

Royal United Hospital Bath NHS Trust

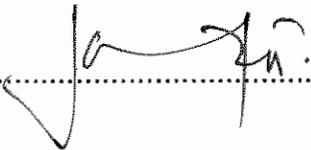
Annual Accounts for the year-ended 31 March 2009

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

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

James Scott, Chief Executive
8 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

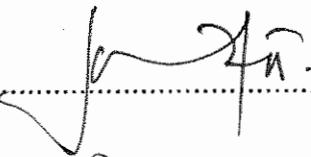
The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of HM Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised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

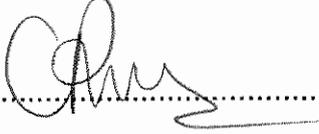
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of HM Treasury;
- make judgements and estimates which are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed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

Signed: 
James Scott, Chief Executive
8 June 2009

Signed: 
Catherine Phillips, Director of Finance
8 June 2009

STATEMENT ON INTERNAL CONTROL

1. Scope of Responsibility

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

The NHS South West Strategic Health Authority (SHA), commissioning Primary Care Trusts (PCTs) and the Trust have worked closely in 2008/09 and the Trust's performance is reviewed by the SHA and PCTs on a regular basis.

The Bath & Wiltshire Health Community (BWHC), which consists of the Trust, NHS Bath and North East Somerset (BaNES) and NHS Wiltshire have worked hard in 2008/09 to improve relationships across the organisations and the Chief Executives meet regularly. The PCTs, Overview and Scrutiny Panel, Public and Local Involvement Networks (LINKs) and other partner organisations have worked closely with the Trust in developing the Trust Strategy and have agreed the areas of work where focus is required. They have been involved in several aspects of the Trust's activities particularly related to patient experiences.

A representative, nominated by the Trust's LINKs attends the Trust Board and provides a voice for public and patient views.

2. The Purpose of the System of Internal Control

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

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; and
- 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 at the Trust for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

I have overall responsibility for all risks. Director of Nursing has been designated as the Director responsible for clinical governance and risk management; and the Director of Human Resources is designated as responsible for non-clinical risk. I am responsible for corporate governance issues.

The Trust Board has approved the risk management processes and defined significant risks for the Trust. The Trust has developed a risks register; all new significant risks are reviewed by the Trust Board at each Trust Board meeting. Existing significant risks are reviewed by the Trust's Assurance Committees on a quarterly basis and by the Trust Board on a half-yearly basis.

STATEMENT ON INTERNAL CONTROL (continued)

The Trust's Assurance Committees have been established as sub-committees of the Trust Board, with membership from Executive and Non Executive Directors, clinical representatives from the Divisions and other senior clinical and managerial representatives. The Strategic Framework for Risk Management includes a reporting structure which details the groups and committees that report to the Assurance Committees and Trust Board.

Each clinical specialty has a forum for discussing risk management and clinical governance issues with a nominated risk management lead. Guidance for the specialty lead and group is included in the Strategic Framework for Risk Management. The Clinical Governance Performance Framework includes standards on risk management and the pillars of clinical governance. Key Performance Indicators (KPIs) were developed for clinical governance and these are monitored through the Trust's performance measures and included in a corporate scorecard on a monthly basis. The evidence used to monitor against the KPIs has been used in a number of areas to provide evidence for the achievement of the Healthcare Commission's Standards for Better Health.

Lessons learned from risk and incident investigations are communicated to the Operational Governance Committee for the development of Trust-wide practice change. Incidents are dealt with following the Risk and Incident Management Policy or the Serious Untoward Incident Policy. Lessons learned from complaint investigations are communicated throughout the Trust via the clinical governance report. The Risk Management team holds a training matrix which details which training is mandatory, best practice, and available for each group of staff.

4. The Risk and Control Framework

The Strategic Framework for Risk Management identifies the key risk areas for the Trust as clinical risk, non clinical risk, financial risk, human resource risk and information risk.

The policy for Risk and Incident Management includes a clear risk management process. If a risk cannot be resolved at a local level the risk can be referred to the relevant Assurance Committee. The risk is also added to the risk register with a plan detailing ways to minimise the risk, and each risk is assessed for its severity and likelihood of occurrence, and are allocated a risk 'traffic light'. The pathway for putting risks onto the Trust risk register includes discussion at Divisional level and the Risk and Clinical Effectiveness Panel (RACE).

Strategic risks outside the remit of the Trust's local governance groups are entered onto the risk register and are reviewed by the Trust Board and the relevant Assurance Committee. The Trust Board reviews each new significant risk and either explores the solutions or accepts the risk. Existing significant risks are reviewed half-yearly by the Trust Board. Training in risk management is included as part of the induction programme for new members of staff.

The Trust approach to the delivery of appropriate information governance is defined within the Trust Information Governance strategy which is owned by the Trust Board. The Trust's Information Governance Group is responsible to the Board for the delivery of the strategy. The chair of the Information Governance Group, who is also the Trust Senior Information Risk Owner, ensures that information risks are recorded on the Trust Risk Register and reported to the Board via the Non Clinical Risk Committee. The Trust undertakes annual self-assessments using the NHS Information Governance Toolkit to ensure adherence to national legislation, policies and directives.

