

FINANCIAL STATEMENTS

Second Draft 27 June 2006

2005-06

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Board of Directors

Chairman

Jean Gaffin

Non-executive Directors

Charles Boucher

Jacqueline Carr

George Crane

Steve Maingot

Rev Cornelius Mereweather-Thompson

Executive Board Directors

Lise Llewellyn (Chief Executive Officer upto Dec 2006)

Andrew Parker (Acting Chief Executive Officer from Jan 2006)

Mahendra Patel (Director of Finance)

Judith Stanton (Director of Public Health)

PEC Representatives on the Board

Dr Ethie Kong (Chair upto Feb 2006)

Farhat Hamid (Acting Chair from March 2006)

Patricia Atkinson (Director of Nursing)

Directors

Bashir Arif (Director of Integrated Services)

Paul Beal (Human Resources Left May 2006)

Stephen Jones (left May 2005)

Samih Kalakeche (Acting Director of Commissioning & Partnership)

Jill Shattock (Acting Director of Commissioning & Modernisation)

Dr Madhukar Patel (Medical Director)

ADVISORS

Auditors

PricewaterhouseCoopers LLP (External)

Parkhill Audit Agency (Internal)

Solicitors

Beachcroft Wansbroughs

DIRECTORS' STATEMENTS

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

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the 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:

- these 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 authority;
- the expenditure and income of the authority 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.

Chief Executive

Date

Statement of directors' responsibilities in respect of the accounts.

The directors are required under the National Health Services Act 1977 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and the net operating cost recognised gains and losses and cash flows of the year. In preparing these accounts, the Directors are required to:

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

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

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

Signed by order of the Board on Date

Chief Executive

Finance Director

Date

Date

STATEMENT OF INTERNAL CONTROL

1. Scope of responsibility

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

I have dual accountability both to the Trust Board and, as Accountable Officer, via the Accounting Officer for the NHS in England, to Parliament for stewardship of resources within Brent tPCT.

The Strategic Health Authority is responsible for performance management of Primary Care Trusts and this is discharged via regular meetings, data submission and feed back. The process for working with partner organisations is varied and includes participation of the organisations on joint steering groups and committees, pooled budgets and formal consultation.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in *Brent Teaching Primary Care Trust (BtPCT)* for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust Board has delegated its risk management activities to the Clinical and Corporate Governance Committee. The Committee has overall responsibility for Risk Management, Corporate Governance and Clinical Governance. Its membership includes both Executive and non-executive Directors. It aims to foster a risk aware culture throughout the Trust covering all activities, both clinical and non-clinical.

Staff are equipped to manage risk in a way appropriate to their duties through mandatory training such as Health & Safety and Moving & Handling. Where required, specialist training such as infection control is provided. Mandatory risk and incident management training is provided through induction and refresher training for new and existing staff.

Lessons learnt are disseminated in a number of ways including through "Risky Business", the Risk Management bulletin. The organisation seeks to learn from good practice through

benchmarking and meeting risk management standards such as that of the NHS Litigation Authority.

4. The risk and control framework

The risk management strategy sets out the responsibilities of all levels of management from Board through to individual employee. The strategy includes a risk assessment tool based on best practice from the Australian/New Zealand Standard (AS/NZS 4360:1999) and National Patient Safety Agency, and gives instruction on how activities are to be incorporated into the risk register and action plans. The strategy defines the structures for gaining assurance about the management of risk.

Risk management is embedded in the activity of the organisation through risk assessment in different contexts including operations and projects which use the PRINCE2 methodology. The Assurance Framework is a key risk management tool which brings together identification of risks to corporate objectives, evaluation of control measures and assurances about the management of risk and control measures. .

The Assurance Framework (the Framework) provides a structure for focusing the Board's attention on the main risks to meeting the organisation's objectives. The Framework covers all of the organisation's activities, identifies objectives and targets, risks to their achievement, internal control systems, review and assurance mechanisms and actions taken by the board to address control and assurance gaps. The Framework provides evidence to support the Statement on Internal Control by enabling the Board to:

- debate and map the connections between organisational objectives, risk and the range and effectiveness of existing assurance reporting
- establish the principle of reasonable rather than absolute assurance
- set appropriate policies on internal control
- satisfy itself that the system is functioning effectively
- ensure that the system of internal control is effective in managing risks in a manner approved by the Board

Gaps in controls or assurances were identified in the following areas :

- Human Resources
- Operations

The actions taken to address these gaps include:

- Developing a central recording point for appraisals
- District Nursing caseload review using dependency scoring tool to obtain baseline of current practices, task length and skill mix
- Establishing a Brent Breast Screening Uptake group and work plan including ongoing engagement / health promotion with community groups

Public stakeholders are involved in managing risks which impact on them through working with stakeholders and partners on joint steering groups and the Priority Action Groups for National Service Framework areas such as Diabetes, Cancer and Older People.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with internal assurance. The Assurance Framework itself provides me evidence of review of the risks and effectiveness of controls to manage principal risks to the organisation's objectives. My review is also informed by external reviews including the Head of Internal Audit's overall opinion 2005/06 which stated that "significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design or inconsistent application of controls; put the achievement of particular objectives at risk".

The maintenance and review of the effectiveness of the system of internal control is an ongoing process which is fed by the review of effectiveness by internal groups and external reviews (e.g. Internal & External Audit). The groups below have the following roles:

- the Board – responsible, collectively, for the Trust's system of internal control and management.
- the Audit Committee - reviews the establishment and maintenance of an effective system of internal control and risk management.
- the Clinical & Corporate Governance Committee - co-ordinates risk management processes within the tPCT and responsible for discharging the tPCT 's statutory responsibility for the quality of clinical services.
- Executive Directors –accountable for the effective management of risk within their area of responsibility, including assurance that appropriate controls are in place and that controls assurance standards are being monitored.
- Internal Audit - reviews the PCT's progress with the Assurance Framework, Risk Management, control and review processes to support the Statement of Internal Control (SIC)
- Other review / assurance mechanisms include the Assurance Framework and Standards for Better Health

A plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed on behalf of the Board on Date

Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD OF BRENT TEACHING PRIMARY CARE TRUST

Opinion on the Financial Statements

We have audited the financial statements of Brent Teaching PCT for the year ended 31 March 2006 under the Audit Commission Act 1998. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report, including the opinion, has been prepared for and only for the Board of Brent Teaching PCT in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements and Remuneration Report in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities. The Chief Executive's responsibility, as Accountable Officer, for ensuring the regularity of transactions is set out in the Statement of the Chief Executive's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether 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 as being relevant to the National Health Service in England. We also report whether 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.

