

ACCOUNTS 2008-09

FINANCIAL REVIEW

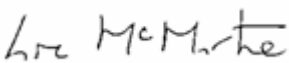
STATEMENT FROM CHIEF EXECUTIVE AND DIRECTORS

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

The Secretary of State for Health has directed that the Chief Executive should be the accountable officer to the Trust. The relevant responsibilities of accountable officers are set out in the Accountable Officers' Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities who govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed  Chief Executive

Date.....9th June 2009.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of 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

..... 9th June 2009..... Date

Liz McMurke

Chief Executive

..... 9th June 2009.....Date

P Miller

Director of Finance &
Commerce and Deputy
Chief Executive

STATEMENT FROM CHIEF EXECUTIVE AND DIRECTORS IN RESPECT OF INTERNAL CONTROL

1. Scope of responsibility

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

I have monthly performance meetings 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 are Section 75 agreements in place for two local authorities, and letters of intent for all other authorities, these 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 2009 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 February. 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 Integrated Governance Committee which is chaired by the Trust's Chair. 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 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 underwent an annual scrutiny by the Trust's Audit and Assurance Committee and the risk register was presented to the Board each quarter.

The promulgation of risk management activities throughout the Trust is largely supported by the four forums reporting to the Integrated Governance Committee; Safety Forum, Effectiveness Forum, Workforce and Modernisation Forum and Patient Experience, Environment and Partnership Forum. Additionally each Strategic Business Unit has responsibility for identifying and managing risks.

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 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.

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 objectives as:

1. Performance: ensure service quality and equity by achieving sustainable compliance with all key national and local targets and standards across our six core commissioning areas.

2. 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.

- 3. Business management:** foster robust systems and processes for business planning, governance and delivery.
- 4. Reputation:** develop and maintain an excellent reputation among our commissioners, service users and wider stakeholders: accountable, reliable, responsive.
- 5. Service development:** a clear and strategic corporate approach to service development, led by our Strategic Business Units (SBUs), which responds effectively to the diverse needs of the communities we serve.
- 6. Our partners:** promote health, well-being and social inclusion through strong partnerships with the NHS, local government, criminal justice agencies and the third sector.
- 7. Our staff:** Develop an engaged, skilled and appropriate workforce.

A series of principal objectives were developed to underpin each strategic objective. The key risks relating to each principal objective were identified and controls were put in place to mitigate. 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.

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, including committees and contribute to improving care planning and delivery processes linked to the integrated care programme approach (CPA) and are influential in policy development.

The trust is fully compliant with the core Standards for Better Health.

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.

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

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 regime that assessed performance against a range of core indicators as well as by the findings of surveys. Additionally, the Trust achieved accreditation against the new risk management standards published by the NHS Litigation Authority.

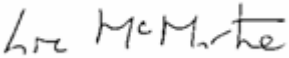
I have received the Head of Internal Audit's Opinion. It gives significant assurance and states that 'based on the work undertaken in 2008/09, significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally 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 by the Integrated Governance Committee and the Audit and Assurance 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 and Assurance Committee has embraced its wider assurance role, on behalf of the Trust Board and together with the Finance and Performance Committee has reviewed and monitored the Trust's financial controls and assurance processes and commissioned and reviewed internal audit work.

The Integrated 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 its reporting forums 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.

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.

Signed 

Chief Executive Officer
(on behalf of the Board)

Date 9th June 2009

Independent Auditors Statement 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 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. 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 prepared by the Audit Commission.

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 2008/09' issued 25 February 2009. 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 unaudited part of the Remuneration Report, the remaining elements of the Financial Review and the sections Key Facts and Our Staff. 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 2009 and of its income and expenditure for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Financial Review 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 ending 31 March 2009.

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.

Richard Lott
Officer of the Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

June 2009

REMUNERATION REPORT

Remuneration & Terms of Service Committee

The membership of the Remuneration Committee, which reviews the salaries of the senior management team of the Trust, consists of the Chair of the Trust (Chair of the Committee) and all Non-Executive Directors. A quorum consists of three Non Executive Directors. The Chief Executive, Director for People and Company Secretary attend meetings, as required for information and advice and the Committee is served by the Director for People. The Committee meets at least quarterly as standard and more frequently if required. Decisions concerning Executive remuneration are recommended to the Board by the Remuneration Committee for Board decision. Other recommendations may be made to the Board for decision as appropriate. The minutes are held by the Director for People after agreement by the members of the Committee, and are presented to the subsequent Board.

