

## **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 2011-12 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards 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, plant and equipment, intangible assets, inventories, and certain financial assets and financial liabilities.

#### **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.

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

### 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.

The classification of leases into finance or operating leases is judgemental, as required by IAS1.122. The impact of the classification of leases as finance leases is disclosed in Note 28 (Finance lease obligations). The recognition criteria for provisions does require critical judgements to be made. Provisions are disclosed in Note 29.

### 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.

The key assumptions for the Trust, as required by IAS 1.125 are as follows:

- i. The Trust holds a significant asset base and any variation in the useful economic lives of the asset base will have an impact on both the balance sheet and the in-year financial position of the Trust. During 2009/10, the Trust amended the useful economic lives of its buildings as a result of a full revaluation of the Trust's estate. There have been no significant revisions to the estimated lives of assets during the current financial year. Depreciation and amortisation charged during the year, including on donated assets, was £8,618,000 (2010/11:£8,714,000).
- ii. Impairments are recognised where management believe that there is an indication of impairment (through, for example, obsolescence). They are recognised where the carrying amount of an asset exceeds its recoverable amount. Significant assets to the Trust are reviewed for impairment as they are brought into operational use. During the previous financial year, additional impairments were recognised as part of the Trust's estate revaluation. The value of impairments charged to the Statement of Comprehensive Income is disclosed in Note 16 (Impairments).
- iii. The valuation of the Trust's estate is based on reports from a Chartered Surveyor on a five-year rolling basis, supplemented by indices provided by the Surveyor in the intervening period. The net book value of the Trust's land, buildings, and dwellings as at 31 March 2012 was £140,086,000 (31 March 2011: £132,265,000).
- iv. To determine the recoverable amount from an asset, estimates are made on the expected future cash flow benefits which are expected to accrue. The future cash flow benefits and applicable discount rates used are based on estimates, and has an impact on the impairment recognised. Impairments have been disclosed in Note 16.
- v. Income is recognised as it is earned. Consequently, income has been accrued for those patients for whom their treatment is part-completed at the year-end (see Note 1.3). The income relating to these patients at the balance sheet date is based on management estimates and is subject to uncertainty. The value of part-completed spell income at 31 March 2012 was assessed as £2,136,000, as this was not a material change
- vi. In estimating net realisable value of inventories, management takes into account the most reliable evidence available at the year-end. Inventories are valued at the lower of cost or net realisable value and are disclosed in Note 19.
- vii. The Trust holds a number of provisions where the actual outcome may vary from the amount recognised in the financial statements. Provisions are based on the most reliable evidence available at the year-end. Details surrounding provisions held at the year-end are included in Note 29. Uncertainties and issues arising from provisions and contingent liabilities are assessed and reported in the same note.

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

viii. The Trust has a number of agreements in place to provide services over more than one year (for example, contracts relating to research and development) as per Note 27. These are reviewed for profitability at each balance sheet date, but the assessment of future costs to complete are subject to uncertainty. The revenue recognised in the year reflected management's judgement about each agreement's outcome and stage of completion. Income which has been deferred to future periods relating to these contracts at 31 March 2012 amounted to £699,000 (31 March 2011: £827,000).

ix. Events which occur after the balance sheet date can have a material impact on the Trust's balance sheet. Where the event should reasonably have been foreseen at the balance sheet date, the impact has been included in the financial statements. If this is not the case, the impact has been included as a narrative disclosure.

### 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 costs incurred to date compared to total expected costs.

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.

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

### 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.

### 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, irrespective of their individual or collective cost.

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

#### Valuation

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

Land and buildings used for the 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 impairment.

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

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

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

### 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. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use,
- the intention to complete the intangible asset and use it,

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

- the ability to sell or use the intangible asset,
- how the intangible asset will generate probable future economic benefits or service potential,
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it,
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### Measurement

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

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### 1.8 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the 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 should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and, thereafter, to the revaluation reserve.

### 1.9 Donated assets

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

The Trust does not believe that it has any conditions attached to any donations made in year or in previous years.

### 1.10 Government grants

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

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

### 1.11 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.

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

### 1.12 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.

#### The Trust as lessor

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.

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

### 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 twenty four hours. Cash equivalents are investments that mature in three 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.

### 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% in real terms.

Where a provision relates to a retirement benefit, the pensions discount of 2.8% has been used.

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.



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

### 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 is disclosed at Note 29.

### 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 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

During 2007/08 the Trust became aware that it would not receive its full requirement of allowances. Consequently, a provision was made to recognise the additional costs to the Trust over the duration of the scheme. In 2008-09 the Trust acquired on the open market the additional allowances which were estimated to be required for the scheme. The value of these investments is matched to the related provision for future years and has been included in the Statement of Financial Position as the market value at 31 March 2012. This has managed the risk of exposure to the future market value of the allowances.

### 1.19 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

### 1.20 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 de-recognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

#### Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

The Trust's European Union Emissions Scheme allowances are held as other current assets at fair value. The value is ascertained through the market at each transaction and reporting date.

#### Loans and receivables

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

At 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.

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

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.

### 1.21 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.

#### Other financial liabilities

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.

### 1.22 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.

### 1.23 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. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2012. Resulting exchange gains and losses for either of these are recognised in the Trust's surplus/deficit in the period in which they arise.

### 1.24 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.

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

### **1.25 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.

### **1.26 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).

### **1.27 Subsidiaries**

For 2010-11 and 2011-12 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

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

### 1.28 Research and development

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

### 1.29 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation

IAS 12 Income Taxes (amendment) - subject to consultation

IAS 19 Post-employment benefits (pensions) - subject to consultation

IAS 27 Separate Financial Statements - subject to consultation

IAS 28 Investments in Associates and Joint Ventures - subject to consultation

IFRS 7 Financial Instruments: Disclosures (annual improvements) - effective 2012-13

IFRS 9 Financial Instruments - subject to consultation

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 Service Concession Arrangement - subject to consultation

## **2 Operating segments**

The Trust's chief decision maker has been defined as the Trust Board, and is responsible for allocating the resources across the Trust. The Trust Board receives information on the Trust's activities as a whole, as one operating segment. The Trust has, therefore, determined that there is only one segment, that of providing acute healthcare.

### 3. Income generation activities

The Trust undertakes income generation activities; where income exceeds the cost of the service, this is then reinvested in patient care.

