



<b>Trust name:</b>	London Ambulance Service NHS Trust
<b>This year</b>	2009/10
<b>Last year</b>	2008/09
<b>This year ended</b>	31 March 2010
<b>Last year ended</b>	31 March 2009
<b>This year commencing:</b>	1 April 2009

## **FOREWORD TO THE ACCOUNTS**

### **LONDON AMBULANCE SERVICE NHS TRUST**

These accounts for the year ended 31 March 2010 have been prepared by the London Ambulance Service 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.

**DIRECTOR'S STATEMENT**

**Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust**

The Chief Executive of the NHS has designated 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 in 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.

Signed.....Chief Executive                      Date.....

**Statement of Directors' Responsibilities in respect of the accounts**

The directors are required under the national Health Services 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 cash flows for the year. In preparing those accounts, directors are required to:

make judgements 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.

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

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 directions 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

Signed.....Chief Executive.                      Date.....

Signed.....Finance Director,                      Date.....

## **Independent auditor's report to the Board of Directors of London Ambulance NHS Trust**

### **Opinion on the financial statements**

I have audited the financial statements of London Ambulance Service NHS Trust for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income for the year, Statement of Financial Position, Statement of Changes in Taxpayers Equity, Statement of Cashflows for the Year and the related notes. These financial statements have been 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 set out within them. 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 London Ambulance Service NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of Directors and auditor**

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Operational and Financial Review, included in the Annual Report, is consistent with the financial statements.

I review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2008/09 issued 25 February 2009. I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information, comprising the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the remaining elements of the Operating and Financial Review included in the Annual Report, is consistent with the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2010 and of its income and expenditure for the year then ended;
- 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 as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Operational and Financial Review, included within the Annual Report, is consistent with the financial statements.

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

***Directors' Responsibilities***

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

***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust 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 in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. 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.

***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, London Ambulance Service NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

***Certificate***

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

.....  
District Auditor  
Audit Commission  
1st Floor Millbank Tower  
Millbank  
London  
SW1P 4QP  
xx June 2010

## STATEMENT ON INTERNAL CONTROLS 2009/10

### 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.

As Accountable Officer I have overall accountability for having a robust risk management system in place which is supported by a management structure, processes and monitoring arrangements, and an assurance and risk management framework. These arrangements are documented in the Risk Management Policy and Strategy which defines risk as anything threatening the achievement of our strategic objectives. It defines the ownership and subsequent management of the identified risks and the responsibilities of individuals and it describes the Trust Board's corporate responsibility for the system of internal control and robust risk management.

As part of London's local health economy we work with our partners to minimise the risks to patient care. To do so we meet routinely with our lead commissioners and with the performance team at NHS London, and strive to meet and maintain the key performance targets set for ambulance services. We work in partnership with health and social care organisations in the development and implementation of Healthcare for London. In 2009/10 this has included the development of pathways for stroke, cardiac and major trauma care across London, as well as developing pathways for urgent and emergency care in local areas.

### 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 in the London Ambulance Service NHS Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

### 3. Capacity to handle Risk

The management of risk is delegated by the Trust Board to the Chief Executive as Accountable Officer and to two board committees: Audit and Clinical Governance. An executive committee, Risk Compliance & Assurance (RCAG), is chaired by the Chief Executive with delegated authority from the Trust Board to take an overview of risk management activities within the Trust.

Risks are separated into the following groups: strategic, corporate, clinical, governance, financial, human resources, health & safety, business continuity, information management & technology, infection control, logistics, operational, and reputational. Management of risks is delegated to directors:

Director of Finance – financial risk management

Medical Director – clinical risk management & clinical governance

Director of Human Resources & Organisational development – operational risk management such as health & safety, occupational health, training, and human resources

Director of Operations – operational risk management such as frontline ambulance services and control rooms which could impact upon patient care

Director of Service Development – service development and new business opportunities

Director of IM&T – IM&T and information risk management

Director of Corporate Services – corporate risk management such as regulation and compliance and overall responsibility for ensuring that corporate risk processes and controls are in place.

The Directors of Finance and Corporate Services routinely attend the Audit Committee and are members of RCAG as is the Medical Director who is a member of the Clinical Governance Committee and is the nominated director for Infection Prevention & Control and for Safeguarding (vulnerable adults and children). The Director of Human Resources and Organisational Development is the nominated director for security management.

A mandatory training plan is in place for our employees and covers elements of the NHSLA training needs analysis requirements 2009/10. New staff attend induction which covers the basic risk and safety management responsibilities and arrangements. Staff are trained to the level and for the areas appropriate to their role. The regular service-wide bulletin system is used to communicate changes to practice and there are clinical and training updates published for all staff via the intranet. Individual managers are responsible for ensuring their staff receive such information and undertake the training and development required for them to safely undertake their role.

The Trust has reviewed the risk management structure and governance arrangements during 2009/10 and have agreed a new structure to commence from April 2010, replacing the Clinical Governance Committee with the Quality Committee at board level.

#### 4. The Risk and Control Framework

The Risk Management Policy and Strategy defines the risk management process which specifies the way risk (or change in risk) is identified, assessed and managed through controls. We are compliant with level one of the NHSLA risk management standards for ambulance trusts.

The Risk Management Policy and Strategy describes the process for embedding risk management throughout the trust and during 2009/10 we introduced the risk register procedure to support this process.

Incidents are reported in accordance with the incident reporting procedure and are then scored, either by local managers or by the risk and safety team, using the NPSA risk severity matrix. Action is then taken to control, manage or mitigate the risk and depending upon the score the risk may be added to the corporate register for review by the RCAG or monitored at a local level.

We have been registered with the Care Quality Commission (CQC) since April 2009 to meet the requirements of the 'Code of Practice for health and adult social care on the prevention and control of infections and related guidance' under the Health and Social Care Act 2008. We were inspected twice during 2009/10 and a number of recommendations were made that have been built into a 12-point action plan. The action plan and the infection prevention and control champions for complexes were highlighted by the CQC inspectors as examples of good practice.

In March 2010 we received unconditional registration from the CQC to provide the following regulated activities:

- Transport services, triage and medical advice provided remotely
- Treatment of disease, disorder or injury
- Diagnostic and screening procedures

During 2009/10 the Trust Board reviewed the strategic risks facing the Trust in the next 3-5 years and these have since been mapped to the updated strategic goals and corporate objectives for the same period.

We have also mapped the most significant risks from the Corporate Risk Register against the standards contained within Care Quality Commission annual the health check, identifying the key controls in place that are managing these risks and listing assurances (positive or negative) that we have received assuring the effectiveness of these controls.

Progress with mitigating the risks is reviewed by the Risk Compliance and Assurance Group. The Board Assurance Framework (BAF) is a key tool in examining the system of internal control that is in place to manage our risks. During the year the BAF comprised of the 25 highest scoring risks cross referenced to the seven domains of the core standards for better health. The Standards for Better Health Group updated the controls as they reviewed the evidence of compliance for the core standards in 2009/10. The BAF was updated by the end of March 2010 for the year 2010/11 to reflect the changes to the strategic risks and goals for the next 3 – 5 years as well as the move to the Care Quality Commission registration system, replacing the core standards for better health. Both the corporate risk register and the board assurance framework support the evidence reported in this Statement on Internal Control. The significant control issues are captured in both documents and are closely monitored for improvements.

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

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 in to the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

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.

We are fully compliant with the core standards for better health. A declaration of compliance against all but two standards was made in December 2009 with insufficient evidence against two standards: C4d management of medicines and C11b Mandatory training. These were subsequently reviewed by the Trust Board in March 2010 with satisfactory evidence in place to support compliance.