The main purpose and function of the Remuneration Committee is to advise and make recommendations to the Board in relation to the following:

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 Directors' 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 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.

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

SALARY AND PENSION ENTITLEMENTS OF SENIOR MANAGERS – REMUNERATION

SALARY AND PENSION ENTITLEMENTS OF SENIOR MANAGERS – REMUNERATION

Name and Title	2008-09			2007-08		
	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	120-125	0-5	0	115-120	30-35 ³	0
Paul Miller - Director of Finance & Commerce and Deputy Chief Executive (from Dec 2008)	35-40	0-5	900 ¹	*	*	*
Julie Thomas - Director for People	80-85	0-5	0	70-75	0-5	0
Terry Tonks - Interim Director of Finance (July-Dec 2008)	80-85	0-5	0	*	*	*
Matthew Rowe - Director of Finance and Performance (until July 2008)	30-35	70-75 ⁴	0	85-90	0-5	0
Arden Tomison - Acting Medical Director (from June 2008)	55-60	75-80	0	*	*	*
Susan O'Connor - Medical Director (until June 2008)	10-15	30-35	0	50-55	145-150	0
Sally Thomson - Director of Integrated Governance (until Dec 2008)	80-85	0-5	0	5-10	0-5	0
Lindsey Scott - Director of Operations (from March 2009)	0-5	0-5	0	*	*	*
Malcolm Sinclair - Chief Operating Officer (until May 2008)	10-15	5-10	0	80-85	0-5	2500
Patrick Knowles - Acting Chief Operating Officer (March to July 2008)	20-25	0-5	4500 ¹	5-10	0-5	0
Glen Monks - Interim Director of Operations (May 2008-March 2009)	65-70	0-5	0	*	*	*
Christine Vize - Director for New Ways of Working (until August 2008)	20-25	50-55	0	45-50	125-130	3400
Christina Button - Director of Foundation Trust Programme	75-80	0-5	0	70-75	0-5	0
Andy Sylvester ² - Director of Corporate Services (until Aug 08)	90-95	0-5	0	80-85	0-5	0
- Interim Director of Operations (Aug 08 - Dec 2008)						
- Interim Director of Integrated Governance & Nursing (from Dec 2008)						
Non Executive Directors						
John Churchill (until Nov 2008)	0-5	0	0	5-10	0	0
Fredrick Psyk	5-10	0	0	0-5	0	0
Bill Collings (until Nov 2008)	0-5	0	0	5-10	0	0
Mike Roberts	5-10	0	0	5-10	0	0

Patrick Ismond	5-10	0	0	5-10	0	0
Anthony Gallagher (from May 2008)	0-5	0	0	*	*	*
Susan Thompson (from Dec 2008) ⁵	5-10	0	0	*	*	*
James Mcauliffe (from Dec 2008)) ⁵	5-10	0	0	*	*	*

Notes:

1. The benefit in kind relates to lease cars
2. Salary based on recharges which on average are higher than standard pay.
3. Relocation costs of circa 30k have been reclassified under "other" in 2007-08 comparatives.
4. This relates to statutory redundancy entitlement
5. Associate Non Executives June – November 2008

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 2009 (bands of £5000) £000	Total accrued related lump sum at age 60 at 31 March 2009 (bands of £5000) £000	CETV at 31 March 2009 £000	CETV at 31 March 2008 £000	Real Increase CETV £000
Laura McMurtrie	Chief Executive	0-2.5	5-7.5	45-50	140-145	1,016	742	179
Paul Miller	Director of Finance & Commerce and Deputy Chief Executive	0-2.5	0-2.5	30-35	100-105	599	445	29
Matthew Rowe	Director of Finance and Performance	0--2.5	0--2.5	25-30	75-80	426	331	23
Arden Tomison	Acting Medical Director	5-7.5	17.5-20	55-60	175-180	1,264	828	232
Susan O'Connor	Medical Director	0-2.5	2.5-5	80-85	245-250	1,927	1,344	78
Lindsey Scott	Director of Operations	0-2.5	0-2.5	35-40	110-115	678	506	2
Glen Monks	Interim Director of Operations	0-2.5	0-2.5	10-15	30-35	148	101	27
Malcolm Sinclair	Chief Operating Officer	0-2.5	0-2.5	25-30	80-85	469	340	10
Patrick Knowles	Acting Chief Operating Officer	0-2.5	2.5-5	25-30	80-85	514	319	35
Christine Vize	Director for New Ways of Working	0--2.5	0--2.5	35-40	110-115	645	514	17