The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

<b>Summary Table - aggregate of all schemes</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Income	2,612	2,539
Full cost	(2,535)	(2,464)
Surplus	<u>77</u>	<u>75</u>

<b>Catering</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Income	1,255	1,237
Full cost	(1,218)	(1,200)
Surplus	<u>37</u>	<u>37</u>

<b>Car Parking</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Income	1,357	1,302
Full cost	(1,317)	(1,264)
Surplus	<u>40</u>	<u>38</u>

<b>4. Revenue from patient care activities</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
NHS trusts	425	226
Primary care trusts - tariff	128,800	128,554
Primary care trusts - non-tariff	51,560	54,407
Primary care trusts - market forces factor	10,459	9,498
Foundation trusts	9,833	427
Local authorities	117	95
Department of Health	0	41
Non-NHS:		
Private patients	1,812	1,864
Overseas patients (non-reciprocal)	80	55
Injury costs recovery	621	655
Other	852	199
	<u>204,559</u>	<u>196,021</u>

Injury cost recovery income is subject to a provision for impairment of receivables of 10.5% (2010/11: 9.6%) to reflect expected rates of collection.

<b>5. Other operating revenue</b>	<b>2011-12</b>	<b>2010-11</b>
	<b>£000</b>	<b>£000</b>
Recoveries in respect of employee benefits	894	0
Education, training and research	9,111	8,611
Charitable and other contributions to expenditure	78	1,150
Receipt of donations for capital acquisitions	2,053	1,892
Receipt of government grants for capital acquisitions	19	21
Non-patient care services to other bodies	292	878
Income generation	2,615	3,565
Rental revenue from operating leases	487	459
Other revenue	3,570	4,902
	<u>19,119</u>	<u>21,478</u>
Total operating revenue	<u>223,678</u>	<u>217,499</u>

### 6. Revenue

Revenue is almost exclusively from the supply of services. Other than items sold as catering income generation services, revenue from the sale of goods is immaterial.

<b>7. Operating expenses (excluding employee benefits)</b>	<b>2011-12</b>	2010-11
	<b>£000</b>	£000
Services from other NHS trusts	316	440
Services from PCTs	5	1,598
Services from other NHS bodies	2,086	2,028
Services from foundation trusts	1,552	286
Purchase of healthcare from non NHS bodies	636	411
Trust chair and non executive directors	54	44
Supplies and services - clinical	37,101	36,481
Supplies and services - general	3,214	3,722
Consultancy services	763	863
Establishment	1,953	1,605
Transport	1,250	1,354
Premises	6,815	6,969
Impairments and reversals of receivables	52	101
Inventories write down	40	56
Depreciation	8,389	8,563
Amortisation	229	185
Impairments and reversals of property, plant and equipment	947	52
Audit fees	173	182
Clinical negligence	5,026	4,373
Research and development	38	63
Education and training	535	527
Other	491	723
	<u>71,665</u>	<u>70,626</u>
<b>Employee benefits</b>		
Employee benefits, excluding Board members	138,978	135,250
Board members	914	960
<b>Total employee benefits</b>	<u>139,892</u>	<u>136,210</u>
<b>Total operating expenses</b>	<u>211,557</u>	<u>206,836</u>



## 8 Operating Leases

The Trust enters into a number of lease agreements as part of its operating activities. There are no leases which are individually material to the Trust.

No balances were payable in respect for contingent rent or subleases.

<b>8.1 Trust as lessee</b>	<b>Land £000</b>	<b>Buildings £000</b>	<b>Other £000</b>	<b>2011-12 Total £000</b>	<b>2010-11 Total £000</b>
<b>Payments recognised as an expense</b>					
Minimum lease payments				225	249
<b>Total</b>				<u>225</u>	<u>249</u>

<b>Payable:</b>	<b>Land £000</b>	<b>Buildings £000</b>	<b>Other £000</b>	<b>2011-12 Total £000</b>	<b>2010-11 Total £000</b>
No later than one year	3	0	204	207	192
Between one and five years	0	0	527	527	673
After five years	0	0	0	0	0
<b>Total</b>	<u>3</u>	<u>0</u>	<u>731</u>	<u>734</u>	<u>865</u>

The Trust does not lease any buildings. Other leases mainly comprise of plant and machinery. There are no future contingent rentals or sublease payments which the Trust is expected to make (2010/11:nil).

## 8.2 Trust as lessor

The Trust is a lessor for accommodation on short term arrangements. All arrangements are for a period of less than one year.

<b>Recognised as income</b>	<b>2011-12 £000</b>	<b>2010-11 £000</b>
Contingent rents	487	459
<b>Total</b>	<u>487</u>	<u>459</u>
<b>Receivable:</b>		
No later than one year	41	38
<b>Total</b>	<u>41</u>	<u>38</u>

## 9 Employee benefits and staff numbers

### 9.1 Employee benefits

	Total £000	Permanently employed £000	Other £000
<b>Employee Benefits 2011-12 - gross expenditure</b>			
Salaries and wages	118,442	110,881	7,561
Social security costs	8,927	8,519	408
Employer contributions to NHS Pensions scheme	13,013	12,701	312
Termination benefits	29	29	0
<b>Total employee benefits</b>	<b>140,411</b>	<b>132,130</b>	<b>8,281</b>
<b>Less recoveries in respect of employee benefits (table below)</b>	<b>(894)</b>	<b>(894)</b>	<b>0</b>
<b>Total - Net Employee Benefits including capitalised costs</b>	<b>139,517</b>	<b>131,236</b>	<b>8,281</b>
<b>Employee costs capitalised</b>	<b>519</b>	<b>468</b>	<b>51</b>
<b>Net Employee Benefits excluding capitalised costs</b>	<b>139,892</b>	<b>131,662</b>	<b>8,230</b>

	Total £000	Permanently employed £000	Other £000
<b>Employee Benefits 2011-12 - income</b>			
Salaries and wages	773	773	0
Social Security costs	49	49	0
Employer Contributions to NHS BSA - Pensions Division	72	72	0
<b>TOTAL excluding capitalised costs</b>	<b>894</b>	<b>894</b>	<b>0</b>

	Total £000	Permanently employed £000	Other £000
<b>Net expenditure - 2010-11</b>			
Salaries and wages	115,080	108,947	6,133
Social security costs	8,597	8,213	384
Employer contributions to NHS Pensions scheme	12,923	12,605	318
Termination benefits	49	49	0
<b>Total employee benefits</b>	<b>136,649</b>	<b>129,814</b>	<b>6,835</b>
<b>Employee costs capitalised</b>	<b>439</b>		
<b>Net Employee Benefits excluding capitalised costs</b>	<b>136,210</b>		

