The Royal Wolverhampton Hospitals NHS Trust

Trust Board Report

Meeting Date:	27 June 2011
Title:	Audited Annual Accounts
Executive Summary:	See below
Action Requested:	To approve the Audited Accounts for 2010/11
Report of:	Director of Finance and Information
Author: **Contact Details:**	Kevin Stringer, Director of Finance and Information 01902 695954 Email: kevin.stringer@nhs.net
Resource Implications:	None
Public or Private: **(with reasons if private)**	Public
References: **(eg from/to other committees)**	Approved by the Audit Committee
Appendices/References **Background Reading**	The Board are asked to formalise the approval of the 2010/11 accounts
NHS Constitution: **(How it impacts on any decision-making)**	In determining this matter, the Board should have regard to the Core principles contained in the Constitution of: - Equality of treatment and access to services - High standards of excellence and professionalism - Service user preferences - Cross community working - Best Value - Accountability through local influence and scrutiny

Background Details

- The Annual Accounts have been audited by independent auditors, PricewaterhouseCoopers and should be read in conjunction with their audit opinion and ISA 260 report.
- Particular reference to the statement of responsibilities of the Chief Executive and Directors should be studied together with the statement on internal control.
- The four key statements:- Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Taxpayers Equity and Cash Flow Statement; summarise the overall performance of the Trust in 2010/11.

The Royal Wolverhampton Hospitals NHS Trust

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

The Trust is domiciled in the United Kingdom and the Trust is governed under the National Health Service Act 2006 in the form which the Secretary of State has, with the approval of the Treasury, directed.

The Trust's principal place of business is New Cross Hospital, Wednesfield, Wolverhampton, West Midlands, WV10 0QP

Data entered below will be used throughout the workbook:

Trust name:	The Royal Wolverhampton Hospitals NHS Trust
This year	2010-11
Last year	2009-10
This year ended	31 March 2011
Last year ended	31 March 2010
This year commencing:	1 April 2010

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

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the Trust;

- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, 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.

Signed: ....Chief Executive

Date: ....

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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 the accounts.

By order of the Board

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

................................Date...Finance Director

Statement on Internal Control 2010/11

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.

In my role as Chief Executive of the Trust I fulfil my own responsibilities as its Accountable Officer in close association with the Chief Executive and senior officers of the West Midlands Strategic Health Authority (the SHA) and the Chief Executives of the local Primary Care Trusts. Governance and risk issues are regularly discussed at a variety of Health Economy wide forums, including formal review meetings with the SHA and monthly meetings of Chief Executives.

2. The Purpose of the System on 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:

o identify and prioritise the risks to the achievement of the organisation’s policies, aims and objectives,

o 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 The Royal Wolverhampton Hospitals NHS Trust for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

3. Capacity to Handle Risk

The Trust has a Board approved Integrated Governance Strategy, which identifies that the Chief Executive has overall responsibility for risk management within the Trust. All managers and clinicians accept the management of risks as one of their fundamental duties. Additionally the strategy recognises that every member of staff must be committed to identifying and reducing risks. To this end the Trust:

o promotes an environment of accountability to encourage staff at all levels to report when things go wrong, allowing open discussion to prevent their re-occurrence;

o Provides all staff with access to risk management information, advice, instruction and training. Risk management is also included in the core staff induction programme. The level of training varies according to need and is assessed as part of the annual formal staff appraisal process;

o Promotes good governance practice which is disseminated using a variety of methods including training sessions provided by risk professionals; Divisional governance meetings; all user bulletins; staff intranet and other staff briefing sessions;

o Identifies in Policy OP01 (Development and Control of Trust Policies) the need for financial risk assessments to be carried

o Identifies the components of good corporate governance (Policy GP01) including adopting the seven Nolan principles of Standards of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These support the Trust’s duty of care to patients, staff and effective use of resources.

Statement on Internal Control 2010/11 (Continued)

4. The Risk and Control Framework

The Board-approved Integrated Governance Strategy includes the following:

- The aims and objectives for risk management in the organisation.
- A description of the relationships between various corporate committees.
- The Assurance Framework.
- The identification of the roles and responsibilities of all members of the organisation with regard to risk management, including accountability and reporting structures.
- The promotion of risk management as an integral part of the philosophy, practices and business plans of the organisation; a description of the whole risk management process and a requirement for all risks to be recorded, when identified, in a risk register and prioritised using a standard scoring methodology.

The risk management process is an integral part of good management practice and the aim is to ensure it becomes part of the Trust's Business Planning process and budget setting and performance review frameworks. The risk management process is supported by a number of policies which relate to risk assessment, incident reporting, training, health and safety, violence and aggression, complaints, infection prevention, fire, human resources, consent, manual handling and security.

The Assurance Framework identifies the risks to the Trust's strategic objectives, the key controls in place to manage these risks and the level of assurance with regard to the effectiveness of the controls. The framework identifies any gaps in both the controls and the assurances that the controls are effective.

During 2010/11 the Assurance Framework has been reviewed and amended at least quarterly by the Board Assurance Committee and monthly by Executive Directors and Trust Board, to ensure it remains aligned with the Trust's strategic objectives and the key risks to their achievement. Controls and management actions are in place for all risks identified and these are reviewed for effectiveness. High level risks addressed within year include:

- Impact of the economic climate
- Delivery of recurrent efficiency gains and Cost Improvement Programme
- Achievement of new Information Governance training target (see information governance toolkit below)
- Radiology Results reporting

Future high level risks for which there are management actions and controls include:

- Development of service line reporting

The Trust will continue to maintain a comprehensive risk register, to hold details of risks at all levels throughout the organisation including residual risk that incorporates the impact of mitigating actions. Training will continue within Divisional Management Teams to ensure their identified risks map across to the Trust's Strategic Risk Register and are reflected in their own Business Plans.

As Chief Executive, I attend the Local Authority Overview and Health Scrutiny Panel in Wolverhampton where the following range of topics have been discussed with members:-

- Development of Dementia Care Services - preparing for an ageing population;
- Trauma care in the West Midlands;
- Staffing levels and the ward provision; and
- The Trust's registration with the Care Quality Commission.

Statement on Internal Control 2010/11 (Continued)

Compliance with Equality, Diversity and Human Rights Legislation

A review has taken place to identify areas of weakness and non compliance with the new Equality Act 2010 and control measures are being put in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

NHS Pensions

As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme records are accurately updated in accordance with the timescales detailed in Regulations.

Compliance with Climate Change and Carbon Reduction Requirements

As part of the Trust overall long term strategic plan, the Trust will identify the potential impact of climate change on the Trust and this will form the basis of an Adaptation Plan to support its emergency preparedness and civil contingency requirements, as based on the UK Climate Projections 2009 (UKCP09). This will ensure that this organisation's obligations under the Climate Change Act are met. The Trust will review the Adaptation Plan annually.

The Trust has met the national target to achieve a 15% reduction in primary energy consumption on 2003/04 levels by 2010 and has established a formal governance and reporting structure to support delivery of future national and local targets to reduce carbon emissions. The Trust will participate in the Carbon Reduction Commitment from 2010.

Care Quality Commission - Essential standards of Quality and Safety (ESQS)

The Trust registered (without compliance conditions) with the Care Quality Commission in April 2010.

The Trust had undertaken quarterly reviews of its corporate compliance with the ESQS and has developed a system for ongoing monitoring at operational level. To support compliance management the Trust has purchased an IT system Performance Accelerator to enable compliance assessment, monitoring and reporting at all levels of the Trust.

Work commenced in 10/11 to manage ongoing compliance with CQC regulation includes:

- Assignment of Director and operational leads for regulation compliance
- Review of regulation compliance at corporate and operational levels
- Report of corporate compliance at trust level
- Guided compliance judgements against each prompt with example evidence at operational level
- Collation of trust responses and cross reference with trust Quality and Risk Profile
- Performance accelerator training rolled out to staff in Jan 11
- Operational level self assessments commenced
- Validation of self assessment with result outcomes linked to audit, KPIs and other outcome measures – ongoing progress.

