

**London Ambulance Service NHS Trust**

**Annual Accounts for Year 2010-11**

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF LONDON AMBULANCE SERVICE NHS TRUST**

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

This report is made solely to the Board of Directors of 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 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

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

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

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

### **Conclusion**

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

### **Certificate**

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



Philip Johnstone  
Officer of the Audit Commission

Audit Commission  
First Floor Millbank Tower  
Millbank  
London  
SW1P 4HQ

Date 9 JUNE 2011

**2010-11 Annual Accounts of London Ambulance Service Trust**

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

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

**nb: sign and date in any colour ink except black**

Signed  ..... Chief Executive

Date 6/6/11 .....

**2010-11 Annual Accounts of London Ambulance Service Trust**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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

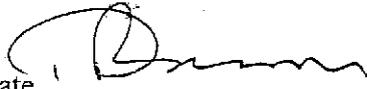
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

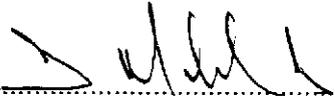
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They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

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

By order of the Board

**nb: sign and date in any colour ink except black**

6/6/11 Date  Chief Executive

6/6/11 Date  Finance Director

## STATEMENT ON INTERNAL CONTROLS 2010-11

### 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 provision of emergency and urgent healthcare across London. In 2010-2011 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. In the past year we have consolidated our cardiac referral pathways and developed bypass criteria for patients who have suffered acute stroke and major trauma, so that they can receive the highest standards of care in specialist centres.

### 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; and
- 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 ending 31 March 2011 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 Quality. An executive committee, Risk Compliance & Assurance (RCAG), is chaired by the Director of Finance with delegated authority from the Trust Board and the Quality Committee to take an overview of our risk management activities.

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

- Director of Finance – financial risk management
- Medical Director – clinical quality, safety and effectiveness (and risks associated with infection prevention and control and safeguarding up to September 2010)
- Director of Human Resources & Organisation 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 Information Management & Technology – information management and technology, 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
- Director of Health Promotion & Quality – risks concerning infection prevention and control and safeguarding (since September 2010).

The Directors of Finance and Corporate Services routinely attend the Audit Committee. Three committees – Risk Compliance and Assurance, Clinical Safety & Effectiveness, and Learning from Experience - report to the Quality Committee which is attended by the chairs. The Director of Health Promotion & Quality is the nominated executive for infection prevention and control and also for safeguarding; the Director of Human Resources and Organisation Development is the nominated director for security management, and the Director of IM&T is the senior information risk owner reporting to the Trust Board.

A mandatory training plan is in place for our employees. This was assessed by the NHSLA in October 2010 and the standard was achieved at level one. New staff attend corporate induction which covers the basic risk and safety management responsibilities and includes basic information governance principles such as data protection and confidentiality. 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 risk management and governance structure was implemented in April 2010 and an interim review was undertaken in December 2010. The chairman of the Trust Board seeks assurance at each meeting from the chairs of the Audit and Quality committees that the arrangements are working effectively. The structure will be reviewed early in 2011/12 to ensure that it is working effectively for the Trust Board and that it minimises the risks facing us and our ability to meet our strategic goals.

#### **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.

Following an inspection in 2009-10 against 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 implemented a number of recommendations and a 12-point action plan which has been managed throughout the year. Improved audit practices are now in place and providing assurance of compliance as well as identifying areas that require more focus.

We received unconditional registration from the CQC in March 2010 to provide the following regulated activities:

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

Systems are in place to monitor compliance throughout the year and to address any emerging gaps or risks. The board assurance framework has been further developed during the year to show the linkages between the strategic goals for the next five years and the most significant strategic risks to the achievement of these. This is mapped to the key risks the Trust Board chose to focus on during the year as well as the top risks on the corporate risk register. The board assurance framework is mapped to the care Quality Commission's outcomes and requirements. The Quality Committee reviews the board assurance framework and corporate risk register quarterly as does the Trust Board. The Risk Compliance and Assurance Group review the corporate risk register in detail at each meeting.

Control measures are in place to ensure that all of our 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, employers' 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.

We have 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.

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 Cardio Pulmonary Resuscitation (CPR) training to the public and businesses.
- We have improved the delivery of our clinical care fleet with the acquisition of 67 modern ambulances as part of a rolling programme.
- Clinical care pathways are being developed to support emergency and urgent healthcare across London.
- Training is in place to support the conveyance of major trauma, stroke and cardiac patients to specialist units, bypassing local hospitals, where appropriate.
- 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.

Over the past year we have worked closely with the Metropolitan Police Controlled Drugs Unit to undertake unannounced inspections. We have also introduced a system of peer review which is being rolled out across the Service. 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 Board Assurance Framework identifies the gaps in controls and assurance specifically as failure to comply with policies and procedures relating to the management of controlled drugs but has assurance that the underpinning policies are sound.

- 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.

#### **Control Services**

- During the peak in swine flu-related calls we worked closely with NHS Direct to ensure that ambulances were despatched appropriately.
- The expansion of the Clinical Support Function which supports decision making by frontline staff, and the capacity management of specialist units specifically relating to major trauma, Stroke and cardiac care.
- 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 include:
  - 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 at Corporate and Local Induction
  - employee background checks
- Technical Controls include:
  - edge security, for example firewalls and content filtering appliances
  - access control mechanisms
  - laptop encryption
  - removable media encryption
- Work in implementing the new Computer Aided Dispatch system which will significantly enhance resilience and capability remains on track for implementation in June 2011.
- The creation of a dedicated Event Control Room was completed to plan. This facility provides coordination support to annual events such as the London Marathon and 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**

- The control weakness listed in 2009/10 has been fully resolved and we have assurance that all journals have been uploaded and posted by different people through out 2010/11.
- The outstanding audit points suggest that during 2010/11 there was a systematic weakness in relation to all budget holders signing off budgets at the earliest opportunity. This control weakness was addressed by November 2010.