### 9.2 Staff Numbers

	2011-12			2010-11		
	Total Number	Permanently employed Number	Other Number	Total Number	Permanently employed Number	Other Number
<b>Average Staff Numbers</b>						
Medical and dental	466	454	12	452	442	10
Administration and estates	960	912	48	935	903	32
Healthcare assistants and other support staff	342	342	0	360	360	0
Nursing, midwifery and health visiting staff	1,056	918	138	1,055	925	130
Scientific, therapeutic and technical staff	551	545	6	548	545	3
Other	91	91	0	89	89	0
<b>TOTAL</b>	<b>3,466</b>	<b>3,262</b>	<b>204</b>	<b>3,439</b>	<b>3,264</b>	<b>175</b>
Of the above - staff engaged on capital projects	10	9	1	11	11	0

### 9.3 Staff Sickness absence and ill health retirements

	2011-12 Number	2010-11 Number
Total Days Lost	26,755	26,945
Total Staff Years	3,300	3,327
Average working Days Lost	8	8

	2011-12 Number	2010-11 Number
Number of persons retired early on ill health grounds	3	2
Total additional pensions liabilities accrued in the year	£000s 139	£000s 40

### 9.4 Exit Packages agreed in 2011-12

Exit package cost band (including any special payment element)	2011-12			2010-11		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	2	5	7	0	10	10
£10,001-£25,000	1	0	1	0	1	1
£25,001-£50,000	0	0	0	0	0	0
£50,001-£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
<b>Total number of exit packages by type (total cost)</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>0</b>	<b>11</b>	<b>11</b>
<b>Total resource cost (£000s)</b>	20	9	29	0	49	49

No exit packages involved making any special payments as defined by the NHS Manual for Accounts (2010/11:nil).

## 9.5 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](http://www.nhsbsa.nhs.uk/pensions). The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". 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.

The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

### 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. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, 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. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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 employer.

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

## 10 Better Payment Practice Code

### 10.1 Measure of compliance

	<b>2011-12 Number</b>	<b>2011-12 £000</b>	2010-11 Number	2010-11 £000
<b>Non-NHS Payables</b>				
Total Non-NHS Trade Invoices Paid in the Year	<b>61,500</b>	<b>63,098</b>	60,926	64,507
Total Non-NHS Trade Invoices Paid Within Target	<b>41,553</b>	<b>42,691</b>	57,902	59,338
Percentage of NHS Trade Invoices Paid Within Target	<b>67.57%</b>	<b>67.66%</b>	95.04%	91.99%
<b>NHS Payables</b>				
Total NHS Trade Invoices Paid in the Year	<b>2,230</b>	<b>32,748</b>	2,418	33,453
Total NHS Trade Invoices Paid Within Target	<b>1,583</b>	<b>27,046</b>	2,189	30,919
Percentage of NHS Trade Invoices Paid Within Target	<b>70.99%</b>	<b>82.59%</b>	90.53%	92.43%

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

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

	<b>2011-12 £000</b>	2010-11 £000
Amounts included in finance costs from claims made under this legislation	<b>1</b>	1
Compensation paid to cover debt recovery costs under this legislation	<b>0</b>	0

## 11 Investment Income

	2011-12 £000	2010-11 £000
<b>Interest Income</b>		
Bank interest	23	29
<b>Total investment income</b>	<u>23</u>	<u>29</u>

## 12 Other Gains and Losses

	2011-12 £000	2010-11 £000
Gain on disposal of property, plant and equipment	9	27
Change in fair value of financial assets carried at fair value through the SoCI	0	56
<b>Total</b>	<u>9</u>	<u>83</u>

## 13 Finance Costs

	2011-12 £000	2010-11 £000
<b>Interest</b>		
Interest on loans and overdrafts	690	958
Interest on obligations under finance leases	25	31
Provisions - unwinding of discount	24	18
Interest on late payment of commercial debt	1	1
<b>Total interest expense</b>	<u>740</u>	<u>1,008</u>
Other finance costs	0	6
<b>Total</b>	<u>740</u>	<u>1,014</u>

**14.1 Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2011-12</b>									
<b>Cost or valuation:</b>									
<b>At 31 March 2011</b>	37,584	96,067	3,188	7,418	32,329	57	7,240	121	<b>184,004</b>
Prior period adjustments	0	2,626	88	0	0	0	0	0	<b>2,714</b>
Other adjustment	0	0	0	0	(78)	0	0	0	<b>(78)</b>
<b>At 1 April 2011 restated</b>	37,584	98,693	3,276	7,418	32,251	57	7,240	121	<b>186,640</b>
Additions Purchased	0	3,013	98	2,078	5,624	0	914	0	<b>11,727</b>
Additions Donated	0	1,544	0	0	497	0	0	12	<b>2,053</b>
Reclassifications	0	3,989	0	(7,418)	3,360	0	(5)	0	<b>(74)</b>
Reclassifications as Held for Sale	0	(110)	0	0	(1,008)	0	0	0	<b>(1,118)</b>
Disposals other than for sale	0	(237)	(34)	0	(1,289)	(23)	(1,111)	0	<b>(2,694)</b>
Upward revaluation/positive indexation	0	1,471	62	0	0	0	0	0	<b>1,533</b>
Impairments/negative indexation	0	(700)	0	0	0	0	0	0	<b>(700)</b>
<b>At 31 March 2012</b>	<b>37,584</b>	<b>107,663</b>	<b>3,402</b>	<b>2,078</b>	<b>39,435</b>	<b>34</b>	<b>7,038</b>	<b>133</b>	<b>197,367</b>
<b>Depreciation</b>									
<b>At 31 March 2011</b>	0	4,445	129	0	20,411	40	4,590	61	<b>29,676</b>
Other adjustment	0	0	0	0	(16)	0	0	0	<b>(16)</b>
<b>At 1 April 2011 restated</b>	0	4,445	129	0	20,395	40	4,590	61	<b>29,660</b>
Reclassifications	0	0	0	0	(18)	0	0	0	<b>(18)</b>
Reclassifications as Held for Sale	0	(109)	0	0	(1,000)	0	0	0	<b>(1,109)</b>
Disposals other than for sale	0	(236)	(34)	0	(1,289)	(23)	(1,112)	0	<b>(2,694)</b>
Upward revaluation/positive indexation	0	215	6	0	0	0	0	0	<b>221</b>
Impairments	0	327	0	0	625	0	0	0	<b>952</b>
Reversal of Impairments	0	(5)	0	0	0	0	0	0	<b>(5)</b>
Charged During the Year	0	3,747	78	0	3,209	4	1,333	18	<b>8,389</b>
<b>At 31 March 2012</b>	<b>0</b>	<b>8,384</b>	<b>179</b>	<b>0</b>	<b>21,922</b>	<b>21</b>	<b>4,811</b>	<b>79</b>	<b>35,396</b>
<b>Net book value at 31 March 2012</b>	<b>37,584</b>	<b>99,279</b>	<b>3,223</b>	<b>2,078</b>	<b>17,513</b>	<b>13</b>	<b>2,227</b>	<b>54</b>	<b>161,971</b>
Purchased	37,584	94,275	3,223	2,078	14,734	13	2,208	42	<b>154,157</b>
Donated	0	5,004	0	0	2,779	0	19	12	<b>7,814</b>
<b>Total at 31 March 2012</b>	<b>37,584</b>	<b>99,279</b>	<b>3,223</b>	<b>2,078</b>	<b>17,513</b>	<b>13</b>	<b>2,227</b>	<b>54</b>	<b>161,971</b>
<b>Asset financing:</b>									
Owned	37,584	99,279	3,223	2,078	17,036	13	2,227	54	<b>161,494</b>
Held on finance lease	0	0	0	0	477	0	0	0	<b>477</b>
<b>Total</b>	<b>37,584</b>	<b>99,279</b>	<b>3,223</b>	<b>2,078</b>	<b>17,513</b>	<b>13</b>	<b>2,227</b>	<b>54</b>	<b>161,971</b>

