

Data entered below will be used throughout the workbook:

PCT name:	Wolverhampton City PCT
This year	2008/09
Last year	2007/08
This year ended	31 March 2009
Last year ended	31 March 2008
This year beginning	1 April 2008

**OPERATING COST STATEMENT FOR THE YEAR ENDED
31 March 2009**

	NOTE	2008/09 £000	2007/08 £000
Commissioning			
Gross operating costs	4	321,663	306,670
Less: Miscellaneous income	3	<u>(8,808)</u>	<u>(6,112)</u>
Commissioning net operating costs		312,855	300,558
Provider			
Gross operating costs	4	86,300	77,104
Less: Miscellaneous income	3	<u>(11,399)</u>	<u>(10,795)</u>
Provider Net operating costs		74,901	66,309
Net operating costs before interest		387,756	366,867
Interest receivable		(14)	0
Interest payable		<u>1</u>	<u>0</u>
Net operating cost for the financial year		<u>387,743</u>	<u>366,867</u>

The notes on pages 5 to 36 form part of this account

**STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2009**

	2008/09	2007/08
	£000	£000
Fixed asset impairment losses	(7,925)	(6,863)
Unrealised surplus / (deficit) on fixed asset revaluations/indexation	2,172	4,128
Increase in the donated asset reserve and government grant reserve due to receipt of donated and government granted assets	0	0
Additions / (reductions) in the General Fund due to the transfer of assets from/(to) NHS bodies and the Department of Health	0	0
Additions / (reductions) in "other reserves"	0	0
	<hr/>	<hr/>
Recognised gains and losses for the financial year	(5,753)	(2,735)
Prior period adjustment - other	0	0
	<hr/>	<hr/>
Gains and losses recognised in the financial year	(5,753)	(2,735)
	<hr/>	<hr/>

**BALANCE SHEET AS AT
31 March 2009**

	NOTE	£000	31 March 2009 £000	31 March 2008 £000
FIXED ASSETS				
Intangible assets	9	127		20
Tangible assets	10.1	49,086		54,670
Investments	10.4	0		178
Financial assets	10.5	132		0
			49,345	54,868
CURRENT ASSETS				
Stocks and work in progress	11	676		617
Debtors	12	6,527		17,504
Other financial assets	10.5	0		0
Cash at bank and in hand	16.3	8		10
TOTAL CURRENT ASSETS			7,211	18,131
CREDITORS : Amounts falling due within one year	13.1		(29,928)	(34,261)
Other financial liabilities falling due within one year	13.1/1		0	0
NET CURRENT ASSETS / (LIABILITIES)			(22,717)	(16,130)
TOTAL ASSETS LESS CURRENT LIABILITIES			26,628	38,738
Creditors: Amounts falling due after more than one year	13.1		(139)	(160)
Other financial liabilities falling due after more than one year	13.1/1		0	0
Provisions for liabilities and charges	14		(3,655)	(5,334)
TOTAL ASSETS EMPLOYED			22,834	33,244
FINANCED BY:				
TAXPAYERS EQUITY				
General fund	15		11,092	15,420
Revaluation reserve	15		10,926	16,942
Donated asset reserve	15		775	841
Government grant reserve	15		41	41
Other reserves	15		0	0
TOTAL TAXPAYERS EQUITY			22,834	33,244

The notes on pages 5 to 36 form part of this account

The financial statements on pages 1 to 36 were approved by the Board on 9th June 2009 and signed on its behalf by

Jon Crockett
Chief Executive:

Date:

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2009**

	NOTE	£000	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES				
Net cash outflow from operating activities	16.1		(378,158)	(369,218)
SERVICING OF FINANCE AND RETURNS ON INVESTMENT:				
Interest paid		(1)		0
Interest received		14		0
Interest element of finance leases		<u>0</u>		0
Net cash inflow/(outflow) from servicing of finance and returns on investment			13	0
CAPITAL EXPENDITURE				
Payments to acquire intangible assets		0		(5)
Receipts from sale of intangible assets		0		0
Payments to acquire tangible fixed assets		(4,047)		(3,003)
Receipts from sale of tangible fixed assets		0		1,396
Payments to acquire fixed asset investments		0		0
Receipts from sale of fixed asset investments		0		0
Payments to acquire financial instruments		0		0
Receipts from sale of financial instruments		<u>0</u>		0
Net cash inflow/(outflow) from capital expenditure			(4,047)	(1,612)
Net cash inflow/(outflow) before financing and management of liquid resources			(382,192)	(370,830)
MANAGEMENT OF LIQUID RESOURCES				
(Purchase) of other current asset investments			0	0
Sale of other current asset investments			<u>0</u>	<u>0</u>
Net cash inflow/(outflow) from management of liquid resources			0	0
Net cash inflow/(outflow) before financing			(382,192)	(370,830)
FINANCING				
Net Parliamentary Funding		382,190		370,831
Other capital receipts surrendered		0		0
Capital grants received		0		0
Capital element of finance lease rental payments		0		0
Cash transfers (to)/from other NHS bodies		<u>0</u>		0
Net cash inflow/(outflow) from financing			382,190	370,831
Increase/(decrease) in cash	16.3		(2)	1

Note 1. Accounting policies

The financial statements have been prepared in accordance with the 2008/09 PCT manual for accounts which reflects the requirements of the 2008/09 Financial Reporting Manual (FReM) issued by HM Treasury as they are relevant to the NHS.

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets, and stock where material, at their value to the business by reference to current costs. Primary Care Trusts are not required to disclose historical cost surpluses or deficits. This is a departure from UK Financial Reporting Standards directed by the Secretary of State.

Income and Funding

The main source of funding for the Primary Care Trust is allocations (Parliamentary funding) from the Department of Health within an approved cash limit, which is credited to the General Fund of the Primary Care Trust. Parliamentary funding is recognised in the financial period in which the cash is received.

Miscellaneous income is income which relates directly to the operating activities of the PCT. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund which HM Treasury has agreed should be treated as operating income.

Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income has been received for a specific activity to be delivered in the following financial year, that income will be deferred.

Acquisitions and Discontinued Operations

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

Taxation

The PCT is not liable to pay corporation tax. Most of the activities of the PCT 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 stated are net of VAT.

Fixed Assets**i) Capitalisation**

All assets falling into the following categories are capitalised:

Intangible assets which can be valued, are capable of being used in a PCT's activities for more than one year and have a cost equal to or greater than £5,000;

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

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

Intangible assets are depreciated on a straight line basis. For the software licences in the accounts of the PCT this is over an average of 5 years in line with the period of each licence.

