FINANCIAL REVIEW

"Financial sustainability: make efficient and effective use of resources, improving our position year on year through strong financial management that delivers a recurrent financial surplus"

A Corporate Objective

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

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

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

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

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

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

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

Signed Laura McMurtrie Chief Executive

Date. June 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

- make judgements and estimates which are reasonable and prudent;

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

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

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

By order of the Board

Date: June 2010 Chief Executive

Date: June 2010 .Finance Director

STATEMENT ON INTERNAL CONTROL 2009/10

AVON & WILTSHIRE MENTAL HEALTH PARTNERSHIP NHS TRUST

1. Scope of responsibility

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

I have a monthly performance meeting with the Strategic Health Authority and with our lead PCT Commissioner in line with an accountability agreement revised annually.

This accountability agreement involves services provided for the NHS and informs objectives for social care. I and the Trust have arrangements in place to work in partnership with primary care trusts (PCTs) and local authorities. There will be appropriate Section 75 arrangements in place by the end of the calendar year with all local authorities, these will govern the operation of social care arrangements. These arrangements with partner organisations reflect the legal responsibility and accountability for joint delivery agreements relating to service delivery and finance.

2. The purpose of the system of internal control

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

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

The system of internal control has been in place in Avon & Wiltshire Mental Health Partnership NHS Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust reviewed its risk management arrangements this year and the Trust Board approved a new strategy in March 2010. The strategy sets out the Trust's approach to risk identification, evaluation and treatment and sets objectives for the management of risk. The management of risk was overseen by the Quality and Healthcare Governance Committee which is chaired by a non-executive director. Systems exist in the Trust for the identification, assessment and analysis of risk and the Trust uses its risk register to record and communicate risks. Each risk has an identified executive director owner and is assessed for probability of occurrence and impact. Different types of risk are measured with a common currency and significant/key risks have been defined and identified. A programme of action, management and control is required for each significant risk

Risks systematically identified, recorded, assessed and analysed include risks identified through the Trust's business planning processes, through its annual objective setting processes and risks arising from operational, project and governance issues.

The Trust's arrangements for risk management is subject to an annual scrutiny by the Trust's Audit Committee and the risk register was presented to the Board at each of its meetings throughout the 2009/10 financial year.

The promulgation of risk management activities throughout the Trust is largely supported by the seven management groups reporting to the Executive Management Team (EMT). These are the:

- Critical Incident Overview Group
- Information Governance Management Group
- Modernisation and Workforce Management Group
- Safety Management Group
- Patient Experience, Environment, Partnership Management Group
- Effectiveness Management Group
- Finance Management Group

Additionally each Strategic Business Unit has responsibility for identifying and managing risks. The EMT reviews the Trusts risk register on a monthly basis prior to submission to the Board.

The Trust has a range of risk management training opportunities for executives, clinicians, managers and staff including a programme of training in root cause analysis investigation techniques. The Trust has well embedded processes for considering, digesting and learning lessons from good practice recommendations identified from national guidance, audit processes, complaints, adverse incidents and other sources.

4. The risk and control framework

The risk management strategy sets out key strategic objectives for the management of risk. It defines individual Executive Management Team and committee responsibilities for risk management and establishes acceptable levels of authority for resolving risks.

The risk management strategy additionally describes the Trust's risk management processes in detail and states how risks are identified, evaluated, registered and treated. The strategy is underpinned by a separate incident management policy which describes how incidents are reported and managed and identifies the processes that must be adopted in the event of a serious untoward event.

Serious untoward incidents are subject to close scrutiny by the Critical Incident Overview Group (CIOG) chaired by the Medical Executive Director and monitoring processes are in place to check that reporting and investigation timescales are achieved, that quality assurance processes are operating effectively and that identified learning is acted upon.

Any risks to data security are captured and recorded on the Trust's risk register and escalated to the Trust Board if necessary. Any incidents involving data security are captured on the Trust's incident report form and are managed and investigated in accordance with the incident management policy.

As part of its annual planning, the Trust Board agreed its key strategic and principal objectives as:

a. Succeeding Together: To contribute individually and collectively to our roles and responsibilities in delivering these Principal Objectives.

b. Service Modernisation: To continue the development of our services, providing modern, recovery focussed services that:

- Are personalised,
- Enhance choice,
- Change lives

c. High Quality Care for All: To exceed all externally set service and quality targets, stretching performance by developing meaningful outcome measures**.**

d. Financial Performance: To make the most efficient and effective use of resources, living within our financial means and continuing to deliver the 2009/10 Control Total.

e. Engaging and Responding: To shape our services in partnership, taking on board the views of users, carers, staff, commissioners and communities.

f. Seamless Services Delivered in Partnership: To ensure that internally we make the best use of all Trust synergies and resources, and that we harness our shared skills to work in partnership with other agencies to provide a holistic service that promotes well-being.

g. Corporate Social Responsibility: To invest in the future of our communities, promoting social inclusion, challenging stigma and fulfilling our duty to protect the environment.

h. Fit for Future: To make the best use of technology to improve ease of access to services, quality of delivery and efficiency

i. Accessible and Reliable Information: To further improve the quality and availability of information to inform service delivery and to support consumer choice

j. Leading Development: To continue our important leadership role, working with local, regional and national bodies in the development of policy and practice

The key risks relating to each principal objective were identified and actions were put in place to mitigate the risks, with controls to assure the Trust Board that mitigated actions had been taken. All of this information went into the Trust's assurance framework which was ratified by the Trust Board, following a special meeting of the Audit Committee to consider the framework in detail. The Board was provided with progress updates that included the effectiveness of the controls put in place and independent assurance that the objectives would be met. Independent assurances are identified from a range of sources, including internal and external audit reports, staff and patient survey results, as well as benchmark performance reports, etc.

The Trust's assurance framework provides evidence that the Trust had effective controls in place to manage identified risks to meet its objectives. The achievement of the objectives has been verified wherever possible by the sourcing of independent assurance.

Service users, carers and often local communities are engaged in understanding risks and managing them. Service users and carers are involved in many Trust activities and contribute to improving care planning and delivery processes linked to the integrated care programme approach (CPA) and are influential in policy development.

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

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

The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

The Trust is fully compliant with the core standards for better health.

In line with all providers of service for the NHS, the Trust has during the 2009/10 year been required to register with the new Care Quality Commission (CQC). The Trust was successfully registered by the CQC to provide services under:

• Assessment or Medical Treatment for people detained under the Mental Health Act 1983
• Diagnostic and Screening Procedures
• Treatment of disease, disorder or injury

The Trust was registered with no conditions.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with 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 self assessment processes undertaken against Standards for Better Health core standards and the Auditor's Local Evaluation, as well as a range of internal and external audits. It has also been informed by the Trust's performance management framework that has assessed performance against a range of core indicators as well as by the findings of surveys.

The assessment of performance has included the following:

• Information being made available to Strategic Business Unit's (SBUs) and holding of monthly performance reviews
• Executive Directors review and Quarterly reviews
• SBU's Monthly Performance Management Meetings undertaking exception reporting
• Management Groups of the Executive Management Team (EMT) namely:

  - Safety Management Group;
  - Clinical Incident & Overview Group (CIOG);
  - Effectiveness Management Group;
  - Workforce and Modernisation Management Group and;
  - Patient Experience, Environment and Partnership Management Group.

I have received the Head of Internal Audit's Opinion. It gives significant assurance and states that 'based on the work undertaken in 2009/10, significant assurance can be given that there is a sound system of internal control, designed to meet the organisation's objectives, and that controls are being applied consistently'.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Quality & Healthcare Governance Committee and the Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Trust Board has through its routine reporting processes and its work on corporate risks maintained a view of the overall position of the effectiveness of the system of internal control. The Audit Committee has embraced its wider assurance role, on behalf of the Trust Board and together with the Finance and Commerce Committee has reviewed and monitored the Trust's financial controls and assurance processes and commissioned and reviewed internal audit work.

The Quality & Healthcare Governance Committee has developed its wider role to manage risk and provide a comprehensive assurance mechanism to the Trust Board. Detailed work is undertaken by the Management Groups which report through to the EMT to the Audit Committee and the Trust Board addressing the safety, effectiveness, modernisation and workforce and patient experience, environment and partnership agenda. Through the work of the staff groups, such as the JUC (joint union council) and a range of service users and carer networks, the Trust has maintained input from staff, service users, carers and other stakeholders. The Trust routinely communicates with a broad staff audience through a range of focus groups.

Finally, Executive and Non-Executive Directors, managers and clinicians all provide their personal input into the controls and risk management processes operating across the Trust.

My review confirms that Avon & Wiltshire Mental Health Partnership NHS Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.

Signed

Chief Executive Officer (on behalf of the Board)

Date: June 2010

Key Financial Headlines for 2009/10

MODERN EQUIVALENT ASSETS (MEA)

The Trust has applied this change in valuation methodology to its assets during the 2009/10 financial year. This change in valuation approach for assets results from a cross-government review of the subject of valuation in the public sector. It is not a change due to the move to IFRS, nor a change in accounting policy therefore, on moving to MEA valuations, there is no retrospection. The approach used to arrive at the revalued figures is an estimation technique rather than an accounting policy and where an estimation technique changes, as in the move to MEA valuations, there is no prior period adjustment. NHS bodies were required to adopt the MEA approach to valuations at a date of their choosing between 1 April 2008 and 31 March 2010. The Trust has moved to MEA as at 1st October 2009.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Trust restated its 2008/09 accounts under IFRS in the summer of 2009 and received a positive audit report that the accounts had been restated on an IFRS compliant basis. The key impact of the move to IFRS was that the Trust's PFI scheme came onto the Statement of Financial Position (Balance Sheet). This has required the Trust to split its unitary charge between several elements and account for them in different ways. There is a net change associated with this change in the accounting treatment of PFI scheme (IFRIC 12 Service Concession Arrangements) that has also been accounted for as a technical adjustment in the 2009/10 financial year. The Trust has had effective systems and processes in place to move to IFRS during the 2008/09 and 2009/10 financial years and has also moved its internal reporting to be fully compliant with IFRS.

The Trust's performance in 2009/10 against the financial duties set by the Department of Health

BREAK EVEN DUTY AND PERFORMANCE

The Trust started the year with a cumulative breakeven surplus of £86k as it had repaid its historical deficits during the 2008/09 financial year. In the financial year 2009/10 the Trust has applied some technical below the line adjustments to its financial position and this has resulted in a retained deficit being reported in its Statement of Comprehensive Income. The Trust has achieved a surplus of income over expenditure of £1,113k in the financial year when these below the line adjustments are added back.

The Trust has a duty to break even over a three or exceptionally a five year period. The Trust's performance against this duty is shown below with cumulative net deficits relating to all years prior to 2006/07 totalling £5,926k.

