

FOREWORD TO THE ACCOUNTS

NHS GLOUCESTERSHIRE (GLOUCESTERSHIRE PRIMARY CARE TRUST)

These accounts for the period ended 31 March 2010 have been prepared by NHS Gloucestershire under section 98(2) of the National Health Service Act 1977 in the form which the Secretary of State has, with the approval of the Treasury, directed

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:

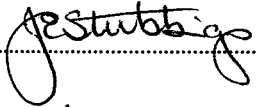
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

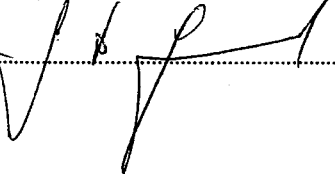
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the primary care trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of 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 ink except black

9/6/10 Date  Chief Executive

9/6/10 Date  Finance Director

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:

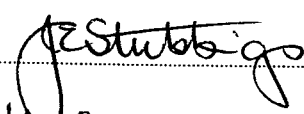
- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the primary care trust;
- the expenditure and income of the primary care trust has been applied 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.

Note – If the regularity opinion has been qualified because of a breach of a resource limit, insert at this point.

* except for capital/revenue expenditure in excess of resource limits which was not intended by Parliament and did not conform to the authorities which govern them.

nb: sign and date in any colour ink except black

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

Date..... 9/10/2010

STATEMENT ON INTERNAL CONTROL 2009/10

GLOUCESTERSHIRE PRIMARY CARE TRUST

1. Scope of responsibility

- 1.1 The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.
- 1.2 As Accountable Officer and Chief Executive, I am accountable through the Strategic Health Authority to the Accounting Officer of the Department of Health for the funds entrusted to the Gloucestershire Primary Care Trust (the PCT).
- 1.3 The proper fulfilment of the functions for which the Board and I are responsible involves a network of key stakeholders, including patients and the public, elected representatives such as MPs, local authorities, other NHS Trusts, the Strategic Health Authority, local independent contractors and the voluntary sector.

2. The purpose of the system of internal control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
 - identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
 - evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
 - 2.2 The system of internal control has been in place in Gloucestershire Primary Care Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.
- #### 3. Capacity to handle risk
- 3.1 The authority and responsibility for the establishment, maintenance, support and evaluation of the PCT's Risk Management Strategy is vested in and endorsed by the PCT Board. The Board is responsible for reviewing the effectiveness of internal controls. The Board is required to produce statements of assurance that it is doing its "reasonable best" to manage the PCT's affairs efficiently and effectively through the implementation of internal controls to manage risk.
 - 3.2 As Accountable Officer, I have overall responsibility for governance and risk management within the PCT and I am responsible for ensuring that the

established risk management system is operating satisfactorily. The Executive Director with responsibility to the Board for the direct management of the governance and risk management functions and processes is the Director of Human Resources and Corporate Services.

- 3.3 The Integrated Governance Committee was established by the Board to ensure, on behalf of the Board, that appropriate risk management systems are in place and that all relevant policies and procedures that give effect to this are approved, implemented and reviewed.
- 3.4 The PCT's Risk Management Strategy is reviewed annually and is available to all staff through the PCT's intranet. The Risk Management Strategy is supplemented by a detailed Risk Management Procedure, also available on the PCT intranet, which provides detailed guidance to all managers and staff regarding the risk management system.
- 3.5 The PCT is committed to ensuring that all staff are familiar with the overall aims and objectives of the PCT Risk Management Strategy. Training is an essential component of this to ensure that staff have an understanding of what risk management is and how the PCT aims to manage risk effectively. Training on risk management has been provided to non-executive directors in order that they fully understand the PCT risk strategy. All staff receive initial induction training which includes reference to the risk management processes. The annual mandatory training programme also includes a session that covers risk management. Additional risk management training is provided as required on a departmental/service basis.