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

- individually have a cost equal to or greater than £5,000; or
- collectively have a cost equal to or greater than £5,000 and individually cost more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and are anticipated to have simultaneous disposal dates; and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective costs

The following sentence has been removed from this section of accounting policy in 2008/09:

"form part of an IT network which collectively has a cost of more than £5,000 and individually have a cost of more than £250".

This ensures that the treatment of IT based fixed assets is in line with DoH suggested policy and, under the terms of FRS 15 (Tangible Fixed Assets) means that "consistent principles are applied to the initial measurement of tangible fixed assets".

The financial effect of this change is described in note 2.2 (page 14).

The finance costs of bringing fixed assets into use are not capitalised.

ii) Valuation

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is valued using appropriate index figures. Surplus intangible assets are valued at the net recoverable amount.

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

Land & Buildings and Dwellings

Land and buildings are restated at current cost using professional valuations at five-yearly intervals in accordance with FRS15. Between valuations price indices appropriate to the category of asset are applied to arrive at the current value. The buildings indexation 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 and land values reported in the Property Market Report published by the Valuation Office. Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department; the last one taking place as at 1st April 2005.

The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

The valuations have been carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property.

In respect of non-operational properties, including surplus land, the valuations have been carried out at Open Market Value. The value of land for existing use purposes is assessed to Existing Use Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Gains made from indexation and revaluations are taken to the revaluation reserve. Losses arising from revaluations are recognised as impairments and are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year's Operating Cost Statement (OCS), unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Falls in value when newly constructed assets are brought into use are charged in full to the OCS. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Land and buildings held under finance leases are capitalised at inception at the fair value of the asset but may be subsequently revalued by the District Valuer. The valuations do not include notional directly attributable acquisition costs nor have selling costs been deducted, since they are regarded as not material.

In accordance with guidance confirmed by the Department of Health in a letter dated 15th April 2009, the PCT engaged the District Valuer to advise of a current valuation for its Estate to include in the 2008/09 accounts.

This departure from the valuation interval described in the existing policy (outlined above) reflects the need to provide a true and fair view to the reader of the accounts given the negative pressure on prices created by the current economic climate.

PCT policy for Land & Buildings and Dwellings will be updated from 2009/10 onwards once the PCT adopts Modern Equivalent Asset (MEA) valuation techniques (as required across the NHS as a whole by 1st April 2010).

Fixed asset investments

The PCT holds an investment in Wolverhampton City and Walsall LIFT Accommodation Services Ltd. LIFT investments do not have a market value hence the investment is held in the accounts of the PCT at cost.

Equipment

Operational equipment is carried at current value. Where assets are at low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalised at the fair value of the assets. With those exceptions, equipment is valued at estimated net current replacement cost through annual uplift by the change in the value of the GDP deflator, other than IT equipment which is considered to have nil inflation.

Assets in the course of construction

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

iii) Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives.

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Primary Care Trust, respectively.

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

Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Where buildings and their underlying or associated land are to be disposed of they will be subject to an impairment review and revalued or subject to depreciation to reach open market value for alternative use at the point at which they are taken out of operational use. In these circumstances, the building and its underlying or associated land are treated as one single asset for the purposes of the impairment review. Consequently, movements in the value of land and buildings are considered together when calculating any impairment to be charged to revenue or recognised in the statement of total recognised gains and losses.

Intangible assets are amortised over the estimated lives of the assets.

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

Purchased computer software licences are amortised over the shorter of the term of the license and their useful economic lives.

iv) Donated Assets

Donated tangible fixed assets are capitalised at their valuation on receipt and this value is credited to the donated asset reserve. Donated assets are revalued and depreciated as described above for purchased assets. Gains and losses on revaluations 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 the OCS. Similarly, any impairment on donated assets charged to the OCS is matched by a transfer from the donated asset reserve. On sale of donated assets, the value of the sale proceeds is transferred from the donated asset reserve to the general fund.

v) Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Government grants in respect of capital expenditure are credited to a government grant reserve and are released to the OCS over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to miscellaneous income in the OCS so as to match them with the expenditure to which they relate. The Government Grant Reserve is indexed each year in line with the net book value of the assets it has financed.

Cash, Bank and Overdraft:

Cash, bank and overdraft balances are recorded at current values. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest receivable' and 'Interest payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

Pooled budgets

The PCT has entered into a pooled budget with Wolverhampton City Council. Under the arrangement funds are pooled under S75 of the NHS Act 2006. The pool arrangement includes Intermediate Care; Integrated Community Equipment Store; Learning Disability and Mental Health budgets.

The Intermediate Care pool is hosted by the PCT, the others are hosted by Wolverhampton City Council. The PCT accounts for its share of the assets, liabilities, income and expenditure of the pool as determined by the pooled budget agreement.

Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Primary Care Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payment discounted by the interest rate implicit in the lease. The interest element of finance lease payments is charged to the OCS over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases and the rentals are charged to the OCS on a straight line basis over the term of the lease.

Stocks and work-in-progress

Stocks comprise raw materials and consumables and are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. The PCT does not record any work-in-progress. Partially completed contracts for patient services are not accounted for as such however expenditure is accrued in respect of part-completed treatment episodes at the balance sheet date.

Research and development

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

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the OCS on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Primary Care Trusts are unable to disclose the total amount of research and development expenditure charged to the OCS because some research and development activity cannot be separated from patient care activity.

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

Provisions

The Primary Care Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

Contingencies

Contingent assets and liabilities are not recognised in the PCT's accounts however they are described in the notes accompanying the statements.

In accordance with FRS12 the PCT includes a Contingent Liability in its accounts (note 19) where the following situations occur:

- i) a possible obligation arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly in the PCT's control;
- ii) a present obligation arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Also, per FRS12, the PCT recognises a contingent asset as one which arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the PCT's control.

Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Primary Care Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Primary Care Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Primary Care Trust is disclosed at Note 14.

Non-clinical risk pooling

The Primary Care Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Primary Care 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.

Losses and Special Payments

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

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

Pension Costs

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and an FRS17 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. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date 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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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.

Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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 OCS at the time the PCT commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension 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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse or eligible unmarried partner.

New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Resulting exchange gains and losses are taken to the OCS.

Third Party Assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Primary Care Trust has no beneficial interest in them. Details of third party assets are given in Note 23 to the accounts.

Cost of Capital Charge

The cost of capital applies to all the assets and liabilities of the PCT, less cash balances held at the OPG and donated assets. The interest rate applied to capital charges in the 2008/09 financial year was 3.5% (2007/08 3.5%).

Annual Leave

Annual leave is charged to the operating cost statement as it is accrued in accordance with individual employees terms and conditions of employment. Unused annual leave accrued by employees is recognised as a liability to the extent that they are able to utilise such leave.