STATEMENT ON INTERNAL CONTROL (continued)

During 2008/09, the Trust has emphasised, amongst others, improving the Information Governance Toolkit score and ensuring that all sensitive data in transit is encrypted. To that end, the Trust has completed a programme of encrypting all Trust laptops with the nationally procured SafeBoot software and has procured hardware encrypted USB memory sticks for staff to use.

During 2008/09 there was one serious untoward incident relating to information. A list of 27 retinal screening patients was found in a supermarket car park in Bath having fallen out of a member of staff's vehicle. The list contained the patients' names, addresses, dates of birth and NHS numbers. Following a formal internal investigation, procedures within the relevant department were amended to prevent a similar incident happening again.

The Assurance Framework is a process by which the Trust gains assurance that it has a well-balanced set of objectives for the year and that there are controls in place to manage the key risks associated with achieving the objectives.

The Assurance Framework was developed using the Trust's corporate objectives for 2008/09. The framework focused on patient and public safety, effectiveness, efficiency, and hospital estate development. The objectives were assessed, and risks in achieving the objectives identified including any gaps in assurance or control. The Assurance Framework was reviewed by the Trust Board regularly throughout the year and included in the public Trust Board papers. Internal Audit reviewed the Assurance Framework in March 2009 and an assessment of significant assurance was provided.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The Assurance Framework has highlighted a number of gaps in control and assurance. The gaps are in:

- 1) Patient access being able to consistently meet the 4 hour emergency care target and the levels of delayed discharge of care;
- 2) Ensuring that facilities are used optimally to address infection control issues;
- 3) Improving the patient experience by ensuring the privacy and dignity of all patients; answering 90% of all calls to the appointment centre within 3 minutes; and improving the Trust's environment;
- 4) Integrated service planning and the commitment of the PCTs to work with the Trust on service improvements; and
- 5) Minor areas in the recruitment of staff.

Detailed action plans are in place to address these and responsibility has been assigned to a lead Executive Director. The plans will be taken through the 2009/10 Board cycle (Management Board and Trust Board) to ensure continuous improvement. The monthly reporting of progress against the Trust's objectives and Standards for Better Health, in conjunction with the Assurance Framework, will help the Trust Board identify and mitigate any risks in meeting the Trust objectives. The Assurance Committees ensure that action plans to eliminate gaps identified in previous years are being monitored.

The Trust received limited assurance arising from certain internal audits commissioned during the year. The issues related to IT system access for Theatres; retention of records for appraisals in certain areas; the system and process for corporate records management; self-certifications of sickness absence by training doctors; completion of job plans for Specialty Doctors/Associate Specialists and stock management and recharge rates within the Estates Department A work plan is in place to address these issues.

The Hygiene Code duties have been presented to the Trust Board with an associated self-assessment and action plan. The Trust recognises that the Health Act 2006 introduced a statutory duty on NHS organisations to observe the provisions of the Code of Practice on Healthcare Associated Infections. The Trust Board is aware of its responsibilities in assuring that it has suitable systems and arrangements in place to ensure that the Code is being observed.

STATEMENT ON INTERNAL CONTROL (continued)

The Healthcare Commission inspected 4 Hygiene Code duties in January 2009. During the inspection the Trust undertook some immediate actions in relation to the contingency environment used for the decontamination of flexible endoscopes.

Each year the Trust is required to make a self assessment on its performance against twenty four core standards as set out by the Department of Health in its 'Standards for Better Health'. The Trust has declared non-compliance with one of the core standards - Core Standard 4c. The standard relates to the management of decontamination facilities. An action plan has been submitted as part of the year-end declaration which will be reviewed and monitored by the Trust Board during 2009/10.

The Public and stakeholders are involved in managing risk through representation from the LINKs and the local council-led Overview and Scrutiny Committees. In addition, the Trust held stakeholder events to discuss the issues that should be fed into the Trust strategy. A patient experience strategy has been approved and its progress monitored during 2008/09 by both the Trust Board and the Patient Experience Group (PEG).

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. These include ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that members' Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

5. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the Internal Audit work. Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

- Internal Audit reports;
- External Audit reports;
- Auditors' Local Evaluation (ALE);
- Self Assessment on the Core Standards for Better Health;
- Stakeholder comments for the Core Standards for Better Health declaration;
- Healthcare Commission inspections in respect of compliance with the Hygiene code;
- Clinical audits;
- NHSLA assessments;
- Patient and staff surveys;
- Improving Working Lives practice assessment; and
- Benchmarking information.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Trust Board, Audit Committee, Clinical Governance Committee, Non-Clinical Risk Committee, Charities Committee and the Management Board. A plan to ensure continuous improvement of the system is in place.

STATEMENT ON INTERNAL CONTROL (continued)

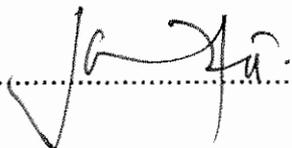
A major risk facing the Trust during the year was ensuring that the Trust met the 4 hour emergency care target.