NHS Gloucestershire – commissioner function

- 3.6 The Risk Registers within NHS Gloucestershire (the commissioning arm of the PCT) contain details of all risks identified within each directorate and are regularly updated and reviewed to ensure that action plans are progressing satisfactorily and that good practices are shared.
- 3.7 All identified risks are recorded on an appropriate Risk Register. Risk Registers are 'live' documents and outline the risk profile for the organisation at any given time. They are the means by which the organisation can demonstrate that action has been taken in relation to risks and appropriate lessons learnt.
- 3.8 . Within NHS Gloucestershire, there are two principal means of recording and reporting risks, depending on the risk type:
 - (a) Performance risks - those risks that could directly affect the achievement of the Strategic Priorities contained within the Operating Plan. These risks are recorded onto the Performance Accelerator database and are included in the performance reports presented to the Board.
 - (b) Risks not directly related to the Operating Plan. These risks are recorded on the relevant Directorate Risk Register which is used to produce the Corporate Risk Register that is submitted to each meeting of the Integrated Governance Committee.

Gloucestershire Care Services – provider function

- 3.9 All identified risks within the PCT's provider arm are reported on the appropriate locality risk register. For those risks rated as either significant or high, these are transferred onto the Care Services overarching risks register which is regularly presented to both the Care Services Board and the Integrated Governance Committee.
4. **The risk and control framework**
- 4.1 The Risk Management Strategy indicates that the PCT is committed to the development of a holistic approach to risk management encompassing all areas of risk, including organisational, financial and clinical risk. This approach supports a system of risk management that is fully representative of all areas of the PCT's activities. The stated aims of the Strategy are to:
- Enhance the quality of patient care;
 - Protect patients, staff, visitors and other stakeholders against risks of all kinds; and
 - Minimise the PCT's financial liabilities.
- 4.2 The Risk Management Strategy, supplemented by the Risk Management Procedure clearly outlines the responsibilities of individuals, managers, directors, groups, committees and the Board in relation to the following identified elements of the risk management process:
- Risk identification;
 - Risk analysis and assessment;
 - Risk treatment and control;
 - Risk reporting and the Risk Register;
 - Communication and training; and
 - Monitoring and review.
- 4.3 Risks, including those related to data security, may be identified via a number of routes including deficiencies identified as a result of risk assessments, underlying root causes of incidents, complaints and claims or any other source of information that may be identify a threat to patients, staff, visitors, the environment or the PCT's wellbeing. All risks are evaluated and classified and the Board is subsequently advised of all significant risks that face the organisation.
- 4.4 Risk management plays an integral part in the sound governance of the PCT at both strategic and operational levels. The PCT has an embedded culture where awareness and responsibility for the management of risk at all levels in the organisation is the norm. The Risk Management Strategy provides a framework to support associated policies and procedures that deal with the management and identification of risk, for example Health and Safety and the Incident Reporting Policies and procedures. These policies and procedures are communicated across the PCT at both a strategic and operational level.
- 4.5 The principal risks identified by the commissioning arm of the organisation during 2009/10 related to the achievement of some local and national targets outlined in the Operating Plan. Potential risks relating to financial performance were also identified. Action plans to address all risks were formulated and details of the risks, along with the progress of the actions plans, has been reported to the PCT Board and Integrated Governance Committee, as appropriate.

