St Helens and Knowsley Teaching Hospitals NHS Trust

Annual Accounts

FOR THE YEAR ENDING 31 MARCH 2011

Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

PDC	Public dividend capital
Payables	Amounts owed to suppliers, etc (creditors)
Receivables	Amounts owed by customers, etc (debtors)
PDC dividend	Public dividend capital dividend payable by the Trust to the Department of Health, based on 3.5% of the Trust's net relevant assets.
Statement of Financial Position (SOFP)	Formerly known under UK GAAP as the Balance Sheet
PFI	Private Finance Initiative
UK GAAP	Generally Accepted Accounting Practice in the United Kingdom
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
IAS	International Accounting Standard
MEA	Modern equivalent asset basis, a basis on which to value land and property assets
PPE	Property, plant and equipment
R&D	Research and development
Non-current assets/liabilties	Assets or liabilities due to be received/paid over after one year from the SOFP date. In terms of property, plant, equipment and intangible assets this would indicate assets from which would ensue a financial benefit beyond one year.
Current assets/liabilities	Assets or liabilities due to be received/paid over within one year of the SOFP date.
Statement of Changes in Taxpayers' Equity (SOCITE)	Formerly known under UK GAAP as Movements on Reserves.
Statement of Comprehensive Income (SOCI)	A combination of the Income and Expenditure Account and Statement of Total Recognised Gains and Losses shown under UK GAAP.

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

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

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

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

A Marr, Chief Executive Officer
1st June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgments and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

A Marr, Chief Executive Officer
1st June 2011

D Finn, Director of Finance , Information and Commercial Services
1st June 2011

ST HELENS AND KNOWSLEY TEACHING HOSPITALS NHS TRUST

STATEMENT ON INTERNAL CONTROL FOR THE YEAR ENDED 31 MARCH 2011

1. Scope of Responsibility

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

The Trust recognises the importance of working constructively with NHS North West, local residents and partner organisations within the local health economy, not only to develop services which meet the health and social needs of the population, but also to manage the risks associated with achievement of our strategic objectives.

Additionally, and critical to the Trust's success, is the relationship with New Hospitals, the special purpose vehicle established to deliver the Private Finance Initiative (PFI) development. To support these relationships and delivery of strategic objectives the Trust and its partners have a range of meetings and performance frameworks established. Amongst these are:

- Quarterly Chief Executive and Director of Finance meetings giving consideration to strategic issues and the risk management of these economy wide issues
- Strategic workshops with key primary care trust partners
- Fortnightly health economy Director of Finance meetings to ensure in-year and future year issues are identified early and managed on an economy wide basis.
- Quarterly Executive Team to Executive Team meetings between the Trust and PCT counterparts.
- An annual Board to Board meeting between the Trust and its main Commissioning PCT.
- Chief Executive and Executive Director 'one to ones' with NHS North West and PCT counterparts.
- Fortnightly liaison meetings between the Trust and key members of New Hospitals project team.

In addition, the Trust continues to embed its performance management systems to ensure delivery of objectives with an increasing emphasis on risk management. These arrangements have been specifically supplemented by the appointment of risk management staff within the clinical care groups of the organisation.

The Trust's principal partner organisations are NHS Halton and St Helens and NHS Knowsley and a series of arrangements are in place relating both to their role as commissioner and co-provider of services. In the current year both PCT's have developed their Commissioning Strategic Plans and all organisations have been engaged in discussions on the current and future implications of these proposals, specifically a series of strategic workshops have been held to explore these proposals further. Contractual commitments between provider and commissioner are regulated via an annual service level agreement. Joint performance review mechanisms are in place, focusing key quality and contract deliverables and NHS Plan target delivery. Central to the organisation's strategic management of risk identification and control is the business planning process which identifies risks and opportunities from a business perspective and how these issues will be managed. In addition, performance monitoring and management of the Trust's strategic objectives including national and local priorities, is regularly reviewed by the Trust Board and supported through sub-committees.

Furthermore, the Trust's Corporate Objectives continue to be reflected in Executive Directors' personal objectives agreed on an annual basis and cascaded through the organisation within individual objectives, appraisals and personal development plans.

Supporting the overall governance and internal control system, the following processes have been applied during the year:

- Independent audits undertaken by Mersey Internal Audit Agency of governance functions such as Board Assurance Framework, policy implementation and process implemented to ensure compliance with the CQC registration standards.

- Awareness raising for staff across a range of corporate risk/control issues e.g. fraud awareness, accreditation systems and outcome evidence.

- A specific Risk Register for the Trust's PFI development which informs the Trust's overall risk position and which is reviewed every month by both Executives and the Trust Board.

- Risk Management specific actions
  - Assurance Framework action plans progress reports
  - Clinical Governance Updates
  - Provision of minutes from all governance committees including Governance Board and Audit Committee.

- Review of Corporate Governance Manual

Through these established systems, enhancement to these systems and focused reviews of specific areas the Trust supports the delivery of its corporate objectives within an internal control framework cognisant of risks faced.

2. The purpose of the system of internal control

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

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives.

- 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 at St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31st March 2011 and up to the date of the approval of the annual report and accounts.

3. Capacity to handle risk

The Trust already has a comprehensive governance framework, which brings together all aspects of corporate governance. This is performance managed on behalf of the Trust Board by the Trust Governance Board.

Supporting the work of the Trust Governance Board, which is chaired by the Trust's Chief Executive and attended by the Trust Chair and has PCT representation, are three Governance Councils. Each council is chaired by an Executive Director and has Non-Executive Director representation. Senior leadership of each council ensures that issues raised are managed effectively to embed the governance culture.

There are three governance councils reporting to the Trust Governance Board, covering Clinical Performance, Patient Safety and Experience and Human Resources, all other Trust committees report through the governance councils. The structure was reviewed and revised during 2009-10 and these changes have been embedded this year. Each council is now undertaking annual review of performance against the council terms of reference which will be reported through the governance board and the Trust audit committee. The Trust Policy for Control of Documents has recently been revised and a review of all Trust policies has been undertaken to ensure that policy management is effective and supports the governance infrastructure.

Overall responsibility for ensuring compliance with the CQC outcome standards lies with the Governance Board as a Trust Board sub group. Each of the three councils has a role in developing the evidence needed to assure compliance against a range of relevant standards. Governance leads have been undertaking evidence reviews against each of the

CQC outcomes which will result in a completed Provider Compliance Assessment for each outcome. The Trust receives regular updates to the CQC Quality Risk Profile provided to the Trust, each of the outcome standard indicators are risk assessed and graded based on information drawn from a number of sources. Any risk rated red, which signals a performance worse than expected, is subject to remedial action planning and further evaluation.

The Clinical Performance Council is responsible for ensuring high standards of clinical care are achieved and maintained by monitoring Trust clinical outcomes and benchmarking with local, regional and national standards. It is also responsible for ensuring the effective implementation of national quality standards e.g. National Institute for Health and Clinical Excellence (NIHCE), National Service Frameworks (NSF) and National Confidential Enquiries. The Council is also responsible for ensuring that the Trust has a comprehensive and effective clinical audit and research programme, which results in improved clinical service provision.

The Patient Safety and Experience Council ensures service compliance with national patient safety mandates, improve analysis and understanding of Trust adverse incidents and enable appropriate remedial action planning to improve performance. The Council will ensure that improved patient experience is achieved through monitoring of performance against a range of indicators from national surveys to local departmental initiatives.

The Human Resources Council is responsible for ensuring the effective achievement of best practice human resources standards and all aspects of learning and development, including staff training, staff survey, work and wellbeing initiatives. Risk management training is provided to all staff levels and functions. Additionally clinical staff receive specialist training in risk assessment and equipment usage. Best practice guidance is disseminated through the governance councils and sub groups.

The Trust has purchased a new risk management system and the preimplementation work has been completed. The new system will enable web based data entry and reporting at departmental level and provides improved data analysis and application. The system will go live with complaints, claims and incidents on April 1st and planned roll out to all wards and departments, enabling live data capture, will be completed within the next year. This will provide improved information at the point of care to inform risk assessment and improve risk management.