The Trust declares full compliance with 23 of the 24 core standards and non-compliance with Core Standard 4c. An action plan accompanies the Standards for Better Health year-end declaration which demonstrates the necessary actions completed following the Healthcare Commission inspection.

The Trust suffered a serious untoward incident in relation to information governance, referred to in section 4. Procedures have been amended to avoid a repeat of this incident.

The Trust Board has a vital role in ensuring that the Trust has an effective system of internal control. 2008/09 has seen the implementation of the results of a review conducted in 2007/08 of the Terms of Reference of the Board's sub-committees. The Trust Board and its sub-committees have functioned effectively throughout the year.

Signed:



James Scott, Chief Executive
8 June 2009

AUDIT REPORT

Independent auditors' report to the Board of Directors of the Royal United Hospital Bath NHS Trust

Opinion on the financial statements

We have audited the financial statements of Royal United Hospital Bath NHS Trust for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of Royal United Hospital Bath NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Directors' as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Financial Review and summary financial statements included in the Annual Report, are consistent with the financial statements.

We review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2008/09' issued 25 February 2009. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

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

AUDIT REPORT (continued)

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2009 and of its income and expenditure for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Financial Review and summary financial statements, included within the Annual Report, are consistent with the financial statements.

Signed:



John Golding
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
9 June 2009

**CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND
EFFECTIVENESS IN THE USE OF RESOURCES**

Directors' Responsibilities

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

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006. We are satisfied that, in all significant respects, Royal United Hospital NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed: 

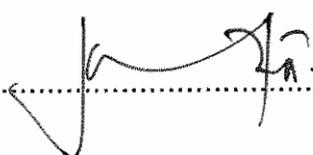
John Golding
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT
9 June 2009

**BALANCE SHEET AS AT
31 March 2009**

	NOTE	31 March 2009 £000	31 March 2008 (Restated) £000
FIXED ASSETS			
Tangible assets	10	179,898	190,643
Financial assets	13	165	0
TOTAL FIXED ASSETS		<u>180,063</u>	<u>190,643</u>
CURRENT ASSETS			
Stocks and work in progress	11	3,309	3,237
Debtors falling due within one year	12	13,926	13,827
Debtors falling due after one year	12	1,476	1,320
Other financial assets	13	55	0
Cash at bank and in hand	17.3	1,470	2,465
TOTAL CURRENT ASSETS		<u>20,236</u>	<u>20,849</u>
CREDITORS: Amounts falling due within one year	14.1	<u>(20,637)</u>	<u>(21,106)</u>
NET CURRENT LIABILITIES		<u>(401)</u>	<u>(257)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>179,662</u>	<u>190,386</u>
CREDITORS: Amounts falling due after more than one year	14.1	<u>(20,724)</u>	<u>(27,548)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(1,918)</u>	<u>(2,131)</u>
TOTAL ASSETS EMPLOYED		<u><u>157,020</u></u>	<u><u>160,707</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	21	127,445	128,545
Revaluation reserve	16	69,302	77,055
Donated asset reserve	16	6,114	6,548
Government grant reserve	16	0	0
Income and expenditure reserve	16	(45,841)	(51,441)
TOTAL TAXPAYERS' EQUITY		<u><u>157,020</u></u>	<u><u>160,707</u></u>

The opening revaluation reserve and income and expenditure reserve have been restated as detailed in Note 17.

The financial statements on pages 12 to 44 were approved by the Board on 8 June 2009 and signed on its behalf by:

Signed: 

James Scott, Chief Executive
8 June 2009

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2009**

	2008/09	2007/08
	£000	£000
Surplus for the financial year before dividend payments	9,422	5,515
Fixed asset impairment losses	0	(2,059)
Unrealised (deficit)/surplus on fixed asset revaluations/indexation	(7,801)	12,548
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	569	851
Total recognised gains and losses for the financial year	<u>2,190</u>	<u>16,855</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	17.1	22,570	17,806
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		747	934
Interest paid		<u>(1,632)</u>	<u>(1,858)</u>
Net cash outflow from returns on investments and servicing of finance		(885)	(924)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(8,804)	(6,694)
Receipts from sale of tangible fixed assets		5	0
Payments for financial instruments		<u>(359)</u>	<u>0</u>
Net cash outflow from capital expenditure		(9,158)	(6,694)
DIVIDENDS PAID			
Net cash inflow before financing		(3,822)	(3,615)
		<u>8,705</u>	<u>6,573</u>
FINANCING			
Public dividend capital repaid		(1,100)	(2,672)
Loans repaid to the Department of Health		(8,600)	(1,900)
Net cash outflow from financing		(9,700)	(4,572)
(Decrease)/increase in cash		(995)	2,001

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 Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies 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 fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Where patients are partway through their care at the 31st March, the Trust has apportioned the related income over the two financial years.

1.3 Tangible fixed assets

Capitalisation

Borrowing costs associated with the construction of new assets are not capitalised.

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

- individually have a cost of at least £5,000; or
- collectively 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
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

1.3 Tangible fixed assets (continued)

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. 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.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property 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.

