

Data entered below will be used throughout the workbook:

Trust name:	London Ambulance Service NHS Trust
This year	2005/06
Last year	2004/05
This year ended	31 March 2006
Last year ended	31 March 2005
This year beginning	1 April 2005

**DIRECTORS' STATEMENT**

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

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

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.

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

**Statement of directors' responsibilities in respect of the accounts**

The directors are required under the National Health Services Act 1977 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 affairs of the trust and of the income and expenditure of the trust for that period. In preparing those accounts, the directors are required to:

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

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 requirement outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

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

.....Date.....Finance Director

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***INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF THE BOARD OF  
LONDON AMBULANCE SERVICE NHS TRUST***

I have audited the financial statements on page 1 to 44 which have been prepared in accordance with the accounting policies relevant to the National Health Service as set out on pages 7 to 13.

This report is made solely to the Board 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 54 of the Statement of Responsibilities of Auditors and Audited Bodies prepared by the Audit Commission.

**Respective Responsibilities of Directors and Auditors**

As described in the statement of directors' responsibilities in respect of the accounts, the directors are responsible for the preparation of the financial statements in accordance with directions issued by the Secretary of State. Our responsibilities, as independent auditors, are established by statute, the code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

I report to you my opinion as to whether the financial statements give a true and fair view of the state of affairs of the Trust and its income and expenditure for the year, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

I review whether the directors' statement of internal control reflects compliance with the Department of Health's guidance 'The Statement on Internal Control 2003/04' issued on 15 September 2003 and further guidance issued on 5 April 2005. 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. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

**Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the trust's circumstances, consistently applied and adequately disclosed.

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. In forming my opinion I also evaluated the overall adequacy of the presentation

of information in the financial statements.

### **Opinion**

In my opinion the financial statements give a true and fair view of the state of affairs of London Ambulance Service NHS Trust as at 31 March 2006 and its income and expenditure for the year ended in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

### **Certificate**

I certify that we 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.

Signature.....

Date.....

Susan M Exton  
District Auditor

Audit Commission  
London Region  
First Floor  
Millbank Tower  
Millbank  
London SW1P 4HQ

## **STATEMENT ON INTERNAL CONTROL 2005/06**

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

#### **1. Scope of responsibility**

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

The accountability arrangements that surround this role are supported by the management structure, process and monitoring arrangements set out in the Risk Management Framework. The Framework defines risk as anything threatening the achievement of our strategic objectives. It defines the ownership and subsequent management of the identified risks. The Chief Executive has overall responsibility for risk management in the London Ambulance Service. A summary of the Risk Management Framework can be found on our website. In addition to this, stakeholder involvement as part of our seven year strategic planning process has been used to define both our strategic objectives and associated risks.

#### **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 31st March 2006 and up to the date of the approval of the annual report and accounts.

#### **3. Capacity to handle risk**

The leadership of risk within the LAS is delegated by the Trust Board through the Chief Executive who attends the Audit Committee and is chair of the Risk Compliance and Assurance Group.

Risk is divided into corporate, financial, clinical and health and safety; with the Director of Finance having overall responsibility for financial risk and any other corporate risks not covered by other directors. He attends the Audit Committee and chairs the Standards for Better Health Group, overseeing part of the Annual Health Check that includes the healthcare standards. Individual executive directors are responsible for, and manage, the corporate risks within their particular areas of responsibility.

Risks, as identified using the risk assessment tool in the Risk Management Framework, are approved at Risk Compliance and Assurance Group and allocated to an appropriate specialist risk management group

for management. The tool has recently been amended to use a numerical scoring system when grading risk. Those of a high priority are monitored by one of the sub-committees of the Board. All significant risks are recorded on the Risk Register which is used to help prioritise and make decisions on spending allocation for service development.

The LAS has recently reviewed its governance arrangements and other infrastructure requirements that are statutory, mandatory or desirable for the organisation. The review considered the strengths and weaknesses of current governance practice within the LAS.

#### **4. The risk and control framework**

The Risk Management Framework defines the risk management process which specifies the way risk (or change in risk) is identified, evaluated and controlled. In addition to this an assessment was undertaken against the Risk Management Standard for the Provision of Pre Hospital Care in the Ambulance Service by the NHSLA which involved a cross section of staff from all areas and levels of the organisation.

The Risk Management Framework describes responsibilities for embedding risk management in the organisation. On a local level staff report clinical and non-clinical incidents as indicated in the Incident Reporting procedure. All incidents are assessed using the LAS Risk Scoring Matrix and according to grade investigated so that actions can be implemented to prevent a re-occurrence. In addition the Infection Control Steering Group has implemented an infection control audit programme delivered to all complexes which has been undertaken by trained frontline staff and produced an Annual Infection Control Report to the Board which provided assurance regarding the implementation of the Make Ready Scheme.

In addition to the Risk Management Framework and the Risk Register, the Assurance Framework enables us to examine how we are managing risks that are threatening the achievement of our strategic objectives and key targets in the Healthcare Commission's Annual Health Check. This has been achieved by mapping risks from the Risk Register against the standards contained within 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. The Assurance Framework has been scrutinised this year by the SHA on behalf of the Department of Health.

The development of the Assurance Framework is an ongoing process and will be amended with further objectives as they are reviewed and developed in strategic plans. As the Framework covers all of our organisation's main activities, it is a key tool in examining the system of internal control that is in place to manage our risks. The Assurance Framework provides the Board with assurance of full compliance with the core standards of the Annual Health Check and was also presented as evidence of compliance by the Overview and Scrutiny Committees of the boroughs of London. It helps contribute evidence in support of the Statement of Internal Control.

The Assurance Framework has highlighted some gaps in control and assurance to the Board. This is part of an ongoing process where the Board uses the Assurance Framework as a decision making tool. Building on the gaps from last year's Statement of Internal Control developments in controls and assurance have taken place in the following areas;

### **Human Resource and Organisation Development**

- > An internal audit reviewed our system for Criminal Records Bureau and Protection of Children Amendment (POCA) checks. The audit has reassured us that we are compliant with the national guidance to check staff who have direct patient contact. We have developed and implemented protection and training guidance for children and vulnerable adults using existing staff to strengthen controls with the management of child protection.
- > We have taken action to introduce ethnicity monitoring in order to meet our responsibilities under the Race Relation Act. The LAS has now received assurances on the effectiveness of its controls under the Race Relation Act from the recent audit conducted by the South West London Strategic Health Authority. Further controls were also achieved with the award made to the LAS of Practice Plus status under the aegis of Improving Working Lives.

