



annual accounts

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# Statement of the Chief Executive's Responsibilities as the Accounting Officer of City Hospitals Sunderland NHS Foundation Trust

The National Health Service Act 2006 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, are set out in the NHS Foundation Trust Accounting Officer Memorandum issued by the Independent Regulator NHS Foundation Trusts ("Monitor").

Under the National Health Service Act 2006, Monitor has directed the City Hospitals Sunderland NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accrual basis and must give a true and fair view of the state of affairs of City Hospitals Sunderland NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

**In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Annual Reporting Manual and in particular to:**

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.



K W BREMNER  
Chief Executive

Date: 02 June 2011

# Statement On Internal Control 2010/11

## 1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

## 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 policies, aims and objectives of City Hospitals Sunderland NHS Foundation Trust, to 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 City Hospitals Sunderland NHS Foundation Trust for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

## 3. Capacity to Handle Risk

The Trust is committed to a risk management strategy, which minimises risks to patients, staff, the public and other stakeholders through a common framework of internal control, based on an ongoing risk management process.

The strategy identifies the key principles, milestones and operational policies governing the management of all types of risk faced by the organisation. This strategy is subject to regular review.

The Audit Committee meets regularly and is well represented ensuring scrutiny, monitoring, discussion and input. The Finance reports to the Board include reporting on internal Cost Improvement Programmes, which are examined in detail by the Finance Sub Committee. Finance Reports are presented in a format consistent with those submitted to Monitor. The Board receives appropriate, timely information and reports from the Clinical Governance Steering Group and Corporate Governance Committee enabling adequate and appropriate assessment of risk and management of performance.

During the year a review was undertaken of the Trust's top ten risks to allow the Board to focus on those key areas. Following this work the Board risk reporting structures will be reviewed to create a clear pathway of risk assessment from Ward to Board.

### **The Trust's risk management programme comprises:**

- Single incident reporting process for all risks and hazards identified by systematic risk assessment, risk management review and adverse incidents reporting.
- Common grading framework and risk register/risk action planning process applied to all types of risk across the organisation.
- Comprehensive programme of multi-level risk management training for all new and existing staff.
- Ongoing monitoring and review of both internal and external risk management performance indicators at all levels across the organisation.
- A communication strategy which ensures appropriate levels of communication and consultation with both internal and external stakeholders.

## 4. The Risk and Control Framework

### **The Trust's framework:**

- Identifies the principal objectives of the Trust and the principal risks to achieving them
- Sets out the controls to manage these risks
- Documents assurances about the effectiveness of the operation of the controls
- Identifies to the Board where there are significant control weaknesses and/or lack of assurance.

The framework covers the key business areas identified in the Trust's forward plan with the principal objectives divided into seven categories.

- Workforce, Education and Training
- Finance
- Clinical Governance
- Corporate Governance
- Access and Service Delivery and Development
- Performance
- Partnership

These high level objectives and the principal risks to achieving them are underpinned by the detailed risks and associated actions set out in the Trust's risk register. Responsibility for the overall Framework lies with the Board of Directors. The Board uses the framework to ensure that the necessary planning and risk management processes are in place to provide assurance that all key risks to compliance with authorisation have been appropriately identified and addressed.

The use of a common grading structure for incidents and risks ensures that relative risks and priorities are assessed consistently across all directorates. No risk is treated as acceptable unless the existing situation complies with relevant guidance and legislation (eg Control of Infection, National Patient Safety Agency, Health and Safety, Standing Financial Instructions).

The establishment of a dedicated risk management team and programme of risk management training, including use of the intranet, ensures that the strategy is co-ordinated across the whole organisation and progress is reported effectively to the Board and its risk sub committees.

The Trust's assurance framework incorporates the need to achieve compliance with the Care Quality Commission's requirements.

The assurance framework is based on the Trust's strategic objectives and an analysis of the principal risks to the Trust achieving those objectives.

The key controls, which have been put in place to manage the risks, have been documented and the sources of assurance for individual controls have been identified. The main sources of assurance are those relating to internal management controls, the work of internal audit, clinical audit and external audit, and external assessments by outside bodies such as the Care Quality Commission, Monitor, the NHS Litigation Authority and the Health and Safety Executive. The assurance framework is cross-referenced with the Board Risk Register.

The involvement of external stakeholders in the Trust's risk management programme is a key element of the Trust's Risk Management Strategy. This involves timely communication and consultation with external stakeholders in respect of all relevant issues as they arise.

This process applies in particular to the involvement of external stakeholders in patient safety and the need to co-ordinate how risks are managed across all agencies, including the National Patient Safety Agency, the Medicines and Healthcare Products Regulatory Agency, Local Authority Adult Services, the Coroner, the emergency services, representative patient groups and local GPs as they form commissioning groups.

During the year the Corporate Governance Committee has been undertaking a process to consider the top organisational risks and the process by which the Board of Directors will receive assurance that these risks are being managed appropriately. This review culminated in recommendations to the Board on a revised Committee structure which is intended to increase clarity on the main risks faced by the Board and how they are being managed currently and into future years.

The risk to data security is being managed and controlled through the monthly Information Governance Sub Group, with quarterly updates to Corporate Governance Committee.

The Information Governance Toolkit assessments are conducted as required, and an annual report is produced confirming the outcome in readiness for the submission by 31 March. This report is presented to Executive Board, Board of Directors and Board of Governors for approval. For the submission on 31 March 2011, all IG requirements were assessed at Level 2 and above (1 is not applicable, 26 at Level 2, and 18 at Level 3) which resulted in the Trust being classified as Satisfactory – Green, with a total score of 80%. Internal audit has independently substantiated this score.

The Trust is fully compliant with the requirements of registration with the Care Quality Commission. 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 into 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.

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.

## 5. Review of Economy, Efficiency and Effectiveness of the Use of Resources

The Trust's strategic planning and performance management arrangements ensure that all directorates are fully engaged in the continuous review of business objectives and performance.

The Trust uses an Objectives, Goals, Strategies and Measures (OGSM) framework as its strategic planning tool to provide a cascade process for the Trusts priorities and ensure optimal alignment of Trust resources to deliver its priorities.

### **Key elements of the Trust's arrangements for ensuring value for money in the delivery of its services are:**

- An Annual OGSM planning process, which sets out priorities for the coming business year and reflects the requirements of and feedback from, our major Commissioners and stakeholders.
- Performance management through regular reporting against the key deliverables set out in the Corporate, Directorate and departmental OGSMs and against national and local targets.
- The achievement of efficiency savings through the Trust's cost improvement programmes with regular review by the Trust's Finance Sub Committee.

The worldwide recession has seen a challenge to all areas of public expenditure this year. Our focus has been on delivering the best standards of patient care and safety while managing the resources available as effectively as possible. We have again worked closely with our colleagues at the PCTs and SHA to ensure that our proposals are in line with the resource likely to be available in future years.

During 2010/11 a new Finance Committee was created to undertake a detailed scrutiny of Cost Improvement Programmes as well as gaining an in depth knowledge of the underlying financial position of the Trust. Financial information by service line was reported monthly to the Finance Committee. In addition to the scrutiny provided by the Finance Committee the cost improvement programmes were monitored on a monthly basis by the Corporate Management Team, extended to include Clinical Directors, chaired by myself as Chief Executive.

Service line reports were produced for the whole of the year and Patient Level Costing was developed further.

The Executive Board, the Board of Directors and Board of Governors are actively involved in the business planning and performance management processes established by the Trust and in maintaining strong links with stakeholders.

#### **During 2010/11 the Trust has:**

- Completed a four ward extension to the hospital allowing the Trust to rationalise some of its services to a single site. The extension includes a new world class Integrated Critical Care Unit as well as allowing us to improve the care of stroke patients.
- Following a review of Diagnostics, the Trust replaced its two CT scanners and to increase capacity, hired a further mobile CT scanner as well as a mobile MRI scanner. As a result diagnostic waiting times have reduced considerably.
- Increased the resources of the lean team and embedded the lean process into the operational management of the Trust .

Additional assurance in respect of the Trust's arrangements for ensuring economy, efficiency and effectiveness in the use of resources is provided to the Board of Directors through the conduct of regular reviews undertaken by Internal Audit and by External audit work undertaken in accordance with the Audit Code.

## 6. Annual Quality Report

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS foundation trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual.

With respect to setting the priorities for 2011/12 a wide consultation exercise was undertaken. Consultation has taken place with the Clinical Governance Steering Group, Board of Governors, Executive Board, local commissioners, Sunderland LINK and the Health and Wellbeing Scrutiny Committee to ensure that the Quality Report includes views from key stakeholders

Over the past year, the Clinical Governance Steering Group has analysed trends and themes in relation to incidents, complaints and litigation and has reviewed progress against a range of 'quality' issues on a regular basis. This group's discussions, the data previously reported and the relevant findings have helped shape the suggested areas for improvement and ensured that the Quality Report provides a balanced view.