#### **Public Involvement**

- Complaints, incidents, patient experiences and claims are all indicators of risk and are managed and reported in line with our 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. The Learning from Experience group has been developing the reporting process for integrated review and learning from complaints, patient experiences, incidents, claims and inquests, and the Trust Board receives a monthly summary of complaints activity.

#### **Information Governance**

- 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 our policy in certain cases and that this was not being followed up at a local level. The completeness of patient report forms is monitored at station and complex level and the management of clinical records is a theme throughout the clinical programme training. The risk of unauthorised access has been reduced by repairing and purchasing new red and black patient report form boxes which are used for the collection and transporting of patient identifiable information.
- A serious incident involving the theft of an unencrypted lap top which contained patient information was reported to the Information Commissioners Office in February 2011. A second serious incident report was submitted in March following the theft of patient information from one of our vehicles. We are liaising closely with the Information Commissioner's Office while both incidents are being investigated.

#### **Control Issues**

**The Head of Internal Audit's Opinion is as follows:**

Based on the work undertaken in 2010/11, significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design of controls, and the inconsistent application of controls put the achievement of particular objectives at risk. The key findings are:-

Hazardous Area Response Team (HART): Our audit of the HART team identified a number of weaknesses with regards to the establishment of the HART teams within London, specifically around resourcing of the teams and development of suitable accommodation.

Since the conclusion of our audit, the Trust has made significant progress in addressing the recommendations made, with seven out of the ten now implemented, and action plans in place for two of the remaining three, with the final recommendation outside the control of the Trust to implement.

## 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, 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 Quality Committee, 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
- Quality Committee

The Chairs of these committees provide a verbal 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 Audit Committee advises the Board about how well we are 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 Quality Committee provides assurance to the Trust Board and to the Audit Committee on quality, safety and risk management.

The Risk Compliance and Assurance Group has delegated responsibility for taking a general overview of all our risk management activities and to pick up any specific risk management issues which are not covered by the specific Audit and Quality Committees. This committee also receives a report on the management of all identified high priority risks that have been identified by our systems and processes.

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 patient 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  
06/06/2011

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 MARCH 2011**

	NOTE	2010-11 £000	2009-10 £000
<b>Revenue</b>			
Revenue from patient care activities	5	<b>280,304</b>	269,557
Other operating revenue	6	<b>3,313</b>	10,307
Operating expenses	8	<u>(279,488)</u>	<u>(275,633)</u>
<b>Operating surplus/(deficit)</b>		<b>4,129</b>	4,231
<b>Finance costs:</b>			
Investment revenue	14	<b>823</b>	577
Other gains and losses	15	<b>1,068</b>	(128)
Finance costs	16	<u>(1,508)</u>	<u>(1,540)</u>
<b>Surplus/(deficit) for the financial year</b>		<b>4,512</b>	3,140
Public dividend capital dividends payable		<u>(3,772)</u>	<u>(3,560)</u>
<b>Retained surplus/(deficit) for the year</b>		<u><b>740</b></u>	<u>(420)</u>
<b>Other comprehensive income</b>			
Impairments and reversals		<b>414</b>	(10,692)
Gains on revaluations		<b>510</b>	15,315
Receipt of donated/government granted assets		<b>0</b>	0
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		<b>0</b>	0
Net gains/(losses) on available for sale financial assets		<b>0</b>	0
<b>Reclassification adjustments:</b>			
- Transfers from donated and government grant reserves		<b>(2)</b>	(2)
- On disposal of available for sale financial assets		<b>0</b>	0
<b>Total comprehensive income for the year</b>		<u><b>1,662</b></u>	<u>4,201</u>

The notes on pages 6 to 40 form part of these accounts.

**Reported NHS financial performance position adjusted retained surplus**

<b>Retained surplus/(deficit) for the year</b>	<b>740</b>
IFRIC 12 adjustment	<b>0</b>
Impairments	<u><b>262</b></u>
<b>Reported NHS financial performance position adjusted retained surplus</b>	<u><b>1,002</b></u>

A Trust's Reported NHS financial performance position is derived from its Retained surplus/(Deficit), but adjusted for the following:-

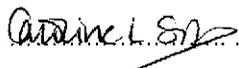
- a) Impairments to Fixed Assets 2009-10 was the final year for organisations to revalue their assets to a Modern Equivalent Asset (MEA) basis of valuation. An impairment charge is not considered part of the organisation's operating position.
- b) The revenue cost of bringing PFI assets onto the balance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