### **Operational Support**

- > An example is indicated below.
- > A Fleet and Transport Management audit highlighted the need for having records of vehicles when they are out of service. Fleet Status Reporting options are being explored starting with a manual reporting system.

### **Clinical**

- > With the development of clinical performance indicators and electronic recording facilities, the Clinical Audit and Research Group will oversee enhanced audit reports from all operational staff. A 3 year plan to reach 100% compliance with Clinical Performance Indicator audits on PRF's has been put in place.

### **Central Ambulance Control**

- > Immediate dispatch of calls when there is only one hour to scheduled time of arrival is to be implemented. A triaging system has been introduced and a blue-light response given to one hour urgent calls.

### **Information Management and Technology**

- > Controls to ensure records management have been enhanced now with the appointment of Head of Records Management. Subsequently, the development of the Trust's Records Management Policy, Records Management strategy has set down systems and processes for the standardisation of records management processes across the Trust. The progress made by the Information Governance Panel has enabled the requirements of the Freedom of Information Act to be managed effectively.

### **Business Continuity**

- > A fully integrated business continuity operational plan has been developed and is held under permanent review by the Business Continuity Steering Group.

### **A&E Operations**

- > National Category B targets have been highlighted by internal performance monitoring mechanisms as being high risk for non-achievement. The senior A&E management team will be introducing a range of high-impact changes in 2006/07 together with linked performance improvement trajectories designed to address this issue.

Finally with respect to the risk and control framework, complaints are routinely used to help identify risks to the service and determine appropriate action to reduce risk and limit the possibility

of reoccurrence in the future. Developments of the Mental Health Strategy has involved contribution from patients and plans have been agreed to appoint a Head of Policy and Evaluation to oversee implementation this strategy. The Patient Advice and Liaison Service has had a significant impact on managing risks, with a comprehensive understanding of interagency working producing a higher quality of patient care trust wide.

## **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 principle objectives have been reviewed. My review is also informed by bodies such as external auditors, the Healthcare Commission, the HSE and the validation team of Improving Working Lives.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and Risk Compliance Assurance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board is informed of the effectiveness of the system of internal control through its sub-committees. 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 look at risk management systems and processes.

The Clinical Governance Committee has responsibility for ensuring the provision of high quality clinical care in the LAS. This is achieved through monitoring and making appropriate recommendations on performance in the areas of clinical governance reviewed by the Healthcare Commission. The Risk Compliance and Assurance Group has delegated responsibility for taking a general overview of a 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. Another full trust-wide risk assessment was undertaken this year and generated a further four high priority risks to the Trust's risk profile.

The structure is supported by the Executive Managers of the LAS including the Director of Finance who has overall responsibility for financial risk, and for any corporate risks not covered by other directors. The Medical Director has overall responsibility for clinical risk and clinical governance, and is a member of the Clinical Governance Committee and Standards for Better Health Group. The Director of IM&T is responsible for all risks arising out of the provision, use, operation and maintenance of the Trust's technology and communication systems and he also chairs the Information Governance Panel. The Director of Communications is chair of the PPI Committee.

To supplement this mechanism information is provided to the Board through minutes and annual reports on risk management, infection control, PALS and clinical governance in order for the Board to be confident that sufficient progress has been made.



To conclude, procedures are in place to ensure a robust system of internal control which is reflected in the risk and assurance frameworks.

Signed.....Chief Executive      Date.....  
(on behalf of the Board)

## **FOREWORD TO THE ACCOUNTS**

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

These accounts for the year ended 31 March 2006 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.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 March 2006**

	NOTE	2005/06 £000	2004/05 £000
<b>Income from activities</b>	3	<b>212,984</b>	189,357
<b>Other operating income</b>	4	<b>2,963</b>	3,231
<b>Operating expenses</b>	5-7	<u><b>(210,497)</b></u>	<u><b>(189,240)</b></u>
<b>OPERATING SURPLUS (DEFICIT)</b>		<b>5,450</b>	3,348
Cost of fundamental reorganisation/restructuring*		<b>0</b>	0
Profit (loss) on disposal of fixed assets	8	<u><b>22</b></u>	<u>4</u>
<b>SURPLUS (DEFICIT) BEFORE INTEREST</b>		<b>5,472</b>	3,352
Interest receivable		<b>391</b>	508
Interest payable	9	<b>0</b>	0
Other finance costs - unwinding of discount	16	<b>(129)</b>	<b>(165)</b>
Other finance costs - change in discount rate on provisions	16	<u><b>(743)</b></u>	<u>0</u>
<b>SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR</b>		<b>4,991</b>	3,695
Public Dividend Capital dividends payable		<u><b>(3,733)</b></u>	<u><b>(3,363)</b></u>
<b>RETAINED SURPLUS (DEFICIT) FOR THE YEAR</b>		<u><u><b>1,258</b></u></u>	<u><u>332</u></u>

The notes on pages 6 to 44 form part of these accounts.

All income and expenditure is derived from continuing operations.

**NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 March 2006**

	<b>31 March 2006 £000</b>	31 March 2005 £000
Retained surplus/(deficit) for the year	<b>1,258</b>	332
Financial support included in retained surplus/(deficit) for the year - NHS Bank	<b>0</b>	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	<b>0</b>	0
Retained surplus/(deficit) for the year excluding financial support	<b>1,258</b>	332

**BALANCE SHEET AS AT  
31 March 2006**

	NOTE	31 March 2006 £000	31 March 2005 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	447	415
Tangible assets	11	106,257	105,085
Investments	14.1	0	0
		<u>106,704</u>	<u>105,500</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	12	1,916	1,938
Debtors	13	22,980	16,822
Investments	14.2	0	0
Cash at bank and in hand	18.3	667	665
		<u>25,563</u>	<u>19,425</u>
<b>CREDITORS:</b> Amounts falling due within one year	15	<u>(9,193)</u>	<u>(14,177)</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>16,370</b>	<b>5,248</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>123,074</u>	<u>110,748</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	15	0	0
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<b>(24,539)</b>	<b>(25,017)</b>
<b>TOTAL ASSETS EMPLOYED</b>		<u><u>98,535</u></u>	<u><u>85,731</u></u>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public dividend capital	22	49,617	39,977
Revaluation reserve	17	41,261	40,284
Donated asset reserve	17	508	698
Government grant reserve	17	0	0
Other reserves*	17	(419)	10
Income and expenditure reserve	17	7,568	4,762
<b>TOTAL TAXPAYERS EQUITY</b>		<u><u>98,535</u></u>	<u><u>85,731</u></u>

Signed: .....(Chief Executive)

Date: .....

