

WEST SUSSEX PRIMARY CARE TRUST

FINANCIAL STATEMENTS OR THE YEAR ENDED 31 MARCH 2011

2010-11 Annual Accounts of West Sussex Primary Care Trust


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

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the primary care 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 primary care trust;
- the expenditure and income of the primary care 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 net operating cost, 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 other than black

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

Amanda Fadero

Date...7...6...11...

2010-11 Annual Accounts of West Sussex Primary Care 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 primary care trust and the net operating cost, recognised gains and losses and cash flows for the year. In preparing these 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 primary care 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 primary care trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

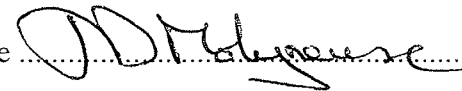
The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the board.

nb: Sign and date in any colour other than black

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

Amanda Fadero

7 June 2011 Date..... .....Finance Director

Jonathan Molyneux

2010-11 Annual Accounts of West Sussex Primary Care Trust

Year ended 31 March 2011

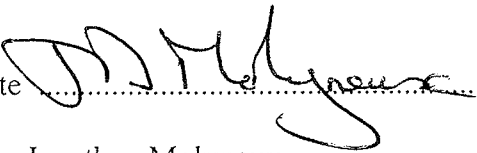
**SUMMARISATION SCHEDULES (PCTs) FOR THE WEST SUSSEX
PRIMARY CARE TRUST**

Summarisation schedules numbered PCT01 to PCT98F plus Freetext are attached.

Director of Finance Certificate

I certify that the attached summarisation schedules have been compiled from and are in accordance with the financial records maintained by the primary care trust and with the accounting standards and policies for the NHS approved by the Secretary of State.

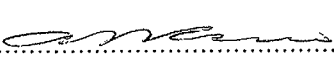
nb: Sign and date in any colour other than black

7th June 2011 Date  Director of Finance
Jonathan Molyneux

Chief Executive Certificate

I acknowledge the attached summarisation schedules, which have been prepared and certified by the Director of Finance, as the summarisation schedules which the primary care trust is required to submit to the Secretary of State

nb: Sign and date in any colour other than black

7.6.11 Date  Chief Executive
Amanda Fadero

(Note: This certificate is not required by the Department of Health)

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF WEST SUSSEX PRIMARY CARE TRUST

I have audited the financial statements of West Sussex Primary Care Trust for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Net Expenditure, 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 West Sussex Primary Care 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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of West Sussex Primary Care Trust's affairs as at 31 March 2011 and of its net operating costs for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Trust's responsibilities

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

Auditor's responsibilities

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

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

Basis for qualified conclusion

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

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

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

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

In considering the Trust's arrangements for securing financial resilience, I identified that:

- weaknesses in financial reporting made it difficult to quantify the level of efficiencies delivered in the year ended 31 March 2011;
- financial targets for the year ended 31 March 2011 would not have been delivered without the deferral of a planned lodgement, which undermines the stability of the Trust's financial position now and for the foreseeable future;
- and
- the Trust has not been able to show that it is able to influence its main providers to have a positive effect on acute demand and costs.

Qualified conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, with the exception of the matter reported in the basis for qualified conclusion paragraph above, I am satisfied that in all significant respects West Sussex Primary Care 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 West Sussex Primary Care Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson
Officer of the Audit Commission

Audit Commission, Bicentennial House, Southern Gate, Chichester, West Sussex.
PO19 8EZ.

9 June 2011

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF WEST SUSSEX
PRIMARY CARE TRUST ON THE PCT SUMMARISATION SCHEDULES**

I have examined the summarisation schedules designated PCT01 to PCT24 of West Sussex Primary Care Trust for the year ended 31 March 2011, which have been prepared by the Director of Finance and acknowledged by the Chief Executive.

This report is made solely to the Board of Directors of West Sussex Primary Care 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 of Audited Bodies published by the Audit Commission in March 2010.

In my opinion these summarisation schedules are consistent with the statutory financial statements on which I have issued an unqualified opinion except for the following:

- On 1 October 2010 provider activities transferred from West Sussex Primary Care Trust to Sussex Community NHS Trust. PCT01, PCT02, PCT03, PCT04 and related notes exclude 2009/10 restated comparative information in relation to this transfer. This information is reported in the statutory financial statements. A summary of these inconsistencies is reported in table 1 below.