The Trust is committed to continuous improvement in patient safety and quality through regular evaluation of its systems and processes; and proactively seeking out opportunities for innovation and development.

The Trust continues to build upon its internal evidence and assurance infrastructure in order to sustain performance and meet future demands.

Supporting the Trust's declaration are the following achievements:

- Rated 'Excellent' for Quality of Service in 2009 (no rating given in 2010 – Quality of care judged from Registration without compliance conditions)
- NHSLA Level 2 General Standards
- NHSLA level 1 Maternity Standards

The Trust declared full compliance with CQC essential standards of quality and safety.

Statement on Internal Control 2010/11 (Continued)

Information Governance

Information Governance 2010-11

The Trust has an Information Governance Steering Group (IGSG) which is chaired by the Caldicott Guardian. The Group gathers evidence and assurance across the 6 broad initiatives within the Information Governance Toolkit which spans the corporate and clinical areas of the Trust. The Trust Information Governance Statement of Compliance (IGSoC) is assessed on an ongoing and annual basis to ensure connection to the NHS National Network (N3) and the use of the NHS Care Records Service applications. The Information Governance Steering group reports to the Board Assurance Committee.

The Information Governance Toolkit version 8 for 2010-11 requires all standards to be achieved at minimum level 2. The Trust score for 2010-11 is 73% (overall) with 2 areas not achieving the level 2 target of by 31st March 11. Actions to progress the two areas not yet achieving level 2 are in place.

In 2010/11 the Trust has moved to NHSmail which is the secure email and directory service for NHS staff provided by Connecting for Health. Other areas of work progressed include reviews of personal data flows, both internally and to other Health care bodies. In order to mitigate the risks associated with these flows, safe haven procedures and IT security measures such as encryption are being implemented.

Over the next financial year work will be rolled out to refresh and merge the work on data flows and corporate records inventories done in previous years into an Information Asset Register for each area. This will be used to assess the risks around the use and storage of our information in line with the NHS Records Management Code of Practice. Actions from this work will be linked into and monitored through department risk registers with regular reports being provided to the SIRO on any residual risk or issues.

Work has also been ongoing to implement the online Information Governance Training Tool, provided by Connecting for Health. The training initiative provides guidance and information to all staff on good practice to ensure necessary safeguards for the appropriate use of, corporate, patient and personal information. This work will support the management of risks to information security and confidentiality incidents related to human error, by raising staff awareness and knowledge of good practice, policy and legislation in Information Governance.

Risks to information security are managed and controlled via the Trust incident reporting mechanism, and Risk Registers. Trust policy and training provides guidance on safe practice, the necessary reporting and review of risks and incidents at governance meetings. Any serious incidents/risks are reviewed by the Information Governance Steering Group, who can escalate to the Senior Information Risk Owner appropriately. There has been 1 Serious Untoward Incident (SUI) involving personal data in 2010/11, detailed below:

SUMMARY OF SERIOUS UNTOWARD INCIDENTS INVOLVING PERSONAL DATA AS REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2010-11				
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
May	Loss/theft of inadequately protected electronic equipment, devices or paper documents from secured NHS premises.	Scanned images of ITU charts. Name; address; NHS No.	103	Individuals notified by post
Further action on information risk	The Trust will continue to monitor and assess its information risks, in light of the events noted above action has been taken on the recommendations made by the ICO in relation to this SUI in order to continually improve our systems and process around safeguarding our records.			

The Trust has sought the views of various stakeholder groups through 2010/11 including

o Holding a stakeholder event at the preliminary planning stage of the single emergency portal project to develop a stakeholder brief setting out the needs and requirements of both our local geographic community and several local communities of interest. This brief was subsequently fed into the service design considerations at the Trust.

o Patient and visitor feedback told us that hospital signage is considered poor and inconsistent. The Trust therefore organised the Navigating New Cross event, engaging with various groups including learning disability and vision impaired groups to test out the proposed new signage system prior to purchase. The feedback gathered from the event has fed into the signage development plan.

o Stakeholders have played a key role in deciding on the Quality Account priorities for 2011/12, a prioritisation event was held to understand the key issues for the local community, this has directly shaped the final priorities chosen.

o A patient information reading group has been established to feedback on the readability, content and style of all new patient information developed by the Trust whilst in draft form to ensure all patient information is accessible and useful. The group is made up of members, volunteers and patient representatives.

Statement on Internal Control 2010/11 (Continued)

Transferring Community Services

As required to deliver the transformation of community services responding to the vision set out within the DoH document published in 2009 – Transforming Community Services: Enabling new patterns of provision (TCS), the Trust undertook the acquisition of Wolverhampton City Primary Care Trust (WCPCT) community services as at 1 April 2011.

The key risks to the organisation were the potential loss of focus on community services, business continuity, particularly around IT, procurement, payroll and information systems, and the new organisations capacity and capabilities to deliver the service after the transfer.

To mitigate the risk the Trust

o established a revised performance framework which covered business, clinical and financial performance to give the Board assurance that senior management and clinical leads would be able to effectively manage and monitor the performance of the organisation during the transition phase and beyond.

o put in place a TCS risk register which was updated regularly as the transfer progressed to ensure effective management of risk. TCS also forms part of the Trust's Assurance Framework, which is updated and amended in line with other risks to the Trust's strategic objectives.

o was assisted by the West Midlands Strategic Health Authority (SHA) who evaluated the plans presented by the Trust and WCPCT. Members from the Trust Board along with executive and non executive members from WCPCT participated in the assurance process, and full approval for the vertical integration of community services was given by the SHA and the Department of Health. Further approval was given by the Co-operation and Competition Panel and Monitor, the regulator for foundation trusts, for the transaction to take place on 1 April 2011.

The Trust continues to move forward with the transformation phase of the transaction which will result in there being one quality and governance framework which combines best practice to improve accountability and ensure efficient and effective governance.

In addition a Transaction Implementation Steering Committee has been established to take forward the transformation phase of TCS reporting to the Trust's Management Team and the Board.

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:

o 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. The overall level of the Head of Internal Audit Opinion is significant assurance.

o Executive Directors within the Trust who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

o The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the Trust achieving its principal objectives have been reviewed.

o By reports and comments made by the External Auditor, the Care Quality Commission, NHS Litigation Authority assessors, clinical auditors, accreditation bodies and peer reviews.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board, which is supported by:-

o Audit Committee, which considers the annual plans and reports of both the External and Internal Auditors;

o Board Assurance Committee, which reviews the Strategic Risk Register, Assurance Framework and risk identified through trends identified as part of performance management, clinical governance, patient complaints and patient liaison activity;

o Quality and Safety Committee, which reviews clinical care against Key Performance Indicators set to monitor clinical governance performance against national standards e.g., Care Quality Commission Standards for Better Health, NHS Litigation Authority (NHSLA) Risk Management Standards and National Patient Agency reporting standards; as well as monitoring the effectiveness of action plans linked to identified Health and Safety and Clinical Serious Untoward Incidents;

o Infection Prevention and Control Committee, which approves the infection prevention programme for the year and monitors progress. It reviews divisional infection prevention performance, incidents and learning, to ensure achievement of local and national targets. It reviews Trust achievement against Hygiene Code standards.

o Internal Audit, which carries out a continuous review of the internal control system and reports the results of reviews and recommendations for improvements in control to management and the Trust's Audit Committee.

o Special Reviews are undertaken from time to time by External Audit, NHSLA Auditors and the HSE as well as other various external bodies. Peer reviews are also undertaken.