The Trust's monthly operational performance framework meetings specifically accommodate an update and review of governance issues to ensure the link between strategic goals, operational delivery and governance is maintained and enhanced. Enhancements to embedding risk management within clinical care groups have been made through the appointment of additional risk management staff within these areas.

Within the overall process, the Audit Committee has overarching responsibility, as delegated by the Trust Board, for ensuring that the governance system is operating effectively. In supporting the Audit Committee in reaching its opinion, standing agenda items for the Audit Committee include receipt of the Governance Board's Minutes, Governance Action Plan and review of the Trust's Assurance Framework, in addition to the Head of Internal Audit Opinion.

As the governance system becomes increasingly sophisticated, management of issues and risks is focused on delivery at the lowest appropriate level. This approach, to embed the governance system within all aspects of the Trust's care delivery, is supported through awareness raising, training and education at all levels with regards to identification and management of risk within the established frameworks. Generic awareness raising being through monthly Team Briefs, management briefings, training updates and regular induction programmes for new starters at which specific governance issues are highlighted and staff lunches.

Each of the Trust's three care groups has a Head of Quality, a senior managerial position, appointed during 2009, responsible for embedding and assuring governance systems and processes at patient care level.

4. The risk and control framework

The Trust recognises that it has a clear responsibility for delivering high quality patient care to the community and for creating a safe environment for patients, staff providing those services and visitors and third parties using the Trust's facilities. A robust Risk Management Strategy, supported by risk management systems and processes is in place, which ensures that risks to patients, visitors, staff and others are minimised as practically possible, with robust risk management policies and procedures to underpin this strategy.

The risk management systems and processes ensure staff are aware of their roles and responsibilities with regard to controlling risks and implementing improvement action. The Risk Management Strategy has been formulated and approved by the Trust Board and has been fully disseminated throughout the organisation and its existence communicated to key stakeholders including the Trust's PFI partner, NewHospitals.

Risks within the organisation are identified through various routes and at various levels across the organisation. All risks are identified and managed within the Trust's Integrated Risk Registers and Board Assurance Framework. The Board Assurance Framework document is regularly reviewed through several forums including Trust Executives, Audit Committee and the Trust Board. The Assurance Framework contains the major risks and controls in place. Changes and developments are noted following Board discussion. The Assurance Framework reflects each of the corporate objectives and includes both internal and external assurance.

Specific areas through which risks are identified include:

- The Trust's incident reporting system
- The Trust's Project Implementation Group specifically identifying and managing risks associated with the PFI development
- The Clinical Directors forum where all Clinical Directors meet to discuss and resolve relevant issues
- The use of a risk based approach in setting the Internal Audit, Local Counter Fraud and External Audit annual and strategic work programmes.

Once risks have been identified the Trust applies a structured "five by five" approach to grade potential risks by both impact and possibility, the higher the grading (up to a maximum of 25) the higher the risk is rated. Risks are then adjusted to reflect the processes in place to manage and monitor the risk. This review process then leaves a residual risk value which determines whether the risk is then within acceptable bounds or if there are other control mechanisms which are required or possible to further reduce risk.
The purpose of the approach is to ensure that all risks are identified and managed at the lowest and most appropriate possible level and that significant risks are consolidated into a structured framework to focus management priorities into those areas where greatest risk is identified, whilst maintaining a balanced view of the overall risk position.

In order to further develop the assurance framework and ensure that it is embedded within the organisation the following actions have been incorporated into the organisation's delivery:

- Continue with plans to embed the Assurance Framework/Risk Register Process at care group and corporate departmental level, specifically providing additional resource to deliver this
- Review the 'Assurances' to ensure achievement through the current committee structures.
- Enhance emergency planning activities, including participation in both internal and external emergency planning activities, to ensure that associated risks are identified and managed within Civil Contingencies legislation.

Arrangements are in place for the reporting of Serious Untoward Incidents to Halton St Helens PCT and others as appropriate through the Trust's Incident Reporting policy. The Trust links to the National Reporting and Learning System (NRLS) of the NPSA.

All three local LINKs and other patient bodies are represented on the Governance Councils and are actively engaged in monitoring and evaluation processes eg hand hygiene observation and PEAT assessments.

In addition the Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with. An annual report is produced and the Trust Board receive quarterly reports on hospital estate performance including environmental sustainability and achievement of carbon reduction. The management of environmental issues is jointly managed with the Trusts PFI partners. A joint strategy is in place that encompasses social, energy, waste, water, procurement, ecology, and travel. An Energy Committee is established which meets regularly to ensure compliance with national and local targets. The Trust has built a new hospital that is designed to achieve the maximum standards of energy efficiency, has demonstrated improvements during the year and is well placed to continue its obligations to reducing carbon emissions and improving the environment in the future.

The key ongoing risks faced by the Trust are related to the challenging financial environment. The combined impact of local commissioning intentions, national efficiency targets and cost pressures require the implementation of rigorous cost reduction programmes. The Trust also has the additional challenge of meeting the costs of the new PFI estate. In managing these risks the Trust is a member of a cluster of NHS organisations operating across the health economy all working to achieve level two and level three QIPP savings. Progress is monitored externally by the SHA and internally by the Finance Committee. During 2010/11 the Trust signed a tripartite formal agreement setting out its commitment to the achievement of Foundation Trust status before April 2014. The Trust is also engaged with the Department of Health looking at long term solutions for resolving the extra costs associated with PFI.

In recognition of these ongoing risks the Trust, in partnership with its main Commissioner, engaged with independent external consultants to undertake a diagnostic and financial review of the Trust. This has provided additional assurance that the Trust is delivering value for money and has good systems in place to deliver national efficiency requirements going forward.

The Trust is fully compliant with CQC essential standards of quality and safety and is registered without conditions.

Data Management

The principles of Information Governance require that all reasonable care is taken to protect patient information in NHS organisations. This is not only governed by the law, but also NHS Codes of Practice, Department of Health Guidance and Professional Codes of Conduct.

St Helens & Knowsley Teaching Hospitals Trust is continuously working to ensure compliance with NHS standards and in particular the protection and safe transfer of patient identifiable information.

The Trust has an Information Governance Steering Group which leads on the Information Governance agenda and is chaired by the Caldicott Guardian. The Group ensures that employees are aware of their responsibilities for all aspects of information. The Group has reviewed its membership and appointed a senior clinical representative to act as IT Clinical Risk Lead. All members have achieved Connecting for Health certification.

The Trust has been working with the Department of Health requirements to safeguard patient information held in its electronic systems and on portable devices. The Trust ensures data encryption software is mandatory for all portable devices, implemented e-mail encryption is available for all users and following thorough clinical engagement in 2010/11, the Trust will secure all computer and laptop USB ports to prevent the use of 'unencrypted' USB drives to further mitigate the risk of serious data breaches.

To supplement the Trust's commitment to the Information Governance Agenda a Senior Information Risk Owner who sits on the Executive Board continues to act as an advocate for information risk on behalf of the organisation.

The Trust ensures that the key principles of Information Governance are upheld by setting clear policies and guidelines for all NHS employees in relation to the requirements listed below:-

- Information Governance Management
- Data Protection and Confidentiality
- Information Security
- Clinical Information
- Secondary Uses
- Corporate Information

All NHS organisations are required to achieve level two compliance for each Toolkit requirement. In order to gain assurance the Trust undertakes an annual external assessment of compliance with Information Governance standards and its NHS Information Governance Toolkit submission, the latter audit being a mandatory requirement. Where standards were not being met action plans have been prepared and will be monitored to ensure improvement and compliance.

The Trust continues to implement new technological systems such as the Electronic Document Management System to improve the services it provides but also ensures that the Trust safeguards the confidentiality of patient information

The Trust ensures all incidents and risks are identified by security and data audits and reported to the IT helpdesk and the Governance Team. A risk assessment is performed on every incident. These are managed and resolved internally by the Information Governance Manager and IT security engineer. In addition, the creation and management of a specific IM&T risk register has been developed and incorporated into the assurance framework. This ensures appropriate visibility and regular review of IM&T risks within the IM&T management team and the Information Governance Steering group. During 2010/11 no information security incidents were reported.