Christina Button	Director of Foundation Trust Programme	0-2.5	2.5-5	0-5	10-15	63	38	16
Andy Sylvester	Director of Corporate Services, Interim Director of Operations & Interim Director of Integrated Governance & Nursing (held separate posts during the year)	0-2.5	2.5-5	25-30	85-90	609	439	111
Julie Thomas	Director for People	0-2.5	2.5-5	15-20	50-55	321	232	59

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2009**

	NOTE	2008/09 £000	2007/08 £000
Income from activities	2	188,425	181,996
Other operating income	3	7,149	6,430
Operating expenses	4	(187,461)	(183,480)
OPERATING SURPLUS/(DEFICIT)		8,113	4,946
Profit/(loss) on disposal of fixed assets	7	<u>0</u>	<u>486</u>
SURPLUS/(DEFICIT) BEFORE INTEREST		8,113	5,432
Interest receivable	8	390	343
Interest payable	8	(205)	(248)
Other finance costs - unwinding of discount	13	<u>(7)</u>	<u>(6)</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		8,291	5,521
Public dividend capital dividends payable	19.2	<u>(6,464)</u>	<u>(4,512)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u>1,827</u>	<u>1,009</u>

Notes:

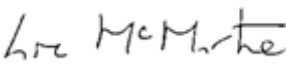
The notes on pages 67 to 98 form part of these accounts.

All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 March 2009**

	NOTE	31 March 2009 £000	31 March 2008 £000
FIXED ASSETS			
Tangible assets	9	<u>148,657</u>	<u>159,006</u>
TOTAL FIXED ASSETS		148,657	159,006
CURRENT ASSETS			
Stocks and work in progress	10	96	60
Debtors	11	10,047	13,205
Cash at bank and in hand		<u>2,675</u>	<u>2,343</u>
TOTAL CURRENT ASSETS		12,818	15,608
CREDITORS: Amounts falling due within one year	12.1	<u>(16,242)</u>	<u>(17,075)</u>
NET CURRENT ASSETS/(LIABILITIES)		(3,424)	(1,467)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>145,233</u>	<u>157,539</u>
CREDITORS: Amounts falling due after more than one year	12.1	(2,000)	(3,000)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(2,543)	(2,108)
TOTAL ASSETS EMPLOYED		<u><u>140,690</u></u>	<u><u>152,431</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	18	98,897	103,110
Revaluation reserve	14	28,131	40,224
Donated asset reserve	14	258	281
Income and expenditure reserve	14	13,404	8,816
TOTAL TAXPAYERS' EQUITY		<u><u>140,690</u></u>	<u><u>152,431</u></u>

The financial statements on pages 62 to 66 were approved on behalf of the Board on 8th June 2009 and signed on its behalf by:

Signed:  (Chief Executive)

Date: 9th Jun 2009.....

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

	2008/09	2007/08
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	8,291	5,521
Fixed Asset Impairment Losses	(273)	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	(9,069)	10,154
Total gains and losses recognised in the financial year	<u>(1,051)</u>	<u>15,675</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	15	16,266	22,105
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		410	337
Interest paid		<u>(205)</u>	<u>(255)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		205	82
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(7,235)	(14,414)
Receipts from sale of tangible fixed assets		<u>2,773</u>	<u>6,204</u>
Net cash inflow/(outflow) from capital expenditure		(4,462)	(8,210)
DIVIDENDS PAID			
		(6,464)	(4,512)
Net cash inflow/(outflow) before management of liquid resources and financing		5,545	9,465
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of financial assets with the Department of Health		(19,000)	(83,000)
Sale of financial assets with the Department of Health		<u>19,000</u>	<u>83,000</u>
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		5,545	9,465
FINANCING			
Public dividend capital received		1,387	5,141
Public dividend capital repaid		(5,600)	(11,491)
Loans repaid to the Department of Health		(1,000)	(1,000)
Net cash inflow/(outflow) from financing		(5,213)	(7,350)
Increase/(decrease) in cash		332	2,115

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Income Recognition

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

1.3 Tangible fixed assets

Capitalisation

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

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

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on advice from the local valuation office that takes into account the current market conditions.