Gains arising from indexation and revaluations are taken to the Revaluation Reserve. Losses arising from revaluation are recognised as impairments and are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year's Income & Expenditure account, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in

Assets in the course of construction are valued at current cost. These assets include any existing land or buildings under the control of a contractor.

Operational equipment is carried at current value. Where assets are of low value, or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

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

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

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

1.4 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also 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 the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.5 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Gains and losses on revaluations are also taken to the Government Grant Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government Grant Reserve to the Income and Expenditure Account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.6 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.7 Research and development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;

1.8 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. 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 16.

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.

1.9 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 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.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation

a) Full actuarial (funding) valuation

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. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting 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 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 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.

Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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 income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension with enhancements 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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse or eligible unmarried partner.

New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

1.10 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.11 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.

1.12 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

1.13 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 26 to the accounts.

1.14 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.15 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of HM Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.16 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account 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, note 27 is compiled from the Losses and Compensation Register, which is completed on a cash basis.

1.17 EU Emissions Trading Scheme

EU Emissions Trading Allowances ('EUAs') have been accounted for as available for sale investments held at market value, and those which have been granted to the Trust have been credited to the Government Grant reserve at the date of receipt at their market value. The market value of EUAs surrendered has been deducted from the investments and charged to the income and expenditure account, unless previously provided for, and a transfer made from the Government Grant reserve has been made to the income and expenditure account to recognise the use of the Government Granted EUAs.

During 2007/08, the Trust became aware that it would not receive its full requirement of EUAs. Consequently, a provision was made to recognise the additional costs to the Trust over the duration of the scheme. During 2008/09, the Trust acquired on the open market the additional EUAs which were estimated to be required for the scheme. These have been included as current and fixed asset available for sale investments. The value of these investments held at 31 March 2009 is equal to the related provision for future years and has been included on the balance sheet at the market value at 31 March 2009. The investment and the related provision have a maturity profile which is matched. This has managed the risk of exposure to the future market value of EUAs.

1.18 Financial Instruments

Financial assets

Financial assets are recognised on the balance sheet when the Trust becomes party to the financial instrument contract or, in the case of trade debtors, 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.

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 the Income and Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the Revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to the Income and Expenditure Account on de-recognition.

Loans and receivables

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

Fair value is determined by reference to quoted market prices.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the balance sheet date, 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.

1.18 Financial Instruments (continued)

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Income and Expenditure Account and the carrying amount of the asset is reduced directly, or through a provision for impairment of debtors.

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

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, 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.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Income and Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

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

2. Segmental Analysis

The Trust has determined that there is only one segment, that is providing acute healthcare.

The segmental analysis is therefore as stated in Income and Expenditure Account and the Balance Sheet.

3. Income from Activities

	2008/09 £000	2007/08 £000
NHS Trusts	350	512
Primary Care Trusts	170,042	159,633
Foundation Trusts	485	462
Local Authorities	191	184
Department of Health	16,010	14,723
Non NHS:		
- Private patients	2,677	1,107
- Overseas patients (non-reciprocal)	27	101
- Injury cost recovery	760	593
- Other	143	229
	<u>190,685</u>	<u>177,544</u>

Injury cost recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

On 30 April 2008, the Trust ended its arrangement to provide fertility services in partnership with BMI, known as Bath Clinic. Since then, the Trust has provided these services directly through the Bath Fertility Centre. Income from Private Patients has therefore increased in 2008/09 by £1,217,000 relating to this change.

4. Other Operating Income

	2008/09 £000	2007/08 £000
Education, training and research	9,016	7,853
Charitable and other contributions to expenditure	864	756
Transfers from the Donated Asset Reserve	931	808
Transfers from the Government Grant Reserve	24	0
Non-patient care services to other bodies	543	922
Income generation	3,141	3,083
Other income	4,945	3,255
	<u>19,464</u>	<u>16,677</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	2008/09 £000	2007/08 £000
Services from other NHS Trusts	971	1,181
Services from PCTs	1,697	1,087
Services from other NHS bodies	1,541	1,954
Services from Foundation Trusts	323	79
Purchase of healthcare from non NHS bodies	2,425	2,135
Directors' costs	847	914
Staff costs	126,588	118,462
Supplies and services - clinical	33,506	30,745
Supplies and services - general	2,659	2,559
Consultancy services	969	1,680
Establishment	1,839	1,936
Transport	1,575	378
Premises	8,580	8,293
(Reversal)/impairment of debtors	(230)	184
Depreciation	10,500	10,821
Tangible fixed asset impairments and reversals	1,805	1,100
Change in the fair value of financial instruments	99	0
Audit fees	190	193
Other auditors' remuneration	13	26
Clinical negligence	2,236	2,218
Redundancy costs	0	38
Education and training	602	381
Other	1,077	1,413
	<u>199,812</u>	<u>187,777</u>

5.2 Operating leases

5.2/1 Operating expenses include:

	2008/09	2007/08
	£000	£000
Hire of plant and machinery	523	532
Other operating lease rentals	0	16
	<u>523</u>	<u>548</u>

5.2/2 Annual commitments under non - cancellable operating leases are:

	Annual commitments	
	2008/09	2007/08
	£000	£000
Operating leases which expire:		
Within 1 year	46	8
Between 1 and 5 years	414	438
After 5 years	51	51
	<u>511</u>	<u>497</u>

There were no commitments for leases relating to Land and Buildings at the 31 March 2009 (31 March 2008: nil).