- 4.6 The principal risks identified within the provider arm of the PCT during 2009/10 related to clinical delivery issues and achievements against local targets as outlined in the contract. For all identified risks, detailed actions plans were devised and monitored within the locality with progress reports presented to the Care Services Board and the Integrated Governance Committee.
- 4.7 The Assurance Framework provides the PCT with a comprehensive method for the effective and focused management of the gaps in controls and assurances relating to the business objectives. It also provides the structure for the evidence to support the annual Statement on Internal Control. Each risk identified with either a gap in control or assurance, has been assigned to a lead director to ensure that an appropriate action plan exists and that the Assurance Framework is effectively embedded, reviewed and updated. A number of gaps in assurances were identified and addressed during the year. A relatively small number of gaps in control were identified, many of which related to insufficient levels of monitoring information being received from provider organisations. Action plans to address these gaps were formulated during the year and the progress of these has been monitored by the Integrated Governance Committee.
- 4.8 The Integrated Governance Committee is responsible for ensuring that key stakeholders, including patients, partner organisations, independent contractors and the wider health and social care community are considered as part of the organisation's approach to managing risks. The PCT's approach to concerns, comments, complaints and suggestions by patients and the public ensures that key issues and associated risks are integrated into the risk management process. Patient Experience Reports are regularly submitted to the Commissioning for Quality Group, Integrated Governance Committee and Board.
- 4.9 As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- 4.10 The provider arm of the PCT is fully compliant with all except one of the Core Standards for Better Health. Details of the Standard for which the PCT has concluded that it cannot demonstrate full compliance for the whole of 2009/10 are included in Section 5 below.
- 4.11 The Information Governance Toolkit assessment for 2009/10 was completed which included standards on information security.
- 4.12 Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.
- 4.13 The PCT requires managers to build equality impact assessment into existing business planning cycles, processes and service reviews. Examples include: joint commissioning intentions, practice based commissioning, project management plans; health needs assessment, clinical governance action

plans and Overview and Scrutiny impact assessments on service developments.

- 4.14 Our Equality Impact Assessment Toolkit actively supports staff in informing the practical delivery of policies and strategies. Our impact assessment process is geared toward enabling us to:
- reach our vision of achieving excellence in healthcare for the people of Gloucestershire;
 - be a World Class Commissioner and deliver better health and well-being for all our communities;
 - meet the Care Quality Commission's inspection regimes and partnership arrangements; and
 - ensure we offer fair and supportive working environments for our staff.
- 4.15 Staff, of all grades, are required to complete an equality impact assessment when developing or reviewing policies, strategies, services or functions.
- 4.16 Managers/directors responsible for a policy or service under consideration are responsible for ensuring that an equality impact assessment is carried out. However, all employees and health professionals, including independent contractors (such as GPs and dentists), directors and Board members, have some degree of responsibility for ensuring that these assessments are conducted.
- 4.17 The PCT Board is ultimately accountable for ensuring that equality impact assessments are completed and published.
- 4.18 As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- 4.19 The PCT has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.
- 4.20 The PCT is not fully compliant with the Core Standards for Better Health, as described in paragraphs 5.5 and 5.6 below.
- 4.21 Some changes to selected World Class Commissioning outcomes were made as a result of 2008 Panel feedback. Areas of concern following publication of the 2010 Data Packs include failure to achieve the 4 hour A+E waiting time target and the rationale behind selection of under 18 conception rate since we are nationally in the top quartile for this measure. The PCT has maintained that under 18 conception remains a key outcome due to the impact that these mothers and babies tend to have on associated services. A robust action plan and performance management strategies are in place to ensure attainment and maintenance of the 4 hour A+E target.

4.22 The PCT has shown improvement across most of the WCC competencies, especially for competencies 1,2,3,5 and 10. Only competency 4 remains at the same level as the 2008 panel assessment, although there has been improvement within the sub-competencies.

Grey shading indicates assessed score for 2008-9, tick is self-assessed score for 2010.

	Competency	Measure	Level 1	Level 2	Level 3	Level 4
1	Locally lead the NHS	Reputation as the local leader of the NHS			√	
		Reputation as change leader for local organisations			√	
		Position as an employer of choice			√	
2	Work with community partners	Creation of local area agreement based on joint needs			√	
		Ability to conduct constructive partnerships			√	
		Reputation as an active and effective partner			√	
3	Engage with public and patients	Influence on local health opinions and aspirations			√	
		Public and patient engagement			√	
		Improvement of patient experience			√	
4	Collaborate with Clinicians	Clinical engagement			√	
		Dissemination of information to support clinical decision making		√		
		Reputation as leader of clinical engagement				
5	Manage knowledge and assess needs	Analytical skills and insights			√	
		Understanding of health needs trends		√		
		Use of health needs benchmarks			√	
6	Prioritise investment of all spend	Predictive modelling skills and insights to understand impact of changing needs on demand		√		
		Prioritisation of investment and disinvestment to improve population's health		√		
		Incorporation of priorities into strategic investment plan to reflect different financial scenarios				
7	Stimulate the market	Knowledge of current and future provider capacity and capability		√		
		Alignment of provider capacity with health needs projections				
		Creation of effective choices for patients		√		