All projects have a Privacy Impact Assessment (PIA) undertaken at the outset to maximise the security of the data included in these projects. The assessment highlights any particular areas in which the IG team may need to work with the project manager to ensure that data is managed in line with Trust and DOH Policy.

There is an action plan in place to ensure that information flow mapping occurs across the Trust in order that the key data transfers can be appropriately secured.

Compliance with NHS Pension Scheme regulations

The Trust can state that it complies with NHS Pension Scheme regulations and that "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."

Equality, Diversity and Human Rights

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

Specifically the Single Equality Scheme (2007 – 10) has been published and is updated on a yearly basis demonstrating key achievements and is regularly reviewed at the Equality and Human Rights Steering Group. This covers service provision and employment actions with responsible leads, timescales and completed actions. A quarterly update is provided to the HR Council which forms part of the Trust Governance structure and demonstrates progression and assurance for Standards for Better Health and NHSLA.

Equality Impact Assessments have been integrated as part of the ratification process for policies, procedures and service developments and are published on the Trusts website and regular training is provided to managers.

Equality and Diversity training is provided to all levels of staff on a regular basis and is included as an annual update for all executive and non executive board members.

5. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My view is formed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the assurance framework and on the controls reviewed as part of internal audits work. Opinion for 2010/11 has stated that there is an overall significant level of assurance on Trust systems of risk management, control and governance, that they are being applied consistently and are designed to support the achievement of Trust objectives.

Executive Directors and managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review has also been informed by:

- The Trust continuing to hold CQC Registration without Conditions.
- The Audit Local Evaluation (ALE) assessment for 2009/10 (reported in 2010/11) of the Trust's financial positioning by the Audit Commission
- Independent external financial review and diagnostic.
- Consistent delivery against all key access targets as reported through the Trust's performance framework and reviewed by the Trust Board.
- Delivery against internal key performance indicators aligned to the Trust's corporate objectives to achieve a higher level of performance than that nationally prescribed as the minimum required standard.
- Delivery of financial duties.
- Internal Audit concluded that the systems and processes in place regarding the Assurance Framework are designed and operated to meet the requirements of the SIC. They have also provided significant assurance regarding the systems and processes underpinning the CQC care outcome standards.
- The ongoing maintenance of the Trust's Risk Register to capture, report upon and monitor improvement against all key risk issues raised.
- Benchmarking results as provided in staff and patient surveys.
- The Trust Board being actively engaged in the governance and assurance process in identifying, quantifying, monitoring and preparing risk mitigation strategies to ensure identified risks are managed appropriately.
- Annual self-assessment using the NHS Information Governance Toolkit. The Toolkit provides assurances of the Trust's systems of information governance in protecting patient information through the principles of confidentiality, integrity and availability of patient information.

Assurances received through the governance structure

The Trust Board oversees the work of the Audit Committee and the supporting governance infrastructure (as described in section three) ensuring that governance is effective. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, the Governance Board and the Councils reporting to the Governance Board. Plans to ensure continuous improvement of systems are in place. Progress is continually monitored by the Trust Board.

Key senior managers are continually working on the collation of evidence to demonstrate the Trusts compliance with the new CQC standards. This will be reflected in a revision of the board assurance framework to reflect registration compliance which in turn will ensure continuous improvement of the internal control system that is in place.

The Board of Directors is committed to a plan to address weakness and ensure continuous improvement of the system in place.

My review confirms that St Helens and Knowsley Teaching Hospitals NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

1st June 2011

A Marr, Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ST HELENS AND KNOWSLEY TEACHING HOSPITALS NHS TRUST

I have audited the financial statements of St Helens and Knowsley Teaching Hospitals NHS Trust for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of St Helens and Knowsley Teaching Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 Trust; and the overall presentation of the financial statements. I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of St Helens and Knowsley Teaching Hospitals NHS Trust's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the Statement on Internal Control on which I report to you if, in my opinion the Statement on Internal Control does not reflect compliance with the Department of Health's requirements.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Trust's responsibilities

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, St Helens and Knowsley Teaching Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Julian Farmer
Officer of the Audit Commission

2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton BL6 6QQ

8 June 2011

FOREWORD TO THE ACCOUNTS

ST HELENS AND KNOWSLEY TEACHING HOSPITALS NHS TRUST

These accounts for the year ended 31 March 2011 have been prepared by the St Helens and Knowsley Teaching Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2011

	NOTE	2010-11 £000	2009-10 *As restated £000
Revenue			
Revenue from patient care activities	4	204,389	198,582
Other operating revenue	5	48,555	37,829
Operating expenses	7	(267,396)	(272,692)
Operating surplus/(deficit)		**(14,452)**	**(36,281)**
Finance costs:			
Investment revenue	12	44	49
Other gains and losses	13	0	0
Change in discount rate for pensions	33	152	0
Finance costs	14	(8,831)	(10,139)
Surplus/(deficit) for the financial year		**(23,087)**	**(46,371)**
Public dividend capital dividends payable		(2,526)	(3,385)
Retained surplus/(deficit) for the year		**(25,613)**	**(49,756)**
Other comprehensive income			
Impairments and reversals		(3,294)	0
Gains on revaluations		10,457	0
Receipt of donated/government granted assets		334	132
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		0	0
Net gains/(losses) on available for sale financial assets		0	0
Reclassification adjustments:			
- Transfers from donated and government grant reserves		(330)	(140)
- On disposal of available for sale financial assets		0	0
Total comprehensive income for the year		**(18,446)**	**(49,764)**

The notes on pages 1 to 40 form part of these accounts.

** The figure for operating expenses for 2009/10, previously stated as £267,589,000, has been restated to £272,692,000 due to a change in national NHS accounting policy for economic impairments (see note 7). This has also affected the Statement of Taxpayers' Equity for 2009/10 (see page 3). The adjusted retained surplus as shown below is unaffected by these changes.*

Reported NHS financial performance position - Adjusted retained surplus/(deficit)

	2010-11 £000	2009-10 £000
Retained surplus/(deficit) for the year	**(25,613)**	**(49,756)**
IFRIC 12 adjustment	3,970	7,723
Impairments	21,939	42,258
Reported NHS financial performance position - adjusted retained surplus/(deficit)	**296**	**225**

A Trust's Reported NHS financial performance position is derived from its Retained surplus/(Deficit), but adjusted for the following:-
a) Impairments to Fixed Assets 2009/10 was the final year for organisations to revalue their assets to a Modern Equivalent Asset (MEA) basis of valuation. An impairment charge is not considered part of the organisation's operating position.
b) The revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) - NHS Trusts' financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation's operating position.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	NOTE	31 March 2011 £000	31 March 2010 £000
Non-current assets			
Property, plant and equipment	15	344,450	314,895
Intangible assets	16	954	882
Other financial assets	21	0	0
Trade and other receivables	20	1,636	1,681
Total non-current assets		**347,040**	**317,458**
Current assets			
Inventories	19	2,650	2,603
Trade and other receivables	20	9,599	9,087
Other financial assets	21	0	0
Other current assets	22	283	288
Cash and cash equivalents	23	3,951	2,670
		16,483	**14,648**
Non-current assets held for sale	24	0	0
Total current assets		**16,483**	**14,648**
Total assets		**363,523**	**332,106**
Current liabilities			
Trade and other payables	25	(21,764)	(18,385)
Other liabilities	27	0	0
Borrowings	26	(4,587)	(382)
Other financial liabilities	32	0	0
Provisions	33	(919)	(865)
Net current assets/(liabilities)		**(10,787)**	**(4,984)**
Total assets less current liabilities		**336,253**	**312,474**
Non-current liabilities			
Borrowings	26	(267,059)	(224,731)
Trade and other payables	25	0	0
Other financial liabilities	32	0	0
Provisions	33	(2,418)	(2,521)
Other liabilities	27	0	0
Total assets employed		**66,776**	**85,222**
Financed by taxpayers' equity:			
Public dividend capital		62,721	62,721
Retained earnings		(22,439)	(3,906)
Revaluation reserve		25,736	25,464
Donated asset reserve		599	728
Government grant reserve		159	215
Other reserves		0	0
Total taxpayers' equity		**66,776**	**85,222**