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

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

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Gains arising from indexation and revaluations are taken to the Revaluation Reserve. Losses arising from revaluation are recognised as impairments and are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year's Income & Expenditure account, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations

Assets in the course of construction are valued at current cost. These are indexed on an annual basis in the absence of a required revaluation. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

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

Depreciation, amortisation and impairments

The estimated useful lives applied are as follows:

Buildings – 35 years

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

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

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

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

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

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

1.4 Donated fixed assets

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

1.5 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides practical guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

1.7 Research and development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to:
 - its technical feasibility;
 - its resulting in a product or service which will eventually be brought into use;

- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.8 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 13.

1.9 Pension costs

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 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, employee's contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date 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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 with summary global member and accounting data.

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

Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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

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

Early payment of a pension is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

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

New entrants from 1 April 2008

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

1.10 Liquid resources

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

1.11 Value Added Tax

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

1.12 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 23 to the accounts.

1.13 Leases

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

1.14 Public Dividend Capital (PDC) and PDC Dividend

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

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

1.15 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.16 Financial Instruments

Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

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 valuation techniques [specify – see FRS26 AG 74 and following paragraphs]

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

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

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

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

Other financial liabilities

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

2. Income from Activities

	2008/09 £000	2007/08 £000
Strategic Health Authorities	34	20
NHS Trusts	713	1,942
Primary Care Trusts	155,986	147,466
Foundation Trusts	787	8
Local Authorities	22,733	22,599
NHS Other	14	0
Non NHS Other	8,158	9,961
	<u>188,425</u>	<u>181,996</u>

3. Other Operating Income

	2008/09 £000	2007/08 £000
Education, training and research	6,092	5,552
Transfers from Donated Asset Reserve	13	13
Income generation	28	40
Other income	1,016	825
	<u>7,149</u>	<u>6,430</u>

4. Operating Expenses

4.1 Operating expenses comprise:

	2008/09 £000	2007/08 £000
Services from other NHS Trusts	2,828	4,516
Services from PCTs	1,195	1,899
Services from Foundation Trusts	965	792
Purchase of healthcare from non NHS bodies	7,400	6,659
Directors' costs	1,515	1,406
Staff costs	134,133	129,365
Supplies and services - clinical	6,037	5,680
Supplies and services - general	2,214	2,330
Consultancy services	1,025	719
Establishment ¹	4,430	4,048
Transport	190	152
Premises	12,639	12,832
Impairment of debtors	(18)	69
Depreciation	5,152	4,160
Tangible fixed asset impairments and reversals	244	2,827
Audit fees	181	166
Clinical negligence	232	446
Redundancy costs	256	296
Education and training	1,001	799
Other	5,842	4,319
	<u>187,461</u>	<u>183,480</u>

¹£799k of 2007/08 reported Establishment total (£4,847k) now shown separately as Education & Training

4.2 Operating leases

4.2/1 Operating expenses include:

	2008/09 £000	2007/08 £000
Other operating lease rentals ¹	7,219	6,919
	<u>7,219</u>	<u>6,919</u>

¹Of this, £6,876k relates to the PFI liability and £343k relates to lease cars

4.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Operating leases which expire:				
Within 1 year	0	0	159	244
Between 1 and 5 years	0	0	230	189
After 5 years	7,304	7,019	0	0
	<u>7,304</u>	<u>7,019</u>	<u>389</u>	<u>433</u>

The annual commitments under non-cancellable operating leases is the annual charge on the lease for the following years. The commitments over 5 years relate to the PFI commitment, the commitments within 1 year to 5 years relate to lease cars commitment. The Operating expense above (Note 4.2/1) relates to the lease amount for 2008/09.

5. Staff costs and numbers

5.1 Staff costs

	Total £000	2008/09	Other £000	2007/08
		Permanently Employed £000		£000
Salaries and wages	115,230	101,926	13,304	110,097
Social Security Costs	8,646	8,646	0	8,718
Employer contributions to NHSPA	12,658	12,658	0	12,301
Other pension costs	146	146	0	318
	<u>136,680</u>	<u>123,376</u>	<u>13,304</u>	<u>131,434</u>

The Social Security and Employer contributions to NHSPA have reduced in 2008/09 due to a reduction in Permanently Employed staff and an increase in Other (Bank, Agency and Seconded). The main reason for the movement is due to Nursing Bank staff previously being employed by the Trust being transferred to NHS Professionals from April 2008.