**Revaluation Reserve Balance for Property, Plant & Equipment**

	Land	Buildings	Dwellings	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>At 31 March 2011</b>	6,900	31,537	520	0	0	0	0	<b>38,957</b>
Prior period adjustments	0	2,604	88	0	0	0	0	<b>2,692</b>
<b>At 1 April 2011 restated</b>	6,900	34,141	608	0	0	0	0	<b>41,649</b>
Movements (revaluation)	0	(524)	42	0	0	0	0	<b>(482)</b>
<b>At 31 March 2012</b>	<b>6,900</b>	<b>33,617</b>	<b>650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41,167</b>

## 14.2 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2010-11</b>									
<b>Cost or valuation:</b>									
<b>At 1 April 2010</b>	34,090	91,087	2,921	2,327	36,518	224	9,229	173	<b>176,569</b>
Additions - purchased	0	3,964	220	5,432	2,110	0	822	0	<b>12,548</b>
Additions - donated	0	8	0	1,476	408	0	0	0	<b>1,892</b>
Reclassifications	0	1,727	76	(1,817)	22	0	(7)	(1)	<b>0</b>
Reclassified as held for sale	0	0	0	0	(80)	(109)	(60)	0	<b>(249)</b>
Disposals other than by sale	0	0	0	0	(6,649)	(58)	(2,744)	(51)	<b>(9,502)</b>
Revaluation & indexation gains	3,494	38	0	0	0	0	0	0	<b>3,532</b>
Impairments	0	(757)	(29)	0	0	0	0	0	<b>(786)</b>
<b>At 31 March 2011</b>	<b>37,584</b>	<b>96,067</b>	<b>3,188</b>	<b>7,418</b>	<b>32,329</b>	<b>57</b>	<b>7,240</b>	<b>121</b>	<b>184,004</b>
<b>Depreciation</b>									
<b>At 1 April 2010</b>	0	922	63	0	23,526	171	5,968	83	<b>30,733</b>
Reclassifications	0	(4)	4	0	0	0	0	0	<b>0</b>
Reclassifications as Held for Sale	0	0	0	0	(43)	(84)	(43)	0	<b>(170)</b>
Disposals other than for sale	0	0	0	0	(6,649)	(58)	(2,744)	(51)	<b>(9,502)</b>
Impairments	0	52	0	0	0	0	0	0	<b>52</b>
Charged During the Year	0	3,475	62	0	3,577	11	1,409	29	<b>8,563</b>
<b>At 31 March 2011</b>	<b>0</b>	<b>4,445</b>	<b>129</b>	<b>0</b>	<b>20,411</b>	<b>40</b>	<b>4,590</b>	<b>61</b>	<b>29,676</b>
<b>Net book value</b>	<b>37,584</b>	<b>91,622</b>	<b>3,059</b>	<b>7,418</b>	<b>11,918</b>	<b>17</b>	<b>2,650</b>	<b>60</b>	<b>154,328</b>
Purchased	37,584	89,096	3,059	5,923	9,805	17	2,602	60	<b>148,146</b>
Donated	0	2,526	0	1,495	2,113	0	48	0	<b>6,182</b>
<b>Total at 31 March 2011</b>	<b>37,584</b>	<b>91,622</b>	<b>3,059</b>	<b>7,418</b>	<b>11,918</b>	<b>17</b>	<b>2,650</b>	<b>60</b>	<b>154,328</b>
<b>Asset financing:</b>									
Owned	37,584	91,622	3,059	7,418	11,323	17	2,650	60	<b>153,733</b>
Held on finance lease	0	0	0	0	595	0	0	0	<b>595</b>
	<b>37,584</b>	<b>91,622</b>	<b>3,059</b>	<b>7,418</b>	<b>11,918</b>	<b>17</b>	<b>2,650</b>	<b>60</b>	<b>154,328</b>



### 14.3. Property, plant and equipment

#### Revaluation

In accordance with the requirements of the Department of Health, the Trust's estate was revalued at 1 April 2009. As there were indications of further reductions in value during the year, the Trust undertook an impairment review at 31 March 2010 which resulted in further reductions to the value of the Estate. The valuation was carried out by Mr SM Boshier MRICS, of Boshier and Company, Faversham, Kent, an independent valuer, in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury.

The valuation was carried out on the basis of Depreciated Replacement Cost for specialised operational property using the Modern Equivalent Asset methodology and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Following the revaluation exercise conducted at 1 April 2009, land and buildings have been restated to current value by the use of indices to each year end since that date. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. Indexation was applied to land at 31st March 2010 and 31st March 2011. On the advice of the independent valuer, land values have not materially moved therefore indexation has not been applied at 31st March 2012.