**STATEMENT OF FINANCIAL POSITION AS AT  
31 MARCH 2011**

		31 March 2011 £000	31 March 2010 £000
	NOTE		
<b>Non-current assets</b>			
Property, plant and equipment	17	128,044	131,434
Intangible assets	18	14,479	12,639
Other financial assets	23	0	0
Trade and other receivables	22	7,736	10,526
<b>Total non-current assets</b>		<b>150,259</b>	<b>154,599</b>
<b>Current assets</b>			
Inventories	21	2,571	2,783
Trade and other receivables	22	19,246	16,448
Other financial assets	23	0	0
Other current assets	24	0	0
Cash and cash equivalents	25	872	5,141
		<b>22,689</b>	<b>24,372</b>
Non-current assets held for sale	26	650	650
<b>Total current assets</b>		<b>23,339</b>	<b>25,022</b>
<b>Total assets</b>		<b>173,598</b>	<b>179,621</b>
<b>Current liabilities</b>			
Trade and other payables	27	(21,827)	(25,026)
Other liabilities	29	0	0
Borrowings	28	(4,847)	(4,748)
Other financial liabilities	34	0	0
Provisions	35	(1,418)	(1,938)
<b>Net current assets/(liabilities)</b>		<b>(4,753)</b>	<b>(6,690)</b>
<b>Total assets less current liabilities</b>		<b>145,506</b>	<b>147,909</b>
<b>Non-current liabilities</b>			
Borrowings	28	(24,931)	(29,633)
Trade and other payables	27	0	0
Other financial liabilities	34	0	0
Provisions	35	(7,955)	(8,949)
Other liabilities	29	0	0
<b>Total assets employed</b>		<b>112,620</b>	<b>109,327</b>
<b>Financed by taxpayers' equity:</b>			
Public dividend capital		62,516	60,885
Retained earnings		14,849	12,943
Revaluation reserve		35,672	35,914
Donated asset reserve		2	4
Government grant reserve		0	0
Other reserves		(419)	(419)
<b>Total taxpayers' equity</b>		<b>112,620</b>	<b>109,327</b>

The financial statements on pages 1 to 40 were approved by the Board on [date] and signed on its behalf by:

Signed:  (Chief Executive) Date: 6/6/11

Signed:  (Audit Committee Chair) Date: 6/6/11

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

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2009</b>	57,523	12,609	32,045	6	0	(419)	101,764
As previously stated							
Prior period adjustment							0
<b>Restated balance</b>	57,523	12,609	32,045	6	0	(419)	101,764
<b>Changes in taxpayers' equity for 2009-10</b>							
Total comprehensive income for the year:		(420)					(420)
Retained surplus/(deficit) for the year		754					0
Transfers between reserves			(754)				(754)
Impairments and reversals			(10,692)				(10,692)
Net gain on revaluation of property, plant, equipment			15,315				15,315
Net gain on revaluation of intangible assets			0				0
Net gain on revaluation of financial assets			0				0
Receipt of donated/government granted assets			0				0
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve				(2)			(2)
- on disposal of available for sale financial assets			0				0
Reserves eliminated on dissolution		0	0				0
Originating capital for trust establishment in year	0						0
New PDC received	3,362						3,362
PDC repaid in year	0						0
PDC written off	0						0
Other movements in PDC in year	0	0					0
<b>Balance at 31 March 2010</b>	60,885	12,943	35,914	4	0	(419)	109,327

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

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
<b>Changes in taxpayers' equity for 2010-11</b>							
<b>Balance at 1 April 2010</b>	60,885	12,943	35,914	4	0	(419)	109,327
Total comprehensive income for the year	0	740	0	0	0	0	740
Retained surplus/(deficit) for the year	0	1,166	(1,166)	0	0	0	0
Transfers between reserves	0	0	414	0	0	0	414
Impairments and reversals	0	0	510	0	0	0	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
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	1,631	0	0	0	0	0	1,631
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 2011</b>	<b>62,516</b>	<b>14,849</b>	<b>35,672</b>	<b>2</b>	<b>0</b>	<b>(419)</b>	<b>112,620</b>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
31 MARCH 2011**

	NOTE	2010-11 £000	2009-10 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		4,129	4,231
Depreciation and amortisation		11,713	12,002
Impairments and reversals		262	1,845
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(2)	(2)
Transfer from government grant reserve		0	0
Interest paid		(1,341)	(1,366)
Dividends paid		(3,972)	(3,360)
(Increase)/decrease in inventories		212	(183)
(Increase)/decrease in trade and other receivables		499	(1,136)
(Increase)/decrease in other current assets		0	0
Increase/(decrease) in trade and other payables		2,497	1,130
Increase/(decrease) in other current liabilities		0	0
Increase/(decrease) in provisions		(1,680)	(1,217)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>12,317</b>	<b>11,944</b>
<b>Cash flows from investing activities</b>			
Interest received		61	53
(Payments) for property, plant and equipment		(15,006)	(15,064)
Proceeds from disposal of plant, property and equipment		7,018	323
(Payments) for intangible assets		(5,686)	(3,867)
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>(13,613)</b>	<b>(18,555)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(1,296)</b>	<b>(6,611)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		1,631	3,362
Public dividend capital repaid		0	0
Loans received from the DH		0	10,000
Other loans received		107	0
Loans repaid to the DH		(1,244)	(681)
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance leases and PFI		(3,443)	(3,522)
<b>Net cash inflow/(outflow) from financing</b>		<b>(2,949)</b>	<b>9,159</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,245)</b>	<b>2,548</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>5,081</b>	<b>2,533</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>836</b>	<b>5,081</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 2010-11 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Critical accounting judgements and key sources of estimation uncertainty

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

##### 1.3.1 Critical 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.

**Notes to the Accounts - 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 1.9 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.

*Annual Leave Accrual*

The Trust's annual leave year for crew staff and emergency operational centre staff has changed since 2009/10. It no longer runs from 1 Apr to 31 March, but runs from the date an employee starts employment. The accrual is based on managements estimation of untaken leave as at 31 March 2011. The carrying value of the accrual is £3.5m shown in note 27 under accruals and deferred income.

*Injury Cost Recovery Scheme Accrual*

The Trust receives income from the NHS injury cost recovery scheme for the recovery of ambulance journey costs relating to road traffic accidents. Accruals are made for receivables that are uncertain in amount. The receivables are based on "management estimates supported by the number of cases" supplied by hospitals. The carrying value of the receivable is £2.8m shown in note 22.1 other receivables.