Table 1

Name of page/Line per accounts	Balance (£'000)	Name of page/Line per FMAs	Balance (£'000)	Difference (£'000)
Statement of Comprehensive Net Expenditure (PCT01)				
Commissioning - employee benefits De-Merged 2009-10	33,123	PCT01, Sub Code 100, Maincode 09	0	(33,123)
Commissioning – other costs De-Merged 2009-10	1,762,050	PCT01, Sub Code 110, Maincode 09	0	(1,762,050)
Commissioning – income De-Merged 2009-10	(558,681)	PCT01, Sub Code 120, Maincode 09	0	558,681
PCT net operating costs before interest De-Merged 2009-10	1,236,492	PCT01, Sub Code 180, Maincode 09	0	(1,236,492)
Investment income De-Merged 2009-10	(2)	PCT01, Sub Code 190, Maincode 09	0	2

Other (gains) / losses De-Merged 2009-10	(132)	PCT01, Sub Code 200, Maincode 09	0	132
Finance costs De-Merged 2009-10	117	PCT01, Sub Code 210, Maincode 09	0	(117)
Net operating costs for the financial year De-Merged 2009-10	1,236,475	PCT01, Sub Codes 220, 225 and 230. Maincode 09	0	(1,236,475)

Name of page/Line per accounts	Balance (£'000)	Name of page/Line per FMAs	Balance (£'000)	Difference (£'000)
Statement of Financial Position (PCT02)				
Trade and other receivables De-Merged 2009-10	18,026	PCT02, Sub Code 160, Maincode 01	26,824	8,798
Cash and cash equivalents De-Merged 2009-10	709	PCT02, Sub Code 190, Maincode 01	856	147
Sub total current assets De-Merged 2009-10	18,824	PCT02, Sub Code 200, Maincode 01	27,769	8,945
Total current assets De-Merged 2009-10	19,708	PCT02, Sub Code 220, Maincode 01	28,653	8,945
Total assets De-Merged 2009-10	125,152	PCT02, Sub Code 230, Maincode 01	134,097	8,945
Trade and other payables De-Merged 2009-10	(75,892)	PCT02, Sub Code 240, Maincode 01	(85,355)	(9,463)
Provisions (current) De-Merged 2009-10	(728)	PCT02, Sub Code 260, Maincode 01	(933)	(205)
Total current liabilities De-Merged 2009-10	(76,620)	PCT02, Sub Code 290, Maincode 01	(86,288)	(9,668)

Non-current assets plus/less net current assets/liabilities De-Merged 2009-10	48,532	PCT02, Sub Code 310, Maincode 01	47,809	(723)
Total assets employed De-Merged 2009-10	43,772	PCT02, Sub Code 380, Maincode 01	43,049	(723)
General Fund De-Merged 2009-10	24,876	PCT02, Sub Code 390, Maincode 01	24,153	(723)
Total taxpayers' equity De-Merged 2009-10	43,772	PCT02, Sub Code 440, Maincode 01	43,049	(723)

Name of page/Line per accounts	Balance (£'000)	Name of page/Line per FMAs	Balance (£'000)	Difference (£'000)
Statement of Changes in Taxpayers' Equity (PCT03)				
De-Merged General Fund – balance at 1 April 2009	25,623	PCT03, Sub Code 100, Maincode 01	24,895	(728)
De-Merged General Fund – net operating cost for the year ended 31 March 2010	(1,236,484)	PCT03, Sub Code 110, Maincode 01	(1,236,479)	5
De-Merged General Fund – total recognised income and expense for 2009/10	(1,235,004)	PCT03, Sub Code 220, Maincode 01	(1,234,999)	5
De-Merged General Fund – balance at 31 March 2010	24,876	PCT03, Sub Code 240, Maincode 01	24,153	(723)
Total Reserves – balance at 1 April 2009	46,373	PCT03, Sub Code 100, Maincode 06	45,645	(728)

Total Reserves – net operating cost for the year	(1,236,484)	PCT03, Sub Code 110, Maincode 06	(1,236,479)	5
Total Reserves – total recognised income and expense for 2009/10	(1,236,858)	PCT03, Sub Code 220, Maincode 06	(1,236,853)	5
Total Reserves – balance at 31 March 2010	43,772	PCT03, Sub Code 240, Maincode 06	43,049	(723)

