
Imperial College Healthcare NHS Trust	3,293	16,519
Other government departments and central bodies:		
HM Revenue & Customs	0	41,902
NHS Business Services Authority	0	5,536
NHS Litigation Authority	0	5,143

27.1 Related party balances

	31 Mar 2011	
	Accounts Receivable £000	Accounts Payable £000
Main Commissioners		
Hammersmith and Fulham PCT	1,580	67
Kensington and Chelsea PCT	1,358	0
Hounslow PCT	1,088	0
Wandsworth PCT	973	113
Ealing PCT	663	83
Croydon PCT	586	3,126
Westminster PCT	465	74
NHS London	359	91
Imperial College Healthcare NHS Trust	322	1,906
Brent PCT	203	60
Department of Health	54	550
Other government departments and central bodies:		
HM Revenue & Customs	0	3,637
NHS Business Services Authority	0	539

28. PFI schemes

The Trust is not party to any PFI schemes.

29. Losses and special payments

There were 1,232 cases of losses and special payments (2009/10—68 cases) totalling £1.6m (2009/10—£0.06m) for the year ended 31 March 2011. The amounts reported as losses and special payments are reported on an accruals basis but excluding provisions for future losses.

30. 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.

31. Categories of financial instruments

31.1 Financial assets

	31 Mar 11 £000	31 Mar 10 £000
Loans and receivables (including cash)	52,905	37,641
Total	52,905	37,641

31.2 Financial liabilities

	31 Mar 11 £000	31 Mar 10 £000
Other financial liabilities (amortised cost)	53,992	34,262
Total	53,992	34,262

32. Financial instruments book value to fair value

32.1 Book values of financial assets & liabilities

	Book value 31 Mar 11 £000	Book value 31 Mar 10 £000
Financial assets	38,773	19,861
Financial liabilities		
Finance leases obligation for more than one year	2,294	2,463
Loans due in more than one year	12,525	4,161
Total	14,819	6,624

32.2 Fair values of financial assets & liabilities

	Fair value 31 Mar 11 £000	Fair value 31 Mar 10 £000
Financial assets	38,773	19,861
Financial liabilities		
Finance leases obligation for more than one year	2,294	2,463
Loans due in more than one year	12,525	4,161
Total	14,819	6,624

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

33. Liquidity and interest risk tables

33.1 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		14,132	0	0	0	14,132
Fixed interest rate instrument	0.45%	38,773	0	0	0	38,773
Variable interest rate instrument		0	0	0	0	0
Gross financial assets at 31 Mar 2011		52,905	0	0	0	52,905
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 1 Apr 2010		37,641	0	0	0	37,641

33.2 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		36,239	0	0	0	36,239
Finance lease liability	3.84%	286	286	667	1,853	3,092
Fixed interest rate instrument	3.06%	0	783	4,697	7,045	12,525
Provisions under contract	0.33%	2,366	12	36	352	2,766
Gross financial liabilities at 31 Mar 2011		38,891	1,081	5,400	9,250	54,622
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 1 Apr 2010		27,331	1,069	1,497	5,303	35,200

34. 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.

35. 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, unutilised at 31 March 2011. Details are included in note 18.

36. 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 maximum exposure of the Trust to credit risk is equal to the total trade and other receivables within Note 12.

37. 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.

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