**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 the following period.

The Trust's annual leave year for crew staff and emergency operational centre staff has changed since 2009/10. It no longer runs from 1 April to 31 March, but runs from the date an employee starts employment.

**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.

## Notes to the Accounts - 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.

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.

## Notes to the Accounts - 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 that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

### Subsequent expenditure

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

## 1.8 Intangible assets

### Recognition

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

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

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

### Measurement

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

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

**Notes to the Accounts - 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	9
Medical equipment & engineering plant & equipment	5 to 10
Furniture	10
Set up costs in new buildings	10
PTS Ambulances & Other Vehicles	7
Rapid Response Vehicles	5
Office equipment	5
Information Technology Equipment	3
Intangible assets	3

In 2010-11 the Trust Board agreed to reduce the economic useful life of A&E Ambulances from twelve to nine years.

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

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

**1.10 Donated assets**

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

**1.11 Government grants**

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

## Notes to the Accounts - 1. Accounting Policies (Continued)

### 1.12 Non-current assets held for sale

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

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

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

### 1.13 Leases

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

#### The trust as lessee

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

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

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

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

### 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 inventories.

### 1.15 Research and development

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

### 1.16 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.

## Notes to the Accounts - 1. Accounting Policies (Continued)

### 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. Pension relating to other staff have been discounted using HM Treasury's discount rate of 2.9% 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.

### 1.18 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.

## Notes to the Accounts - 1. Accounting Policies (Continued)

### 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

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.

## Notes to the Accounts - 1. Accounting Policies (Continued)

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* ;

#### 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.

## Notes to the Accounts - 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 issued but not yet adopted -

Neither the Treasury FReM nor the Department of Health's Manual for Accounts require the following Standards and Interpretations to be applied in 2010-11. The application of the Standards as revised would not have a material impact on the Trust's Accounts in 2010-11, were they applied in that year:

IFRS 7 - Financial Instruments: Disclosures (amendment) - Transfers of financial assets (effective 2012/13)

IFRS 9 - Financial Instruments: Financial Assets: Financial Liabilities Uncertain

IAS 12 - Income Taxes amendment (effective 2012/13)

IAS 24 - (Revised) Related Party Disclosures (2011/12)

IFRIC 14 - Amendment (2011/12)

IFRIC 19 - Extinguishing financial liabilities with Equity instruments (2011/12)

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

### 1.32 Heritage Assets

The London Ambulance Service NHS Trust Museum has a collection of vintage radio equipment, memorabilia from both World Wars and a photographic and document archive. There is also a collection of more than 20 vintage vehicles. The museum, which is located at Aldborough Road South, Ilford, is currently closed to members of the public. The value of these assets cannot be obtained at a cost commensurate with the benefits to the users of the financial statements and therefore have not been included in the Statement of Financial Position.

## 2. Pooled Budgets

The Trust does not have any pooled budgets

## 3. Operating Segments

The Trust Board considers that the Trust has only one segment which is the provision of accident and emergency services.

## 4. Income generation activities

The Trust does not undertake any income generation activities.

<b>5. Revenue from patient care activities</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Strategic health authorities	36	0
NHS trusts	6,070	7,117
Primary care trusts	262,626	253,264
Foundation trusts	903	1,196
Local authorities	15	13
Department of Health	7,001	4,217
NHS other	0	0
Non-NHS:		
Private patients	0	0
Overseas patients (non-reciprocal)	0	0
Injury costs recovery	2,144	1,300
Other	1,509	2,450
	<b>280,304</b>	<b>269,557</b>

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

<b>6. Other operating revenue</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Patient transport services	0	0
Education, training and research	2,906	9,271
Charitable and other contributions to expenditure	3	3
Transfers from donated asset reserve	2	2
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	0	0
Income generation	0	0
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue	402	1,031
	<b>3,313</b>	<b>10,307</b>

<b>7. Revenue</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
From rendering of services	283,617	279,864
From sale of goods	0	0

<b>8. Operating expenses</b>	<b>2010-11</b>	<b>2009-10</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
Trust chair and non executive directors	60	57
Employee benefits	210,397	204,081
Supplies and services - clinical	6,839	6,052
Supplies and services - general	2,694	3,138
Consultancy services	2,171	1,850
Establishment	7,801	8,509
Transport	20,648	20,618
Premises	11,889	12,100
Provision for impairment of receivables	174	157
Inventories write down	0	0
Depreciation	10,822	10,882
Amortisation	891	1,120
Impairments and reversals of property, plant and equipment	262	1,845
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets [by class]	0	0
Impairments and reversals of non current assets held for sale	0	0
Audit fees	158	151
Other auditor's remuneration (National Fraud Initiative)	1	0
Clinical negligence	522	488
Research and development	0	0
Education and Training	1,964	1,179
Other	2,195	3,406
	<b>279,488</b>	<b>275,633</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 and ambulances on 3 year and 5 to 6 year terms respectively.