The financial statements on pages [a to b] were approved by the Board on [date] and signed by:

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED  
31 March 2006**

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Surplus (deficit) for the financial year before dividend payments	<b>4,991</b>	3,695
Fixed asset impairment losses	<b>0</b>	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	<b>2,540</b>	13,328
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	<b>17</b>	0
Additions/(reductions) in "other reserves"	<b>(429)</b>	0
<b>Total recognised gains and losses for the financial year</b>	<b>7,119</b>	17,023
Prior period adjustment	<b>0</b>	0
<b>Total gains and losses recognised in the financial year</b>	<b>7,119</b>	<b>17,023</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED**  
**31 March 2006**

	NOTE	2005/06 £000	2004/05 £000
<b>OPERATING ACTIVITIES</b>			
<b>Net cash inflow/(outflow) from operating activities</b>	18.1	<b>(558)</b>	21,930
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>			
Interest received		391	502
Interest paid		0	0
Interest element of finance leases		0	0
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>391</b>	502
<b>CAPITAL EXPENDITURE</b>			
(Payments) to acquire tangible fixed assets		<b>(5,589)</b>	<b>(5,976)</b>
Receipts from sale of tangible fixed assets		35	73
(Payments) to acquire intangible assets		<b>(186)</b>	<b>(63)</b>
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
<b>Net cash inflow/(outflow) from capital expenditure</b>		<b>(5,740)</b>	<b>(5,966)</b>
<b>DIVIDENDS PAID</b>			
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>(9,640)</b>	13,103
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(Purchase) of current asset investments		0	0
Sale of current asset investments		0	0
<b>Net cash inflow/(outflow) from management of liquid resources</b>		<b>0</b>	0
<b>Net cash inflow/(outflow) before financing</b>		<b>(9,640)</b>	13,103
<b>FINANCING</b>			
Public dividend capital received		9,640	0
Public dividend capital repaid (not previously accrued)		0	<b>(12,861)</b>
Public dividend capital repaid (accrued in prior period)		0	0
Loans received		0	0
Loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies*		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>9,640</b>	<b>(12,861)</b>
<b>Increase/(decrease) in cash</b>		<b>0</b>	242

\* This line is only used by NHS Trusts that are dissolved mid-year.

## 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 Trust Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual 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. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired 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 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

#### 1.4 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year they can be valued; and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.



## 1.5 Tangible fixed assets

### Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £5,000; or
- collectively 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
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

### Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 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 land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets once they have been taken out of operational use and subsequently disposed of.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

**Depreciation, amortisation and impairments**

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset using the following lives:

	Years
Medical equipment and engineering plans and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft Furnishings	7
Office equipment	5
Information Technology Equipment	3
Set-up costs in new buildings	10

Ambulances are depreciated over their estimated lives; other vehicles are depreciated over 7 years.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

## **1.6 Donated fixed assets**

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

## **1.7 Government Grants**

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also 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 the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

## **1.8 Private Finance Initiative (PFI) transactions**

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

## **1.9 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

## **1.10 Research and development**

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

- 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 activity.

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

### **1.11 Provisions**

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. This is a change from the rate of 3.5% in 2004/05 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

#### **Clinical negligence costs**

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

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2004/05 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

#### **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.

### **1.12 Pension 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. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

NHS bodies are directed by the Secretary of State to charge employer's pension cost contributions to operating expenses as and when they become due.

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

### **1.13 Liquid resources**

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

### **1.16 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.

### **1.15 Foreign Exchange**

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure account.

### **1.16 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 28 to the accounts.

### **1.17 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

### **1.18 Public Dividend Capital (PDC) and PDC Dividend**

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash 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. 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.

### **1.19 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 each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the income and expenditure account 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). However, note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

### **1.20 Other Reserve**

This reserve was created when the London Ambulance Service became an NHS Trust. The negative reserve balance was caused by the legal title of a property not being correctly 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 creating a negative reserve.

## **2 SEGMENTAL ANALYSIS**

The Trust does not have more than one business segment as defined in Statement of Standard Accounting Practice 25 and therefore there is no requirement for segmental reporting.

**3. Income from Activities**

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Strategic Health Authorities	97	0
NHS Trusts	9,712	11,898
Primary Care Trusts*	200,644	175,576
Foundation Trusts	1,124	1,001
Local Authorities	0	0
Department of Health	151	90
NHS Other	0	0
Non NHS:		
- Private Patients	0	0
- Overseas patients (non-reciprocal)	0	0
- Road Traffic Act	0	0
- Other	1,256	792
	<b><u>212,984</u></b>	<b><u>189,357</u></b>

**4. Other Operating Income**

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Patient transport services	0	0
Education, training and research	922	816
Charitable and other contributions to expenditure	0	0
Transfers from donated asset reserve	222	215
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	0	0
Income Generation	0	0
Other income	1,819	2,200
	<b><u>2,963</u></b>	<b><u>3,231</u></b>

Other income includes £905,655 back-to-back income, £444,966 as recovery of cost for staff on secondment and £164,000 for the national defibrillation programme.



## 5. Operating Expenses

### 5.1 Operating expenses comprise:

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Services from other NHS Trusts	<b>853</b>	1,185
Services from other NHS bodies	<b>1,390</b>	617
Services from Foundation Trusts	<b>1</b>	20
Purchase of healthcare from non NHS bodies	<b>0</b>	0
Directors' costs	<b>621</b>	740
Staff costs	<b>156,115</b>	141,701
Supplies and services - clinical	<b>4,162</b>	3,052
Supplies and services - general	<b>1,285</b>	1,328
Establishment	<b>7,618</b>	7,188
Transport	<b>16,433</b>	15,131
Premises	<b>8,859</b>	6,917
Bad debts	<b>0</b>	3
Depreciation and amortisation	<b>6,368</b>	6,567
Fixed asset impairments and reversals	<b>0</b>	0
External contracts	<b>1,756</b>	1,588
Legal & Professional fees	<b>331</b>	841
Non-motor insurance	<b>14</b>	21
Audit fees	<b>139</b>	131
Other auditor's remuneration	<b>0</b>	0
Clinical negligence	<b>0</b>	0
Other Training	<b>1,482</b>	896
Other	<b>3,070</b>	1,314
	<b><u>210,497</u></b>	<b><u>189,240</u></b>