Statement on Internal Control 2010/11 (Continued)

5. Review of Effectiveness (Continued)

Plans to address weaknesses and ensure continuous improvement of the system are in place, which include:

- o regular reviews of Divisional Management Teams' and individual Directors' risk registers;
- o reviews of potential risks affecting the delivery of strategic objectives;
- o action plans to address recommendations made by Internal Audit.

The Draft Annual Internal Audit Opinion gave significant assurance that there is generally a sound system of internal control in place designed to meet the organisation's objectives, and that there were no significant internal control issues.

Whilst not significant issues in themselves, the Trust recognises the control weaknesses identified and the improvements undertaken in the year, in relation to the reviews of Consultants' Job Planning, Policy Management, Patient Experience, Private Patients' Income, Bank and Agency Staff Use and Cost Improvement Planning which may put the achievement at risk of the Trust objectives within the four following areas:-

- o Being the employer of choice;
- o Providing our patients and staff with a safe environment;
- o Achieving a balance between demand and capacity of services; and
- o Delivering services within financial allocations.

6. Statement on Internal Control

As Accountable Officer, my review confirms that The Royal Wolverhampton Hospitals NHS Trust throughout 2010/11 had a generally sound system of internal control that supported the achievement of its policies, aims and objectives. Furthermore, any internal control issues have been, or are being, addressed, and the Statement on Internal Control is a balanced reflection of the actual control position.

Signed:

Date:

David Loughton CBE
Chief Executive

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	**2010-11 £000**	2009-10 £000
Revenue			
Revenue from patient care activities	3	**279,144**	264,077
Other operating revenue	4	**26,879**	25,753
Operating expenses	6	**(289,395)**	(280,827)
Operating surplus		**16,628**	9,003
Finance costs:			
Investment revenue	11	**67**	64
Other gains and losses	12	**4**	(6)
Finance costs	13	**(928)**	(1,073)
Surplus for the financial year		**15,771**	7,988
Public dividend capital dividends payable		**(7,407)**	(7,108)
Retained surplus for the year		**8,364**	880
Other comprehensive income			
Impairments and reversals		**(1,584)**	(22,914)
Gains on revaluations		**11,140**	21,274
Receipt of donated/government granted assets		**229**	58
Reclassification adjustments:			
- Transfers from donated and government grant reserves		**(412)**	(354)
Total comprehensive income (expense) for the year		**17,737**	(1,056)

The notes on pages 13 to 43 form part of these accounts.

Reported NHS financial performance position Adjusted retained surplus

Retained surplus for the year	**8,364**
IFRIC 12 adjustment	**(719)**
Impairments	**319**
Reported NHS financial performance position [Adjusted retained surplus]	**7,964**

The Trust's Reported NHS financial performance position is derived from its Retained surplus, but adjusted for the following:-

a) Impairments to Fixed Assets; 2009-10 was the final year for organisations to revalue their assets to a Modern Equivalent Asset (MEA) basis of valuation. An impairment charge is not considered part of the organisation’s operating position.

b) The revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10) - NHS Trusts’ financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation’s operating position.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	NOTE	**31 March 2011 £000**	31 March 2010 £000	1 April 2009 £000
Non-current assets				
Property, plant and equipment	14	**243,180**	224,620	227,170
Intangible assets	15	**779**	889	585
Trade and other receivables	19	**556**	882	1,936
Total non-current assets		**244,515**	226,391	229,691
Current assets				
Inventories	18	**4,744**	4,576	3,945
Trade and other receivables	19	**15,529**	12,548	9,185
Cash and cash equivalents	20	**11,786**	9,583	17,356
		32,059	26,707	30,486
Non-current assets held for sale	21	**800**	800	800
Total current assets		**32,859**	27,507	31,286
Total assets		**277,374**	253,898	260,977
Current liabilities				
Trade and other payables	22	**(29,935)**	(24,348)	(23,428)
Borrowings	23	**(2,076)**	(2,095)	(1,945)
DH Working Capital Loan		**0**	0	(1,100)
Provisions	28	**(1,726)**	(1,544)	(2,782)
Net current assets/(liabilities)		**(878)**	(480)	2,031
Total assets less current liabilities		**243,637**	225,911	231,722
Non-current liabilities				
Borrowings	23	**(7,389)**	(7,339)	(8,753)
DH Working Capital Loan		**0**	0	(3,300)
Provisions	28	**(497)**	(558)	(599)
Total assets employed		**235,751**	218,014	219,070
Financed by taxpayers' equity:				
Public dividend capital		**170,082**	170,082	170,082
Retained earnings		**(5,299)**	(11,456)	(12,336)
Revaluation reserve		**68,883**	57,184	58,824
Donated asset reserve		**1,895**	2,014	2,310
Other reserves		**190**	190	190
Total taxpayers' equity		**235,751**	218,014	219,070

The financial statements on pages 9 to 43 were approved by the Board on 7th June 2011 and signed on its behalf by:

Signed: ………………………………… Date: ……………………

David Loughton CBE
Chief Executive

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY (SOCITE)

FOR THE YEAR ENDED 31 MARCH 2010	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
Balance at 31 March 2009	170,082	(12,336)	58,824	2,310	0	190	219,070
Changes in taxpayers' equity for 2009-10							
Total comprehensive income for the year:							
Retained surplus/(deficit) for the year		880					880
Impairments and reversals			(22,792)	(122)	0		(22,914)
Net gain on revaluation of property, plant, equipment			21,152	122	0		21,274
Receipt of donated/government granted assets				58	0		58
Reclassification adjustments: transfers from donated asset/government grant reserve				(354)	0		(354)
Balance at 31 March 2010	170,082	(11,456)	57,184	2,014	0	190	218,014
Effect of change in policy on operating surplus/ impairments and reversals, and land leases		0	0				0
Restated Opening Balance as at 1 April 2010	170,082	(11,456)	57,184	2,014	0	190	218,014

FOR THE YEAR ENDED 31 MARCH 2011	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
Balance at 1 April 2010	170,082	(11,456)	57,184	2,014	0	190	218,014
Changes in taxpayers' equity for 2010-11							
Total comprehensive income for the year							
Retained surplus/(deficit) for the year		8,364					8,364
Impairments and reversals			(1,584)	0	0		(1,584)
Net gain on revaluation of property, plant, equipment			11,076	64	0		11,140
Receipt of donated/government granted assets				229	0		229
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves		(2,207)	2,207				0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve				(412)	0		(412)
Transfers between reserves		0	0	0	0	0	0
Balance at 31 March 2011	170,082	(5,299)	68,883	1,895	0	190	235,751

The movements in other reserves is to eliminate negative reserve balances held in the revaluation reserve of £2,207,000

Public Dividend Capital (PDC). When NHS trusts were first established, everything they owned, land, buildings, equipment and working capital was transferred to them from the government. The value of these assets is in effect the public's equity stake in the new NHS trusts and is known as public dividend capital (PDC). It is similar to company share capital and, as with company shares, a dividend is payable to the Department of Health. This dividend is calculated at 3.5% of average net relevant assets.

The Retained earnings figure is the cumulative surplus/(deficit) made by the Trust since its inception. It is held in perpetuity and cannot be released to the SOCITE.

The Revaluation reserve reflects movements in the value of property, plant & equipment and intangible assets as set out in the accounting policy. The Revaluation reserve balance relating to each asset is released to the Income and Expenditure reserve on disposal of that asset.

The Donated Asset reserve shows the value of assets donated to the Trust.