	Pre 2006-2007 **£000**	**2006-07** **£000**	**2007-08** **£000**	**2008-09** **£000**	**2009-10** **£000**
Cumulative Break-even position	(5,926)				
Retained Surplus/ (Deficit) for the Year	-	3,176	1,009	1,827	1,113[1]
Cumulative Surplus Carried Forward	-	(2,750)	(1,741)	86	1,199

[1]This is after adding back below the line adjustments for impairments and IFRIC 12.

EXTERNAL FINANCING LIMIT

The External Financing Limit (EFL) is a control placed on the Trust to manage its cash position. It was designed to encompass all sources of funding available to a Trust, be that internal, external or from the Department of Health. This limit is set at the start of each financial year reflecting the Trust's plans to manage its cash. A negative EFL is equal to an increase in cash flow financing, an undershoot against this is a greater increase in cash than predicted. The Trust is permitted to undershoot against this target (retain more cash) but cannot overshoot the target (retain less cash). The EFL is an important component in the control of public expenditure and managing the EFL is a key financial duty of the Trust. During the 2009/10 financial year the Trust has succeeded in managing within its cash requirements and has again met this target. The Trust's EFL as set by the Department of Health was negative £3,307k (2008/09 negative £2,744k) and the Trust achieved an undershoot of £1,623k.

CAPITAL RESOURCE LIMIT

The Capital Resource Limit (CRL) is the funding available to the Trust for capital expenditure. The Trust is required to stay within its CRL but is permitted to undershoot it. The Trust under spent the CRL by £822k. The following table sets out the Trust's performance against this target.

	2009-10 **£000**	**2008-09** **£000**
Gross Capital Expenditure Less book value of assets disposed of	6,754 (1,426)	7,162 (2,773)
Charge against CRL	5,328	4,389
Capital Resource Limit (CRL) Under/(Over) Shoot CRL	6,150 822	5,276 887

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 and be within the materiality range of 3% to 4%. In 2009/10 the Trust was required to make a PDC Dividend payment based on actual average relevant net assets rather than forecasted. The cost of capital was therefore automatically 3.5% for the financial year.

TREASURY POLICIES AND CASH

The Trust agreed a £5m fixed rate loan in 2006/07 of which it repaid a further £1m in 2009/10. The Trust has now decided to repay the remaining £2m of the loan in one instalment in the 2010/11 financial year.

Any temporary excess of cash during the financial year is deposited with the National Loans Fund Temporary Deposit Facility for which the Trust earns a rate of interest.

PUBLIC SECTOR PAYMENT POLICY

The Trust is required to pay its non-NHS payables in accordance with the prompt payment code and government accounting rules. Government accounting rules state that “the timing of payment should normally be stated in the contract - where there is no contractual provision the Trust should pay within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is later”.

This has been enhanced further by registration on the Prompt Payment Code website which endeavours to encourage businesses to support the local economy by paying all suppliers within 10 days of receipt of invoice.

	2009-10	**2008-09**
Total Number of Bills Paid	20,708	17,283
Total Number of Bills Paid within Target	19,678	16,090
Percentage of Bills Paid within Target	95%	93%
	£000	**£000**
Total Value of Bills Paid in £000s	39,123	37,252
Total Value of Bills paid within Target £000s	37,944	34,429
Total Percentage by Value of Bills paid within Target	97%	92%

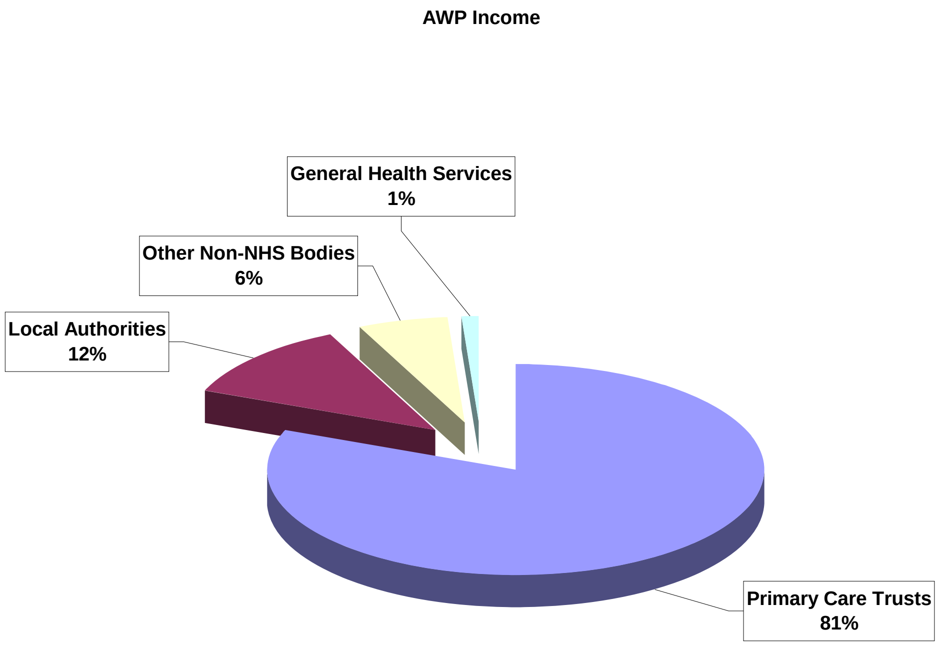
EXTERNAL AUDIT WORK

The External Auditors of the Trust are the Audit Commission. The following services were provided in 2009/10:

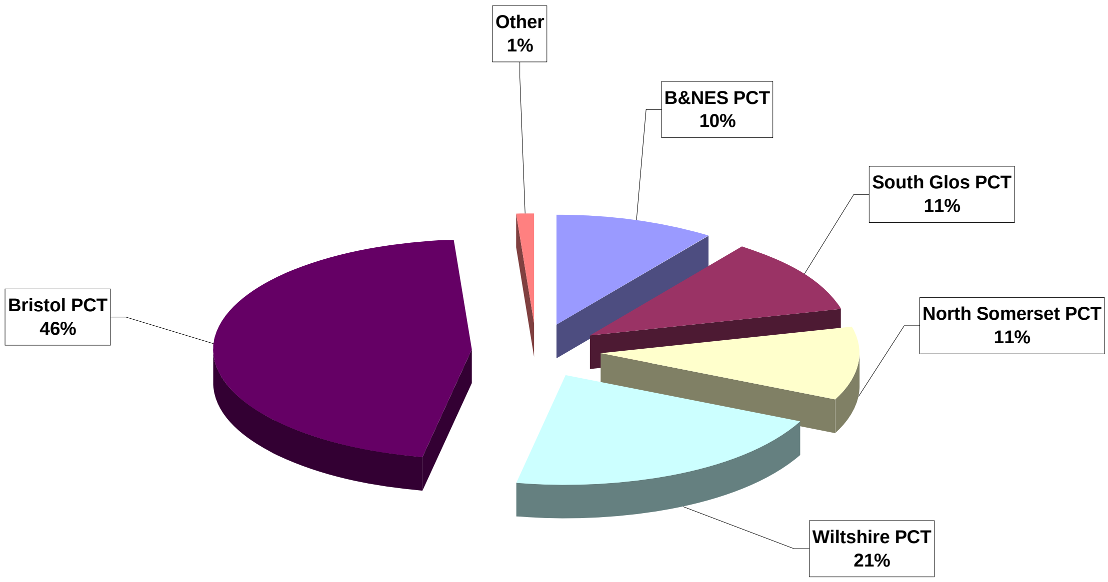
- Audit Services – the statutory annual audit fee for 2009/10 (£99.5k) covers work in relation to the financial statements and audit work required to inform the value for money conclusion. In 2009/10 the value for money work included the Auditor’s Local Evaluation (ALE), benchmarking, sickness absence review and a review of the implementation of RIO.
- Further assurance Services – additional audit work was undertaken on benchmarking older people services (£12.6k) to help inform the Trust’s service redesign programme.
- Other Services – the transition to International Financial Reporting Standards (IFRS) for NHS Bodies resulted in additional work in 2009/10, and in recognition of the

financial pressures public bodies are facing in the current economic climate, the Audit Commission refunded the Trust £4.2k.