Financial Instruments

Financial assets

Financial assets are recognised on the balance sheet when the PCT becomes party to the financial instrument contract or, in the case of trade debtors, 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 asset 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 the OCS. 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 the income statement on de-recognition.

- Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques as specified in the NHS Manual for Accounts.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the balance sheet date, the PCT 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.

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, 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.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

- Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss incorporates any interest earned on the financial asset.

- Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. 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.

[Omit any of the above that does not apply to the Trust.]

Note 2. Financial Performance Targets

Note 2.1 Revenue Resource Limit

The PCTs' performance for 2008/09 is as follows:

	2008/09	2007/08
	£000	£000
Total net operating cost for the financial year	387,743	366,867
Less: Non-discretionary Expenditure	<u>3,255</u>	<u>3,164</u>
Operating Costs less non-discretionary expenditure	384,488	363,703
Final Revenue Resource Limit for year	409,362	377,536
Under/(over) spend against Revenue Resource Limit	24,874	13,833

Note 2.2. Capital Resource Limit

The PCT is required to keep within its Capital Resource Limit

	2008/09	2007/08
	£000	£000
Gross Capital Expenditure	3,878	4,525
Add: Loss in respect of disposals of donated assets	0	0
less: Net book value of assets disposed of	0	(1,814)
less: Capital grants	0	0
less: Donations	<u>0</u>	<u>0</u>
Charge Against the Capital Resource Limit	3,878	2,711
Capital Resource Limit	5,325	4,190
(Over) / Under spend against Capital Resource Limit	1,447	1,479

Gross capital expenditure includes a credit of £936k for IT equipment purchased in 2007/08 and charged to the operating cost statement. This is as a result of a change in accounting policy for Fixed Assets in 2008/09.

Note 2.3. Provider full cost recovery duty

The PCT is required to recover full costs in relation to its provider functions. The performance for 2008/09 is as follows:

	2008/09	2007/08
	£000	£000
Provider gross operating cost	86,300	77,104
less: Miscellaneous income relating to provider functions	<u>(11,399)</u>	<u>(10,795)</u>
Net Operating Cost	74,901	66,309
less: Costs met from PCT's own allocation	<u>(76,239)</u>	<u>(67,641)</u>
Under / (over) recovery of costs	(1,338)	(1,332)

Note 3. Miscellaneous Income

	£000	£000 Not Appropriated In Aid	2008/09 £000	2007/08 £000
Fees and Charges	0		0	1
Dental Charge income from contractor led GDS & PDS	2,742		2,742	2,684
Dental Charge income from trust led GDS & PDS	36		36	37
Prescription Charge Income	0		0	0
Strategic Health Authorities		2,342	2,342	394
NHS Trusts		999	999	817
Foundation Trusts		27	27	0
Primary Care Trusts for Drug Action Teams		249	249	174
Primary Care Trusts - other		7,039	7,039	6,341
Primary Care Trusts - Lead Commissioning Income		0	0	0
English RAB Special Health Authorities		0	0	0
Other English Special Health Authorities/CGA Bodies		0	0	0
Department of Health - SMPTB		0	0	0
Department of Health - other		26	26	0
Income for Trust Impairment	0	0	0	0
Local Authorities	1,960		1,960	2,103
Patient Transport Services	0	0	0	0
Education, Training and Research	0	1,357	1,357	1,265
Non NHS: Private Patients	0		0	0
Non-NHS: Overseas Patients (non-reciprocal)	0		0	0
NHS Injury Costs Recovery	0		0	0
Other Non-NHS patient care services	0		0	19
Charitable and other contributions to expenditure	2,044	0	2,044	2,218
Transfer from the donated asset reserve	0	10	10	22
Transfer from the government grant reserve	0	1	1	0
Rental income from finance leases	0	0	0	0
Rental income from operating leases	599	12	611	583
Other income	297	467	764	249
TOTAL MISCELLANEOUS INCOME	7,678	12,529	20,207	16,907

Appropriated in aid income is income from outside of the NHS boundary and is therefore in addition to funding from the Department of Health. Therefore, any funding from the Department of Health or income from other NHS bodies is not appropriated in aid.

Note 4. Operating Costs**Note 4.1 Analysis of gross operating costs:**

	2008/09 £000	2007/08 £000
Goods and services from other Primary Care Trusts		
Healthcare	43,684	34,823
Non Healthcare	0	0
Total	43,684	34,823
Goods and services from other NHS bodies excluding Foundation Trusts		
Healthcare	127,212	130,368
Non Healthcare	543	7,494
Total	127,755	137,862
Goods and Services from Foundation Trusts	6,174	3,904
Purchase of healthcare from non-NHS providers	25,768	27,366
Social Care from independent providers	0	0
Expenditure on Drugs Action Teams	1,467	1,247
Non-GMS services from GPs	487	534
Contractor led GDS & PDS	12,847	12,300
Trust led GDS & PDS	111	22
PCT Board members' costs	565	540
PCT Executive Committee non-officer members' costs	67	68
Staff costs	70,281	59,841
Consultancy services	1,292	172
GMS/PMS/APMS/PCTMS	30,175	30,272
Prescribing costs	38,278	39,198
Pharmaceutical Services	578	477
Local Pharmaceutical Service Pilots	0	0
New Pharmacy Contract	3,280	1,726
General Ophthalmic Services	3,255	3,164
Supplies and services - clinical	7,384	7,690
Supplies and services - general	658	741
Establishment	4,000	3,100
Transport	495	483
Premises	14,253	7,881
Impairment of debtors	(161)	(166)
Depreciation	2,419	2,973
Amortisation	10	8
Tangible fixed asset impairments and reversals	1,173	1,695
Intangible fixed asset impairments and reversals	0	0
Impairments and reversals of financial assets (by class)	0	0
Change in the fair value of financial instruments	0	0
NHS Trust Impairments	0	(61)
(Profit)/loss on disposal of fixed assets	0	418
Cost of capital charge	953	1,094
Audit fees	171	179
Other auditor's remuneration	73	42
Clinical negligence costs	77	82
Other finance costs - unwinding of discount	18	18
Redundancies	28	0
Education and training	1,453	775
Other	8,895	3,306
Total	407,963	383,774

PCT Board members' costs above include £0 for early retirements prior to 6/3/95 (2007/08 £0).

Staff costs above include £0 for early retirements prior to 6/3/95 (2007/08 £0).

Other auditor's remuneration relates to Healthcare Standards work (£14k); IFRS opening balance sheet audit (£14k); provision of an IFRS workshop to the PCT (£6k) and a PbR coding audit (£38k).