The financial statements on pages 1 to 5 were approved by the Board on 1st June 2011 and signed on its behalf by:

A Marr, Chief Executive Officer

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Gov't grant reserve £000	Other reserves £000	Total £000
Balance at 31 March 2009							
As previously stated	51,521	37,655	33,659	810	141	0	123,786
Prior period adjustment							0
Restated balance	**51,521**	**37,655**	**33,659**	**810**	**141**	**0**	**123,786**
Changes in taxpayers' equity for 2009-10							
Total comprehensive income for the year:							
Retained surplus/(deficit) for the year *		(49,756)					(49,756)
Transfers between reserves *		8,195	(8,195)	0	0	0	0
Impairments and reversals *			0	0	0		0
Net gain on revaluation of property, plant, equipment			0	0	0		0
Net gain on revaluation of intangible assets			0	0	0		0
Net gain on revaluation of financial assets			0				0
Receipt of donated/government granted assets				2	130		132
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve				(84)	(56)		(140)
- on disposal of available for sale financial assets			0	0	0		0
Reserves eliminated on dissolution		0	0	0	0	0	0
Originating capital for trust establishment in year	0						0
New PDC received	11,200						11,200
PDC repaid in year	0						0
PDC written off	0						0
Other movements in PDC in year	0	0					0
Balance at 31 March 2010	**62,721**	**(3,906)**	**25,464**	**728**	**215**	**0**	**85,222**

** These lines have been restated for 2009/10 as a result of a change in national NHS accounting policy for economic impairments. See also page 1 and page 18.*

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Gov't grant reserve £000	Other reserves £000	Total £000
Changes in taxpayers' equity for 2010-11							
Balance at 1 April 2010	**62,721**	**(3,906)**	**25,464**	**728**	**215**	**0**	**85,222**
Total comprehensive income for the year							
Retained surplus/(deficit) for the year		(25,613)					(25,613)
Transfers between reserves		7,080	(7,080)	0	0	0	0
Impairments and reversals			(3,105)	(189)	0		(3,294)
Net gain on revaluation of property, plant, equipment			10,457	0	0		10,457
Net gain on revaluation of intangible assets			0	0	0		0
Net gain on revaluation of financial assets			0	0	0		0
Receipt of donated/government granted assets				132	202		334
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve				(72)	(258)		(330)
- on disposal of available for sale financial assets			0	0	0	0	0
Reserves eliminated on dissolution		0	0	0	0	0	0
Originating capital for trust establishment in year	0						0
New PDC received	0						0
PDC repaid in year	0						0
PDC written off	0						0
Other movements in PDC in year	0						0
Balance at 31 March 2011	**62,721**	**(22,439)**	**25,736**	**599**	**159**	**0**	**66,776**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	2010-2011 £000	2009-2010 £000
Cash flows from operating activities			
Operating surplus/(deficit)		(14,452)	(36,281)
Depreciation and amortisation		11,820	8,030
Impairments and reversals		21,939	42,258
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(72)	(84)
Transfer from government grant reserve		(258)	(56)
Interest paid		(8,775)	(10,084)
Dividends paid		(2,498)	(3,236)
(Increase)/decrease in inventories		(47)	(341)
(Increase)/decrease in trade and other receivables		(416)	(1,984)
(Increase)/decrease in other current assets		152	0
Increase/(decrease) in trade and other payables/other		4,685	(525)
Increase/(decrease) in other current liabilities		0	0
Increase/(decrease) in provisions		101	(614)
Net cash inflow/(outflow) from operating activities		**12,179**	**(2,917)**
Cash flows from investing activities			
Interest received		46	49
(Payments) for property, plant and equipment		(7,502)	(16,735)
Proceeds from disposal of plant, property and equipment		117	0
(Payments) for intangible assets		(424)	(131)
Proceeds from disposal of intangible assets		0	0
(Payments) for investments with DH		0	0
(Payments) for other investments		0	0
Proceeds from disposal of investments with DH		0	0
Proceeds from disposal of other financial assets		0	0
Revenue rental income		0	0
Net cash inflow/(outflow) from investing activities		**(7,763)**	**(16,817)**
Net cash inflow/(outflow) before financing		**4,416**	**(19,734)**
Cash flows from financing activities			
Public dividend capital received		0	11,200
Public dividend capital repaid		0	0
Loans received from the DH		0	0
Other loans received		0	0
Loans repaid to the DH		0	0
Other loans repaid		0	0
Other capital receipts		132	2
Capital element of finance leases and PFI		(3,267)	(335)
Net cash inflow/(outflow) from financing		**(3,135)**	**10,867**
Net increase/(decrease) in cash and cash equivalents		**1,281**	**(8,867)**
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		**2,670**	**11,537**
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	**23**	**3,951**	**2,670**

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010-11 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 Critical judgments in applying accounting policies

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

- The Trust's PFI scheme (including the main PFI and Managed Equipment Service) is deemed to fall on the balance sheet as assessed independently under IFRIC 12.

1.3.2 Key sources of estimation uncertainty

The only key area of uncertainty, as at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is provisions, ie. early retirements, permanent injury benefit awards, public and employer's liability claims, European Union Carbon Emissions Trading Scheme (EU ETS) and pay issues in respect of the staff and associate specialist contract.

1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end is not presently accounted for on the basis of materiality. This will be reviewed annually.

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

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

1.5 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

1.6 Other expenses

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

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

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

1.8 Intangible assets

Recognition

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

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

Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

Measurement

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

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

1.9 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.10 Donated assets

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

1.11 Government grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services.

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

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

The Trust as lessee

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

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases. This is a change in accounting policy from previous years where leased land was always treated as an operating lease.

The Trust as lessor

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

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

1.14 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI Asset

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

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the PFI assets when they are introduced on-statement and is subsequently measured as a finance lease liability in accordance with IAS 17.

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

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

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

Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are normally capitalised where they meet the Trust's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value being the cost. However, taking into account the Trust's current estate valuer's approach to assessing asset lives of building assets (which assumes assets are being maintained to original standards), then it is more appropriate for the Trust to treat such expenditure on property assets as a charge to revenue as and when charged through the unitary payment. With regard to the managed equipment service element of the PFI, major lifecycle costs are capitalised.

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

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

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

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

Other assets contributed by the Trust to the operator

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

1.15 Inventories

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

1.16 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms. For pension and injury benefit provisions the discount rate used to calculate the provision required going forward has been amended as at 31 March 2011 to 2.9% as per HM Treasury guidance and the impact shown in the Statement of Comprehensive Income on the line "change in discount rate".

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

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

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

1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 33.

1.19 Non-clinical risk pooling

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

1.20 EU Emissions Trading Scheme

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

1.21 Contingencies

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

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

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

1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications.

They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

Loans and receivables

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

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

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

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

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

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

1.23 Financial liabilities

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

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

Financial guarantee contract liabilities

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

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

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

Financial liabilities at fair value through profit and loss

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

Other financial liabilities

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

1.24 Value Added Tax

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

1.25 Foreign currencies

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

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 39 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

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

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

1.28 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.29 Subsidiaries

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

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

For 2009-10 and 2010-11 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

1.30 Associates

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

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

1.31 Joint ventures

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

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

1.32 Joint operations

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

1.33 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.34 Accounting Standards issued but not yet adopted

IFRIC 19 "Extinguishing financial liabilities with equity instruments" is effective from 1 July 2010. Neither the Treasury FReM nor the Department of Health's Manual for Accounts require this standard to be applied in 2010-11. The application of the IFRIC would not have a material impact on the Trust accounts in 2010-11, were it applied in that year.

2. Operating segments

The activities of St Helens and Knowsley Teaching Hospitals NHS Trust are all healthcare-related and treated as a single segment for the purposes of the accounts. The Trust's total revenue for 2010/11 was £252.944m of which primary care trusts provided 79% for patient activities alone.

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. There are no income generation activities whose full cost exceeded £1m.