We reported one information governance serious untoward incident (SUI) during the year. This concerned the loss of personal identifiable data when a member of staff's vehicle was broken into. The SUI procedure was followed and there have been no further issues of concern from this incident.

Actions have been taken in the following areas to strengthen control and minimise risk:

##### **Human Resources and Organisation Development**

- We have worked to ensure compliance with the Equality Act 2010.
- Our senior management-led Equality & Diversity Steering Group is functioning well.
- The number of frontline staff delivering patient care increased by 421 to improve achievement of the Category A and B targets.

### **Clinical Care**

- We have acquired 390 new model defibrillators to help support the improvement in the cardiac survival rate in London.
- We continue to provide CPR training to the public and businesses.
- We have improved the delivery of our clinical care fleet with the acquisition of 72 modern ambulances as part of a rolling programme.
  
- Clinical care pathways are being developed to support the rollout of Healthcare for London.

### **Control Services**

- During the peak in swine flu related calls we worked closely with NHS Direct to ensure that ambulances were despatched appropriately.
- Resilience in our control room has been improved with the deployment of increased resources to meet demand
- Pressure levels within our resourcing escalatory action plan were refined during the year, and contingency plans developed in the event of significantly higher demand as a result of swine flu.

### **Information Management and Technology**

- We protect data through administrative and technical controls.
- Administrative controls such as
  - data handling policies
  - regulatory compliance, e.g. Caldicott recommendations, NHS Code of Practice, Data Protection Act 1998, Freedom of Information Act 2001 and ISO 27001.
  - security awareness training
  - employee background checks
- Technical Controls such as
  - edge security, eg firewalls and content filtering appliances
  - access control mechanisms
  - laptop encryption
  - removable media encryption
- Work in implementing the new control system which will significantly enhance resilience and capability remains on track.
- Work has begun on building a dedicated Events Control Room which will provide dedicated co-ordination support to annual events such as the Notting Hill Carnival.

### **Business Continuity**

- Our programme of testing departmental plans has continued.
- We held a pandemic flu business continuity workshop during the year and as a result of this a business continuity departmental flu plan document was put in place.
- A business continuity plan for ambulance station complexes has been developed which will include adverse weather considerations.
  
- Work on developing fuel resilience within the Trust has taken place.
- Training for both operational and support staff has been under development and for the latter has been delivered as part of a one-day refresher course.

### **Accounting**

- During the year controls over bookkeeping were strengthened after instances of journals being inputted and authorised by the same individual were found. In addition instances where the matching concept was not applied leading to an understatement of expenditure in some areas during the year were discovered. Corrective action was taken during the year through journal control reconciliation.

### **Public Involvement**

- Complaints, incidents, PALS and claims are all indicators of risk and are managed and reported in line with Trust policy. We operate a policy of openness and transparency and seek to engage the public in resolving issues and managing risks. We work in partnership with the LAS Patients' Forum to consider issues of concern about service provision. During 2009/10, our feedback and learning from improvement group has managed this and is being replaced by the learning from experience group from April 2010.

### **Control Issues**

#### **The Head of Internal Audit Opinion is as follows:**

Based on the work undertaken in 2009/10, significant assurance can be given that there is a general sound system of internal control, designed to meet the organisation's objectives, and that the controls are generally being applied consistently. However, some weakness in the inconsistent application out the achievement of particular objectives at risk.

The control issues were identified during the year by our internal auditors were as follows:

#### **A) Management of controlled drugs:**

Following an audit review undertaken on 2008/09, the auditors undertook a further review in July 2009 and found a number of control weaknesses leading to an audit opinion of 'limited assurance'. We have implemented a robust action plan and progress has been made in the latter part of the year. As a result of the audit opinion, our Trust Board considered there to be insufficient evidence against the core standard for medicines management in the December 2009 declaration. The Trust Board has since received evidence of progress made and has the assurance that there are no significant lapses that could cause a risk to patient safety. The BAF identifies the gaps in controls and assurance specifically as failure to comply with policies and procedures relating to the management of controlled drugs.

#### **B) Records management (patient report forms):**

Internal audit undertook a review of patient record forms and identified that these were not being completed in accordance with Trust policy in certain cases and that this was not being followed up at a local level. The review also identified that there was a risk of unauthorised access to patient report forms, and therefore patient data, due to a lack of security with the boxes. The BAF has identified gaps in control and assurance and action is being taken to address these.





C) Patient Transport Service journeys were not always supported by booking forms with journey and price information. Signed agreements were not in place for all contracts. We have put an action plan in place to resolve these issues.

D) Medical devices: an audit identified a number of weaknesses in respect of stock holding, reporting of losses and monitoring of losses of these items of equipment. An action plan is being prepared to address and resolve these issues.

## 5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed 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 the internal audit work. Executive 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 is also informed by bodies such as external auditors, the core standards declaration, registration under the Care Quality Commission, and the Health and Safety Executive.

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 and Clinical Governance Committees, and the Risk Compliance and Assurance Group. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Trust Board delegates authority for risk management to two committees:

- Audit Committee
- Clinical Governance Committee (Quality Committee from 1st April 2010)

The Chairs of these committees provide an oral report to the Trust Board following the most recent meeting providing assurance on risk management and the effectiveness of the systems and controls that are in place. The minutes are then circulated to Trust Board members.

The Audit Committee advises the Board about how well the Trust is operating the risk management system. To carry out this responsibility it receives reports from the Chief Executive and from both internal and external audit when they review risk management systems and processes.

The Clinical Governance Committee has had responsibility for ensuring the provision of high quality clinical care in the Trust. This is achieved through monitoring and making appropriate recommendations on performance in areas of clinical governance reviewed by the Care Quality Commission. From April 2010 the Quality Committee will provide this assurance to the Trust Board.

The Risk Compliance and Assurance Group has delegated responsibility for taking a general overview of all risk management activities within the Trust and to pick up any specific risk management issues which are not covered by the specific Audit and Clinical Governance Committees. This committee also receives a report on the management of all identified high priority risks that have been identified by Trust systems and processes. One information governance SU1 concerning the loss of personal identifiable data was discovered and reported in the year in line with national and local guidance. This was investigated and action taken to learn from the incident and there have been no further causes for concern. The Information Governance group has been re-formed with new membership from April 2010 and will report to the Risk Compliance and Assurance Group.

The Trust Board receives regular reports from the Director of Finance and the Medical Director, and my report as Chief Executive provides assurance about the performance of the organisation and any key strategic, regulatory or compliance issues arising during the reporting period. The Trust Board receives a quarterly report on clinical quality and safety.

In addition, the Trust Board receives an annual report from the Audit Committee and on Equality and Inclusion, and routine reports the patient experience.

With the exception of the internal control issues that I have outlined in this statement, my review confirms that the London Ambulance Service NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

Peter Bradley  
Chief Executive Officer  
XX XX 2010

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 March 2010**

	NOTE	2009/10 £000	2008/09 £000
<b>Revenue</b>			
Revenue from patient care activities	5	269,557	251,378
Other operating revenue	6	10,307	10,154
Operating expenses	8	(275,633)	(255,438)
<b>Operating surplus (deficit)</b>		<b>4,231</b>	<b>6,094</b>
<b>Finance costs:</b>			
Investment revenue	14	577	1,287
Other gains and (losses)	15	(128)	(52)
Finance costs	16	(1,540)	(1,581)
<b>Surplus/(deficit) for the financial year</b>		<b>3,140</b>	<b>5,748</b>
Public dividend capital dividends payable		(3,560)	(4,414)
<b>Retained surplus/(deficit) for the year</b>		<b>(420)</b>	<b>1,334</b>
<b>Other comprehensive income</b>			
Impairments and reversals		(10,692)	(17,510)
Gains on revaluations		15,315	0
Receipt of donated/government granted assets		0	0
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		(2)	(62)
- On disposal of available for sale financial assets		0	0
<b>Total comprehensive income for the year</b>		<b>4,201</b>	<b>(16,238)</b>

The notes on pages 6 to 38 form part of these accounts.