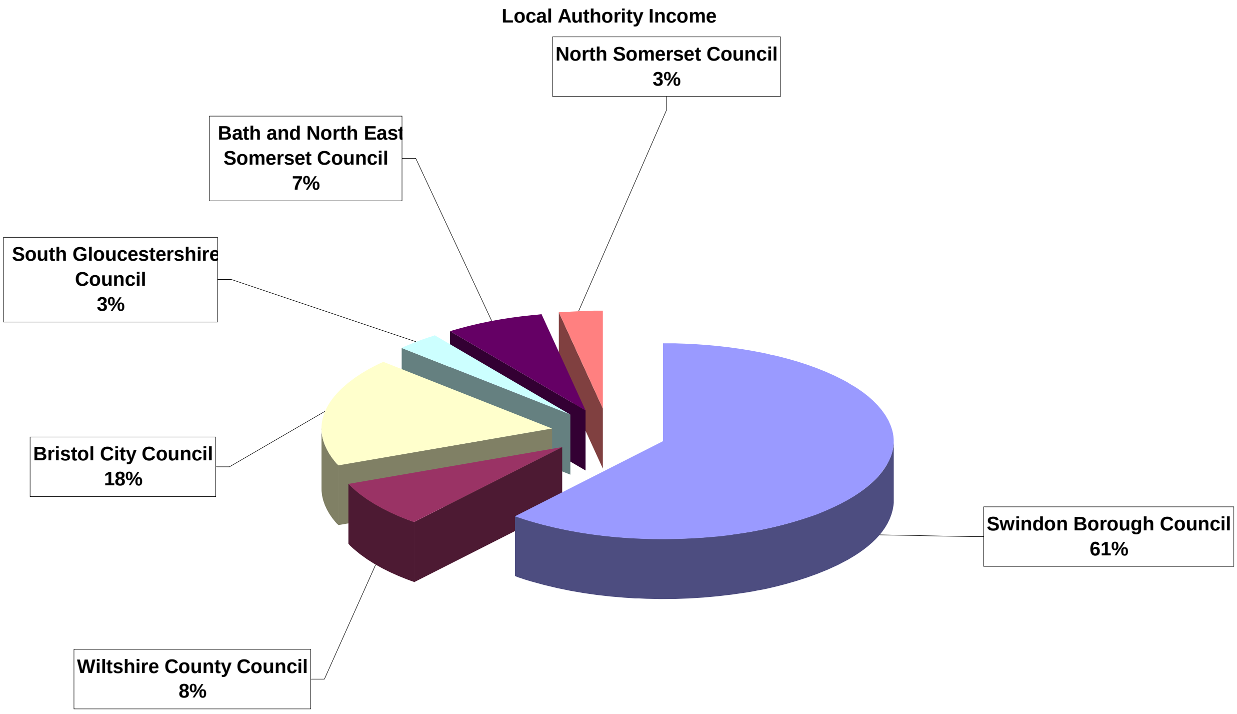
Where the money comes from



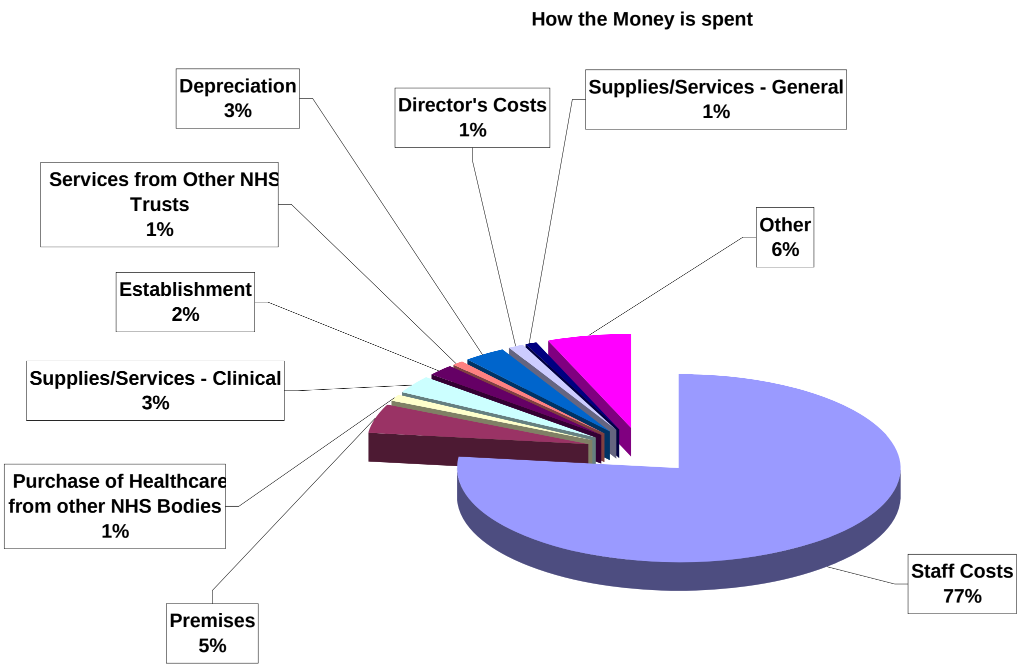
Primary Care Trust Income



Note : Swindon PCT income (circa £16.5m) is incorporated into the Swindon Borough Council (Local Authority analysis) below rather than being shown as PCT income (PCT income analysis) as funding is provided through Joint Commissioning arrangements with Swindon Primary Care Trust.


Local Authority Income
North Somerset Council
3%
Bath and North East Somerset Council
7%
South Gloucestershire Council
3%
Bristol City Council
18%
Wiltshire County Council
8%
Swindon Borough Council
61%

Where the Money is spent



Analysis of Operating Expenditure for 2009-10 by Strategic Business Unit

Strategic Business Unit	**£000**
Adult	59,386
Older People	31,880
Drug & Alcohol Services	9,827
Child & Adolescent Services	3,895
Secure Services	31,680
Total Strategic Business Units	**136,668**
Central Services and Compliance	53,020
Below The Line Impairments	22,808
Total Operational Expenditure	**212,496**

Trust Board

The affairs of the Trust are overseen by a Board of Directors made up of Executive Directors (full time employees of the Trust) and Non Executive Directors (independent of the Executive who are appointed for their skills, experience and interests that they bring to the Trust).

Felicity Longshaw	Chair
Laura McMurtrie	Chief Executive
Frederick Psyk Mike Roberts Patrick Ismond (until May 2009) Anthony Gallagher Alison Paine (from June 2009) James McAuliffe Susan Thompson	Non-Executive Directors
Paul Miller	Executive Director of Finance and Commerce & Deputy Chief Executive
Julie Thomas	Executive Director for People
Arden Tomison	Acting Executive Medical Director (until 23rd April 09) Executive Medical Director & Director of Strategy (from 24th April 09)
Lindsey Scott	Executive Director of Operations
Hazel Watson	Executive Director of Nursing, Compliance, Assurance & Standards (NCAS)

Trust Board Employment Terms

The Chair and Non- Executive Directors of the Trust have been appointed by the Secretary of State for Health or through the Appointments Commission, with a term of office of up to four years. This could be renewed for a second four year term with the agreement of both parties.

The Chief Executive was appointed by a panel consisting of:

- the Chair and Non-Executive Directors of the Trust,
- the Chief Executive of the SHA,
- a Chief Executive of a neighbouring Trust,
- a service user,
- a carer representative and
- the Director of Human Resources.

All Executive Directors of the Trust are on permanent contracts and have a notice period of six months.

The Board Directors' remuneration statement, which has been audited, is on pages 22-26.

Independent auditor’s report to the Board of Directors of Avon and Wiltshire Mental Health Partnership NHS Trust

Opinion on the financial statements

I have audited the financial statements of Avon and Wiltshire Mental Health Partnership NHS Trust for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers’ Equity, the Statement of Cash Flows 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.

I 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 Avon and Wiltshire Mental Health Partnership NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of directors and auditor

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.

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

I report to you my 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. I 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. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Financial Review, included in the Annual Report, is consistent with the financial statements.

I 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 2009/10’ issued in February 2010. I 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 I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust’s corporate governance procedures or its risk and control procedures.

I 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 Chair and Chief Executive’s Foreword, the unaudited part of the Remuneration Report and the remaining elements of the Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I 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 my 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 2010 and of its income and expenditure for the year then ended;
- 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; and
- information which comprises the commentary on the financial performance included within the Financial Review, included within the Annual Report, is consistent with the financial statements.

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

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my 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, I am satisfied that, in all significant respects, Avon and Wiltshire Mental Health Partnership NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

I certify that I 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.

Wayne Rickard
Engagement Lead
Officer of the Audit Commission

3- 4 Blenheim Court
Matford Business Park
Lustleigh Close
Exeter
EX2 8PW

9th June 2010

REMUNERATION REPORT

Remuneration & Terms of Service Committee

The Remuneration Committee reviews the salaries of the Executive Directors and very senior management of the Trust. The Committee, Chaired by the Chair of the Trust, is made up of at least four [4] members, all of whom shall be independent Non-executive Directors (i.e. shall not have been employed by the Trust in the three [3] years preceding their appointment as Non-executive Director). A quorum consists of three members of the committee.

Only members of the Committee have the right to attend Committee meetings. However, other officers such as the Company Secretary, Chief Executive, and external advisers may be invited to attend for all or part of any meeting as and when appropriate and where no conflict of interest exists. The Committee, which meets at least quarterly, and as often as required, is served by the Executive Director for People.

The purpose of the Remuneration Committee is to agree policy and frameworks for Executive and Senior Officer Remuneration. The Committee shall:

- Agree Terms of Employment and Service Contracts
- Agree Terms for Termination of Employment over and above legal and contractual obligations
- Review redundancy and severance business cases to a value in accordance with the Scheme of Delegation

The duties of the Committee are to:

- Determine and agree with the Board the framework (or broad policy) for the remuneration and terms of service of the Chief Executive, the Executive Directors, and any other officers working under Very Senior Manager Terms and Conditions, having regard to the provisions of any applicable national agreement,
- Determine and approve, on behalf of the Board, any performance management processes for Executive Directors and Senior Managers,
- Determine, on behalf of the Board, the individual remuneration packages of Executive Directors where they are not covered by national agreements, and to decide all changes to Executive Director's remuneration and terms of service, paying due regard to current national guidance and contractual requirements,
- In determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive and very senior management of the Trust are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Trust,
- Ensure that the Trust attracts and retains the high levels of skill necessary to undertake the full range of its responsibilities taking account of the market in which it is operates.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Trust, that failure is not rewarded and that the duty to mitigate loss is fully recognised,
- Review and note annually the remuneration trends across the Trust,

- Ensure that all provisions regarding disclosure of remuneration, including pensions and benefits, are fulfilled,

- Obtain reliable, up-to-date information about remuneration in other Trusts. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations,
- Be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

Reporting

The Chair of the Committee reports formally to the Board on all proceedings and matters within the duties and responsibilities of the Committee.

An individual performance review (IPR) is held at the end of each year between the Executive Directors and the Chief Executive (or the Chair in the case of the Chief Executive's performance).

Salary and Pension entitlements of senior managers

A) Remuneration

Name and Title	2009-10			2008-09		
	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind (Rounded to the nearest £100)	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind (Rounded to the nearest £100)
Felicity Longshaw - Chair	20-25	0	0	20-25	0	0
Laura McMurtrie - Chief Executive	140-145	0-5	0	120-125	0-5	0
Paul Miller - Director of Finance & Commerce and Deputy Chief Executive	110-115	0-5	4500[1]	35-40[2]	0-5	900[1]
Julie Thomas - Director for People	95-100	0-5	0	80-85	0-5	0
Arden Tomison - Acting Medical Director (until 23rd April 09) Medical Director & Director of Strategy (from 24th April 09)	75-80	85-90	0	55-60[2]	75-80	0
Lindsey Scott - Director of Operations	100-105	0-5	2000[1,2]	0-5[2]	0-5	0
Hazel Watson - Director of Nursing, Compliance, Assurance & Standards (NCAS)	90-95	0-5	0	*	*	*
Non Executive Directors						
Fredrick Psyk	5-10	0-5	0	5-10	0	0
Mike Roberts	5-10	0-5	0	5-10	0	0
Patrick Ismond (until May 2009)[2]	0-5	0-5	0	5-10	0	0
Anthony Gallagher	5-10	0-5	0	0-5[2]	0	0
Susan Thompson	5-10	0-5	0	5-10	0	0
Alison Paine (from June 2009)[2]	0-5	0-5	0	*	*	*
James McAuliffe	5-10	0-5	0	5-10	0	0

Notes:
1. The benefit in kind relates to lease cars
2. Relates to Part year employment