#### Asset lives

The economic lives for the Trust's main categories of property, plant and equipment fall between the ranges indicated below:

Buildings and dwellings: Between 5 and 80 years

Plant and machinery: Between 5 and 25 years

Transport equipment: Between 5 and 7 years

Information technology: Between 5 and 6 years

Furniture and fittings: Between 5 and 10 years

There have been no significant changes made to these lives during the financial year, other than the recently built Linac Bunker has a life of 80 years as assessed by the independent valuer.

#### Fully depreciated assets

The gross value of fully depreciated assets included in the Trust accounts at 31 March 2012 are as follows:

Buildings : nil (2010/11 : £237,148)

Plant and machinery: £10,249,007 (2010/11: £9,766,561)

Information technology: £3,467,085 (2010/11: £779,214)

Transport equipment: £13,906 (2010/11: £37,533)

Furniture and fittings: £59,417 (2010/11: £8,561)

#### Donated assets

During 2011/12, the Trust received donations from which assets were purchased to the value of £2,052,886.

These donations were mainly made as follows:

£1,970,966: Royal United Hospital Bath Charitable Funds (2010/11: £1,561,439)

£81,920: Friends of the Royal United Hospital (2010/11: £126,636)

A donation of £1,819,912 was made by the Royal United Hospital Bath charitable funds to the building of a Neonatal Intensive Care Unit, which was capitalised during the year. The remaining contributions were mainly for the purchase of medical equipment. These charities are registered with the Charity Commission in England and Wales, and further details are available on [www.ruh.nhs.uk](http://www.ruh.nhs.uk).

#### Other

All of the values included for property, plant and equipment relate to their value for continuing NHS use. Consequently none of the values are at open market value.

There are no material assets which were temporarily idle at 31 March 2012.

### **14.3. Property, plant and equipment (Continued)**

The Trust acts as a lessor for a number of operating leases as disclosed in Note 8. At 31 March 2012, the assets had gross values of £3,442,000 (31 March 2011: £3,154,000). The assets were revalued upwards by £144,000 during the year (2010/11:£29,000 impairment) and depreciation was charged of £78,000 (2010/11: £62,000).

## 15.1 Intangible non-current assets

2011-12	Software internally generated	Software purchased	Licences & trademarks	Patents	Development expenditure	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>						
<b>At 31 March 2011</b>	0	759	301	0	0	<b>1,060</b>
Additions - purchased	0	0	105	0	0	<b>105</b>
Reclassifications	0	74	0	0	0	<b>74</b>
Disposals other than by sale	0	0	(62)	0	0	<b>(62)</b>
<b>At 31 March 2012</b>	<u>0</u>	<u>833</u>	<u>344</u>	<u>0</u>	<u>0</u>	<u><b>1,177</b></u>
<b>Amortisation</b>						
<b>At 31 March 2011</b>	0	202	152	0	0	<b>354</b>
Reclassifications	0	18	0	0	0	<b>18</b>
Disposals other than by sale	0	0	(62)	0	0	<b>(62)</b>
Charged during the year	0	186	43	0	0	<b>229</b>
<b>At 31 March 2012</b>	<u>0</u>	<u>406</u>	<u>133</u>	<u>0</u>	<u>0</u>	<u><b>539</b></u>
<b>NBV at 31 March 2012</b>	0	427	211	0	0	638
<b>Net book value at 31 March 2012 comprises:</b>						
Purchased	0	388	211	0	0	<b>599</b>
Donated	0	39	0	0	0	<b>39</b>
<b>Total at 31 March 2012</b>	<u>0</u>	<u>427</u>	<u>211</u>	<u>0</u>	<u>0</u>	<u><b>638</b></u>

## 15.2 Intangible non-current assets

2010-11	Software internally generated £000	Software purchased £000	Licences & trademarks £000	Patents £000	Development expenditure £000	Total £000
<b>Cost or valuation:</b>						
At 1 April 2010	0	738	207	0	0	945
Additions - purchased	0	24	107	0	0	131
Disposals other than by sale	0	(3)	(13)	0	0	(16)
<b>At 31 March 2011</b>	<u>0</u>	<u>759</u>	<u>301</u>	<u>0</u>	<u>0</u>	<u>1,060</u>
<b>Amortisation</b>						
At 1 April 2010	0	60	125	0	0	185
Disposals other than by sale	0	(3)	(13)	0	0	(16)
Charged during the year	0	145	40	0	0	185
<b>At 31 March 2011</b>	<u>0</u>	<u>202</u>	<u>152</u>	<u>0</u>	<u>0</u>	<u>354</u>
<b>Net book value at 31 March 2010</b>	0	557	149	0	0	706
<b>Net book value at 31 March 2010 comprises:</b>						
Purchased	0	541	149	0	0	690
Donated	0	16	0	0	0	16
<b>Total at 31 March 2011</b>	<u>0</u>	<u>557</u>	<u>149</u>	<u>0</u>	<u>0</u>	<u>706</u>

### **15.3 Intangible non-current assets**

Intangible assets are held at depreciated purchase cost and were not subject to revaluation in year. All intangible assets have an estimated life of 5 years, which is consistent with 2010/11 assumptions.

All intangible assets are owned, and have either been purchased or donated to the Trust. No intangible assets have been purchased with government grants (2010/11:nil).

The gross value of fully depreciated intangible non-current assets still in use as at 31 March 2012 was £51,820 (2010/11:£74,384).

**16 Analysis of impairments and reversals recognised in 2011-12**

	<b>2011-12</b>
	<b>Total</b>
	<b>£000</b>
<b>Property, Plant and Equipment impairments and reversals taken to SoCI</b>	
Changes in market price	947
<b>Total charged to Annually Managed Expenditure</b>	<u>947</u>
<b>Property, Plant and Equipment impairments and reversals charged to the revaluation reserve</b>	
Changes in market price	700
<b>Total impairments for PPE charged to reserves</b>	<u>700</u>
<b>Total Impairments of Property, Plant and Equipment</b>	<u>1,647</u>
<b>Total Impairments charged to Revaluation Reserve</b>	700
<b>Total Impairments charged to SoCI - AME</b>	947
<b>Overall Total Impairments</b>	<u><u>1,647</u></u>

During the year, a number of projects came into operational use, and were subject to an impairment review at that point.

The effect of these impairments has been a change of £700,000 to the Revaluation Reserve which relates to the Victoria Ward refurbishment, Princess Anne Wing development and the Neonatal Intensive Care Unit build.

In addition £947,000 impairments were charged to earnings. The most significant of which is the combined heat and power scheme of £625,000. (2010/11 Revaluation Reserve: £786,000, earnings: £52,000).