**STATEMENT OF FINANCIAL POSITION AS AT  
31 March 2010**

	NOTE	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
<b>Non-current assets</b>				
Property, plant and equipment	17	131,434	122,287	139,814
Intangible assets	18	12,639	6,752	3,765
Investment property		0	0	0
Other financial assets	23	0	0	0
Trade and other receivables	22	10,526	10,961	22,948
<b>Total non-current assets</b>		<b>154,599</b>	<b>140,000</b>	<b>166,527</b>
<b>Current assets</b>				
Inventories	21	2,783	2,600	1,930
Trade and other receivables	22	16,448	14,081	10,347
Other financial assets	23	0	0	0
Other current assets	24	0	0	0
Cash and cash equivalents	25	5,141	2,651	10,478
		<b>24,372</b>	<b>19,332</b>	<b>22,755</b>
Non-current assets held for sale	26	650	0	0
<b>Total current assets</b>		<b>25,022</b>	<b>19,332</b>	<b>22,755</b>
<b>Total assets</b>		<b>179,621</b>	<b>159,332</b>	<b>189,282</b>
<b>Current liabilities</b>				
Trade and other payables	27	(25,026)	(16,915)	(19,847)
Other liabilities	29	0	0	0
DH Working capital loan		0	0	0
DH Capital loan		(1,244)	0	0
Borrowings	28	(3,504)	(3,721)	(5,275)
Other financial liabilities	34	0	0	0
Provisions	35	(1,938)	(1,280)	(2,954)
<b>Net current assets/(liabilities)</b>		<b>(6,690)</b>	<b>(2,584)</b>	<b>(5,321)</b>
<b>Total assets less current liabilities</b>		<b>147,909</b>	<b>137,416</b>	<b>161,206</b>
<b>Non-current liabilities</b>				
Borrowings	28	(21,558)	(25,001)	(28,604)
DH Working capital loan		0	0	0
DH Capital loan		(8,075)	0	0
Trade and other payables	27	0	0	0
Other financial liabilities	34	0	0	0
Provisions	35	(8,949)	(10,651)	(15,635)
Other liabilities	29	0	0	0
<b>Total assets employed</b>		<b>109,327</b>	<b>101,764</b>	<b>116,967</b>
<b>Financed by taxpayers' equity:</b>				
Public dividend capital		60,885	57,523	56,488
Retained earnings		12,943	12,609	10,225
Revaluation reserve		35,914	32,045	50,605
Donated asset reserve		4	6	68
Government grant reserve		0	0	0
Other reserves		(419)	(419)	(419)
<b>Total Taxpayers' Equity</b>		<b>109,327</b>	<b>101,764</b>	<b>116,967</b>

The financial statements on pages 1 to 38 were approved by the Board on 7th June 2010 and signed on its behalf by:

Signed: .....(Chief Executive)

Date: .....

Signed: .....(Audit Committee Chair)

Date: .....

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

	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
<b>Balance at 31 March 2008</b>							
As previously stated	56,488	10,225	50,605	68	0	(419)	116,967
Prior Period Adjustment	0	0	0	0	0	0	0
<b>Restated balance</b>	<b>56,488</b>	<b>10,225</b>	<b>50,605</b>	<b>68</b>	<b>0</b>	<b>(419)</b>	<b>116,967</b>
<b>Changes in taxpayers' equity for 2008/09</b>							
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	1,334	0	0	0	0	1,334
Transfers between reserves	0	1,050	(1,050)	0	0	0	0
Impairments and reversals	0	0	(17,510)	0	0	0	(17,510)
Net gain on revaluation of property, plant, equipment	0	0	0	0	0	0	0
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Net gain on revaluation of non current assets held for sale	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	0	0	0	0
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(62)	0	0	(62)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	1,035	0	0	0	0	0	1,035
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
<b>Balance at 31 March 2009</b>	<b>57,523</b>	<b>12,609</b>	<b>32,045</b>	<b>6</b>	<b>0</b>	<b>(419)</b>	<b>101,764</b>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

	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
<b>Changes in taxpayers' equity for 2009/10</b>							
<b>Balance at 1 April 2009</b>	57,523	12,609	32,045	6	0	(419)	101,764
Total Comprehensive Income for the year							
Retained surplus/(deficit) for the year	0	(420)	0	0	0	0	(420)
Transfers between reserves	0	754	(754)	0	0	0	0
Impairments and reversals	0	0	(10,692)	0	0	0	(10,692)
Net gain on revaluation of property, plant, equipment	0	0	15,315	0	0	0	15,315
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Net gain on revaluation of non current assets held for sale	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	0	0	0	0
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(2)	0	0	(2)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	3,362	0	0	0	0	0	3,362
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
<b>Balance at 31 March 2010</b>	<b>60,885</b>	<b>12,943</b>	<b>35,914</b>	<b>4</b>	<b>0</b>	<b>(419)</b>	<b>109,327</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**

**31 March 2010**

	NOTE	2009/10 £000	2008/09 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		4,231	6,094
Depreciation and amortisation		12,002	11,648
Impairments and reversals		1,845	0
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(2)	(62)
Transfer from government grant reserve		0	0
Interest paid		(1,366)	(1,421)
Dividends paid		(3,360)	(4,414)
(Increase)/decrease in inventories		(183)	(670)
(Increase)/decrease in trade and other receivables		(1,136)	4,960
(Increase)/decrease in other current assets		0	0
Increase/(decrease) in trade and other payables		1,130	(2,102)
Increase/(decrease) in other current liabilities		0	0
Increase/(decrease) in provisions	35	(1,217)	(6,818)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>11,944</b>	<b>7,215</b>
<b>Cash flows from investing activities</b>			
Interest received		53	625
(Payments) for property, plant and equipment	17	(15,064)	(11,082)
Proceeds from disposal of plant, property and equipment		323	3,912
(Payments) for intangible assets	18	(3,867)	(4,375)
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
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(18,555)</b>	<b>(10,920)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(6,611)</b>	<b>(3,705)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		3,362	1,035
Public dividend capital repaid		0	0
Loans received from the DH		10,000	0
Other loans received		0	0
Loans repaid to the DH		(681)	0
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance leases and PFI		(3,522)	(3,762)
Cash transferred to NHS Foundation Trusts		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>9,159</b>	<b>(2,727)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,548</b>	<b>(6,432)</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>2,533</b>	<b>8,965</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	25	<b>5,081</b>	<b>2,533</b>

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 2009/10 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 judgements in applying accounting policies**

The following are the critical judgements, 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.

Various leases in respect of transport equipment have been classified as finance leases as it is considered that the Trust has substantially all the risks and rewards incidental to ownership of these vehicles. The primary reason for this judgement is that the lease term is for the major part of the economic life of the asset.

**1.3.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

*Asset Valuations*

All land and buildings are restated to fair value by way of professional valuations every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the building cost information service (BCIS). The land index is based on the residential building values reported in the Property Market Report published by the valuation office. The valuations can be materially affected by the indices chosen by management.