Name of page/Line per accounts	Balance (£'000)	Name of page/Line per FMAs	Balance (£'000)	Difference (£'000)
Statement of Cash Flows				
Cash flow from operating activities – De-merged 2009/10	(1,236,492)	PCT04, Sub Code 100, Maincode 09	0	1,236,492
Other cash flow adjustments – De-merged 2009/10	13,778	PCT04, Sub Code 110, Maincode 09	0	(13,778)
Movements in working capital – De-merged 2009/10	(3,483)	PCT04, Sub Code 120, Maincode 09	0	3,483
Provisions utilised – De-merged 2009/10	(963)	PCT04, Sub Code 130, Maincode 09	0	963
Net cash outflow from operating activities – De-merged 2009/10	(1,227,311)	PCT04, Sub Code 150, Maincode 09	0	1,227,311

Payments to purchase property, plant and equipment – De-merged 2009/10	(7,728)	PCT04, Sub Code 160, Maincode 09	0	7,728
Payments to purchase intangible assets – De-merged 2009/10	(305)	PCT04, Sub Code 170, Maincode 09	0	305
Proceeds of disposal of asset held for sale – De-merged 2009/10	1,730	PCT04, Sub Code 180, Maincode 09	0	(1,730)
Net cash inflow/(outflow) from investing activities – De-merged 2009/10	(6,303)	PCT04, Sub Code 270, Maincode 09	0	6,303
Net parliamentary funding – De-merged 2009/10	1,234,257	PCT04, Sub Code 280, Maincode 09	0	(1,234,257)
Net cash inflow/(outflow) from financing – De-merged 2009/10	1,234,257	PCT04, Sub Code 330, Maincode 09	0	(1,234,257)
Net increase/(decrease) in cash and cash equivalents – De-merged 2009/10	643	PCT04, Sub Code 340, Maincode 09	0	(643)
Cash and cash equivalents and bank overdrafts at the beginning of the financial year – De-merged 2009/10	66	PCT04, Sub Code 350, Maincode 09	0	(66)

Cash and cash equivalents (bank overdrafts) at the end of the financial year	709	PCT04, Sub Code 370, Maincode 09	0	(709)
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Helen Thompson
Officer of the Audit Commission

Audit Commission, Bicentennial House, Southern Gate, Chichester, West Sussex.
PO19 8EZ.

9 June 2011

Financial Monitoring and Accounts Forms for the period ending "31/03/11"
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Form Name	Main Code	Sub Code	Text
PCT03_SOCTE	MC05	315	Movements in other Reserves
	Values:	0	
PCT04_CF	MC04	320	Cash Transferred (to)/from Other NHS Bodies
	Values:	0	
PCT04A_CF	MC01	240	PPE additions reconciliations
	Values:	0	
PCT04A_CF	MC01	280	Intangibles additions reconciliations
	Values:	0	
PCT07_OCS	MC04	370	Miscellaneous Revenue - Other Revenue
	Values:	1,388	664k for rental income from NHS organisations £244k for rental income from Non NHS organisations £715k other oparting income non NHS includes, £429k rent non NHS, £75k LA HIV funding, £40k Drug Co Donation, £22k Car parking
PCT08_OCS	MC04	610	Gross Operating Costs- Other
	Values:	6,474	GP registrars £6288k, Presc Incentive Schemes £328k, Other £-137k
PCT08_OCS	MC01	960	General Ophthalmic Services - Other YTD
	Values:	0	
PCT08_OCS	MC02	960	General Ophthalmic Services - Other FOT
	Values:	0	
PCT13_OCS	MC04	700	Changes to the Revaluation reserve for intangible assets
	Values:	0	
PCT14_SOFP	MC04	160	Other Impairments (PPE) charged to I&E
	Values:	116	Write off of ECG machines £69k, Write off of investment in Salvington lodge £10k and Other
PCT14_SOFP	MC04	240	Other Impairments (PPE) charged to Reserves
	Values:	0	
PCT14_SOFP	MC04	340	Other Impairments (Intangible Assots) charged to I&E
	Values:	13	Various intangible asset impairments
PCT14_SOFP	MC04	420	Other Impairments (Intangible Assots) charged to Reserves
	Values:	0	
PCT14_SOFP	MC04	490	Other Impairments (Financial Assets) charged to I&E
	Values:	0	
PCT14_SOFP	MC04	530	Other Impairments (Financial Assets) charged to Reserves
	Values:	0	
PCT14_SOFP	MC04	630	Other Impairments (Non Current assets held for sale) charged to I&E
	Values:	0	
PCT14_SOFP	MC04	710	Other Impairments (Non Current assets held for sale) charged to Reserves
	Values:	0	
PCT14_SOFP	MC04	670	Impairments further details disclosure
	Values:	678	Abandonment of Assets in the Course of Construction £184k, unforeseen Obsolescence £115k, changes in Market Price £91k
PCT15_SOFP	MC01	280	Receivables - Other Receivables current
	Values:	0	Other Debtor adjustments
PCT15_SOFP	MC01	410	Receivables - Other Receivables non current
	Values:	0	
PCT17_SOFP	MC01	200	Payables at SoFP Date - Other Payables current