Competency	Measure	Level 1	Level 2	Level 3	Level 4	
8	Promote improvement and innovation	Identification of improvement opportunities		√		
		Implementation of improvement initiatives		√		
		Collection of quality and outcome information				
9	Secure procurement skills	Understanding of providers economics		√		
		Negotiation of contracts around defined variables				
		Creation of robust contracts based on outcomes		√		
10	Manage the local health system	Use of performance information			√	
		Implementation of regular provider performance discussions			√	
		Resolution of ongoing contractual issues			√	
11	Efficiency and effectiveness of spend	Measuring and understanding efficiency and effectiveness of spend		√		
		Identifying opportunities to maximise efficiency and effectiveness of spend		√		
		Delivering sustainable efficiency and effectiveness of spend			√	

4.23 The 2008 panel assessment awarded an overall rating of Amber for Strategy and Finance and Green for Board. The greatest improvement in this year's self-assessment is in the Strategy section and a green rating across all three criteria is anticipated for 2010.

5. Review of effectiveness

5.1 As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by the comments and feedback received from other review bodies (including the Primary Care Clinical Audit Group and the PCT's external auditors) and our self assessment on the degree of compliance with the Department of Health's Core Standards for Better Health.

5.2 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the relevant internal mechanisms including the Board, Audit Committee, Integrated Governance Committee, the Commissioning for Quality Group and the Care Services Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

- 5.3 The Audit Committee and the Integrated Governance Committee are both sub-committees of the Board. The Commissioning for Quality Group is a sub-group of the Integrated Governance Committee. There is an overlap of membership of the Audit Committee, Integrated Governance Committee and the Commissioning for Quality Group which allows issues to be addressed by the appropriate group and escalated accordingly.
- 5.4 Internal Audit is involved with the work of the Audit Committee and works alongside the PCT in the development of risk management processes and arrangements for mitigating risk. During 2009/10 the internal auditors reviewed a number of high level governance areas including the Governance arrangements. The Head of Internal Audit's overall opinion is that significant assurance can be given that there is a generally sound system of control, designed to meet the organisation's objectives and that controls are generally being applied consistently. The work programme carried out by Internal Audit covered 16 programmes of work, of these 16 areas 3 received limited and assurance and 1 no assurance was given.
- 5.5 The 2009/10 mid-year self-assessment process regarding the Core Standards for Better Health has indicated that the Board has received reasonable assurance that the PCT is compliant with all Core Standards with the exception of Standard 4b – Medical Devices Management.
- 5.6 An action plan was devised to address this area of non-compliance and as a result the PCT has implemented a revised Medical Devices Policy and a Medical Devices Forum. The PCT has also developed a risk based training register of all equipment held within Gloucestershire Care Services. This register will determine the level of training required for each piece of equipment. From this, all ward/department/service areas have developed their own registers of equipment and are in the process of ensuring each staff member is able to demonstrate the level of training received for all pieces of equipment they use.
- 5.7 The provisional scores obtained from the 2009/10 Use of Resources assessment have demonstrated an improvement in performance in key areas as well as maintaining a high standard of delivery for those systems that were assessed at a level 3 in 2008/09. It is acknowledged there are still areas where improvement can be made and these will be addressed in the coming year. The PCT expects the overall Use of Resources assessment to be at Level 3, which is defined as 'Exceeds minimum requirement – performs well'.
- 5.8 During the year the PCT had one Serious Untoward Incidents relating to data security. This occurred in March 2010 and is still under investigation. It related to a breach in data confidentiality in respect of a child's name change. As with all Serious Untoward Incidents, the Integrated Governance Committee has been advised of this occurrence and will be responsible for monitoring the implementation any remedial actions that may be recommended in the investigation report.
- 5.9 With the exception of the internal control issues that I have outlined in this statement, my review confirms that Gloucestershire Primary Care Trust has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