The carrying values of land and buildings are shown in note 17.



## 1. Accounting Policies (continued)

### *Asset Lives*

The reported amounts for depreciation of property, plant and equipment and amortisation of non-current intangible assets can be materially affected by the judgements exercised in determining their estimated economic lives.

The estimated economic lives are disclosed in note 1.11 and the carrying values of property, plant and equipment and intangible assets in notes 17 and 18 respectively.

### *Provisions*

Provisions are made for liabilities that are uncertain in amount. These include provisions for the cost of pensions relating to other staff, legal claims, restructuring and other provisions.

Calculations of these provisions are based on estimated cash flows relating to these costs, discounted at an appropriate rate where significant. The costs and timings of cash flows relating to these liabilities are based on management estimates supported by external advisors.

The carrying values of provisions are shown in note 35.

## 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

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 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.

Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trust's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

## 1. Accounting Policies (continued)

### 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. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest.

The Trusts carried valuations in accordance with the new requirements as at 31 March 2010.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has 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.

## 1. Accounting Policies (continued)

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

### Subsequent expenditure

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

## 1.8 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when 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. Accounting Policies (continued)**

**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

The estimated useful lives are as follows:

	Years
A&E Ambulances (leased)	12
Medical equipment & engineering plant & equipment	5 to 10
Furniture	10
Set up costs in new buildings	10
PTS Ambulances & Other Vehicles	7
A&E Ambulances & Rapid Response Vehicles	5
Office equipment	5
Information Technology Equipment	3
Intangible assets	3

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

**1.10 Donated assets**

Donated 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. Accounting Policies (continued)**

### **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. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

## 1. Accounting Policies (continued)

### 1.14 Inventories

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

### 1.15 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to:
  - its technical feasibility;
  - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

### 1.16 Cash and cash equivalents

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

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

### 1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that 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. Accounting Policies (continued)

### 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 35.

### 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 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.

### 1.21 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.

## 1. Accounting Policies (continued)

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

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

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

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

### 1.22 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*; and

#### 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.

### 1.23 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.

### 1.24 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.

### 1.25 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 41 to the accounts.



## 1.1 Accounting Policies (continued)

### 1.26 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.

### 1.27 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).

### 1.28 Accounting standards that have been issued but have not yet been adopted

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. None of them are expected to impact upon the Trust financial statements.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

### 1.29 Accounting standards issued that have been adopted early

The amendment to IFRS 8 Operating segments that was included in the April 2009 Improvements to IFRS has been adopted early. As a result, total assets are not reported by operating segment.

### 1.30 Other Reserve

This reserve was created when London Ambulance Service became an NHS Trust. The negative reserve balance was caused by the legal title of the property not being properly transferred from NHS Estates when the Trust was created. Once the error had been identified the London Ambulance Service NHS Trust purchased the property from the NHS estates and thereby created a negative reserve.

### 1.31 Subsidiaries

For 2009/10, 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.

**2. Pooled Budgets**

The Trust does not have any pooled budgets.

**3. Operating segments**

The Trust Board consider that the Trust has only one segment which is the provision of accident

**4. Income generation activities**

The trust does not undertake any income generation activities.

**5. Revenue from patient care activities**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Strategic health authorities	0	0
NHS trusts	7,117	7,345
Primary care trusts	253,264	234,679
Foundation trusts	1,196	1,246
Local authorities	13	4
Department of Health	4,217	4,207
NHS other	0	0
Non-NHS:		
Private patients	0	0
Overseas patients (non-reciprocal)	0	0
Injury costs recovery	1,300	1,674
Other	2,450	2,223
	<b>269,557</b>	<b>251,378</b>

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection

**6. Other Operating Revenue**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Patient transport services	0	0
Education, training and research	9,271	8,564
Charitable and other contributions to expenditure	3	2
Transfers from Donated Asset Reserve	2	62
Transfers from Government Grant Reserve	0	0
Non-patient care services to other bodies	0	0
Income generation	0	0
Rental revenue	0	0
Other revenue	1,031	1,526
	<b>10,307</b>	<b>10,154</b>

**7. Revenue**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
From rendering of services	279,864	261,532
From sale of goods	0	0

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

<b>8. Operating Expenses</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Services from other NHS Trusts	0	0
Services from PCTs	0	0
Services from other NHS bodies	0	0
Services from Foundation Trusts	0	0
Purchase of healthcare from non NHS bodies	0	0
Directors' costs	719	745
Other Employee Benefits	203,419	191,922
Supplies and services - clinical	6,052	5,263
Supplies and services - general	1,667	1,376
Consultancy services	1,022	1,155
Establishment	8,509	7,348
Transport	20,876	17,781
Premises	12,100	11,337
Provision for impairment of receivables	157	48
Inventories write offs	0	0
Depreciation	10,882	10,652
Amortisation	1,120	996
Impairments and reversals of property, plant and equipment	1,845	0
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets [by class]	0	0
Impairments and Reversals for Non Current Assets held for sale	0	0
External contracts	1,471	1,599
Lease vehicle modification costs	(258)	502
Legal & professional fees	828	840
Audit fees	151	166
Other auditor's remuneration [detail]	0	1
Clinical negligence	488	324
Research and development	0	0
Education and Training	1,179	1,179
Other	3,406	2,204
	<b>275,633</b>	<b>255,438</b>

## 9. Operating leases

### 9.1 As lessee

The Trust rents various properties which are used as either ambulance stations or administrative offices. The Trust leases cars on a 3 year term which are then returned to the supplier.

<b>Payments recognised as an expense</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Minimum lease payments	2,792	2,245
Contingent rents	0	0
Sub-lease payments	0	0
	<b>2,792</b>	<b>2,245</b>
<b>Total future minimum lease payments</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Payable:		
Not later than one year	2,635	2,076
Between one and five years	6,115	5,265
After 5 years	7,125	6,576
Total	<b>15,875</b>	<b>13,917</b>

There is no total future sublease payments expected to be received.

## 10. Employee costs and numbers

### 10.1 Employee costs

	2009/10			2008/09		
	Total £000	Permanently Employed £000	Other £000	Total £000	Permanently Employed £000	Other £000
Salaries and wages	171,586	162,885	8,701	160,535	153,013	7,522
Social Security Costs	13,072	13,072	0	13,457	13,457	0
Employer contributions to NHS Pension scheme	19,890	19,890	0	17,661	17,661	0
Other pension costs	941	941	0	953	953	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	58	58	0	0	0	0
<b>Employee benefits expense</b>	<b>205,547</b>	<b>196,846</b>	<b>8,701</b>	<b>192,606</b>	<b>185,084</b>	<b>7,522</b>
<b>Of the total above:</b>						
Charged to capital	1,409			1,136		
Employee benefits charged to revenue	204,138			191,470		
	<b>205,547</b>			<b>192,606</b>		

### 10.2 Average number of people employed

	2009/10			2008/09		
	Total Number	Permanently Employed Number	Other Number	Total Number	Permanently Employed Number	Other Number
Medical and dental	0	0	0	0	0	0
Ambulance staff	3,482	3,482	0	3,054	3,054	0
Administration and estates	1,204	1,033	171	1,102	955	147
Healthcare assistants and other support staff	0	0	0	0	0	0
Nursing, midwifery and health visiting staff	0	0	0	0	0	0
Nursing, midwifery and health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	0	0	0	0	0	0
Social care staff	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>4,686</b>	<b>4,515</b>	<b>171</b>	<b>4,156</b>	<b>4,009</b>	<b>147</b>
<b>Of the above:</b>						
Number of staff (WTE) engaged on capital projects	21			30		

### 10.3 Staff sickness absence

	2009/10 Number	
Days lost (long term)	0	
Days lost (short term)	44,029	
<b>Total days lost</b>	<b>44,029</b>	
<b>Total staff years</b>	<b>4,376</b>	
Average working days lost	10.06	
Total staff employed in period (headcount)	5,288	
Total staff employed in period with no absence (headcount)	1,986	
<b>Percentage staff with no sick leave</b>	<b>37.6</b>	<b>%</b>

### 10.4 Management Costs

	2009/10 £000	2008/09 £000
Management costs	19,300	17,414
Income	271,143	253,399

### 11. 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](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

#### a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from 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 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 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

In 2008-09 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:

##### Annual Pension

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 3 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".