6. Staff costs and numbers

6.1 Staff costs

	Total	2008/09 Permanently Employed	Other	2007/08 Total
	£000	£000	£000	£000
Salaries and wages	101,393	98,428	2,965	95,657
Social Security Costs	14,424	14,424	0	12,882
Employer contributions to NHS Business Services Authority: Pensions Division	11,618	11,618	0	10,785
	127,435	124,470	2,965	119,324

6.2 Average number of persons employed

	Total	2008/09 Permanently Employed	Other	2007/08 Total
	Number	Number	Number	Number
Medical and dental	433	428	5	422
Administration and estates	916	885	31	870
Healthcare assistants and other support staff	363	363	0	347
Nursing, midwifery and health visiting staff	880	866	14	877
Scientific, therapeutic and technical staff	532	528	4	490
Other	77	77	0	77
Total	3,201	3,147	54	3,083

6.3 Employee benefits

	2008/09 £000	2007/08 £000
Expenditure relating to accrued outstanding annual leave	276	229
	<u>276</u>	<u>229</u>

6.4 Management costs

	2008/09 £000	2007/08 £000 (Restated)
Management costs	8,366	7,264
Income	210,149	194,221
Management costs as a percentage of income	3.98%	3.74%

The prior year calculation has been restated to be on a consistent basis with 2008/09.

6.5 Retirements due to ill-health

During 2008/09 there were 7 (2007/08: 9) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £388,719 (2007/08: £156,203). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	68,775	60,116
Total Non NHS trade invoices paid within target	61,286	49,530
Percentage of Non-NHS trade invoices paid within target	89%	82%
Total NHS trade invoices paid in the year	2,407	17,972
Total NHS trade invoices paid within target	2,140	15,348
Percentage of NHS trade invoices paid within target	89%	85%

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.

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

	2008/09 £000	2007/08 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	1	0
TOTAL	<u>1</u>	<u>0</u>

8. Other gains and losses

	2008/09	2007/08
	£000	£000
Change in fair value of financial instruments carried at fair value through profit and loss	(99)	0
	<u>(99)</u>	<u>0</u>

The balance represents the change in the value of European Union Emissions Allowances from their date of acquisition to the 31 March 2009, as explained in Note 1.18.

9. Finance Costs & Interest receivable

	2008/09	2007/08
	£000	£000
Finance Costs		
Department of Health Loan (Note 17.2)	1,631	1,858
Other (Note 7.2)	1	0
TOTAL	<u>1,632</u>	<u>1,858</u>
Interest Receivable		
Bank accounts	747	934
TOTAL	<u>747</u>	<u>934</u>

10. Tangible Fixed Assets
10.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	54,757	109,822	4,003	875	36,816	204	12,357	2,164	220,998
Additions purchased	0	3,453	0	140	4,449	0	789	6	8,837
Additions donated	0	38	0	0	450	0	57	0	545
Reclassifications	0	761	0	(810)	49	0	0	0	0
Indexation	(6,084)	(1,901)	(66)	0	0	0	0	0	(8,051)
Disposals	0	0	0	0	(68)	0	(1,764)	0	(1,832)
Cost or Valuation at 31 March 2009	48,673	112,173	3,937	205	41,696	204	11,439	2,170	220,497
Depreciation at 1 April 2008	0	0	0	0	23,381	132	5,524	1,318	30,355
Charged during the year	0	4,488	88	0	4,114	20	1,561	229	10,500
Impairments	0	41	0	0	0	0	1,764	0	1,805
Indexation	0	(246)	(4)	0	0	0	0	0	(250)
Disposals	0	0	0	0	(47)	0	(1,764)	0	(1,811)
Depreciation at 31 March 2009	0	4,283	84	0	27,448	152	7,085	1,547	40,599
Net book value									
- Purchased at 1 April 2008	54,757	106,602	4,003	856	10,317	72	6,695	793	184,095
- Donated at 1 April 2008	0	3,220	0	19	3,118	0	138	53	6,548
- Total net book value at 1 April 2008	54,757	109,822	4,003	875	13,435	72	6,833	846	190,643
- Purchased at 31 March 2009	48,673	104,794	3,853	186	11,449	52	4,194	583	173,784
- Donated at 31 March 2009	0	3,096	0	19	2,799	0	160	40	6,114
- Total net book value at 31 March 2009	48,673	107,890	3,853	205	14,248	52	4,354	623	179,898

All of the values included for tangible fixed assets relate to their value for continuing NHS use. Consequently, none of the values are at open market value (31 March 2008: nil).

During the year, the value of land and buildings has been reduced to reflect wider economic recessionary pressures. This is a significant area of judgement, and the Trust has applied indices as explained in Note 1, consistently since the last full valuation was undertaken. During 2009/10, the Trust will obtain a full valuation of its estate.