Other reserves arose at the time of inception of the Trust and are considered likely to remain at their present value.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Operating surplus		**16,628**	9,003
Depreciation and amortisation	14 & 15	**12,831**	14,427
Impairments and reversals	14	**319**	7,487
Transfer from donated asset reserve	4	**(412)**	(354)
Interest paid	13	**(911)**	(1,059)
Dividends paid	SOCI	**(7,407)**	(7,108)
(Increase)/decrease in inventories	18	**(168)**	(631)
(Increase)/decrease in trade and other receivables	19	**(2,655)**	(1,897)
Increase/(decrease) in trade and other payables	22	**5,211**	2,228
Increase/(decrease) in provisions	28	**104**	(1,293)
Net cash inflow/(outflow) from operating activities		**23,540**	20,803
Cash flows from investing activities			
Interest received	11	**67**	64
(Payments) for property, plant and equipment	14	**(19,570)**	(21,810)
Proceeds from disposal of plant, property and equipment	14	**4**	2
(Payments) for intangible assets	15	**(120)**	(487)
Net cash (outflow) from investing activities		**(19,619)**	(22,231)
Net cash inflow/(outflow) before financing		**3,921**	(1,428)
Cash flows from financing activities			
Loans repaid to the DH		**0**	(4,400)
Other capital receipts		**229**	0
Capital element of finance leases and PFI		**(1,947)**	(1,945)
Net cash (outflow) from financing		**(1,718)**	(6,345)
Net increase/(decrease) in cash and cash equivalents		**2,203**	(7,773)
Cash at the beginning of the financial year		**9,583**	17,356
Cash at the end of the financial year	20	**11,786**	9,583

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010-11 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow EU endorsed International Financial Reporting Standards and IFRICs to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property and plant and equipment.

1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.2.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Leases

The Trust applies the tests contained in IAS17 to all of its present and proposed leases in order to ascertain if they should be classed as operating or finance leases. Often the information available may be inconclusive and therefore judgement is made regarding the transfer of the risks and rewards of ownership of the associated assets in order that a decision may be made.

1.2.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Useful economic lives of assets

The Trust estimates the useful economic lives of its non current assets. Every care is taken to ensure that estimates are robust however factors such as unforeseen obsolescence or breakdown may impact on the actual life of the asset held.

- Provisions

When considering provisions for events such as pension payments; NHSLA claims and other legal cases the Trust uses estimates based on expert advice from agencies such as the NHS Litigation Authority and the experience of its managers.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.3 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

1.4 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

1.5 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, may also be treated as grouped for capitalisation purposes.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. In accordance with the latest RICS guidance, depreciated replacement cost valuations are based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

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

Until 31 March 2009, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2009 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Notes to the Accounts - 1. Accounting Policies (Continued)

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income. A transfer is required from the revaluation reserve to the retained earnings representing the lower of the impairment charged and the balance for the asset in the revaluation reserve.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust’s business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

Measurement

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

Notes to the Accounts - 1. Accounting Policies (Continued)

1.8 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives.

At each reporting period end, the trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

Useful economic life in years for depreciation/amortisation are as follows:
Buildings (excluding Dwellings) between 3 and 60 years.
Dwellings between 9 and 38 years.
Plant and machinery between 5 and 15 years.
Transport equipment over 7 years.
Information Technology between 4 and 5 years.
Furniture and fittings between 7 and 10 years.
Intangible Assets between 4 and 5 years.

1.9 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings. Where a donated asset occurs an impairment charge as a result of a loss of economic benefit a charge is made to the operating expenses of the Trust and a compensating transfer made from the Donated Asset reserve to operating income.

1.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the Revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

Notes to the Accounts - 1. Accounting Policies (Continued)

1.11 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

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

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

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

The Trust as lessor

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

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

1.12 Private Finance Initiative (PFI) transactions

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

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

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs.

Services received

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

PFI Asset

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

Notes to the Accounts - 1. Accounting Policies (Continued)

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

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

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

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

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

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

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

Assets contributed by the Trust to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the Trust's Statement of Financial Position.

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

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

1.14 Cash and cash equivalents
Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.15 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2%, except for early retirement provisions and injury benefit provisions which use the HM Treasury's pension discount rate of 2.9% in real terms.

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.16 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust, are included within their accounts and not included within the Trust's accounts however the value is disclosed at note 28.

1.17 Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

1.18 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

Notes to the Accounts - 1. Accounting Policies (Continued)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.19 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

Loans and receivables

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

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

At the end of the reporting period, the Trust assesses whether any financial assets, other than those held at ‘fair value through profit and loss’ are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced directly.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.20 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.21 Value Added Tax
Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.22 Foreign currencies
The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions.

1.23 Third party assets
Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 35 to the accounts.

1.24 Public Dividend Capital (PDC) and PDC dividend
Public dividend capital represents taxpayers' equity in the NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. The dividend payable is based on the actual average relevant net assets as shown in the draft accounts for the year instead of forecast amounts.

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of any provisions for such payments.

1.26 Operating Segments
The Trust does not carry out activities of material value that would warrant disclosures under the segmental reporting requirements. The Trust operates one main reportable segment, which accounts for almost all external revenue and expenditure. In addition, activities within this segment are for services of a similar nature and for a similar class of customer and any further categorisation of this segment would not provide any clearer evaluation of the Trust's activities nor the economic environment in which it operates.

Notes to the Accounts - 1. Accounting Policies (Continued)

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

IASB standard and IFRIC interpretations
The following accounting standards have been issued but have not yet been adopted. NHS bodies cannot adopt new standards until they have been adopted in the HM Treasury Financial Reporting Manual (FReM). The HM Treasury FReM does not generally adopt an international standard until it has been endorsed by the European Union for use by listed companies.

IFRS 7 - Financial Instruments: Disclosures
This is an amendment to the standard to require additional disclosures where financial assets are transferred between categories (e.g. 'Fair Value through Profit and Loss', Loans and Receivable etc). It is applicable from 2011/12. It is unlikely to affect NHS bodies as they rarely transfer financial instruments.

IFRS 9 - Financial Instruments
This is a new standard to replace - eventually - IAS 39 Financial Instruments: Recognition and Measurement. Two elements of the standard have been issued so far: Financial Assets and Financial Liabilities. The main changes are in respect of financial assets where the existing four categories will be reduced to two: Amortised Cost and 'Fair Value through Profit and Loss'. At the present time it is not clear when this standard will be applied because the EU has delayed its endorsement.

IAS 24 (Revised) - Related Party Disclosures
This new standard seeks to reduce the extent of disclosures required by government entities whose transactions are principally with other government entities. It is due for adoption in 2011/12. This may potentially relieve NHS bodies from providing some of its related party disclosures with other entities within the Whole of Government Accounts boundary, unless HM Treasury chooses to adapt the standard to retain the existing disclosures.

IFRIC 14 - IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
This is an amendment to the IFRIC that applies from 2011/12. There will be no impact on most NHS bodies as they are not members of a defined benefit scheme. It will have no immediate impact on those bodies which are members of a defined benefit scheme as most local government schemes are in deficit rather than in surplus.

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

IASB Annual Improvements 2010
The document makes minor changes to 6 standards and one IFRIC Interpretation. Three of the standards IFRS 1 First time adoption of IFRS, IAS 34 Interim financial reporting and IFRIC 13 customer loyalty programmes are not relevant to NHS bodies.The amendments to IAS 1 presentation of financial standards, IAS 27 consolidated and separate financial statements, IFRS 3 business combinations and IFRS 7 financial instrument – disclosures are minor in nature and should have little or no impact for NHS bodies.

1.28 Potential 2011/12 Government FReM changes
The following changes to the FReM are potentially applicable from 2011/12:

Grants Receivable
Grants received towards the cost of an asset are recognised in income unless the funder imposes a condition on the grant e.g. that it must be used to fund the construction or acquisition of an asset. If there are no conditions, or once all conditions have been met, the grant is recognised in full in within income. If adopted, the impact is likely to be an increase in volatility in annual results where capital grants are received or released once conditions have been met.