Where possible, a number of the Quality Report metrics are reported throughout the year to the Board of Directors. These indicators are all reported internally (along with a number of other metrics) as part of the Trust's Corporate Dashboard. Most of the data used for these metrics is extracted directly from the hospital's information system (HISS). Where applicable, HISS fields have been designed to conform to national data standards so that when the data is extracted it is already in a format consistent with national requirements and coding standards. The data is coded according to the NHS Data Model and Dictionary, which means that any performance indicators based upon this data can be easily prescribed and that the Trust is able to provide data that is both consistent nationally, and fit for purpose.

Internally, standard operating procedures are used consistently by staff involved in the production of the Trust's performance against national, local and internal indicators. This ensures that the process meets the required quality standards and that everyone uses a consistent method to produce an output. Wherever possible, our processes are fully or at least partially automated to make certain that the relevant criteria is used without fail. This also minimises the inherent risk of human error.

Data quality and completeness checks are built into processes to flag any erroneous data items or any other causes for concern, usually as part of the automated process. In addition, further quality assurance checks are performed on the final process outputs to confirm that the performance or activity levels are comparable with previous activity or expected positions. Where applicable, our performance against key indicators is also evaluated against available benchmarking data or peer group information to help understand at the earliest opportunity whether or not the Trust is likely to be an outlier, which in itself may prompt further investigation. Data samples are checked for accuracy as a matter of course, to ensure that the processes remain accurate and complete, particularly when implementing new indicators.

In summary, a substantial proportion of the data used has been previously reported to Board of Directors, Clinical Governance Steering Group and Executive Board throughout 2010/11 and feedback from these forums has been used to set future priorities.

For most of the data, specific criteria and standards have to be used to calculate performance which is based on national data definitions where appropriate. To further ensure accuracy the report has been reviewed by two separate internal departments, Clinical Governance and Performance Management, both of which are satisfied with the accuracy of the information reported.

## 7. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who

have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee, the Corporate Governance Committee and the Clinical Governance Steering Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board and its committees have a key role in maintaining and reviewing the effectiveness of the system of internal control.

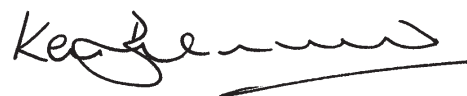
The Executive Board and Board of Directors have received regular reports on the development of the Trust's risk management framework, in particular through the work of the Corporate Governance Committee and Clinical Governance Steering Group. The Corporate Governance Committee receives the minutes of the Clinical Governance Steering Group and coordinates the implementation of action plans through the Trust's risk register mechanism.

The Finance Sub Committee have played an important scrutiny role and helped to ensure that efficiency plans are delivered.

The outcome of internal audit reviews has been considered throughout the year through regular reports to the Audit Committee. The Board of Directors receives and considers the minutes of the Audit Committee.

## 8. Conclusion

My review confirms that City Hospitals Sunderland NHS Foundation Trust has a generally sound system of internal control that supports the achievement of its policies, aims and objectives.



K W BREMNER  
Chief Executive

Date: 2 June 2011



# Independent Auditors' Report to the Board Of Governors of City Hospitals Sunderland NHS Foundation Trust

We have audited the financial statements of City Hospitals Sunderland NHS Foundation Trust for the year ended 31 March 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is the NHS Foundation Trust Annual Reporting Manual issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

## Respective responsibilities of directors and Auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with the NHS Act 2006, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Board of Governors of City Hospitals Sunderland NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving this information, accept or assume responsibility for any other purpose or to any other person whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the NHS Foundation Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Foundation Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- **give a true and fair view, in accordance with the NHS Foundation Trust Annual Reporting Manual, of the state of the NHS Foundation Trust's affairs as at 31 March 2011 and of its income and expenditure and cash flows for the year then ended; and**
- **have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual.**

## Opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

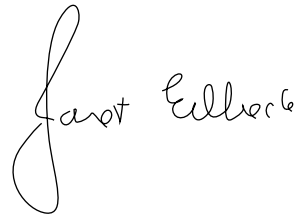
## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Audit Code for NHS Foundation Trusts requires us to report to you if:

- in our opinion the Statement on Internal Control does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor have we considered, whether the Accounting Officer's Statement on Internal Control addresses all risks and controls or that risks are satisfactorily addressed by internal controls;
- we have not been able to satisfy ourselves that the NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; or
- we have qualified our report on any aspects of the Quality Report.

## Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.



Janet Eilbeck (Senior Statutory Auditor)  
For and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
89 Sandyford Road  
Newcastle upon Tyne  
NE1 8HW  
06 June 2011

Notes:

- (a) The maintenance and integrity of the City Hospitals Sunderland NHS Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Foreword to the Accounts

## City Hospitals Sunderland NHS Foundation Trust

These accounts for the year ended 31 March 2011 have been prepared, on a going concern basis, by City Hospitals Sunderland NHS Foundation Trust under Schedule 7 (paragraphs 24 and 25) National Health Service Act 2006 in a form which Monitor has, with the approval of HM Treasury, directed.

A handwritten signature in black ink, appearing to read 'K W Bremner', with a horizontal line underneath the signature.

K W BREMNER  
Chief Executive

Date: 02 June 2011

# Statement of Comprehensive Income for the Year Ended 31 March 2011

		2010/11	2009/10
	NOTE	£000	£000
Income		<b>293,943</b>	285,659
Exceptional Income		<b>744*</b>	0
Operating Income	3	<b>294,687</b>	285,659
Expenses		<b>(285,350)</b>	(278,452)
Exceptional Expenses		<b>0</b>	(2,853)**
Operating Expenses	4-7	<b>(285,350)</b>	(281,305)
<b>OPERATING SURPLUS</b>		<b>9,337</b>	4,334
<b>FINANCE COSTS</b>			
Finance income	8	<b>120</b>	84
Finance expenses - financial liabilities	9	<b>(1,346)</b>	(530)
Finance expenses - unwinding of discount on provisions		<b>(26)</b>	(23)
PDC Dividends payable	26	<b>(5,216)</b>	(5,499)
<b>NET FINANCE COSTS</b>		<b>(6,468)</b>	(5,968)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>2,869</b>	(1,634)
<b>Other comprehensive income</b>			
Revaluation gains and impairment losses of property, plant and equipment		<b>2,942</b>	(16,912)
Increase in the donated asset reserve due to receipt of donated assets		<b>332</b>	131
Movement in the donated asset reserve in respect of depreciation, disposals and revaluation		<b>(274)</b>	(305)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>		<b>5,869</b>	(18,720)

\*The surplus for the year includes a revaluation gain resulting from an in year valuation. The gain is shown as 'income' as it reverses impairments recognised in the 2009/10 financial position. The surplus excluding this technical adjustment is £2,125k.

\*\*Exceptional charge arising from a revaluation of Trust property.

The notes on pages 15 to 55 form part of these accounts.

# Statement of Financial Position as at 31 March 2011

	NOTE	31 March 2011 £000	31 March 2010 £000
<b>Non-current assets</b>			
Intangible assets	10	2,087	2,472
Property, plant and equipment	11	204,328	187,223
Trade and other receivables	12	843	1,190
<b>Total non-current assets</b>		<b>207,258</b>	190,885
<b>Current assets</b>			
Inventories	13	3,592	3,140
Trade and other receivables	12	5,834	10,182
Cash and cash equivalents	14	18,571	17,149
<b>Total current assets</b>		<b>27,997</b>	30,471
<b>Current liabilities</b>			
Trade and other payables	15	(24,942)	(21,806)
Borrowings	17	(1,583)	(747)
Provisions	18	(338)	(278)
Other liabilities	16	(710)	(332)
<b>Total current liabilities</b>		<b>(27,573)</b>	(23,163)
<b>Total assets less current liabilities</b>		<b>207,682</b>	198,193
<b>Non-current liabilities</b>			
Trade and other payables	15	(3,763)	(2,294)
Borrowings	17	(32,256)	(29,790)
Provisions	18	(1,097)	(890)
Other liabilities	16	(37)	(55)
<b>Total non-current liabilities</b>		<b>(37,153)</b>	(33,029)
<b>Total assets employed</b>		<b>170,529</b>	165,164

# Statement of Financial Position as at 31 March 2011

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
<b>Financed by (taxpayers' equity)</b>		
Public Dividend Capital	<b>98,681</b>	99,158
Revaluation reserve	<b>71,388</b>	68,473
Donated asset reserve	<b>1,742</b>	1,684
Income and expenditure reserve	<b>(1,282)</b>	(4,151)
<b>Total taxpayers' equity</b>	<b><u>170,529</u></b>	<u>165,164</u>

The financial statements on pages 10 to 55 were approved by the Board on 02 June 2011 and signed on its behalf by:



K W BREMNER  
Chief Executive

Date: 02 June 2011

## Statement of Changes in Taxpayers Equity

	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Donated Assets Reserve £000	Income and Expenditure Reserve £000
<b>Taxpayers' Equity at 1 April 2010</b>	<b>165,164</b>	<b>99,158</b>	<b>68,473</b>	<b>1,684</b>	<b>(4,151)</b>
<b>Changes in taxpayers' equity for 2010-11</b>					
Total Comprehensive Income for the year:					
Retained surplus for the year	2,869	0	0	0	2,869
Revaluation gains of property, plant and equipment	2,942	0	2,915	27	0
Increase in the donated asset reserve due to receipt of donated assets	332	0	0	332	0
Asset Disposals	(3)	0	0	(3)	0
Reduction in the donated asset reserve in respect of depreciation of donated assets	(298)	0	0	(298)	0
Other reserve movements	(477)	(477)	0	0	0
<b>Taxpayers' Equity at 31 March 2011</b>	<b>170,529</b>	<b>98,681</b>	<b>71,388</b>	<b>1,742</b>	<b>(1,282)</b>