<b>Payments recognised as an expense</b>	<b>2010-11 £000</b>	<b>2009-10 £000</b>
Minimum lease payments	<b>4,308</b>	2,792
Contingent rents	<b>0</b>	0
Sub-lease payments	<b>0</b>	0
	<b><u>4,308</u></b>	<u>2,792</u>

<b>Total future minimum lease payments</b>	<b>2010-11</b>			<b>Total £000</b>	<b>2009-10 Total £000</b>
	<b>Buildings £000</b>	<b>Land £000</b>	<b>Other £000</b>		
Payable:					
Not later than one year	<b>2,235</b>	<b>17</b>	<b>2,366</b>	<b>4,618</b>	2,635
Between one and five years	<b>6,295</b>	<b>68</b>	<b>5,617</b>	<b>11,980</b>	6,115
After 5 years	<b>7,954</b>	<b>225</b>	<b>0</b>	<b>8,179</b>	7,125
Total	<b><u>16,484</u></b>	<b><u>310</u></b>	<b><u>7,983</u></b>	<b><u>24,777</u></b>	<u>15,875</u>

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

10. Employee costs and numbers

10.1 Employee costs

	2010-11			2009-10		
	Total £000	Permanently employed £000	Other £000	Total £000	Permanently employed £000	Other £000
Salaries and wages	176,704	171,426	5,278	171,586	162,885	8,701
Social security costs	13,090	13,090	0	13,072	13,072	0
Employer contributions to NHS Pension scheme	21,325	21,325	0	19,890	19,890	0
Other pension costs	697	697	0	941	941	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	263	263	0	58	58	0
<b>Employee benefits expense</b>	<b>212,079</b>	<b>206,801</b>	<b>5,278</b>	<b>205,547</b>	<b>196,846</b>	<b>8,701</b>
<b>Of the total above:</b>						
Charged to capital	1,682			1,409		
Employee benefits charged to revenue	210,397			204,138		
	<b>212,079</b>			<b>205,547</b>		

10.2 Average number of people employed

	2010-11			2009-10		
	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	3,666	3,666	0	3,482	3,482	0
Administration and estates	1,235	1,098	137	1,204	1,033	171
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>4,901</b>	<b>4,764</b>	<b>137</b>	<b>4,686</b>	<b>4,515</b>	<b>171</b>
<b>Of the above:</b>						
Number of whole time equivalent staff engaged on capital projects	24			21		

10.3 Staff sickness absence

	2010-11 Number	2009-10 Number
Days lost (long term)	0	0
Days lost (short term)	55,363	44,029
<b>Total days lost</b>	<b>55,363</b>	<b>44,029</b>
<b>Total staff years</b>	<b>4,745</b>	<b>4,376</b>
Average working days lost	12	10
Total staff employed in period (headcount)	0	5,288
Total staff employed in period with no absence (headcount)	0	1,986
<b>Percentage staff with no sick leave</b>	<b>0.00%</b>	<b>37.56%</b>

The above figures in note 10.3 are for the period January to December, as per Department of Health guidance.

10.4 Management Costs

	2010-11 £000	2009-10 £000
Management costs	18,921	19,300
Income	280,959	271,143

## 10.5 Exit packages for staff leaving in 2010-11

Exit package cost band (including any special payment element)	2010-11			2009-10		
	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages by cost band Number	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages by cost band Number
<£20,001	0	0	0	0	0	0
£20,001 - £40,000	0	1	1	0	0	0
£40,001 - £100,000	1	0	1	1	0	1
£100,001 - £150,000	1	0	1	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
<b>Total number of exit packages by type (total cost)</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total resource cost (£000s)</b>	<b>223</b>	<b>40</b>	<b>263</b>	<b>92</b>	<b>0</b>	<b>92</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS agenda for change. Exit costs in this note are accounted for in full in the year of departure. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

## 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, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

## a) Full actuarial (funding) valuation

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

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

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

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

## b) Accounting valuation

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

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

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

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

## 11. Pension costs (continued)

### c) Scheme provisions

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

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

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

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

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

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

12. The cost of 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

	2010-11		2009-10	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	62,654	83,829	64,530	87,130
Total Non NHS trade invoices paid within target	52,816	75,015	55,518	80,160
Percentage of Non-NHS trade invoices paid within target	84%	89%	86%	92%
Total NHS trade invoices paid in the year	421	4,379	525	3,038
Total NHS trade invoices paid within target	352	3,392	459	2,606
Percentage of NHS trade invoices paid within target	84%	77%	87%	86%

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.

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

	2010-11 £000	2009-10 £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>

<b>14. Investment revenue</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	40	36
Other loans and receivables	21	0
Impaired financial assets	0	0
Other financial assets	762	541
<b>Total</b>	<b>823</b>	<b>577</b>

<b>15. Other gains and losses</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Gain/(loss) on disposal of property, plant and equipment	<b>1,068</b>	(128)
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
<b>Total</b>	<b>1,068</b>	<b>(128)</b>

<b>16. Finance costs</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Interest on loans and overdrafts	239	104
Interest on obligations under finance leases	1,102	1,263
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>1,341</b>	<b>1,367</b>
Other finance costs	167	173
<b>Total</b>	<b>1,508</b>	<b>1,540</b>

**17. Property, plant and equipment**

**2010-11**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	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 2010	42,454	47,782	0	6,191	14,921	62,132	15,026	59	188,565
Additions purchased	0	2,733	0	3,395	317	5,014	956	50	12,465
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	302	0	(5,203)	512	3,582	1,459	0	652
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	(95)	0	0	(43)	(15,645)	(444)	0	(16,227)
Revaluation/indexation gains	0	510	0	0	0	0	0	0	510
Impairments	0	(160)	0	0	0	0	0	0	(160)
Reversal of impairments	0	574	0	0	0	0	0	0	574
<b>At 31 March 2011</b>	<b>42,454</b>	<b>51,646</b>	<b>0</b>	<b>4,383</b>	<b>15,707</b>	<b>55,083</b>	<b>16,997</b>	<b>109</b>	<b>186,379</b>
Depreciation at 1 April 2010	0	0	0	0	8,114	37,811	11,188	18	57,131
Reclassifications	0	0	0	0	175	477	0	0	652
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	(18)	0	0	(43)	(10,027)	(444)	0	(10,532)
Revaluation/indexation gains*	0	0	0	0	0	0	0	0	0
Impairments	0	303	0	0	0	0	0	0	303
Reversal of impairments	0	(41)	0	0	0	0	0	0	(41)
Charged during the year	0	2,304	0	0	1,237	5,709	1,664	8	10,922
<b>Depreciation at 31 March 2011</b>	<b>0</b>	<b>2,548</b>	<b>0</b>	<b>0</b>	<b>9,483</b>	<b>33,970</b>	<b>12,308</b>	<b>26</b>	<b>58,335</b>