Donated Assets
The approach for donated assets is effectively identical to that for grants above. Where donations are received without conditions, or if they have conditions, once these have been met, they should be recognised in income. If brought into effect it would result in most, or all, donations being reflected in income in the year of receipt which could lead to greater volatility in the annual result. The existing donated asset reserve would be transferred to the Retained Earnings reserve and, where it includes an element of asset revaluations, to the revaluation reserve.

Other changes
The HM Treasury dispensation from applying IAS 27 to NHS charitable funds only applies to 2010/11. If this dispensation is not extended then, in 2011/12, it is likely that the Trust will be required to consolidate the Charitable Funds that it controls through the corporate Trustee.

Notes to the Accounts (Continued)

2. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities and associated direct cost and is considered material.

	2010-11	2009-10
	£000	£000
Income	**1,546**	1608
Direct Costs	**(1,018)**	(1,358)
Surplus/(deficit)	**528**	250

The income generation schemes employed by the Trust include income from non-patient care income generation activities such as car parking, staff residences and catering. The objective is to ensure all costs associated with the operation of such activities are covered and that any surplus generated for the Trust is used to re-invest in the operation of its core activities.

3. Revenue from patient care activities

	2010-11	2009-10
	£000	£000
Primary care trusts	**276,376**	261,032
Department of Health	**8**	26
NHS other	**564**	1,341
Non-NHS:		
Private patients	**727**	683
Overseas patients (non-reciprocal)	**27**	20
Injury costs recovery	**1,349**	935
Other	**93**	40
	279,144	264,077

Injury cost recovery income is subject to a provision for impairment of receivables of 9.6% (2009-10 7.8%) to reflect expected rates of collection. Additional provisions for impairment of receivables are also made depending on the age of the outstanding amount.

4. Other operating revenue

	2010-11	2009-10
	£000	£000
Education, training and research	**14,648**	14,383
Transfers from donated asset reserve	**412**	354
Non-patient care services to other bodies	**8,469**	7,991
Income generation	**2,102**	2,282
Rental revenue from operating leases	**117**	105
Other revenue	**1,131**	638
	26,879	25,753

5. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

Notes to the Accounts (Continued)

6. Operating expenses

	2010-11	2009-10
	£000	£000
Services from other NHS trusts	**138**	392
Services from PCTs	**903**	809
Services from other NHS bodies	**133**	111
Services from foundation trusts	**516**	1,425
Purchase of healthcare from non NHS bodies	**2,058**	2,305
Trust chair and non executive directors	**75**	67
Employee benefits	**184,212**	172,302
Supplies and services - clinical	**57,058**	51,448
Supplies and services - general	**6,303**	5,419
Consultancy services	**1,499**	2,789
Establishment	**2,699**	3,279
Transport	**1,704**	1,568
Premises	**10,147**	9,487
Provision for impairment of receivables	**273**	31
Depreciation	**12,596**	14,236
Amortisation	**235**	191
Impairments and reversals of property, plant and equipment	**319**	7,487
Audit fees*	**170**	156
Other auditor's remuneration [detail]	**12**	29
Clinical negligence	**3,535**	3,323
Research and development	**688**	436
Education and Training	**918**	803
Other	**3,204**	2,734
	289,395	280,827

* The audit fee includes the Quality Accounts audit fee.

Other auditor's remuneration comprises the provision of VAT consultancy and advice

Other expenses include £1.73m relating to the service element of the Radiology PFI scheme (2009-10 £1.57m). Further details of the PFI scheme are shown in note 26 to the accounts.

7. Operating leases

7.1 As lessee

As lessee there are no individually significant operating leases included in payments recognised below

Payments recognised as an expense	2010-11	2009-10
	£000	£000
Minimum lease payments	**127**	86

Total future minimum lease payments	2010-11	2009-10
	£000	£000
Payable:		
Not later than one year	**406**	36
Between one and five years	**1,441**	86
After 5 years	**0**	0
Total	**1,847**	122

7.2 As lessor

Rental revenue	2010-11	2009-10
	£000	£000
Total rental revenue	**117**	105

Total future minimum lease payments	2010-11	2009-10
	£000	£000
Receivable:		
Not later than one year	**97**	87
Between one and five years	**224**	241
After 5 years	**27**	51
Total	**348**	379

Notes to the Accounts (Continued)

8. Employee costs and numbers

8.1 Employee costs

	2010-11			2009-10		
	Total	**Permanently employed**	**Other**	Total	Permanently employed	Other
	£000	**£000**	**£000**	£000	£000	£000
Salaries and wages	**155,792**	**146,843**	**8,949**	145,852	137,860	7,992
Social security costs	**11,572**	**11,229**	**343**	10,766	10,461	305
Employer contributions to NHS Pension scheme	**17,298**	**16,785**	**513**	16,166	15,708	458
Termination benefits	**114**	**114**	**0**	0	0	0
Employee benefits expense	**184,776**	**174,971**	**9,805**	172,784	164,029	8,755

	2010-11	2009-10
Of the total above:		
Charged to capital	**564**	482
Employee benefits charged to revenue	**184,212**	172,302
	184,776	172,784

8.2 Average number of people employed

	2010-11			2009-10		
	Total	**Permanently employed**	**Other**	Total	Permanently employed	Other
	Number	**Number**	**Number**	Number	Number	Number
Medical and dental	**592**	**557**	**35**	574	546	28
Ambulance staff	**0**	**0**	**0**	0	0	0
Administration and estates	**969**	**958**	**11**	940	930	10
Healthcare assistants and other support staff	**874**	**822**	**52**	864	817	47
Nursing, midwifery and health visiting staff	**1,463**	**1,406**	**57**	1,411	1,346	65
Nursing, midwifery and health visiting learners	**0**	**0**	**0**	0	0	0
Scientific, therapeutic and technical staff	**634**	**630**	**4**	610	602	8
Social care staff	**0**	**0**	**0**	0	0	0
Other	**0**	**0**	**0**	0	0	0
Total	**4,532**	**4,373**	**159**	4,399	4,241	158

	2010-11	2009-10
Of the above:		
Number of whole time equivalent staff engaged on capital projects	**10**	9

8.3 Staff sickness absence

	2010-11	2009-10
	Number	Number
Total days lost	**42,158**	36,647
Total staff years	**4,375**	4,128

8.4 Management Costs

	2010-11	2009-10
	£000	£000
Management costs	**11,566**	11,490
Income	**306,023**	289,830

Management costs are calculated in accordance with the guidance on the Department of Health's website.

Notes to the Accounts (Continued)

8.5 Employee compensation schemes

Exit Packages 2010-11

Exit package cost band (including any special payment element)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages**	**Total cost of exit packages**	**Number of departures where special payments have been made**	**Number of departures where special payments have been made**
	Number	**Number**	**Number**	**£000s**	**Number**	**£000s**
<£20,001	**0**	**12**	**12**	**52**	**0**	**0**
£20,001 - £40,000	**0**	**2**	**2**	**62**	**0**	**0**
£40,001 - 100,000	**0**	**0**	**0**	**0**	**0**	**0**
£100,001 - £150,000	**0**	**0**	**0**	**0**	**0**	**0**
£150,001 - £200,000	**0**	**0**	**0**	**0**	**0**	**0**
>£200,000	**0**	**0**	**0**	**0**	**0**	**0**
Total number of exit packages by type	**0**	**14**	**14**	**114**	**0**	**0**

Exit Packages 2009-10

Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages	Number of departures where special payments have been made	Number of departures where special payments have been made
	Number	Number	Number	£000s	Number	£000s
<£20,001	0	7	7	31	0	0
£20,001 - £40,000	0	2	2	52	0	0
£40,001 - 100,000	0	1	1	73	0	0
£100,001 - £150,000	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0
>£200,000	0	0	0	0	0	0
Total number of exit packages by type	0	10	10	156	0	0

Notes to the Accounts (Continued)

9. Pension costs
Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation
The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, the Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation
A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions
The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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.