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	Values:	2,673	£364k Superannuation, various £527k GRNI accruals, £1799k Non NHS Other (non Ltd Co) suppliers
PCT17_SOFP	MC01	310	Payables at SoFP Date - Other Payables non current
	Values:	0	
PCT17_SOFP	MC01	410	Borrowings - Other current
	Values:	0	
PCT17_SOFP	MC03	410	Borrowings - Other non current
	Values:	0	
PCT18_SOFP	MC01	170	Other Provisions current
	Values:	107	
PCT18_SOFP	MC03	170	Other Provisions non current
	Values:	0	
PCT18_SOFP	MC01	410	Other contingent liabilities
	Values:	(270)	Continuing Care liabilities in dispute
PCT18_SOFP	MC01	440	Contingent assets
	Values:	0	
PCT19_SOFP	MC01	660	Finance Lease Commitments
	Values:	0	
	Lease	Amount (£000s)	Commencement date and number of years
	1		
	2		
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
	11		
	12		
	13		
	14		
	15		
	Total	0	
PCT19_SOFP	MC01	660	Events after the reporting period
	Values:	0	
PCT23_LSP	MC01	"230/300"	Cases over £250,000
	Values:	0	
	Values:	0	
	Values:	0	
	Values:	0	
	Values:	0	
	Values:	0	
	Values:	0	
PCT24_CF	MC01	680	Other adjusting transactions
	Values:	0	
PCT24_CF	MC01	320	Less/plus transfers (to)/from other resource account bodies
	Values:	0	
PCT24_CF	MC01	430	Receivables - Financing transactions
	Values:	0	
PCT24_CF	MC01	520	Payables - Financing Transactions
	Values:	(142)	21k adk for correction in movement in capital cr's see CFS1 pymts to acquire FA b/f error from 09/10
			75k balancing figure
PCT98	A/B		Payables/Receivables - Adjustments to Balances/Disputed Items
Adjustments	DH payables	1	
"	DH receivables	(7)	
Disputed	DH payables	0	
"	DH receivables	0	
Adjustments	SHA payables	7	
"	SHA receivables	0	
Disputed	SHA payables	0	
"	SHA receivables	0	
Adjustments	PCT payables	440	
"	PCT receivables	58	

Data entered below will be used throughout the workbook:

PCT name:
This year
Last year
This year ended
Last year ended
This year commencing:

West Sussex PCT
2010-11
2009-10
31 March 2011
31 March 2010
1 April 2010

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED
31 March 2011**

	NOTE	2010-11 £000	Merged 2009-10 £000	Provider Adj 2009-10 £000	De-Merged 2009-10 £000
Commissioning					
Employee benefits	7.1	32,934	33,123	0	33,123
Other costs	5.1	1,998,911	1,664,540	97,510	1,762,050
Income	4	(739,094)	(558,681)	0	(558,681)
Provider					
Employee benefits	7.1	0	79,439	(79,439)	0
Other costs	3.3	0	26,069	(26,069)	0
Income	3.3	0	(7,994)	7,994	0
PCT net operating costs before interest		1,292,751	1,236,496	(4)	1,236,492
Investment income	9	0	(2)	0	(2)
Other (Gains)/Losses	10	(195)	(132)	0	(132)
Finance costs	11	112	117	0	117
Net operating costs for the financial year		1,292,668	1,236,479	(4)	1,236,475