##### Pensions Indexation

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.

##### Lump Sum Allowance

A lump sum is payable on retirement which is normally three times the annual pension payment.

##### Ill-Health Retirement

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

**11. Pension costs (continued)**

**Death Benefits**

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is

**Additional Voluntary Contributions (AVCs)**

Members can purchase additional services 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.

**Transfer between Funds**

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

**Preserved Benefits**

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

**Compensation for Early Retirement**

Where a scheme member is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

**12. Retirements due to ill-health**

During 2009/10 there were 4 (2008/09, 5) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £218,462 (2008/09: £373,435). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**13. Better Payment Practice Code**

**13.1 Better Payment Practice Code - measure of compliance**

	2009/10		2008/09	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	64,530	87,130	62,971	78,469
Total Non NHS trade invoices paid within target	55,518	80,160	53,776	70,888
Percentage of Non-NHS trade invoices paid within target	86%	92%	85%	90%
Total NHS trade invoices paid in the year	525	3,038	489	3,001
Total NHS trade invoices paid within target	459	2,606	436	2,798
Percentage of NHS trade invoices paid within target	87%	86%	89%	93%

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,

**13.2 The Late Payment of Commercial Debts (Interest) Act 1998**

	2009/10 £000	2008/09 £000
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**14. Investment revenue**

	2009/10 £000	2008/09 £000
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	36	568
Other loans and receivables	0	719
Impaired financial assets	0	0
Other financial assets	541	0
<b>Total</b>	<b>577</b>	<b>1,287</b>

**15. Other gains and losses**

**2009/10**                      2008/09  
**£000**                              £000

Gain/(loss) on disposal of property, plant and equipment	(128)	(52)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets available for sale	0	0
<b>Total</b>	<b>(128)</b>	<b>(52)</b>

**16. Finance Costs**

**2009/10**                      2008/09  
**£000**                              £000

Interest on loans and overdrafts	104	0
Interest on obligations under finance leases	1,263	1,421
Interest on obligations under PFI contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>1,367</b>	<b>1,421</b>
Other finance costs	173	160
<b>Total</b>	<b>1,540</b>	<b>1,581</b>

**17. Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
2009/10:	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	35,999	53,542	0	5,586	9,253	57,273	13,297	59	175,009
Additions purchased	0	722	0	5,935	5,383	5,770	798	0	18,608
Additions donated	0	0	0	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	424	0	(5,330)	312	3,653	941	0	0
Reclassified as held for sale	(950)	0	0	0	0	0	0	0	(950)
Disposals other than by sale	(2)	(80)	0	0	(27)	(4,564)	(10)	0	(4,683)
Revaluation/indexation gains	8,695	6,620	0	0	0	0	0	0	15,315
Impairments	(1,288)	(9,404)	0	0	0	0	0	0	(10,692)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>42,454</b>	<b>51,824</b>	<b>0</b>	<b>6,191</b>	<b>14,921</b>	<b>62,132</b>	<b>15,026</b>	<b>59</b>	<b>192,607</b>
Depreciation at 1 April 2009	0	0	0	0	7,605	35,257	9,847	13	52,722
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	(55)	0	0	(4)	(4,207)	(10)	0	(4,276)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	1,864	0	0	(10)	(9)	0	0	1,845
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	2,233	0	0	523	6,770	1,351	5	10,882
Transfer to Foundation Trust	0	0	0	0	0	0	0	0	0
<b>Depreciation at 31 March 2010</b>	<b>0</b>	<b>4,042</b>	<b>0</b>	<b>0</b>	<b>8,114</b>	<b>37,811</b>	<b>11,188</b>	<b>18</b>	<b>61,173</b>
<b>Net book value</b>									
Purchased	42,454	47,782	0	6,191	6,807	24,317	3,838	41	131,430
Donated	0	0	0	0	0	4	0	0	4
Government granted	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2010</b>	<b>42,454</b>	<b>47,782</b>	<b>0</b>	<b>6,191</b>	<b>6,807</b>	<b>24,321</b>	<b>3,838</b>	<b>41</b>	<b>131,434</b>
<b>Asset financing</b>									
Owned	42,454	47,782	0	6,191	6,807	12,190	3,838	41	119,303
Finance Leased	0	0	0	0	0	12,131	0	0	12,131
Private finance initiative	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2010</b>	<b>42,454</b>	<b>47,782</b>	<b>0</b>	<b>6,191</b>	<b>6,807</b>	<b>24,321</b>	<b>3,838</b>	<b>41</b>	<b>131,434</b>



**17. Property, plant and equipment (continued)**

**Prior year:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
2008/09:	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	50,697	55,308	0	3,762	9,250	55,045	10,847	59	184,968
Additions purchased	0	2,798	0	5,157	277	1,526	886	0	10,644
Additions donated	0	0	0	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	567	0	(3,333)	46	1,114	1,606	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	(61)	0	0	(320)	(412)	(42)	0	(835)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	(14,698)	(2,812)	0	0	0	0	0	0	(17,510)
Reversal of impairments	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>35,999</b>	<b>55,800</b>	<b>0</b>	<b>5,586</b>	<b>9,253</b>	<b>57,273</b>	<b>13,297</b>	<b>59</b>	<b>177,267</b>
Depreciation at 1 April 2008	0	0	0	0	7,337	29,707	8,103	7	45,154
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	(61)	0	0	(320)	(403)	(42)	0	(826)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	2,319	0	0	588	5,953	1,786	6	10,652
<b>Depreciation at 31 March 2009</b>	<b>0</b>	<b>2,258</b>	<b>0</b>	<b>0</b>	<b>7,605</b>	<b>35,257</b>	<b>9,847</b>	<b>13</b>	<b>54,980</b>
<b>Net book value</b>									
Purchased	35,999	53,542	0	5,586	1,648	22,010	3,450	46	122,281
Donated	0	0	0	0	0	6	0	0	6
Government granted	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2009</b>	<b>35,999</b>	<b>53,542</b>	<b>0</b>	<b>5,586</b>	<b>1,648</b>	<b>22,016</b>	<b>3,450</b>	<b>46</b>	<b>122,287</b>
<b>Asset financing</b>									
Owned	35,999	53,542	0	5,586	1,648	6,022	3,450	46	106,293
Finance Leased	0	0	0	0	0	15,994	0	0	15,994
Private finance initiative	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2009</b>	<b>35,999</b>	<b>53,542</b>	<b>0</b>	<b>5,586</b>	<b>1,648</b>	<b>22,016</b>	<b>3,450</b>	<b>46</b>	<b>122,287</b>

### 17. Property, plant and equipment (continued)

The Trust did not have any donated assets during the financial year.

Revaluation was undertaken on all land and building on 31st March 2010.