Salary and Pension entitlements of senior managers

B) Pension Benefits

Name and title		Real increase in pension at age 60 (bands of £2500) £000	Real increase in lump sum at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2010 (bands of £5000) £000	Total accrued related lump sum at age 60 at 31 March 2010 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2010 £000	Cash Equivalent Transfer Value at 31 March 2009 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension To nearest £100 £
Laura McMurtrie	Chief Executive	0-2.5	5-7.5	50-55	150-155	1,147	1,016	56	0
Paul Miller	Director of Finance & Commerce and Deputy Chief Executive	0-2.5	2.5-5	35-40	110-115	684	599	39	0
Arden Tomison	Acting Medical Director (until 23rd April 09) Medical Director & Director of Strategy (from 24th April 09)	17.5-20	52.5-55	80-85	240-245	1,802	1,264	333	0
Lindsey Scott	Director of Operations	(2.5)-(5)	(10)-(12.5)	30-35	100-105	675	678	(26)	0
Julie Thomas	Director for People	5-7.5	15-17.5	20-25	65-70	462	321	87	0
Hazel Watson	Director of Nursing, Compliance, Assurance & Standards (NCAS)	0-2.5	5-7.5	10-15	30-35	171	89	55	0

Notes to Pension Benefits:

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

AUDITED ANNUAL ACCOUNTS 2009-10

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2010

	NOTE	**2009/10 £000**	2008/09 £000
Revenue			
Revenue from patient care activities	4	**192,188**	188,425
Other operating revenue	5	**6,564**	7,149
Operating expenses	7	**(212,496)**	(183,231)
Operating surplus/(deficit)		**(13,744)**	12,343
Finance costs:			
Investment revenue	13	**43**	390
Other gains and (losses)	14	**611**	0
Finance costs	15	**(5,101)**	(5,068)
Surplus/(deficit) for the financial year		**(18,191)**	7,665
Public dividend capital dividends payable		**(3,987)**	(6,464)
Retained surplus/(deficit) for the year	31	**(22,178)**	1,201
Other comprehensive income			
Impairments and reversals		**(12,699)**	(9,538)
Gains on revaluations		**1,292**	223
Reclassification adjustments:			
- Transfers from donated and government grant reserves		**(16)**	(13)
Total comprehensive income for the year		**(33,601)**	(8,127)

The notes on pages 5 to 34 form part of these accounts.

Notes:

The Retained Deficit position for 2009/10 is shown after accounting for impairments of £22.8m associated with the move to Modern Equivalent Assets (MEA) that are not reported within the Trust breakeven performance.

Whilst the move to MEA has resulted in a large number of assets reducing in value resulting in an impairment, some assets have actually increased in value and this accounts for the increase in gains on revaluation from £223k to £1,292k.

The Retained Deficit position for 2009/10 is also shown after accounting for £483k value of net change of IFRIC12 PFI. This is included within Finance Costs.

These impairments are included within operating expenses.

The Breakeven note on Page 31 shows the control position against which the Trusts performance is assessed which is summarised below:

	£'000
Retained Surplus/(deficit) for the financial year	(22,178)
Adjustment for Impairments	22,808
Adjustment for Consolidated Budgetary Guidance - Adjustment for IFRIC12	483
Break-even in-year position	**1,113**

STATEMENT OF FINANCIAL POSITION AS AT
31 March 2010

	NOTE	**31 March 2010 £000**	31 March 2009 £000	1 April 2008 £000
Non-current assets				
Property, plant and equipment	16	**160,784**	195,047	207,041
Total non-current assets		**160,784**	195,047	207,041
Current assets				
Inventories	20	**94**	96	60
Trade and other receivables	21	**7,803**	10,437	13,275
Cash and cash equivalents	23	**6,095**	2,675	2,343
Total current assets		**13,992**	13,208	15,678
Total assets		**174,776**	208,255	222,719
Current liabilities				
Trade and other payables	25	**(18,550)**	(17,074)	(17,850)
DH Working capital loan	26	**(2,000)**	(1,000)	(1,000)
Borrowings	26	**(811)**	(917)	(782)
Provisions	28	**(1,023)**	(944)	(742)
Net current assets/(liabilities)		**(8,392)**	(6,727)	(4,696)
Total assets less current liabilities		**152,392**	188,320	202,345
Non-current liabilities				
Borrowings	26	**(48,946)**	(49,757)	(50,675)
DH Working capital loan		**0**	(2,000)	(3,000)
Provisions	28	**(1,428)**	(1,599)	(1,366)
Total assets employed		**102,018**	134,964	147,304
Financed by taxpayers' equity:				
Public dividend capital		**99,552**	98,897	103,110
Retained earnings		**(20,907)**	33	(3,056)
Revaluation reserve		**23,131**	35,776	46,969
Donated asset reserve		**242**	258	281
Total Taxpayers' Equity		**102,018**	134,964	147,304

The financial statements on pages 1 to 4 were approved by the Board on 8th June 2010 and signed on its behalf by:

Signed:  Chief Executive Date: July 2010

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Total
	£000	£000	£000	£000	£000
Balance at 31 March 2008					
As previously stated	103,110	8,816	40,224	281	152,431
Prior Period Adjustment	0	(11,872)	6,745	0	(5,127)
Restated balance	103,110	(3,056)	46,969	281	147,304
Changes in taxpayers' equity for 2008/09					
Total Comprehensive Income for the year:					
Retained surplus/(deficit) for the year	0	1,201	0	0	1,201
Transfers between reserves	0	1,888	(1,888)	0	0
Impairments and reversals	0	0	(9,528)	(10)	(9,538)
Net gain on revaluation of property, plant, equipment	0	0	223	0	223
Reclassification adjustments:					
- transfers from donated asset/government grant reserve	0	0	0	(13)	(13)
New PDC received	1,387	0	0	0	1,387
PDC repaid in year	(5,600)	0	0	0	(5,600)
Balance at 31 March 2009	**98,897**	**33**	**35,776**	**258**	**134,964**

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Total
	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2009/10					
Balance at 1 April 2009	98,897	33	35,776	258	134,964
Total Comprehensive Income for the year					
Retained surplus/(deficit) for the year	0	(22,178)	0	0	(22,178)
Transfers between reserves	0	1,238	(1,238)	0	0
Impairments and reversals	0	0	(12,699)	0	(12,699)
Net gain on revaluation of property, plant, equipment	0	0	1,292	0	1,292
Reclassification adjustments:					
- transfers from donated asset/government grant reserve	0	0	0	(16)	(16)
New PDC received	655	0	0	0	655
Balance at 31 March 2010	**99,552**	**(20,907)**	**23,131**	**242**	**102,018**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2010

	NOTE	**2009/10 £000**	2008/09 £000
Cash flows from operating activities			
Operating surplus/(deficit)		**(13,744)**	12,343
Depreciation and amortisation		**5,376**	6,400
Impairments and reversals		**22,808**	244
Transfer from donated asset reserve		**(16)**	(13)
Interest paid		**(4,611)**	(5,061)
Dividends paid		**(4,123)**	(6,464)
(Increase)/decrease in inventories		**2**	(36)
(Increase)/decrease in trade and other receivables		**2,634**	2,838
Increase/(decrease) in trade and other payables		**1,626**	277
Increase/(decrease) in provisions	28	**(99)**	428
Net cash inflow/(outflow) from operating activities		**9,853**	10,956
Cash flows from investing activities			
Interest received		**43**	410
(Payments) for property, plant and equipment	16	**(7,041)**	(7,235)
Proceeds from disposal of plant, property and equipment		**2,075**	2,773
(Payments) for investments with DH		**(13,000)**	(19,000)
Proceeds from disposal of investments with DH		**13,000**	19,000
Net cash inflow/(outflow) from investing activities		**(4,923)**	(4,052)
Net cash inflow/(outflow) before financing		**4,930**	6,904

Cash flows from financing activities			
Public dividend capital received		**655**	1,387
Public dividend capital repaid		**0**	(5,600)
Loans repaid to the DH		**(1,000)**	(1,000)
Capital element of finance leases and PFI		**(1,165)**	(1,359)
Net cash inflow/(outflow) from financing		**(1,510)**	(6,572)
Net increase/(decrease) in cash and cash equivalents		**3,420**	332
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		**2,675**	2,343
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	23	**6,095**	2,675

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 IFRS Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2009/10 NHS Trusts IFRS 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 IFRS 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 where appropriate, modified to account for the revaluation of property and plant, inventories and certain financial assets and financial liabilities. Non Property Assets (Equipment) have been prepared either on a Depreciated Replacement Cost basis if not materially different to fair value or by applying a standard GDP deflator.

1.2 Acquisitions and discontinued operations

Activities are considered to be ‘acquired’ only if they are taken on from outside the public sector. Activities are considered to be ‘discontinued’ only if they cease entirely. They are not considered to be ‘discontinued’ if they transfer from one public sector body to another.

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 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.

1.4.1.1 Private Finance Initiative (PFI)

The Trust has been required to move its PFI assets onto the Statement of Financial Position (SOFP)
and has been required to apply some judgement to the impact on years following completion of the
construction of the assets.

1.4.2 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

1.4.2.1 Modern Equivalent Asset (MEA) Valuation

The Trust has estimated the use of an appropriate indice for the end of the reporting period in applying the reduction in value of its property and plant on the Statement of Financial Position.

The Trust has applied a recommended index of 210 for Land and Buildings from its District Valuation Office in determining this impact at the end of the 2009/10 financial reporting period.

1.4.2.2 Economic Lives of Non-Current Assets

The Trust has applied economic useful lives to its assets and depreciated on that basis as provided by
the District Valuer. The standard economic lives applied are Buildings 35 years, Equipment, Furniture & Fittings 10 years and Information Technology 5 years.

1.4.2.3 Estimate for Untaken Annual Leave

The Trust has applied an estimate for the number of days annual leave carried forward where there was no
return for its members of staff. This was based on an average assumption across the Trust for the number
of days that were untaken as at 31st March 2010. The Trust also applied an estimate assumption for the
number of days untaken for its medical staff where a different holiday year was in place.

1.5 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 Primary Care Trust Commissioners for healthcare services. Interest Revenue is accrued on a time basis, by reference to the amount deposited and interest rate applicable.

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

1.6 Employee Benefits

1.6.1 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.

1.6.2 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.

Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trust's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

The use of the corridor approach is not allowed.

Voluntary terminations with agreed terms under the Pension Scheme are treated as past employment benefits and so discounted using the rate applicable to the scheme. Involuntary and voluntary terminations whose terms are available for a short time only should be treated as termination benefits and so discounted using the rate for provisions (currently 2.2%)

1.7 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.

1.8 Property, plant and equipment

1.8.1 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.

1.8.2 Valuation

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

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

● Land and non-specialised buildings – market value for existing use
● Specialised buildings – depreciated replacement cost (until 1st October 2009)

Until 1 October 2009, 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. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest. The Trust has moved to the Modern Equivalent Asset approach at 1st October 2009 and has accounted for fair value at this date in its accounts. The impairment losses arising from this revaluation have been reported in the Trusts Financial Statements.