	Total £000	Public Dividend Capital £000	Revaluation Reserve £000	Donated Assets Reserve £000	Income and Expenditure Reserve £000
Taxpayers' Equity at 1 April 2009	183,884	99,158	82,835	1,965	(74)
<b>Changes in taxpayers' equity for 2009-10</b>					
Total Comprehensive Income for the year:					
Retained surplus for the year	(1,634)	0	0	0	(1,634)
Revaluation losses and impairment losses of property, plant and equipment	(16,912)	0	(14,362)	(107)	(2,443)
Increase in the donated asset reserve due to receipt of donated assets	131	0	0	131	0
Reduction in the donated asset reserve in respect of depreciation of donated assets	(305)	0	0	(305)	0
<b>Taxpayers' Equity at 31 March 2010</b>	<b>165,164</b>	<b>99,158</b>	<b>68,473</b>	<b>1,684</b>	<b>(4,151)</b>

# Statement of Cashflows for the Year Ended 31 March 2011

	NOTE	2010/11 £000	2009/10 £000
<b>Cash flows from operating activities</b>			
Operating surplus from continuing operations		9,337	4,334
<b>Non-cash income and expense:</b>			
Depreciation and amortisation		7,614	7,136
Impairments		0	2,853
Transfer from the donated asset reserve		(298)	(305)
Decrease / (increase) in Trade and Other Receivables		4,170	(3,674)
(Increase) / decrease in Inventories		(452)	645
Increase / (decrease) in Trade and Other Payables		4,080	(556)
Increase / (decrease) in Provisions		267	(38)
Tax received		0	15
Other movements in operating cash flows		(1,221)	0
<b>Net cash inflows from operating activities</b>		<u>23,497</u>	<u>10,410</u>
<b>Cash flows from investing activities</b>			
Interest received		121	85
Purchase of intangible assets		(248)	(1,316)
Purchase of property, plant and equipment		(19,543)	(23,245)
<b>Net cash outflows from investing activities</b>		<u>(19,670)</u>	<u>(24,476)</u>
<b>Net cash inflows/(outflows) before financing</b>		<u>3,827</u>	<u>(14,066)</u>
<b>Cash flows from financing activities</b>			
Loans received		3,490	24,510
Loans repaid		(430)	(430)
Interest paid		(1,105)	(256)
PDC dividend paid		(4,692)	(6,040)
Cash flows from other financing activities		332	131
<b>Net cash (outflows)/inflows from financing activities</b>		<u>(2,405)</u>	<u>17,915</u>
<b>Increase in cash and cash equivalents</b>		<u>1,422</u>	<u>3,849</u>
<b>Cash and cash equivalents at 1 April</b>		<u>17,149</u>	<u>13,300</u>
<b>Cash and cash equivalents at 31 March</b>	14	<u><u>18,571</u></u>	<u><u>17,149</u></u>



# Notes to the Accounts

## 1. Accounting Policies

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Foundation Trust Annual Reporting Manual which shall be agreed with HM Treasury. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts. These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

### 1.1 Estimation Techniques

These are methods adopted by the Foundation Trust to arrive at monetary amounts, corresponding to the measurement basis selected for assets, liabilities, gains, losses and charges to the Reserves. Where the basis of measurement for the amount to be recognised under Accounting Policies is uncertain, an estimation technique is applied

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

### 1.2 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 Foundation Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The day to day operations of the Foundation Trust are funded from agreed contracts with Primary Care Trusts. The uncertainty in the current economic climate has been mitigated by agreeing contracts with the Primary Care Trusts on a 3 year rolling basis. These payments provide a reliable stream of funding minimising the Trust exposure to liquidity and financing problems. The Foundation Trust's budgets and expenditure plans are based on the agreed level of commissioned service and indicate that the Foundation Trust has sufficient resource to meet ongoing commitments.

Trade receivables mainly arise from transactions with Primary Care Trusts under contractual terms that require settlement of obligation within a time frame established by the Department of Health.

### 1.3 Income

Income is accounted for applying the accruals convention. The main source of income for the NHS Foundation Trust is under contracts from commissioners in respect of healthcare services. 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.

The NHS Foundation Trust contracts with NHS commissioners on the basis of the Department of Health's Payment by Results methodology.

The NHS Foundation Trust records and accounts for Clinical Work in Progress. Clinical Work in Progress represents partially

completed spells of patient treatment that remain un-invoiced at the end of the financial year. The value of Clinical Work in Progress for 2010/11 amounted to £2,437k compared to £1,782k in 2009/10.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sum due under the sale contract.

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

## 1.4 Expenditure on Employee Benefits

### Short-term Employee Benefits

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement 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.

### Pension costs

#### NHS Pension Scheme

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 Secretary of State, in England and Wales. It is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined

contribution scheme. Employers pension cost contributions are charged to operating expenses as and when they become due. The NHS Pension Scheme (England and Wales) Resource Account is published annually and can be found on the Business Service Authority – Pensions Division website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions)

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

#### a) Full actuarial (funding) valuation

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

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

## 1.5 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

## 1.6 Property, Plant and Equipment

### Recognition

Property, Plant and Equipment is capitalised where:

- 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 be provided to, the NHS Foundation Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- individually they have a cost of at least £5,000; or
- they form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, 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

- they form part of the initial setting-up cost of a new building or refurbishment of a 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 e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

## Measurement

All property, plant and equipment assets are measured initially at cost, representing the costs 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.

All land and buildings are restated to current value using professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Valuations are carried out every 5 years with an interim review every 3 years. These valuations may be carried out annually where economic conditions cause fluctuations in building cost indices.

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

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

Discussions with DTZ, an appropriately qualified member of the Royal Institute of Chartered Surveyors (RICS), highlighted during the year that there had been an increase in

building cost indices which would affect property values. An Interim Valuation, using the Modern Equivalent Valuation methodology, was therefore undertaken during February 2011 in order to assess the impact on the Trust. The exercise showed a valuation gain of £3.686m. A proportion of this gain relates to assets where an impairment was recognised in the Statement of Comprehensive Income in 2009/2010. Therefore this impairment has been reversed in 2010/2011 resulting in a £743k gain on operating income.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the 5 or 3 yearly valuation or when they are brought into use.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

## Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses.

## Depreciation

Items of Property, Plant and Equipment are depreciated on a straight line basis over their remaining useful economic lives. No depreciation is provided on freehold land. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the NHS Foundation Trust.

## Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

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

## Impairments

In accordance with the FT ARM, impairments that are due to a loss of economic benefits or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of "other impairments" are treated as revaluation gains.

## De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- **the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;**
- **the sale must be highly probable i.e.:**
  - **management are committed to a plan to sell the asset;**

- **an active programme has begun to find a buyer and complete the sale;**
- **the asset is being actively marketed at a reasonable price;**
- **the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and**
- **the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.**

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met. Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

## Donated 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 Statement of Comprehensive Income is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the income and expenditure reserve.

## 1.7 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the NHS Foundation Trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the NHS Foundation Trust and where the cost of the asset can be measured reliably.

### Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets. Expenditure on research is not capitalised. Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the NHS Foundation Trust intends to complete the asset and sell or use it;
- the NHS Foundation Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the NHS Foundation Trust to complete the development and sell or use the asset; and
- the NHS Foundation Trust can measure reliably the expenses attributable to the asset during development.

### Software

Software which is integral to the operation of hardware e.g. an operating system is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred and amortised over the shorter of the terms of the licences and their useful economic lives.

### Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Revaluations gains and losses and impairments are treated in the same manner as for Property, Plant and Equipment.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

### Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

## 1.8 Inventories

Inventories are valued at the lower of cost and net realisable value, other than Pharmacy Stocks which are valued at average cost.

## 1.9 Cash and cash equivalents

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

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

## 1.10 Financial instruments and financial liabilities

### Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the NHS Foundation Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made. Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below. All other financial assets and financial liabilities are recognised when the NHS Foundation Trust becomes a party to the contractual provisions of the instrument.

### De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

## Classification and Measurement

Financial assets are categorised as 'Loans and receivables'. Financial liabilities are classified as 'Other Financial liabilities'.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The NHS Foundation Trust's loans and receivables comprise: current investments, cash and cash equivalents, NHS debtors, accrued income and 'other debtors'. Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

### Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

## Determination of fair value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from quoted market prices and discounted cash flow analysis.

## Impairment of financial assets

At the Statement of Financial Position date, the NHS Foundation Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only 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 cashflows 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 Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a bad debt provision.

## 1.11 Leases

### Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the

implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

### Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

### Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

## 1.12 Provisions

The NHS foundation trust provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position 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 significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 2.2% in real terms, except for early retirement provisions and injury benefit provisions which both use the HM Treasury's pension discount rate of 2.9% in real terms.

### Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. The NHSLA is financially responsible for all clinical negligence cases and the liability for all potential and outstanding claims is provided in their Accounts. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation Trust is disclosed at Note 18 but is not recognised in the NHS foundation trusts accounts.



## Non-clinical risk pooling

The NHS foundation 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 when the liability arises.

### 1.13 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Trust's control) are not recognised as assets, but are disclosed in Note 21 where an inflow of economic benefits is probable.

- **Contingent liabilities are not recognised, but are disclosed in Note 21, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:**
  - Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Trust's control; or
  - Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

### 1.14 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

An annual charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets, (ii) net cash balances held with the Government Banking Services (GBS), excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and (iii) short term deposits with the National Loans Fund, and (iv) any PDC dividend balance receivable or payable. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result of the audit of the annual accounts.

### 1.15 Value Added Tax

Most of the activities of the NHS Foundation 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.

## 1.16 Corporation Tax

Under Section 148 of the Finance Act 2004, which amended Section 519A of the Income and Corporation Taxes Act 1988, income generated from Commercial (non-core) activities of Foundation Trusts are subject to Corporation Tax.

The Commercial Trading Accounts of the NHS Foundation Trust have been reviewed to ascertain whether a Tax liability exists, using the following criteria: -

There is no liability where an activity falls within Section 14(i) of the Health and Social Care Act 2003 i.e. they relate to the provision of core healthcare.

There is a liability where the activity is entrepreneurial and in direct competition with the private sector.

Liability exists where profits exceed £50,000 per annum on any activity.

## 1.17 Foreign exchange

The functional and presentational currencies of the NHS Foundation Trust are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the NHS Foundation Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- **monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;**
- **non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and**
- **non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.**

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expenditure in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

## 1.18 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial interest in them. However, they are disclosed separately in Note 24 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

## 1.19 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, Note 27 on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

## 1.20 Recent standards issued but not yet adopted in the NHS

<b>IFRS (IASB)</b>	<b>IASB Issued</b>	<b>Financial year when the change first applies</b>
<b>IFRS 7</b> Financial Instruments: Disclosures – amendment Transfers of financial assets	October 2010	Effective date of 2012/2013 but not yet adopted by the EU.
<b>IFRS 9</b> Financial Instruments Financial Assets Financial Liabilities	November 2009 October 2010	Uncertain. Not likely to be adopted by the EU until the IASB has finished the rest of the financial instruments project.
<b>IAS 12</b> Income Taxes amendment	December 2010	Effective date of 2012/2013 but not yet adopted by the EU.
<b>IAS 24</b> (Revised) Related party Disclosures	November 2009	2011/2012
Annual Improvements 2010	May 2010	2011/2012
<b>IFRIC 14</b> amendment	November 2009	2011/2012
<b>IFRIC 19</b> Extinguishing financial liabilities with Equity Instruments	November 2009	2011/2012

## 1.21 Consolidation of Charitable Funds

HM Treasury announced in February 2010, that there would be a further one-year deferral on the application of IAS 27 to NHS organisations in respect of linked NHS Charities to enable a review of the NHS charities in the context of the government accounting framework. This means that the existing deferral, which covered 2009/10, was extended to cover 2010/11. At present, there is no such exemption in place from 2011/12 onwards. This issue has been examined by a

working group of the Financial Reporting Advisory Board (FRAB) and the results of that review will be presented to FRAB in April 2011. Monitor will provide further clarification in due course, but NHS foundation trusts should anticipate having to consolidate those NHS charitable funds over which they have control in the future.

City Hospitals Sunderland NHS Foundation Trust is the Corporate Trustee of the Charitable Funds. The Board of Directors oversee the Trustee function. The City Hospitals Sunderland NHS Foundation Trust

Charitable Funds are registered with the Charity Commission (registered number 1052366) and include funds in respect of services at the Sunderland Royal Hospital, Sunderland Eye Infirmary as well as some services located at the Children's Centre, Monkwearmouth Hospital and Ryhope General Hospital.

As at the 31 March 2010, the value of the funds was £2,554k. This represents a net increase of £202k on the 31st March 2009 value of £2,352k. A £293k increase in realised and unrealised gains on investments was reduced by a net excess of expenditure over income of £91k.

## 2. Segmental Analysis

The Foundation Trust operates within a single reportable segment i.e. healthcare. This primarily covers the provision of a wide range of healthcare related services to the community of the City of Sunderland and additionally, the provision of an increasing range of more specialised services to patients outside of the area.

The Board of Directors act as the Chief Operating Decision Maker for the Foundation Trust and the monthly financial position of the Foundation Trust is presented/reported to them as a single segment.

	<b>2010/11 Healthcare £000</b>	2009/10 Healthcare £000
<b>Income</b>		
Income from activities	<b>266,369</b>	257,443
Other operating income	<b>27,574</b>	28,196
<b>Total Income</b>	<b>293,943</b>	285,639
<b>Surplus by segment</b>		
Surplus as reported to the Board of Directors	<b>2,125</b>	1,219
Exceptional Items	<b>744</b>	(2,853)
<b>Surplus per Statement of Comprehensive Income</b>	<b>2,869</b>	(1,634)
<b>Net Assets:</b>		
Segment net assets	<b>170,529</b>	165,164

The majority of the Foundation Trust's total operating income is received from PCTs. Of the £294,687k total operating income reported in 2010/11, an amount of £265,494k (90%) was attributable to PCTs (£262,885 (92%) 2009/10).

The financial position reported to the Board of Directors on the 28th April 2011 was £2,869k, reflecting the surplus reported in the Statement of Comprehensive Income.

Customers generating more than 10% of the Foundation Trust's income for both 2010/11 and 2009/10 were Sunderland Teaching PCT (£175,807k 2010/11, £175,332k 2009/10) and County Durham PCT (£45,910k 2010/11, £45,029k 2009/10).

Income generated by external customers by country were:-

	<b>2010/11 £000</b>	2009/10 £000
Scotland	37	55
Wales	19	2
Ireland	1	7

### 3. Operating income

#### 3.1 Income from activities by classification

	2010/11 £000	2009/10 £000
Elective income	68,200	67,374
Non elective income	81,882	83,232
Outpatient income	49,544	45,218
NHS Injury Benefit Scheme ***	462	1,092
Other income from activities	57,882	52,074
A & E income	8,047	8,158
<b>Total income from protected services activities*</b>	<b>266,017</b>	<b>257,148</b>
Private patient income	352	295
<b>Total income from activities</b>	<b>266,369</b>	<b>257,443</b>
Research and Development	1,501	1,143
Education and training**	8,723	9,600
Transfers from donated asset reserve in respect of depreciation of donated assets	298	305
Non-patient care services to other bodies	2,214	2,758
Other income	15,582	14,390
<b>Total other operating income</b>	<b>28,318</b>	<b>28,196</b>
<b>Total operating income</b>	<b>294,687</b>	<b>285,639</b>

\*The terms of Authorisation set out the mandatory goods and services that the Foundation Trust is required to provide (protected services).

\*\*The Terms of Authorisation set out the mandatory education and training that the Foundation Trust is required to provide (protected education and training). All of the income from education and training shown above is derived from the provision of protected education and training. All other categories of operating income are un-protected.

#### 3.2 Income from activities by source

	2010/11 £000	2009/10 £000
NHS Foundation Trusts	61	63
Primary Care Trusts	265,494	255,993
NHS Injury Benefit Scheme***	462	1,092
<b>Total income from protected services activities</b>	<b>266,017</b>	<b>257,148</b>
Non NHS:		
- Private Patients	352	295
<b>Total income from activities</b>	<b>266,369</b>	<b>257,443</b>

\*\*\*Injury cost recovery income is subject to a provision for impairment of receivables of 9.6% to reflect expected rates of collection.

## 3.2 Income from activities by source (continued)

The main components of 'Other Income' within note 3.1 include:

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Future jobs fund	<b>764</b> <sup>1</sup>	0
Revaluation Gain	<b>744</b> <sup>2</sup>	0
Car Parking	<b>661</b>	701
Rehabilitation Income	<b>601</b> <sup>3</sup>	729
Catering Income	<b>467</b>	625
Working Time Directive	<b>352</b> <sup>4</sup>	351
Rental of Hospital Premises	<b>320</b>	224
Mortuary	<b>267</b>	274
Carbon emissions credit	<b>74</b>	0
Prescription Pricing Authority	<b>38</b>	79
HCAI Funding	<b>0</b>	600
Mixed Sex Accommodation	<b>0</b>	640
	<b>4,288</b>	4,223
Other	<b>11,294</b>	10,167
	<b>15,582</b>	14,390

<sup>1</sup>Funding from National government to give long term unemployed work experience opportunities.

<sup>2</sup>Revaluation gain arising from an in year valuation reversing impairments recognised in 2009/10 financial position

<sup>3</sup>Funding from Sunderland PCT to provide rehabilitation beds in the community

<sup>4</sup>National Funding to increase the number of junior doctors in line with the European Working Time Directive.

## 3.3 Income generation activities

The Foundation Trust undertakes a number of income generation activities with the aim of achieving profit which is then used in patient care. The full cost of each income generation activity did not exceed £1m. These income generation activities include car parking, catering and laundry services.