Otl. Comprehensive Net Expenditure

Net (gain) on revaluation of property, plant & equipment	0	(4,030)	0	(4,030)	
Net (gain) on revaluation of intangibles	0	0	0	0	
Net (gain) on revaluation of available for sale financial assets	0	0	0	0	
Receipt of donated or government granted assets	(29)	0	0	0	
(Gain)/loss on other reserves	0	0	0	0	
Impairments and reversals	0	5,824	0	5,824	
Transfers from donated and government grant reserves	60	60	0	60	
Adjustment for nominal cost of capital charge*	0	(1,480)	0	(1,480)	
Transfers (to)/from other bodies within the Resource Account Boundary	0	0	0	0	
Net actuarial (gain)/loss on pension **	0	-	-	-	
Total comprehensive net expenditure for the year		1,292,699	1,236,853	(4)	1,236,849

The notes on pages 7 to 47 form part of this account.

* Excluded in 2010-11 see accounting policies note 1.5

** Disclosed separately for the first time in 2010-11

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

	NOTE	31 March 2011 £000	Merged 2009-10 £000	Provider Adj 2009-10 £000	De-Merged 2009-10 £000
Non-current assets:					
Property, plant and equipment	12	106,435	105,432	0	105,432
Intangible assets	13	93	12	0	12
Other financial assets	30	0	0	0	0
Trade and other receivables	17.1	107	0	0	0
Total non-current assets		106,635	105,444	0	105,444
Current assets:					
Inventories	16	93	89	0	89
Trade and other receivables	17.1	20,334	26,824	(8,798)	18,026
Other financial assets	30	0	0	0	0
Other current assets	31	0	0	0	0
Cash and cash equivalents	32	228	856	(147)	709
		20,655	27,769	(8,945)	18,824
Non-current assets held for sale	15	0	884		884
Total current assets		20,655	28,653	(8,945)	19,708
Total assets		127,290	134,097	(8,945)	125,152
Current liabilities					
Trade and other payables	18	(90,936)	(85,355)	9,463	(75,892)
Other liabilities	20	0	0	0	0
Provisions	21	(2,387)	(933)	205	(728)
Borrowings	19	0	0	0	0
Other financial liabilities	24	0	0	0	0
Total current liabilities		(93,323)	(86,288)	9,668	(76,620)
Non-current assets plus/less net current assets/liabilities		33,967	47,809	723	48,532
Non-current liabilities					
Trade and other payables	18	0	0	0	0
Provisions	21	(4,462)	(4,760)	0	(4,760)
Borrowings	19	0	0	0	0
Other financial liabilities	24	0	0	0	0
Other liabilities	20	0	0	0	0
Total non-current liabilities		(4,462)	(4,760)	0	(4,760)
Total Assets Employed:		29,505	43,049	723	43,772
FINANCED BY:					
TAXPAYERS' EQUITY					
General fund		10,785	24,153	723	24,876
Revaluation reserve		17,363	17,508	0	17,508
Donated asset reserve		1,357	1,388	0	1,388
Government grant reserve		0	0	0	0
Other reserves		0	0	0	0
Total Taxpayers' Equity:		29,505	43,049	723	43,772

The notes on pages 7 to 47 form part of this account.

The financial statements on pages 2 to 6 were approved by the Board on 7 June 2011 and signed on its behalf by

Chief Executive:



Date:

7-6-11

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2010

	Merged General Fund	Provider Adj General Fund	De-Merged General Fund	Revaluation Reserve	Donated Asset Reserve	Govt. Grant Reserve	Other Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	24,895	728	25,623	18,913	1,837	0	0	46,373
Changes in taxpayers' equity for 2009-10								
Net operating cost for the year	(1,236,479)	(5)	(1,236,484)					(1,236,484)
Net gain on revaluation of property, plant, equipment	0	0	0	4,030	0	0	0	4,030
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0	0
Receipt of donated or government granted assets	0	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0	0
Impairments and reversals	0	0	0	(5,824)	0	0	0	(5,824)
Release of reserves to SoCNE	0	0	0	0	(60)	0	0	(60)
Non-cash charges – cost of capital	1,480	0	1,480	0	0	0	0	1,480
Transfers between reserves	0	0	0	389	(389)	0	0	0
Transfers to/(from) other bodies within the Resource Account boundary	0	0	0	0	0	0	0	0
Total recognised income and expense for 2009-10	(1,234,999)	(5)	(1,235,004)	(1,405)	(449)	0	0	(1,236,858)
Net Parliamentary funding	1,234,257	0	1,234,257	0	0	0	0	1,234,257
Balance at 31 March 2010	24,153	723	24,876	17,508	1,388	0	0	43,772