**5.2 Operating leases**

**5.2/1 Operating expenses include:**

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Hire of plant and machinery	<b>0</b>	0
Other operating lease rentals	<b>5,291</b>	4,345
	<u><b>5,291</b></u>	<u>4,345</u>

**5.2/2 Annual commitments under non - cancellable operating leases are:**

	<b>Land and buildings</b>		<b>Other leases</b>	
	<b>2005/06</b>	2004/05	<b>2005/06</b>	2004/05
	<b>£000</b>	£000	<b>£000</b>	£000
Operating leases which expire:				
Within 1 year	<b>32</b>	32	<b>26</b>	1,696
Between 1 and 5 years	<b>90</b>	22	<b>742</b>	907
After 5 years	<b>474</b>	484	<b>3,442</b>	2,197
	<u><b>596</b></u>	<u>538</u>	<u><b>4,210</b></u>	<u>4,800</u>

### 5.3 Salary and Pension entitlements of senior managers

#### A) Remuneration

Name and Title	2005-06			2004-05		
	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Benefits in Kind Rounded to the nearest £100	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Benefits in Kind Rounded to the nearest £100
Sigurd Reinton, Chairman	£20,001-£25,000	£0-£5,000		£20,001-£25,000	£0-£5,000	
Colin Douglas, Non-Executive Director	£5,001-£10,000	£0-£5,000		£5,001-£10,000	£0-£5,000	
**Toby Harris, Non-Executive Director	£0-£5,000	£0-£5,000		£5,001-£10,000	£0-£5,000	
Barry MacDonald, Non-Executive Director	£5,001-£10,000	£0-£5,000		£5,001-£10,000	£0-£5,000	
Beryl Magrath, Non-Executive Director	£5,001-£10,000	£0-£5,000		£5,001-£10,000	£0-£5,000	
Sarah Waller, Non-Executive Director	£5,001-£10,000	£0-£5,000		£5,001-£10,000	£0-£5,000	
**Roy Griffins, Associate Non-Executive Director	£0-£5,000	£0-£5,000		£0-£5,000	£0-£5,000	
**Ingrid Prescod, Associate Non-Executive Director	£0-£5,000	£0-£5,000		£0-£5,000	£0-£5,000	
**Caroline Silver, Associate Non-Executive Director	£0-£5,000	£0-£5,000		£0-£5,000	£0-£5,000	
Peter Bradley, Chief Executive	£150,001-£155,000	£0-£5,000	£5,000	£135,001-£140,000	£0-£5,000	£4,000
Michael Dinan, Director of Finance	£90,001-£95,000	£0-£5,000		£30,001-£35,000	£0-£5,000	
Martin Flaherty, Director of Operations	£90,001-£95,000	£0-£5,000	£3,000	£0-£5,000	£0-£5,000	£3,000
**Wendy Foers, Director of Human Resources	£20,001-£25,000	£0-£5,000		£90,001-£95,000	£40,001-£45,000	
**Caron Hitchen, Director of Human Resources	£75,001-£80,000	£0-£5,000		£0-£5,000	£0-£5,000	
Fionna Moore, Medical Director	£60,001-£65,000	£0-£5,000		£60,001-£65,000	£0-£5,000	

\* Other Remuneration - Consent to disclosure withheld.

\*\* Directors who were in post for part of the financial year. Roy Griffins, Ingrid Prescod and Caroline Silver were appointed Associate Non-Executive Directors on 1st March 2006. Toby Harris resign from the post of Non-Executive Director on 30 November 2005. Wendy Foers resigned from the post of Director of Human Resources on 21 July 2005. Caron Hitchen was appointed Director of Human Resources on 30 May 2005. Martin Flaherty was appointed Director of Operations on 1st April 2005.

The figures shown under the heading 'benefit in kind' refer to the provision of lease cars.

## 5.3 Salary and Pension entitlements of senior managers

## B) Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2,500)	Lump sum at aged 60 related to real increase in pension (bands of £2,500)	Total accrued pension at age 60 at 31 March 2006 (bands of £5,000)	Lump sum at age 60 at related to accrued pension at 31 March 2006 (bands of £5,000)	Cash Equivalent Transfer Value at 31 March 2006	Cash Equivalent Transfer Value at 31 March 2005	Real Increase in Cash Equivalent Transfer Value	Employers Contribution to Stakeholder Pension  To nearest £100
Sigurd Reinton, Chairman	**	**	**	**	**	**	**	
Colin Douglas, Non-Executive Director	**	**	**	**	**	**	**	
Toby Harris, Non-Executive Director	**	**	**	**	**	**	**	
Barry MacDonald, Non-Executive Director	**	**	**	**	**	**	**	
Beryl Magrath, Non-Executive Director	**	**	**	**	**	**	**	
Sarah Waller, Non-Executive Director	**	**	**	**	**	**	**	
Roy Griffins, Associate Non-Executive Director	**	**	**	**	**	**	**	
Ingrid Prescod, Associate Non-Executive Director	**	**	**	**	**	**	**	
Caroline Silver, Associate Non-Executive Director	**	**	**	**	**	**	**	
Peter Bradley, Chief Executive	£0-£2,500	£2,501-£5,000	£5,001-£10,000	£25,001-£30,000	£132,437	£114,042	£10,881	
Michael Dinan, Director of Finance	£0-£2,500	£2,501-£5,000	£0-£5,000	£0-£5,000	£19,087	£4,874	£9,864	
Martin Flaherty, Director of Operations	£2,501-£5,000	£10,001-£12,500	£25,001-£30,000	£85,001-£90,000	£416,909	£347,229	£42,700	
Wendy Foers, Director of Human Resources	£0-£2,500	£0-£2,500	£25,001-£30,000	£85,001-£90,000	£449,057	£427,178	£2,406	
Caron Hitchen, Director of Human Resources	£0-£2,500	£5,001-£7,500	£15,001-£20,000	£50,001-£55,000	£233,307	£197,417	£18,106	
Fionna Moore, Medical Director	£2,501-£5,000	£7,501-£10,000	£30,001-£35,000	£100,001-£105,000	£584,154	£500,229	£49,993	

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures and the other pension details include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