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, 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 equipment are carried etiher at depreciated historic cost as this is not considered to be materially different from fair value or by applying a standard deflator.

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 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. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

1.8.3 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.

1.9 Intangible assets

1.9.1 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 £5000.

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
● 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

1.9.2 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.

1.10 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.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.11 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

1.12 Non-current assets held for sale

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

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

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

1.13 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.

1.13.1 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. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

1.13.2 The trust as lessor

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

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

Sale and Leaseback arrangements are formally treated as such in line with IAS 17 unless SIC 27 applies.
SIC 27 treats Sale and Leaseback transactions as the raising of finance rather than as a formal sale and
leaseback

1.14 Private Finance Initiative (PFI) transactions

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

The charges for services under the PFI arrangements are estimated from information provided within the
Operator Financial Model derived at financial close. The balance of the PFI charges are recognised as for
a finance lease, with the PFI asset carried at fair value. The interest rate implicit in the lease has been used to apportion the cost between finance charges and reduction of the PFI obligation. Service and finance
charges are charged to the Statement of Comprehensive Income.

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

a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

1.14.1 Services received

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

1.14.2 PFI Asset

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

1.14.3 PFI liability

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

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

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

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

1.14.4 Lifecycle replacement

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

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

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

1.15 Inventories

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

1.16 Cash and cash equivalents

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

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

1.17 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.

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.

1.18 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 27.

1.19 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.

1.20 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.

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.

1.21 Financial assets

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

Financial assets are initially recognised at fair value.

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

1.21.1 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 fair value of the financial assets is determined by advice from the District Valuation Office.

1.21.2 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.

1.21.3 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 surplus/deficit on de-recognition.

1.21.4 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 where possible, otherwise by appropriate valuation techniques.

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

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

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

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.

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

1.22.1 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 trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability. The fair value of the financial liabilities is determined by advice from the District Valuation Office.

1.22.2 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.

1.23 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.

1.24 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. Details of third party assets are given in Note 31 to the accounts.

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. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and 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. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

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). The note on losses and special payments is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.27 Related Party Transactions

Related Party Transactions are disclosed in the Trusts financial statements. In considering each possible related party relationship, the Trust is directed to the substance of the relationship and not merely the legal form. The transactions are disclosed in the financial statements if material to the individual and/or the Trust.

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

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. None of them are expected to impact upon the Trust financial statements.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

1.29 Accounting standards issued that have been adopted early

The amendment to IFRS 8 Operating segments that was included in the April 2009 Improvements to IFRS has been adopted early. As a result of this amendment, total assets are not required to be reported by operating segment. The Trust has not segmented any of its operations.

1.30 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 Statement of Comprehensive Income 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.

2. Operating Segments

The Trust has classed its operations as one total segment in providing healthcare and has therefore not segmented any of its operations.

3. Income generation activities

The trust undertakes minimal income generation activities with an aim of achieving profit, which is then used in in delivering patient care. None of these activities are over £1m and therefore are not disclosed seperately.

4. Revenue from patient care activities

	2009/10	2008/09
	£000	£000
Strategic health authorities	**135**	34
NHS trusts	**300**	713
Primary care trusts	**157,515**	155,986
Foundation trusts	**1,075**	787
Local authorities	**24,500**	22,733
NHS other	**0**	14
Non-NHS Other[1]	**8,663**	8,158
	192,188	188,425

[1]Non-NHS Other includes revenue received from bodies such as Drug Action Teams and Prisons that is then used for delivering patient care activities.

5. Other Operating Revenue

	2009/10	2008/09
	£000	£000
Education, training and research	**6,233**	6,092
Transfers from Donated Asset Reserve	**16**	13
Income generation	**28**	28
Other revenue[1]	**287**	1,016
	6,564	7,149

[1]Other revenue is revenue that is not derived from patient care activities.

6. Revenue

	2009/10	2008/09
	£000	£000
From rendering of services	**198,752**	195,574

7. Operating Expenses	**2009/10**	2008/09
	£000	£000
Services from other NHS Trusts	**2,201**	2,828
Services from PCTs	**567**	1,195
Services from Foundation Trusts	**989**	965
Purchase of healthcare from non NHS bodies[1]	**2,563**	7,400
Directors' costs[2]	**964**	1,515
Other Employee Benefits	**145,187**	134,446
Supplies and services - clinical	**6,311**	6,037
Supplies and services - general	**2,888**	2,214
Consultancy services[5]	**1,434**	1,025
Establishment	**4,235**	4,430
Transport[3]	**1,821**	190
Premises[6]	**9,241**	7,783
Provision for impairment of receivables	**(14)**	(18)
Depreciation	**5,376**	6,400
Impairments and reversals of property, plant and equipment	**22,808**	244
Audit fees[4]	**108**	181
Clinical negligence	**339**	232
Research and development[3]	**1,271**	0
Education and Training	**1,286**	1,001
Other[3][6]	**2,921**	5,163
	212,496	183,231

[1]The significant reduction in Purchase of healthcare from non NHS bodies reflects the fact that the Out of Area spend for low and medium secure is now the direct responsibility of the Regional Specialist Commissioning Group (RSCG).

[2]During 2008-09 the Trust implemented a review of Director appointments which resulted in transitional costs. This review of appointments was concluded in May 2009 and the 2009-10 Director Costs of £964k reflect the successful implementation and the absence of these transitional costs.

[3]A proportion of Transport Expenses (£1,504k) relating mostly to Patients and Escorts Travel, and Research & Development costs (£1,220k) were included under Other expenses in 2008/09. In 2009/10 they have been shown under separate headings.

[4]The Audit Fee of £108k includes the statutory audit fee (£99.5k), additional work on benchmarking (£12.6k) and a refund (£4.2k) in respect of IFRS audit work.

[5]The Trust incurred total consultancy service costs of £1.434k in 2009-10 and a significant proportion of these costs related to ongoing Foundation Trust application and are non-recurrent and time limited.

[6]The increase in Premises from 2008-09 represents £1,194k of service costs relating to the PFI scheme being reclassified from Other expenditure to Premises for 2009-10.

8. Operating leases

8.1 As lessee

The standard lease term for the operating leases disclosed below is a three year term with full maintenance included. There is an option to extend beyond this standard term.

Payments recognised as an expense	**2009/10**	2008/09
	£000	£000
Minimum lease payments	**334**	343
	334	343

Total future minimum lease payments[1]	**2009/10**	2008/09
	£000	£000
Payable:		
Not later than one year	**125**	159
Between one and five years	**256**	230
Total	**381**	389

[1]The total future minimum lease payments of operating leases above is the annual charge on the lease for the following years. This all relates to Lease Car Commitments.

9. Employee costs and numbers

9.1 Employee costs

	2009/10 Total	2009/10 Permanently Employed	2009/10 Other	2008/09 Total	2008/09 Permanently Employed	2008/09 Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	122,955	108,851	14,104	115,230	101,926	13,304
Social Security Costs	9,062	9,062	0	8,646	8,646	0
Employer contributions to NHS Pension scheme	13,488	13,488	0	12,658	12,658	0
Other pension costs	143	143	0	146	146	0
Other employment benefits	2,150	2,150	0	1,832	1,832	0
Termination benefits	62	62	0	256	256	0
Employee benefits expense	147,860	133,756	14,104	138,768	125,464	13,304
Of the total above:						
Employee benefits charged to revenue[1]	147,860			138,768		
	147,860			138,768		

[1]This relates to employee benefits that have not been capitalised

9.2 Average number of people employed

	2009/10 Total	2009/10 Permanently Employed	2009/10 Other	2008/09 Total	2008/09 Permanently Employed	2008/09 Other
	Number	Number	Number	Number	Number	Number
Medical and dental	330	238	92	277	239	38
Administration and estates	785	722	63	789	732	57
Healthcare assistants and other support staff	1,111	854	257	1,133	873	260
Nursing, midwifery and health visiting staff	1,203	1,102	101	1,203	1,076	127
Scientific, therapeutic and technical staff	502	477	25	359	344	15
Social care staff	0	0	0	30	0	30
Other	12	12	0	74	15	59
Total	3,943	3,406	538	3,865	3,279	586

9.3 Staff sickness absence

	2009/10 Number
Total days lost	**41,825**
Total staff years[1]	**3,360**
Average working days lost (days)	12.45

[1]There is a small difference between the staff years (3,360) and permanently employed number (3,406) and this is due to the Trust amending staff ESR records after data was extracted from the national data warehouse for the sickness absence statistics.

9.4 Management Costs	**2009/10**	**2008/09**
	£000	**£000**
Management costs	11,986	10,684
Income	198,752	195,574
expressed as a percentage of income	6.03%	5.46%

10. 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.pensions.nhsbsa.nhs.uk. 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, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. 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) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 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.

c) Scheme provisions

The scheme is a "final salary" scheme. 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. 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.

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 the 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.

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

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.

The Trust has one employees who is a member of the LGPS pension scheme under Admitted Body Status.

11. Retirements due to ill-health

During 2009/10 there were 9 (2008/09, 7) 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 £703k (2008/09: £593k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

12. Better Payment Practice Code

13.1 Better Payment Practice Code - measure of compliance

	2009/10		2008/09	
	Number	**£000**	Number	£000
Total Non-NHS trade invoices paid in the year	**20,708**	**39,123**	17,283	37,252
Total Non NHS trade invoices paid within target	**19,678**	**37,944**	16,090	34,429
Percentage of Non-NHS trade invoices paid within target	**95%**	**97%**	93%	92%
Total NHS trade invoices paid in the year	**1,185**	**20,244**	1,085	23,020
Total NHS trade invoices paid within target	**1,164**	**20,120**	865	18,161
Percentage of NHS trade invoices paid within target	**98%**	**99%**	80%	79%

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.

13. Investment revenue

	2009/10	2008/09
	£000	£000
Interest revenue:		
Bank accounts	**43**	390
Total	**43**	390

14. Other gains and losses

	2009/10	2008/09
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	**611**	0
Total	**611**	0

This gain on disposal relates to disposals of the properties of Mortimer Road and Miles House during the financial year.