Early payment 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 final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

Notes to the Accounts (Continued)

10. Better Payment Practice Code

10.1 Better Payment Practice Code - measure of compliance

	2010-11		2009-10	
	Number	**£000**	Number	£000
Total Non-NHS trade invoices paid in the year	**62,333**	**86,135**	52,855	77,587
Total Non NHS trade invoices paid within target	**55,669**	**78,295**	46,059	73,785
Percentage of Non-NHS trade invoices paid within target	**89%**	**91%**	87.14%	95.10%
Total NHS trade invoices paid in the year	**2,161**	**18,278**	1,788	14,257
Total NHS trade invoices paid within target	**1,897**	**17,898**	1,563	14,157
Percentage of NHS trade invoices paid within target	**88%**	**98%**	87.42%	99.30%

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

10.2 The Late Payment of Commercial Debts (Interest) Act 1998

There are no amounts included within finance costs (note 13) arising from claims made by businesses under this legislation (2009-10 £Nil)

11. Investment revenue

	2010-11	2009-10
	£000	£000
Interest revenue: Bank Accounts	**67**	64

12. Other gains and losses

	2010-11	2009-10
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	**4**	(6)

13. Finance costs

	2010-11	2009-10
	£000	£000
Interest on loans and overdrafts	**0**	118
Interest on obligations under finance leases	**97**	117
Interest on obligations under PFI contracts:		
- main finance cost	**814**	295
- contingent finance cost	**0**	529
Total interest expense	**911**	1,059
Other finance costs	**17**	14
Total	**928**	1,073

Notes to the Accounts (Continued)

14. Property, plant and equipment

2010-11	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	13,002	175,847	1,824	10,857	56,216	840	10,450	5,275	274,311
Additions purchased	0	(58)	0	14,797	6,007	57	880	13	21,696
Additions donated	0	0	0	0	229	0	0	0	229
Reclassifications	0	16,792	0	(16,919)	127	0	(1)	0	(1)
Disposals other than by sale	0	0	0	0	(341)	0	0	0	(341)
Revaluation/indexation gains	0	11,932	150	0	0	0	0	0	12,082
Impairments	0	(1,584)	0	0	0	0	0	0	(1,584)
At 31 March 2011	13,002	202,929	1,974	8,735	62,238	897	11,329	5,288	306,392
Accumulated Depreciation at 1 April 2010	0	0	0	0	37,550	599	7,766	3,776	49,691
Reclassifications	0	0	0	0	0	0	5	0	5
Disposals other than by sale	0	0	0	0	(341)	0	0	0	(341)
Revaluation/indexation gains	0	896	46	0	0	0	0	0	942
Impairments	0	319	0	0	0	0	0	0	319
Charged during the year	0	6,087	78	0	5,272	53	861	245	12,596
Accumulated Depreciation at 31 March 2011	0	7,302	124	0	42,481	652	8,632	4,021	63,212
Net book value									
Purchased	13,002	194,472	1,850	8,735	19,047	245	2,692	1,248	241,291
Donated	0	1,155	0	0	710	0	5	19	1,889
Total at 31 March 2011	13,002	195,627	1,850	8,735	19,757	245	2,697	1,267	243,180
Asset financing									
Owned	13,002	187,114	1,850	8,735	14,674	245	2,697	1,267	229,584
Finance leased	0	0	0	0	335	0	0	0	335
Private finance initiative	0	8,513	0	0	4,748	0	0	0	13,261
Total 31 March 2011	13,002	195,627	1,850	8,735	19,757	245	2,697	1,267	243,180

14.1 Revaluation reserve balance for property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Asset Held For Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	4,595	49,833	943	346	5	193	53	1,216	57,184
Movements	0	11,594	105	0	0	0	0	0	11,699
At 31 March 2011	4,595	61,427	1,048	346	5	193	53	1,216	68,883

The Royal Wolverhampton Hospitals NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2011.

The value of the Trust's land and buildings have been assessed by an independent professional valuer as at 31 March 2011 to give an overall valuation which is reflected in the estate asset values. New additions and refurbishments completed in year were valued by the same independent valuer on a modern equivalent asset basis. The valuation was incorporated into the figures shown above.

Notes to the Accounts (Continued)

14.2 Property, plant and equipment continued

2009-10	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	17,669	176,841	2,207	5,875	52,836	835	9,315	5,079	270,657
Additions purchased	0	(21)	0	17,598	2,315	0	872	7	20,771
Additions donated	0	0	0	0	50	0	0	0	50
Reclassifications	0	10,769	0	(12,656)	1,392	5	301	189	0
Disposals other than by sale	0	0	0	0	(375)	0	(38)	0	(413)
Revaluation/indexation gains	0	21,234	0	40	(2)	0	0	0	21,272
Impairments	(4,667)	(17,980)	(267)	0	0	0	0	0	(22,914)
At 31 March 2010	13,002	190,843	1,940	10,857	56,216	840	10,450	5,275	289,423
Accumulated Depreciation at 1 April 2009	0	0	0	0	32,583	546	6,844	3,514	43,487
Disposals other than by sale	0	0	0	0	(371)	0	(34)	0	(405)
Revaluation/indexation gains	0	0	0	0	(2)	0	0	0	(2)
Impairments	0	7,487	0	0	0	0	0	0	7,487
Charged during the year	0	7,509	116	0	5,340	53	956	262	14,236
Accumulated Depreciation at 31 March 2010	0	14,996	116	0	37,550	599	7,766	3,776	64,803
Net book value									
Purchased	13,002	174,719	1,824	10,857	17,815	241	2,678	1,477	222,613
Donated	0	1,128	0	0	851	0	6	22	2,007
Total at 31 March 2010	13,002	175,847	1,824	10,857	18,666	241	2,684	1,499	224,620
Asset financing									
Owned	13,002	167,608	1,824	10,857	16,187	241	2,684	1,499	213,902
Finance leased	0	0	0	0	632	0	0	0	632
Private finance initiative	0	8,239	0	0	1,847	0	0	0	10,086
Total 31 March 2010	13,002	175,847	1,824	10,857	18,666	241	2,684	1,499	224,620

The Royal Wolverhampton Hospitals NHS Trust Charity was the donor of all assets donated to the Trust in the year ended 31 March 2010.

The Trust's land and buildings were valued on a modern equivalent asset valuation by an independent professional valuer at 31 March 2010. That valuation was incorporated into the figures above.

Notes to the Accounts (Continued)

15. Intangible assets

2010-11	**Computer software - purchased**
	£000
Gross cost at 1 April 2010	1,431
Additions purchased	120
Gross cost at 31 March 2011	**1,551**
Accumulated Amortisation at 1 April 2010	542
Reclassifications	(5)
Charged during the year	235
Accumulated Amortisation at 31 March 2011	**772**
Net book value	
Purchased	773
Donated	6
Total at 31 March 2011	**779**

Prior year: 2009-10	**Computer software - purchased**
	£000
Gross cost at 1 April 2009	936
Additions purchased	487
Additions donated	8
Gross cost at 31 March 2010	1,431
Accumulated Amortisation at 1 April 2009	351
Charged during the year	191
Accumulated Amortisation at 31 March 2010	542
Net book value	
Purchased	882
Donated	7
Total at 31 March 2010	889

Intangible assets are not revalued. They are valued at fair value using historic cost as an approximation.

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued and they have a cost of at least £5,000.

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

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives, which is usually estimated at being 5 years.

16. Impairments

The value of Trust land and buildings has been assessed by an independent professional valuer as at 31 March 2011 to give an overall valuation. As a result of the valuation there is a net increase in existing buildings value of £11.14m. There was an impairment of new works brought into use in year which resulted in a charge of £1.90m of which £0.32m has been accounted through the Statement of comprehensive income, and £1.58m through the Revaluation Reserve.