4. Revenue from patient care activities

	2010-11 £000	2009-10 £000
Strategic health authorities	0	0
NHS trusts	0	0
Primary care trusts	200,748	193,969
Foundation trusts	0	0
Local authorities	0	0
Department of Health	41	350
NHS other	0	0
Non-NHS:		
Private patients	49	26
Overseas patients (non-reciprocal)	39	20
Injury costs recovery*	1,287	2,013
Other	2,225	2,204
	204,389	198,582

** Injury cost recovery income is subject to a provision for impairment of receivables of 9.6% to reflect expected rates of collection.*

5. Other operating revenue

	2010-11 £000	2009-10 £000
Patient transport services	0	0
Education, training and research	10,126	10,068
Charitable and other contributions to expenditure	3	0
Transfers from donated asset reserve	72	84
Transfers from government grant reserve	258	56
Non-patient care services to other bodies	12,430	13,866
Income generation	1,428	1,149
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue *	24,238	12,606
	48,555	37,829

** The principal item here is income relating to the Trust's PFI development.*

6. Revenue

	2010-11 £000	2009-10 £000
From rendering of services *	252,944	236,411
From sale of goods	0	0

** Revenue is not split between the rendering of services and the sale of goods due to immateriality of sale of goods.*

7. Operating expenses

	2010-11 £000	2009-10 £000
Services from other NHS trusts	1,214	1,144
Services from PCTs	4,615	4,637
Services from other NHS bodies	52	4
Services from foundation trusts	791	643
Purchase of healthcare from non NHS bodies	193	230
Trust chair and non executive directors	58	59
Employee benefits	148,358	145,557
Supplies and services - clinical	27,656	26,565
Supplies and services - general	1,289	1,907
Consultancy services	71	1
Establishment	3,194	4,063
Transport	279	382
Premises	10,069	8,757
Provision for impairment of receivables	112	113
Inventories write down	0	0
Depreciation	11,459	7,666
Amortisation	361	364
Impairments and reversals of property, plant and equipment *	21,939	42,258
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets	0	0
Impairments and reversals of non current assets held for sale	0	0
Audit fees	144	132
Other auditor's remuneration	0	0
Clinical negligence	3,684	3,289
Research and development	0	0
Education and Training	555	608
Other **	31,303	24,313
	267,396	272,692

** Impairment charges are non-cash technical charges to operating expenses. From 2008/9 onwards impairments for purchased assets are not covered by income, leading ultimately to a technical deficit on the Trust's income and expenditure account.. The figure for 2009/10, previously stated as £37,155,000, has been restated to £42,258,000 due to a change in national NHS accounting policy for economic impairments.*

*** The main component of "other" relates to PFI service costs.*

8. Operating leases

8.1 As lessee

	2010-11 £000	2009-10 £000
Payments recognised as an expense		
Minimum lease payments	138	370
Contingent rents	0	0
Sub-lease payments	0	0
	138	370

	2010-11				2009-10
	Buildings	Land	Other	Total	Total
Total future minimum lease payments	£000	£000	£000	£000	£000
Payable:					
Not later than one year	0	0	98	98	133
Between one and five years	0	0	71	71	168
After 5 years	0	0	0	0	0
Total	0	0	169	169	301

8.2 As lessor

The Trust has no leases where it is the lessor.

9. Employee costs and numbers

9.1 Employee costs

	2010-11 Total £000	2010-11 Permanently employed £000	2010-11 Other £000	2009-10 Total £000	2009-10 Permanently employed £000	2009-10 Other £000
Salaries and wages	125,165	116,287	8,878	123,026	114,165	8,861
Social security costs	9,529	9,198	331	9,185	8,879	306
Employer contributions to NHS Pension scheme	13,664	13,189	475	13,279	12,836	443
Other pension costs	0	0	0	67	67	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
Employee benefits expense	**148,358**	**138,674**	**9,684**	**145,557**	**135,947**	**9,610**
Of the total above:						
Charged to capital	0			0		
Employee benefits charged to revenue	148,358			145,557		
	148,358			145,557		

9.2 Average number of people employed

	2010-11 Total Number	2010-11 Permanently employed Number	2010-11 Other Number	2009-10 Total Number	2009-10 Permanently employed Number	2009-10 Other Number
Medical and dental	466	435	31	453	425	28
Ambulance staff	0	0	0	0	0	0
Administration and estates	852	807	45	903	848	55
Healthcare assistants and other support staff	70	70	0	83	83	0
Nursing, midwifery and health visiting staff	1,785	1,656	129	1,795	1,701	94
Nursing, midwifery and health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	417	415	2	390	387	3
Social care staff	6	6	0	3	3	0
Other	0	0	0	0	0	0
Total	**3,596**	**3,389**	**207**	**3,627**	**3,447**	**180**
Of the above:						
Number of whole time equivalent staff engaged on capital projects	0			0		

9.3 Staff sickness absence

	2010-11 Number	2009-10 Number
Total days lost	**44,150**	**42,343**
Total staff years	**4,265**	**3,602**
Average working days lost	10	12

The above figures are estimates based on data from the calendar year 2010.

9.4 Management Costs

	2010-11 £000	2009-10 £000
Management costs	7,520	7,532
Income	252,944	236,411
Management costs as a percentage of attributable income	3.0%	3.2%

9.5 Exit packages for staff leaving in 2010/11

The Trust has no exit packages to report for 2010/11.

10. Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

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

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

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the statement of comprehensive income at the time the trust commits itself to the retirement, regardless of the method of payment.

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

11. Better Payment Practice Code

11.1 Better Payment Practice Code - measure of compliance

		2010-11		2009-10
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	45,950	104,374	46,309	84,057
Total Non NHS trade invoices paid within target	42,759	97,379	45,266	81,494
Percentage of Non-NHS trade invoices paid within target	93%	93%	98%	97%
Total NHS trade invoices paid in the year	2,053	22,804	2,205	36,653
Total NHS trade invoices paid within target	2,034	22,604	2,183	36,595
Percentage of NHS trade invoices paid within target	99%	99%	99%	100%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. The Trust is also an approved signatory to the Government's Prompt Payment Code.

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

	2010-11	2009-10
	£000	£000
Amounts included in finance costs from claims made under this legislation	1	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	1	0

12. Investment revenue

	2010-11 £000	2009-10 £000
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	44	49
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	**44**	**49**

13. Other gains and losses

There were no other gains and losses to report in 2010/11 (prior year also nil).

14. Finance costs

	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	3	9
Interest on obligations under PFI contracts:		
- main finance cost	6,444	10,075
- contingent finance cost	2,327	0
Interest on late payment of commercial debt	1	0
Other interest expense	0	0
Total interest expense	**8,775**	**10,084**
Other finance costs	56	55
Total	**8,831**	**10,139**

15. Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
2010-11									
Cost or valuation at 1 April 2010	12,622	260,239	1,280	15,000	34,888	127	11,232	6,964	342,352
Additions purchased	78	48,441	0	0	6,390	0	772	147	55,828
Additions donated	0	53	0	0	70	0	9	0	132
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(4,835)	0	(7)	(1,171)	(6,013)
Revaluation/indexation gains	0	10,455	0	0	2	0	0	0	10,457
Impairments	0	(3,294)	0	0	0	0	0	0	(3,294)
Reversal of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2011	**12,700**	**315,894**	**1,280**	**15,000**	**36,515**	**127**	**12,006**	**5,940**	**399,462**
Depreciation at 1 April 2010	0	0	0	0	18,506	89	5,208	3,654	27,457
Reclassifications		0	0		0	0	0	0	0
Reclassified as held for sale	0	0	0		0	0	0	0	0
Disposals other than by sale	0	0	0		(4,665)	0	(7)	(1,171)	(5,843)
Revaluation/indexation gains	0	0	0		0	0	0	0	0
Impairments	0	41,946	1,248	0	508	0	0	0	43,702
Reversal of impairments	0	(21,763)	0	0	0	0	0	0	(21,763)
Charged during the year	0	3,809	32		4,906	10	2,059	643	11,459
Depreciation at 31 March 2011	**0**	**23,992**	**1,280**	**0**	**19,255**	**99**	**7,260**	**3,126**	**55,012**
Net book value									
Purchased	12,700	291,461	0	15,000	17,115	24	4,737	2,814	343,851
Donated	0	441	0	0	145	4	9	0	599
Government granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2011	**12,700**	**291,902**	**0**	**15,000**	**17,260**	**28**	**4,746**	**2,814**	**344,450**
Asset financing									
Owned	12,700	23,302	0	0	12,609	28	4,746	2,814	56,199
Finance leased	0	0	0	0	19	0	0	0	19
Private finance initiative	0	268,600	0	15,000	4,632	0	0	0	288,232
Total 31 March 2011	**12,700**	**291,902**	**0**	**15,000**	**17,260**	**28**	**4,746**	**2,814**	**344,450**