## 3.4 Private patient income

	<b>2010/11</b>	<b>Base year 2002/03</b>	2009/10
	<b>£000</b>	<b>£000</b>	£000
Private patient income	<b>352</b>	<b>501</b>	295
Total patient related income	<b>266,369</b>	<b>149,495</b>	257,443
<b>Proportion (as percentage)</b>	<b>0.13%</b>	<b>0.34%</b>	0.11%

Section 44 of the National Health Service Act 2006, requires that the proportion of private patient income to the total patient related income of NHS Foundation Trusts should not exceed its proportion whilst the body was an NHS Trust in 2002/03. The note above shows that the Trust was compliant for 2010/11.

## 4. Operating expenses

### 4.1/1 Operating expenses comprise:

	2010/11	2009/10
	£000	£000
Services from NHS Foundation Trusts	9,050	10,326
Services from NHS Trusts	66	1,825
Services from other NHS Bodies	1,407	2,224
Purchase of healthcare from non NHS Bodies	1,190	573
Employee Expenses - Executive directors	1,063	1,036
Employee Expenses - Non-executive directors	132	121
Employee Expenses - Staff	186,349	179,698
Drug Costs	22,765	20,520
Supplies and services - clinical	27,640	27,735
Supplies and services - general	6,736	7,191
Establishment	2,959	3,096
Transport	986	897
Premises	10,344	9,066
Increase / (Decrease) in bad debt provision	2	(127)
Depreciation of property, plant and equipment	6,981	6,756
Amortisation of intangible assets	633	380
Impairments of property, plant and equipment	0	2,853
Audit fees		
Audit services- statutory audit	68	55
Other auditors remuneration		
Assurance services	30	0
Other Services - Training	4	0
Other Services - International Financial Reporting Standards review	0	12
Clinical negligence	4,621	4,161
Other	2,324	2,907
	<b>285,350</b>	<b>281,305</b>

The main components of 'Other Expenditure' include:

	2010/11	2009/10
	£000	£000
Training, courses and conferences	516	835
Legal fees	674	344
Insurance	179	194
Patient travel	150	128
Losses, ex-gratia and special payments	0	128
Other	805	1,278
	<b>2,324</b>	<b>2,907</b>

### 4.1/2 Limitation of auditors liability

On 16th December 2010, the Foundation Trust approved the principal terms of engagement with its auditors, PricewaterhouseCoopers LLP, covering the period of PricewaterhouseCoopers LLP engagement as auditors. The terms include a limitation on their liability to pay damages for losses arising as a direct result of breach of contract or negligence, of £1m.



## 4.2 Operating leases - as a lessee

### 4.2/1 Analysis of operating lease expenditure

	2010/11	2009/10
	£000	£000
Land and buildings	395	522
Hire of plant and machinery	1,428	1,308
<b>Total Minimum Lease Payments</b>	<b>1,823</b>	<b>1,830</b>

The lease arrangement with Sunderland University for the rental of Clanny House has been reviewed in year with the result of reducing the accommodation required. The lease arrangement for the remaining accommodation will be renewed in 2011/12

Hire of plant and machinery includes:

#### Staff leased vehicles;

Staff vehicles are leased for a minimum period of 3 years with an option to extend if required. Vehicles returned to the lessor prior to the end of the 3 year lease are subject to an early termination penalty, which is borne by the employee. All leased vehicles are subject to an annual prepayment and an amount of £477k is included above (£521k 2009/10).

### 4.2/2 Arrangements containing an operating lease

	2010/11	2010/11
	£000	£000
Future minimum lease payments due:		
- Within 1 year	912	1,126
- Between 1 and 5 years	1,349	820
- After 5 years	0	128
	<b>2,261</b>	<b>2,074</b>

## 4.3 Operating leases - as a lessor

The Foundation Trust receives rental income from a number of agreements in relation to the leasing of accommodation to staff.

	2010/11	2009/10
	£000	£000
<b>Rental income</b>		
<b>Total rental income</b>	<b>320</b>	<b>224</b>

The tenancy agreements in respect of staff accommodation are all less than 6 months in duration.

## 5. Employee expenses and numbers

### 5.1 Employee expenses (including Executive Directors' costs)

	2010/11			2009/10		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	<b>154,947</b>	<b>147,140</b>	<b>7,807</b>	148,865	141,366	7,499
Social Security Costs	<b>11,863</b>	<b>10,864</b>	<b>999</b>	11,538	10,578	960
Pension costs - defined contribution plans employers contributions to NHS Pensions	<b>17,997</b>	<b>16,904</b>	<b>1,093</b>	17,200	16,150	1,050
Other pension costs	<b>197</b>	<b>0</b>	<b>197</b>	62	0	62
Agency/contract staff	<b>2,453</b>	<b>0</b>	<b>2,453</b>	3,085	0	3,085
Employee benefits expense	<b><u>187,457</u></b>	<b><u>174,908</u></b>	<b><u>12,549</u></b>	<u>180,750</u>	<u>168,094</u>	<u>12,656</u>
Amounts included within above charged to capital schemes	<b><u>45</u></b>			<b><u>16</u></b>		

### 5.2 Monthly average number of persons employed

(The figures shown represent the Whole Time Equivalent (WTE) as opposed to the number of employees)

	2010/11			2009/10		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	WTE Number	WTE Number	WTE Number	WTE Number	WTE Number	WTE Number
Medical and dental	<b>527</b>	<b>380</b>	<b>147</b>	513	374	139
Administration and estates	<b>1,281</b>	<b>1,281</b>	<b>0</b>	1,256	1,256	0
Healthcare assistants and other support staff	<b>818</b>	<b>818</b>	<b>0</b>	823	823	0
Nursing, midwifery and health visiting staff	<b>1,456</b>	<b>1,456</b>	<b>0</b>	1,431	1,431	0
Scientific, therapeutic and technical staff	<b>511</b>	<b>511</b>	<b>0</b>	518	518	0
Bank and agency staff	<b>25</b>	<b>0</b>	<b>25</b>	38	0	38
Total	<b><u>4,618</u></b>	<b><u>4,446</u></b>	<b><u>172</u></b>	<u>4,579</u>	<u>4,402</u>	<u>177</u>

### 5.3 Employee benefits

There were no employee benefits authorised during 2010/11 (2009/10 £nil).

### 5.4 Retirements due to ill-health

During 2010/11 (prior year 2009/10) there were 5 (5) early retirements from the Foundation Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £388,898 (2009/10 £355,212). Their cost will be borne by the NHS Pensions Agency.

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

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	<b>0</b>	0
Compensation paid to cover debt recovery costs under this legislation	<b>0</b>	0

## 7. Loss on disposal of property, plant and equipment

Loss on the disposal of property, plant and equipment is made up as follows:

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Loss on disposal of plant and machinery	<b>(11)</b>	0
	<b><u>(11)</u></b>	<b><u>0</u></b>

## 8. Finance income

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Interest received on commercial bank accounts	<b>9</b>	12
Interest received from short term deposits	<b>111</b>	72
	<b><u>120</u></b>	<b><u>84</u></b>

## 9. Finance expenses

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
Interest on Loans from the Foundation Trust Financing Facility:		
Tranche A	<b>183</b>	191
Tranche B	<b>53</b>	63
Tranche C	<b>464</b>	191
Tranche D	<b>529</b>	85
Tranche E	<b>117</b>	0
	<b><u>1,346</u></b>	<b><u>530</u></b>

Further detail in respect of loans can be found at Note 17.2.

## 10. Intangible assets

### 10.1 Intangible assets

	<b>Software licences</b>
	<b>£000</b>
Cost at 1 April 2010	3,946
Additions purchased	248*
<b>Cost at 31 March 2011</b>	<b>4,194</b>
Accumulated amortisation at 1 April 2010	1,474
Provided during the year	633
<b>Accumulated amortisation at 31 March 2011</b>	<b>2,107</b>
<b>Net book value</b>	
- Purchased at 1 April 2010	2,472
- Donated at 1 April 2010	0
<b>- Total at 1 April 2010</b>	<b>2,472</b>
- Purchased at 31 March 2011	2,087
- Donated at 31 March 2011	0
<b>- Total at 31 March 2011</b>	<b>2,087</b>

\* Includes Assets Under Construction amounting to £207k

	<b>Software licences</b>
	<b>£000</b>
Cost at 1 April 2009	2,630
Additions purchased	1,316
<b>Cost at 31 March 2010</b>	<b>3,946</b>
Accumulated amortisation at 1 April 2009	1,094
Provided during the year	380
<b>Accumulated amortisation at 31 March 2010</b>	<b>1,474</b>
<b>Net book value</b>	
- Purchased at 1 April 2009	1,536
- Donated at 1 April 2009	0
<b>- Total at 1 April 2009</b>	<b>1,536</b>
- Purchased at 31 March 2010	2,472
- Donated at 31 March 2010	0
<b>- Total at 31 March 2010</b>	<b>2,472</b>

### 10.2 Analysis of intangible assets

<b>Net book value</b>	<b>£000</b>
- Unprotected assets at 31 March 2011	<b>2,087</b>
<b>Net book value</b>	
- Unprotected assets at 31 March 2010	2,472