**6. Staff costs and numbers**

**6.1 Staff costs**

	<b>2005/06</b>			2004/05
	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
Salaries and wages	<b>130,669</b>	128,481	2,188	120,549
Social Security Costs	<b>10,972</b>	10,972	0	8,209
Employer contributions to NHSPA	<b>15,051</b>	15,051	0	12,848
Other pension costs	<b>(8)</b>	<b>(8)</b>	0	637
	<b><u>156,684</u></b>	<b><u>154,496</u></b>	<b><u>2,188</u></b>	<b><u>142,243</u></b>

**6.2 Average number of persons employed**

	<b>2005/06</b>			2004/05
	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>	
	<b>Number</b>	<b>Number</b>	<b>Number</b>	Number
Medical and dental	<b>0</b>	0	0	0
Ambulance staff	<b>3,229</b>	3,175	54	3,110
Administration and estates	<b>585</b>	541	44	616
Healthcare assistants and other support staff	<b>0</b>	0	0	0
Nursing, midwifery and health visiting staff	<b>0</b>	0	0	0
Nursing, midwifery and health visiting learners	<b>0</b>	0	0	0
Scientific, therapeutic and technical staff	<b>0</b>	0	0	0
Social care staff	<b>0</b>	0	0	0
Other	<b>93</b>	64	29	121
Total	<b><u>3,907</u></b>	<b><u>3,780</u></b>	<b><u>127</u></b>	<b><u>3,847</u></b>

### 6.3 Employee benefits

There were no employee benefits in the year and there were none in 2004/05.

### 6.4 Management costs

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Management costs	<b>12,226</b>	11,079
Income	<b>215,645</b>	192,256

Management costs are defined as those on the management costs website at [www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en](http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en).

### 6.5 Retirements due to ill-health

During 2005/06 (prior year 2004/05) there were 8 (11) early retirements from the trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £778,048 (£490,570). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

## 7. Better Payment Practice Code

### 7.1 Better Payment Practice Code - measure of compliance

	2005/06 Number	2005/06 £000
Total Non-NHS trade invoices paid in the year	58,453	52,112
Total Non NHS trade invoices paid within target	46,215	43,999
Percentage of Non-NHS trade invoices paid within target	79%	84%
Total NHS trade invoices paid in the year	548	2,367
Total NHS trade invoices paid within target	389	1,928
Percentage of NHS trade invoices paid within target	71%	81%

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

### 7.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2005/06 £000	2004/05 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

## 8. Profit/(Loss) on Disposal of Fixed Assets

Profit/loss on the disposal of fixed assets is made up as follows:

	2005/06 £000	2004/05 £000
Profit on disposal of fixed asset investments	0	0
Loss on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	0	0
Profits on disposal of plant and equipment	22	4
Loss on disposal of plant and equipment	0	0
	<u>22</u>	<u>4</u>

## 9. Interest Payable

	2005/06 £000	2004/05 £000
Finance leases	0	0
Other	0	0
	<u>0</u>	<u>0</u>

**10. Intangible Fixed Assets**

	<b>Software Licences £000</b>	<b>Licenses and trademarks £000</b>	<b>Patents £000</b>	<b>Development Expenditure £000</b>	<b>Total £000</b>
Gross cost at 1 April 2005	1,377	0	0	65	1,442
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	101	0	0	(58)	43
Other revaluation	0	0	0	0	0
Additions purchased	132	0	0	95	227
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross cost at 31 March 2006</b>	<b>1,610</b>	<b>0</b>	<b>0</b>	<b>102</b>	<b>1,712</b>
Amortisation at 1 April 2005	1,027	0	0	0	1,027
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	9	0	0	0	9
Other revaluation	0	0	0	0	0
Charged during the year	229	0	0	0	229
Disposals	0	0	0	0	0
<b>Amortisation at 31 March 2006</b>	<b>1,265</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,265</b>
<b>Net book value</b>					
- Purchased at 1 April 2005	350	0	0	65	415
- Donated at 1 April 2005	0	0	0	0	0
- Government Granted at 1 April 2005	0	0	0	0	0
<b>- Total at 1 April 2005</b>	<b>350</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>415</b>
- Purchased at 31 March 2006	345	0	0	102	447
- Donated at 31 March 2006	0	0	0	0	0
- Government Granted at 31 March 2006	0	0	0	0	0
<b>- Total at 31 March 2006</b>	<b>345</b>	<b>0</b>	<b>0</b>	<b>102</b>	<b>447</b>



**11. Tangible Fixed Assets****11.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	43,850	45,649	0	3,425	7,312	25,045	8,209	0	133,490
Additions purchased	200	2,374	0	1,241	199	850	367	0	5,231
Additions donated	0	0	0	0	0	17	0	0	17
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,255	0	(2,401)	494	352	257	0	(43)
Indexation	2,192	840	0	(21)	154	529		0	3,694
Other in year revaluation	31	(663)	0	0	0	0	0	0	(632)
Disposals	(210)	(242)	0	0	0	(6,339)	0	0	(6,791)
<b>Cost or Valuation at 31 March 2006</b>	<b>46,063</b>	<b>49,213</b>	<b>0</b>	<b>2,244</b>	<b>8,159</b>	<b>20,454</b>	<b>8,833</b>	<b>0</b>	<b>134,966</b>
Depreciation at 1 April 2005					3,614	21,133	3,658	0	28,405
Charged during the year	0	1,850	0		1,269	1,547	1,473	0	6,139
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	(9)	0	(9)
Indexation	0	0	0		76	446		0	522
Other in year revaluation					0	0	0	0	0
Disposals	0	(22)	0		0	(6,326)	0	0	(6,348)
<b>Depreciation at 31 March 2006</b>	<b>0</b>	<b>1,828</b>	<b>0</b>	<b>0</b>	<b>4,959</b>	<b>16,800</b>	<b>5,122</b>	<b>0</b>	<b>28,709</b>
<b>Net book value</b>									
- Purchased at 1 April 2005	43,850	45,649	0	3,425	3,000	3,912	4,551	0	104,387
- Donated at 1 April 2005	0	0	0	0	698	0	0	0	698
- Government Granted at 1 April 2005	0	0	0	0	0	0	0	0	0
<b>- Total at 1 April 2005</b>	<b>43,850</b>	<b>45,649</b>	<b>0</b>	<b>3,425</b>	<b>3,698</b>	<b>3,912</b>	<b>4,551</b>	<b>0</b>	<b>105,085</b>
- Purchased at 31 March 2006	46,063	47,385	0	2,244	2,707	3,639	3,711	0	105,749
- Donated at 31 March 2006	0	0	0	0	493	15	0	0	508
- Government Granted at 31 March 2006	0	0	0	0	0	0	0	0	0
<b>- Total at 31 March 2006</b>	<b>46,063</b>	<b>47,385</b>	<b>0</b>	<b>2,244</b>	<b>3,200</b>	<b>3,654</b>	<b>3,711</b>	<b>0</b>	<b>106,257</b>

\* Residual interests of off balance sheet PFI schemes should be recorded here. If the amount is material a disclosure should be made stating what the figure represents.