J Stubbs 9/6/10

**OPERATING COST STATEMENT FOR THE PERIOD ENDED
31 March 2010**

	NOTE	2009/10 £000	2008/09 £000
Commissioning			
Employee benefits	7.1	16,088	12,658
Other costs	5.1	774,033	714,460
Income	4	(10,722)	(11,724)
Provider			
Employee benefits	7.1	72,148	68,015
Other costs	3.3	41,639	38,798
Income	3.3	(25,118)	(29,044)
PCT net operating costs before interest		868,068	793,163
Investment income	9	0	0
Other (Gains)/Losses	10	0	(2)
Finance costs	11	44	55
Net operating costs for the financial year		868,112	793,216

The notes on pages 6 to 43 form part of this account.

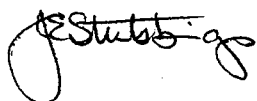
**STATEMENT OF FINANCIAL POSITION AS AT
31 March 2010**

	NOTE	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Non-current assets:				
Property, plant and equipment	12			
Intangible assets	13			
Other financial assets	26			
Trade and other receivables	17.1			
Total non-current assets		82,850	77,517	74,015
Current assets:				
Inventories	16.1			
Trade and other receivables	17.1			
Other financial assets	26			
Other current assets	27			
Cash and cash equivalents	28			
		10,408	9,777	15,823
Non-current assets classified "Held for Sale"	15			
Total current assets		13,808	13,177	15,823
Total assets		96,658	90,694	89,838
Current liabilities				
Trade and other payables	18			
Other liabilities	20			
Provisions	21			
Borrowings	19			
Other financial liabilities	24			
Total current liabilities		(61,910)	(56,707)	(53,075)
Non-current assets plus/less net current assets/liabilities		34,748	33,987	36,763
Non-current liabilities				
Trade and other payables	18			
Provisions	21			
Borrowings	19			
Other financial liabilities	24			
Other liabilities	20			
Total non-current liabilities		(3,430)	(2,229)	(2,272)
Total Assets Employed:		31,318	31,758	34,491
FINANCED BY:				
TAXPAYERS' EQUITY				
General fund				
Revaluation reserve				
Donated asset reserve				
Government grant reserve				
Other reserves				
Total Taxpayers' Equity:		31,318	31,758	34,491

The notes on pages 6 to 43 form part of this account.

The financial statements on pages 1 to 5 were approved by the Board on 9th June 2010 and signed on its behalf by

Chief Executive:



Date:

9/6/10

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
For the year ended 31 March 2009

	General fund	Revaluation reserve	Donated asset reserve	Govt. grant reserve	Other reserves	Total reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2008	1,744	28,894	3,574	0	279	34,491
Changes in accounting policy	0	0	0	0	0	0
Restated balance at 1 April 2008	1,744	28,894	3,574	0	279	34,491
Changes in taxpayers' equity for 2008/09						
Net operating cost for the year	(793,216)	51	0	0	0	(793,216)
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
Net gain on revaluation of assets held for sale	0	0	0	0	0	0
Receipt of donated or government granted assets	0	0	438	0	0	438
Movements in other reserves	0	0	0	0	(624)	(624)
Impairments and reversals	0	(5,126)	(168)	0	0	(5,294)
Release of reserves to OCS	0	0	(406)	0	0	(406)
Non-cash charges – cost of capital	1,024	0	0	0	0	1,024
Transfers between reserves	2,842	(2,842)	0	0	0	0
Transfers to/(from) other bodies within the Resource Account boundary	4,704	0	0	0	0	4,704
Total recognised income and expense for 2008/09	(784,646)	(7,917)	(136)	0	(624)	(793,323)
Net Parliamentary funding	790,590	0	0	0	0	790,590
Balance at 31 March 2009	7,688	20,977	3,438	0	(345)	31,758

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
For the year ended 31 March 2010