We review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements. 'The Statement on Internal Control 2003/04' issued on 15 September 2003 and "Statement on Internal Control 2005/06 - Disclosures", issued on 7 April 2006. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the PCT's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreward, the unaudited part of the Remuneration Report, the Chairman’s Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes and assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the PCT’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Brent Teaching Primary Care Trust affairs as at 31 March 2006 and of its net operating costs for the year then ended;
- 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 as being relevant to the National Health Service in England; and
- 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.

Signature:..... :.....

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources.

Directors' Responsibilities

The directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the PCT's use of resources, to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the PCT for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice Issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the PCT has made such proper arrangements. We are not required to consider, nor have we considered whether all aspects to the PCT's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

'Except for' opinion:

We have under taken all our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for NHS bodies specified by the Audit Commission and published in July 2005, in all significant respects, Brent Teaching PCT made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 march 2006 [except for[enter relevant Code criteria, for example, the failure to put in place arrangements for managing performance against budgets]].

'Adverse' opinion

We have undertaken our audit in accordance with the Code of Audit Practice and we are not satisfied that, having regard to the criteria for NHS bodies specified by the Audit Commission and published in July 2005, in all significant respects, Brent Teaching PCT made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006, in that it failed to: [enter relevant Code criteria, for example the failure to put in place arrangements for managing performance against budgets].

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1988 and the code of Audit Practice issued by the Audit Commission.

Signature:.....

:Date.....

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

FOREWORD TO THE ACCOUNTS

These accounts for the year ended 31 March 2006 have been prepared by the Brent Teaching Primary Care Trust under section 98 (2) of the National Health Service Act 1977 (as amended by section 24 (2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Brent Primary Care Trust was established with effect from 1 April 2002 as per Statutory Instrument 2002 No. 1005 d 20 March 2002.

The name of the Brent Primary Care Trust was changed to Brent Teaching Primary Care Trust with effect from 21 October 2003 as per Statutory Instrument 2003 No. 2649 dated 7 October 2003.

**OPERATING COST STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

	2005/06	2004/05
NOTE	£000	£000
Commissioning		
Gross Operating Costs	364,759	348,765
Less: Miscellaneous Income	(21,630)	(9,759)
	343,129	339,006
Providing		
Gross Operating Costs	47,606	49,565
Less: miscellaneous income	(11,407)	(12,294)
	36,199	37,271
Net Operating Costs before Exceptional Items and Interest	379,328	376,277
Interest Payable		-
Net Operating cost for the Financial Year	379,328	376,277

The notes on pages 15 to 45 form part of this account.

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

	2005/06 £000	2004/05 £000
Unrealised surplus on fixed asset revaluations/indexation	2,548	24,004
Additional in the General Fund due to the transfer of assets from NHS bodies and Department of Health	-	
	<hr/>	<hr/>
Recognised gains and losses for the financial year	2,548	24,004
	<hr/>	<hr/>
Gains and losses recognised in the financial year	<u>2,548</u>	<u>24,004</u>

The notes on pages 15 to 45 form part of these accounts.

BALANCE SHEET
AS AT 31 March 2006

	NOTE	31 March 2006 £000	31 March 2005 £000
FIXED ASSETS			
Tangible assets	9.1	71,941	76,154
Investments	9.4	74	74
CURRENT ASSETS			
Debtors	11	7,071	8,311
Cash at bank and in hand		-	-
TOTAL CURRENT ASSETS		7,071	8,311
CREDITORS : Amounts falling due within one year	12	(28,173)	(19,269)
NET CURRENT (LIABILITIES)		(21,102)	(10,958)
TOTAL ASSETS LESS CURRENT LIABILITIES		50,913	65,270
PROVISIONS FOR LIABILITIES AND CHARGES	13	(4,677)	(4,550)
TOTAL ASSETS EMPLOYED		46,236	60,720
FINANCED BY: TAXPAYERS EQUITY			
General Fund	14	12,320	24,715
Revaluation reserve	14	33,916	36,005
TOTAL CAPITAL AND RESERVES		46,236	60,720

The notes on pages 15 to 45 form part of this account.

The Financial Statements on pages 1 to 45 were approved by the Board on
and signed on its behalf by

CHIEF EXECUTIVE:

Date:

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2006

	Note	2005/06 £000	2004/05 £000
OPERATING ACTIVITIES			
Net cash outflow from operating activities	15	(369,583)	(375,059)
SERVICING OF FINANCE & RETURN ON INVESTMENT			
Interest paid	8	-	-
Interest element of finance leases		-	-
Net cash inflow/(outflow) from servicing of finance			
CAPITAL EXPENDITURE			
Receipts from sale of tangible fixed assets		11,750	472
Payments to acquire tangible fixed assets		(2,591)	(2,061)
Payments to acquire fixed asset investments		-	(74)
Net cash (outflow) from capital expenditure		9,159	(1,663)
Net cash (outflow) before financing		(360,424)	(376,722)
FINANCING			
Net Parliamentary Funding		360,424	376,722
Net cash inflow from financing		360,424	376,722
Increase/(decrease) in cash		-	-

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2005/06 PCT manual for accounts which reflects the requirement of the 2005/06 Financing Reporting Manual (FMeM) issued by HM Treasury to the extent that it is applicable to the NHS as directed by the Secretary of State. The particular accounting policies adopted by the Primary Care Trust (PCT) are described below. They have been applied in dealing with items considered material in relation to the accounts.

These accounts have been prepared under the historical cost convention, modified by the application of current cost principles to tangible fixed assets, and in accordance with directions issued by the Secretary of State for Health and approved by Treasury. PCTs are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

Primary Care Trust are not required to disclose historical cost surplus or deficits. This is a departure from UK Financial Reporting Standards directed by the Secretary of State.

a) Income and Funding

The main source of funding for the PCT is income allocated from the Department of Health (Parliamentary Funding) within an approved cash limit, which is credited to the General Fund when the associated cash is received.

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

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

b) 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.

c) 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 capitalized if it relates to an asset.

d) Fixed Assets

i) Capitalisation

All assets falling into the following categories are capitalized:

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

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

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

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

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

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

ii) Valuation

Intangible fixed assets held for operational use are valued at historical cost. Surplus intangible assets are valued at the net recoverable amount. Tangible fixed assets are valued at current cost as follows:

Land and Buildings

Land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years.

The Department of Health has directed certain departures from the RICS Appraisal and Valuation Manual all periodic NHS Valuation exercises. The most significant of these are as follows:

- Specialised operational NHS assets and valued on the basis that the existing building will be replaced by an asset of similar construction, whereas the RICS Appraisal and Valuation Manual requires the valuer to have regard to a modern substitute building

where the cost is lower, except in cases where there is a paramount commitment to the retention of an existing building.