5.2 Average number of persons employed

	Total	2008/09 Permanently Employed	Other	2007/08
	Number	Number	Number	Number
Medical and dental	277	239	38	279
Administration and estates	789	732	57	928
Healthcare assistants and other support staff	1,133	873	260	31
Nursing, midwifery and health visiting staff	1,203	1,076	127	2,353
Scientific, therapeutic and technical staff	359	344	15	151
Social care staff	30	0	30	67
Other	74	15	59	0
Total	<u>3,865</u>	<u>3,279</u>	<u>586</u>	<u>3,809</u>

5.3 Management costs

	2008/09 £000	2007/08 £000
Management costs	10,684	8,696
Income	195,574	188,426
Management costs as a percentage of Income	5.5%	4.6%

5.4 Retirements due to ill-health

During 2008/09 there were 7 (2007/08, 8) 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 £593k (2007/08: £491k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division and not by the Trust.

6. Better Payment Practice Code

6.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	17,283	37,252
Total Non NHS trade invoices paid within target	16,090	34,429
Percentage of Non-NHS trade invoices paid within target ¹	93%	92%
Total NHS trade invoices paid in the year	1,085	23,020
Total NHS trade invoices paid within target	865	18,161
Percentage of NHS trade invoices paid within target ¹	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.

¹The percentages achieved within target have fallen in the short term due to the Trust making further improvements to its ordering controls

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

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

7. Other gains and losses

	2008/09	2007/08
	£000	£000
Gain on disposal of land and buildings	0	599
(Loss) on disposal of land and buildings	0	(113)
	0	486

8. Finance Costs & Interest receivable

	2008/09 £000	2007/08 £000
Finance Costs		
Late payment of commercial debt	0	1
Loans	205	247
TOTAL	<u>205</u>	<u>248</u>
Interest Receivable		
Bank accounts	390	343
TOTAL	<u>390</u>	<u>343</u>

9. Tangible Fixed Assets

9.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	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	76,379	5,006	22,960	982	88	5,670	6,520	163,581
Additions purchased	744	417	0	6,001	0	0	0	0	7,162
Impairments	(63)	(141)	(69)	0	0	0	0	0	(273)
Reclassifications	0	16,783	0	(18,485)	0	0	562	1,140	0
Indexation ¹	(2,600)	(4,178)	(220)	(875)	24	1		198	(7,650)
Revaluation	(1,150)	0	(269)	0	0	0	0	0	(1,419)
Disposals	(915)	(1,858)	0	0	0	0	0	0	(2,773)
Cost or Valuation at 31 March 2009	41,992	87,402	4,448	9,601	1,006	89	6,232	7,858	158,628
Depreciation at 1 April 2008	0	0	0	0	376	60	2,600	1,539	4,575
Charged during the year	0	3,141	174	0	91	8	962	776	5,152
Impairments	0	174	0	0	0	0	0	70	244
Depreciation at 31 March 2009	0	3,315	174	0	467	68	3,562	2,385	9,971
Net book value									
- Purchased at 1 April 2008	45,976	76,379	4,755	22,960	606	0	3,068	4,981	158,725
- Donated at 1 April 2008	0	0	251	0	0	28	2	0	281
- Total at 1 April 2008	45,976	76,379	5,006	22,960	606	28	3,070	4,981	159,006
- Purchased at 31 March 2009	41,992	84,087	4,038	9,601	539	0	2,669	5,473	148,399
- Donated at 31 March 2009	0	0	236	0	0	21	1	0	258
- Total at 31 March 2009	41,992	84,087	4,274	9,601	539	21	2,670	5,473	148,657

Note:

The Residual interests of off balance sheet PFI schemes amount to 428k. This relates to Amortisation of the PFI Deferred Asset.

¹ Due to market conditions a negative indexation rate was used for Land, Buildings and Dwellings to reflect a reduction in value, this reduction was taken to the revaluation reserve.

Tangible Fixed Assets (contd)

9.2 Asset Financing

9.2 Asset Financing

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value 31 March 2009									
Owned	41,992	83,659	4,274	9,601	539	21	2,670	5,473	148,229
PFI residual interests	0	428	0	0	0	0	0	0	428
Total 31 March 2009	41,992	84,087	4,274	9,601	539	21	2,670	5,473	148,657
Net book value 1 April 2008									
Owned	45,976	75,972	5,006	22,960	606	28	3,070	4,981	158,599
PFI residual interests	0	407	0	0	0	0	0	0	407
Total 1 April 2008	45,976	76,379	5,006	22,960	606	28	3,070	4,981	159,006

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

	2008/09 £000	2007/08 £000
Freehold	128,353	114,901
Long Leasehold	2,000	12,104
Short Leasehold	0	356
Total	130,353	127,361

10. Stocks

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	96	60
TOTAL	<u>96</u>	<u>60</u>

11. Debtors

11.1 Debtors at the balance sheet date are made up of:

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
NHS debtors ¹	6,630	8,446
Provision for impairment of debtors	(31)	(68)
Other prepayments and accrued income	1,392	702
Other debtors	<u>2,056</u>	<u>4,125</u>
Sub Total: falling due within one year	<u>10,047</u>	<u>13,205</u>
TOTAL	<u>10,047</u>	<u>13,205</u>

¹ Reduction relates to £2,265k of Debtors held at 31.03.08 for impairment of fixed assets which was paid in 2008/09.