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construct and poa £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
2009-10									
Cost or valuation at 1 April 2009	12,622	145,183	2,073	34,057	31,175	275	12,723	5,716	243,824
Additions purchased	0	129,966	0	10,020	5,372	0	2,134	1,248	148,740
Additions donated	0	0	0	0	2	0	0	0	2
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	29,077	0	(29,077)	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,661)	(148)	(3,625)	0	(5,434)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments (restated - see note below*)	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2010	12,622	304,226	2,073	15,000	34,888	127	11,232	6,964	387,132
Depreciation at 1 April 2009	0	0	0	0	17,303	226	7,009	3,209	27,747
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,661)	(148)	(3,625)	0	(5,434)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments (restated - see note below*)	0	41,516	742	0	0	0	0	0	42,258
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	2,471	51	0	2,864	11	1,824	445	7,666
Depreciation at 31 March 2010	0	43,987	793	0	18,506	89	5,208	3,654	72,237
`									
Net book value									
Purchased	12,622	259,651	1,280	15,000	16,247	33	6,024	3,310	314,167
Donated	0	588	0	0	135	5	0	0	728
Government granted	0	0	0	0	0	0	0	0	0
Total at 31 March 2010	12,622	260,239	1,280	15,000	16,382	38	6,024	3,310	314,895
Asset financing									
Owned	12,622	31,369	1,280	0	14,217	38	6,024	3,310	68,860
Finance leased	0	0	0	0	90	0	0	0	90
Private finance initiative	0	228,870	0	15,000	2,075	0	0	0	245,945
Total 31 March 2010	12,622	260,239	1,280	15,000	16,382	38	6,024	3,310	314,895

** Due to a change in national NHS accounting policy for impairments the entries originally included in 2009/10 have been restated.*

Equipment is depreciated evenly over the estimated life of the asset. The ranges of asset lives used for different categories of plant and equipment are shown below:

- Plant and machinery 5 to 15 years
- Transport equipment 7 years
- Information Technology 5 to 8 years
- Furniture and fittings 7 to 10 years

Buildings and dwellings asset lives will vary according to their latest valuation. At the end of March 2011 the range of asset lives for these two categories were as follows:
-Buildings (excluding dwellings) = Minimum 4 years, maximum 87 years

Donated assets at a cost of £132,000 were financed by the Trust's charitable funds which in turn have been provided by members of the public or other non-NHS organisations.

15.1 Revaluation reserve balance for property, plant & equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	6,705	17,339	764	589	2	9	56	25,464
Movements	0	1,188	(764)	(142)	0	(9)	(1)	272
At 31 March 2011	**6,705**	**18,527**	**0**	**447**	**2**	**0**	**55**	**25,736**

16. Intangible assets

	Computer software - internally generated £000	Computer software - purchased £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
2010-11						
Gross cost at 1 April 2010	0	3,054	0	0	0	3,054
Additions purchased	0	433	0	0	0	433
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(11)	0	0	0	(11)
Revaluation/indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Gross cost at 31 March 2011	**0**	**3,476**	**0**	**0**	**0**	**3,476**
Amortisation at 1 April 2010	0	2,172	0	0	0	2,172
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(11)	0	0	0	(11)
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	0	361	0	0	0	361
Amortisation at 31 March 2011	**0**	**2,522**	**0**	**0**	**0**	**2,522**
Net book value						
Purchased	0	954	0	0	0	954
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
Total at 31 March 2011	**0**	**954**	**0**	**0**	**0**	**954**

	Computer software - internally generated £000	Computer software - purchased £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
2009-10						
Gross cost at 1 April 2009	0	2,928	0	0	0	2,928
Additions purchased	0	145	0	0	0	145
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(19)	0	0	0	(19)
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Gross cost at 31 March 2010	**0**	**3,054**	**0**	**0**	**0**	**3,054**
Amortisation at 1 April 2009	0	1,827	0	0	0	1,827
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	(19)	0	0	0	(19)
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	0	364	0	0	0	364
Amortisation at 31 March 2010	**0**	**2,172**	**0**	**0**	**0**	**2,172**
Net book value						
Purchased	0	882	0	0	0	882
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
Total at 31 March 2010	**0**	**882**	**0**	**0**	**0**	**882**

All the Trust's intangible assets related to computer software purchases which have been depreciated over 5 years. Cost is deemed to be a fair reflection of fair value.

16.1 Revaluation reserve balance for intangible assets

There are no revaluation reserve balances relating to intangible assets (prior year also nil).

17. Impairments

Total impairments incurred in 2010/11 year amounted to £25.233m of which £21.939m was charged to expenditure and £3.294m charged to the revaluation reserve. All related to property assets.

Of the £21.939m above, £11.392m relates to PFI associated assets and also the interim revaluation of these assets. The balance relates to Trust assets demolished as part of the PFI redevelopment and also the impact of the interim revaluation of all other Trust land and buildings. Of the £3.294m above charged to the revaluation reserve, £1.209m relates to PFI associated assets, the balance relating to the impact of the interim revaluation of all other Trust land and buildings.

The Trust's interim revaluation of land and buildings as at 31 March 2011 was done on a modern equivalent asset basis and undertaken by a professional qualified valuer (FRICS) of the firm DTZ Limited.

18. Commitments

18.1 Capital commitments

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

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	9	657
Intangible assets	0	0
Total	**9**	**657**

18.2 Other financial commitments

The Trust has no other financial commitments as at 31 March 2011 (prior year also nil).

19. Inventories

19.1 Inventories

	31 March 2011 £000	31 March 2010 £000
Drugs	981	997
Work in progress	0	0
Consumables	1,497	1,471
Energy	172	135
Other	0	0
Total	**2,650**	**2,603**
Of which held at net realisable value:	0	0

19.2 Inventories recognised in expenses

	31 March 2011 £000	31 March 2010 £000
Inventories recognised as an expense in the period	(23,996)	(22,078)
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0

20. Trade and other receivables

20.1 Trade and other receivables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables-revenue	3,705	0	4,128	0
NHS receivables-capital	0	0	0	0
Non-NHS receivables-revenue	1,655	0	1,377	0
Non-NHS receivables-capital	53	0	0	0
Provision for the impairment of receivables	(272)	(153)	(196)	(141)
Prepayments and accrued income	1,951	109	1,387	95
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	757	0	846	0
Other receivables	1,750	1,680	1,545	1,727
Total	9,599	1,636	9,087	1,681

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

20.2 Receivables past their due date but not impaired

	31 March 2011 £000	31 March 2010 £000
By up to three months	447	51
By three to six months	1	0
By more than six months	10	11
Total	458	62

No collateral is held against any of these outstanding debts.

20.3 Provision for impairment of receivables

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	(337)	(240)
Amount written off during the year	24	16
Amount recovered during the year	0	1
(Increase)/decrease in receivables impaired	(112)	(114)
Balance at 31 March	(425)	(337)

21. Other financial assets

The Trust has no other financial assets as at 31 March 2011 (prior year also nil).

22. Other current assets

	31 March 2011 £000	31 March 2010 £000
EU Emissions trading scheme allowances	283	288
Other assets	0	0
Total	283	288

23. Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	2,670	11,537
Net change in year	1,281	(8,867)
Balance at 31 March	3,951	2,670
Made up of		
Cash with Government banking services	3,916	2,643
Commercial banks and cash in hand	35	27
Current investments	0	0
Cash and cash equivalents as in statement of financial position	3,951	2,670
Bank overdraft - Government banking services	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	3,951	2,670

24. Non-current assets held for sale

The Trust has no non-current assets for sale as at 31 March 2011 (prior year also nil).