### 10.3 Economic life of intangible assets

	<b>Min life</b>	<b>Max life</b>
	<b>Years</b>	<b>Years</b>
<b>Intangible assets - purchased</b>		
Software	1	5

## 11. Property, plant and equipment

### 11.1 Property, plant and equipment comprise the following elements:

2010/11	Total £000	Buildings excluding dwellings		Assets under construction & payments on account		Transport Equipment £000	Information Technology £000	Furniture & fittings £000
		Land £000	Dwellings £000	Plant & Machinery £000	Dwellings £000			
Cost or valuation at 1 April 2010	234,540	10,871	141,712	1,530	16,672	1,084	13,109	1,806
Additions purchased	20,115	0	0	0	20,115	0	0	0
Additions donated	332	0	52	0	0	0	15	0
Reclassifications	0	0	33,016	0	(36,066)	33	396	117
Revaluation	37	0	37	0	0	0	0	0
Disposals	(2,770)	0	0	0	0	(19)	0	0
<b>At 31 March 2011</b>	<b>252,254</b>	<b>10,871</b>	<b>174,817</b>	<b>1,530</b>	<b>721</b>	<b>1,098</b>	<b>13,520</b>	<b>1,923</b>
Accumulated depreciation at 1 April 2010	47,317	0	0	0	0	971	10,455	1,617
Provided during the year	6,981	0	3,625	24	0	42	710	27
Impairments	0	0	0	0	0	0	0	0
Revaluation	(3,649)	0	(3,625)	(24)	0	0	0	0
Disposals	(2,723)	0	0	0	0	(19)	0	0
<b>Accumulated depreciation at 31 March 2011</b>	<b>47,926</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>994</b>	<b>11,165</b>	<b>1,644</b>
<b>Net book value</b>								
- Purchased at 1 April 2010	185,539	10,871	140,960	1,530	16,672	113	2,620	186
- Donated at 1 April 2010	1,684	0	752	0	0	0	34	3
<b>Total at 1 April 2010</b>	<b>187,223</b>	<b>10,871</b>	<b>141,712</b>	<b>1,530</b>	<b>16,672</b>	<b>113</b>	<b>2,654</b>	<b>189</b>
- Purchased at 31 March 2011	202,586	10,871	174,005	1,530	721	104	2,318	277
- Donated at 31 March 2011	1,742	0	812	0	0	0	37	2
<b>Total at 31 March 2011</b>	<b>204,328</b>	<b>10,871</b>	<b>174,817</b>	<b>1,530</b>	<b>721</b>	<b>104</b>	<b>2,355</b>	<b>279</b>

## 11.2 Analysis of property, plant and equipment

Net book value	Total £000	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000				
					Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000	
- Protected assets at 31 March 2010	149,547	10,215	139,068	264	0	0	0	0	0
- Unprotected assets at 31 March 2010	37,676	656	2,644	1,266	13,482	113	2,654	189	
<b>Total at 31 March 2010</b>	<b>187,223</b>	<b>10,871</b>	<b>141,712</b>	<b>1,530</b>	<b>13,482</b>	<b>113</b>	<b>2,654</b>	<b>189</b>	
<b>Net book value</b>									
- Protected assets at 31 March 2011	181,360	10,215	171,145	0	0	0	0	0	0
- Unprotected assets at 31 March 2011	22,968	656	3,672	1,530	13,651	104	2,355	279	
<b>Total at 31 March 2011</b>	<b>204,328</b>	<b>10,871</b>	<b>174,817</b>	<b>1,530</b>	<b>13,651</b>	<b>104</b>	<b>2,355</b>	<b>279</b>	

Property is deemed "protected" if it is required for the purposes of providing either the mandatory goods and services or the mandatory education and training as defined in the Terms of Authorisation of the Foundation Trust.

### 11.3 Prior year - property, plant and equipment comprise the following elements:

2009/10	Total £000	Land £000	Buildings excluding dwellings £000		Dwellings £000	Assets under construction & payments on account £000		Plant & Machinery £000	Transport Equipment £000	Information Technology £000	Furniture & fittings £000
			£000	£000		£000	£000				
Cost or valuation at 1 April 2009	241,220	13,289	161,756	1,692	6,990	41,890	1,069	12,742	1,792		
Additions purchased	21,065	0	(313)*	0	21,378	0	0	0	0		
Additions donated	131	0	0	0	0	120	0	11	0		
Reclassifications	0	(216)	4,745	279	(11,696)	6,484	34	356	14		
Revaluation	(27,119)	(2,202)	(24,476)	(441)	0	0	0	0	0		
Disposals	(757)	0	0	0	0	(738)	(19)	0	0		
<b>At 31 March 2010</b>	<b>234,540</b>	<b>10,871</b>	<b>141,712</b>	<b>1,530</b>	<b>16,672</b>	<b>47,756</b>	<b>1,084</b>	<b>13,109</b>	<b>1,806</b>		
Accumulated depreciation at 1 April 2009	48,672	0	3,596	34	0	32,753	946	9,771	1,572		
Provided during the year	6,756	0	3,688	36	0	2,259	44	684	45		
Impairments	2,854	0	2,854	0	0	0	0	0	0		
Revaluation	(10,208)	0	(10,138)	(70)	0	0	0	0	0		
Disposals	(757)	0	0	0	0	(738)	(19)	0	0		
<b>Accumulated depreciation at 31 March 2010</b>	<b>47,317</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,274</b>	<b>971</b>	<b>10,455</b>	<b>1,617</b>		
<b>Net book value</b>											
- Purchased at 1 April 2009	190,583	13,289	157,283	1,658	6,990	8,088	123	2,936	216		
- Donated at 1 April 2009	1,965	0	877	0	0	1,049	0	35	4		
<b>Total at 1 April 2009</b>	<b>192,548</b>	<b>13,289</b>	<b>158,160</b>	<b>1,658</b>	<b>6,990</b>	<b>9,137</b>	<b>123</b>	<b>2,971</b>	<b>220</b>		
- Purchased at 31 March 2010	185,539	10,871	140,960	1,530	16,672	12,587	113	2,620	186		
- Donated at 31 March 2010	1,684	0	752	0	0	895	0	34	3		
<b>Total at 31 March 2010</b>	<b>187,223</b>	<b>10,871</b>	<b>141,712</b>	<b>1,530</b>	<b>16,672</b>	<b>13,482</b>	<b>113</b>	<b>2,654</b>	<b>189</b>		

\*Reversal of retention costs and estimates relating to schemes over-capitalised in previous years.



## 11.4 Economic life of property, plant and equipment

	Min Life Years	Max Life Years
Buildings excluding dwellings	40	90
Dwellings	90	90
Plant and Machinery	5	15
Transport Equipment	7	7
Information Technology	5	8
Furniture and Fittings	5	10

## 11.5 Property, plant and equipment

The Trust held no assets under finance leases and hire purchase agreements at the balance sheet dates.

## 11.6 The net book value of land, buildings and dwellings comprises:

	Total £000	Protected £000	Unprotected £000
31 March 2010 Freehold	154,113	149,547	4,566
<b>31 March 2011 Freehold</b>	<b>187,218</b>	<b>181,360</b>	<b>5,858</b>



## 12.1 Trade and other receivables

	Total 31st March 2011 £000	Non- Financial assets £000	financial assets £000	Total 31st March 2010 £000	Non- Financial assets £000	financial assets £000
<b>Current</b>						
NHS receivables*	2,603	2,603	0	5,579	5,579	0
Other receivables with related parties	429	0	429	1,822	0	1,822
Provision for impaired receivables	(228)	(173)	(55)	(220)	(163)	(57)
Prepayments	1,477	0	1,477	1,005	0	1,005
Other receivables	1,536	865	671	1,455	660	795
PDC receivable	17	0	17	541	0	541
<b>Total current trade and other receivables</b>	<b>5,834</b>	<b>3,295</b>	<b>2,539</b>	<b>10,182</b>	<b>6,076</b>	<b>4,106</b>
<b>Non-Current</b>						
NHS receivables	130	130	0	54	54	0
Provision for impaired receivables	(76)	0	(76)	(96)	0	(96)
Other receivables	789	0	789	1,232	0	1,232
<b>Total non current trade and other receivables</b>	<b>843</b>	<b>130</b>	<b>713</b>	<b>1,190</b>	<b>54</b>	<b>1,136</b>

\* The majority of NHS receivables are with Primary Care Trusts, as commissioners for NHS patient care services. NHS receivables that are neither past due nor impaired are expected to be paid within their agreed terms.