	31 March 2009 £000
11.2 Provision for impairment of debtors	
Balance at 1 April	68
Amount written off during the year	(19)
(Increase)/decrease in debtors impaired	(18)
Balance at 31 March	<u>31</u>

	31 March 2009 £000
11.3 Debtors past due date but not impaired:	
By up to 3 months	181
By 3 to 6 months	31
TOTAL	<u>212</u>

Notes 11.2 and 11.3 relate to Non NHS Debtors

12. Creditors

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

	31 March 2009 £000	31 March 2008 £000
Amounts falling due within one year:		
Current instalments due on loans	1,000	1,000
NHS creditors	1,967	2,267
Non - NHS trade creditors - revenue	447	835
Non - NHS trade creditors - capital	314	367
Tax	1,363	1,479
VAT	0	12
Social security costs	1,186	1,240
Other creditors ¹	1,548	1,533
Accruals and deferred income	8,417	8,342
Sub Total: amounts falling due within one year	16,242	17,075
Amounts falling due after more than one year:		
Long - term loans	2,000	3,000
Sub Total: amounts falling due in more than one year	2,000	3,000
TOTAL	18,242	20,075

¹Other creditors include;

£1,538k of outstanding pensions contributions at 31 March 2009 (31 March 2008
£1,524k).

12.2 Loans [and other long-term financial liabilities]

	Department of Health £000	31 March 2009 £000	31 March 2008 £000
Amounts falling due:			
In one year or less	1,000	1,000	1,000
Between one and two years	1,000	1,000	1,000
Between two and five years	1,000	1,000	2,000
TOTAL	3,000	3,000	4,000
	Department of Health £000	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	3,000	3,000	4,000
TOTAL	3,000	3,000	4,000

13 Provisions for liabilities and charges

	Pensions relating to other staff ¹	Legal claims ²	Other ³	Total
	£000	£000	£000	£000
At 1 April 2008	1,202	396	510	2,108
Arising during the year	91	396	503	990
Utilised during the year	(88)	(100)	(15)	(203)
Reversed unused	0	(152)	(207)	(359)
Unwinding of discount	0	0	7	7
At 31 March 2009	1,205	540	798	2,543

Expected timing of cashflows:

Within one year	88	540	316	944
Between one and five years	350	0	251	601
After five years	767	0	231	998
	1,205	540	798	2,543

¹Pensions 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 £91k.

²Legal claims:

This provision includes legal claims against the Trust including employment tribunals.

£114k is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the Trust. (31 March 2008 £109,000).

This is not included in the above figures as reimbursements of £114k are expected from the NHS Litigation Authority against the provision for Other Legal Claims, which relates to liabilities under the Liability for Third Parties Scheme. Assumptions about timing and certainty of payments are advised by the NHS Litigation Authority.

£426k relates to employment Tribunal Cases where the Trust has made a provision for the costs of legal fees and/or costs of settlement.

³Other Provisions:

This includes:

- £302k of Injury Benefits payable through the NHS Pensions Agency. Assumptions about timing and certainty are based on advice from the NHS Pensions Agency.
- £41k of provisions for the backpay in respect of 2005/06 and 2006/07 for salary increases due to staff under Agenda for change. Assumptions about timings are based on Trust project plan and amounts are based on results to date within the Trust.
- 455k of provision for entitlement of Director remuneration upon termination of agreement

14 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	Total
	£000	£000	£000	£000
At 1 April 2008 as previously stated	40,224	281	8,816	49,321
Transfer from the income and expenditure account			1,827	1,827
Fixed asset impairments	(273)	0		(273)
Surplus/(defici) on other revaluations/indexation of fixed/current assets	(9,059)	(10)		(9,069)
Transfer of realised profits/(losses) to the income and expenditure reserve	(247)	0	247	
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets		(13)		(13)
Other Transfers between reserves ¹	(2,514)		2,514	0
At 31 March 2009	<u>28,131</u>	<u>258</u>	<u>13,404</u>	<u>41,793</u>