## 17 Commitments

### 17.1 Capital commitments

Contracted capital commitments at 31 March 2012 not otherwise included in these financial statements:

	<b>31 March 2012</b>	31 March 2011
	<b>£000</b>	£000
Property, plant and equipment	<b>163</b>	2,641
<b>Total</b>	<b>163</b>	2,641

### 17.2 Other financial commitments

	<b>31 March 2012</b>	31 March 2011
	<b>£000</b>	£000
Not later than one year	<b>1,034</b>	963
Later than one year and not later than five year	<b>258</b>	642
Later than five years	<b>0</b>	0
<b>Total</b>	<b>1,292</b>	1,605

The contractual arrangement for the provision of a Picture Archiving and Communications System (PACS) to the Trust has been arranged on its behalf by NHS Connecting for Health, a part of the Department of Health's Informatics Directorate, and is not cancellable by the Trust. The current contract is due to terminate on 30 June 2013.

## 18 Intra-Government and other balances

	<b>Current receivables £000s</b>	<b>Non-current receivables £000s</b>	<b>Current payables £000s</b>	<b>Non-current payables £000s</b>
Balances with other Central Government Bodies	5,091	0	6,608	0
Balances with Local Authorities	38	0	1	0
Balances with NHS Trusts and Foundation Trusts	2,694	0	1,117	0
Balances with bodies external to government	2,406	1,584	7,229	0
<b>At 31 March 2012</b>	<b>10,229</b>	<b>1,584</b>	<b>14,955</b>	<b>0</b>
<b>prior period:</b>				
Balances with other Central Government Bodies	4,992	0	3,949	0
Balances with Local Authorities	50	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,146	0	550	0
Balances with bodies external to government	3,382	1,626	7,539	0
<b>At 31 March 2011</b>	<b>9,570</b>	<b>1,626</b>	<b>12,038</b>	<b>0</b>

**19 Inventories**

	Drugs £000	Consumables £000	Energy £000	Work in progress £000	Loan Equipment £000	Other £000	Total £000
Balance at 1 April 2011	952	2,120	86	0	0	24	3,182
Additions	222	157	27	0	0	23	429
Inventories recognised as an expense in the period	0	(275)	0	0	0	0	(275)
Write-down of inventories (including losses)	(40)	0	0	0	0	0	(40)
<b>Balance at 31 March 2012</b>	<b>1,134</b>	<b>2,002</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>47</b>	<b>3,296</b>

**20.1 Trade and other receivables**

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
NHS receivables - revenue	7,281	5,685	0	0
Non-NHS receivables - revenue	1,442	1,847	1,770	1,798
Non-NHS prepayments and accrued income	1,340	1,670	0	0
Provision for the impairment of receivables	(143)	(223)	(186)	(172)
VAT	307	453	0	0
Other receivables	181	138	0	0
<b>Total</b>	<b>10,408</b>	<b>9,570</b>	<b>1,584</b>	<b>1,626</b>
<b>Total current and non current</b>	<b>11,992</b>	<b>11,196</b>		

The great 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.

**20.2 Receivables past their due date but not impaired**

	31 March 2012 £000	31 March 2011 £000
By up to three months	468	633
By three to six months	38	198
By more than six months	5	10
<b>Total</b>	<b>511</b>	<b>841</b>

The Trust does not hold any collateral as value against receivables which are due to the Trust

**20.3 Provision for impairment of receivables**

	2011-12 £000	2010-11 £000
Balance at 1 April 2011	(395)	(299)
Amount written off during the year	118	5
Amount recovered during the year	115	74
(Increase)/decrease in receivables impaired	(167)	(175)
<b>Balance at 31 March</b>	<b>(329)</b>	<b>(395)</b>

Receivables impaired includes 10.5% of accrued injury cost recovery (ICR) revenue to reflect the average value of claims withdrawn, as advised to DH by the Compensation Recovery Unit. Additionally, the provision for impaired receivables includes outstanding non-English NHS debts, and non-NHS debtors.



## 21 Other financial assets

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
<b>Financial assets carried at fair value through SoCI</b>				
Available for sale financial assets carried at fair value	0	82	0	82
<b>Total</b>	<b>0</b>	<b>82</b>	<b>0</b>	<b>82</b>
<b>Total other financial assets (current and non-current)</b>	<b>0</b>	<b>164</b>		

## 22 Other current assets

	31 March 2012 £000	31 March 2011 £000
EU Emissions Trading Scheme Allowance	33	0
<b>Total</b>	<b>33</b>	<b>0</b>

## 23 Cash and Cash Equivalents

	31 March 2012 £000	31 March 2011 £000
<b>Opening balance at</b>	<b>2,000</b>	690
Net change in year	4,068	1,310
<b>Closing balance</b>	<b>6,068</b>	<b>2,000</b>
<b>Made up of</b>		
Cash with Government Banking Service	6,055	1,992
Commercial banks	0	8
Cash in hand	13	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>6,068</b>	<b>2,000</b>
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>6,068</b>	<b>2,000</b>

**24 Non-current assets held for sale**

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2011</b>	0	0	0	0	0	0	0	0	0	<b>0</b>
Plus assets classified as held for sale in the year	0	0	0	0	9	0	0	0	0	<b>9</b>
Less assets sold in the year	0	0	0	0	(9)	0	0	0	0	<b>(9)</b>
<b>Balance at 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities associated with assets held for sale at 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Plus assets classified as held for sale in the year	0	0	0	0	37	25	17	0	0	<b>79</b>
Less assets sold in the year	0	0	0	0	(37)	(25)	(17)	0	0	<b>(79)</b>
<b>Balance at 31 March 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities associated with assets held for sale at 31 March 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2010/11 assets relating to the retinal screening service with a total net book value of £79,000 were sold at net book value when the service transferred out of the Trust.

In 2011/12 an electric truck with net book value of £9,000 was sold as it was no longer needed for operational requirements, resulting in a loss on sale of £5,000.