- In valuing assets under construction, no deduction is made for the risk of failure to complete the project, whereas the RICS Appraisal and Valuation Manual requires such deductions to be made;
- Additional assumptions, in addition to those required by the RICS Appraisal and Valuation Manual, are required in the valuation of non-operational assets to market value:
 - The NHS body is assumed not to be in the market for the asset;
 - Regard is had to dividing properties into lots to achieve the best price;
 - No adjustment are made to reflect hypothetical “flooding of the market”;
- The RICS Appraisal and Valuation Manual require adjustment to be made to the valuation of a building in respect of dilapidations. The Department of Health has directed that such adjustment should not be made for NHS properties. However, dilapidations are still reflected in the remaining useful economic life attached to properties;
- No adjustments are made to valuations for perceived functional or economic obsolescence, whereas the RICS Appraisal and Valuation Manual included such adjustments.

Fixed Asset Investments

Fixed asset investments are recorded at Net Book Value, valued annually as at 31 March. Any increase in value is taken in full to the revaluation reserve. Any impairment in value is charged, initially to the revaluation reserve to the extent that there is a balance in the reserve in respect of this asset, with the remainder then charged to operating expenditure.

Equipment

Equipment surplus to requirements is valued at net recoverable amount and assets held under finance leases are capitalized at the fair value of the assets. With those exceptions, equipment is valued at estimated net current replacement cost through annual uplift by the change in the value of the GDP deflator.

Assets in the course of construction

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

Residual interests in off-balance sheet Private Finance Initiative properties

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets where the PFI contract specifies the amount at which the assets will be transferred to the PCT at the end of the contract. The residual interest is built up during the life of the contract by capitalizing part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance.

iii) Depreciation, amortisation and impairments

Depreciation is charged on a straight-line basis on each main class of fixed asset as follows:

Freehold land and land and buildings surplus to requirements are not depreciated. Assets in the course of construction and residual interests in off-balance sheet Private Finance Initiative contract assets are not depreciated until the asset is brought into use or reverts to the Primary Care Trust, respectively.

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

Where buildings and their underlying or associated land are to be disposed of, they will be subject to an impairment review and revalued or subject to depreciation to reach open market value for alternative use at the point at which they are taken out of operational use. In these circumstances, the building and its underlying or associated land are treated as one single asset for the purposes of the impairment review. Consequently, movements in the value of land and buildings are considered together in these circumstances when calculating any impairment to be charged to revenue or recognised in the statement of total recognised gains and losses. This is a change in accounting policy from previous years. In previous years, land and buildings were considered separately in impairment reviews. Opening balances and prior year comparatives have also been restated to the values at which they would have been stated if this accounting policy had been applied in 2004/05.

Leaseholds are depreciated over the primary lease term.

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

Vehicles are depreciated over 7 years.

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

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances. This departure from FRS 11 has been approved by the Secretary of State.

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

iv) Donated assets

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part-donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge is released from this reserve each year to the Operating Cost Statement.

Cash, Bank and Overdraft

Cash bank and overdraft balance are recorded at current values, interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest Receivable' and 'Interest Payable' in the periods to which they relate.

f) Pooled Budgets

The pool is hosted by Brent Local Authority and exists to carry out Learning Disability Partnership Management activity. Under the arrangement funds are pooled under S31 of the Health Act 1999 for Learning Disability Partnership management activities and a memorandum note to the accounts provides details of the joint income and expenditure. The pool is hosted by local authority. The PCT makes contributions to the pool for the services to be provided as part of its commissioning role. As a provider of healthcare services, payments from the pool for services provided by the Primary Care Trust are accounted for as income from Brent Local Authority (London Borough of Brent).

The pool is hosted by London Borough of Brent. As a commissioner of healthcare services, the PCT 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.

g) Government grants

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

h) Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Primary Care Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payment discounted by the interest rate implicit in the

lease. The interest element of finance leases payments is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight line basis over the term of the lease.

i) Private Finance Initiative

The amendment to FRS 5 dealing with Private Finance Initiative contracts was adopted by the NHS from 1999/2000. The NHS follows HM Treasury's 'Technical Note 1(Revised) How to Account for PFI transactions' which provides practical guidance for the application of the FRS 5 amendment.

PFI schemes are schemes under which premises and facilities are constructed and run by private sector organisations in return for annual payments from the PCT for the services provided at those premises or facilities.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the PCT has contributed land or building to the PFI scheme, a prepayment is recognised, valued at the net present value of the resulting reduction in the unitary charge payable under the PFI contract, and amortised over the life of the PFI contract by charge to the Income and Expenditure Account.

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

j) Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

Work-in-progress comprises goods in intermediate stages of production. partially completed contracts for patient services are not accounted for as work-in-progress.

k) Research and development

Expenditure on research is not capitalized. Expenditure on development is capitalized if it meets the following criteria:

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over a period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Primary Care Trusts are unable to disclose the total amount of research and development expenditure charged to the Operating Cost Statement because some research and development activity cannot be separated from patient care activity.

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

l) Provisions

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

m) Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the PCT to identify its share of the underlying scheme liabilities.

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. It is recommended that employer's contributions remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect from 1 April 2003. The contribution will need to be reviewed at the next investigation, due at 31 March 2004.

The Scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 2003. Between valuations, the Government Actuary provides an up of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resources Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can be obtained from the Stationery Office.

Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation (31 March 1999) employer contribution rates for 2003/04 were set at 14% (7% for 2002/03) of pensionable pay. The total employer contribute on payable in 2003/04 was £ for Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. A lump sum

normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the members pension is normally payable to the surviving spouse.

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

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

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

FRS 17 had been fully adopted in 2003-04.

n) Foreign currency

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the time of the transactions. Resulting exchange gains and losses are taken to the Operating Cost Statement.

o) Third Party Assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Primary Care Trust has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts and Note 15.3 for patient monies.

p) Cost of Capital

The cost of capital applies to all the assets and liabilities of the PCT, less cash balances held at the Office of Paymaster General and donated assets. The interest rate applied to capital charges in the 2003/04 financial year was 3.5% (in 2002-03 it was 6%).