¹This transfer of reserves relates to an adjustment in respect of Historic Cost Depreciation (1526k) and effect of indexation on revaluation reserve balances (988k)

15 Notes to the cash flow Statement

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

	2008/09 £000	2007/08 £000
Total operating surplus/(deficit)	8,113	4,946
Depreciation and amortisation charge	5,152	4,160
Asset impairments and reversals, and movement in financial instruments	244	2,827
Transfer from Donated Asset Reserve	(13)	(13)
(Increase)/decrease in stocks	(36)	0
(Increase)/decrease in debtors	3,158	6,631
Increase/(decrease) in creditors	(780)	3,724
Increase/(decrease) in provisions	428	(170)
Net cash inflow from operating activities	16,266	22,105

15.2 Reconciliation of net cash flow to movement in net debt

	2008/09 £000	2007/08 £000
Increase/(decrease) in cash in the period	332	2,115
Cash outflow from debt repaid and finance lease capital payments	1,000	1,000
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	1,332	3,115
Net debt at 1 April 2008	(1,657)	(4,772)
Net debt at 31 March 2009	(325)	(1,657)

15.3 Analysis of changes in net debt

	At 1 April 2008	Other cash changes in year	At 31 March 2009
	£000	£000	£000
OPG cash at bank	2,315	302	2,617
Commercial cash at bank and in hand	28	30	58
Loan from the Department of Health due within one year	(1,000)	0	(1,000)
Loan from the Department of Health due after one year	(3,000)	1,000	(2,000)
	<u>(1,657)</u>	<u>1,332</u>	<u>(325)</u>

16 Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £61k (31 March 2008 £111k)

17 Contingencies

	2008/09 £000	2007/08 £000
Contingent liabilities ¹	(82)	(28)
Net value of contingent liabilities	<u>(82)</u>	<u>(28)</u>

¹This relates to contingent liabilities held by the NHS Litigation Authority

18 Movement in Public Dividend Capital

	2008/09 £000	2007/08 £000
Public Dividend Capital as at 1 April 2008	103,110	109,460
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	1,387	5,141
Public Dividend Capital repaid in year	(5,600)	(11,491)
Public Dividend Capital as at 31 March 2009	<u>98,897</u>	<u>103,110</u>

19 Financial Performance Targets

19.1 Breakeven Performance

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

	b/fwd 1997- 2003	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000	£000	£000
Turnover		142,237	154,549	163,745	183,168	188,426	195,574
Retained surplus/(deficit) for the year		99	43	(2,790)	3,176	1,009	1,827
Break-even cumulative position		(3,278)	(3,179)	(3,136)	(2,750)	(1,741)	86
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%
- Break-even cumulative position as a percentage of turnover		-2.49%	-2.24%	-2.03%	-1.50%	-0.92%	0.04%

Notes:

The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2009

A period of 7 years was the period agreed for financial recovery by the SHA

19.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £6,464k, bears to the average relevant net assets of £143,825k, that is 4.5%.

The reason the Trust achieved a higher rate in 2008/09 is due to a predicted level of Public Dividend Capital dividend payment at the planning stage being higher than the amount on the actual level of average net relevant assets.

19.3 External financing

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

	2008/09 £000	2007/08 £000
External financing limit	<u>(2,744)</u>	<u>(9,120)</u>
Cash flow financing	(5,545)	(9,465)
External financing requirement	<u>(5,545)</u>	<u>(9,465)</u>
Undershoot/(overshoot)¹	<u><u>2,801</u></u>	<u><u>345</u></u>

19.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	7,162	12,318
Less: book value of assets disposed of	<u>(2,773)</u>	<u>(2,631)</u>
Charge against the capital resource limit	4,389	9,687
Capital resource limit	5,276	10,112
(Over)/Under spend against the capital resource limit	<u><u>887</u></u>	<u><u>425</u></u>

20 Related Party Transactions

Avon & Wiltshire Mental Health Partnership NHS Trust is a body corporate established by order of the Secretary of State for Health.

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

The Department of Health is regarded as a related party. During the year Avon & Wiltshire Mental Health Partnership NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

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
South Gloucestershire PCT
North Somerset PCT
NHS Bristol
NHS Estates
NHS Litigation Authority
NHS Supplies Authority
NHS Professionals
Wiltshire County Council
Swindon Borough Council

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 for which are also members of the NHS Trust Board.