Professional valuation was carried out by the District Valuers of the Revenue and Customs Government Department. The valuation was carried out in accordance with the terms of the Royal Institution of Chartered Surveyors (RICS), insofar as these terms are consistent with the requirement of HM Treasury, the National Service and the Department of Health.

The Market Value was used in arriving at fair value for the operational assets subject to the additional special assumptions that:

- (a) no adjustment has been made on the grounds of a hypothetical "flooding of the market" if a number of properties were to be marketed simultaneously;  
and in the respect of the Market Value of non-operational asset only:
- (b) the NHS is assumed not to be in the market for the property interest;
- (c) regard has been had to appropriate lotting to achieve the best price.

The Revaluation model set out in AIS 16 was applied to value the capital assets to fair value.

<b>Economic Life of Assets</b>	<b>Years</b>
Property, Plant and Equipment	5 to 99
Plant and Machinery	5 to 15
Transport Equipment	5 to 12
Information Technology Equipment	3 to 5
Furniture and Fittings	10

The Gross Carrying Value of fully depreciated assets still in use

Transport Equipment	£ 20.4m
Plant & Machinery	£ 6.7m
Information Technology	<u>£ 9.5m</u>
	<u>£ 36.6m</u>

**18. Intangible assets**

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
2009/10:	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2009	4,705	0	0	0	4,792	9,497
Additions purchased	480	0	0	0	6,527	7,007
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	38	0	0	0	(38)	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation/indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2010</b>	<b>5,223</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,281</b>	<b>16,504</b>
Amortisation at 1 April 2009	2,745	0	0	0	0	2,745
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
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	1,120	0	0	0	0	1,120
<b>Amortisation at 31 March 2010</b>	<b>3,865</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,865</b>
<b>Net book value</b>						
Purchased	1,358	0	0	0	11,281	12,639
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2010</b>	<b>1,358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,281</b>	<b>12,639</b>

**18. Intangible assets (continued)**

**Prior year:**

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
2008/09:	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2008	2,915	0	0	0	2,599	5,514
Additions purchased	415	0	0	0	3,568	3,983
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	1,375	0	0	0	(1,375)	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2009</b>	<b>4,705</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,792</b>	<b>9,497</b>
Amortisation at 1 April 2008	1,749	0	0	0	0	1,749
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
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	996	0	0	0	0	996
<b>Amortisation at 31 March 2009</b>	<b>2,745</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,745</b>
<b>Net book value</b>						
Purchased	1,960	0	0	0	4,792	6,752
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2009</b>	<b>1,960</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,792</b>	<b>6,752</b>

## 18. Intangible assets (continued)

The Trust does not revalue its intangible assets.

### Economic Lives of intangible assets

	Useful Lives
Software Licences	3
Development Expenditure	3

### 18.2 Revaluation reserve balance for intangible assets

	2009/10 £000	2008/09 £000
At 1 April	0	0
Changes	0	0
<b>At 31 March</b>	<b>0</b>	<b>0</b>

### 18.3 The Gross Carrying Value of Fully depreciated Assets still in use

The gross carrying value of fully depreciated intangible assets is £2.3m.

## 19. Impairments

The impairment is a result of the MEA valuation of properties done by the District Valuers. The bulk of the impairment of £1,845k relates to the revaluation of the Estate.

## 20. Capital commitments

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

	31 March 2010 £000	31 March 2009 £000
Property, plant and equipment	6,360	6,268
Intangible assets	1,520	8,836
<b>Total</b>	<b>7,880</b>	<b>15,104</b>

## 21. Inventories

### 21.1. Inventories

	31 March 2010 £000	31 March 2009 £000
Drugs	67	78
Work in progress	0	0
Consumables	2,716	2,522
Energy	0	0
Other	0	0
<b>Total</b>	<b>2,783</b>	<b>2,600</b>
Of which held at net realisable value:	0	0

### 21.2 Inventories recognised in expenses

	31 March 2010 £000	31 March 2009 £000
Inventories recognised as an expense in the period	8,340	6,810
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>8,340</b>	<b>6,810</b>

## 22. Trade and other receivables

### 22.1 Trade and other receivables

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
NHS receivables-revenue	3,366	2,832	3,418	4,167
NHS receivables-capital	255	0	0	0
Non-NHS receivables-revenue	611	0	0	0
Non-NHS receivables-capital	0	0	0	0
Provision for the impairment of receivables	(680)	(59)	0	0
Prepayment and accrued income	5,147	3,431	0	0
Finance lease Receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	552	0	0	0
Other receivables	7,197	7,877	7,108	6,794
<b>Total</b>	<b>16,448</b>	<b>14,081</b>	<b>10,526</b>	<b>10,961</b>

The 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.

Of the other receivables £7,877,000 of the current receivables and £7,108,000 of the non-current receivables relate to amounts receivable from finance lease arrangers. In the event of default the title of the assets would revert to the Trust. Hence, there is no credit risk.

There are no financial assets that would otherwise be past due or impaired, whose terms have been renegotiated.

### 22.2 Receivables past their due date but not impaired

	31 March 2010 £000	31 March 2009 £000
By up to three months	(27)	1,182
By three to six months	228	232
By more than six months	(96)	38
<b>Total</b>	<b>105</b>	<b>1,452</b>

### 22.3 Provision for impairment of receivables

	31 March 2010 £000	31 March 2009 £000
<b>Balance at 1 April</b>	<b>(59)</b>	<b>0</b>
Amount written off during the year	(464)	(11)
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(157)	(48)
<b>Balance at 31 March</b>	<b>(680)</b>	<b>(59)</b>

The receivables impaired include £122,623 in relation to disputed amounts with Sovereign Hospital Services a private sector company. The company is disputing the rates being charged for excess activity. The remaining provision relates to amounts over 6 months old owed by NHS organisations, public bodies, private organisations and former employees.

## 23. Other financial assets

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Embedded derivatives carried at fair value through profit and loss	0	0	0	0
Financial assets carried at fair value through profit and loss	0	0	0	0
Held to maturity investments at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 24. Other current assets

The Trust has no other current assets during the financial year.

**25. Cash and cash equivalents**

	31 March 2010 £000	31 March 2009 £000
Balance at 1 April	2,651	10,478
Net change in year	2,490	(7,827)
<b>Balance at 31 March</b>	<b>5,141</b>	<b>2,651</b>

**Made up of**

Cash with Office of HM Paymaster General	4,997	2,611
Commercial banks and cash in hand	144	40
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>5,141</b>	<b>2,651</b>
Bank overdraft - Office of HM Paymaster General	0	0
Bank overdraft - Commercial banks	(60)	(118)
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>5,081</b>	<b>2,533</b>

**26. Non-current assets held for sale**

	Land £000	Buildings, excl dwelling £000	Dwellings £000	Other property, plant and equipment £000	Intangible assets £000	Total £000
Balance brought forward	0	0	0	0	0	0
Plus assets classified as held for sale in the year	950	0	0	0	0	950
Less assets sold in the year	-300	0	0	0	0	-300
Less Impairments of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward	650	0	0	0	0	650

Willesden Ambulance Station located in West London was sold for £300,000 in February 2010 as the building had become surplus to requirements. The ambulance crew based at this building have now moved to a new ambulance station in Brent.

Park Royal Ambulance Station located in West London was vacated in April 2009 and offered for sale. The ambulance crew based at this building have now moved to a new ambulance station in Brent. Several bids were received for the sale of the site; however the winning bidder withdrew his offer before the sale could be completed. The site will be offered for sale again in the second quarter of 2010/11.