## 12.2 Provision for impairment of receivables

	<b>2010/11</b>	2009/10
	<b>£000</b>	£000
At 1 April	<b>316</b>	513
Increase in provision	<b>115</b>	19
Amounts utilised	<b>(14)</b>	(70)
Unused amounts reversed	<b>(113)</b>	(146)
<b>At 31 March</b>	<b><u>304</u></b>	<u>316</u>

## 12.3 Analysis of impaired receivables

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
- Up to three months	<b>10</b>	10
- In three to six months	<b>39</b>	2
- Over six months	<b>124</b>	151
<b>Total</b>	<b><u>173</u></b>	<u>163</u>

## 12.4 Ageing of non-impaired receivables past their due date

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
- Up to three months	<b>555</b>	1,918
- In three to six months	<b>(56)</b>	33
- Over six months	<b>164</b>	216
<b>Total</b>	<b><u>663</u></b>	<u>2,167</u>

## 13.1 Inventory

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
Raw materials and consumables	<u><b>3,592</b></u>	<u>3,140</u>

## 13.2 Inventories recognised in expenses

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
Inventories recognised in expenses	<b>28,279</b>	25,968
Write-down of inventories recognised as an expense	<b>79</b>	302
<b>Inventories recognised in expenses</b>	<u><b>28,358</b></u>	<u>26,270</u>

## 14. Cash and cash equivalents

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
<b>At 1 April</b>	<b>17,149</b>	13,300
Net change in year	<u><b>1,422</b></u>	<u>3,849</u>
<b>At 31 March</b>	<b>18,571</b>	17,149
Broken down into:		
Cash at commercial banks and in hand	<b>400</b>	184
Cash with GBS (Government Banking Service)	<b>471</b>	1,065
Other current investments	<b>17,700</b>	15,900
<b>Cash and cash equivalents as in Statement of financial position and Statement of cashflows</b>	<u><b>18,571</b></u>	<u>17,149</u>

Other current investments relate to short-term deposits with the National Loans Fund with a maturity date of less than one month.

## 15. Trade and other payables

	Total 31st March 2011 £000	Financial liabilities £000	Non- financial liabilities £000	Total 31st March 2010 £000	Financial liabilities £000	Non- financial liabilities £000
<b>Current</b>						
NHS payables	4,283	3,698	585	2,804	2,482	322
Amounts due to other related parties	30	30	0	9	9	0
Other trade payables	5,323	5,323	0	6,005	6,005	0
Other tax and social security costs	3,853	0	3,853	3,619	0	3,619
Trade payables - capital	3,196	3,196	0	2,314	2,314	0
Other payables	4,453	2,348	2,105	3,822	1,795	2,027
Accruals	3,804	3,804	0	3,233	3,233	0
<b>Total current trade and other payables</b>	<b>24,942</b>	<b>18,399</b>	<b>6,543</b>	<b>21,806</b>	<b>15,838</b>	<b>5,968</b>
<b>Non-current</b>						
Amounts due to other related parties*	3,763	0	3,763	2,294	0	2,294
<b>Total non-current trade and other payables</b>	<b>3,763</b>	<b>0</b>	<b>3,763</b>	<b>2,294</b>	<b>0</b>	<b>2,294</b>

\*Relates solely to a creditor with Her Majesty's Revenue & Customs relating to Value Added Tax claims submitted under the "Lennartz" ruling.

## 16. Other liabilities - deferred income

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
<b>Current</b>		
Cycle England Scheme	<b>196</b>	0
Environment Agency - allocation of Carbon Allowances	<b>166</b>	0
Northern Counties College - nurse funding	<b>92</b>	55
North East Regional Improvement and Efficiency Partnership - PSA16 Innovation fund	<b>88</b>	0
Support funding for anaemia specialist nurse and rheumatology operational support	<b>59</b>	0
Sycamore Lodge	<b>33</b>	0
British Heart Foundation and various drug companies-genetics nurse pilot scheme	<b>48</b>	88
North East Cancer Network - nurse and scheme funding	<b>0</b>	77
Comprehensive Local Research Network - research and development funding	<b>0</b>	60
Other	<b>28</b>	52
<b>Total other current liabilities</b>	<b><u>710</u></b>	<b><u>332</u></b>
<b>Non-current</b>		
Northern Counties College - nurse funding	<b><u>37</u></b>	<b><u>55</u></b>

## 17. Borrowings

### 17.1 Long term loans – Foundation Trust Financing Facility

	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£000</b>	£000
<b>Current</b>		
Loans from Foundation Trust Financing Facility*	<b>1,583</b>	747
<b>Non-current</b>		
Loans from Foundation Trust Financing Facility	<b>32,256</b>	29,790
<b>TOTAL</b>	<b><u>33,839</u></b>	<b><u>30,537</u></b>

\*Interest amounting to £559k (£317k, 31 March 2010) is included within the above.

## 17.2 Loans - payment of loan principal falling due - Foundation Trust Financing Facility

	<b>31 March 2011 £000</b>	31 March 2010 £000
Amounts falling due:		
Within one year	<b>1,023</b>	430
Between one to two years	<b>1,617</b>	950
Between two to five years	<b>4,854</b>	4,408
After five years	<b>25,786</b>	24,432
<b>TOTAL</b>	<b><u>33,280</u></b>	<b><u>30,220</u></b>

### Foundation Trust Financing Facility Loan

	<b>Interest rate %</b>	<b>£000</b>
Tranche A: Repayable by instalments of £104,000 every 6 months commenced 31 July 2007	<b>4.25</b>	<b>5,000</b>
Tranche B: Repayable by instalments of £111,000 every 6 months commenced 31 July 2007	<b>4.30</b>	<b>2,000</b>
Tranche C: Repayable by instalments of £242,825 every 6 months commencing 17 October 2011	<b>4.05</b>	<b>11,454</b>
Tranche D: Repayable by instalments of £276,787 every 6 months commencing 17 October 2011	<b>4.05</b>	<b>13,056</b>
Tranche E: Repayable by instalments of £73,988 every 6 months commencing 17 October 2011	<b>4.05</b>	<b>3,490</b>
<b>Other Loans</b>		
Revolving Loan Facility	<b>Base Rate + 0.65%</b>	<b>Nil</b>

## 17.3 Prudential borrowing limit:

	<b>31 March 2011 £000</b>	31 March 2010 £000
Total long term borrowing limit set by Monitor	<b>63,500</b>	62,700
Working capital facility agreed by Monitor	<b>18,000</b>	18,000
<b>Total Prudential borrowing limit</b>	<b><u>81,500</u></b>	<u>80,700</u>
Long term borrowing at 1 April	<b>30,220</b>	6,140
Net actual borrowing/(repayment) in year - long term	<b>3,060</b>	24,080
<b>Long term borrowing at 31 March</b>	<b><u>33,280</u></b>	<u>30,220</u>
Working capital borrowing at 1 April	<b>0</b>	0
Net actual borrowing/(repayment) in year - working capital	<b>0</b>	0
<b>Working capital borrowing at 31 March</b>	<b><u>0</u></b>	<u>0</u>

The NHS Foundation Trust is required to comply and remain within the prudential borrowing limit. This is made up of two elements:

- The maximum cumulative amount of long term borrowing. This is set by reference to the five ratios set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit
- The amount of any working capital facility approved by Monitor.

Further information on the NHS Foundation Trusts Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The Trust had a long term borrowing limit of £63.5m in 2010/11 (£62.7m 2009/10), against which it borrowed a further £3.49m (previously £24.51m). The total outstanding repayments in respect of these loans amounts to £33.28m (£30.22m 2009/10).

In addition to its long term borrowing limit, the Foundation Trust had an approved working capital facility of £18m in 2010/11 (£18m 2009/10). The Foundation Trust had a £nil utilised working capital facility at 31 March 2011 (£nil at 31 March 2010).

<b>Financial Ratio</b>	<b>Actual Ratios 2010/11</b>	<b>Approved PBL Ratios 2010/11</b>	<b>Actual Ratios 2009/10</b>	<b>Approved PBL Ratios 2009/10</b>
Maximum debt capital cover	14.2%	15.1%	13.8%	13.9%
Minimum dividend cover	3.3	3.1	2.5	2.2
Minimum interest cover	12.5	12.1	11.5	11.6
Minimum debt service cover	5.8	5.6	5.3	5.7
Maximum debt service to revenue	1.0%	1.0%	0.9%	1.0%

## 18. Provisions

	Current		Non Current	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
Pensions relating to other staff	70	75	575	445
Legal claims	201	186	0	0
Other	67	17	522	445
	<u>338</u>	<u>278</u>	<u>1,097</u>	<u>890</u>

	Pensions relating to other staff £000	Legal claims £000	Other £000	Total £000
At 1 April 2009	560	183	463	<b>1,206</b>
Arising during the year	21	109	10	<b>140</b>
Utilised during the year	(73)	(97)	(22)	<b>(192)</b>
Reversed unused	0	(9)	0	<b>(9)</b>
Unwinding of discount*	12	0	11	<b>23</b>
At 1 April 2010	<u>520</u>	<u>186</u>	<u>462</u>	<b>1,168</b>
Change in discount rate	(25)	0	(62)	<b>(87)</b>
Arising during the year	209	137	198	<b>544</b>
Utilised during the year	(73)	(101)	(21)	<b>(195)</b>
Reversed unused	0	(21)	0	<b>(21)</b>
Unwinding of discount*	14	0	12	<b>26</b>
<b>At 31 March 2011</b>	<b><u>645</u></b>	<b><u>201</u></b>	<b><u>589</u></b>	<b><u>1,435</u></b>

### Expected timing of cash flows:

In the remainder of the spending review period to 31 March 2012:-	70	201	67	<b>338</b>
Between 1 April 2012 and 31 March 2017	262	0	101	<b>363</b>
From 1 April 2017 and thereafter	313	0	421	<b>734</b>
	<b><u>645</u></b>	<b><u>201</u></b>	<b><u>589</u></b>	<b><u>1,435</u></b>

### 'Pensions Relating to Other Staff' include;

Provisions amounting to £645k in respect of Early Retirement Pensions. The provision has been adjusted to reflect:-

- the change in the Treasury pension discount rate from 2.2% to 2.9%
- the latest statistics available relating to life expectancy rates

The provision relates to the latest information as provided by the NHS Pensions Agency and applies to 40 ex-employees (40 ex-employees 2009-10).