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2011

	General Fund	Revaluation Reserve	Donated Asset Reserve	Govt. Grant Reserve	Other Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2010-11						
Balance at 1 April 2010*	24,876	17,508	1,388	0	0	43,772
Net operating cost for the year	(1,292,668)	0	0	0	0	(1,292,668)
Net gain on revaluation of property, plant, equipment	0	0	0	0	0	0
Net gain on revaluation of intangible assets	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0
Receipt of donated or government granted assets	0	0	29	0	0	29
Movements in other reserves	0	0	0	0	0	0
Impairments and reversals	0	0	0	0	0	0
Release of reserves to SoCNE	0	0	(60)	0	0	(60)
Non-cash charges – cost of capital	0	0	0	0	0	0
Transfers between reserves	145	(145)	0	0	0	0
Transfers to/(from) other bodies within the Resource Account Boundary	0	0	0	0	0	0
Net actuarial gain/(loss) on pension	0	0	0	0	0	0
Total recognised income and expense for 2010-11	(1,292,523)	(145)	(31)	0	0	(1,292,699)
Net Parliamentary funding	1,278,432					1,278,432
Balance at 31 March 2011	10,785	17,363	1,357	0	0	29,505

*The 2010/11 opening General Fund has been corrected for the balance held by the Provider now removed in line with merger accounting (£5k)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2011

	NOTE	2010-11 £000	Merged 2009-10 £000	Provider Adj 2009-10 £000	De-Merged 2009-10 £000
Cashflow from operating activities					
Net operating cost before interest		(1,292,751)	(1,236,496)	4	(1,236,492)
Other cash flow adjustments	39	6,403	13,778	(151)	13,627
Movements in Working Capital	38	13,381	(3,483)	0	(3,483)
Provisions utilised	21	(797)	(963)	0	(963)
Interest paid		(1)	0	0	0
Net cash outflow from operating activities		(1,273,765)	(1,227,164)	(147)	(1,227,311)
Cash flows from investing activities					
Payments to purchase property, plant and equipment		(8,352)	(7,728)	0	(7,728)
Payments to purchase intangible assets		(13)	(305)	0	(305)
Proceeds of disposal of assets held for sale		3,072	1,730	0	1,730
Purchase of financial investments (LIFT)		0	0	0	0
Sale of financial investments (LIFT)		0	0	0	0
Loans made in respect of LIFT		0	0	0	0
Loans repaid in respect of LIFT		0	0	0	0
Payments for other financial assets		0	0	0	0
Proceeds from disposal of other financial assets		0	0	0	0
Interest received		0	0	0	0
Revenue		0	0	0	0
Net cash inflow/(outflow) from investing activities		(5,293)	(6,303)	0	(6,303)
Net cash inflow/(outflow) before financing		(1,279,058)	(1,233,467)	(147)	(1,233,614)
Cash flows from financing activities					
Net Parliamentary Funding		1,278,432	1,234,257	0	1,234,257
Other capital receipts surrendered		0	0	0	0
Capital grants received		145	0	0	0
Capital element of payments in respect of finance leases, on-SoFP PFI and LIFT		0	0	0	0
Cash transfers (to)/from other NHS bodies		0	0	0	0
Net cash inflow/(outflow) from financing		1,278,577	1,234,257	0	1,234,257
Net increase/(decrease) in cash and cash equivalents		(481)	790	(147)	643
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		709	66	0	66
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0	0	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year		228	856	(147)	709

* Merger accounting adjustment to 2009-10 "Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year"
£(147)k

1. Accounting policies

The Secretary of State for Health has directed that the financial statements of PCTs shall meet the accounting requirements of the PCT Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010-11 PCTs Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) 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 PCT 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 PCT for the purpose of giving a true and fair view has been selected. The particular policies adopted by the PCT are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The PCT is within the Government Resource Accounting Boundary and therefore has only consolidated interests in other entities where the other entity is also within the resource accounting boundary and the PCT exercises in-year budgetary control over the other entity.

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

1.1 Accounting Conventions

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

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 NHS body to another.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the PCT'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. 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.