25. Trade and other payables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Interest payable	0		0	
NHS payables-revenue	4,030	0	2,480	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue	1,691	0	2,604	0
Non NHS trade payables - capital	160	0	1,494	0
Accruals and deferred income	12,833	0	11,571	0
Social security costs	0		0	
VAT	0	0	0	0
Tax	0		0	
Other*	3,050	0	236	0
Total	**21,764**	**0**	**18,385**	**0**

** Other payables include:*
£0 (2009-10 £0) for payments due in future years under arrangements to buy out the liability for early retirements over 5 instalments; and £2.782m outstanding pensions contributions at 31 March 2011 (31 March 2010 £0).
"Current" means payment is due no later than 12 months from the balance sheet date

26. Borrowings

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Bank overdraft - Government banking services	0		0	
Bank overdraft - Commercial banks	0		0	
Loans from:				
Department of Health	0	0	0	0
Other entities	0	0	0	0
PFI liabilities	4,575	267,059	318	224,711
LIFT	0	0	0	0
Finance lease liabilities	12	0	64	20
Other	0	0	0	0
Total	**4,587**	**267,059**	**382**	**224,731**

The main component concerns PFI liabilities which will be repaid over the life of the primary concession period ending in 2047 for the main PFI and 2026 for the managed equipment service element.

27. Other liabilities

The Trust has no other liabilities as at 31 March 2011 (prior year also nil).

28. Finance lease obligations

These relate to several medical equipment leases.

Amounts payable under finance leases:

	Minimum lease payments 31 March 2011 £000	Present value of minimum lease payments 31 March 2011 £000	Minimum lease payments 31 March 2010 £000	Present value of minimum lease payments 31 March 2010 £000
Within one year	12	12	68	64
Between one and five years	0	0	21	20
After five years	0	0	0	0
Less future finance charges	0		(5)	
Present value of minimum lease payments	**12**	**12**	**84**	**84**

	31 March 2011 £000	31 March 2010 £000
Included in:		
Current borrowings	12	64
Non-current borrowings	0	20
	12	**84**

29. Finance lease receivables

The Trust has no finance lease receivables (prior year also nil).

30. Finance lease commitments

The Trust has no finance lease commitments other than those already accounted for (prior year also nil).

31. Private Finance Initiative contracts

31.1 PFI schemes off-Statement of Financial Position

The Trust has no off-statement PFI schemes.

31.2 PFI schemes on-Statement of Financial Position

The PFI arrangement is between the Trust and New Hospitals, the latter being the special purpose vehicle currently acting for Medirest and Vinci. The main scheme is to build two new hospitals at the Trust's two sites in St Helens and Whiston. The new St Helens Hospital was completed and handed over in September 2008 while the first phase of the new Whiston Hospital was completed and handed over in January 2010, the last phase ending in 2012. The contract term runs to August 2047, the price base being uplifted annually by the Retail Price Index as at December, the base RPI having been set in December 2002. For the duration of the arrangement Vinci will provide hard facilities management (FM) services while soft FM services are currently provided by Medirest until 2013 when the service will be market tested (and every 5 years thereafter).

At the end of the arrangement the ownership of the buildings will pass to the Trust. Under IFRIC12 as interpreted for the public sector, the asset is treated as an asset of the Trust; the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

The PFI arrangement also incorporates a managed equipment service provided by GE which expires in 2026. In the contract the legal title of equipment remains that of GE for the duration of the contract with the legal title passing to the Trust upon expiry of the MES Contract term when the Trust shall purchase all functioning MES Equipment at a price equivalent to the current net book value.

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	17,561	9,808
Later than one year, not later than five years	74,252	43,560
Later than five years	517,514	459,395
Sub total	609,327	512,763
Less: interest element	(337,693)	(287,734)
Total	**271,634**	**225,029**

31.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £25.384m (prior year £19.259m).

The Trust is committed to the following charges

	31 March 2011 £000	31 March 2010 £000
Not later than one year	22,407	0
Later than one year, not later than five years	91,330	0
Later than five years	739,804	662,582
Total	**853,541**	**662,582**

32. Other financial liabilities

The Trust has no other financial liabilities as at 31 March 2011 (prior year also nil).

33. Provisions

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	76	958	76	1,063
Legal claims	250	0	226	0
Restructurings	0	0	0	0
Redundancy	0	0	0	0
Other*	593	1,460	563	1,458
Total	**919**	**2,418**	**865**	**2,521**

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal £000	Restructurings £000	Redundancy £000	Other £000	Total £000
At 1 April 2010	0	1,139	226	0	0	2,021	3,386
Arising during the year	0	48	193	0	0	747	988
Used during the year	0	(74)	(131)	0	0	(542)	(747)
Reversed unused	0	(48)	(38)	0	0	(108)	(194)
Unwinding of discount	0	23	0	0	0	33	56
Change in discount rate	0	(54)	0	0	0	(98)	(152)
At 31 March 2011	0	1,034	250	0	0	2,053	3,337
Expected timing** of cash flows:							
Within one year	0	76	250	0	0	593	919
Between one and five years	0	284	0	0	0	333	617
After five years	0	674	0	0	0	1,127	1,801

**The principal provisions classified under "other" include amounts for permanent injury benefit awards and medical contract issues and the EU Greenhouse Gas Emissions Trading Scheme.*

*** The timing of cashflows is based on the expected payments (pensions/permanent injury benefits) and expected settlement date of claims (all other). The latter, due to the nature of legal claims, is particularly subject to change.*

£12,036,867 is included in the provisions of the NHS Litigation Authority at 31/3/2011 in respect of clinical negligence liabilities of the Trust (31/03/2010, £6,776,186).

34. Contingencies

34.1 Contingent liabilities

	2010-11 £000	2009-10 £000
Equal pay cases	0	(15)
Other (relates to legal claims)	(38)	(89)
Amounts recoverable against contingent liabilities	0	0
Total	(38)	(104)

Please note that these liabilities are uncertain. The figures above are in addition to any provisions made in the accounts as shown in note 33.

34.2 Contingent assets

The Trust has a contingent asset valued at £41,000 relating to unrealised excess allowances on the European Union Emissions Trading Scheme (prior year £119,000). Please note that this asset is uncertain and only potentially realisable.

35. Financial instruments

35.1 Financial assets

	At fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0			0
Receivables		5,413		5,413
Cash at bank and in hand		3,951		3,951
Other financial assets	0	0	0	0
Total at 31 March 2011	**0**	**9,364**	**0**	**9,364**
Embedded derivatives	0			0
Receivables		5,505		5,505
Cash at bank and in hand		2,670		2,670
Other financial assets	0	0	0	0
Total at 31 March 2010	**0**	**8,175**	**0**	**8,175**

35.2 Financial liabilities

	At fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0		0
Payables		5,881	5,881
PFI and finance lease obligations		271,646	271,646
Other borrowings		0	0
Other financial liabilities	0	0	0
Total at 31 March 2011	**0**	**277,527**	**277,527**
Embedded derivatives	0		0
Payables		6,578	6,578
PFI and finance lease obligations		225,113	225,113
Other borrowings		0	0
Other financial liabilities	0	0	0
Total at 31 March 2010	**0**	**231,691**	**231,691**

35.3 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

36. Events after the reporting period

There are no events to report.