Note 4.2 Analysis of operating expenditure by expenditure classification

Note 4.2 Purchase of Health Care by PCT

	2008/09 £000	2007/08 £000
Purchase of Primary Health Care		
GMS / PMS/ APMS / PCTMS	30,175	30,272
Prescribing costs	38,278	39,198
Pharmaceutical services	578	477
Contractor led GDS & PDS	12,840	11,982
Trust led GDS & PDS	111	22
General Ophthalmic Services	3,255	3,164
Department of Health Initiative Funding	0	0
Local Pharmaceutical Services Pilots	0	0
New Pharmacy Contract	3,280	1,726
Non-GMS Services from GPs	0	83
Other	<u>3,926</u>	<u>1,260</u>
Total Primary Healthcare purchased	<u>92,443</u>	<u>88,184</u>
Purchase of Secondary Healthcare		
Learning Difficulties	12,847	12,997
Mental Illness	45,377	40,150
Maternity	9,984	9,206
General and Acute	156,257	151,761
Accident And Emergency	12,471	11,653
Community Health Services	37,146	33,786
Other Contractual	<u>7,037</u>	<u>6,083</u>
Total Secondary Healthcare Purchased	<u>281,119</u>	<u>265,636</u>
Impairments in Trusts	0	0
Grants (revenue) to fund Capital Projects - GMS	0	0
Grants (revenue) to LAs to fund Capital Projects	0	0
Grants (revenue) to private sector to fund Capital Projects	0	0
Grants (revenue) to fund Capital Projects - Dental	7	318
Grants (revenue) to fund Capital Projects - other	<u>0</u>	<u>0</u>
TOTAL HEALTHCARE PURCHASED BY PCT	<u>373,569</u>	<u>354,138</u>
Amount of self-commissioned secondary healthcare included above*	76,239	67,641
Healthcare purchased from Foundation Trusts included above	6,174	3,904

* 'Self-commissioned secondary healthcare' refers to funds that the PCT has allocated to fund secondary healthcare that it has itself provided.

Purchase of Secondary Healthcare includes £1,056,942 payable to The Royal Wolverhampton Hospitals NHS Trust in relation to partially completed patient episodes.

Note 4.3 Operating Leases

4.3/1 Operating expenses include:

	2008/09	2007/08
	£000	£000
Hire of plant & machinery	0	0
Other operating lease rentals	<u>2,490</u>	<u>2,338</u>
Total	<u>2,490</u>	<u>2,338</u>

Note 4.3/2 Annual commitments under non - cancellable operating leases are:

	2008/09	2008/09	2007/08	2007/08
	Land and buildings	Other leases	Land and buildings	Other leases
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	544	75	166	76
Between 1 and 5 years	146	151	460	116
After 5 years	<u>1,485</u>	<u>0</u>	<u>1,482</u>	<u>0</u>
Total	<u>2,175</u>	<u>226</u>	<u>2,108</u>	<u>192</u>

Note 5. Staff numbers and related costs**Note 5.1 Staff costs**

	2008/09			2007/08		
	Total	Permanently	Other	Total	Permanently	Other
	£000	Employed	£000	£000	Employed	£000
Salaries and wages	60,041	54,669	5,372	50,734	48,419	2,315
Social security costs	3,946	3,946	0	3,397	3,397	0
Employer contributions to NHSBSA	7,003	7,003	0	6,160	6,160	0
Other pension costs	197	197	0	0	0	0
Total	71,187	65,815	5,372	60,291	57,976	2,315

Note 5.2 Staff Numbers

	2008/09			2007/08		
	Total	Permanently	Other	Total	Permanently	Other
	Number	Employed	Number	Number	Employed	Number
Medical and dental	92	81	11	88	80	8
Ambulance staff	0	0	0	0	0	0
Administration and estates	793	731	62	682	652	30
Healthcare assistants & other support staff	101	101	0	93	93	0
Nursing, midwifery & health visiting staff	770	749	21	707	699	8
Nursing, midwifery & health visiting learners	0	0	0	3	3	0
Scientific, therapeutic and technical staff	311	303	8	289	281	8
Social Care staff	2	0	2	0	0	0
Other	0	0	0	4	4	0
Total	2,069	1,965	104	1,866	1,812	54

Note 5.3 Employee benefits

There were no employee benefits during the year (£0 in 2007/08).

Note 5.4 Retirements due to ill-health

During 2008/09 there was 1 early retirement from the Primary Care Trust agreed on the grounds of ill-health (2007/08: 5). The estimated additional pension liabilities of this ill-health retirement (calculated on an average basis and borne by the NHS Pension Scheme) will be £32k (2007/08: £251k).

Note 5.5 Management costs

	2008/09	2007/08
Management costs (£000s)	11,955	8,625
Weighted population (Number)	269,748	269,748
Management cost per head of weighted population (£)	44.32	31.97

The PCT measures its management costs according to the definitions provided by the Department of Health

Note 6. Better Payment Practice Code

Note 6.1 Better Payment Practice Code - measure of compliance

	2008/09	2008/09	2007/08	2007/08
	Number	£000	Number	£000
Non-NHS Creditors				
Total bills paid in the year	32,420	72,134	20,594	57,911
Total bills paid within target	19,506	52,912	14,250	49,802
Percentage of bills paid within target	60.17%	73.35%	69.19%	86.00%
NHS Creditors				
Total bills paid in the year	2,252	186,977	1,805	190,609
Total bills paid within target	1,346	176,967	1,168	183,976
Percentage of bills paid within target	59.77%	94.65%	64.71%	96.52%

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

Over recent years the PCT has experienced a significant increase in the volume of invoices processed. The year on year rise from 07/08 to 08/09 alone is 57% for non-NHS and 25% for NHS creditors. This has contributed to a decline in the organisation's compliance percentages which the Accounts Payable team is seeking to address.