15. Finance Costs

	2009/10	2008/09
	£000	£000
Interest on loans and overdrafts	**150**	205
Interest on obligations under PFI contracts:		
- main finance cost	**3,961**	4,022
- contingent finance cost	**983**	834
Total interest expense	**5,094**	5,061
Other finance costs	**7**	7
Total	**5,101**	5,068

16. Property, plant and equipment

2009/10:	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery[1]	Transport equipment[1]	Information technology[1]	Furniture & fittings[1]	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	41,992	130,477	4,274	9,601	1,006	89	6,232	7,858	201,529
Additions purchased	0	0	0	6,754	0	0	0	0	6,754
Reclassifications	0	12,054	0	(15,868)	0	0	0	3,814	0
Reclassifications as Held for Sale	(617)	(808)	0	0	0	0	0	(1)	(1,426)
Revaluation/indexation gains	0	1,084	0	208	0	0	0	0	1,292
Impairments	(3,163)	(9,463)	(41)	0	0	0	0	(32)	(12,699)
At 31 March 2010	**38,212**	**133,344**	**4,233**	**695**	**1,006**	**89**	**6,232**	**11,639**	**195,450**
Depreciation at 1 April 2009	0	0	0	0	467	68	3,562	2,385	6,482
Impairments	1,882	19,064	53	144	0	0	0	1,665	22,808
Charged during the year	0	3,685	88	0	59	8	766	770	5,376
Depreciation at 31 March 2010	**1,882**	**22,749**	**141**	**144**	**526**	**76**	**4,328**	**4,820**	**34,666**
Net book value									
Purchased	36,330	110,595	3,856	551	480	8	1,903	6,819	160,542
Donated	0	0	236	0	0	5	1	0	242
Total at 31 March 2010	**36,330**	**110,595**	**4,092**	**551**	**480**	**13**	**1,904**	**6,819**	**160,784**
Asset financing									
Owned	**36,330**	**61,073**	**4,092**	**551**	**480**	**13**	**1,904**	**6,819**	**111,262**
Private finance initiative	**0**	**49,522**	**0**	**0**	**0**	**0**	**0**	**0**	**49,522**
Total 31 March 2010	**36,330**	**110,595**	**4,092**	**551**	**480**	**13**	**1,904**	**6,819**	**160,784**

[1]The categories of equipment use cost measurement as historical cost is the result of arm's length transactions and therefore this provides evidence of an open market value at that point in time. This is reflected in the carried forward balances from the previous year for these classes of assets.

Prior year:

2008/09:	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	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	45,976	124,414	5,006	22,960	982	88	5,670	6,520	211,616
Additions purchased	744	417	0	6,001	0	0	0	0	7,162
Reclassifications	0	16,783	0	(18,485)	0	0	562	1,140	0
Disposals other than by sale	(915)	(1,858)	0	0	0	0	0	0	(2,773)
Revaluation/indexation gains	0	0	0	0	24	1	0	198	223
Impairments	(3,813)	(4,292)	(558)	(875)	0	0	0	0	(9,538)
At 31 March 2009	**41,992**	**135,464**	**4,448**	**9,601**	**1,006**	**89**	**6,232**	**7,858**	**206,690**
Depreciation at 1 April 2008	0	0	0	0	376	60	2,600	1,539	4,575
Reclassifications	0	424	0	0	0	0	0	0	424
Impairments	0	174	0	0	0	0	0	70	244
Charged during the year	0	4,389	174	0	91	8	962	776	6,400
Depreciation at 31 March 2009	**0**	**4,987**	**174**	**0**	**467**	**68**	**3,562**	**2,385**	**11,643**
Net book value									
Purchased	41,992	130,477	4,038	9,601	539	0	2,669	5,473	194,789
Donated	0	0	236	0	0	21	1	0	258
Total at 31 March 2009	**41,992**	**130,477**	**4,274**	**9,601**	**539**	**21**	**2,670**	**5,473**	**195,047**
Asset financing									
Owned	**41,992**	**84,087**	**4,274**	**9,601**	**539**	**21**	**2,670**	**5,473**	**148,657**
Private finance initiative	**0**	**45,962**	**0**	**0**	**0**	**0**	**0**	**0**	**45,962**
PFI residual interests	**0**	**428**	**0**	**0**	**0**	**0**	**0**	**0**	**428**
Total 31 March 2009	**41,992**	**130,477**	**4,274**	**9,601**	**539**	**21**	**2,670**	**5,473**	**195,047**

17. Property, plant and equipment (cont.)

The estimated useful lives applied are as follows:

Buildings – 35 years (excluding PFI)

Classes of Equipment:
Furniture - 10 years
Office and IT - 5 years
Soft furnishings - 7 years
Mainframe-type IT installations - 8 years
Plant and equipment short life - 5 years
Plant and equipment medium life - 10 years
Plant and equipment long life - 15 years

The Trust has now adopted component accounting for its assets whereby assets with the same useful life are grouped together and those assets with different asset lives are seperated and depreciated as assets in their own right. The useful lives applied to the components have been advised by the District Valuation Office.

For the Assets held at revalued amounts:

The effective date of valuation is 1st October 2009 being the date for the move to Modern Equivalent Asset (MEA) valuation methodology.

The Valuation Office has taken into account the market conditions to recalculate the asset values under MEA. Subsequent revaluation has occurred at an indice recommended by the District Valuer as representative of market values at 31st March 2010, these are more reflective of local market conditions.

The Market Value used in arriving at fair value for the operational assets is therefore subject to the assumption that the property is sold as part of the continuing enterprise in occupation.

18. Impairments

The total impairment for the year of £22,808k consisted of:

Move Land and Buildings to MEA on 1st October 2009 - £16,763k
Indexation of Buildings applied at 1st January 2010 - £2,467k
Accounting at Fair Value for the 2009/10 Capital Programme at 31st March 2010 - £2,740
Equipment No Longer in Use at 31st March 2010 - £838k

The recoverable amount, in relation to the move to MEA and the Indexation has been determined by the District
Valuation Office and constitutes fair value less costs to sell.

19. Capital commitments

Contracted capital commitments at 31 March 2010 not otherwise included in these financial statements:

	31 March 2010 £000	31 March 2009 £000
Property, plant and equipment	**35**	61
Total	**35**	61

20. Inventories

20.1. Inventories	**31 March 2010 £000**	31 March 2009 £000
Drugs	**94**	96
Total	**94**	96
Of which held at net realisable value:	0	0

21. Trade and other receivables

21.1 Trade and other receivables	**Current**	
	31 March 2010 £000	31 March 2009 £000
NHS receivables-revenue	**3,948**	6,630
Non-NHS receivables-revenue	**34**	0
Provision for the impairment of receivables	**(17)**	(31)
Accrued income	**1,775**	1,782
Other receivables	**2,063**	2,056
Total	**7,803**	10,437

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.

21.2 Receivables past their due date but not impaired	**31 March 2010 £000**	31 March 2009 £000
By up to three months	**5**	181
By three to six months[1]	**35**	31
Total	**40**	**212**

[1]Of the 35k "by three to six months", 22k relates to salary overpayments that are being collected in line with the Trust Debt Recovery Procedure. There is little to no risk of these overpayments not being repaid in full.

22 Provision for impairment of receivables	**31 March 2010 £000**	31 March 2009 £000
Balance at 1 April	**(31)**	(68)
Amount written off during the year	**0**	19
(Increase)/decrease in receivables impaired	**14**	18
Balance at 31 March	**(17)**	(31)

23. Cash and cash equivalents

	31 March 2010	31 March 2009
	£000	£000
Balance at 1 April	2,675	2,343
Net change in year	3,420	332
Balance at 31 March	6,095	2,675
Made up of		
Cash with Office of HM Paymaster General	6,015	2,617
Commercial banks and cash in hand	80	58
Cash and cash equivalents as in statement of financial position	6,095	2,675
Bank overdraft - Office of HM Paymaster General	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	6,095	2,675

24. Non-current assets held for sale

	Land	Buildings excl dwellings	Other Property plant & equipment	Total
	£000	£000	£000	£000
Balance brought forward	0	0	0	0
Plus assets classified as held for sale in the year	617	808	1	1,426
Less assets sold in the year	(617)	(808)	(1)	(1,426)
Balance carried forward	0	0	0	0

25. Trade and other payables

	Current	
	31 March 2010 £000	31 March 2009 £000
NHS payables-revenue	**1,672**	1,967
Non NHS trade payables - revenue[1]	**1,855**	447
Non NHS trade payables - capital	**164**	314
Accruals and deferred income[2]	**10,332**	10,249
Social security costs	**1,313**	1,186
Tax	**1,458**	1,363
Other[3]	**1,756**	1,548
Total	**18,550**	17,074

[1]Non NHS trade payables - revenue has increased mostly due to payable balances at the end of the 2009/10 financial year including PFI payables (£716k) and IT purchases and Agency (£300k) that were not payables at the end of the previous year.

[2]Accruals & deferred income includes an accrual for annual leave not taken and therefore carried forward at the 31st March of £2,150k (2008/09 £1,832k)

[3]Other payables include:
£1,694k (prior year £1,538k) for outstanding pensions contributions at 31 March 2010.

The Trust has signed up to the Better Payment Practice Code which provides assurance to suppliers that their invoices will be paid within 30 days. This has been enhanced further by registration on the Prompt Payment Code website which endeavours to encourage businesses to support the local economy by paying all suppliers within 10 days of receipt of invoice.

26. Borrowings

	Current		Non-current	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
	£000	£000	**£000**	£000
Loans from:				
Department of Health	**2,000**	1,000	**0**	2,000
PFI liabilities	**811**	917	**48,946**	49,757
Total	**2,811**	1,917	**48,946**	51,757

The Loan Borrowing relates to a fixed rate Working Capital Loan from the Department of Health received in 2006/07. This Borrowing is to be repaid in full in the 2010/11 financial year.

27. Private Finance Initiative contracts

27.1 PFI schemes on-Statement of Financial Position

The Trust wished to redevelop its facilities on its sites and to consolidate onto the sites services currently provided at other locations in order to improve the quality and efficiency of the services provided by the Trust.

Accordingly, the Trust invited tenders from interested persons for the financing, design, and construction of and the provision of fully serviced community and secure mental healthcare facilities at the sites and such other healthcare services (which may include without limitation research and/or teaching) as the Trust may consider fit from time to time.

Proposals were originally submitted on behalf of Ryhurst in response to the Trust's invitation. Following negotiations it appeared to the Trust to be expedient for the purpose of, or in connection with, the discharge of its functions to enter into the Agreement, which set out the terms and conditions upon which Ryhurst (and now Semperion) will carry out the Project.

The Project has been approved by the Department of Health on behalf of the Secretary of State.

The Agreement is entered into under the Government's Private Finance Initiative (the "PFI")

Under IFRIC12, the asset is treated as an asset of the trust; the substance of the contract is that the trust has a finance lease and payments comprise of two elements - imputed finance lease charges and service charges and can provide details of the imputed finance lease charges in the table below.

Financial Close was achieved for the PFI scheme in early March 2004 to modernise Mental Health Services in Avon and expand Secure Services. Construction has now been completed for all units.

The Project will expire its term in November 2036 at which time the asset will revert to being owned by the Trust.