	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 2009/10						
Balance at 1 April 2009	7,688	20,977	3,438	0	(345)	31,758
Net operating cost for the year	(868,112)					(868,112)
Net gain on revaluation of property, plant, equipment		640	266	0	0	906
Net gain on revaluation of intangible assets		0	0	0	0	0
Net gain on revaluation of financial assets		0	0	0	0	0
Net gain on revaluation of assets held for sale		0	0	0	0	0
Receipt of donated or government granted assets			150	0		150
Movements in other reserves					(1,197)	(1,197)
Impairments and reversals		(9,266)	(647)	0		(9,913)
Release of reserves to OCS		0	(221)	0		(221)
Non-cash charges – cost of capital	989					989
Transfers between reserves	680	(603)	(77)	0	0	0
Transfers to/(from) other bodies within the Resource Account Boundary	0	0	0	0	0	0
Total recognised income and expense for 2009/10	(866,443)	(9,229)	(529)	0	(1,197)	(877,398)
Net Parliamentary funding	876,958					876,958
Balance at 31 March 2010	18,203	11,748	2,909	0	(1,542)	31,318

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2010**

	NOTE	2009/10 £000	2008/09 £000
Cashflow from operating activities			
Net operating cost before interest		(868,068)	(793,163)
Other cash flow adjustments	35	7,795	1,000
Movements in Working Capital	34	2,445	14,149
Provisions utilised	21	(1,545)	(1,462)
Interest paid		0	0
Net cash outflow from operating activities		(859,373)	(779,476)
Cash flows from investing activities			
Payments to purchase property, plant and equipment		(18,029)	(11,204)
Payments to purchase intangible assets		0	(24)
Proceeds of disposal PPE & intangible assets		0	2
Purchase of financial investments (LIFT)		0	0
Sale of financial investments (LIFT)		0	0
Loans made in respect of LIFT		0	0
Loans repaid in respect of LIFT		0	0
Payments for other financial assets		0	0
Proceeds from disposal of other financial assets		0	0
Interest received		0	0
Rental Income		0	0
Net cash inflow/(outflow) from investing activities		(18,029)	(11,226)
Net cash inflow/(outflow) before financing		(877,402)	(790,702)
Cash flows from financing activities			
Net Parliamentary Funding		876,958	790,590
Other capital receipts surrendered		0	0
Capital grants received		0	0
Capital element of payments in respect of finance leases, on-SoFP PFI and LIFT		0	0
Cash transfers (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		876,958	790,590
Net increase/(decrease) in cash and cash equivalents		(444)	(112)
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		320	432
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year		(124)	320

Analysis of Cash at Year End 31st March 2010	£000
Bank Balance at OPG/GBS	83
Less:	
Unpresented Items	(74)
Patients Monies excluded	(1)
Cash Book Balance At OPG/GBS	8
Cash in Hand	5
Less Community Equipment pooled budget imputed cash adjustment	(137)
Cash and Cash Equivalents at the end of the year	(124)

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 2009/10 PCTs Manual for Accounts issued by the Department of Health. From the current year, 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 exercise in-year budgetary control over the other entity.

For 2009/10, 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 PCT has made an assessment of financial arrangements with third parties for the purposes of establishing whether a service concession or finance lease exists under IFRIC 12, IFRIC 4 and IAS17 in relation to Independent Sector Treatment Centres and GMS/PMS contracts .

Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

1. Accounting policies (continued)

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

1.3 Pooled budgets

NHS Gloucestershire has entered into a pooled budget with Gloucestershire County Council. Under the arrangement funds are pooled under S75 of the Health Act 2006 for community equipment activities and a memorandum note to the accounts provides details of the joint income and expenditure.

The pool is hosted by NHS Gloucestershire in conjunction with the Local Authority and Gloucestershire Hospitals NHS Foundation Trust. As a commissioner of healthcare services, NHS Gloucestershire makes contributions to the pool, which are then used to purchase healthcare services. The Primary Care Trust accounts for its share of the assets, liabilities, income and expenditure of the pool as determined by the pooled budget agreement.