Note 6.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2008/09	2007/08
	£000	£000
Amounts included within Interest Payable (Note 7) arising from claims made by businesses under this legislation	1	0
Compensation paid to cover debt recovery costs under this legislation	0	0

Note 7.1 Other Gains and Losses

	2008/09	2007/08
	£000	£000
Profit on disposal of intangible assets	0	0
Loss on disposal of intangible assets	0	0
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	0	(54)
Profits on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	0	(364)
Profit on disposal of investment assets	0	0
Loss on disposal of investment 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
Recycling gains/(loss) from equity on disposal of financial assets held for sale	0	0
Total	0	(418)

Note 7.2 Analysis of Impairments charged to operating costs

	Intangible Assets £000	Tangible Assets £000	Fixed Financial Instruments £000	Current Financial Instruments £000
Loss or damage from normal operations	0	129	0	0
Loss as a result of catastrophe	0	0	0	0
Abandonment of assets in course of construction	0	0	0	0
Unforeseen obsolescence	0	0	0	0
Over specification of assets	0	0	0	0
Other (detail below)	0	0	0	0
Changes in Market Price	0	1,044	0	0
Totals	0	1,173	0	0

Note 8. Finance Costs

	2008/09 £000	2007/08 £000
Payable:		
Finance leases	0	0
Late payment of commercial debt penalties	1	0
Loans	0	0
Bank loans and overdrafts	0	0
Other interest and finance costs	0	0
TOTAL	1	0

Note 9. Intangible Fixed Assets

	Software licences £000	Licenses & trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	116	0	0	0	116
Additions - purchased	86	0	0	0	86
Additions - donated	0	0	0	0	0
Additions - government granted	0	0	0	0	0
Impairments	0	0	0	0	0
Indexation	0	0	0	0	0
Other revaluation	0	0	0	0	0
Reclassifications	31	0	0	0	31
In year transfers to/from NHS bodies	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	233	0	0	0	233
Accumulated amortisation at 1 April 2008	96	0	0	0	96
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Other revaluation	0	0	0	0	0
Provided during the year	10	0	0	0	10
Reclassifications	0	0	0	0	0
In year transfers to/from NHS bodies	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March 2009	106	0	0	0	106
- Purchased at 1 April 2008	20	0	0	0	20
- Donated at 1 April 2008	0	0	0	0	0
- Government granted at 1 April 2008	0	0	0	0	0
Total at 1 April 2008	20	0	0	0	20
- Purchased at 31 March 2009	127	0	0	0	127
- Donated at 31 March 2009	0	0	0	0	0
- Government granted at 31 March 2009	0	0	0	0	0
Total at 31 March 2009	127	0	0	0	127

Note 10. Tangible Fixed Assets**Note 10.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	19,399	29,995	355	0	2,676	404	5,092	2,306	60,227
Additions - purchased	0	3,163	0	0	163	137	(58)	387	3,792
Additions - donated	0	0	0	0	0	0	0	0	0
Additions - government granted	0	0	0	0	0	0	0	0	0
Impairments, revaluations and indexation	(5,501)	(313)	14	0	38	2	0	45	(5,715)
Reclassifications	0	0	0	0	0	0	(31)	0	(31)
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2009	13,898	32,845	369	0	2,877	543	5,003	2,738	58,273
Accumulated depreciation at 1 April 2008	0	0	0	0	1,931	233	2,194	1,199	5,557
Provided during the year	0	1,303	10	0	133	16	720	237	2,419
Impairments, revaluations and indexation	1,044	21	0	0	113	2	0	31	1,211
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
In year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Accumulated depreciation at 31 March 2009	1,044	1,324	10	0	2,177	251	2,914	1,467	9,187
Net book value									
- Purchased at 1 April 2008	19,199	29,313	355	0	745	171	2,898	1,107	53,788
- Donated at 1 April 2008	200	641	0	0	0	0	0	0	841
- Government Granted at 1 April 2008	0	41	0	0	0	0	0	0	41
Total at 1 April 2008	19,399	29,995	355	0	745	171	2,898	1,107	54,670
Net book value									
- Purchased at 31 March 2009	12,659	30,900	359	0	700	292	2,089	1,271	48,270
- Donated at 31 March 2009	195	580	0	0	0	0	0	0	775
- Government Granted at 31 March 2009	0	41	0	0	0	0	0	0	41
Total at 31 March 2009	12,854	31,521	359	0	700	292	2,089	1,271	49,086

Of the totals at 31 March 2009, £0 related to land valued at open market value and £0 related to buildings, installations and fittings valued at open market value.

Land and Buildings have been revalued at 31st March 2009 according to information on Depreciated Replacement Cost provided by the District Valuer. Indexation has been applied to all other categories of asset in line with treatment in previous years.

The negative addition of £58k arising in the Information Technology category is as a result of charging equipment to the value of £936k to revenue which had been capitalised in the previous financial year. New year additions total £878k hence a negative balance of £58k remains.

Note 10.2/1 Asset Financing

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value 31 March 2009									
Owned	12,854	31,521	359	0	700	292	2,089	1,271	49,086
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Total 31 March 2009	12,854	31,521	359	0	700	292	2,089	1,271	49,086
Net book value 1 April 2008									
Owned	19,399	29,995	355	0	745	171	2,898	1,107	54,670
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Total 1 April 2008	19,399	29,995	355	0	745	171	2,898	1,107	54,670

Note 10.2/2 The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2009	0	0	0	0	0	0	0	0	0
Depreciation 31 March 2008	0	0	0	0	0	0	0	0	0

Note 10.3 The net book value of land, buildings and dwellings at 31 March 2009 comprises:

	2008/09	2008/09	2008/09 Government	2008/09	2007/08
	Purchased	Donated	Granted	Total	Total
	£000	£000	£000	£000	£000
Freehold	43,918	775	41	44,734	49,749
Long Leasehold	0	0	0	0	0
Short Leasehold	0	0	0	0	0
TOTAL	43,918	775	41	44,734	49,749

Note 10.4 Fixed assets investments

	Equity shareholdings £000	Loan-stock £000	Total £000
Balance as at 31 March 2008	178	0	178
Additions	0	0	0
Reclassifications	(178)	0	(178)
Revaluations	0	0	0
Balance as at 31 March 2009	0	0	0

The Fixed Asset Investment relates to investment in the holding company within the PCT's LIFT arrangement. In 2008/09 this has been reclassified as a Financial Asset.

Note 10.5 Other Financial Assets

	Current financial assets 31 March 2009 £000	Fixed financial assets 31 March 2009 £000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	0	132
Loans carried at amortised cost	0	0
Total	0	132

Note 10.6 Economic Lives of Fixed Assets

	Minimum Life (years)	Maximum Life (years)
Software Licences	5	8
Licences and Trademarks	5	8
Patents	5	8
Development Expenditure	5	8
Buildings excl. Dwellings	5	99
Dwellings	5	99
Plant and Machinery	5	15
Transport Equipment	7	7
Information Technology	5	8
Furniture and Fittings	5	7

Note 11. Stock and work in progress

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	676	617
Work-in-progress	0	0
Finished goods	0	0
Total	676	617

Note 12.1 Debtors

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
NHS debtors	1,036	853
Non NHS trade debtors	1,326	8,351
Provision for impairment of debtors	(92)	(254)
Prepayments and accrued income	2,710	7,864
Capital debtors - NHS	0	0
Capital debtors - Non NHS	0	0
Current part of PFI prepayments	0	0
Other debtors	1,547	690
	<u>6,527</u>	<u>17,504</u>
Amounts falling due after more than one year:		
NHS debtors	0	0
Non NHS trade debtors	0	0
Provision for impairment of debtors	0	0
Prepayments and accrued income	0	0
Capital debtors - Non NHS	0	0
Current part of PFI prepayments	0	0
Other debtors	0	0
	<u>0</u>	<u>0</u>
TOTAL	<u>6,527</u>	<u>17,504</u>

NHS Debtors include;

- £0 prepaid pension contributions at 31 March 2009 (31 March 2008 £0); and
- £0 prepayments from the buyout of early retirements (31 March 2008 £0).