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

	31 March 2010	31 March 2009
	£000	£000
Not later than one year	**4,772**	4,939
Later than one year, not later than five years	**3,050**	2,987
Later than five years	**45,896**	46,770
Sub total	**53,718**	54,696
Less: interest element	**(3,961)**	(4,022)
Total	**49,757**	50,674

27.2 Charges to operating expenditure in respect of service elements of ON SoFP PFI:

The Trust has the following future commitments in respect of its ON the SoFP PFI:

	31 March 2010 £000	31 March 2009 £000
Service element of on SOFP PFI charged to operating expenses in year	**1,201**	1,194
Total	**1,201**	**1,194**

27.3 Payments the Trust is committed to in respect of the service element of on SOFP PFI analysed by the period in which the commitment expires as follows:

The trust is committed to the following annual charges:

	31 March 2010 £000	31 March 2009 £000
[1]**PFI scheme expiry date:**		
Later than five years	**34,265**	35,005
Total	**34,265**	35,005

28. Provisions

	Current		Non-current
	31 March 2010	31 March 2010	
	£000	£000	
Pensions relating to other staff	**91**	**1,120**	
Legal claims	**721**	**0**	
Agenda for change	**0**	**0**	
Other (specify)	**211**	**308**	
Total	**1,023**	**1,428**	

	Legal claims	Other	Other	Total
	£000	£000	£000	£000
At 1 April 2008	**396**	**262**	**262**	**2,108**
Arising during the year	396	503	503	**990**
Used during the year	(100)	(15)	(15)	**(203)**
Reversed unused	(152)	0	0	**(359)**
Unwinding of discount	0	7	7	**7**
At 1 April 2009	**540**	**757**	**757**	**2,543**
Arising during the year	654	34	34	**788**
Used during the year	(91)	(19)	(19)	**(201)**
Reversed unused	(382)	(260)	(260)	**(686)**
Unwinding of discount	0	7	7	**7**
At 31 March 2010	**721**	**519**	**519**	**2,451**

Expected timing of cash flows:

In the remainder of the spending review period to 31 March 2011	721	211	211	**1,023**
Between 1 April 2011 and 31 March 2016	0	75	75	**532**
Between 1 April 2016 and 31 March 2021	0	67	67	**525**
Thereafter	0	166	166	**371**

Pensions relating to staff (other than directors):

Pensions relating to staff (other than directors) all relates to pre 1995 early retirements. Assumptions about the timing and certainty of the liability are calculated using Actuarial Tables which have been reviewed in the year and this has led to an increased charge in the year of 100k.

Legal Claims:

This provision includes legal claims against the Trust including employment tribunals and relates to employment tribunal cases where the Trust has made a provision for the costs of legal fees and/or costs of settlement. The legal claims have increased from the previous year mainly due to an increase in employers liability claim cases being provided.

Other Provisions:

This includes:

£324k of Injury Benefits payable through the NHS Pensions Agency. Assumptions about timing and certainty are based on advice from the NHS Pensions Agency.

£195k of provision for entitlement of Director Remuneration upon termination of agreement.

Pensions relating to staff (other than directors) all relates to pre 1995 early retirements. Assumptions about the timing and certainty of the liability are calculated using Actuarial Tables which have been reviewed in the year and this has led to an increased charge in the year of 100k.

29. Contingencies

29.1 Contingent Liabilities

	2009/10 £000	2008/09 £000
Other - Employers and Public Liability NHSLA	**0**	82
Total	**0**	82

30. Financial Instruments

30.1 Financial assets

	At fair value through profit and loss £000	Loans and receivable s £000	Available for sale £000	Total £000
Receivables	-	10437	-	10,437
Cash at bank and in hand		2,675		2,675
Total at 31 March 2009	**-**	**13,112**	**-**	**13,112**
Receivables		7,803		7,803
Cash at bank and in hand		6,095		6,095
Total at 31 March 2010	**-**	**13,898**	**-**	**13,898**

30.2 Financial liabilities

	At fair value through profit and loss £000	Other £000	Total £000
Payables		17,074	17,074
PFI and finance lease obligations		50,674	50,674
Other Borrowings		3,000	3,000
Other financial liabilities	-	1,338	1,338
Total at 31 March 2009	-	72,086	72,086
Payables		**18,550**	**18,550**
PFI and finance lease obligations	**-**	**49,757**	**49,757**
Other Borrowings		**2,000**	**2,000**
Other financial liabilities	**-**	**1,239**	**1,239**
Total at 31 March 2010	**-**	**71,546**	**71,546**

Note: The Other Financial Liabilities figure consists of £1239k (prior year £1338k) for provisions and liabilities excluding pre-95 early retirement provisions. The Other Borrowings relate to the Trusts working capital loan with the DoH to be repaid in September 2010.

30.3 Embedded Derivatives

As part of the compliance with IFRS the Trust needed to review contracts to identify any embedded derivatives. These are elements within contracts which are related to an external factor e.g value of contract payments linked to Retail Price Index (RPI) that can affect the value of a contract and is outside the control of the organisation. In some cases separate accounting treatment will be required to identify the effects of any embedded derivatives in contracts.

Positive confirmation has been provided that all material contracts, including any PFI schemes and lease
arrangements have been reviewed to ascertain whether they include embedded derivatives that require
separate accounting treatment and disclosure but no items of this nature have been identified.

The requirement under IFRS to account separately for any embedded derivatives within contracts will remain relevant going forward and the Trust will ensure that this is considered for all new assets.

30.4 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.

30.4.1 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.

30.4.2 Interest rate risk

The Trust has an outstanding loan repayment on a working capital loan confirmed by the Department of Health. The borrowings are for a further six months as the Trust is to repay the loan in full in September 2010, and interest is fixed for the life of the loan. The Trust has therefore low exposure to interest rate fluctuations.

30.4.3 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 2010 are in receivables from customers, as disclosed in the Trade and other receivables note.

30.4.4 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.

31. 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.

31.1 Breakeven Performance	**bfwd 97-03**	**2003-04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover		142237	154549	163,745	183,168	188,426	195,574	198,752
Retained surplus/(deficit) for the year		99	43	(2,790)	3,176	1,009	1,827	(22,178)
Adjustment for:								
							22,808	
							483	
Break-even in-year position		99	43	(2,790)	3,176	1,009	1,827	1,113
Break-even cumulative position	(3,278)	(3,179)	(3,136)	(5,926)	(2,750)	(1,741)	86	1,199
Cash movement in year position	0	0	0	0	0	2,115	332	3,420
Cash cumulative position	228	228	228	228	228	2,343	2,675	6,095

* 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

The Trust's recovery plan, approved by the SHA was successfully achieved in 2008/09 with the repayment of all historical deficits.

	bfwd 97-03	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover		0.07	0.03	-1.70	1.73	0.54	0.93	0.56
Break-even cumulative position as a percentage of turnover	-2.49	-2.24	-2.03	-3.62	-1.50	-0.92	0.04	0.60

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

31.2 Capital cost absorption rate

For previous years 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%.

	2009/10
Dividends on Public Dividend Capital	3,987
Average Relevant Net Assets	113,993
Capital Cost Absorption Rate (%)	**3.5%**

31.3 External financing

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

	2009/10	2008/09
	£000	£000
External financing limit	**(3,307)**	(2,744)
External financing requirement/cash flow financing	**(4,930)**	(5,545)
Undershoot/(overshoot)	**1,623**	2,801

31.4 Capital Resource Limit

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

	2009/10	2008/09
	£000	£000
Gross capital expenditure	**6,754**	7,162
Less: book value of assets disposed of	**(1,426)**	(2,773)
Charge against the capital resource limit	**5,328**	4,389
Capital resource limit	**6,150**	5,276
(Over)/Underspend against the capital resource limit	**822**	887

During the 2009/10 Financial Year, the Trust offered £777k of CRL for potential redeployment across the NHS.
The Trust was later notified that this would not be redeployed and the £777k is therefore contributing towards the underspend on the CRL of £822k.

32. Related party transactions

During the year none of the Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Avon & Wiltshire Mental Health NHS Partnership 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. These entities are:

NHS South West (Strategic Health Authority)
North Bristol NHS Trust
University Hospitals Bristol NHS Foundation Trust
Great Western Hospitals NHS Foundation Trust
Salisbury Healthcare NHS Foundation Trust
Weston Area Health NHS Trust
Bath and North East Somerset PCT
Swindon PCT
Wiltshire PCT
NHS South Gloucestershire
North Somerset PCT
NHS Bristol
NHS Estates
NHS Litigation Authority
NHS Supplies Authority
NHS Professionals

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 Wiltshire County Council and Swindon Borough Council.

The trust has also received revenue payments from a number of charitable funds, the trustees of which are also members of the NHS trust board. The summary unaudited accounts of the Funds held on Trust are shown on Page 81.

33. Third Party Assets
The Trust held £63k cash and cash equivalents at 31 March 2010 (£53k - at 31 March 2009) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

34. Intra-Government and Other Balances	**Current receivables £000**	**Non-current receivables £000**	**Current payables £000**	**Non-current payables £000**
Balances with other Central Government Bodies	3,578	0	806	0
Balances with Local Authorities	374	0	0	0
Balances with NHS Trusts and Foundation Trusts	370	0	525	0
Balances with Public Corporations and Trading Funds	18	0	271	0
Intra Government balances	4,340	0	1,602	0
Balances with bodies external to Government	3,463	0	16,948	0
At 31 March 2010	**7,803**	**0**	**18,550**	**0**
Balances with other Central Government Bodies	6,835	0	6,572	0
Balances with Local Authorities	1,224	0	9	0
Balances with NHS Trusts and Foundation Trusts	382	0	1,066	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	8,441	0	7,647	0
Balances with bodies external to Government	1,996	0	9,427	0
At 31 March 2009	10,437	0	17,074	0

Reclassifications have taken place in 2009/10 that have moved balances from other central government bodies to balances with bodies external to government.

35. Losses and Special Payments
There were 55 cases of losses and special payments (2008/09: 38 cases) totalling £15,528 (2008/09: £22,203) accrued during 2009/10.

36. Transition to IFRS

	Public Dividend Capital	Retained earnings	Revaluation reserve	Donated asset reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' equity at 31 March 2009 under UK GAAP:	**98,897**	**13,404**	**28,131**	**258**	**140,690**
Adjustments for IFRS changes:					**-**
Private finance initiative		- 5,950	2,056		**- 3,894**
Others (Annual Leave Cost)		- 1,832			**- 1,832**
Adjustments for:					**-**
Others (Removal of Negative Reserves)		- 5,589	5,589		**-**
Taxpayers' equity at 1 April 2009 under IFRS:	**98,897**	**33**	**35,776**	**258**	**134,964**

	£000
Surplus/(deficit) for 2008/09 under UK GAAP	**1,827**
Adjustments for:	
Private finance initiative	- 569
Leases	
Others (Annual Leave Cost)	- 57
Surplus/(deficit) for 2008/09 under IFRS	**1,201**

The UK GAAP 2008/09 cash flow statement included net movements in liquid resources of £332k. This net movement is included in the bottom line cash and cash equivalents figure in the 2009/10 statement of cash flows under IFRS.