## 25 Trade and other payables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
NHS payables - revenue	1,838	1,566	0	0
NHS accruals and deferred income	1,290	977	0	0
Non-NHS payables - revenue	3,776	2,112	0	0
Non-NHS payables - capital	551	302	0	0
Non-NHS accruals and deferred income	3,996	4,092	0	0
Social security costs	1,394	1,339	0	0
Tax	1,568	1,574	0	0
Other	84	76	0	0
<b>Total</b>	<b>14,497</b>	<b>12,038</b>	<b>0</b>	<b>0</b>
<b>Total payables (current and non-current)</b>	<b>14,497</b>	<b>12,038</b>		

## 26 Borrowings

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Loans from Department of Health	2,490	7,200	9,915	6,500
Finance lease liabilities	103	231	309	345
<b>Total</b>	<b>2,593</b>	<b>7,431</b>	<b>10,224</b>	<b>6,845</b>
<b>Total other liabilities (current and non-current)</b>	<b>12,817</b>	<b>14,276</b>		

### Loans - repayment of principal falling due in:

	31 March 2012		
	DH £000	Other £000	Total £000
0 - 1 Years	2,490	0	2,490
1 - 2 Years	2,490	0	2,490
2 - 5 Years	4,470	0	4,470
Over 5 Years	2,955	0	2,955
<b>TOTAL</b>	<b>12,405</b>	<b>0</b>	<b>12,405</b>

The Trust's loan balance represents a balance owed to the Department of Health, it comprises of two types of loans. In 2007/08 the Department of Health granted the Royal United Hospital Bath NHS Trust a loan of £38,000,000 at a fixed rate of 5.05%, to be repaid in instalments over twenty years. The loan repayment has been re-profiled and is now scheduled to be repaid in full by March 2016.

The Trust borrowed £6,000,000 in 2011/12 for capital expenditure to fund the redevelopment of the Pathology site. This loan will be repaid in full by March 2022.

## 27 Deferred income

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Opening balance at 01/04/11	827	796	0	0
Deferred income addition	0	31	0	0
Transfer of deferred income	(128)	0	0	0
<b>Current deferred Income at 31 March 2012</b>	<b>699</b>	<b>827</b>	<b>0</b>	<b>0</b>
Total other liabilities (current and non-current)	<b>699</b>	<b>827</b>		

The most significant element of Deferred income relates to Research and Development income.

## 28 Finance lease obligations as lessee

### Amounts payable under finance leases (Other)

	Minimum lease payments		Present value of minimum lease	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Within one year	114	252	103	231
Between one and five years	342	338	309	305
After five years	0	41	0	40
Less future finance charges	(44)	(55)	0	0
Present value of minimum lease payments	<b>412</b>	<b>576</b>	<b>412</b>	<b>576</b>
Included in:				
Current borrowings			103	231
Non-current borrowings			309	345
			<b>412</b>	<b>576</b>

### Finance leases as lessee

	31 March 2012 £000	31 March 2011 £000
Future Sublease Payments Expected to be received	0	0
Contingent Rents Recognised as an Expense	0	0

All leases relate to equipment, plant and machinery. There are no finance leases relating to either land or buildings (2010/11:none). There are no future sublease payments which are expected to be received.

**29 Provisions**

Comprising:

	Total £000s	Pensions to Former Directors £000s	Pensions Relating to Other Staff £000s	Legal Claims £000s	Restructuring £000s	Continuing Care £000s	Equal Pay £000s	Agenda for Change £000s	Other £000s	Redundancy £000s
<b>Balance at 01/04/11</b>	3,799	0	862	69	0	0	0	0	2,868	0
Prior period adjustment	0	0	0	0	0	0	0	684	(684)	0
<b>Restated Balance 01/04/11</b>	3,799	0	862	69	0	0	0	684	2,184	0
Arising During the Year	1,144	0	71	44	0	0	0	534	307	188
Utilised During the Year	(948)	0	(66)	(37)	0	0	0	(124)	(721)	0
Reversed Unused	(435)	0	0	(17)	0	0	0	(24)	(394)	0
Unwinding of Discount	24	0	24	0	0	0	0	0	0	0
<b>Balance as at 31/03/12</b>	<b>3,584</b>	<b>0</b>	<b>891</b>	<b>59</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,070</b>	<b>1,376</b>	<b>188</b>
<b>Expected Timing of Cash Flows:</b>										
No Later than One Year	1,517	0	78	59	0	0	0	357	835	188
Later than One Year and not later than Five Years	1,499	0	245	0	0	0	0	713	541	0
Later than Five Years	568	0	568	0	0	0	0	0	0	0

**Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:**

As at 31/03/12	14,815
As at 31/03/11	8,282

Pension provisions relating to other staff represent the remaining liabilities for pre 1995 pensions on early retirement and entitlements to injury benefits. The provision is calculated based on present payments and anticipated life spans, discounted at the pensions discount rate published by HM Treasury. The rate applicable at 31 March 2012 was 2.8%. At 31 March 2011, the equivalent rate was 2.9%. However, the Trust applied the general provisions discount rate of 2.8% in line with guidance at the time provided with the Department of Health. Comparative balances have not been restated, as the effect is not material.

Amounts provided for legal claims represent the estimated excesses on legal claims, as advised by the NHS Litigation Authority.

Amounts provided for under the EU Emissions Trading Directive is matched by purchased EU Emissions Trading allowances included within 'Other current assets'.

Amounts provided under 'Other' represent anticipated costs of staff pay arrears; redundancies and provisions for employment tribunal cases.

**30 Contingencies**

	31 March 2012 £000	31 March 2011 £000
<b>Contingent liabilities</b>		
Amounts Recoverable Against Contingent Liabilities	17	34
<b>Net Value of Contingent Liabilities</b>	<b>17</b>	<b>34</b>
<b>Contingent Assets</b>		
<b>Net value of contingent assets/(liabilities)</b>	<b>17</b>	<b>34</b>

The Trust has been informed of its member contingent liability of £16,507 (31 March 2011: £33,861) in respect of the Liabilities to Third Party Scheme.

There are no contingent assets as at the 31 March 2012 (31 March 2011: nil).

### 31 Impact of IFRS treatment - current year

	<b>Total £000</b>
<b>Revenue costs of IFRS: all other expenditure associated with IFRS (e.g. finance leases)</b>	
Depreciation charge	198
Interest expense	25
Impact on PDC dividend payable	20
<b>Total IFRS expenditure (non IFRIC12)</b>	<b>243</b>
Revenue consequences under UK GAAP	0
<b>Net IFRS change (non IFRIC12)</b>	<b>243</b>

## 32 Financial Instruments

### 32.1 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 NHS Trust has with Primary Care Trusts and the way those primary care Trusts are financed, the NHS 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 NHS 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 NHS 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 2012 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.