Note 12.2 Provision for impairment of debtors

	31 March 2009
	£000
Balance at 1 April	(254)
Amount written off during the year	1
Amount recovered during the year	233
(Increase)/decrease in debtors impaired	(72)
Balance at 31 March	<u>(92)</u>

Note 12.3 Debtors past due date but not impaired:

	31 March 2009
	£000
By up to 3 months	387
By 3 to 6 months	29
By more than 6 months	223
TOTAL	<u>639</u>

Note 13. Creditors**Note 13.1 Creditors at the balance sheet date are made up of:**

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors - revenue	5,559	5,446
NHS creditors - capital	0	0
Family Health Services (FHS) creditors	9,839	4,339
Non - NHS trade creditors - revenue	6,411	13,628
Non - NHS trade creditors - capital	1,564	1,733
Tax	756	(3)
VAT	0	0
Social Security costs	666	18
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	971	1,696
Accruals and deferred income	4,162	7,404
Current part of finance lease element of on balance sheet PFI contracts	0	0
	<u>29,928</u>	<u>34,261</u>
Amounts falling due after more than one year:		
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	131	160
Imputed finance leases element of on balance sheet PFI contracts	0	0
Other	8	0
	<u>139</u>	<u>160</u>
Total	<u>30,067</u>	<u>34,421</u>

The FHS creditor figure contains £7.3m for Prescribing. In 2007/08 this sum was included in accruals and deferred income (£7.0m).

NHS creditors include £1.1m payable to the Royal Wolverhampton Hospitals NHS Trust in relation to partially completed patient episodes (£1.8m 2007/08)

Of the amounts falling due after more than one year:

- £0 for payments due in future years under arrangements to buy out the liability for early retirements over 5 years (2007/08 £0);
- £131k outstanding pensions contributions at 31 March 2009 (£160k at 31 March 2008). Annual payments of approximately £30k will be made until the indebtedness ceases;
- £8k lease incentive for Horizon House operating lease. Repayments of approximately £1k per annum will continue until 2015/16.

Note 13.1/1 Other Financial Liabilities

	Within one year 31 March 2009 £000	After more than one year 31 March 2009 £000
Financial liabilities carried at fair value through profit and loss	<u><u>0</u></u>	<u><u>0</u></u>

Note 13.2 Finance lease obligations

	31 March 2009 £000	31 March 2008 £000
Payable:		
In not more than 1 year or in demand	0	0
In more than 1 year or in demand	0	0
In more than 1 year but no longer than 2 years	0	0
In more than 2 years but no longer than 5 years	0	0
After five years	0	0
Subtotal	0	0
Less finance charges allocated to future periods	0	0
Total	0	0

Note 13.3 Finance Lease Commitments

The PCT has no finance lease commitments.

Note 14. Provisions for liabilities and charges

	Pensions relating to former directors/ members £000	Pensions relating to other staff £000	Legal claims £000	Restruc- turings £000	Other £000	Total £000
At 1 April 2008	628	0	376	0	4,330	5,334
Arising during the year*	0	0	39	0	2,063	2,102
Utilised during the year	(55)	0	(91)	0	(1,499)	(1,645)
Reversed unused	0	0	0	0	(2,154)	(2,154)
Unwinding of discount	13	0	5	0	0	18
Transfer in-year	0	0	0	0	0	0
At 31 March 2009	586	0	329	0	2,740	3,655
Future Payments to NHS trusts	0	0	75	0	0	75
Future Payments to NHS Foundation Trusts	0	0	0	0	0	0
Future Payments to Primary Care Trusts	0	0	198	0	0	198
Expected timing of cash flows:						
Within 1 year	56	0	92	0	2,273	2,421
1 - 5 years	280	0	207	0	467	954
Over 5 years	250	0	30	0	0	280

* Provisions relating to the PCT's own provider functions are shown gross with the expected reimbursements from the NHSLA included in debtors.

Likely costs and timings have been based upon information received from a range of sources including the NHS Pensions Agency (pensions relating to former directors); individual case details obtained from the NHS Litigation Authority (legal claims) and external contractors (EAPC project).

'Other' provisions relate to employers liability for contractors tax and NI (£347k); legal fees (£120k); pay agreement to be reached (£330k) and the Equitable Access to Primary Care project (£1,943k). It is anticipated that these provisions will be settled within the next 1 - 5 years.

£295k is included in the provisions of the NHSLA at 31.3.2009 in respect of clinical negligence provisions of the PCT (31.3.2008 £83k).

Included in the note above are provisions for NHSLA member liabilities and the PCT's Equitable Access to Primary Care Project. The Contingencies note (note 19) also includes figures arising from these areas.

Note 15. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve		Donated asset reserve		Government grant reserve		Other reserves		General Fund	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
At 1 April	16,942	21,449	841	801	41	38	0	0	15,420	8,655
PPA: elimination of negative revaluation reserves in respect of change in policy on impairments	0	0	0	0	0	0	0	0	0	0
Net Parliamentary Funding	0	0	0	0	0	0	0	0	382,190	370,831
Cost of Capital Charge	0	0	0	0	0	0	0	0	953	1,094
Transfer from the OCS	0	0	0	0	0	0	0	0	(387,743)	(366,867)
Fixed asset impairments	(7,925)	(6,863)	0	0	0	0	0	0	0	0
Surplus/(deficit) on other revaluations/indexation of fixed assets	1,844	4,063	326	62	2	3	0	0	0	0
Transfer of realised profits (losses)	(32)	(1,707)	0	0	0	0	0	0	32	1,707
Receipt of donated/Government granted assets	0	0	0	0	0	0	0	0	0	0
Depreciation and disposal of donated/Government granted assets	0	0	(10)	(22)	(1)	0	0	0	0	0
Transfers to/(from) other NHS Bodies	0	0	0	0	0	0	0	0	0	0
Other movements on reserves*	97	0	(382)	0	(1)	0	0	0	240	0
At 31 March	10,926	16,942	775	841	41	41	0	0	11,092	15,420