SUMMARY FINANCIAL STATEMENTS

The summary financial statements are a summary of the information in the full accounts and may not contain sufficient information for the full understanding of Avon & Wiltshire Mental Health Partnership NHS Trust's financial position and performance. The full accounts are available on the Trust website or please contact John Ridler, Financial Control Team.

Please write to Avon & Wiltshire Mental Health Partnership NHS Trust, Jenner House, Langley Park Estate, Chippenham, Wiltshire, SN15 1GG. Alternatively you can contact us by phone on 01249 468000.

The Summary Financial Statements were approved on behalf of the Board on 8th June 2010 and signed on its behalf by:

Laura McMurtrie
Chief Executive, 8th June 2010

Independent auditor's report to the Board of Directors of Avon and Wiltshire Mental Health Partnership NHS Trust on the summary financial statements

I have examined the summary financial statements for the year ended 31 March 2010 which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity and the Statement of Cash Flows.

This report is made solely to the Board of Directors of Avon and Wiltshire Mental Health Partnership NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Report.

My responsibility is to report to you my opinion on the consistency of the summary financial statements within the Annual Report with the statutory financial statements.

I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statements. The other information comprises only the Chair and Chief Executive's Foreword, the unaudited part of the Remuneration Report and the remaining elements of the Financial Review.

I conducted my work in accordance with Bulletin 2008/03 "The auditor's statement on the summary financial statements in the United Kingdom" issued by the Auditing Practices Board. My report on the statutory financial statements describes the basis of my opinion on those financial statements.

Opinion

In my opinion the summary financial statements are consistent with the statutory financial statements of the Avon and Wiltshire Mental Health Partnership NHS Trust for the year ended 31 March 2010.

Wayne Rickard
Engagement Lead
Officer of the Audit Commission

3- 4 Blenheim Court
Matford Business Park
Lustleigh Close
Exeter
EX2 8PW

9th June 2010

AVON & WILTSHIRE MENTAL HEALTH PARTNERSHIP NHS TRUST STATEMENT OF THE TRUST'S FINANCIAL ACTIVITY FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2010

	2009/10	2008/09
	£000	£000
Revenue		
Revenue from patient care activities	**192,188**	188,425
Other operating revenue	**6,564**	7,149
Operating expenses	**(212,496)**	(183,231)
Operating surplus/(deficit)	**(13,744)**	12,343
Finance costs:		
Investment revenue	**43**	390
Other gains and (losses)	**611**	0
Finance costs	**(5,101)**	(5,068)
Surplus/(deficit) for the financial year	**(18,191)**	7,665
Public dividend capital dividends payable	**(3,987)**	(6,464)
Retained surplus/(deficit) for the year[1]	**(22,178)**	1,201
Other comprehensive income		
Impairments and reversals	**(12,699)**	(9,538)
Gains on revaluations	**1,292**	223
Reclassification adjustments:		
- Transfers from donated and government grant reserves	**(16)**	(13)
Total comprehensive income for the year	**(33,601)**	(8,127)

[1]The Retained Deficit position for 2009/10 is shown after accounting for impairments of £22.8m associated with the move to Modern Equivalent Assets (MEA) and £483k associated with the value of net change of IFRIC 12 PFI that are not reported within the Trust breakeven performance.

The control position against which the Trusts performance is assessed is summarised below:

	£'000
Retained Surplus/(deficit) for the financial year	(22,178)
Adjustment for Impairments	22,808
Adjustment for Consolidated Budgetary Guidance - Adjustment for IFRIC12	483
Break-even in-year position	**1,113**

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2010

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
Non-current assets			
Property, plant and equipment	**160,784**	195,047	207,041
Total non-current assets	**160,784**	195,047	207,041
Current assets			
Inventories	**94**	96	60
Trade and other receivables	**7,803**	10,437	13,275
Cash and cash equivalents	**6,095**	2,675	2,343
Total current assets	**13,992**	13,208	15,678
Total assets	**174,776**	208,255	222,719
Current liabilities			
Trade and other payables	**(18,550)**	(17,074)	(17,850)
DH Working capital loan	**(2,000)**	(1,000)	(1,000)
Borrowings	**(811)**	(917)	(782)
Provisions	**(1,023)**	(944)	(742)
Net current assets/(liabilities)	**(8,392)**	(6,727)	(4,696)
Total assets less current liabilities	**152,392**	188,320	202,345
Non-current liabilities			
Borrowings	**(48,946)**	(49,757)	(50,675)
DH Working capital loan	**0**	(2,000)	(3,000)
Provisions	**(1,428)**	(1,599)	(1,366)
Total assets employed	**102,018**	134,964	147,304
Financed by taxpayers' equity:			
Public dividend capital	**99,552**	98,897	103,110
Retained earnings	**(20,907)**	33	(3,056)
Revaluation reserve	**23,131**	35,776	46,969
Donated asset reserve	**242**	258	281
Total Taxpayers' Equity	**102,018**	134,964	147,304

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Total
	£000	£000	£000	£000	£000
Balance at 31 March 2008					
As previously stated	103,110	8,816	40,224	281	152,431
Prior Period Adjustment	0	(11,872)	6,745	0	(5,127)
Restated balance	103,110	(3,056)	46,969	281	147,304
Changes in taxpayers' equity for 2008/09					
Total Comprehensive Income for the year:					
Retained surplus/(deficit) for the year	0	1,201	0	0	1,201
Transfers between reserves	0	1,888	(1,888)	0	0
Impairments and reversals	0	0	(9,528)	(10)	(9,538)
Net gain on revaluation of property, plant, equipment	0	0	223	0	223
Reclassification adjustments:					
- transfers from donated asset/government grant reserve	0	0	0	(13)	(13)
New PDC received	1,387	0	0	0	1,387
PDC repaid in year	(5,600)	0	0	0	(5,600)
Balance at 31 March 2009	**98,897**	**33**	**35,776**	**258**	**134,964**
	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2009/10					
Balance at 1 April 2009	98,897	33	35,776	258	134,964
Total Comprehensive Income for the year					
Retained surplus/(deficit) for the year	0	(22,178)	0	0	(22,178)
Transfers between reserves	0	1,238	(1,238)	0	0
Impairments and reversals	0	0	(12,699)	0	(12,699)
Net gain on revaluation of property, plant, equipment	0	0	1,292	0	1,292
Reclassification adjustments:					
- transfers from donated asset/government grant reserve	0	0	0	(16)	(16)
New PDC received	655	0	0	0	655
Balance at 31 March 2010	**99,552**	**(20,907)**	**23,131**	**242**	**102,018**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2010

	2009/10	2008/09
	£000	£000
Cash flows from operating activities		
Operating surplus/(deficit)	**(13,744)**	12,343
Depreciation and amortisation	**5,376**	6,400
Impairments and reversals	**22,808**	244
Transfer from donated asset reserve	**(16)**	(13)
Interest paid	**(4,611)**	(5,061)
Dividends paid	**(4,123)**	(6,464)
(Increase)/decrease in inventories	**2**	(36)
(Increase)/decrease in trade and other receivables	**2,634**	2,838
Increase/(decrease) in trade and other payables	**1,626**	277
Increase/(decrease) in provisions	**(99)**	428
Net cash inflow/(outflow) from operating activities	**9,853**	10,956
Cash flows from investing activities		
Interest received	**43**	410
(Payments) for property, plant and equipment	**(7,041)**	(7,235)
Proceeds from disposal of plant, property and equipment	**2,075**	2,773
(Payments) for investments with DH	**(13,000)**	(19,000)
Proceeds from disposal of investments with DH	**13,000**	19,000
Net cash inflow/(outflow) from investing activities	**(4,923)**	(4,052)
Net cash inflow/(outflow) before financing	**4,930**	6,904
Cash flows from financing activities		
Public dividend capital received	**655**	1,387
Public dividend capital repaid	**0**	(5,600)
Loans repaid to the DH	**(1,000)**	(1,000)
Capital element of finance leases and PFI	**(1,165)**	(1,359)
Net cash inflow/(outflow) from financing	**(1,510)**	(6,572)
Net increase/(decrease) in cash and cash equivalents	**3,420**	332
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year	**2,675**	2,343
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	**6,095**	2,675

MANAGEMENT COSTS

	2009/10	**2008/09**
	£000	**£000**
Management costs	11,986	10,684
Income	198,752	195,574
Management costs (%)	6%	5.5%

AUDITORS REMUNERATION INCLUDED IN EXPENDITURE

	2009/10	**2008/09**
	£000	**£000**
Audit Fees	108	181

CHARITABLE FUNDS

Charitable funds arise from donations, subscriptions and bequests and must be accounted for independently of monies received from purchasers for the provision of health care. Charitable funds are very important to the Trust and provide additional benefits to patients and staff which could not otherwise be provided. The Avon and Wiltshire Mental Health Partnership NHS Trust is the Trustee for the charitable fund, registered charity number 1056576. The Trust Board is therefore fully accountable for the funds but has delegated some responsibilities to the Charitable Funds Committee. The Charitable Funds Committee is supported by the Audit Committee and a finance department representative. The main duties of the Charitable Funds Committee are to ensure that the funds are collected, spent and managed legally, ethically and in accordance with all relevant legislation. The Committee also recommends policy and procedural changes to the Trust Board in relation to Charitable Funds to ensure compliance with statutory changes. This includes fundraising, investment, expenditure and operational policies.

The Trust wishes to thank all those who have generously donated funds during the year. The Charitable Funds account summaries shown here are subject to independent review.

Statement of Financial Activities for the year ended 31 March 2010

	2009/10 £000	2008/09 £000
Incoming resources		
Donations	**86**	48
Investment income	**3**	14
Total incoming resources	**89**	62
Resources expended		
Patients welfare and amenities	**32**	36
Staff welfare and amenities	**1**	8
Research	**1**	11
Miscellaneous	**10**	5
Governance Costs	**7**	3
Total resources expended	**51**	63
Fund balances brought forward	**327**	328
Fund balances carried forward	**365**	327

Balance Sheet as at 31 March 2010

	2009/10 £000	2008/09 £000
Current Assets	**352**	345
Debtors	**23**	0
Total Net Assets	**375**	345
Creditors	**(10)**	(18)
Total Net Assets Less Liabilities	**365**	327
Funds of the Charity		
Restricted income funds	**211**	204
Unrestricted income funds	**154**	123
Total Funds	**365**	327