10 Tangible Fixed Assets (contd)

10.2 Asset Financing

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value 31 March 2009									
Owned	48,673	107,890	3,853	205	14,248	52	4,354	623	179,898
Total 31 March 2009	48,673	107,890	3,853	205	14,248	52	4,354	623	179,898
Net book value 1 April 2008									
Owned	54,757	109,822	4,003	875	13,435	72	6,833	846	190,643
Total 1 April 2008	54,757	109,822	4,003	875	13,435	72	6,833	846	190,643

10.3 The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

The Trust did not hold any assets under finance leases or hire purchase contracts during 2008/09 (2007/08: nil).

10.4 The net book value of land, buildings and dwellings at 31 March 2009 comprises:

	2008/09 £000	2007/08 £000
Freehold	160,416	168,582
TOTAL	160,416	168,582

11. Stocks and Work in Progress

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	3,309	3,237
TOTAL	<u><u>3,309</u></u>	<u><u>3,237</u></u>

12. Debtors
12.1 Debtors at the balance sheet date consist of:

	31 March 2009 £000	31 March 2008 (restated) £000
Amounts falling due within one year:		
NHS debtors	6,597	4,912
Non NHS trade debtors	162	0
Provision for impairment of debtors	(107)	(524)
Other prepayments and accrued income	4,727	6,960
Other debtors	2,547	2,479
TOTAL	<u><u>13,926</u></u>	<u><u>13,827</u></u>
Amounts falling due after one year:		
Injury Cost Recovery Scheme	1,601	1,432
Provision for impairment of debtors	(125)	(112)
TOTAL	<u><u>1,476</u></u>	<u><u>1,320</u></u>
GRAND TOTAL	<u><u>15,402</u></u>	<u><u>15,147</u></u>

Other Debtors include no prepaid pension contributions at 31 March 2009 (31 March 2008: £1,347k).

12.2 Provision for impairment of debtors

	Provision for Balances Due Within One Year £000	Provision for Balances Due After One Year £000
Balance at 1 April 2008	524	112
Amount written off during the year	(174)	
Balances provided for which were subsequently recovered	(350)	
New provisions required	107	13
Balance at 31st March 2009	<u><u>107</u></u>	<u><u>125</u></u>

12.3 Debtors past due date but not impaired:

	31 March 2009 £000
By up to 3 months	29
By 3 to 6 months	12
By more than 6 months	182
TOTAL	<u><u>223</u></u>

13 Other Financial Assets

	Current financial assets 31 March 2009 £000	Fixed financial assets 31 March 2009 £000
Available for sale financial instruments carried at fair value	55	165
TOTAL	<u><u>55</u></u>	<u><u>165</u></u>

Available for sale financial assets include allowances under the European Union Emissions Trading Scheme. Details are included in Note 1.18.

14. Creditors

14.1 Creditors at the balance sheet date are made up of:

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
Current instalments due on Department of Health loan	6,800	8,600
NHS creditors	2,766	1,336
Non - NHS trade creditors - revenue	3,489	3,145
Non - NHS trade creditors - capital	83	49
Social security costs	2	3
Other creditors	230	542
Accruals and deferred income	7,267	7,431
Sub Total: amounts falling due within one year	20,637	21,106
Amounts falling due after more than one year:		
Instalments due on Department of Health Loan	20,700	27,500
Other	24	48
Sub Total: amounts falling due in more than one year	20,724	27,548
TOTAL	41,361	48,654

Other creditors includes £48,000 for payments due in future years under arrangements to buy out the liability for 1 early retirements over 5 years (31 March 2008: £71,000 to buy out the liability for 1 early retirement).

14.2 Loans

	31 March 2009 £000	31 March 2008 £000
Amounts falling due:		
In one year or less	6,800	8,600
Between one and two years	7,000	6,800
Between two and five years	13,700	20,700
TOTAL	27,500	36,100
	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	27,500	36,100
TOTAL	27,500	36,100

The Trust's Loan Balance represents a balance owed to the Department of Health. In 2007/08 the Department of Health granted 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 20 years. In March 2008, the terms of the loan had been renegotiated such that the Trust will make annual repayments in line with the schedule above. The interest rate remains the same, and the loan is scheduled to be repaid in full by March 2013.

15. Provisions for liabilities and charges

	Pensions relating to other staff £000	Legal claims £000	EU Emissions Trading £000	Other £000	Total £000
At 1 April 2008 (restated)	558	102	460	1,011	2,131
Arising during the year	184	46	16	576	822
Utilised during the year	(127)	(75)	(39)	(78)	(319)
Reversed unused	(8)	(15)	(217)	(488)	(728)
Unwinding of discount	12	0	0	0	12
At 31 March 2009	619	58	220	1,021	1,918

Expected timing of cashflows:

Within one year	41	58	55	1,021	1,175
Between one and five years	157	0	165	0	322
After five years	421	0	0	0	421

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 2.2%.

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 are explained in Note 1.22. The balance on this provision is matched by purchased EU Emissions Trading allowances disclosed in Note 14.