The summary unaudited accounts of the Funds held on Trust are shown on Page 99

21 Private Finance Transactions

21.1 PFI schemes deemed to be off-balance sheet

	2008/09	2007/08
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	7,304	7,019
Amortisation of PFI deferred asset	(428)	(407)
Net charge to operating expenses	<u>6,876</u>	<u>6,612</u>

The NHS Trust is committed to make the following payments during the next year.

26th to 30th years (inclusive)	7,304	7,019
	£000	£000
Estimated capital value of the PFI scheme	63,561	63,561
Contract Start date: 01/03/2004		
Contract End date: 30/11/2006		

Notes:

(i) 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.

(ii) The value of the deferred asset will be £31,781k in 2036 using an estimated residual value of 50%. On completion of the scheme the District Valuer will review this valuation method. The total concessionary period is 33 years. The interest rate is 5.125%, the annuity payment £2,016k and the rate of return 3.5%.

(iii) The move to International Financial Reporting Standards (IFRS) will result in the PFI assets being brought onto the Balance Sheet.

The full impact will be reported in the restated 2008/09 accounts under IFRS but in summary will consist of an increase in the Trusts' asset base with an associated corresponding increased creditor liability. There will also be an additional depreciation impact of bringing the additional assets onto the Balance Sheet.

22 Financial Instruments

Financial Reporting Standard 29 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

Currency risk

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

Interest-rate risk

The Trust has an outstanding loan repayment on a working capital loan confirmed by the Department of Health. The borrowings are for a further three years, and interest is fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because of the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2009 are in receivables from customers, as disclosed in the debtors note.

Liquidity risk

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

22.1 Financial Assets

	Total	Floating rate
Currency	£000	£000
At 31 March 2009		
Sterling	<u>2,675</u> ¹	<u>2,675</u>
Gross financial assets	<u>2,675</u>	<u>2,675</u>
At 31 March 2008		
Sterling	<u>2,343</u>	<u>2,343</u>
Gross financial assets	<u>2,343</u>	<u>2,343</u>

¹This all relates to Cash at bank and in hand

22.2 Financial Liabilities

	Total	Fixed rate	Non- interest bearing ³
Currency	£000	£000	£000
At 31 March 2009			
Sterling	<u>(2,482)</u> ²	<u>(2,482)</u>	<u>0</u>
Gross financial liabilities	<u>(2,482)</u>	<u>(2,482)</u>	<u>0</u>
At 31 March 2008			
Sterling	<u>(6,108)</u>	<u>(6,108)</u>	<u>0</u>
Gross financial liabilities	<u>(6,108)</u>	<u>(6,108)</u>	<u>0</u>

²This consists of 2000k long-term loan liability with the Department of Health and 482k of provisions for liabilities and charges excluding those provisions relating to pre-1995 early retirements that are not classed as financial instruments.

³There was public dividend capital shown in 2007/08 of unlimited term. This has not been classed as a financial instrument in 2008/09 and therefore 2007/08 comparatives have been amended.

22.3 Financial Assets

	At fair value through profit and loss £000	Total £000
Cash at bank and in hand	2,675	2,675
Total at 31 March 2009	<u>2,675</u>	<u>2,675</u>

22.4 Financial Liabilities

	Other £000	Total £000
Borrowings	2,000	2,000
Other financial liabilities	482	482
Total at 31 March 2009	<u>2,482</u>	<u>2,482</u>

23 Third Party Assets

The Trust held £52k cash at bank and in hand at 31 March 2009 (£53k - at 31 March 2008) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

24 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000
Balances with other Central Government Bodies	6,835	6,572	2,000
Balances with Local Authorities	1,224	9	0
Balances with NHS Trusts and Foundation Trusts	382	1,066	0
Intra Government balances	8,441	7,647	2,000
Balances with bodies external to Government	1,606	8,595	0
At 31 March 2009	10,047	16,242	2,000
Balances with other Central Government Bodies	9,376	4,417	3,000
Balances with Local Authorities	1,840	0	0
Balances with NHS Trusts and Foundation Trusts	681	1,583	0
Intra Government balances	11,897	6,000	3,000
Balances with bodies external to Government	1,308	11,075	0
At 31 March 2008	13,205	17,075	3,000

25 Losses and Special Payments

There were 38 cases of losses and special payments (2007/08: 22 cases) totalling £22k (2007/08: £5k) during 2008/09.

This increase relates to a review of bad debts resulting in an increase of bad debt write-off. There were no cases exceeding £250k.