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 entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Application of merger accounting

The provider arm of the PCT formally separated from NHS West Sussex as the host organisation on 1st October 2010.

The Treasury FReM notes that IFRS 3 Business Combinations excludes from its scope business combinations where entities are under common control. NHS bodies are required to apply merger accounting where at transfer of functions between NHS bodies or between NHS bodies and other public sector entities takes place. The PCT has therefore accounted for provision of community healthcare services by re-stating brought forward balances, 2010-11 transactions and 2009-10 comparator balances as if the transfer of functions had always been the case. The PCT has therefore adjusted 1 April 2010 opening balances to reflect this requirement, and has excluded transactions for 2010-11 in its results as if it had not carried out those functions for the whole year.

ii) Indexation Policy

The policy is set out in detail in the policy document provided to the Audit and Assurance Committee: 'NHS West Sussex - Discussion document, Changes to the Indexation policy for Land and Buildings in 2010/11.

A review of relevant published indices does not provide the PCT with a level of confidence to use a positive or negative indices across any of its major asset classes. The national indices provide contra indicators of value changes with a range being marginally positive and a further range being marginally negative. None of the published indices show significant changes either up or down and therefore to hold values at the same level as 2009/10 accounts appears both prudent and unlikely to generate any material errors in values held.

1. Accounting policies (continued)

iii) Hosted Acute Commissioning

The Sussex Area Contracting Service (SACS), is a body hosted by the PCT. At year end no accruals were made in SACS books for services delivered but not yet invoiced or paid for. Instead accruals were entered in the books of the PCT commissioner and NHS Trust provider only and year end agreement of balances were made between individual PCT commissioners and providers. This is a change from 2009/10 where SACS accounted for expenditure on a full accruals basis. With effect from 1st Nov 2010 SACS was integrated into the Sussex wide Commissioning Support Unit (SCSU).

Key sources of estimation uncertainty

The following are the key areas where estimation uncertainty may be present within the Statement of Financial Position and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Redundancy provision - figures based on analysis of best estimate of costings for staff confirmed at risk.
- Partial Spells accruals - analysis based on estimation of activity in line with previous years.

1.2 Revenue 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 revenue is income which relates directly to the operating activities of the Primary Care Trust. 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.

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.

Where revenue has been received for a specific activity to be delivered in the following financial year, that income will be deferred.

1.3 Pooled budgets

The PCT has entered into a pooled budget with West Sussex County Council. Under the arrangement funds are pooled under S75 of the Health Act 1999 for Mental Health Commissioning, Learning Difficulties Services and Telecare activities and a memorandum note to the accounts provides details of the joint income and expenditure.

The Mental Health pool is hosted by West Sussex Primary Care Trust.

The Learning Difficulties and Telecare pools are hosted by West Sussex County Council.

As a commissioner of healthcare services, the PCT makes contributions to the pool, which are then used to purchase healthcare services. The PCT accounts for its share of the assets, liabilities, income and expenditure of the pool as determined by the pooled budget agreement.

The Community Equipment store Pooled budget that was hosted by West Sussex PCT in 2009/10 has transferred to Sussex Community NHS Trust in 2010/11

1.4 Taxation

The PCT is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.5 Capital Charges

A capital charge of 3.5% of the net average assets less liabilities (excluding donated assets and cash balances with the Government Banking Services) was charged by the Department of Health in 2009-10. The Department no longer applies this charge and so this item of expenditure does not appear in the 2010-11 expenditure analysis. The Department reduced the PCT's resource limit by £1,203k, equal to the reduction in the charge to expenditure of the cost of capital.

I. Accounting policies (continued)

1.6 Property, Plant & 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 PCT;
- 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 PCT'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

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, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that PCT's must apply these new valuation requirements by 1 April 2010 at the latest. These valuations have been received for all relevant land and buildings and were provided as at 1st April 2009.

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 net expenditure in the Statement of Comprehensive Net Expenditure

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. Accounting policies (continued)

1.7 Intangible Assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the PCT'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 PCT; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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 amortized historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.8 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 PCT expects to obtain economic benefits or service potential from the asset. This is specific to the PCT and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

At each reporting period end, the PCT 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.

I. Accounting policies (continued)

1.9 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.

1.10 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 Net Expenditure. 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 the General Fund.

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.