### 11.1 Tangible Fixed Assets (contd)

Of the totals at 31 March 2006, £Nil related to land valued at open market value and £Nil related to buildings valued at open market value and £Nil related to dwellings valued at open market value.

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2006	0	0	0	0	0	0	0	0	0
At 31 March 2005	0	0	0	0	0	0	0	0	0

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2006	0	0	0	0	0	0	0	0	0
Depreciation 31 March 2005	0	0	0	0	0	0	0	0	0

**11.2 The net book value of land, buildings and dwellings at 31 March 2006 comprises:**

	<b>31 March 2006</b>	31 March 2005
	<b>£000</b>	£000
Freehold	<b>92,341</b>	87,588
Long leasehold	<b>758</b>	1,892
Short leasehold	<b>349</b>	19
<b>TOTAL</b>	<b><u>93,448</u></b>	<u>89,499</u>

**12. Stocks and Work in Progress**

	<b>31 March 2006</b>	31 March 2005
	<b>£000</b>	£000
Raw materials and consumables	<b>1,916</b>	1,938
Work-in-progress	<b>0</b>	0
Finished goods	<b>0</b>	0
<b>TOTAL</b>	<b><u>1,916</u></b>	<u>1,938</u>

**13. Debtors**

	<b>31 March 2006</b>	31 March 2005
	<b>£000</b>	£000

**Amounts falling due within one year:**

NHS debtors	<b>9,262</b>	4,868
Provision for irrecoverable debts	<b>(21)</b>	<b>(20)</b>
Other prepayments and accrued income	<b>2,309</b>	2,071
Other debtors	<b>1,887</b>	827
<b>Sub Total</b>	<b><u>13,437</u></b>	<u>7,746</u>

**Amounts falling due after more than one year:**

NHS debtors	<b>9,543</b>	9,076
Provision for irrecoverable debts	<b>0</b>	0
Other prepayments and accrued income	<b>0</b>	0
Other debtors	<b>0</b>	0
<b>Sub Total</b>	<b><u>9,543</u></b>	<u>9,076</u>

<b>TOTAL</b>	<b><u>22,980</u></b>	<u>16,822</u>
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Other Debtors include £Nil prepaid pension contributions at 31 March 2006 (£Nil at 31 March 2005)

**14. Investments**

**14.1 Fixed Asset Investments**

	Description* £000	Description* £000	Other £000	Total £000
Balance at 1 April 2005	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2006	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

\* NHS Trusts should insert a title/heading to describe the type of fixed asset investment held.

Please note: Any NHS Trust that holds a fixed asset investment should include the accounting policy on the fixed asset investment in Note 1 - Accounting Policies, i.e. details should be given of valuation policies etc

**14.2 Current Asset Investments**

	Description* £000	Description* £000	Other £000	Total £000
Balance at 1 April 2005	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2006	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

## 15. Creditors

### 15.1 Creditors at the balance sheet date are made up of:

	31 March 2006 £000	31 March 2005 £000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	104	101
Current instalments due on loans	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors	191	280
Non - NHS trade creditors - revenue - other	4,667	4,690
Non - NHS trade creditors - capital	378	694
Tax and social security costs	341	3,589
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	2,775	3,206
Accruals and deferred income	737	1,617
<b>Sub Total</b>	<b>9,193</b>	<b>14,177</b>
<b>Amounts falling due after more than one year:</b>		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Other	0	0
<b>Sub Total</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>9,193</b>	<b>14,177</b>

Other creditors include;

- £Nil for payments due in future years under arrangements to buy out the liability for Nil early retirements over 5 years; and
- £1,886,605 outstanding pensions contributions at 31 March 2006 (31 March 2005 £1,870,977).

**15.2 Loans [and other long-term financial liabilities]**

The Trust had not entered in to any loan arrangements at 31 March 2006 or 31 March 2005.

**15.3 Finance lease obligations**

	<b>31 March 2006</b>	31 March 2005
	<b>£000</b>	£000
Payable:		
Within one year	<b>0</b>	0
Between one and five years	<b>0</b>	0
After five years	<b>0</b>	0
	<hr/> <b>0</b>	<hr/> 0
Less finance charges allocated to future periods	<b>0</b>	0
	<hr/> <b>0</b> <hr/>	<hr/> 0 <hr/>

**15.4 Finance Lease Commitments**

London Ambulance Service NHS Trust has not entered into any new finance lease arrangements during the year.

**16. Provisions for liabilities and charges**

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	<b>Total £000</b>
At 1 April 2005	0	2,723	744	0	21,550	<b>25,017</b>
Change in discount rate	0	521	0	0	222	<b>743</b>
Arising during the year	0	1,126	43	0	4,206	<b>5,375</b>
Utilised during the year	0	(308)	(175)	0	(6,172)	<b>(6,655)</b>
Reversed unused	0	0	0	0	(70)	<b>(70)</b>
Unwinding of discount	0	71	0	0	58	<b>129</b>
At 31 March 2006	<b>0</b>	<b>4,133</b>	<b>612</b>	<b>0</b>	<b>19,794</b>	<b>24,539</b>

**Expected timing of cashflows:**

Within one year	0	319	612	0	18,078	19,009
Between one and five years	0	1,277	0	0	569	1,846
After five years	0	2,537	0	0	1,147	3,684

Pensions relating to other staff - payments relating to this provision will be made quarterly over the life of each member of staff and have been discounted using a rate of 3.5%. Every year the provision is adjusted for inflation.

Other legal claims - claims brought against the Trust provided for the above vary between probabilities of success of 10% to 94%. The amounts provided are based upon estimates of costs and settlements provided by the NHS Litigation Authority.