Notes to the Accounts (Continued)

17. Commitments

17.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2011 £000	31 March 2010 £000
Total Property, plant and equipment	**1,409**	2,918

18. Inventories

18.1 Inventories	31 March 2011 £000	31 March 2010 £000
Drugs	**1,621**	1,563
Consumables	**2,917**	2,827
Energy (Fuel)	**103**	84
Other	**103**	102
Total	**4,744**	4,576
Of which held at net realisable value:	**4,744**	4,576

18.2 Inventories recognised in expenses	31 March 2011 £000	31 March 2010 £000
Inventories recognised as an expense in the period	**29,963**	32,121

19. Trade and other receivables

19.1 Trade and other receivables	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables-revenue	**12,216**	**0**	8,106	0
Non-NHS receivables-revenue	**693**	**0**	1,054	0
Provision for the impairment of receivables	**(287)**	**(583)**	(637)	(64)
Prepayments and accrued income	**954**	**0**	2,160	126
VAT	**560**	**0**	445	0
Other receivables	**1,393**	**1,139**	1,420	820
Total	**15,529**	**556**	12,548	882

The majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Notes to the Accounts (Continued)

19.2 Receivables past their due date but not impaired

	31 March 2011	31 March 2010
	£000	£000
By up to three months	250	313
By three to six months	23	124
Total	273	437

There is no collateral held and debts are expected to be recovered at the value as shown in the Statement of Financial Position.

19.3 Provision for impairment of receivables

	31 March 2011	31 March 2010
	£000	£000
Balance at 1 April	(701)	(679)
Amount written off during the year	104	9
(Increase) in receivables impaired	(273)	(31)
Balance at 31 March	(870)	(701)

Factors determining whether a receivable is impaired include the age of the debt and whether or not the debt is collectable or collectable by instalments.

The £(0.87m) balance includes a provision of £(0.69m) for Injury Cost Recovery (ICR) (31 March 2010 £(0.53m)). ICRs are not included in Note 19.2 as the Trust can not be certain as to when these will be settled.

20. Cash and cash equivalents

	31 March 2011	31 March 2010
	£000	£000
Balance at 1 April	9,583	17,356
Net change in year	2,203	(7,773)
Balance at 31 March	11,786	9,583
Made up of		
Cash with Government banking services	11,777	9,549
Commercial banks and cash in hand	9	34
Cash as in statement of financial position	11,786	9,583
Cash as in statement of cash flows	11,786	9,583

21. Non-current assets held for sale

	31 March 2011	31 March 2010
	Total	Total
	£000	£000
Balance at 31 March 2011	800	800

The non current assets held for sale are the building and land relating to the former Eye Infirmary Unit on Compton Road, in Wolverhampton. These assets became surplus to requirements following the rationalisation of the Trust's estate onto the New Cross Hospital site.

The Compton Road site has been valued on the open market by a professional chartered surveyor for £0.80m, and it is anticipated that disposal will be completed by the end of 2011.

Notes to the Accounts (Continued)

22. Trade and other payables	**Current 31 March 2011 £000**	Current 31 March 2010 £000
NHS payables-revenue	**3,652**	2,082
Non NHS trade payables - revenue	**5,728**	4,898
Non NHS trade payables - capital	**3,575**	3,167
Accruals and deferred income	**11,418**	10,190
Social security costs	**1,772**	1,711
VAT	**81**	60
Tax	**1,369**	1
Other	**2,340**	2,239
Total	**29,935**	24,348

Other payables include £2.18m outstanding pensions contributions at 31 March 2011 (31 March 2010 £2.09m).

23. Borrowings	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
PFI liabilities	**1,948**	**7,182**	1,798	7,004
Finance lease liabilities	**128**	**207**	297	335
Other (describe)	**0**	**0**	0	0
Total	**2,076**	**7,389**	2,095	7,339

The PFI liability is the Radiology scheme, as mentioned in Note 26, which will be fully settled by 31 March 2032.

There are 4 finance leases which will be discharged by 31 March 2014.

Notes to the Accounts (Continued)

24. Finance lease obligations

Amounts payable under finance leases:

Other (Equipment)	**Minimum lease payments 31 March 2011 £000**	Minimum lease payments 31 March 2010 £000
Within one year	**128**	297
Between one and five years	**207**	335
After five years	**0**	0
Present value of minimum lease payments	**335**	632
Included in:		
Current borrowings	**128**	297
Non-current borrowings	**207**	335
	335	632

25. Finance lease receivables

There are no finance lease receivables at 31 March 2011 (31 March 2010 £Nil)

Notes to the Accounts (Continued)

26. Private Finance Initiative contracts

26.1 PFI schemes on-Statement of Financial Position

The Trust has one PFI scheme and this relates to the provision of Radiology services.

An agreement was drawn up in 2002 between the Trust and the Operator for the development of the site of the Radiology Facility and the provision of Radiology Equipment and Services at New Cross Hospital, Wolverhampton.

This contract included the financing, design, and construction and equipping of new serviced radiology facilities at the site and elsewhere at the Hospital.

The Operator developed and finalised the design and specification of the building works which were subject to review by the Trust. The agreement allowed for the Operator to amend its design in order to meet the Trust's construction requirements. The Trust's medical and general equipment appertaining to Radiology was transferred to the Operator who consequently maintains it and finances future purchases.

The agreement allows for variations to the project. An example was the approval by the Trust Board for a full implementation of the picture, archiving and communication system (PACS).

Service payments are made to the Operator monthly following the submission to the Trust of an invoice accompanied by a Payment Report and a Performance Monitoring Report which list any payment adjustments.

Radiology staff remain employees of the Trust. The duration of the project is to run for 30 years from 1 April 2002 to 31 March 2032.

At the end of the project period, 31 March 2032, the Operator shall hand over to the Trust all the Project's Facility and the Equipment; the Trust thereby taking legal ownership.

Under IFRIC12, the substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges. Details of the imputed finance lease charges are provided in the table below.

Total obligations for on-statement of financial position PFI contracts due:

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	**1,948**	1,798
Later than one year, not later than five years	**7,182**	4,572
Later than five years	**16,442**	3,941
Sub total	**25,572**	10,311
Less: interest element	**(16,442)**	(1,509)
Total	**9,130**	8,802

Notes to the Accounts (Continued)

27. Charges to expenditure

The total charged in the year to expenditure, excluding interest payments, in respect of on-statement of financial position PFI contracts was £1.73m (2009-10 £1.57m).

The Trust is committed to the payments, and the charge to expenditure, totalling £51.79m over the period of the contract which ends 31 March 2032 (£37.23m at 31 March 2010).

28. Provisions	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Legal claims	**428**	**497**	383	558
Other (specify)	**1,298**	**0**	1,161	0
Total	**1,726**	**497**	1,544	558

	Legal claims £000	**Other £000**	**Total £000**
At 1 April 2010	**941**	**1,161**	**2,102**
Arising during the year	**337**	**500**	**837**
Used during the year	**(321)**	**(46)**	**(367)**
Reversed unused	**(49)**	**(317)**	**(366)**
Unwinding of discount	**17**	**0**	**17**
At 31 March 2011	**925**	**1,298**	**2,223**
Expected timing of cash flows:			
Within one year	**428**	**1,298**	**1,726**
Between one and five years	**120**	**0**	**120**
After five years	**377**	**0**	**377**

Legal claims represent provisions for personal injury and injury benefits. For these claims the Trust has taken legal advice regarding legal liability and cash flow settlement timings.

Other includes provisions for accrued leave and staff holiday pay. There is reasonable certainty that all claims will be settled within 12 months to 31 March 2012.

£37.06m is included in the provisions of the NHS Litigation Authority at 31 March 2011 in respect of clinical negligence liabilities of the trust (31 March 2010 £36.13m).