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

£9,739,000 is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the NHS Trust (31 March 2008 £7,916,000).

16. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2008 as previously stated	66,752	6,548	0	(41,138)	32,162
Prior period adjustment: elimination of negative revaluation reserves in respect of change in policy on impairments	10,303	0	0	(10,303)	0
At 1 April 2008 as restated	<u>77,055</u>	<u>6,548</u>	<u>0</u>	<u>(51,441)</u>	<u>32,162</u>
Transfer from the income and expenditure account	0	0	0	5,600	5,600
Deficit on revaluations/indexation of fixed assets	(7,753)	(48)	0	0	(7,801)
Receipt of donated/government granted assets	0	545	24	0	569
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	(931)	(24)	0	(955)
At 31 March 2009	<u><u>69,302</u></u>	<u><u>6,114</u></u>	<u><u>0</u></u>	<u><u>(45,841)</u></u>	<u><u>29,575</u></u>

17. Notes to the cash flow Statement

17.1 Reconciliation of operating surplus to net cash flow from operating activities:

	2008/09 £000	2007/08 £000
Total operating surplus	10,337	6,444
Depreciation and amortisation charge	10,500	10,821
Asset impairments and reversals, and movement in financial instruments	1,904	1,100
Transfer from the Donated Asset Reserve	(931)	(808)
Transfer from the Government Grant Reserve	(24)	0
(Increase)/decrease in stocks	(72)	191
Increase in revenue debtors	(255)	(3,830)
Increase in revenue creditors	1,273	2,755
(Decrease)/increase in provisions	(162)	1,133
Net cash inflow from operating activities	<u>22,570</u>	<u>17,806</u>

17.2 Reconciliation of net cash flow to movement in net debt

	2008/09 £000	2007/08 £000
(Decrease)/increase in cash in the period	(995)	2,001
Cash outflow from debt repaid and finance lease capital payments	8,600	1,900
Change in net debt resulting from cash flows	<u>7,605</u>	<u>3,901</u>
Net debt at 1 April 2008	<u>(33,635)</u>	<u>(37,536)</u>
Net debt at 31 March 2009	<u>(26,030)</u>	<u>(33,635)</u>

17.3 Analysis of changes in net debt

	At 1 April 2008 £000	Loan repayment £000	Other cash changes in year £000	At 31 March 2009 £000
OPG cash at bank	2,167	(8,600)	7,731	1,298
Commercial cash at bank and in hand	298	0	(126)	172
Total cash	<u>2,465</u>	<u>(8,600)</u>	<u>7,605</u>	<u>1,470</u>
Loan from the Department of Health due within one year	(8,600)	1,800	0	(6,800)
Loan from the Department of Health due after one year	(27,500)	6,800	0	(20,700)
Total borrowings	<u>(36,100)</u>	<u>8,600</u>	<u>0</u>	<u>(27,500)</u>
Change in net debt	<u>(33,635)</u>	<u>0</u>	<u>7,605</u>	<u>(26,030)</u>

18. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £635,893 (31 March 2008 £370,592).

19. Post Balance Sheet Events

There have been no material post balance-sheet events which affect the values which have been included in the accounts.

20. Contingencies

	2008/09	2007/08
	£000	£000
Contingent liabilities	0	(859)
Gross and net value of contingent liabilities	<u>0</u>	<u>(859)</u>

The Trust has revisited its estimation of contingent liabilities so that liabilities have either been recognised as provisions or creditors as appropriate. No further contingent liabilities exist.

21. Movement in Public Dividend Capital

	2008/09	2007/08
	£000	£000
Public Dividend Capital as at 1 April 2008	128,545	131,217
Public Dividend Capital repaid in year	(1,100)	(2,672)
Public Dividend Capital as at 31 March 2009	<u>127,445</u>	<u>128,545</u>

22 Financial Performance Targets

22.1 Breakeven Performance

The trust's breakeven performance for 2008/09 is as follows:

	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Turnover	147,026	160,145	166,012	177,619	194,221	210,149
Retained (deficit)/surplus for the year	(1,968)	(946)	(7,339)	144	1,900	5,600
Adjusted for impairments (Note 5.1)	0	0	0	0	0	1,805
Other agreed adjustments	0	1,968	946	0	0	0
Break-even in-year position	(1,968)	1,022	(6,393)	144	1,900	7,405
Cumulative break-even position	(26,752)	(25,730)	(32,123)	(31,979)	(30,079)	(22,674)

The Trust's recovery plan, approved by NHS South West Strategic Health Authority aims to achieve break-even in 2013.

The Department of Health require that a 'materiality test' is applied to the Trust's break-even position against the Trust's turnover. A margin of 0.5% is allowed on the in-year and cumulative position.

- Break-even in-year position as a percentage of turnover	(1.34%)	0.64%	(3.85%)	0.08%	0.98%	3.52%
- Break-even cumulative position as a percentage of turnover	(18.20%)	(16.07%)	(19.35%)	(18.00%)	(15.49%)	(10.79%)

22.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £3,822,000, bears to the average relevant net assets of £150,794,000, that is 2.5% (2007/08: dividends of £3,615,000 compared with average net relevant assets of £148,176,000 giving an absorption rate of 2.4%). The average NRA were higher for the year than originally anticipated as a result of an acceleration of our loan repayment profile.