Other - £6.5 million (2004/05 £6.5million) of the balance relates to an estimate for our tax liability on subsistence payments made to staff. Both the exact amount and the expected timing of the payout are currently uncertain. £1,854,780 (2004/05 £1,779,131) is an estimate for pension payments due to employees made redundant prior to 1995 as a result of restructuring of the Trust. The provisions are calculated using actuarial tables and are payable quarterly over the life of the employees. £9,680,493 (2004/05 £11,793,331) of the balance relates to amounts payable to staff as a result of a change to their salary entitlement under Agenda for Change. This will be paid out in 2005/06. A balance of £1,008,034 also exists in Other Provisions relating to estimated amounts payable in 2005/06 as a result of motor accidents that occurred during the year.

£1,173,726 is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the trust (31 March 2005 £653,460).

**17. Movements on Reserves**

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	<b>Total £000</b>
At 1 April 2005 as previously stated	40,284	698	0	10	4,762	<b>45,754</b>
Prior Period Adjustments	0	0	0	0	0	<b>0</b>
At 1 April 2005 as restated	<u>40,284</u>	<u>698</u>	<u>0</u>	<u>10</u>	<u>4,762</u>	<u><b>45,754</b></u>
Transfer from the income and expenditure account					1,258	<b>1,258</b>
Fixed asset impairments	0	0	0			<b>0</b>
Surplus on other revaluations/indexation of fixed assets	2,525	15	0			<b>2,540</b>
Transfer of realised profits (losses) to the Income and Expenditure	(575)	0	0		575	<b>0</b>
Receipt of donated/government granted assets		17	0			<b>17</b>
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets		(222)	0			<b>(222)</b>
Other transfers between reserves	(973)	0	0	0	973	<b>0</b>
Other movements on reserves [see note 1.20]				(429)		<b>(429)</b>
Reserves eliminated on dissolution	0	0	0	0	0	<b>0</b>
At 31 March 2006	<u><u>41,261</u></u>	<u><u>508</u></u>	<u><u>0</u></u>	<u><u>(419)</u></u>	<u><u>7,568</u></u>	<u><u><b>48,918</b></u></u>



**18. Notes to the cash flow Statement**

**18.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Total operating surplus (deficit)	<b>5,450</b>	3,348
Depreciation and amortisation charge	<b>6,368</b>	6,567
Fixed asset impairments and reversals	<b>0</b>	0
Transfer from donated asset reserve	<b>(222)</b>	<b>(215)</b>
Transfer from the government grant reserve	<b>0</b>	0
(Increase)/decrease in stocks	<b>22</b>	<b>(328)</b>
(Increase)/decrease in debtors	<b>(6,158)</b>	<b>(231)</b>
Increase/(decrease) in creditors	<b>(4,668)</b>	157
Increase/(decrease) in provisions	<b>(1,350)</b>	12,632
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	<b>(558)</b>	21,930
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>(558)</b>	21,930
	<hr/> <hr/>	<hr/> <hr/>

**18.2 Reconciliation of net cash flow to movement in net debt**

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Increase/(decrease) in cash in the period	<b>0</b>	242
Cash inflow from new debt	<b>0</b>	0
Cash outflow from debt repaid and finance lease capital payments	<b>0</b>	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>0</b>	0
	<hr/>	<hr/>
Change in net debt resulting from cashflows	<b>0</b>	242
Non - cash changes in debt	<b>0</b>	0
Net debt at 1 April 2005	<b>563</b>	321
	<hr/>	<hr/>
Net debt at 31 March 2005	<b>563</b>	563
	<hr/> <hr/>	<hr/> <hr/>

**18.3 Analysis of changes in net debt**

	At 1 April 2005	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2006
	£000	£000	£000	£000	£000
OPG cash at bank	631	0	26		657
Commercial cash at bank and in hand	34	0	(24)		10
Bank overdraft	(102)	0	(2)		(104)
Debt due within one year	0	0	0	0	0
Debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0		0
	<b>563</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>563</b>

## 19. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2006 were £2,018,455 (31 March 2005 £1,941,000)

	<b>£000</b>
Fielden House Refurbishment	294
Bow Site Improvements	333
ARRP Accommodation	433
Other Estate Projects	120
Windows CTAK	200
CAD2010	499
Other Information Technology Projects	139

## 20. Post Balance Sheet Events

Post balance sheet events having a material effect on the accounts are nil.

## 21. Contingencies

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Contingent liabilities (gross value)*	<b>(395)</b>	<b>(233)</b>
Amounts recoverable against contingent liabilities	<b>25</b>	104
Net value of contingent liabilities	<b><u>(370)</u></b>	<b><u>(129)</u></b>
Contingent Assets*	<b><u>0</u></b>	<b><u>0</u></b>

There are no contingencies for clinical negligence since all clinical negligence claims are handled by NHSLA as from 1st April 2002.

## 22. Movement in Public Dividend Capital

	<b>2005/06</b>	2004/05
	<b>£000</b>	£000
Public Dividend Capital as at 1 April 2005	<b>39,977</b>	52,838
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	<b>9,640</b>	0
Public Dividend Capital repaid in year	<b>0</b>	<b>(12,861)</b>
Public Dividend Capital repayable (creditor)	<b>0</b>	0
Public Dividend Capital written off	<b>0</b>	0
Public Dividend Capital transferred to Foundation Trust	<b>0</b>	0
Other movements in Public Dividend Capital in year	<b>0</b>	0
Public Dividend Capital as at 31 March 2006	<b><u>49,617</u></b>	<b><u>39,977</u></b>

## 23. Financial Performance Targets

### 23.1 Breakeven Performance

The trust's breakeven performance for 2005/06 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	105,814	107,964	116,759	123,578	135,775	160,750	168,508	192,588	215,947
Retained surplus/(deficit) for the year	(163)	485	(1,073)	101	46	94	89	332	1,258
Adjustment for:									
- Timing/non-cash impacting distortions									
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0	0
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	0	0							
- 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)	0	0	164						
- 2001/02 Prior Period Adjustment (relating to 1997/98 to 2000/01)	0	0	0	0					
- 2002/03 Prior Period adjustment (relating to 1997/98 to 2001/02)	0	0	0	0	0				
- 2003/04 Prior Period Adjustment (relating to 1997/98 to 2002/03)	0	0	0	0	0	0			
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0	0	0		
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0	0	0	0	0	0	0	
Break-even in-year position	(163)	485	(909)	101	46	94	89	332	1,258
Break-even cumulative position	(163)	322	(587)	(486)	(440)	(346)	(257)	75	1,333
The Trust's recovery plan, approved by the SHA aims to achieve break-even in 20XX/XX. This should be the date of the financial year end e.g. 2006.									0
If anticipated financial year of recovery is more than two years state the period agreed with SHA									0
Materiality test (i.e. is it equal to or less than 0.5%):									
- Break-even in-year position as a percentage of turnover	(0.15%)	0.45%	(0.78%)	0.08%	0.03%	0.06%	0.05%	0.17%	0.58%
- Break-even cumulative position as a percentage of turnover	(0.15%)	0.30%	(0.50%)	(0.39%)	(0.32%)	(0.22%)	(0.15%)	0.04%	0.62%

\*delete as appropriate

### 23.2 Capital cost absorption rate

The trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £3,733,000, bears to the average relevant net assets\* of £90,901,000, that is 4.1%.