**Net book value**

Purchased	42,454	49,098	0	4,383	6,224	21,111	4,689	83	128,042
Donated	0	0	0	0	0	2	0	0	2
Government granted	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2011</b>	<b>42,454</b>	<b>49,098</b>	<b>0</b>	<b>4,383</b>	<b>6,224</b>	<b>21,113</b>	<b>4,689</b>	<b>83</b>	<b>128,044</b>

**Asset financing**

Owned	42,454	49,098	0	4,383	6,224	12,149	4,689	83	119,080
Finance leased	0	0	0	0	0	8,964	0	0	8,964
Private finance initiative	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2011</b>	<b>42,454</b>	<b>49,098</b>	<b>0</b>	<b>4,383</b>	<b>6,224</b>	<b>21,113</b>	<b>4,689</b>	<b>83</b>	<b>128,044</b>

\* Disposals other than by sale of Transport Equipment relates to Sale and Leaseback of A&E Ambulances which are now classified as operating leases during 2010-11.

**17.1 Revaluation reserve balance for property, plant & equipment**

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	25,919	9,249	0	0	0	0	0	35,168
Movements (specify)	(8,709)	8,467	0	0	0	0	0	(242)
<b>At 31 March 2011</b>	<b>17,210</b>	<b>17,716</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,926</b>

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2009-10</b>									
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
<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>
<b>Depreciation at 1 April 2009</b>									
Reclassifications	0	0	0	0	7,605	35,257	9,847	13	52,722
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
<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
<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 (cont.)**

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

Revaluation was undertaken on all land and building on the 31st March 2011.

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 (RIC), insofar as these terms are consistent with the requirement of HM Treasury, the National Services 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 9
Information Technology Equipment	3 to 5
Furniture and Fittings	10

The Gross Carrying Value of fully depreciated assets still in use

Transport Equipment	£ 13.9m
Plant & Machinery	£ 7.3m
Information Technology	<u>£ 9.8m</u>
	<u>£ 31.0m</u>

**18. Intangible assets**

2010-11	Computer software - purchased £000	Computer software - internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2010	5,223	0	0	0	11,281	16,504
Additions purchased	182	0	0	0	2,549	2,731
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	28	0	0	0	(28)	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 2011</b>	<b>5,433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,802</b>	<b>19,235</b>
Amortisation at 1 April 2010	3,865	0	0	0	0	3,865
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	891	0	0	0	0	891
<b>Amortisation at 31 March 2011</b>	<b>4,756</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,756</b>
<b>Net book value</b>	<b>677</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,802</b>	<b>14,479</b>
Purchased	0	0	0	0	0	0
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2011</b>	<b>677</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,802</b>	<b>14,479</b>

18. Intangible assets continued

2009-10	Computer software - purchased £000	Computer software - internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £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>	<b>1,358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,281</b>	<b>12,639</b>
Purchased	0	0	0	0	0	0
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 (cont.)**

The Trust does not revalue its intangible assets.

**Economic Lives of intangible assets**

	Useful Lives
Software Licences	3
Development Expenditure	0

<b>18.2 Revaluation reserve balance for intangible assets</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	<b>£000</b>
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 £3.2 million.

**19. Impairments**

The impairment is a result of the MEA valuation of properties done by the District Valuers. The bulk of the impairment of £422k relates to the revaluation of the Estate.

## 20. Commitments

### 20.1 Capital commitments

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

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	2,666	6,360
Intangible assets	85	1,520
<b>Total</b>	<b>2,751</b>	<b>7,880</b>

### 20.2 Other financial commitments

The Trust did not enter into any non-cancellable contracts, which are not leases or PFI contracts or other service concession arrangements.

## 21. Inventories

### 21.1 Inventories

	31 March 2011 £000	31 March 2010 £000
Drugs	40	67
Work in progress	0	0
Consumables	2,531	2,716
Energy	0	0
Other	0	0
<b>Total</b>	<b>2,571</b>	<b>2,783</b>
Of which held at net realisable value:	<b>0</b>	<b>0</b>

### 21.2 Inventories recognised in expenses

	31 March 2011 £000	31 March 2010 £000
Inventories recognised as an expense in the period	9,694	8,340
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0

## 22. Trade and other receivables

### 22.1 Trade and other receivables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables-revenue	2,599	3,132	3,366	3,418
NHS receivables-capital	0	0	255	0
Non-NHS receivables-revenue	417	0	611	0
Non-NHS receivables-capital	0	0	0	0
Provision for the impairment of receivables	(411)	0	(680)	0
Prepayments and accrued income	3,178	0	5,147	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	582	0	552	0
Other receivables	12,881	4,604	7,197	7,108
<b>Total</b>	<b>19,246</b>	<b>7,736</b>	<b>16,448</b>	<b>10,526</b>

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

Of the other receivables £10,900,468 of the current receivables and £3,576,589 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.

<b>22.2 Receivables past their due date but not impaired</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>
By up to three months	1,677	(27)
By three to six months	215	228
By more than six months	(71)	(96)
<b>Total</b>	<b>1,821</b>	<b>105</b>

<b>22.3 Provision for impairment of receivables</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(680)</b>	<b>(59)</b>
Amount written off during the year	443	(464)
Amount recovered during the year	164	0
(Increase)/decrease in receivables impaired	(338)	(157)
<b>Balance at 31 March</b>	<b>(411)</b>	<b>(680)</b>

<b>23. Other financial assets</b>	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
	<b>31 March 2011</b>	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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 year.