	At 'fair value through profit and loss' £000	Loans and receivables £000	Available for sale £000	Total £000
<b>32.2 Financial Assets</b>				
Embedded derivatives	0	0	0	0
Receivables - NHS	0	7,281	0	7,281
Receivables - non-NHS	0	3,212	0	3,212
Cash at bank and in hand	0	6,068	0	6,068
<b>Total at 31 March 2012</b>	<b>0</b>	<b>16,561</b>	<b>0</b>	<b>16,561</b>
Embedded derivatives	0	0	0	0
Receivables - NHS	0	5,682	0	5,682
Receivables - non-NHS	0	3,645	0	3,645
Cash at bank and in hand	0	2,000	0	2,000
Other financial assets	164	0	0	164
<b>Total at 31 March 2011</b>	<b>164</b>	<b>11,327</b>	<b>0</b>	<b>11,491</b>
	At 'fair value through profit and loss' £000	Other £000	Total £000	
<b>32.3 Financial Liabilities</b>				
Embedded derivatives	0	0	0	
NHS payables	0	(1,838)	(1,838)	
Non-NHS payables	0	(4,327)	(4,327)	
Other borrowings	0	(12,405)	(12,405)	
Finance lease obligations	0	(412)	(412)	
<b>Total at 31 March 2012</b>	<b>0</b>	<b>(18,982)</b>	<b>(18,982)</b>	
Embedded derivatives	0	0	0	
NHS payables	0	(1,566)	(1,566)	
Non-NHS payables	0	(2,414)	(2,414)	
Other borrowings	0	(13,700)	(13,700)	
Finance lease obligations	0	(576)	(576)	
<b>Total at 31 March 2011</b>	<b>0</b>	<b>(18,256)</b>	<b>(18,256)</b>	

## 33 Events after the end of the reporting period

There are no significant events which have occurred after the 31 March 2012 which would have a material effect on the financial statements.

### 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 Royal United Hospital Bath NHS Trust.

The Department of Health is regarded as a related party. During the year 2011/12, the 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 :

#### Strategic Health Authorities

NHS South West

#### Primary Care Trusts

NHS Wiltshire  
 NHS Bath and North East Somerset  
 NHS Somerset  
 NHS North Somerset  
 NHS Bristol  
 NHS South Gloucestershire  
 NHS Gloucestershire  
 NHS Swindon  
 NHS Devon  
 NHS Dorset

#### NHS Trusts

North Bristol NHS Trust  
 University Hospitals Bristol NHS Foundation Trust  
 Royal National Hospital for Rheumatic Diseases NHS Foundation Trust  
 Salisbury NHS Foundation Trust  
 Oxford Health NHS Foundation Trust  
 Portsmouth Hospitals NHS Trust  
 Avon and Wiltshire Mental Health Partnership Trust  
 Great Western Hospitals NHS Foundation Trust  
 Somerset Partnership NHS Foundation Trust

#### Other agencies

NHS Litigation Authority  
 NHS Business Services Authority  
 NHS Blood and Transplant  
 Health Protection Agency

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Her Majesty's Revenue and Customs in relation to Value Added Tax, National Insurance Contributions and Income Taxes.

The Trust has also received revenue and capital payments from the Royal United Hospital Bath NHS Trust Charitable Funds, for which the Trust Board acts as Corporate Trustee. The audited accounts of the Charitable Funds are available at [www.ruh.nhs.uk](http://www.ruh.nhs.uk).

### 35 Losses and special payments

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	2,365	15
Special payments	<u>8,235</u>	<u>57</u>
<b>Total losses and special payments</b>	<b><u>10,600</u></b>	<b><u>72</u></b>

The total number of losses cases in 2010-11 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	25,662	49
Special payments	<u>138,028</u>	<u>39</u>
<b>Total losses and special payments</b>	<b><u>163,690</u></b>	<b><u>88</u></b>

#### Details of cases individually over £250,000

There were no cases individually over £250,000 (2010/11: none).



### 36. 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.

#### 36.1 Breakeven performance

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Turnover	166,012	177,619	194,221	210,149	223,356	216,361	223,678
Retained surplus/(deficit) for the year	(7,339)	144	1,900	5,600	1,398	4,143	6,562
Adjustment for:							
Timing/non-cash impacting distortions:							
Adjustments for Impairments	0	0	0	1,805	4,402	52	947
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	0	0	0
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	(1,294)
Other agreed adjustments	946	0	0	0	0	0	0
Break-even in-year position	<u>(6,393)</u>	<u>144</u>	<u>1,900</u>	<u>7,405</u>	<u>5,800</u>	<u>4,195</u>	<u>6,215</u>
Break-even cumulative position	<u>(32,123)</u>	<u>(31,979)</u>	<u>(30,079)</u>	<u>(22,674)</u>	<u>(16,874)</u>	<u>(12,679)</u>	<u>(6,464)</u>

\* 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. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

The Trust's recovery plan, approved by the SHA aims to achieve breakeven in 2015/16.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Materiality test (i.e. is it equal to or less than 0.5%):							
Breakeven in-year position as a percentage of turnover	-3.85	0.08	0.98	3.52	2.60	1.94	2.78
Breakeven cumulative position as a percentage of turnover	-19.35	-18.00	-15.49	-10.79	-7.55	-5.86	-2.89

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.

### 36.2. Capital cost absorption rate

Until 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%.

### 36.3 External financing

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

	2011-12	2010-11
£000	£000	£000
External financing limit	<b>(204)</b>	<b>(1,126)</b>
Cash flow financing	<b>(3,647)</b>	(2,246)
Finance leases taken out in the year	77	99
Other capital receipts	<u>0</u>	(1,216)
External financing requirement	<b>(3,570)</b>	<b>(3,363)</b>
<b>Undershoot</b>	<b><u>3,366</u></b>	<b><u>2,237</u></b>

The Trust undershot its external financing limit during the year (2010/11:undershoot) as permitted by the Department of Health.

### 36.4 Capital resource limit

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

	2011-12	2010-11
	£000	£000
Gross capital expenditure	<b>13,885</b>	14,571
Less: book value of assets disposed of	<b>(9)</b>	(79)
Less: capital grants	<b>0</b>	0
Less: donations towards the acquisition of non-current assets	<b>(2,053)</b>	(1,892)
Charge against the capital resource limit	<b><u>11,823</u></b>	<b><u>12,600</u></b>
Capital resource limit	<b>13,888</b>	12,600
<b>(Over)/underspend against the capital resource limit</b>	<b><u>2,065</u></b>	<b><u>0</u></b>

**37 Third party assets**

The Trust held no cash or cash equivalents at 31 March 2012 (31 March 2011: nil) which relates to monies held by the NHS Trust on behalf of patients.