22.3 External financing

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

	2008/09 £000	2007/08 £000
External financing limit	(8,633)	(6,572)
Cash flow financing, representing the external financing requirement (Net cash inflow from financing, as disclosed in the cash flow statement)	(8,705)	(6,573)
Undershoot	<u><u>72</u></u>	<u><u>1</u></u>

22.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	9,382	7,256
Less: book value of assets disposed of	(21)	0
Add: loss on disposal of donated assets	4	0
Less: donations towards the acquisition of fixed assets	<u>(545)</u>	<u>(851)</u>
Charge against the capital resource limit	8,820	6,405
Capital resource limit	8,820	9,656
Underspend against the capital resource limit	<u><u>0</u></u>	<u><u>3,251</u></u>

23. Related Party Transactions

The Royal United Hospital Bath NHS Trust is a body corporate established by order of the Secretary of State for Health.

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

The Department of Health is regarded as a related party. During the year, 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. Significant transactions were made with the following entities:

Strategic Health Authorities

NHS South West

Primary Care Trusts

NHS Wiltshire

NHS Bath and North East Somerset

NHS Somerset

NHS Bristol

NHS South Gloucestershire

NHS Swindon

NHS Trusts and Foundation Trusts

North Bristol NHS Trust

University Hospitals Bristol NHS Foundation Trust

Royal National Hospital for Rheumatic Diseases NHS Foundation Trust

Portsmouth Hospitals NHS Trust

Avon and Wiltshire Mental Health Partnership Trust

Great Western Ambulance Service NHS Trust

Other agencies

NHS Litigation Authority

NHS Pensions Agency

NHS Purchasing and Supplies Agency

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; for example 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 a Corporate Trustee. The audited accounts of the Charitable Funds are available at www.ruh.nhs.uk.

During 2007/08, the Trust disclosed an arrangement with BMI (trading as 'Bath Clinic') for the provision of fertility services. The Bath Clinic was at the time considered to be a related party. This arrangement ended on 30 April 2008, and the Trust therefore no longer considers the Bath Clinic to be a related party.

24. Financial Instruments

Financial Reporting Standard 29 (FRS 29) 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 these 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.

EU Emissions Trading Allowances held at the balance sheet date are not disclosed under this analysis as they arise from regulatory, not contractual arrangements.

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 of 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 exposure as at 31 March 2009 are in receivables from customers, as disclosed in Note 12.

Liquidity risk

The Trust's operating costs are incurred under contract with Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds generated internally or from those obtained within its Prudential Borrowing Limit. The Trust is not, therefore, exposed to significant liquidity risks.

24.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing Weighted average term
					Weighted average interest rate	Weighted average period for which fixed	
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	1,470	1,462	0	8	0	0	0
Gross financial assets	1,470	1,462	0	8			
At 31 March 2008							
Sterling	2,465	2,457	0	8	0	0	0
Gross financial assets	2,465	2,457	0	8			

Financial assets consist of cash held at bank (floating rate) and in hand (non-interest bearing).

25.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing Weighted average term
					Weighted average interest rate	Weighted average period for which fixed	
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	27,500	0	27,500	0	5.05	4	0
Gross financial liabilities	27,500	0	27,500	0			
At 31 March 2008							
Sterling	36,100	0	36,100	0	5.05	5	0
Gross financial liabilities	36,100	0	36,100	0			

Financial liabilities consist of the Trust's loan from the Department of Health (fixed rate) and amounts owed relating to buying-out the pension liabilities of one early retirement (non-interest bearing)

25. Third Party Assets

The Trust held no cash at bank or in hand at 31 March 2009 (31 March 2008: nil) relating to monies held by the NHS Trust on behalf of patients.

26. Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	8,465	0	9,311	20,700
Balances with Local Authorities	77	0	9	0
Balances with NHS Trusts and Foundation Trusts	184	0	255	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	8,726	0	9,575	20,700
Balances with bodies external to Government	5,200	1,476	11,062	24
At 31 March 2009	<u>13,926</u>	<u>1,476</u>	<u>20,637</u>	<u>20,724</u>
Balances with other Central Government Bodies	3,752	0	9,130	27,500
Balances with Local Authorities	203	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,132	0	695	0
Balances with Public Corporations and Trading Funds	0	0	39	0
Intra Government balances	5,087	0	9,864	27,500
Balances with bodies external to Government	8,740	1,320	11,242	48
At 31 March 2008	<u>13,827</u>	<u>1,320</u>	<u>21,106</u>	<u>27,548</u>

Debtors falling due after more than one year have been reanalysed as at 31 March 2008 to reflect the aged analysis of balances owed to the Trust under the Injury Cost Recovery Scheme.

27. Losses and Special Payments

There were 144 cases of losses and special payments (2007/08: 120 cases) totalling £294,622 (2007/08: £118,827) during 2008/09. There were no individual cases exceeding £250,000 (2007/08: none).