25. Cash and cash equivalents	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	5,141	2,651
Net change in year	(4,269)	2,490
<b>Balance at 31 March</b>	<b>872</b>	<b>5,141</b>
<b>Made up of</b>		
Cash with Government banking services	855	4,997
Commercial banks and cash in hand	17	144
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>872</b>	<b>5,141</b>
Bank overdraft - Government banking services	0	0
Bank overdraft - Commercial banks	(36)	(60)
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>836</b>	<b>5,081</b>

26. Non-current assets held for sale	Land	Buildings, excl dwelling	Dwellings	Other property, plant and equipment	Intangible assets	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	650	0	0	0	0	650
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
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
<b>Balance at 31 March 2011</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>650</b>
Balance at 1 April 2009	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
<b>Balance at 31 March 2010</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>650</b>

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 Trust has received a conditional offer dependent on the purchaser receiving planning permission from the council for change of use.

**27. Trade and other payables**

	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
	<b>31 March 2011</b>	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest payable	0	0	0	0
NHS payables-revenue	182	0	338	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue	6,545	0	7,682	0
Non NHS trade payables - capital	3,114	0	8,610	0
Accruals and deferred income	4,155	0	1,341	0
Social security costs	2,118	0	2,090	0
VAT	0	0	0	0
Tax	1,621	0	836	0
Other	4,092	0	4,129	0
<b>Total</b>	<b>21,827</b>	<b>0</b>	<b>25,026</b>	<b>0</b>

Other payables include:

£2,613,792 outstanding pensions contributions at 31 March 2011 (31 March 2010 £2,541,003).

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

**28. Borrowings**

	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
	<b>31 March 2011</b>	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank overdraft - Government banking services	0	0	0	0
Bank overdraft - Commercial banks	36	0	60	0
Loans from:				
Department of Health	1,244	6,831	1,244	8,075
Other entities	0	107	0	0
PFI liabilities	0	0	0	0
LIFT	0	0	0	0
Finance lease liabilities	3,567	17,993	3,444	21,558
Other (describe)	0	0	0	0
<b>Total</b>	<b>4,847</b>	<b>24,931</b>	<b>4,748</b>	<b>29,633</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 drawdowns in 2009-10 - 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.

In 2010-11, The Trust obtained a loan of £107k from SALIX Finance Ltd to support the Trust's capital investment in technical measures to improve energy efficiency. The loan was drawdown in August and December 2010 for £60k and £47k respectively. It is an interest free unsecured loan with 2 to 5 years repayment terms.

Details of the finance leases are given in note 30

**29. Other liabilities**

	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
	<b>31 March 2011</b>	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PFI asset – deferred credit	0	0	0	0
Lease incentives	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 30. Finance lease obligations

Ambulances have been leased under two Master Agreements with Singer Healthcare Finance Ltd and Bank of Scotland 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:

Amounts payable under finance lease:	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	31 March 2011 £000	31 March 2011 £000	31 March 2010 £000	31 March 2010 £000
Within one year	4,503	3,567	4,545	3,444
Between one and five years	16,287	13,908	17,632	14,424
After five years	3,822	4,085	6,979	7,134
Less future finance charges	(3,052)		(4,154)	
Present value of minimum lease payments	<u>21,560</u>	<u>21,560</u>	<u>25,002</u>	<u>25,002</u>
Included in:				
Current borrowings		3,567		3,444
Non-current borrowings		17,993		21,558
		<u>21,560</u>		<u>25,002</u>

### 31. Finance lease receivables

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 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	309	6,258	325	6,317
Legal claims	803	0	373	0
Restructurings	86	0	92	0
Redundancy	0	0	-	-
Other (see below)	220	1,697	1,148	2,632
<b>Total</b>	<b>1,418</b>	<b>7,955</b>	<b>1,938</b>	<b>8,949</b>

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Redundancy £000	Other £000	Total £000
At 1 April 2010	0	6,642	373	92	0	3,780	10,887
Change in discount rate	0	(452)	0	0	0	0	(452)
Arising during the year	0	572	702	86	0	97	1,457
Used during the year	0	(320)	(142)	(92)	0	(173)	(727)
Reversed unused	0	0	(130)	0	0	(1,828)	(1,958)
Unwinding of discount	0	125	0	0	0	41	166
<b>At 31 March 2011</b>	<b>0</b>	<b>6,567</b>	<b>803</b>	<b>86</b>	<b>0</b>	<b>1,917</b>	<b>9,373</b>

**Expected timing of cash flows:**

Within one year	0	309	680	86	0	220	1,295
Between one and five years	0	1,449	0	0	0	817	2,266
After five years	0	4,809	123	0	0	880	5,812

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 2.9%. Every year the provision is adjusted for inflation. The Trust has corresponding Back to Back debtor balances totaling £3,370k with the 31 PCTs in London area. The sum provided for is recalculated annually based upon changes in individual annual rates and their life expectancy.

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 - £86,000 (2009-10 £92,000) relates to a redundancy provision. The amounts provided are based upon estimates calculated by management.

Other - £1,917k ( 2009-10 £3,780k) includes a provision of £1,843k in respect of 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.

£12,566,819 is included in the provisions of the NHS Litigation Authority at 31/3/2011 in respect of clinical negligence liabilities of the trust (31/03/2010 £2,132,968).