* Analysis of other movements on reserves:

Amend classification of part of 2007/08 revaluation	382	(382)	
Remove balances on revaluation reserve for assets written off	(291)		291
Revaluation of LIFT Investment	6		(51)
	97	(382)	240

Note 16. Notes to the cash flow statement

Note 16.1 Reconciliation of operating costs to net cash flow from operating activities:

	2008/09 £000	2007/08 £000
Net operating Cost	(387,756)	(366,867)
Depreciation charge	2,429	2,981
Cost of capital charge	953	1,094
Fixed asset impairments	1,173	1,695
(Profit)/loss on disposal of fixed assets	0	418
Non-cash movement in provisions	(34)	3,323
Transfer from donated asset reserve	(10)	(22)
Transfer from the Government grant reserve	(1)	0
(Increase)/decrease in stocks	(59)	(387)
(Increase)/decrease in debtors	10,977	(13,027)
Increase/(decrease) in creditors	(4,185)	1,969
Increase/(decrease) in provisions	(1,645)	(395)
Net cash inflow/(outflow) from operating activities	(378,158)	(369,218)

Note 16.2 Reconciliation of net cash flow to movement in net debt

	2008/09 £000	2007/08 £000
Increase/(decrease) in cash in the period	(2)	1
Cash outflow from finance lease payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	(2)	1
Non - cash changes in debt	0	0
Net debt at 1 April 2008	10	9
Net debt at 31 March 2009	8	10

Note 16.3 Analysis of changes in net debt

	At 31 March 2009 £000	Cash flows in year £000	Non-cash changes in year £000	Transfers to/ from NHS bodies £000	At 1 April 2008 £000
OPG cash at bank	1	(1)	0	0	2
Cash at bank and in hand	7	(1)	0	0	8
Bank overdrafts	0	0	0	0	0
Finance leases due within one year	0	0	0	0	0
Finance leases due after one year	0	0	0	0	0
Current asset investments	0	0	0	0	0
Total	8	(2)	0	0	10

Excluded from the above is £28k held in PCT accounts relating to Patient's money (£26k 2007/08). Patients monies are excluded from creditors.

Note 17. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £0 (2007/08: £0)

Note 18. Post Balance Sheet Events

The Primary Care Trust does not have any post balance sheet events.

Note 19. Contingencies

a) Contingent Losses/Gains

The Primary Care Trust has the following contingent (losses)/gains which have not been included in the accounts:

	2008/09	2007/08
	£000	£000
Gross value	(2,071)	(24)
Amounts recoverable (if any)	<u>0</u>	<u>0</u>
Net Contingent Liability	(2,071)	(24)
Contingent asset	0	

This figure relates to:

i) NHSLA Member Liability

These are cases currently under investigation by the NHSLA and the value represents the PCT's member liability (£21k).

ii) Equitable Access to Primary Care Project - Land Rectification Costs

Included in the PCT's operating cost and provisions is a sum attributable to the Equitable Access Project (total £2.8m). In addition to these figures the organisation will incur further costs in future years. These will be to return the plots of land leased for the temporary buildings to their initial state when the Practices move to a permanent base. The total value of this work is not yet known with certainty (hence its exclusion from the statements) however preliminary estimates from an external contractor indicate that this could be in the region of £650k.

iii) Strategic Services Development Plan (SSDP) Decant

The PCT is presently taking forward its SSDP and in doing so will incur the cost of decanting its existing services into temporary accommodation whilst building work is undertaken. The value of this is estimated to be approximately £1.1m.

iv) Continuing Care Appeals

The PCT is aware of a need to further publicise the appeals process for Continuing Care. Early estimates indicate that additional appeals payments as a result of the publicity could be in the region of £300k.

Also to be noted are:

v) SSDP Transfer of GP Premises

The SSDP will also require the PCT to enter into discussions with GPs with regard to the transfer of their services into the new premises to be built. This creates the potential for the organisation to be liable to fund any negative equity in the existing Practice properties however no estimate of the value of this has been made at this stage.

vi) Cost of Restructure

The PCT is aware of changes to future service delivery that may impact upon staffing levels. In the event of this happening the organisation would be required to fund the cost of restructuring. An estimate of this cost is not yet available.

Note 20. Related Party Transactions

Wolverhampton City Primary Care Trust is a body corporate established by order of the Secretary of State for Health.

During the year the following Board Members or members of the key management staff have declared interests with other organisations that have undertaken material transactions with Wolverhampton City Primary Care Trust:

	Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000
Mr N Nisbet; Director of Finance Wolverhampton and Walsall LIFT Co. transactions (Director)	1,829	(14)	3	0
Mr C Crosdale; Non Executive Director Wolverhampton Sickle Cell and Thalassaemia Support Project transactions (Chair)	104	0	0	0

The following General Practitioners were members of the PEC Board during 2008/09. Payments were made to the practices of these GP's in the normal course of their provision of General Medical Services (GMS) or Personal Medical Services (PMS) to the population of Wolverhampton.

Payments listed are in relation to the whole practice and therefore do not reflect the remuneration of the individual.

	Practice	£'000
Dr H Hibbs; Chair and Dr N Hall; GP Member	Parkfields Medical Centre	1,228
Dr S Handa; GP Member Vice Chair	Dr Passi and Partners	712
Dr J Parkes; GP Member	Dr Luckraft and Partners	834

The Department of Health is regarded as a related party. During the year Wolverhampton City Primary Care Trust has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

- The Royal Wolverhampton Hospitals NHS Trust
- NHS West Midlands
- NHS Birmingham East and North
- Dudley Group of Hospitals NHS Foundation Trust
- Dudley Primary Care Trust
- University Hospitals Birmingham NHS Foundation Trust
- Walsall Primary Care Trust
- Walsall Hospitals NHS Trust
- West Midlands Ambulance Service
- NHS Business Services Authority
- NHS Pensions Agency

In addition, the Primary Care Trust has had a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Wolverhampton City Council in respect of joint enterprises and HM Revenue and Customs (HMRC).

The PCT has also received revenue payments from a number of charitable funds, certain of the Trustees for which are also members of the PCT Board. A separate Trustees report and financial statements are available for Wolverhampton City PCT Charity.