Note 2. Financial Performance Targets**Note 2.1 Operational Financial Balance**

The PCTs' performance for 2005/06 is as follows:

	2005/06	2004/05
	£000	£000
Total net operating cost for the financial year	379,328	376,277
Non-discretionary Expenditure	1,701	(1,958)
sub-total	377,627	374,319
Revenue Resource Limit	380,427	375,069
Under/(over) spend against revenue resource limit	2,800	750

Note 2.2. Capital Resource Limit

The PCT is required to keep within its Capital Resource Limit

	2005/06	2004/05
	£000	£000
Gross Capital Expenditure	2,494	1,814
less: Net Book Value of assets disposed of	(7,455)	(730)
Charge Against the Capital Resource Limit	(4,961)	1,084
Capital Resource Limit	(4,394)	1,093
(Over)/Underspend against Capital Resource Limit	567	9

Note 2.3. Provider full cost recovery duty

The PCT is required to recover full costs in relation to its provider functions. The performance for 2005/2006 is as follows:

	2005/06	2004/05
	£000	£000
Provider gross operating cost	47,606	49,565
Less: Miscellaneous income relating to provider functions	(11,407)	(12,294)
Net Operating Cost	36,199	37,271
Costs met from PCT's own allocation	(36,220)	(36,189)
Under/(over) recovery of costs	(21)	1,082

Note 3. Miscellaneous Income

	2005/06 Appropriate in aid £000	2005/06 Appropriate not in aid £000	2005/06 Total £000	Total £000
Fees and Charges	3	-	3	2
Strategic Health Authorities	-	2,988	2,988	2,963
NHS Trusts	-	15,018	15,018	1,305
Foundation Trust	-	-	-	-
Primary Care Trusts – other	-	5,760	5,760	8,795
Department of Health – other	-	-	-	-
Income for Trust Impairment	-	-	-	-
Local Authorities	2,519	-	2,519	3,133
Education, Training and Research	-	-	-	2,739
Charitable and other contributions to expenditure	4,164	-	4,164	609
Other income	2,585	-	2,585	2,507
Total Miscellaneous Income	<u>9,271</u>	<u>23,766</u>	<u>33,037</u>	<u>22,053</u>

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

4. Operating Costs

Note 4.1 Analysis of gross operating costs:

	2005/06	2004/05
	£000	Restated £000
Goods and services from other Primary Care Trusts		
Healthcare	21,757	19,383
Non Healthcare	3,461	3,666
Total	25,218	23,049
Goods and services from other NHS bodies excluding foundation trusts		
Healthcare	206,110	190,537
Non Healthcare	356	203
Total	206,466	190,740
Purchase of Healthcare from non NHS - providers		
Goods and Services from Foundation Trusts	7,947	7,285
Purchase of healthcare from non-NHS bodies	30,299	31,856
PMS Pilots	-	-
PCT Board members' costs	630	585
PCT Executive Committee non-officer members' costs	370	135
Staff costs	42,450	40,134
Prescribing costs	35,977	35,226
GMS discretionary	39,830	38,141
Pharmaceutical Services	-	-
Local Pharmaceutical Service Pilots	-	-
General Dental Services	83	-
General Ophthalmic Services	1,618	1,658
Supplies and services - clinical	2,469	1,888
Supplies and services - general	761	891
Establishment	1,012	1,369
Transport	281	246
Premises	4,807	1,271
Bad Debts	4	-
Depreciation and amortisation	1,800	6,184
Fixed Asset Impairments and reversals	-	-
(Profit)/Loss on disposal of Fixed Assets	(4,295)	74
Cost of capital charge	1,872	1,170
Audit fees	182	210
Other auditor's remuneration	119	49
Clinical Negligence cost	-	15
Change in the discount rate on provisions	-	-
NHS Trust Impairments	396	-
Unwinding of Discount	94	163
NHS Trust Impairments	-	4,663
Other	11,975	11,328
	180,681	184,541
Total	412,365	398,330

PCT Board members' costs above include £ Nil for early retirements prior to 6/3/95 (2004/05 £Nil).

Staff costs above include £Nil for early retirements prior to 6/3/95 (2004/05 £NIL).

Note 4.2 Analysis of operating expenditure by expenditure classification

Note 4.2.1 Purchase of Health Care by PCT	2005/06	2004/05
	£000	£000
Purchase of Primary Health Care		
GMS/PMS/APMS/PCTMS	39,830	37,474
Prescribing Costs	35,977	35,226
General Dental Services	83	-
General Ophthalmic Services	1,618	1,658
Total Primary Healthcare purchased	77,508	74,358
Purchase of Secondary Healthcare		
Learning Difficulties	19,689	18,740
Mental Illness	53,652	51,065
Maternity	18,288	17,406
General and Acute	121,171	115,329
Accident and Emergency	6,785	6,458
Community Health Services	44,603	42,453
Other contractual	70,669	67,191
Total Secondary Healthcare Purchased	334,857	318,642
Impairments in Trusts	-	4,663
Grants (revenue) to fund capital project outside bodies	-	-
Grants (revenue) to fund capital project GMS	-	667
Total Impairments in Trusts and grants	-	5,330
Total Healthcare purchased by PCT	412,365	398,330
Amount of Self commissioned secondary healthcare included above	36,220	36,189

Note 4.2.2 Purchase of Healthcare by SHA**Purchase of Secondary Care**

There were no healthcare services provided by the Strategic Health Authority on behalf of the PCT (2004/05 £Nil).

Note 4.2.3 Clinical Negligence

	2005/06 £000	2004/05 £000
Charges to operating expenses in respect of clinical negligence are:		
Contribution to Clinical Negligence Scheme for Trusts	76	15
	-	
Total	<u><u>76</u></u>	<u><u>15</u></u>

Since financial responsibility for clinical negligence cases transferred to the NHS Litigation Authority on 1 April 2002, the only charge to operating expenditure in relation to clinical negligence this year relates to the Trust's contribution to the Clinical negligence Scheme for Trusts.

Note 4.2.4 Operating Leases

The PCT had no operating leases during 2005/06 (2004/05 £Nil).

5. STAFF NUMBERS AND RELATED COSTS**Note 5.1 Staff Costs**

	2005/06 £000	2004/05 £000
Permanently employed staff		
Salaries and wages	31,869	28,159
Social Security Costs	2,454	2,201
Employer Contributions to NHSPA	3,815	3,426
Agency Staff		6,933
Total	38,138	40,719

Note 5.2 Average number of employees

	2005/06 Total	2005/06 Total Permanently Employed Numbers	2005/06 Other	2004-05 Total Numbers
Medical and dental	34	23	11	30
Administration and estates	439	272	167	470
Healthcare assistants & other support staff	142	82	60	7
Nursing, midwifery & health visiting staff	353	254	99	326
Nursing, midwifery & health visiting learners	23	22	1	94
Scientific, therapeutic and technical staff	224	145	79	191
Senior				-
Other	18	12	6	39
Total	1,233	810	423	1,157

Note 5.3 Salary and Pension entitlements of Senior Managers 2005/06

Name and Title	Age	Salary	Other Remuneration	Real increase in pension at age 60	Total accrued pension at age 60 at 31/03/2004
		(bands of £5,000) £000	(bands of £5,000) £000	(bands of £2,500) £000	(bands of £5,000) £000
Directors					
Mrs J Gaffin (Chair)	69	20-25	-	-	-
Mr C Boucher	62	5-10	-	-	-
Mrs J Carr	49	5-10	-	-	-
Mr G Crane	56	5-10	-	-	-
Mr S Maingot	51	5-10	-	-	-
Rev.C.Mereweather-Thompson	51	5-10	-	-	-
Dr L Llewellyn	42	85-90	-	0-2.5	25-30
Mr A Parker	44	80-85	-	0-2.5	15-20
Mr M M Patel	61	105-110	-	0-2.5	25-30
Mrs P Atkinson (Note 1)	52	70-75	-	0-2.5	25-30
Mrs J Stanton	39	115-120	-	0-2.5	10-15
Mr B Arif	49	90-95	-	0-2.5	25-30
Dr M C Patel	48	105-110	-	-	-
Mr S Jones	39	15-20	-	0-2.5	20-25
Mr P Beal	41	70-75	-	0-2.5	15-15
Executive Committee Members					
Dr E Kong (Note1 & 2)	48	25-30	-	0-2.5	0-5
Mr G Bandasoah	39	5-10	35-40	0-2.5	0-5
Dr A P Craig	49	5-10	5-10	-	0-5
Dr S Gellert (Note 3)	51	0-5	-	0-2.5	0-5
Mrs F Hamid (Note 1)	46	5-10	45-50	0-2.5	10-15
Dr N S De Kare Silver	47	5-10	-	0-2.5	0-5
Mrs M H O'Connell	51	5-10	-	0-2.5	0-5
Mr P Laffey	32	5-10	35-40	-	-
Mr R Bailey	64	5-10	-	-	-
Ms C Shawcross (Note 4)	N/A	5-10	-	-	-
Mr M Bhatt	55	5-10	-	-	-
Mr S Panju	53	5-10	-	-	-
Mr R Kapoor	35	5-10	-	-	-
Dr C Amobi	53	5-10	-	-	-
Dr R J Akumabor	40	5-10	-	-	-
Mr S Kalakeche	44	55-60	-	0-2.5	0-5
Ms J Shattock	39	55-60	-	0-2.5	5-10

Note 1 Board Directors Representing PEC

Note 2 Left February 2006

Note 3 Left July 2005

Note 4 Salary paid to employer

Note 5 Joined PEC June 2005

Note 5.3 Salary and Pension entitlements of Senior Managers 2004/05

Name and Title	Age	Salary	Other Remuneration	Real increase in pension at age 60	Total accrued pension at age 60 at 31/03/2004
		(bands of £5,000) £000	(bands of £5,000) £000	(bands of £2,500) £000	(bands of £5,000) £000
Directors					
Mrs J Gaffin (Chair)	68	20-25	-	-	-
Mr C Boucher	61	5-10	-	-	-
Mrs J Carr	48	5-10	-	-	-
Mr G Crane	55	5-10	-	-	-
Mr S Maingot	50	5-10	-	-	-
Ms N Tewari (Note 1)	41	5-10	-	-	-
Rev.C.Mereweather-Thompson	50	5-10	-	-	-
Dr L Llewellyn	41	110-115	-	0-2.5	25-30
Mr M M Patel	60	100-105	-	0-2.5	20-25
Dr Z J De Beer (Note 1)	49	40-45	10-15	0-2.5	0.5
Mrs P Atkinson (Note 2)	51	70-75	-	-	25-30
Mrs J Stanton (Note 3)	38	35-40	50-55	0-2.5	-
Mr B Arif	48	85-90	-	0-2.5	25-30
Mr S Jones	38	65-70	-	0-2.5	10-15
Mr A Parker	43	75-80	-	0-2.5	15-20
Mr P Beal	40	70-75	-	0-2.5	5-10
Executive Committee Members					
Dr E Kong (Note 2)	47	25-30	-	0-2.5	0-5
Dr M C Patel (Note 4)	47	5-10	95-100	0-2.5	0-5
Mr G Bandasoah	38	5-10	35-40	0-2.5	0-5
Ms S Chana (Note 5)	55	5-10	50-55	0-2.5	10-15
Dr A P Craig	48	5-10	5-10	-	0-5
Dr S Gellert	50	5-10	-	0-2.5	0-5
Mrs F Hamid (Note 2)	45	5-10	40-55	0-2.5	10-15
Dr N S De Kare Silver	45	5-10	-	0-2.5	0-5
Mrs M H O'Connell	51	5-10	-	0-2.5	0-5
Mrs H Patel (Note 6)	44	0-5	50-55	0-2.5	5-10
Mr P Laffey	31	5-10	35-40	-	-
Mr R Bailey	63	5-10	-	-	-
Ms C Shawcross (Note 7)	N/A	5-10	-	-	-
Mr M Bhatt (Note 8)	54	0-5	-	-	-
Mr S Panju (Note 9)	52	0-5	-	-	-
Mr R Kapoor (Note 10)	34	0-5	-	-	-
Dr J Akumabor (Note 11)	39	-	-	-	-

Note 1 Left 31 March 2005	Note 7 Salary paid to employer
Note 2 Board Directors Representing PEC	Note 8 Joined 1 July 2004
Note 3 Joined 1 October 2004	Note 9 Joined 1 September 2004
Note 4 Left 30 June 2004	Note 10 Joined 1 November 2004
Note 5 Left 30 November 2004	Note 11 Joined 1 February 2006
Note 6 Left 31 August 2004	

Note 5.4 Management costs

	2005/06	2004/05
Management costs (£000)	11,163	11,273
Weighted Population	278,795	263,413
Management cost per head of weighted population (£)	40.04	42.80

The PCT measures its management cost according to the definitions provided by the Department of Health. Definition of management cost in Primary Care Trusts 2002-03 can be found at

<http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCost>

Note 5.5 Retirements due to ill-health

During 2005/06 there was 2 staff that retired at a cost of £63,000 early from the teaching Primary Care Trust agreed on the grounds of ill-health (2004/05 3 staff cost £185,000).

Note 6. Better Payment Practice Code**Note 6.1 Better Payment Practice Code - measure of compliance**

	2005/06 Number	2004/05 Number	2005/06 £000	2004/05 £000s
Total bills paid in the year	46,038	47,310	63,115	57,989
Total bills paid within target	38,948	39,884	60,023	54,895
Percentage of bills paid within target	84.60%	84.30%	95.10%	94.66%
	2005/06 Numbers		2005/06 £000	
NHS Creditors				
Total bills paid in the year	2,329		274,048	
Total bills paid within target	2,177		256,595	
Percentage of bills paid within target	93.47%		93.63%	

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

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

There was no interest payable relating to the Late Payment of Commercial Debts (Interest) Act 1998 (2003/04 £Nil).

Note 7. Profit (Loss) on Disposal of Fixed Assets

	2005/06	2004/05
	£000	£000
Profit on disposal of land & buildings	4,295	-
Loss on disposal of land and buildings	-	(74)
Total	<u>4,295</u>	<u>(74)</u>

Note 8. Interest Payable

There was no interest payable in 2005/06 or 2004/05.

Note 9. Tangible Fixed Assets

Note 9.1 Tangible fixed assets at the balance sheet comprise the following elements:

	Land	Building Excluding Dwellings	Assets Under Constru ction	Plant & Machinery	Information Technology	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	36,927	37,892	-	493	1,068	76,380
Additions – purchased	-	1,480	135	35	844	2,494
Indexation	1,846	695	-	10	-	2,551
National Revaluation Exercise	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Others in year revaluation	-	-	-	-	-	-
Disposals	(7,455)	-	-	-	-	(7,455)
Gross cost at 31 March 2006	<u>31,318</u>	<u>40,067</u>	<u>135</u>	<u>538</u>	<u>1,912</u>	<u>73,970</u>
Accumulated Depreciation 1 April 2005	-	-	-	154	72	226
Provided during the year	-	1,521	-	66	213	1,800
Impairments	-	-	-	-	-	-
Indexation	-	-	-	3	-	-
Accumulated Depreciation at 31 March 2006	<u>-</u>	<u>1,521</u>	<u>-</u>	<u>223</u>	<u>285</u>	<u>2,029</u>
Net book value purchased						
1 April 2005	<u>36,927</u>	<u>37,892</u>	<u>-</u>	<u>339</u>	<u>996</u>	<u>76,154</u>
1 April 2006	<u>31,318</u>	<u>38,546</u>	<u>135</u>	<u>315</u>	<u>1,627</u>	<u>71,941</u>

Of the totals at 31 March 2006, £Nil related to land values at open market value and £Nil related to buildings, installations and fitting value at open market value.

Note 9.2 Net book value of assets held under finance leases and hire purchase contracts at the balance sheet

There were no assets held under finance leases during the year (2004/05 £Nil).

**Note 9.3 The net book value of land and buildings
At 31 March 2006 comprises:**

	31 March 2006 £000	31 March 2005 £000
Freehold	69,864	74,819
Total	<u>69,864</u>	<u>74,819</u>

Note 9.4 Fixed Assets Investments**Equity Shareholdings**

	2005/06 £000	2004/05 £000
LIFT Co	74	74
Total	<u>74</u>	<u>74</u>

Note 10. Stock and Work In Progress

The PCT holds no stock at the balance sheet (2004/05 £Nil).

Note 11. Debtors

	2005/06 £000	2004/05 £000
Amounts falling due within one year:		
NHS debtors	2,101	5,049
Provision for irrecoverable debts	(54)	(50)
Other prepayments and accrued income	2,380	889
Other debtors	2,644	2,423
Total	<u>7,071</u>	<u>8,311</u>

There are no prepaid pension costs at 31 March 2006 (2004/05 £Nil) included within NHS debtors; and there are no prepayments (2004/05 £Nil) from the buyout of early retirements included in NHS debtors.

Note 12. Creditors**12.1 Creditors at the balance sheet are made up of:**

	2005/06	2004/05
	£000	£000
Amounts falling due within one year:		
Payments received on account	-	1,185
NHS creditors	14,971	5,803
Family Health Services (FHS) creditors	-	-
Non - NHS trade creditors - revenue	8,171	3,583
Non - NHS trade creditors - capital	306	403
Tax and social security costs	1,357	1,197
Accruals and deferred income	3,367	7,098
Other creditors	1	-
Pension Contributions	-	-
Total	<u>28,173</u>	<u>19,269</u>

Note 12.2 Finance Lease Obligations

During 2004/05 and 2005/06 the PCT did not enter into any contract to lease assets under finance leases.

Note 12.3 Finance Lease Commitments

During 2004/05 and 2005/06 the PCT did not enter into any contract to lease assets under finance leases.

Note 13. Provisions for liabilities and charges

	Pensions relating to other staff	Other	Total
	£000	£000	£000
At 1 April 2005	2,026	2,524	4,550
Arising during the year	252	37	289
Utilised during the year	(158)	(494)	(652)
Reversed unused			
Unwinding of discount	45	49	94
Change in the discount rate	176	220	396
At 31 March 2006	<u>2,341</u>	<u>2,336</u>	<u>4,677</u>

Future Payments to NHS
trusts/PCTs

Expected timing of cash flows:

Within 1 year	538	162	700
1 - 5 years	851	648	1,499
Over 5 years	952	1,526	2,478

Where Back to Back arrangements exist, cash flows are estimated.

Pensions relating to other staff include provisions for staff who have taken early retirement, which includes predecessor organisations.

Following the publication in February 2003 of a report by the Ombudsman on the NHS funding of long term care, the PCT has reviewed the criteria applied previously when assessing a patients eligibility for NHS funded care. The review has identified that the criteria may not be in accordance with required practice, and therefore the PCT may be required to make repayments to patients who have paid for their own long term care.

Within the category of 'other', £333,000 (2003/04 £628,000) has been included in respect of provisions arising from the Ombudsman's report.

Other provisions include a provision for additional staff costs arising from the national Agenda for Change programme. Under Agenda for Change, staff other than medical and dental staff will move to new terms and conditions. This process requires all relevant staff to be assimilated to new job and pay points. Agenda for Change was effective from 1 October 2004 and staff are entitled to have any increase in pay or additional leave entitlements back-dated to that date. However, the PCT is not required to have completed the process of assimilation until September 2006 and until that process is complete the exact amount of any additional pay and leave due to staff cannot be determined.

The PCT has made provision for its best estimate of the amount of arrears and the cost of additional leave due for the period 1 October 2004 to 31 March 2006. However, uncertainty over the actual cost will remain until the assimilation process is completed.

Note 14. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve		General Fund	
	2005/06	2004/05	2005/06	2004/05
	£000	£000	£000	£000 restated
At 1 April 2005	36,005	12,185	24,715	23,100
Transfer from SHAs 1 April				
Net Parliamentary Funding			360,424	376,722
Cost of Capital			1,872	1,170
Transfer from the OCS			(379,328)	(376,277)
Indexation of fixed assets	2,548	4,354		
Other Revaluations		19,650		
Other movements on reserves		(184)		
Transfer of realised profit (losses)	(4,637)		4,637	
At 31 March 2006	<u>33,916</u>	<u>36,005</u>	<u>12,320</u>	<u>24,715</u>

Note 15. Notes to the cash flow statement**Note 15.1 Reconciliation of operating costs to net cash flow from operating activities:**

	2005/06 £000	2004/05 £000
Net Operating Cost	(379,328)	(376,277)
Depreciation Charge	1,800	6,184
Cost of capital	1,872	1,170
Fixed Asset Impairments	-	-
(Profit) /loss on Disposal of Fixed Assets	(4,295)	74
(Increase)/Decrease in Stocks	-	-
(Increase)/Decrease in Debtors	1,240	(2,392)
Increase/(Decrease) in Creditors	9,001	(3,316)
Increase/(Decrease) in Provisions	127	(502)
Net cash (outflow) from operating activities	<u>(369,583)</u>	<u>(375,059)</u>

Note 15.2 Reconciliation of net cash flow to movement in net debt

	2005/06 £000	2004/05 £000
Increase in cash in the period	-	-
Change in net debt resulting from cash flows	<u>-</u>	<u>-</u>
Net debt at 1 April 2004	-	-
Net debt at 31 March 2006	<u>-</u>	<u>-</u>

Note 15.3 Analysis of changes in net debt

	At 31 March 2006 £000	Cash changes in year £000	At 1 April 2005 £000
OPG cash at bank	(1)	-	(1)
Cash at bank and in hand	1	-	1
Total	<u>0</u>	<u>0</u>	<u>-</u>

Patient Monies

Excluded above: £ 35,000 in PCT accounts relating to Patients' money (2004/05 £42,000).

Note 16. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet were £NIL (2004/05 £Nil).

Note 17. Post Balance Sheet Events

Post balance sheet events having a material effect on the accounts are £Nil. (2004/05 £Nil)

Note 18. Contingencies

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

	2005/06	2004/05
	£000	£000
Gross value	3,696	4,814
Amounts recoverable (if any)	-	-
Net Contingent Liability	<u><u>3,696</u></u>	<u><u>4,814</u></u>

The NHS Finance Manual requires that the NHS Creditors to include agreed amounts in respect of invoices and credit notes issued up to 31 March 2006 and accrued amounts which relates to accruals for invoices and credit notes issued between 1 April and 22 April 2006.

In addition to the amounts included in NHS Creditors, the PCT has received invoices from its providers and other PCTs. The management of the PCT have reviewed the NHS Creditors and are satisfied that the liabilities will not crystallise. The disputes with the counter parties will be resolved in the coming year. A contingent liability has been included for £3,696,000 (2004/05 £4,814,000) for these disputed invoices.

Note 19. Related Party Transactions

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

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken material transactions with Brent Primary Care Trust.

	2005/06 Payments to Related Party £	2004/05 Payments to Related Party £
PEC Members		
Dr A Craig	881,013	738,801
Dr S Gellert & Dr C Amobi	1,223,805	1,010,074
Dr E Kong	1,044,790	826,322
Dr N de Kare Silver	645,451	490,055

These payments relate to PMS costs.

The Department of Health is regarded as a related party. During the year Brent Teaching Primary Care Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, North West London Health Authority.

In addition, the Primary Care Trust has had a significant number of material transactions with other Government Departments and other central and Local Government bodies. Most of these transactions have been with London Borough of Brent.

The Primary Care Trust has received revenue payment from charitable funds, for Winter Ball Funding of 10k.

Note 20. Private Finance Transactions

	2005/06 £000	2004/05 £000
Amount included within Operating Cost in respect of PFI transactions deemed to be off-balance sheet-gross	3,176	0
Amortisation of PFI deferred asset	(274)	0
Net Charge to Operating Cost	<u>2,902</u>	<u>0</u>

Note 20.1 PFI schemes deemed to be off-balance sheet

The PCT is committed to make the following payments during the next year.

	2005/06 £000	2004/05 £000
PFI scheme expires in year 2035		
Within one year	3,176	0
31 st to 35 th years (inclusive)	0	0

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

The estimated capital value of the PFI scheme is £21,239,000.

The scheme is contracted to start on 04 December 2002 and contracted to end on 31 March 2035. The scheme was completed on 31 March 2005.

Note 21. Financial Instruments

FRS 1, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

The PCT may hold any of the following financial assets and liabilities:

Assets

- investments
- long-term debtors and accrued income
- short-term debtors and accrued income (not disclosed in note 21 under exemptions permitted by FRS 13)

Liabilities

- loans and overdrafts
- long-term creditors
- short-term creditors (not disclosed in note 22 under exemptions permitted by FRS 13)
- provisions arising from contractual arrangements
- finance lease obligations

PCTs have no power to invest or borrow and can only draw cash from of Office of the Paymaster General when it is required. Cash, Bank and Overdraft balances are recorded at current values. Account balances are set-off only where there is a formal agreement with the bank to do so. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest Receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

The PCT inherited finance leases for £Nil assets when it came into existence. The PCT will only enter into finance lease where these represented better value for money than purchasing or other leasing arrangements.

All other financial instruments are held for the sole purpose of managing the cash flow of the PCT on a day to day basis or arise from the operating activities of the PCT. The management of risks around these financial instruments therefore relates primarily to the PCT's overall arrangements for managing risks to their financial position.

Fixed Asset Investments

Fixed asset investments (e.g. in LIFTCO) are recorded at Market Value/ (or describe alternative valuation basis agreed between PCT and DH), valued annually as at 31 March by (state valuer and basis of valuation). Any increase in value is taken in full to the revaluation reserve. Any impairment in value is charged to operating expenditure.

Current Asset Investments

Current asset investments are recorded at Market Value/ (or describe alternative valuation basis agreed between PCT and DoH), valued annually as at 31 March by (state valuer and basis of valuation)). Any increase in value is charged, initially, to the revaluation reserve to the extent that there is a balance in the reserve in respect of this asset, with the remainder then charged to operating expenditure.

Cash, Bank and Overdraft

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

Liquidity Risk

The Primary Care Trust's net operating costs are financed primarily from resources voted annually by Parliament.

The Primary Care Trust largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. Brent PCT is not, therefore, exposed to significant liquidity risks.

Interest-rate Risk

100% of the PCT's financial assets and 100% of its financial liabilities carry nil rates of interest. Brent PCT is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profile of the PCT's financial assets and liabilities. Prior year figures was Nil balance.

Note 21.1 Financial Assets

Currency	2005/06	2005/06	2005/06
	Total	Non-interest bearing	Non-interest bearing Weighted Average term
	£000	£000	Years
At 31 March 2006			
Sterling	-	-	-
Other	<u>0</u>	<u>0</u>	<u>0</u>
Gross financial assets	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2005 (prior year)			
Sterling	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Gross financial assets	<u>0</u>	<u>0</u>	<u>0</u>

Note 21.2 Financial Liabilities

Currency	2005/06	2005/06	2005/06
	Total	Non-interest bearing	Non-interest bearing Weighted average term
	£000	£000	Years
At 31 March 2006			
Sterling	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Gross financial assets	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2005 (prior year)			
Sterling	0	0	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Gross financial assets	<u>0</u>	<u>0</u>	<u>0</u>

Note 21.3 Fair Values

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

	Basis of fair valuation	2005/06 Book Value £000	2005/06 Fair Value £000
Financial assets			
Fixed Asset Investment		74	74
Cash		-	-
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	Note a	-	-
Investments			
Total		<u>74</u>	<u>74</u>
Financial liabilities			
Creditors over 1 year:			
- Early retirements	Note b	-	-
- Finance leases	Note c	-	-
Provisions under contract		-	-
Total		<u>-</u>	<u>-</u>

- a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.
- b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.
- c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 6% in real terms.

Note 22. Third party assets

The PCT held £35,000 at bank and in hand at 31 March 2006 (£42,000 on 31 March 2005) which relates to monies held by PCT on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

Note 23. Pooled Budgets**Learning Disabilities Partnership Board Memorandum account for the period ended 31 March 2006****Gross Funding**

	2005/06	Staff	2004/05	Staff
	£000	No	£000	No
London Borough of Brent	90	3	87	2
Brent tPCT	74	-	77	1
Brent tPCT	287	-	172	-
Total Funding	451	3	336	3

Expenditure

	£000		£000	
Staffing	164	3	164	3
Learning Disability Development Fund	287	-	162	-
Total Expenditure	451	3	326	3
Net overspend/(underspend)	0		(10)	

Brent Teaching PCT is a member of a pooled budget arrangement under section 31 Health Act 1999. The pooled budget is hosted by London Borough of Brent and the memorandum account is shown above.

The debtors and creditors in note 12 and 13 of these accounts include Nil balance.

Note 24. Losses and Special Payments

There were 9 cases of Losses and Special payments totalling £17,000 approved during 2005/2006. (2004/05 number of cases 16 and special payments totalling £17,000).

Losses and Special payments are transaction 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 procedure compared with the generality of payments, and special notation in the accounts to draw them to the attention of Parliament.

They are divided into different categories, which govern the way each individual case is handled.

These payment are charged to the income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore, this note is complied on a cash basis.

Clinical negligence cases are managed by the National Health Service Litigation Authority and transactions relating to such cases is held in their accounts. The PCT pays a premium for their services and excesses on some cases. Therefore these cases have not been accounted for in the PCT's accounts.

ATTACHMENT- A

Brent 

Teaching Primary Care Trust

Working with our partners for a healthier Brent

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12 July 2006

Pricewaterhouse Coopers LLP
Southwardk Towers
32 London Bridge street
LONDON
SE1 9SY

PCT PRESENTATION LETTER

Dear Sir/Madam

This representation letter is provided in connection with your audit of the financial statements of Brent Teaching PCT (“the PCT”) for the year ended 31 March 2006.

Your audit is conducted for the purpose of expressing an opinion as to whether the financial statements of the PCT give a true and fair view of the state of affairs of the PCT as at 31 March 2006 and of its net operating cost, total recognised gains and losses and cash flows for the year then ended in accordance with the direction of the Secretary of State.

We acknowledge as directors our responsibilities under the National Health Service Act 1977 for preparing financial statements of the PCT which give a true and fair view, in accordance with UK GAAP, and for making accurate representations to you.

We acknowledge that the Chief Executive has been designated the Accountable Officer for the Authority by the Secretary of State and that the following requirements included in the Accountable Officer memorandum have been complied with:

“You have particular responsibility for ensuring that expenditure by the PCT complies with Parliamentary requirements. The basic principle, which must be observed, is that funds should be applied only to the extent and for the purpose authorised by Parliament.”

“As the accountable officer you have responsibility to see that appropriate advice is tendered to the Board on all matters of financial probity and regularity...”

“If the Board or the Chairman of the Board or Executive Committee is contemplating a course of action which you consider would infringe the requirements of propriety and regularity, you should set out in writing to the chairman and the board your objection to the proposal and the reasons for it.”

We confirm that the following representations are made on the basis of enquiries of management and staff of the PCT with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We confirm, to the best of our knowledge and belief and having made the appropriate enquiries, the following representations:

Accounting records

All the accounting records, whether for the purposes of financial reporting or any other purpose such as fiscal reporting, have been made available to you for the purpose of your audit and all the transactions undertaken by the PCT have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements, including minutes of directors' meetings and relevant management meetings, have been made available to you and no such information has been withheld.

Accounting policies

We confirm that we have reviewed the PCT's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of the financial statements are the most appropriate to give a true and fair view for the PCT's particular circumstances, as required by FRS 18.

Related parties

We confirm that we have disclosed all related party transactions relevant to the PCT and that we are not aware of any other such matters required to be disclosed in the financial statements whether under FRS 8 or other requirements, for example the Manuals for Accounts.

Employee benefits

We confirm that we have made you aware of all employee benefit schemes in which employees of the PCT participate.

Retirement benefits

- All [significant] retirement benefits that the PCT is committed to providing, including any arrangements that are statutory, contractual or implicit in the PCT's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.
- The PCT participates in the NHS Pensions Agency's defined benefit scheme. We confirm that the PCT's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the PCT with third parties have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Laws and regulations

We are not aware of any instances of actual or potential breaches of, or non-compliance with, laws and regulations which provide a legal framework within which the PCT conducts its business and which are central to the PCT's ability to conduct its business or that could have a material effect on the financial statements.

We are not aware of any irregularities, or allegations of irregularities, involving management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

Fraud

We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud.

We have disclosed to you:

- i) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
- ii) our knowledge of fraud or suspected fraud affecting the PCT and involving:
 - Management
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements;
- iii) our knowledge of any allegations of fraud, or suspected fraud, affecting the PCT's financial statements communicated by employees, former employees, analysts, regulators or others.

Misstatements detected during the audit

We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error.

We confirm that the financial statements are free from material misstatement, including omissions.

We confirm that the [reason/reasons] why the [misstatement/misstatements] that you have brought to our attention [below/in the attachment to this letter] [has/have] not been adjusted in the financial statements [is/are] as follows:

[add explanation(s) which MUST include confirmation that the directors believe their effect both individually and in aggregate is not material to the truth and fairness of the financial statements either taken as a whole or in connection with the ability properly to assess the performance and/or the financial position of the PCT.]

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the financial statements or in the notes thereto.

As minuted by the board of directors at its meeting on [date].

Yours faithfully

.....

(Chair)

.....

(Chief Executive)

For and on behalf of

Date