**36. Contingencies**

<b>36.1 Contingent liabilities</b>	<b>2010-11 £000</b>	<b>2009-10 £000</b>
Equal pay cases	0	0
Other (specify)	(475)	(216)
Amounts recoverable against contingent liabilities	0	0
<b>Total</b>	<b>(475)</b>	<b>(216)</b>

The balance of contingencies related to employers liability of £475k, in addition £605k is included in provisions note 35 for employers liability. Due to the nature of the liability it is not possible to determine the exact amount payable or timing of any possible payments.

**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	0	0
Receivables	0	4,785	0	4,785
Cash at bank and in hand	0	872	0	872
Other financial assets	0	19,202	0	19,202
<b>Total at 31 March 2011</b>	<b>0</b>	<b>24,859</b>	<b>0</b>	<b>24,859</b>

Embedded derivatives	0	0	0	0
Receivables	0	11,216	0	11,216
Cash at bank and in hand	0	5,081	0	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	0
Payables	0	9,816	9,816
PFI and finance lease obligations	0	8,218	8,218
Other borrowings	0	21,560	21,560
Other financial liabilities	0	9,034	9,034
<b>Total at 31 March 2011</b>	<b>0</b>	<b>48,628</b>	<b>48,628</b>

Embedded derivatives	0	0	0
Payables	0	19,223	19,223
PFI and finance lease obligations	0	25,002	25,002
Other borrowings	0	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 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

#### **Liquidity risk**

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

### **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 entered into a sale and lease back arrangement with Singer Healthcare Finance Ltd on 26th April 2011. The Trust will sell 71 Mercedes ambulances to Singer Healthcare Finance Ltd for £6,088,219 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	2010-11 £000
Turnover	215,947	215,941	236,130	261,532	279,864	283,617
Retained surplus/(deficit) for the year	1,258	113	398	725	(420)	740
Adjustment for:						
Timing/non-cash impacting distortions:						
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0	0	0	0	0
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0	0	0	0
Adjustments for Impairments	0	0	0	0	1,845	262
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	0	0
Other agreed adjustments	0	0	0	0	0	0
Break-even in-year position	1,258	113	398	725	1,425	1,002
Break-even cumulative position	1,333	1,446	1,844	2,569	3,994	4,996

\* 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

Materiality test (i.e. is it equal to or less than 0.5%):

Break-even in-year position as a percentage of turnover

Break-even cumulative position as a percentage of turnover

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Break-even in-year position as a percentage of turnover	0.58	0.05	0.17	0.28	0.51	0.35
Break-even cumulative position as a percentage of turnover	0.62	0.67	0.78	0.98	1.43	1.76

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

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

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

### 39.3 External financing

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

	£000	2010-11 £000	2009-10 £000
External financing limit		1,371	18,423
Cash flow financing	1,296		6,611
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>1,296</u>	<u>6,611</u>
<b>Undershoot/(overshoot)</b>		<u>75</u>	<u>11,812</u>

### 39.4 Capital resource limit

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

	2010-11 £000	2009-10 £000
Gross capital expenditure	15,196	25,615
Less: book value of assets disposed of	(5,695)	(707)
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	<u>9,501</u>	<u>24,908</u>
Capital resource limit	<u>18,419</u>	<u>29,224</u>
<b>(Over)/underspend against the capital resource limit</b>	<u>8,918</u>	<u>4,316</u>

#### 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. The Trust obtained a £10m capital investment loan from the Department in 2009-10, the current outstanding loan balance is £8,075k. 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:

	2010-11 Payments to Related Party	2010-11 Receipts from Related Party	2010-11 Amounts owed to Related Party	2010-11 Amounts due from Related Party
	£000	£000	£000	£000
Department of Health	966	7,396	0	130
London Strategic Health Authority	4	5,193	0	216
Richmond & Twickenham PCT	0	4,628	0	182
Westminster PCT	4	21,477	0	139
Tower Hamlets PCT	0	23,122	0	174
London Primary Care Trusts	49	210,222	24	3,945
Whipps Cross University Hospital NHS Trust	0	1,213	0	231
South London Healthcare NHS Trust	0	2,720	6	0
South West London & St Georges Mental Health NHS Trust	3	1,005	0	0
NHS Litigation Authority	614	0	1	0
NHS Business Service Authority	717	0	25	0

	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
Department of Health	230	4,820	202	2
London Strategic Health Authority	11	6,034	0	3,087
Richmond & Twickenham PCT	0	12,628	0	227
Westminster PCT	0	0	0	0
Tower Hamlets PCT	0	0	0	0
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 & 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

For 2010-11 Westminster PCT was the host PCT (2009-10 Richmond & Twickenham PCT).

The Trust received an administration fee of £2,500 (2009-10 £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 2011 (£nil - at 31 March 2010) 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	Non-current receivables	Current payables	Non-current payables
	£000	£000	£000	£000
Balances with other central government bodies	3,827	4,056	6,382	0
Balances with local authorities	9	0	0	0
Balances with NHS trusts and foundation trusts	984	0	153	0
Balances with public corporations and trading funds	0	0	0	0
Intra government balances	4,820	4,056	6,535	0
Balances with bodies external to government	14,426	3,680	16,292	0
<b>At 31 March 2011</b>	<b>19,246</b>	<b>7,736</b>	<b>21,827</b>	<b>0</b>
Balances with other central government bodies	4,135	3,418	5,777	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	5,470	3,418	5,878	0
Balances with bodies external to government	10,978	7,108	19,148	0
<b>At 31 March 2010</b>	<b>16,448</b>	<b>10,526</b>	<b>25,026</b>	<b>0</b>

**43. Losses and special payments**

There were 1,726 (2009-10: 1,313) cases of losses and special payments totalling £2,496,255 (2009-10: £1,640,544,) accrued