## 27. Trade and other payables

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Interest payable	0	0		
NHS payables-revenue	338	1,092	0	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue	7,682	6,439	0	0
Non NHS trade payables - capital	8,610	1,926	0	0
Accruals and deferred income	1,341	3,572	0	0
Social security costs	2,090	0		
VAT	0	0	0	0
Tax	836	561		
Other	4,129	3,325	0	0
<b>Total</b>	<b>25,026</b>	<b>16,915</b>	<b>0</b>	<b>0</b>

Other payables include:

£Nil (2009 year £nil) for payments due in future years under arrangements to buy out the liability for early retirements over 5 instalments; and £2,541,003 outstanding pensions contributions at 31 March 2010 (31 March 2009 £133,284).

The expected dates of settlement is the first quarter of the financial year.

## 28. Borrowings

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Bank overdraft - Office of HM Paymaster General	0	118		
Bank overdraft - Commercial banks	60	0		
Loans from:				
Department of Health	1,244	0	8,075	0
Other entities	0	0	0	0
PFI liabilities	0	0	0	0
LIFT	0	0	0	0
Finance lease liabilities	3,444	3,603	21,558	25,001
Other (describe)	0	0	0	0
<b>Total</b>	<b>4,748</b>	<b>3,721</b>	<b>29,633</b>	<b>25,001</b>

The Trust borrowed £10m on a 8 year term from the Department of Health to funds its capital programme. The Trust made the following drawdown's during the year June £1m, September £4m and December £5m at the following rates of interest 2.73%, 2.65% and 2.65% respectively. The interest rates are fixed at the date of drawdown. The final repayment will be made on 15 September 2017.

Details of the finance lease liabilities are given in note 30.

## 29. Other liabilities

The Trust has no other liabilities during the financial year.



### 30. Finance lease obligations

Ambulances have been leased under two Master Agreements with Singer and Friedlander Leasing Ltd and ILC Leasing Ltd. These leases have a duration of 12 years and incorporate a cash receipts from the lessor at the end of year 6. These receivables are included in other receivables in note 22.1.

Amounts payable under finance leases:	Minimum lease payments		Present value of minimum lease payments	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Within one year	4,545	4,864	3,444	3,603
Between one and five years	17,632	17,800	14,424	14,412
After five years	6,979	11,356	7,134	10,589
Less future finance charges	(4,154)	(5,416)		
Present value of minimum lease payments	<b>25,002</b>	<b>28,604</b>	<b>25,002</b>	<b>28,604</b>
Included in:				
Current borrowings			3,444	3,603
Non-current borrowings			21,558	25,001
	<b>0</b>	<b>0</b>	<b>25,002</b>	<b>28,604</b>

### 31. Finance lease receivables (i.e. as lessor)

The Trust has not entered into any finance lease agreements as a lessor.

### 32. Finance lease commitments

The Trust has not entered into any new finance lease arrangements during the year.

### 33. Private Finance Initiative contracts

#### 33.1 PFI schemes off-Statement of Financial Position

The trust has not entered into any PFI schemes deemed to be off statement of financial position.

#### 33.2 PFI schemes on-Statement of Financial Position

The trust has not entered into any PFI schemes deemed to be on statement of financial position.

### 34. Other financial liabilities

The Trust has no other financial liabilities during the financial year.

35. Provisions

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	325	280	6,317	5,732
Legal claims	373	341	0	0
Restructurings	92	283	0	0
Continuing care	0	0	0	0
Equal pay	0	0	0	0
Agenda for change	0	0	0	0
Other (see below for details)	1,148	376	2,632	4,919
<b>Total</b>	<b>1,938</b>	<b>1,280</b>	<b>8,949</b>	<b>10,651</b>

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Continuing care £000	Equal pay £000	Agenda for change £000	Other £000	Total £000
At 1 April 2008	0	5,473	636	812	0	0	0	11,688	18,609
Arising during the year	0	699	267	283	0	0	0	602	1,851
Used during the year	0	(280)	(181)	(665)	0	0	0	(478)	(1,604)
Reversed unused	0	0	(381)	(147)	0	0	0	(6,537)	(7,065)
Unwinding of discount	0	120	0	0	0	0	0	40	172
Transfers in year	0	0	0	0	0	0	0	0	0
At 1 April 2009	0	6,012	341	283	0	0	0	5,295	11,931
Arising during the year	0	809	307	92	0	0	0	2,044	3,252
Used during the year	0	(311)	(228)	(234)	0	0	0	(579)	(1,352)
Reversed unused	0	0	(47)	(49)	0	0	0	(3,021)	(3,117)
Unwinding of discount	0	132	0	0	0	0	0	41	173
Transfers in year	0	0	0	0	0	0	0	0	0
At 31 March 2010	0	6,642	373	92	0	0	0	3,780	10,887

Expected timing of cash flows:

In the remainder of the spending review period to 31 March 2011	0	325	373	92	0	0	0	1,148	1,938
Between 1 April 2011 and 31 March 2016	0	1,536	0	0	0	0	0	1,717	3,253
Between 1 April 2016 and 31 March 2021	0	1,379	0	0	0	0	0	644	2,023
Thereafter	0	3,402	0	0	0	0	0	271	3,673

Pensions relating to other staff - payments relating to this provision will be quarterly over the life of each member of staff and have been discounted using a rate of 2.2%. Every year the provision is adjusted for inflation.

Legal claims - claims brought against the Trust provided for above vary between probabilities of 50% to 94%. The amounts provided are based upon estimates of costs and settlements provided by the NHS litigation Authority.

Restructuring provision - £92,000 (2008/09 £282,657) relates to a redundancy provision.

Other - £Nil (2008/09 £1,000,000) of the balance relates to an estimate for our tax liability on subsistence payments made to staff. During the year the Trust paid £197,002 to settle the liability. £1,878,541 (2008/09 £1,866,888) is an estimate for pension payments due to employees being made redundant prior to 1995 as a result of the restructuring of the Trust. The provisions are calculated using actuarial tables and are payable quarterly over the life of the employees. The balance also includes £Nil (2008/09 £2,210,283) estimated costs for modifying the Mercedes Ambulances, £1,833,000 (2008/09 £Nil) estimated costs for returning the leased vehicles to an acceptable state at the end of the contract as per the conditions of the lease & £61,919 relating to excesses on motor insurance claims (2008/09 £210,898).

£2,132,968 is included in the provisions of the NHS Litigation Authority at 31/3/2010 in respect of clinical negligence liabilities of the trust (31/03/2009 £522,179).

### 36. Contingencies

<b>36.1 Contingent liabilities</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Equal pay cases	0	0
Other (specify)	(216)	(187)
Amounts recoverable against contingent liabilities	0	0
<b>Total</b>	<b>(216)</b>	<b>(187)</b>

The balance of contingencies related to employers liability of £216k, in addition £373k is included in provisions note 35 for employers liability.

### 36.2 Contingent assets

The Trust has no contingent assets during the financial year.

### 37. Financial Instruments

<b>37.1 Financial assets</b>	<b>At fair value through profit and loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Embedded derivatives	0			0
Receivables		6,940		6,940
Cash at bank and in hand		2,651		2,651
Other financial assets	0	14,671	0	14,671
<b>Total at 31 March 2009</b>	<b>0</b>	<b>24,262</b>	<b>0</b>	<b>24,262</b>

Embedded derivatives	0			0
Receivables		11,216		11,216
Cash at bank and in hand		5,081		5,081
Other financial assets	0	14,167	0	14,167
<b>Total at 31 March 2010</b>	<b>0</b>	<b>30,464</b>	<b>0</b>	<b>30,464</b>

<b>37.2 Financial liabilities</b>	<b>At fair value through profit and loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Embedded derivatives	0		0
Payables		13,343	13,343
PFI and finance lease obligations		0	0
Other borrowings		28,722	28,722
Other financial liabilities	0	0	0
<b>Total at 31 March 2009</b>	<b>0</b>	<b>42,065</b>	<b>42,065</b>
Embedded derivatives	0		0
Payables		19,223	19,223
PFI and finance lease obligations		25,002	25,002
Other borrowings		9,319	9,319
Other financial liabilities	0	0	0
<b>Total at 31 March 2010</b>	<b>0</b>	<b>53,544</b>	<b>53,544</b>

### **37.3 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 2010 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.