Prior Year comparators (2007/08)

	Payments to Related Party £'000	Receipts from Related Party £'000	Amounts owed to Related Party £'000	Amounts due from Related Party £'000
Mr N Nisbet; Director of Finance Wolverhampton and Walsall LIFT Co. transactions (Director)	2,534	0	0	0
Mr C Crosdale; Non Executive Director Wolverhampton Sickle Cell and Thalassaemia Support Project transactions (Chair)	102	0	0	0

	Practice	£'000
Dr H Hibbs; Chair and Dr N Hall; GP Member	Parkfields Medical Centre	1,232
Dr S Handa; GP Member Vice Chair	Dr Passi and Partners	687
Dr J Parkes; GP Member	Dr Luckraft and Partners	830

Note 21. Private Finance Transactions

Note 21.1 The PCT has no PFI schemes deemed to be off-balance sheet

Note 21.2 The PCT has no PFI schemes deemed to be on-balance sheet

Note 21.3 LIFT schemes deemed to be off-balance sheet

	2008/09	2007/08
	£000	£000
Amount included within operating costs in respect of the 'service' element of LIFT schemes deemed to be off-balance sheet	1,408	1,303
Amortisation of deferred asset	<u>0</u>	<u>0</u>
Net charge to operating costs	<u>1,408</u>	<u>1,303</u>

The PCT is committed to make the following payments during the next year, in which the scheme expires

	2008/09	2007/08
	£000	£000
Within one year	0	0
2 to 5 years (inclusive)	0	0
6 to 10 years (inclusive)	0	0
11 to 15 years (inclusive)	0	0
16 to 20 years (inclusive)	0	0
21 to 25 years (inclusive)	1,469	1,408

The estimated annual payments in future years are not expected to be materially different from those which the PCT is committed to make during the next year.

	£000
The estimated capital value of the LIFT scheme	10,154
Contract start date	05/12/2005
Contract end date	05/12/2030

The PCT currently has two LIFT schemes; the Gem Centre for children and young people and the Phoenix Health Centre which houses a walk-in centre.

Note 21.4 'Service' element of LIFT schemes deemed to be on-balance sheet

there are no LIFT schemes deemed to be on-balance sheet.

Preliminary investigations indicate that from 1st April 2009 (when the PCT's accounting statements are prepared using International Financial Reporting Standards (IFRS)) the LIFT schemes will transfer on-balance sheet.

Note 22. Financial Instruments

FRS's 25, 26 and 29 for Financial Instruments require disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Primary Care Trusts are financed, they are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 29 mainly applies. The PCT 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 PCT in undertaking its activities.

Liquidity risk

Most of the PCT's net operating costs are incurred under annual service agreements with local Primary Care Trusts, NHS Trusts and NHS Foundation Trusts and are financed from resources voted annually by Parliament or directly financed from resources voted annually by Parliament. The PCT also largely finances its capital expenditure from funds made available from Government. Wolverhampton City Primary Care Trust is not, therefore, exposed to significant liquidity risks.

Foreign Currency Risk

The PCT has negligible foreign currency income or expenditure.

Credit Risk

The nature of the PCT's business means that it has low exposure to credit risk. The maximum exposures as at 31st March 2009 are in receivables from customers, as disclosed in the Trade and Other Receivables note.

Interest-Rate Risk

100% of the PCT's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The PCT is not therefore exposed to significant interest-rate risk.

Note 22.1 Fair Values

Fair value is the same as carrying amount for all financial assets and liabilities.

In accordance with FRS29 the PCT has taken the option to exclude from its interest rate risk and fair values disclosures items from the following headings which are due within one year:

debtors;
prepayments and accrued income;
creditors excluding debenture loans and bank loans;
provisions for liabilities and charges;
accruals and deferred income

Note 22.2 Financial Assets

	At fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS debtors	0	1,036	0	1,036
Non NHS debtors	0	2,873	0	2,873
Cash at bank and in hand	0	8	0	8
Other financial assets	0	0	132	132
Total at 31 March 2009	0	3,917	132	4,049

Note 22.3 Financial Liabilities

	At fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
NHS creditors	0	5,559	5,559
Non NHS creditors	0	22,254	22,254
Borrowings	0	0	0
Private Finance Initiative and finance lease obligations	0	0	0
Other financial liabilities	0	2282	2282
Total at 31 March 2009	0	30,095	30,095

Note 23. Third party assets

The PCT held £28k cash at bank and in hand at 31/3/2009 which relates to monies held on behalf of patients (£26k at 31/3/08). This has been excluded from cash at bank and in hand figure reported in the accounts.

Note 24. Pooled Budget

The PCT has entered into a pooled budget with Wolverhampton City Council. Under the arrangement funds are pooled under S75 of the NHS Act 2006. The pool arrangement includes Intermediate Care; Integrated Community Equipment Store; Learning Disability and Mental Health budgets.

The Intermediate Care pool is hosted by the PCT, the others are hosted by Wolverhampton City Council.

The costs associated with these pooled budgets are included within the gross operating costs shown on page 16.

The memorandum trading account for the Intermediate Care pooled budget hosted by the PCT is shown below:

**POOLED BUDGET - INTERMEDIATE CARE
for the period 1 April 2008 to 31 March 2009**

£

Funding

Wolverhampton City Council	537,230
Wolverhampton City Primary Care Trust	<u>913,145</u>
	<u>1,450,375</u>

Expenditure

Wolverhampton City Council	332,313
Wolverhampton City Primary Care Trust	<u>873,313</u>
	<u>1,205,626</u>

Net (under)/over spend (244,749)

Memorandum trading accounts are not available for those pooled budgets hosted by Wolverhampton City Council at the time of the completion of these accounts. This is due to the completion date for Local Authority accounts differing from that of PCT accounts.

Note 25 Losses and Special Payments

There were 151 cases of losses and special payments (2007/08: 134 cases) totalling £12,487 (2007/08: £38,198) approved during 2008/09.

There were 0 cases totalling £0 (2007/08 0 cases; £0) where the net payment exceeded £100,000 in the following areas:

- Clinical negligence
- Fraud
- Personal injury
- Compensation under legal obligation
- Fruitless payment

Note: The total costs included in this note are on an accruals basis.

Note 26 Intra-government balances

	Debtors Amounts falling due within one year £000	Debtors Amounts falling due after more than one year £000	Creditors Amounts falling due within one year £000	Creditors Amounts falling due after more than one year £000
Balances with other central government bodies	598	0	1,450	131
Balances with local authorities	787	0	480	0
Balances with NHS Trusts/FTs	438	0	4,109	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to Government	4,704	0	23,889	8
At 31 March 2009	6,527	0	29,928	139
Balances with other central government bodies	804	0	662	160
Balances with local authorities	7,312	0	4,194	0
Balances with NHS Trusts/FTs	49	0	4,799	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to Government	9,339	0	24,606	0
At 31 March 2008	17,504	0	34,261	160