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 charge, reflecting the cost of capital utilised by the PCT is included in operating costs. The capital charge is 3.5% (2008-09 3.5%) of the net average assets less liabilities except for donated assets and cash balances with the Office of the Paymaster General (OPG) or Government Banking Services (GBS) which are excluded from the calculation

1. Accounting policies (continued)

1.6 Property, Plant & Equipment

1.6.1 Recognition

Property, Plant & Equipment which is capable of being used for more than one year and they:

- individually have a cost equal to or greater than £5,000; or
- form part of the initial setting-up cost of a new building, 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.

1.6.2 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

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 PCTs must apply these new valuation requirements by 1 April 2010 at the latest. The PCT applied a Modern Equivalent Valuation on the 1st April 2009. This resulted in a reduction in the value of property of £7.86 Million.

Land and buildings are restated at current cost using professional valuations at five-yearly intervals. 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) which the PCT believes best reflects the value of assets under current market conditions. A fall of 10.6% for this financial year which has resulted in a further reduction of £4.47 Million in Buildings

The PCT has had a professional evaluation by the District Valuers of the Inland Revenue Government Department. The result of this is that the Valuation of Land at the 31st March 2010 has not moved from the MEAV Valuation at 1st April 2009 and as a result no indexation has been applied.

The valuations were carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury

In 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.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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 £5000.

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

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential

- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

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

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at 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.

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

1. Accounting policies (continued)

1.09 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 Operating Cost Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

1.11 Inventories

NHS Gloucestershire holds a minimal value of raw materials and consumables and therefore does not report a value for stock.

Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress. Expenditure is accrued however in respect of part-completed treatment episodes at the balance sheet date.

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 PCTs 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 PCTs.

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. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the PCT. The total value of clinical negligence provisions carried by the NHSLA on behalf of the PCT is disclosed at Note 21.

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. In previous years the cost of leave earned but not taken by the end of the period is recognised in the financial statements. In 2009/10 the PCT has made the decision not to permit employees to carry forward leave into the following period. This has led to the removal of £230k accrued in 2008/09 accounts

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.

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

1.16 Research and Development

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

1.17 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.

1.18 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. Accounting policies (continued)

1.19 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.

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

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.

1.21 Foreign exchange

There are no foreign exchange transactions to disclose

1.22 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)

1.23 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 derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques

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

At the 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 Operating Cost Statement 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 Operating Cost Statement 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.

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 derecognised 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 Operating Cost 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.

1. Accounting policies (continued)

1.24 Accounting standards that have been issued but have not yet been adopted

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

IAS 27 (Revised) Consolidated and separate financial statements

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

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

1.25 Accounting standards issued that have been adopted early

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

2. Operating segments

NHS Gloucestershire recognises two main operating segments, Commissioning and Care Services. All financial reporting to the Board as the chief operating decision maker and Finance & Performance Committee reflects these segments. Work is currently underway to ensure the infrastructure of the organisation including the financial ledgers recognises the separation of provider services from PCT commissioning.

The Commissioning arm of NHS Gloucestershire receives most of its revenue as allocations from the Department of Health, whilst the Provider arm receives the majority of its revenue (79%) as internal income from the Commissioning arm of NHS Gloucestershire.

	Commissioning		Care Services		Total	
	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000
Income - Of Which	(790,758)	(728,972)	(114,835)	(106,813)	(905,593)	(835,785)
Resource Limit for NHS Gloucestershire Gloucestershire Hospitals NHS FT	(780,036)	(717,248) (14,939)	(89,717)	(20,852)	(869,753) 0	(717,248) (35,791)
Common Costs	785,590	722,922	113,787	106,813	899,377	829,735
(Surplus)/Deficit	<u>(5,168)</u>	<u>(6,050)</u>	<u>(1,048)</u>	<u>0</u>	<u>(6,216)</u>	<u>(6,050)</u>
Net Assets:						
Segment net assets	<u>26,849</u>	<u>28,548</u>	<u>4,814</u>	<u>3,211</u>	<u>31,663</u>	<u>31,759</u>