Notes to the Accounts (Continued)

29. Contingencies

29.1 Contingent liabilities

	2010-11	2009-10
	£000	£000
Value of contingent liabilities	**(216)**	(191)

The contingent liabilities relate entirely to personal injury claims where the Trust is may be responsible for further payments, in addition to those already provbided for, depending on the outcome of claims as administered through the National Health Litigatoin Authorirty. The timing of such payments is uncertain.

29.2 Contingent assets

	2010-11	2009-10
	£000	£000
Value of contingent assets	**700**	700

The Trust has submitted Fleming VAT reclaims totalling approximately £0.70m (2009-10 £0.70m) to H.M. Revenue and Customs under s.121 of the Finance Act 2008. The outcome of these claims is uncertain at 31 March 2011.

30. Financial instruments

30.1 Financial assets

	Loans and receivables
	£000
Receivables	**14,575**
Cash at bank and in hand	**11,786**
Other financial assets	**0**
Total at 31 March 2011	**26,361**
Receivables	13,430
Cash at bank and in hand	9,583
Other financial assets	0
Total at 31 March 2010	23,013

30.2 Financial liabilities

	Total
	£000
Payables	**26,713**
PFI and finance lease obligations	**9,465**
Total at 31 March 2011	**36,178**
Payables	24,348
PFI and finance lease obligations	9,434
Total at 31 March 2010	33,782

No other category of financial assets or financial liabilities are held

Notes to the Accounts (Continued)

31. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with primary care trusts and the way those primary care trusts are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The Trust's operating costs are incurred under contracts with primary care trusts, which are financed from resources voted annually by Parliament . The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

32. Events after the reporting period

On the 1st April 2011 community services previously administered and controlled by Wolverhampton City Primary Care Trust were transferred under a legal transfer document to the administration and control of the Royal Wolverhampton Hospital NHS Trust.

This resulted in the transfer of 1,744 staff (1,259 WTE) and non current assets (equipment) of £0.68m and net current assets of £2.14m to the Trust. The additional income is anticipated to be £53.45m with expenditure of £53.11m during the full year.

This transfer of community services was in response to the government white paper on "Equity and excellence; Liberating the NHS" as published July 2010

Notes to the Accounts (Continued)

33. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

33.1 Breakeven performance	1997/98 to 2005/06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Revenue		234,507	251,969	266,687	289,830	**306,023**
Retained surplus/(deficit) for the year		82	8,335	6,913	880	**8,364**
Adjustment for:						
Adjustments for Impairments		0	0	3,872	7,487	**319**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*		0	0	0	(332)	**(719)**
Other agreed adjustments		0	0	0	0	**0**
Break-even in-year position	0	82	8,335	10,785	8,035	**7,964**
Break-even cumulative position	(26,640)	(26,558)	(18,223)	(7,438)	597	**8,561**

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance

	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Materiality test (I.e. is it equal to or less than 0.5%):					
Break-even in-year position as a percentage of turnover	0.03%	3.31%	4.04%	2.77%	2.60%
Break-even cumulative position as a percentage of turnover	-11.33%	-7.23%	-2.79%	0.21%	2.80%

The amounts in the above tables in respect of financial years 2005-06 to 2008-09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

33.2 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	£000	2010-11 £000	2009-10 £000
External financing limit		**1,325**	1,480
Cash flow financing	**3,921**		(1,428)
Finance leases taken out in the year	**0**		0
Other capital receipts	**229**		0
External financing requirement		**4,150**	(1,428)
Undershoot against the external financing limit		**5,475**	52

33.3 Capital resource limit

The Trust is given a capital resource limit which it is not permitted to exceed.

	2010-11 £000	2009-10 £000
Gross capital expenditure	**22,045**	21,316
Less: book value of assets disposed of	**0**	(8)
Plus: loss on disposal of donated assets	**0**	0
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(229)**	(58)
Charge against the capital resource limit	**21,816**	21,250
Capital resource limit	**21,957**	21,270
Underspend against the capital resource limit	**141**	20

33.4 Capital cost absorption rate

Untill 2008-09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

From 2009-10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

Notes to the Accounts (Continued)

34. Related party transactions
During the year none of the Department of Health Ministers, Trust Board Members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Royal Wolverhampton Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year the Royal Wolverhampton Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below where income or expenditure has been in excess of £100,000.

Name	Expenditure (net of recharges) to Related Party	Income (net of recharges) from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
Department of Health	0	894	0	175
West Midlands Strategic Health Authority	0	11,744	3	25
Yorkshire and the Humber Strategic Health Authority	0	315	0	0
Birmingham Childrens Hospitals NHS Foundation Trust	0	102	9	25
Birmingham East & North PCT	0	58,486	1,438	0
Dudley PCT	0	7,758	47	0
Heart of Birmingham Teaching PCT	9	166	6	0
Mid Staffordshire NHS Foundation Trust	212	766	244	225
North Staffordshire PCT	8	153	29	0
Sandwell PCT	0	1,801	0	209
Sandwell and West Birmingham Hospitals NHS Trust	151	22	35	0
Shropshire County PCT	0	4,139	0	366
South Birmingham PCT	41	108	57	0
South East Essex PCT	0	101	0	2
South Staffordshire PCT	0	35,435	0	1,569
Stoke On Trent PCT	0	107	29	0
Telford and Wrekin PCT	0	1,317	0	230
The Dudley Group of Hospitals NHS Foundation Trust	260	947	24	34
University Hospitals Coventry and Warwickshire NHS Trust	232	30	232	24
Walsall Hospitals NHS Trust	70	1,157	3	246
Walsall Teaching PCT	57	20,577	14	1,299
Warwickshire PCT	20	134	4	9
West Midlands Ambulance Service NHS Trust	1,086	357	43	28
Wolverhampton City PCT	991	150,467	16	7,756
Worcestershire PCT	0	1,776	112	0
Shrewsbury And Telford Hospitals NHS Trust	0	344	0	13
NHS Business Services Authority	6,536	0	361	0
NHS Litigation Authority	3,870	0	2	0

The Trust has also received revenue and capital payments from a number of charitable funds for which the Trust acts as the Corporate Trustee.

Notes to the Accounts (Continued)

35. Third party assets

The Trust held £133,297 cash and cash equivalents at 31 March 2011 (£108,283 at 31 March 2010) which relates to monies held by the NHS Trust on behalf of patients and the West Midlands Training Organisation for Clinical Biochemistry. This has been excluded from the cash and cash equivalents figure reported in the accounts.

36. Intra-Government and other balances	Current receivables	Non-current receivables	Current payables
	£000	£000	£000
Balances with other central government bodies	**12,971**	**0**	**9,004**
Balances with local authorities	**5**	**0**	**5**
Balances with NHS trusts and foundation trusts	**557**	**0**	**814**
Balances with public corporations and trading funds	**0**	**0**	**32**
Intra government balances	**13,533**	**0**	**9,855**
Balances with bodies external to government	**1,996**	**556**	**20,080**
At 31 March 2011	**15,529**	**556**	**29,935**
Balances with other central government bodies	6,407	0	1,195
Balances with local authorities	74	0	5
Balances with NHS trusts and foundation trusts	679	0	883
Balances with public corporations and trading funds	12	0	0
Intra government balances	7,172	0	2,083
Balances with bodies external to government	5,376	882	22,265
At 31 March 2010	12,548	882	24,348

37. Losses and special payments

Clinical negligence cases are managed by the National Health Service Litigation Authority and transactions relating to such cases are held in their accounts. The Trust pays a premium for their services and pays an excess on some cases. These cases have not been accounted for in the Trust accounts.

There were 383 cases of losses and special payments (2009-10 260 cases) totalling £0.60m (2009-10: £0.36m) accrued during 2010-11.

There were no losses or special payments cases where the net payment exceeded £0.25m (31 March 2010 no cases)