1.11 Inventories

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

1.12 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 PCT's cash management.

1.13 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 PCT's not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.14 Clinical Negligence Costs

From 1 April 2000, the NHS Litigation Authority (NHSLA) took over the full financial responsibility for all Existing Liabilities Scheme (ELS) cases unsettled at that date and from 1 April 2002 all Clinical Negligence Scheme for Trusts (CNST) cases. Provisions for these are included in the accounts of the NHSLA. Although the NHSLA is administratively responsible for all cases from 1 April 2000, the legal liability remains with the PCT's.

The NHSLA operates a risk pooling scheme under which the PCT pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure in the year that it is due.

1. Accounting policies (continued)

1.15 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

1.16 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.

1.17 Grant making

Under section 256 of the National Health Service Act 2006, the PCT has the power to make grants to local authorities, voluntary bodies and registered social landlords to finance capital or revenue schemes. A liability in respect of these grants is recognised when the PCT has a present legal or constructive obligation which occurs when all of the conditions attached to the payment have been met.

1.18 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 PCT, 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.

I. Accounting policies (continued)

1.19 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 PCT 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 PCT's net operating cost.

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

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

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

The PCT as lessor

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

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

1.20 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure.

1.21 Provisions

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

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the PCT 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 PCT has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1. Accounting policies (continued)

1.22 Financial Instruments

Financial assets

Financial assets are recognised when the PCT 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 de-recognised 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.

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.

At each Statement of Financial Position 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.

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 the Statement of Comprehensive Net Expenditure and the carrying amount of the asset is reduced directly, or through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net 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. Accounting policies (continued)

Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the PCT 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.

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 Statement of Comprehensive Net Expenditure. The net gain or loss incorporates any interest earned on the financial asset.

1.23 Private Finance Initiative (PFI) and NHS LIFT transactions

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

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

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

a) Services received

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

b) PFI and LIFT assets, liabilities, and finance costs

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

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

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

A LIFT liability is recognised at the same time as the LIFT assets are recognised. It is measured initially at the present value of the minimum lease payments and is subsequently measured as a finance lease liability in accordance with IAS 17.

1. Accounting policies (continued)

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

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

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

c) Lifecycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the PCT's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

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

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

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

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the PCT's Statement of Comprehensive Net Expenditure.

Other assets contributed by the PCT to the operator

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

1.24 Accounting Standards issued but not yet adopted.

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

2. Operating segments

There are two significant segments identified for West Sussex PCT.

These are:

Sussex Acute Commissioning Service

NHS West Sussex and Sussex Health Informatics Service

The Sussex Acute Commissioning Service has a requirement to breakeven in every year. It achieved breakeven prior to consolidation on operating costs of £571,624k.

	Sussex Acute Commissioning Service		West Sussex PCT & Sussex HIS	
	2010-11	2009-10	2010-11	2009-10
	£000	£000	£000	£000
Expenditure	571,624	510,654	1,460,221	1,187,009
Income	(571,624)	(510,650)	(167,470)	(48,048)
Net Operating Costs	<u>0</u>	<u>4</u>	<u>1,292,751</u>	<u>1,138,961</u>
PCT revenue & Non Discretionary resource limit	<u>0</u>	<u>0</u>	<u>1,293,401</u>	<u>1,139,685</u>
Surplus/(Deficit)				
Segment surplus/(deficit)	0	(4)	650	724
Common costs	<u>0</u>	<u>(4)</u>	<u>650</u>	<u>724</u>
Surplus/(deficit) before interest				
Interest and Other charges	0	0	83	0
Net Operating Costs For The Financial Year	<u>0</u>	<u>(4)</u>	<u>733</u>	<u>724</u>
Net Assets:				
Segment net assets	<u>3</u>	<u>3</u>	<u>29,502</u>	<u>52,988</u>

- Transactions relating to purchase of healthcare are treated on a gross accounting basis between SACS and its funding PCT's
- Transactions relating to the recharge of administrative costs of SACS provided by NHS West Sussex are treated net.
- The surplus reported in the statement of comprehensive income is the combined value of the segmental surplus/deficit positions including NHS West Sussex
- In 2009/10 West Sussex Health was reported as a separate operating segment. Following the transfer of these services to Sussex Community Trust in Oct 2010 and application of merger accounting principles (see note 1.1), this segment has been removed entirely in 2010-11.