The variance from 3.5% is due to slippage in the capital programme relating to a number of estate projects.

### 23.3 External financing

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

	£000	2005/06 £000	2004/05 £000
External financing limit		9,640	(13,103)
Cash flow financing	9,640		0
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement	<u>0</u>	<u>9,640</u>	<u>(13,103)</u>
Undershoot (overshoot)*		<u><u>0</u></u>	<u><u>0</u></u>

### 23.4 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to overspend

	2005/06 £000	2004/05 £000
Gross capital expenditure	5,475	6,581
Less: book value of assets disposed of	(13)	(69)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(17)	0
Charge against the CRL	<u>5,445</u>	<u>6,512</u>
Capital resource limit	6,695	6,601
(Over)/Underspend* against the CRL	<u><u>1,250</u></u>	<u><u>89</u></u>

## 24. Related Party Transactions

London Ambulance Service NHS Trust is a body corporate established by order of the Secretary of State for Health.

Chairman Sigurd Reinton is also a member of the Ambulance Service Association (ASA). During the year details of related party transactions undertaken by the Trust with the Ambulance Service Association.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Ambulance Service Association	46,899	564,222	840	16,241

The Department of Health is regarded as a related party. During the year London Ambulance Service NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

Richmond & Twickenham PCT  
the NHS Supplies Authority;  
the NHS Litigation Authority;  
the NHS Pensions Agency  
Other Primary Care Trusts

The Trust received an administration fee of £2,500 (2004/05 £2,500) from the London Ambulance Service charitable funds, certain of the Trustees for which are also members of the NHS Trust Board.

## **25. Private Finance Transactions**

### **25.1 PFI schemes deemed to be off-balance sheet**

The Trust has not entered into any PFI schemes deemed to be off-balance sheet.

**25.2 'Service' element of PFI schemes deemed to be on-balance sheet**

The Trust has not entered into any PFI schemes deemed to be on-balance sheet.



**26 London Ambulance Service NHS Trust Pooled Budget**

The Trust did not participate in any Pooled Budget Projects.

## **27 Financial Instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local 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 the listed companies to which FRS 13 mainly applies. 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.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

### **Liquidity risk**

The NHS Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. London Ambulance Service NHS Trust is not, therefore, exposed to significant liquidity risks.

### **Interest-Rate Risk**

100% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. London Ambulance Service NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

**27.1 Financial Assets**

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 March 2006							
Sterling	10,212	659	9,545	8	2.20%	8	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial assets</b>	<b>10,212</b>	<b>659</b>	<b>9,545</b>	<b>8</b>			
At 31 March 2005 (prior year)							
Sterling	9,741	657	9,076	8	3.50%	8	1
Other	0	0	0	0	0.00%	0	0
<b>Gross financial assets</b>	<b>9,741</b>	<b>657</b>	<b>9,076</b>	<b>8</b>			

**27.2 Financial Liabilities**

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 March 2006							
Sterling	74,156	0	1,855	72,301	2.20%	21	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial liabilities</b>	<b>74,156</b>	<b>0</b>	<b>1,855</b>	<b>72,301</b>			
At 31 March 2005 (prior year) 0							
Sterling	52,458	0	5,128	47,330	3.50%	21	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial liabilities</b>	<b>52,458</b>	<b>0</b>	<b>5,128</b>	<b>47,330</b>			

Note: The public dividend capital is of unlimited term.

## Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

## 27.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2006.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
<b>Financial assets</b>			
Cash	667	667	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	9,545	9,545	Note a
Investments	0	0	
<b>Total</b>	<u>10,212</u>	<u>10,212</u>	
<b>Financial liabilities</b>			
Overdraft	(104)	(104)	
Creditors over 1 year:			
- Early retirements	0	0	Note b
- Finance leases	0	0	Note c
Provisions under contract	(24,539)	(24,539)	Note d
Loans	0	0	
Public dividend capital*	(49,617)	(49,617)	Note e
<b>Total</b>	<u>(74,260)</u>	<u>(74,260)</u>	

### Notes

a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.

b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.

c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.

d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.

e The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

\* This figure includes £Nil which relates to short-term repayable (within a set period) PDC held by the Trust.

## 28 Third Party Assets

The Trust held £Nil cash at bank and in hand at 31 March 2006 (£Nil - at 31 March 2005) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

## 29 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	645	0	341	0
Balances with Local Authorities	4	0	0	0
Balances with NHS Trusts and Foundation Trusts	9,262	9,543	2,143	0
Balances with Public Corporations and Trading Funds	31	0	0	0
Balances with bodies external to government	3,495	0	6,709	0
At 31 March 2006	<u>13,437</u>	<u>9,543</u>	<u>9,193</u>	<u>0</u>
Balances with other Central Government Bodies	3,593	9,076	5,531	0
Balances with Local Authorities	3	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,777	0	192	0
Balances with Public Corporations and Trading Funds	0	0	11	0
Balances with bodies external to government	2,373	0	8,443	0
At 31 March 2005 (prior year)	<u>7,746</u>	<u>9,076</u>	<u>14,177</u>	<u>0</u>

## 30 Losses and Special Payments

There were 1,476 cases of losses and special payments (2004/05: 1,355 cases) totalling £1,385,608 (2004/05: £1,163,240) paid during 2005/06.

There were nil clinical negligence cases where the net payment exceeded £100,000 (prior year:nil cases).

There were nil fraud cases where the net payment exceeded £100,000 (prior year nil cases).

There were nil personal injury cases where the net payment exceeded £100,000 (prior year nil cases).

There were nil compensation under legal obligation cases where the net payment exceeded £100,000 (prior year nil cases).

There were nil fruitless payment cases where the net payment exceeded £100,000 (prior year nil cases).