37. Financial performance targets

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

37.1 Breakeven performance

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Turnover	190,323	197,085	268,405	214,116	236,411	252,944
Retained surplus/(deficit) for the year	106	257	219	(22,687)	(44,653)	(25,613)
Adjustment for:						
Timing/non-cash impacting distortions:						
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0					
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0				
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0			
Adjustments for Impairments**				22,904	37,155	21,939
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					7,723	3,970
Other agreed adjustments	0	0	0	0	0	0
Break-even in-year position	106	257	219	217	225	296
Break-even cumulative position	2,114	2,371	2,590	2,807	3,032	3,328

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

**The retained surplus/(deficit) for the year figure and the impairments figure above are the original figures as stated last year prior to the change in national NHS accounting policy.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Materiality test (I.e. is it equal to or less than 0.5%):						
Break-even in-year position as a percentage of turnover	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Break-even cumulative position as a percentage of turnover	1.1%	1.2%	1.0%	1.3%	1.3%	1.3%

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

37.2 Capital cost absorption rate

Until 2008/09 the Trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

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

37.3 External financing

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

		2010-11	2009-10
	£000	£000	£000
External financing limit		(1,790)	19,736
Cash flow financing	(4,416)		19,734
Finance leases taken out in the year	0		0
Other capital receipts	(132)		(2)
External financing requirement		**(4,548)**	**19,732**
Undershoot/(overshoot) (See note below)		**2,758**	**4**

Note:
£2.751m of the undershoot above was due to changes notified post year-end in the analysis of the Trust's PFI unitary payments. Had the Trust adjusted the cash flow analysis to allow for this to show a more accurate reflection of its performance against its EFL target, the undershoot would have been only £7k, representing the variance between the cash balance held at year-end and the Trust's target cash balance prior to the late changes.

37.4 Capital resource limit

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

	2010-11 £000	2009-10 £000
Gross capital expenditure	56,393	148,887
Less: book value of assets disposed of	(170)	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(132)	(2)
Charge against the capital resource limit	56,091	148,885
Capital resource limit	56,399	149,298
(Over)/underspend against the capital resource limit *	**308**	**413**

**The underspend conforms with the Trust's revised capital plan for 2010/11 and reported to and agreed with NHS North West early on during the year.*

38. Related party transactions

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with St Helens and Knowsley Teaching Hospitals NHS Trust.

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

Halton and St Helens Primary Care Trust
NHS Litigation Authority
NHS Purchasing and Supply Agency
Various other primary care trusts
Knowsley Primary Care Trust
NHS Business Services Authority
North West Strategic Health Authority

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the NHS Trust board. Transactions will need to be disclosed and reference made to the separate Trustees Report and Accounts for the NHS Charity.

39. Third party assets

The Trust held £1,822 cash and cash equivalents at 31 March 2011 (£1,683 - at 31 March 2010) which relates to moneys held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

40. Intra-Government and other balances

	Current receivables	Non-current receivables	Current payables	Non-current payables
Balances with other central government bodies	3,827	0	5,499	0
Balances with local authorities	1	0	0	0
Balances with NHS trusts and foundation trusts	1,067	0	1,363	0
Balances with public corporations and trading funds	0	0	0	0
Intra government balances	4,895	0	6,862	0
Balances with bodies external to government	4,704	1,636	14,902	0
At 31 March 2011	**9,599**	**1,636**	**21,764**	**0**
Balances with other central government bodies	3,376	0	1,979	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts and foundation trusts	752	0	502	0
Balances with public corporations and trading funds	0	0	0	0
Intra government balances	4,128	0	2,481	0
Balances with bodies external to government	4,959	1,681	15,904	0
At 31 March 2010	**9,087**	**1,681**	**18,385**	**0**

41. Losses and special payments

There were 127 cases of losses and special payments (2009-10: 162 cases) totalling £169,582 (2009-10: £138,964) accrued during 2010-11.

There were no cases exceeding £250,000 in 2010/11 (2009/10 also nil).

Directors Remuneration Report

Section 234B and Schedule 7A of the Companies Act, as interpreted for the public sector requires NHS bodies to prepare a Remuneration Report containing information about directors' remuneration.

A) Remuneration

Name and Title	2010-11 Salary (bands of £5000) £000	2010-11 Other Remuneration (bands of £5000) £000	2009-10 Salary (bands of £5000) £000	2009-10 Other Remuneration (bands of £5000) £000
Mr L Howell, Chairman *(Started 1 June 2008)*	20 - 25	0	20 - 25	0
Ms AM Marr, Chief Executive	165 - 170	0	170 - 175	0
Mr AH Mulvey, Deputy Chief Executive/Director of Finance *(Left 31 January 2010)*			100 - 105	0
Mr DP Finn, Director of Finance and Information *(Started 1 February 2010)*	95 - 100	0	15 - 20	0
Dr M Lynch, Medical Director *(Started 1 April 2007, second term of office from 1 April 2010)*	25 - 30	190 - 195	25 - 30	190 - 195
Ms G Core, Director of Nursing, Midwifery & Governance	95 - 100	0	95 - 100	0
Mrs AM Stretch, Director of Human Resources	100 - 105	0	100 - 105	0
Mr D Bradbury, Non-Executive Director *(Started 1 June 2004, second term of office to 31 May 2012)*	5 - 10	0	5 - 10	0
Mr R Swainson, Non-Executive Director *(Started 1 November 2006, second term of office from 1 November 2010)*	5 - 10	0	5 -10	0
Mrs A Close, Non-Executive Director *(Started 1 November 2008, first term of office to 31 October 2012 - salary costs recharged from her main employer)*	5 - 10	0	5 - 10	0
Mr R Hill, Non-Executive Director *(Started 1 December 2005, second term of office to 30 November 2013)*	5 - 10	0	5 - 10	0
Mr W Hobden, Non-Executive Director *(Started 18 June 2009, first term of office to 17 June 2013)*	5 - 10	0	0 - 5	0

Notes:

The Trust Board oversees the running and direction of the Trust and is accountable for financial and operational performance. The Chair and five non-Executive Directors are initially appointed for a four-year term by the Secretary of State for Health and can be reappointed for further similar terms. The Chief Executive post is a standard NHS contract with no time element included and is reviewed by the Trust's Remuneration Committee on an annual basis. In attendance at this committee is the Chairman, Chief Executive and at least two non-Executive Directors, except when their salaries are discussed. The Human Resources Director also serves the Remuneration Committee except when the Human Resources Director's remuneration is discussed. The Finance Director, Human Resources Director and Nursing Director posts are substantive appointments. Along with the Chief Executive their posts would be subject to national competition if they became vacant. The Medical Director is appointed from within the Trust consultant body on a fixed-term contract.

In respect of pay awards for Executive Directors, these are made in line with Department of Health guidance. The Trust has a robust appraisal process in place for Executive Directors but does not operate a performance-related pay framework. All the Trust Executive Directors are employed on a full-time substantive contract with a 6 months contract termination notice period either side. There have been no significant awards made to past Executive Directors for early terminations of contract.

Please note that elements of the Remuneration Report are subject to audit, namely the salary and pension entitlements of senior managers (ie. the Board) and certain other information relating to the membership of the Remuneration Committee, the remuneration policy of senior managers, employment contracts, early terminations and significant awards to past senior managers if made.

B) Pension Benefits

Name and title	Real increase/ (decrease) in pension at age 60 (bands of £2500) £000	Real increase/ (decrease) in lump sum at aged 60 related to real increase/ (decrease) in pension (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2011 (bands of £5000) £000	Lump sum at age 60 related to accrued pension at 31 March 2011 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2011 £000	Cash Equivalent Transfer Value at 31 March 2010 £000	Real increase/ (decrease) in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension £000
Ms AM Marr, Chief Executive	0 - 2.5	5 - 7.5	60 - 65	185 - 190	1,132	1,216	(85)	0
Mr DP Finn, Director of Finance and Information *(Started 1 February 2010)*	0 - 2.5	2.5 - 5	20 - 25	70 - 75	307	284	4	0
Dr M Lynch, Medical Director *(see note below)*	0 - 2.5	5 - 7.5	85 - 90	260 - 265				0
Ms G Core, Director of Nursing, Midwifery & Governance	0 - 2.5	2.5 - 5	40 - 45	120 - 125	648	696	(49)	0
Mrs AM Stretch, Director of Human Resources	2.5 - 5	7.5 - 10	35 - 40	105 - 110	502	532	(29)	0

Please note that the above information has been provided by the NHS Business Services Agency - Pensions Division.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

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 figures shown relate 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 the disclosure applies. Please note that CETV figures are no longer shown for Dr Lynch who has reached retirement age during the period.

The CETV figures, and other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit 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. The Government Actuary Department (GAD) factors for the calculation of CETV's assume that benefits are indexed in line with CPI which is expected to be lower than RPI which was used previously and hence will tend to produce lower transfer values.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer.