

The NHS Confederation

Charity number 1090329

Company number 04358614

Report and Financial Statements

Year ended

31 March 2011

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The trustees are pleased to present their report together with the audited financial statements of the Confederation for the year ended 31 March 2011.

Reference and administrative details

Registered office

29 Bressenden Place, London, SW1E 5DD

Charity number

1090329

Company number

04358614

Auditor

Grant Thornton UK LLP, Grant Thornton House,
Melton Street, Euston Square, London NW1 2EP

Bankers

Barclays Bank PLC, Corporate Banking Centre,
50 Pall Mall, London SW1A 1QB

Solicitors

Capsticks, 77-83 Upper Richmond Road, London SW15 2TT

THE NHS CONFEDERATION

Trustees' report for the year ended 31 March 2011

About the NHS Confederation

The NHS Confederation is an independent membership body that represents all types of organisations providing and commissioning NHS services in England, Wales and Northern Ireland.

We are the only organisation to bring together all parts of the modern NHS and speak for the whole of the NHS on the issues that matter to all those involved in healthcare.

Our members include acute trusts, ambulance trusts, foundation trusts, mental health providers, primary care trusts and independent healthcare organisations that deliver services within the NHS.

We run an Associate Membership scheme for commercial and third sector organisations involved in the delivery of healthcare, and an 'Insight' information service for academic and representative bodies with an interest in health and the healthcare sector.

We are also beginning to open up our membership to new and emerging NHS bodies – including commissioning consortia, community services, third sector providers and social enterprises – to ensure that we continue to represent the full range of organisations working within our healthcare system.

The Welsh NHS Confederation and the Northern Ireland Confederation for Health and Social Care support members in their countries, and we provide a subscription service for NHS organisations in Scotland.

The NHS Confederation also contains NHS Employers which:

- represents trusts in England on workforce issues
- works with employers to reflect their views, promote their interests and act on their behalf on four priority areas including pay and negotiations; recruitment and workforce planning; healthy and productive workplaces; and employment policy and practice
- works to keep employers up to date with the latest workforce thinking; provide practical advice and information; and help them to network and share knowledge.

Trustees

The NHS Confederation is governed by a board of ten trustees. The board is led by an independent part time remunerated chair who was appointed on 1 May 2010 and is comprised of eight trustees drawn from the component parts of the organisation, along with an independent chair of audit. The work of the trustees is supported by two committees: audit committee and remuneration committee that provide oversight for the charity and the subsidiaries.

The directors of the charitable company (the charity) are its trustees for the purpose of charity law, and throughout this report they are collectively referred to as the trustees. No trustee had any interest in the charity or any of its wholly owned subsidiaries

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Trustees' report for the year ended 31 March 2011

The Board of Trustees is comprised

Sir Keith Pearson (Chair)	appointed 1 May 2010
James Birrell	resigned 4 May 2011
Shaun Clee	appointed 23 May 2011
Patrick McCartan	
Peter Griffiths	resigned 9 April 2011
Malcolm Hanney	resigned 30 June 2010
David Highton	resigned 1 May 2010
Michael Parish	
Trevor Purt	
Lisa Rodrigues	
Paul Sabapathy	
Heather Strawbridge	
Phil Taylor (Chair of Audit Committee)	appointed 4 June 2010
Steve Warburton	appointed 23 May 2011

Governing Documents

The Charity is a company limited by guarantee that was incorporated on the 23 January 2002. It is governed by its memorandum and articles of association, which were amended on 12 January 2010 and 25 June 2010.

Subsidiary Companies

The NHS Confederation has two wholly owned subsidiaries:-

The NHS Confederation Group Company Limited	limited by guarantee
The NHS Confederation (Employers) Company Limited	limited by guarantee

The charity's subsidiary company, NHS Confederation Group Company Ltd is managed by a board of directors accountable to the board of trustees and led by the chair of the charity. The board is comprised of eight of the trustees acting as non executive directors along with six executive directors.

NHS Confederation (Employers) Company Limited is accountable to NHS Confederation Group Company Limited is also chaired by the chair of the charity and has 3 other non executive directors and 3 executive directors.

At the beginning of the year the NHS Confederation had three further subsidiaries that have now been dissolved:-

Future Healthcare Network Limited	limited by guarantee
The NHS Confederation Trading Company Limited	limited by shares
The NHS Confederation Project Company Limited	limited by shares

The Trading company, Project company, and Future Healthcare Network were no longer trading and any residual activities they were involved in were being carried out by the other subsidiaries

Details of the principal activities of these companies are shown in note 2 to the accounts. The accounts for the two remaining subsidiary companies are included in these consolidated accounts.

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Recruitment, induction and training of Trustees

The Trustees are appointed by the different component parts of the organisation (the networks, the countries and NHS Employers). There are two independent Trustees appointed by the board including the chair of audit. The chair is recruited through an open recruitment process. A formal induction process is in place for all new Trustees and Directors which includes sharing of key documents and discussions with the Chair, Head of Governance and other relevant officers.

The majority of Trustees are also chairs or chief executives of NHS organisations and so have a range of skills and expertise. A new formal board appraisal, skills audit and 360° feedback process was carried out by an independent facilitator during the Summer of 2011 and reported back at the Trustees time-out session in September 2011. At this time the board will also consider the strategic direction of the organisation and assess whether the appropriate skills and experience are available on the board.

Management

The day to day management of the NHS Confederation is as follows:

Senior executive staff:-

Mike Farrar	Chief Executive – appointed 3 May 2011
Helen Birtwhistle	Director, Welsh NHS Confederation
Karen Charman	Interim Chief Operation Officer
David Stout	Director of Primary Care Trust Network and deputy Chief Executive
Louise Fish	Director of Communications
Sheila McKenzie	Acting Director of Finance
Heather Moorhead	Director, Northern Ireland Confederation
Steve Shrubbs	Director, Mental Health Trust
Jo Webber	Ambulance Service Network
David Worskett	Director, NHS Partners Network
Dean Royles	Director, NHS Employers

The people noted above as directors are not directors for statutory purposes.

Employees' involvement and employment of the disabled

The charity operates policies as an equal opportunities employer and has been awarded Investor in People status. The organisation has a strong culture of appraisal and development; all staff have the opportunity to contribute to business and budget planning; the chief executive holds regular face to face briefings with staff; and there is a staff-led consultative forum.

Objectives and activities for the public benefit

The NHS Confederation's purpose is the relief of sickness, the preservation and protection of public health, and providing support to its members, associates and affiliates in their roles in improving health. Activities of the charitable group are carried out by subsidiaries on behalf of the charity.

Trustees have referred to the public benefit guidance published by the Charity Commission when reviewing the Confederation's aims and objectives and in planning future activities.

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Trustees' report for the year ended 31 March 2011

The NHS Confederation is unique in bringing together all parts of the healthcare system to help improve the health of patients and the public. We work closely with our members to identify and prioritise the issues that are most important to them and the NHS as a whole, and deliver work programmes to help tackle these issues.

The products and services we deliver to our members are:

- *Providing a voice for healthcare leaders: influencing and representing*
We work to influence key decisions and national policy developments on behalf of our members and provide a strong voice for healthcare leaders on issues of shared concern. We also support our specialist networks to provide members with a strong and autonomous voice on issues where their part of the NHS has a distinct view.
- *Sense-making: insight and analysis*
We help all of our members to make sense of an increasingly fluid and diverse healthcare system and keep abreast of the complex policy agenda – offering unique insight and analysis on the national political agenda and practical assessment of the impact of policy on the planning, commissioning and delivery of system-wide services.
- *Bringing people together: networking and learning*
We host a range of events and provide a number of networking and engagement opportunities with colleagues across all health and social care systems.

We also support our specialist networks – including the Ambulance Service Network, Primary Care Trust Network, Mental Health Network and the NHS Partners Network – to provide our members with a strong and autonomous voice on issues where their part of the NHS has a distinct view.

Finally, we provide added value to our members and the wider healthcare system through the delivery of industry-wide support functions, including:

- the NHS Employers organisation, that works to represent trusts in England on workforce issues
- the NHS European Office, that promotes the priorities and interests of the NHS to European institutions and provides information and advice to NHS organisations on relevant European Union developments
- the Service Delivery and Organisation Network and the Health Services Research Network, that help NHS organisations access and engage with health services research.

Our work and achievements 2010/11

Over the past year, we have been working hard to support our members at a time when the NHS has faced unprecedented financial pressures and simultaneously responded to health reforms that, if implemented, will lead to the biggest reorganisation in its history.

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We have been robust in representing our members' views to Government and policy-makers, and have continually stressed that policy-makers must listen to the people who will be responsible for implementing the policy in practice. We have also stressed that the proposed NHS reforms must focus sufficiently on the real problems facing the NHS – such as the financial squeeze and the need to better integrate services for patients – and have continued to seek greater clarity and assurance on behalf of our members about the nature and direction of the reform agenda.

While we have been working hard to respond to the reform agenda, we have not lost sight of the key issue affecting our members – how to maintain the quality of services while experiencing severe cuts in budgets. We know from the feedback we have received from members that they have found our work in this area particularly valuable.

Earlier in the year, we developed the 'Our priorities' section on our website to clearly reflect the work that we are undertaking on behalf of our members and help audiences navigate around the complex range of issues facing the NHS at this time. Below is a snapshot of some of the work that we have undertaken in 2010/11.

NHS reforms

Since the NHS reform programme was announced in July 2010, the NHS Confederation has worked extensively to gain the views of its members and effectively represent them to Government, policy-makers and key individuals responsible for developing the reform programme. We have supported our members in their efforts to help shape the proposed reforms by providing a number of channels for them to engage and feed in their views at each stage of the reform process.

More than 300 of our members fed into and helped shape our response to the Liberating the NHS white paper consultation in summer 2010. Our overall response included 40 suggestions for improving the new system and we proposed a ten-point action plan for managing the transition. We also responded to detailed elements of the reforms, including consultations on commissioning, the review of arm's length bodies, democracy and commissioning, healthcare regulation, and the outcomes framework.

We published a suite of briefings and reports during this period to help members keep abreast of and make sense of the proposed reforms – providing a practical assessment of their impact on different parts of the system and what this means for the NHS as a whole.

Following the pause in the reform programme, we played a key part in the debate as the Government's listening exercise drew to a close and it considered its next move on NHS reforms.

More than 40 members joined us in discussions with the Government's NHS Future Forum to put forward their concerns about the NHS reforms on issues including choice and competition, leadership, accountability, and education and training. Members' feedback formed a key part of our submission to the forum – The right reform for patients: the NHS Confederation's response to the Government's listening exercise on the Health and Social Care Bill 2011.

In our submission we strongly backed the idea of health service reform but said the case for the breadth of the Government's reforms had yet to be clearly made. We also stressed that we do not believe the proposed changes are sufficiently focused on the problems facing the NHS,

such as the financial squeeze, variability in the standards of care, and the need to better integrate services for patients.

We set out a number of recommendations on key areas of the reform programme, including public accountability and patient involvement, clinical leadership and advice from healthcare professionals, choice and competition, education and training, and helping the healthcare system pull together.

The fact that the Government has had to pause its reforms reflects the fact that insufficient attention was given to drawing on the knowledge of the people who work at the coalface and in the management of the NHS. It is essential now that the changes that emerge from the listening exercise command the support of those in the service who understand the practicalities of implementation.

We have urged the Government to establish a process whereby there is on-going dialogue with senior healthcare leaders and managers as the health reforms unfold and as the detail emerges. The NHS is under enormous pressure and the Government must provide clarity, quickly, in order to make it easier for the NHS to deliver financial stability and high-quality services for patients.

Public health reform

We produced an on-the-day briefing for members, setting out the main points of the "Healthy lives, healthy people" public health white paper following its publication in November 2010. In our initial response we supported shifting public health responsibilities to local authorities as we believe that councils have significant potential to impact on the causes of ill health within a local population. We also welcomed the focus on improving public mental health.

However, we stressed that cooperation and coordination between relevant organisations will be key to ensuring the system functions effectively. For this to be achieved we need further clarity on what incentives there will be to encourage each part of the system to work together and on who will have accountability for outcomes and performance.

We consulted extensively with our members between November 2010 and March 2011 to deliver our detailed response to the Government's public health white paper consultation. We produced our own consultation paper for members and in February held a member event to discuss the key challenges and opportunities associated with the reforms. We also gained feedback from more than 100 members through board meetings, events, policy seminars, telephone conversations and emails.

Our overall response identified the policy proposals that we feel are particularly important and how we think they can be taken forward as quickly as possible. It also set out the risks our members identified and recommended actions for averting them.

We emphasised the need for long-term stability in the new public health system, especially given that public health problems are generational and cannot be fixed through short-term solutions that fit within a political cycle. The system, in whatever form it takes, must be allowed time to 'bed in' and it will be important to avoid any radical changes early on.

We recently gave written and oral evidence to a new Health Select Committee inquiry on the public health reforms and will continue to work closely with our members to influence the shape

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of the new public health system.

Finance and efficiency

With healthcare leaders required to achieve efficiencies worth £15–20 billion over the next four years, while also tackling underlying increases in costs and demand, we have been a key voice in highlighting the extent of the financial challenge facing the NHS.

We generated questions and fed into a number of debates in both the House of Commons and the House of Lords on issues related to NHS funding.

We held discussions with our members to explore how the NHS might respond to the financial pressures – looking at areas such as providing care closer to home, managing long-term conditions to reduce costs, reducing variation, skill mix and substitution, organisational mergers, and integrating services.

In June 2010 we published a report, “Dealing with the downturn: using the evidence”, which explored both the upsides and pitfalls associated with some of these ideas and set out the myths versus reality about saving money in the system.

Our half-day conference in December 2010 looked at how clinical leaders could help address the financial challenges facing the health system. We published a joint report, Clinical responses to the downturn, with the British Medical Association, the Academy of Medical Royal Colleges and the Joint Medical Consultative Council, which set out practical recommendations on how clinicians in their own specialties can release NHS resources.

Finance and efficiency continues to form a key part of our work programme and we have outlined under ‘our priorities for 2011/12’ how we plan to support members in this area over the coming year.

Local government and social care

Our regular dialogue with the Local Government Association became more important than ever as we work to support strong relationships and effective joint working between the NHS and local authorities over the longer term.

We met regularly with the Association of Directors of Adult Social Services (ADASS) and ran a programme of joint events to discuss the implications of the NHS reforms. We also published a joint discussion paper, “Where next for health and social care integration”, to look at the issues associated with commissioning and providing integrated health and social services.

For 2011/12 we have committed to carrying out a range of activities with national partners from across health and social care to influence the shape of the new system and support the development of a joined-up approach to funding and provision of care over the longer term.

Quality and safety

We have been robust in our assertion that quality and patient safety must remain a priority as the NHS struggles to deal with the financial challenge and simultaneously implement the radical programme of reform.

Our report, “Feeling better? Improving patient experience in hospital”, explored the approaches of UK and United States hospital providers who have made significant progress in delivering

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patient-centred services. We also produced a factsheet, Putting patients and the public back into patient safety, which set out six questions that board members should ask in order to seek assurance that the patient voice is heard at the top of their organisation.

We are committed to ensuring that issues surrounding quality and patient safety do not slip down the agenda amidst efforts to make efficiency savings and implement NHS reform. We have set out in detail our work programmes in this area for the next 12 months on page 12.

Regulation

When the new Care Quality Commission (CQC) registration system was introduced for healthcare providers in April 2010, we surveyed our members to get a picture of how NHS trusts found the registration process. We used these findings to help underpin our discussions with the CQC regarding the future registration system.

We worked closely with our members to develop our response to the CQC consultation on registration fees. In particular, we raised concerns over the issue of cost neutrality and the need for the fee structure to be sufficiently flexible in order to accommodate changing patterns of service provision and emerging types of service provider across the NHS.

In our response to the CQC consultation on its revised enforcement policy in August 2010, we outlined our support for a number of the proposals put forward, but also expressed concern about the way in which the CQC will make decisions about how and when to use its different enforcement approaches. We asked that this be rationalised and simplified so that providers can clearly and easily understand when the CQC may intervene and in what way.

The issue of regulation gained further prominence in 2010 with the proposed changes to the regulatory system set out in the Health and Social Care Bill. We hosted three seminars, in October, November and January, on economic regulation, quality regulation and the overall system, to help members understand what is needed to achieve effective regulation within the context of the new regulatory framework.

We will continue to work closely with the CQC and Monitor in 2011/12 to ensure that we take an active role on behalf of our members in shaping the new regulatory system.

Workforce

As the NHS prepares to undergo radical restructuring, it has never been more important for healthcare leaders to effectively engage the NHS workforce and involve them in organisational change. The NHS Employers organisation, part of the NHS Confederation, has provided a range of resources and support services to help healthcare leaders successfully engage with their workforce and develop the right skills to meet the challenges during a period of change and transition.

Annual conference and exhibition

Our annual three-day conference and exhibition, 'Local leadership, national service', brought together over 1,800 leaders, policy-makers and healthcare professionals. As ever, the event, which focused on how the NHS can continue to drive up the quality of care for patients at a time of severe financial constraint, provided a unique opportunity for colleagues to come together, reflect, share learning and explore the challenges and solutions facing the NHS, both now and over the longer term.

Andrew Lansley provided the keynote address, his first major public speaking engagement in

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his role as Secretary of State for Health. Other high-profile speakers included Sir Michael Marmot, the author of Strategic review of health inequalities in England 2010, and Sir David Nicholson, chief executive of the NHS in England.

Our priorities 2011/12

Following feedback from our members, we know that making cost savings while maintaining the quality of services is their greatest concern over the next 12 months, as well as addressing the challenges of healthcare reform and understanding the transition to the new system.

In 2011/12 we will be focusing on each of these key areas, bringing members together with colleagues from across the health and social care system to tackle these issues.

We want our members to sit at the centre of each of these work programmes to ensure we are providing the services and support they really want and need. We will continue to regularly consult with our members – via a range of channels, including member working groups, polls and surveys – so that we can effectively represent their views and use their feedback to underpin and strengthen our influencing and external relations work.

We will continue to provide a collective and coherent voice for NHS leaders. Through our range of products and services – including our regular briefings, detailed reports, online communications and regional and national events – we will continue to deliver high-quality analysis and insight to help members make sense of the whole health system and determine how all the different parts of the NHS can add up to an effective whole in future.

In response to our members' feedback, we will also be developing new regional support services from April 2012 so that members can come together with colleagues to discuss the key issues at the local level.

Finance

Our work to support our members as the NHS strives to achieve the required efficiency savings will focus on the Quality, Innovation, Productivity and Prevention (QIPP) agenda, clinical responses to the downturn and managing rising demand.

We will work with members to highlight examples of successful QIPP activities and will produce a signposting report for NHS organisations which we will showcase on our website.

We will work alongside the National Institute for Health and Clinical Excellence (NICE) to encourage clinicians to identify areas where savings can be made alongside improvements to patient care. We will gain quality assurance on these examples from clinical experts and will publish them in a report for members.

We will also work with members to identify different approaches to managing rising demand and dealing with long-term conditions, and will publish our findings and the key learning points for NHS organisations.

Quality

We have begun work to establish a member commission that will focus on how the NHS and social care can put strong systems in place to ensure that the values, rights and

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responsibilities relating to care and compassion as set out in the NHS constitution, become a reality for older people and their families. As part of this we will arrange for experts and key professionals working across health and social care to appear before the commission to provide evidence on what will result in real changes in the system.

We will publish a report setting out the commission's findings and deliver a programme of activities to support implementation of the commission's recommendations.

Healthcare reform

Our work to help members to address the challenges of health reform and understand the transition to the new system will be driven by the nature and timetable of the reform programme.

We have continued our work to influence the direction of the reforms and feed in the views of our members during the pause in the reform process.

Looking ahead, we plan to run two seminars (one urban, one rural) to bring together the key players in a local health economy – including NHS providers, commissioning consortia, local authorities, independent sector providers and local involvement networks (LINKs) – to explore how the new system will function. We will publish the findings to help members think through the challenges in their own area and use the information to underpin our responses to consultations by national bodies.

We will also publish a series of briefings for members, summarising how the new system will work once the Health and Social Care Bill has been passed.

New commissioning landscape

The cultural change needed to introduce the new commissioning landscape cannot be underestimated and we are committed to supporting our PCT members as they work to facilitate the transition to the new commissioning arrangements and manage the challenges that this represents for their own organisations.

We have already begun to reflect the new PCT clustering arrangements within our membership and have opened up access to our products and services to emerging consortia within existing PCTs.

We have also been exploring with the Royal College of General Practitioners how we could work in partnership in the future to support future commissioners. We have agreed that we can provide best value to our respective members through delivering specific joint pieces of work designed to influence and support implementation of particular aspects of policy and practice. This is the most efficient and cost effective way of sharing resources and bringing the two organisations' complementary skills and expertise to the task.

We are already running a joint project on managing potential conflicts of interest within commissioning consortia as GPs take on the dual role of providing and commissioning NHS services. We also plan to develop joint briefings and deliver joint events on other topics where we have a clear and shared interest.

The NHS Confederation will be undertaking a variety of activities over the next 12 months

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to help develop its relationships and profile with a new audience of clinical commissioners. During this time we will scope out and test the development of a formal membership offer for commissioning consortia for 2012/13.

In the meantime, we will work to bring members together with new commissioning consortia organisations to discuss how we can collectively ensure the success of the new commissioning arrangements.

Working across health and social care

Integration

We are continuing to build strong links with the NHS Commissioning Board, Monitor, the Care Quality Commission and the Local Government Association (LGA), as well as national and local GP bodies and national and local social care bodies, in particular the Association of Directors of Adult Social Services (ADASS), to influence the shape of the new system and support the development of a joined-up approach to funding and provision of care over the longer term.

We also plan to gather intelligence on the extent of health and social care integration across the NHS and local government, and assess what impact clustering and the proposed NHS reforms are having on integration arrangements. We are currently looking at how we can best progress this area of work in light of the pause in the reform programme and potential changes to the proposed health and social care legislation.

In addition, we are scoping out a programme of work to support community providers in relation to their role in the development of integrated services.

The Dilnot Commission

In response to the Dilnot Commission on Funding of Care and Support, we are planning to run a workshop for members and representatives from local government to explore what Dilnot's recommendations mean for those working in health and social care. We will publish a report for members to share the findings and recommendations.

Public health

We will work with the LGA, health and well-being boards and commissioning consortia to explore the commissioning of public health services, and will publish briefings for members on the shape of the new public health system.

Working with our networks

We will support our specialist networks for ambulance trusts, mental health providers and independent sector partners to ensure that our members have a strong and autonomous voice on issues where their part of healthcare system has a distinct view.

We are continuing to work closely with an independent Foundation Trust Network (FTN) and support and engage our foundation trust members in our NHS-wide work programmes.

Members of our PCT Network are already going through significant changes as a result of the proposals set out in the Health and Social Care Bill. As outlined, we have started to reflect the new clustering of PCTs within our membership and have opened up access to our products and services to emerging consortia within existing PCTs. We will also be undertaking a variety

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of activities over the next 12 months to help develop our relationships and profile with a new audience of clinical commissioners.

In addition, we are developing services for those organisations that are not affiliated to any of our specialist networks, in particular for acute trusts, social enterprises and community service providers. In doing so, we can continue to effectively represent the full range of commissioners and providers working within the healthcare system.

Delivering key industry-wide support functions

We currently deliver a small number of industry-wide support functions for the NHS. The NHS Employers organisation, part of the NHS Confederation, works to represent trusts in England on workforce issues.

We also provide added value to our membership and the wider healthcare system through the work of the NHS European Office, the Service Delivery and Organisation Network and the Health Services Research Network.

As the Department of Health considers outsourcing some of the functions that are currently provided by government, we are well placed to assume delivery of some of these support services.

Where we believe it is in our members' interest, we will pursue these new opportunities and will channel any generated income back into the development and delivery of our member services.

Financial Review

The financial statements for the year are set out commencing on page 20.

Incoming Resources

Cumulative income from all sources shows a small increase relative to the previous 12 months. The area that we have seen most growth is in contracts of support for particular areas of work primarily from the Department of Health.

Resources Expended

Costs for the year have decreased significantly relative to the previous 12 months. This is due to the discontinuance of the investment by one of the charity's subsidiaries NHS Confederation (Employers) Company Ltd in a subscription service.

Matters arising in the subsidiary companies include:

NHS Confederation (Employers) Company Ltd [NHSE]

A new contract with the Department of Health, effective from 1 April 2010, was agreed on the 8 July 2010. This provides the basis for the company's main business activities and its ongoing financial security. Delivery of the requirements of the contract remains the main focus of the company for the three years to 31 March 2013. Under the terms of that contract the Department of Health has requested a reduction in the contract value of 10% in 2011/12. NHSE has put together a savings plan that ensures delivery of the contract at the reduced value.

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NHS Confederation Group Company [Group Co]

The NHS is set to undergo a radical restructure as a result of new healthcare legislation being implemented by the Government. The company needs to adapt and respond to these changes to ensure that it is able to effectively support members within this new context. Since the publication of the healthcare reforms, the company has been reviewing the shape of the organisation and, in consultation with its members, the future shape of its member offer to ensure it is best placed to serve NHS organisations going forward.

Due to these changes the company is facing significant uncertainties. The move of the commissioning of health care from Primary Care Trusts to GP Consortia will have an impact on the company's membership base and in response the company is looking to make significant cost savings in 2011/12 onwards. In addition, after consulting with members of the Foundation Trust Network [FTN], the directors agreed to FTN becoming an independent but connected organisation effective from 1 June 2011. In 2010/11 FTN represented 19% of the company's income, and changes to its status present additional uncertainties for the company. The terms of agreement for the change in status of the FTN are designed to mitigate against those uncertainties.

As a result of the changes highlighted above in both the NHS and the company's Networks, the directors and trustees anticipate significantly reduced income levels in the year to 31 March 2013 and accordingly the company has undergone a significant cost reduction plan.

Forecasts

The trustees have prepared financial forecasts for the group for the period to 31 March 2013. The main matters arising from the review are as follows:

- The forecast shows NHSE generating a surplus, before gift aid payments to the NHS Confederation, together with a positive cash balance sufficient to meet the company's forecast needs. The principal risks and uncertainties surrounding this forecast are the successful achievement of the cost reduction programme, and the continuation of the contract with the Department of Health.
- In respect of Group Co, the loss for the year and resulting deficit on reserves arises as a result of timing differences and disallowable expenses for tax purposes, necessitating a gift aid payment in excess of accounting profits. The forecast shows the company generating a surplus, before gift aid payments to the NHS Confederation, together with a positive cash balance sufficient to meet the company's forecast needs. The principal risks and uncertainties surrounding this forecast are the ongoing levels of membership, the continued financial success of the annual conference held each summer, and the successful achievement of further planned cost reductions.

Based upon their review of these forecasts, the trustees are satisfied that the group financial statements are properly prepared on a going concern basis.

Risk management

The trustees of the NHS Confederation are aware of their responsibilities as regards to risk management under the requirements of the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP). The principal risks and uncertainties facing the organisation include maintaining membership levels and income following government changes to the NHS and the independence of FTN from the NHS Confederation Group Company, the continued delivery of a major contract with the Department of Health, delivered

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by NHS Confederation Employers, and hence its annual renewal, together with the achievement of a cost reduction programme across the group. Risks are evaluated, reported and reviewed regularly at all levels within the organisation.

Reserves Policy

The trustees of the NHS Confederation reviewed and revised the reserves policy during the year in accordance with the risks that it faces. The target level for free reserves should be 6 months of running costs for those parts of the organisation dependant on membership income and 3 months of running costs for those parts of the organisations with contract income. The policy recognises the level of uncertainty relating to the different types of income generated by the NHS Confederation. Reserves are held as a precaution against adverse economic conditions and any consequent decline in subscription and contract income, whilst providing flexibility to diversify into income-generating activities in line with the organisation's objects. This policy will continue to be kept under annual review.

As at 31 March 2011 this equates to £6 million; the free reserves reported in these accounts of £5.7 million are slightly below this level however plans for 2011/12 show that by March 2012 the target set in the reserves policy will be met.

Investment Policy

The trustees have an approved policy regarding the utilisation of surplus cash balances during the year. The policy aims to optimise the income generated by surplus funds, whilst utilising only low risk, diversified bank term deposits and ensuring that sufficient cash is available to meet day-to-day requirements of payments to suppliers, staff and others.

Trustees' responsibilities

The trustees (who are also directors of The NHS Confederation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to

THE NHS CONFEDERATION

Trustees' report for the year ended 31 March 2011

show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustees is aware:

- there is no relevant audit information of which the charitable company's auditor are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor are aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board of Trustees on 1 September 2011 and signed on its behalf by

Sir Keith S Pearson JP
Chairman
1 September 2011

THE NHS CONFEDERATION

Independent auditor's report to the members of The NHS Confederation

We have audited the financial statements of The NHS Confederation for the year ended 31 March 2011 which comprise the consolidated statement of financial activities, the group and charity company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on pages 16 and 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2011 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

THE NHS CONFEDERATION

Independent auditor's report to the members of The NHS Confederation

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Carol Rudge

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

1 September 2011

THE NHS CONFEDERATION

Consolidated statement of financial activities for the year ended 31 March 2011

Income and Expenditure	Note	31 March 2011 £	31 March 2010 £
Incoming resources			
Incoming resources from generated funds			
Activities for generating funds	4	26,893	202,131
Investment income		109,168	111,258
Incoming resources from charitable activities			
Providing a voice	4	2,530,898	2,559,399
Sense-making		4,886,814	3,787,977
Bringing people together		4,414,663	4,889,758
Industry wide support functions		18,658,974	18,724,497
		30,491,349	29,961,631
Other income		396,008	385,808
Total incoming resources		31,023,418	30,660,828
Resources expended			
Costs of generating funds:			
Publication costs	5	30,837	49,974
Charitable activities:			
Providing a voice	5	2,450,946	2,648,046
Sense-making		4,644,401	4,711,874
Bringing people together		4,001,529	4,624,359
Industry wide support functions		14,852,755	21,895,174
		25,949,631	33,879,453
Governance costs	5	508,342	606,604
Other resources expended	8	16,284	55,820
Total resources expended		26,505,094	34,591,851
Net incoming / (outgoing) resources		4,518,324	(3,931,023)
Fund balances brought forward	13	1,435,261	5,366,284
Fund balances carried forward		5,953,585	1,435,261

All amounts relate to continuing activities
The notes on pages 23 to 32 form part of these financial statements.

THE NHS CONFEDERATION

Balance sheet at 31 March 2011

	Note	Group		Charity	
		2011 £	2010 £	2011 £	2010 £
Fixed assets					
Tangible fixed assets	9	217,833	432,387	217,833	432,387
Investments	10	-	300	-	200
		<u>217,833</u>	<u>432,687</u>	<u>217,833</u>	<u>432,587</u>
Current assets					
Debtors	11	6,245,704	9,671,386	1,727,819	223,095
Cash at bank		12,080,975	9,556,053	4,036,680	4,171,606
		<u>18,326,679</u>	<u>19,227,439</u>	<u>5,764,499</u>	<u>4,394,701</u>
Less Creditors: amounts falling due within one year	12	(12,590,927)	(18,224,865)	-	(474,695)
Net current assets		<u>5,735,752</u>	<u>1,002,574</u>	<u>5,764,499</u>	<u>3,920,006</u>
Net assets		<u>5,953,585</u>	<u>1,435,261</u>	<u>5,982,332</u>	<u>4,352,593</u>
Funds					
Unrestricted funds:					
Funds represented by fixed assets	13	217,833	432,687	217,833	432,687
Free reserves	13	5,735,752	1,002,574	5,764,499	3,919,906
Total Funds		<u>5,953,585</u>	<u>1,435,261</u>	<u>5,982,332</u>	<u>4,352,593</u>

The financial statements were approved by the Board of Trustees on 1 September 2011 and are signed on its behalf by

Sir Keith S Pearson JP
Chairman

1 September 2011

The notes on pages 23 to 32 form part of these financial statements.

THE NHS CONFEDERATION

Consolidated cash flow statement for the year ended 31 March 2011

	31 March 2011 £	31 March 2010 £	
Net cash inflow / (outflow) from operating activities	2,526,881	(2,039,215)	
Investment Income	109,168	111,258	
Capital expenditure and financial investments			
Purchase of tangible fixed assets	(111,428)	(99,704)	
Purchase of investment	-	(45,000)	
Sales of investment	300	-	
Increase / (decrease) in cash	2,524,921	(2,072,661)	
Balance brought forward	9,556,053	11,628,714	
Balance carried forward	12,080,974	9,556,053	
Reconciliation of net incoming resources to net cash inflow / (outflow) from operating activities			
	2011 £	2010 £	
Net incoming / (outgoing) resources	4,518,324	(3,931,023)	
Investment income	(109,168)	(111,258)	
Depreciation	273,770	489,260	
Disposal of fixed assets	52,212	-	
Impairment of investment	-	44,700	
Release of deferred grant	-	(151,158)	
Decrease / (increase) in debtors	3,425,682	(7,418,383)	
Increase / (decrease) in creditors	(1,647,262)	1,346,766	
Increase in deferred income	(3,986,677)	7,691,881	
Net cash (outflow) / inflow from operating activities	2,526,881	(2,039,215)	
Movement in cash			
	1 Apr 2010 £	Cash inflow £	31 Mar 2011 £
Cash at bank and in hand	9,556,053	2,524,922	12,080,975

The notes on pages 23 to 32 form part of these financial statements.

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in 2005.

There have been no changes in the accounting policies.

The consolidated accounts incorporate the financial statements of the charity and all of its subsidiary undertakings which are consolidated on a line by line basis. The parent charity has taken advantage of the exemption from the requirements to publish a separate income and expenditure account in accordance with Section 408 of the Companies Act 2006. The income of the parent charity was £1.6m (2010: £0.7m) and the expenditure was nil (2010: £0.2m). The group's result for the year includes net increases in funds which are dealt with in the statement of financial activities of the parent charity.

The results of the branches (European Office, Welsh Office and Northern Ireland Office), which are non autonomous, are included in full in the accounts.

Income

Subscriptions are for a 12 month period and income is recognised monthly in the year to which it relates.

Income from contracts arises principally from the Department of Health and is recognised on the basis of delivery of a plan for the year. Invoiced income not recognised in the period is deferred.

Other turnover represents income receivable in the year from third parties at invoiced amounts net of value added tax.

Deferred Income

Income invoiced in advance is accounted for as deferred income in the balance sheet and will be released to the income and expenditure account in the year to which it relates.

Expenditure

All expenditure is accounted for when incurred.

Charitable expenditure includes the direct costs of the activities and depreciation on related assets. Where such costs relate to more than one functional cost category, they have been split on the basis of the direct costs in that category.

Governance costs comprise costs relating to the constitutional and statutory requirements of the charity.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Computer and other equipment - 33.3% straight line (3 years)

Fixtures & fittings – 20%-33.33% straight line (5-3 years)

Assets are capitalised if their cost is greater than £2,000 individually or in aggregate if this is appropriate.

Funds

Designated funds are amounts which have been set aside at the discretion of the trustees for a specific but not legally binding purpose.

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

1 Accounting policies (*continued*)

Pension costs

Contributions to the group's money purchase pension scheme are charged to the statement of financial activities in the year in which they became payable.

The group has also made pension contributions to the NHS Scheme. Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the NHS Scheme is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the company has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

2 Subsidiary companies

All subsidiaries are wholly owned by The NHS Confederation. Their activities have been consolidated on a line by line basis in the statement of financial activities. They are involved in the following activities:

The NHS Confederation Group Company Limited	Perform charitable and trading activities for the NHS Confederation.
The NHS Confederation (Employers) Company Limited	Represent employers' activities and support NHS organisations on workforce issues.

During the year the following wholly owned subsidiaries were dissolved.

Future Healthcare Network Limited	The company did not trade during the year.
The NHS Confederation Trading Company Limited	The company did not trade during the year.
The NHS Confederation Project Company Limited	The company did not trade during the year.

3 Results and net assets of subsidiaries

	The NHS Confederation Group Co Ltd	The NHS Confederation (Employers) Co Ltd	Total 31 March Total 2011	Total 31 March Total 2010
	£	£	£	£
Turnover	13,446,643	18,133,408	31,580,051	30,549,571
Cost of sales	(9,789,577)	(12,111,372)	(22,329,991)	(27,758,952)
Gross profit	<u>3,657,066</u>	<u>6,022,036</u>	<u>9,250,060</u>	<u>2,790,619</u>
Administrative expenses	(2,654,991)	(2,598,604)	(4,824,553)	(5,588,308)
Other income	21,656	34,244	55,900	111,257
Net profit /(loss)	<u>1,023,731</u>	<u>3,423,432</u>	<u>4,481,407</u>	<u>(2,686,432)</u>
Gift aid	(1,167,038)	(409,499)	1,607,133	(378,199)
Retained profit / (loss) for the year	(143,307)	3,048,177	2,874,274	(3,064,631)
Assets	11,308,758	6,643,004	17,951,762	15,545,128
Liabilities	(11,498,711)	(6,481,798)	(18,011,106)	(18,417,989)

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

4 Incoming Resources

	31 March 2011 £	31 March 2010 £
Activities for generating funds		
Advertising / sponsorship	-	110,401
Publication income	26,893	91,730
	<u>26,893</u>	<u>202,131</u>

Incoming resources from charitable activities

	Membership fees £	Supporting development £	Conferences & events £	Workforce £	Total £
Incoming resources 2010/11					
Providing a voice	1,905,562	545,085	80,252	-	2,530,898
Sense-making	4,225,705	503,117	157,992	-	4,886,814
Bring people together	1,496,644	522,625	2,395,395	-	4,414,663
Industry wide support functions	20,696	477,689	27,182	18,133,407	18,658,974
	<u>7,648,606</u>	<u>2,048,515</u>	<u>2,660,820</u>	<u>18,133,407</u>	<u>30,491,349</u>
Incoming resources 2009/10	7,688,544	1,046,102	2,827,916	18,399,069	29,961,631

5 Resources expended

	Direct costs £	Support costs £	31 March 2011 £	31 March 2010 £
Costs to generate funds				
Publications	26,066	4,771	30,837	49,974
Costs of charitable activities				
Providing a voice	2,071,727	379,219	2,450,946	2,648,046
Sense-making	3,925,803	718,598	4,644,401	4,711,874
Bringing people together	3,382,399	619,130	4,001,529	4,624,359
Industry wide support functions	12,554,685	2,298,070	14,852,755	21,895,174
	<u>21,934,614</u>	<u>4,015,017</u>	<u>25,949,631</u>	<u>33,879,453</u>
Governance	429,690	78,652	508,342	606,604
	<u>22,390,370</u>	<u>4,098,440</u>	<u>26,488,810</u>	<u>34,536,031</u>

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

5 Resources expended (continued)

	31 March 2011 £	31 March 2010 £
Support costs		
Management	850,369	922,446
Finance	540,221	969,382
Information technology	996,161	1,121,525
Human resources	358,886	766,856
Accommodation	1,382,803	1,366,954
	<hr/>	<hr/>
	4,098,440	5,147,163
	<hr/> <hr/>	<hr/> <hr/>

6 Net movement in funds

	31 March 2011 £	31 March 2010 £
The net movement in funds is stated after charging:		
Auditors' remuneration		
- audit	62,973	79,622
- other services	52,963	23,180
Depreciation	273,770	489,260
Operating lease rentals		
- land and buildings	538,063	684,976
- other	67,852	45,317
	<hr/>	<hr/>

7 Employee emoluments

	31 March 2011 £	31 March 2010 £
Wages and salaries	10,356,240	10,728,122
Social security costs	942,736	966,736
Other pension costs	796,210	826,333
	<hr/>	<hr/>
	12,095,186	12,521,191
	<hr/> <hr/>	<hr/> <hr/>

Wages and salaries includes seconded and agency staff of £1,147,862 (2010 £1,087,683) and permanent employees costs of £9,028,378 (2010 £9,640,439).

The average weekly number of employees during the year was as follows:

Influencing	22	22
Making sense	39	36
Bringing people together	36	37
Industry wide	86	87
Support	39	43
	<hr/>	<hr/>
	222	225
	<hr/> <hr/>	<hr/> <hr/>

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

7 Employee emoluments (*continued*)

The following numbers of employees (including executive directors) received total emoluments in excess of £60,000 in the year in the bands shown:

	2011 Number	2010 Number
£230,000-£239,999	-	1
£180,000-£189,999	1	-
£170,000-£179,999	1	-
£160,000-£169,999	-	1
£150,000-£159,999	4	3
£140,000-£149,999	2	2
£130,000-£139,999	1	-
£120,000-£129,999	1	3
£110,000-£119,999	2	4
£100,000-£109,999	-	2
£90,000-£99,999	2	3
£80,000-£89,999	4	3
£70,000-£79,999	8	6
£60,000-£69,999	14	10

All staff are employed by the charity, with the exception of those staff that transferred from the Department of Health under TUPE legislation and who are employed directly by The NHS Confederation (Employers) Company Ltd. Pension contributions of £331,034 (2010: £371,278) were paid in respect of staff with emoluments exceeding £60,000.

The Chair of the Board of Trustees received remuneration from the NHS Confederation of £45,833 (2010: nil), all other trustees received no remuneration for their services. Expenses incurred on behalf of or reimbursed to the 13 (2010: 13) trustees during the year amounted to £24,021 (2010: £31,891) which related to travel, accommodation and subsistence.

8 Other resources expended

	2011 £	2010 £
Dissolution / transfer of subsidiary	16,284	55,820

9 Tangible fixed assets

Group and Charity	Furniture, fixtures & fittings £	Computers & other equipment £	Total £
Cost			
At 1 April 2010	1,835,616	1,863,206	3,698,822
Additions	92,273	19,155	111,428
Disposals	(1,385,461)	(1,536,111)	(2,921,572)
	<hr/>	<hr/>	<hr/>
At 31 March 2011	542,428	346,250	888,678
	<hr/>	<hr/>	<hr/>

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

9 Tangible fixed assets (*continued*)

	Furniture, fixtures & fittings £	Computers & other equipment £	Total £
Depreciation			
At 1 April 2010	1,606,472	1,659,963	3,266,435
Provision for the year	124,978	148,792	273,770
Disposals	(1,338,301)	(1,531,060)	(2,869,361)
	-----	-----	-----
At 31 March 2011	393,150	277,695	670,845
	-----	-----	-----
Net book value at 31 March 2011	149,278	68,555	217,833
	=====	=====	=====
Net book value at 31 March 2010	229,144	203,243	432,387
	=====	=====	=====

10 Investments

	Group		Charity	
	2011 £	2010 £	2011 £	2010 £
Investment in subsidiary undertakings	-	300	-	200
	-----	-----	-----	-----

Investments held by the charity at the beginning of the year of £ 200 represent investments in subsidiary companies at cost. These subsidiaries were dissolved during the year as no trading was taking place within them. The investment was written off against amounts due to the relevant companies.

During the year 30,000 shares valued at £300 held by the subsidiary The NHS Confederation (Employers) Co Ltd in the company e'Arcu were sold for £300.

11 Debtors

	Group		Charity	
	2011 £	2010 £	2011 £	2010 £
Trade debtors	5,399,245	8,823,713	-	-
Amounts due by subsidiary undertakings	-	-	1,727,819	223,095
Prepayments and accrued income	796,402	796,759	-	-
Other debtors	50,057	50,914	-	-
	-----	-----	-----	-----
	6,245,704	9,671,386	1,727,819	223,095
	=====	=====	=====	=====

All amounts shown under debtors fall due for payment within one year.

THE NHS CONFEDERATION

Notes forming part of the financial statements for the year ended 31 March 2011

12 Creditors: amounts falling due within one year

	Group		Charity	
	2011 £	2010 £	2011 £	2010 £
Trade creditors	1,151,382	1,340,463	-	85,201
Amounts due to subsidiary undertaking	-	-	-	389,494
Other creditors and accruals	1,624,108	3,165,536	-	-
Deferred Income	9,296,473	13,283,150	-	-
Other taxation and social security	518,964	435,717	-	-
	<u>12,590,927</u>	<u>18,224,866</u>	<u>-</u>	<u>474,695</u>

Deferred income

	Group		Charity	
	2011 £	2010 £	2011 £	2010 £
Balance brought forward	13,283,150	5,591,268	-	-
Movement in year	(3,986,677)	7,691,882	-	-
	<u>9,296,473</u>	<u>13,283,150</u>	<u>-</u>	<u>-</u>

Deferred income arises from subscription, events and contract income received in advance.

13 Unrestricted funds

	Opening balance £	Net income £	Closing balance £
Funds represented by fixed assets	432,687	(214,854)	217,833
Free reserves	1,002,574	4,733,178	5,735,752
	<u>1,435,261</u>	<u>4,518,324</u>	<u>5,953,585</u>

14 Commitments under operating leases

As at 31 March 2011 the group had annual commitments under non-cancellable operating leases as set out below:

	2011		2010	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Under 1 years	-	-	105,000	-
2 to 5 years	236,570	48,526	295,938	40,826
Over 5 years	286,513	-	287,231	-
	<hr/>	<hr/>	<hr/>	<hr/>
	523,083	48,526	688,169	40,826
	<hr/>	<hr/>	<hr/>	<hr/>

15 Contingent liabilities

Pensions

Federated Flexiplan No 1 ("the Plan") is a defined benefit pension scheme. However, because of the non associated multi-employer nature of the Plan, the Company is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis and therefore, as permitted by FRS 17 "Retirement Benefits", it accounts for the Plan as if it were a defined contribution scheme. As a result, the amount charged to the consolidated statement of financial activities represents the Company's contributions payable to the Plan in respect of the accounting period.

The latest actuarial valuation of the Plan was at 31 March 2010 and was conducted under the scheme funding regime introduced by the Pensions Act 2004. There is currently some uncertainty over the interpretation of the Plan rules and the benefits to be provided to some members (and hence liabilities). The valuation has been carried out on two bases reflecting the uncertainty over whether certain benefits should be provided on a 'Pensions Capital' basis or a 'Target Pension' basis. A final decision as to which will apply will be made as a result of an application being made to the High Court and a decision is expected during 2012.

'Pensions Capital' Basis

On a 'Pensions Capital' basis contributions paid by and in respect of deferred members are accumulated at 4% p.a. for those paid prior to 30 September 2005 and 2% p.a. for those paid after 29 September 2005, subject to statutory minimum increases. At the valuation date, the value of the assets of the Plan was £65.188 million and the value of the Plan's technical provisions on a 'Pensions Capital' basis was £75.453 million indicating a deficit of £10.265 million. The assets therefore were sufficient to cover 86% of the benefits that had accrued to members.

Target Pension' Basis

On a 'Target Pension' basis benefits are subject to statutory revaluation requirements in deferment and are therefore assumed to increase with inflation expectations. At the valuation date, the value of the assets of the Plan was £65.188 million and the value of the Plan's technical provisions on a 'Target Pension' basis was £92.859 million indicating a deficit of £27.671 million. The assets therefore were sufficient to cover 70% of the benefits that had accrued to members.

15 Contingent liabilities (*continued*)

A recovery plan has been agreed to deal with the deficit on a 'Target Pension' basis. Contributions of £2.696 million p.a. will be payable from April 2011 for a period of 10 years. This period will be reduced (but the annual contributions remain fixed) should the outcome of the court case be that the 'Pensions Capital' basis is applicable. The Company is to pay a share of these annual contributions, £72,425 per annum based on its share of the liabilities on a Scheme Funding basis. The next formal triennial actuarial valuation is due as at 31 March 2012. The contribution rate will be reviewed as part of each valuation.