### **37.4 Maturity of financial liabilities**

The Trust has no material liquidity risk on its financial liabilities that warrants a disclosure.

### **38. Events after the reporting period**

The Trust is applying for Foundation Trust status in 2010/11. However, there will be no financial impact to the Trust.

The Trust will be entering into a sale and lease back arrangement with De Lage Landen Leasing Limited (DLL). The Trust will sell 72 Mercedes ambulances to De Lage Landen Leasing Limited for £5,946,000 plus Vat and lease them back over a 5 year period.

### 39. 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.

#### 39.1 Breakeven Performance

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Turnover	215,947	215,941	236,130	261,532	279,864
Retained surplus/(deficit) for the year	1,258	113	398	725	(420)
Adjustment for:					
Timing/non-cash impacting distortions:					
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	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				0	1,845
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					0
Other agreed adjustments	0	0	0	0	0
Break-even in-year position	1,258	113	398	725	1,425
Break-even cumulative position	1,333	1,446	1,844	2,569	3,994

\* 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

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Materiality test (i.e. is it equal to or less than 0.5%):					
Break-even in-year position as a percentage of turnover	1%	0%	0%	0%	1%
Break-even cumulative position as a percentage of turnover	1%	1%	1%	1%	1%

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.

### 39.2 Capital cost absorption rate

For 2009/10 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, totalling £3,560,000, bears to the actual average relevant net assets of £101,737,000 that is 3.5% (prior year 4.2%)

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%.

### 39.3 External financing

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

	£000	2009/10 £000	2008/09 £000
External financing limit		18,423	7,467
Cash flow financing	6,611		7,467
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		6,611	7,467
<b>Undershoot/(overshoot)</b>		<b>11,812</b>	<b>0</b>

The EFL undershoot was due to slippage in the capital programme that allowed the purchase of new ambulances to be funded using internally generated funds. The ambulances were original planned to be purchased using a finance lease.

### 39.4 Capital Resource Limit

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

	2009/10 £000	2008/09 £000
Gross capital expenditure	25,615	14,627
Less: book value of assets disposed of	(707)	(9)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	0	0
Charge against the capital resource limit	24,908	14,618
Capital resource limit	29,224	15,865
<b>(Over)/Underspend against the capital resource limit</b>	<b>4,316</b>	<b>1,247</b>

#### 40. 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 London Ambulance Service NHS Trust.

The Department of Health is regarded as a related party. During the year London Ambulance Service NHS Trust obtained a £10m capital investment loan from the Department, it also had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

	2009/10 Payments to Related Party	2009/10 Receipts from Related Party	2009/10 Amounts owed to Related Party	2009/10 Amounts due from Related Party
	£000	£000	£000	£000
London Strategic Health Authority	11	6,034	0	3,087
Richmond & Twickenham PCT	0	12,628	0	227
London Primary Care Trusts	127	244,124	19	2,094
Whipps Cross university Hospital NHS Trust	0	1,431	0	102
South London Healthcare NHS Trust	0	2,751	1	500
South West London and St Georges Mental Health NHs Trust	0	1,006	3	0
NHS Litigation Authority	689	0	1	0
NHS Business Service Authority	755	0	15	255

	2008/09 Payments to Related Party	2008/09 Receipts from Related Party	2008/09 Amounts owed to Related Party	2008/09 Amounts due from Related Party
	£000	£000	£000	£000
London Strategic Health Authority	14	9,146	473	0
Richmond & Twickenham PCT	0	12,512	0	99
London Primary Care Trusts	24	227,189	41	5,127
Whipps Cross university Hospital NHS Trust	0	756	0	305
South London Healthcare NHS Trust	0	3,624	0	70
South West London and St Georges Mental Health NHs Trust	2	1,053	7	0
NHS Litigation Authority	508	0	12	0
NHS Business Service Authority	523	21	34	0

For 2009/10 Richmond & Twickenham PCT was the host PCT.

The Trust received an administration fee of £2,500 (2007/08 £2,500) from the London Ambulance Service charitable funds. The London Ambulance Service NHS Trust is the corporate trustee of the funds.

#### 41. Third Party Assets

The Trust held £Nil cash and cash equivalents at 31 March 2010 (£Nil - at 31 March 2009) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

#### 42. Intra-Government and Other Balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	2,332	3,418	3,236	0
Balances with Local Authorities	15	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,320	0	101	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	3,667	3,418	3,337	0
Balances with bodies external to Government	12,781	7,108	21,689	0
<b>At 31 March 2010</b>	<b>16,448</b>	<b>10,526</b>	<b>25,026</b>	<b>0</b>
Balances with other Central Government Bodies	1,835	4,167	1,351	0
Balances with Local Authorities	14	0	4	0
Balances with NHS Trusts and Foundation Trusts	1,178	0	302	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	3,027	4,167	1,657	0
Balances with bodies external to Government	11,054	6,794	15,258	0
<b>At 31 March 2009</b>	<b>14,081</b>	<b>10,961</b>	<b>16,915</b>	<b>0</b>

#### 43. Losses and Special Payments

There were 999 cases of losses and special payments (2008/09: 1,286 cases) totalling £1,427,027 (2008/09: £1,295,630) accrued during 2009/10.

**44. Transition to IFRS**

The effect of the transition to IFRS on the reported financial position, financial performance and cashflows are shown in the following reconciliations.

	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP:</b>	<b>15,215</b>	<b>32,810</b>	<b>9</b>	<b>0</b>
Adjustments for IFRS changes:				
Private finance initiative				
Leases	-35			
Other (Holiday Pay)	-2,571			
Other (Fair value of PPE)		-765	-3	
Adjustments for:				
Impairments recognised on transition				
UK GAAP errors				
<b>Taxpayers' equity at 1 April 2009 under IFRS:</b>	<b>12,609</b>	<b>32,045</b>	<b>6</b>	<b>0</b>
	<b>£000</b>			
<b>Surplus/(deficit) for 2008/09 under UK GAAP</b>	<b>725</b>			
Adjustments for:				
Private finance initiative	0			
Leases	291			
Others (specify)	318			
<b>Surplus/(deficit) for 2008/09 under IFRS</b>	<b>1,334</b>			

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

Main changes in the basis of preparation

Leases

Various leases have been reclassified as finance leases. The relevant assets have been included as property, plant and equipment and have been depreciated over their useful lives. The lease arrangement include cash receipts on s specified dates during the lease term. These amounts are included on other receivables and have been discounted at the same rate as that implicit in the lease.

Holiday Pay

An accrual has been included for holiday pay.

Fair value of property, plant and equipment

Following the transition to IFRS, fixtures, fittings and equipment are carried at depreciated historic cost as this is considered to be a good approximation to fair value given the nature of the assets. Indexation used to revalue these assets to replacement cost under UK GAAP has therefore been reversed.

The transition to IFRS has also resulted in the reclassification of provisions between current and non-current.