### 'Legal' claims include;

Provisions amounting to £201k relating to Public Liability and Employer Liability claims. The information supporting each claim within this provision has been supplied by either the Trust's or NHSLA's solicitors.



'Other' claims include;

- A back to back provision with a number of Primary Care Trusts in respect of Permanent Injury Benefits. A £543k provision is based upon the latest information as supplied by the NHS Pension Agency. The provision has been subject to an in-year review which has resulted in an increase and also an adjustment to reflect the change in the Treasury pension discount rate from 2.2% to 2.9%
- A provision of £46k relating to the European Union Gas Emissions Trading Scheme

Clinical Negligence

The Foundation Trust is a member of the Clinical Negligence Scheme for Trusts (CNST) and pays an annual premium to the NHS Litigation Authority (NHSLA). Under the terms of the agreement, financial responsibility for claims arising from clinical negligence is transferred to the NHSLA and the liability for all potential and outstanding claims is provided in their Accounts. At the 31 March 2011, an amount of £58,854,322 was provided by the NHSLA in respect of clinical liabilities of the Foundation Trust (£43,878,468 as at 31 March 2010).

The Foundation Trust does not consider there to be any uncertainties relating to either the amounts or timing of its provisions.

\*Unwinding of discount relates to the inflation effect on existing provisions of their payment in the future.

## 19. Contractual capital commitments

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

	<b>31 March 2011 £000</b>	31 March 2010 £000
Property, plant and equipment	<b><u>1,262</u></b>	<u>11,828</u>

Capital commitments relate to the following schemes;

	<b>£000</b>	£000
Demolition of Kayll Road Block and Relocation	<b>1,262</b>	596
H Block Modular Build	<b>0</b>	10,895
Radiology CT 1 and 2	<b>0</b>	337
	<b><u>1,262</u></b>	<u>11,828</u>

The above is an ongoing scheme that has a contractual commitment as at 31 March. The uncommitted expenditure will fall into subsequent years accounts.

## 20. Events after the reporting period

There were no post balance sheet events having a material effect on the accounts (£0 2009/2010).

## 21. Contingent (liabilities) / assets

	<b>31 March 2011 £000</b>	31 March 2010 £000
Gross estimated value of Non-Clinical Liabilities	<b>(358)</b>	(257)
Expected recoverable amount	<b>272</b>	190
Net value contingent liabilities	<b><u>(86)</u></b>	<u>(67)</u>

A provision relating to claims in respect of the above contingencies is contained within Note 18 "Provisions for Liabilities and Charges" under the heading "Legal Claims". The net value of contingent liabilities relates to that element of the outstanding claims for which the Foundation Trust has not made provision.

To date, the Foundation Trust is holding a total of 248 (388 2009-10) Equal Pay claims. As there are no results of "Test" cases available at this stage the Foundation Trust is unable to calculate potential settlement costs payable to the claimants.

### 22.1 Related party transactions

	<b>Income £000</b>	<b>Expenditure £000</b>
Value of transactions with Board Members in 2010/11	0	1,195
Value of transactions with other related parties in 2010/11:		
Department of Health	708	0
Foundation Trusts, Trusts, PCT's and SHA's	283,971	21,129
Special Health Authorities	39	13,861
NHS WGA bodies	0	76
HMRC	0	46,990
NHS Pension Scheme	0	25,087
City of Sunderland Local Authority	267	156
Scottish, Irish and Welsh NHS bodies	0	0
Charitable Funds	569	569
Department for Works and Pensions	462	94
	<b><u>286,016</u></b>	<b><u>109,157</u></b>
Value of transactions with Board Members in 2009/10	0	1,157
Value of transactions with other related parties in 2009/10:		
Department of Health	553	73
Foundation Trusts, Trusts, PCT's and SHA's	276,994	13,369
Special Health Authorities	192	13,088
NHS WGA bodies	0	0
HMRC	0	44,890
NHS Pension Scheme	0	24,082
City of Sunderland Local Authority	0	1,378
Scottish, Irish and Welsh NHS bodies	64	13
Charitable Funds	442	442
Department for Works and Pensions	1,092	0
	<b><u>279,337</u></b>	<b><u>98,492</u></b>

## 22.2 Related party balances

	<b>Receivables £000</b>	<b>Payables £000</b>
Value of balances (other than salary) with related parties in relation to doubtful debts at 31 March 2011	53	0
Value of balances with other related parties in 2010/11:		
Department of Health	0	0
Foundation Trusts, Trusts, PCT's and SHA's	2,696	3,767
Special Health Authorities	36	546
NHS WGA bodies	0	0
HMRC	178	7,616
NHS Pension Scheme	0	2,105
Scottish, Irish and Welsh NHS bodies	0	0
Charitable Funds	250	0
	<b><u>3,213</u></b>	<b><u>14,034</u></b>
Value of balances (other than salary) with related parties in relation to doubtful debts at 31 March 2010	106	0
Value of transactions with other related parties in 2009/10:		
Department of Health	542	53
Foundation Trusts, Trusts, PCT's and SHA's	5,527	2,219
Special Health Authorities	105	340
NHS WGA bodies	0	192
HMRC	1,822	5,913
NHS Pension Scheme	22	2,027
Scottish, Irish and Welsh NHS bodies	0	0
Charitable Funds	0	9
	<b><u>8,124</u></b>	<b><u>10,753</u></b>

## 22.3 Related party transactions

City Hospitals Sunderland NHS Foundation Trust is a Public Benefit Corporation established by the Health and Social Care (Community Health and Standards) 2003 Act.

The Trust has a system in place which allows for the identification of all new Related Party Transactions

As NHS Foundation Trusts and NHS Trusts have common control through the Secretary of State, there is an assumption that Government departments and agencies of Government departments are related parties.

The Department of Health is regarded as a related party. During the period April 2010 – March 2011 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 listed below:

North East Strategic Health Authority  
 Sunderland Teaching Primary Care Trust  
 County Durham Primary Care Trust  
 South Tyneside Primary Care Trust  
 Northumberland Tyne and Wear Mental Health Care Trust  
 County Durham and Darlington NHS Foundation Trust  
 The Newcastle Upon Tyne Hospitals NHS Foundation Trust  
 North East Ambulance Services NHS Trust

## 22.3 Related party transactions (continued)

South Tyneside NHS Foundation Trust  
 Prescription Pricing Authority  
 National Blood Service  
 NHS Litigation Authority

In addition, the Trust has had a number of transactions with other Government Departments and other central and local Government bodies and material transactions received via the University of Newcastle in relation to the funding of medical education.

The following Non Executive Directors have interests in related parties: Mr Bryan Charlton - Labour Councillor, Sunderland City Council. The Trust entered into a number of arm's length transactions during 2010/11 with Sunderland City Council, in which no benefit was obtained via this relationship.

The Trust has also received revenue and capital payments from a number of charitable funds, the Trustee of which is City Hospitals Sunderland NHS Foundation Trust, approved by members of its Trust Board.

### 23.1a Financial assets by category

	<b>Total</b>	<b>Loans and</b>
	<b>£000</b>	<b>receivables</b>
		<b>£000</b>
<b>Assets as per statement of financial position</b>		
Trade and other receivables excluding non financial assets - Note 12	<b>3,425</b>	<b>3,425</b>
Cash and cash equivalents at bank and in hand - Note 14	<b>18,571</b>	<b>18,571</b>
<b>Total at 31 March 2011</b>	<b><u>21,996</u></b>	<b><u>21,996</u></b>
Trade and other receivables excluding non financial assets	6,130	6,130
Cash and cash equivalents at bank and in hand	17,149	17,149
<b>Total at 31 March 2010</b>	<b><u>23,279</u></b>	<b><u>23,279</u></b>

### 23.1b Financial liabilities by category

	<b>Total</b>	<b>Other</b>
	<b>£000</b>	<b>financial</b>
		<b>liabilities</b>
		<b>£000</b>
<b>Liabilities as per Statement of financial position</b>		
Borrowings excluding Finance lease and PFI liabilities - Note 17	<b>33,839</b>	<b>33,839</b>
Trade and other payables excluding non financial liabilities - Note 15	<b>18,399</b>	<b>18,399</b>
<b>Total at 31 March 2011</b>	<b><u>52,238</u></b>	<b><u>52,238</u></b>
Borrowings excluding Finance lease and PFI liabilities	30,537	30,537
Trade and other payables excluding non financial liabilities	15,838	15,838
<b>Total at 31 March 2010</b>	<b><u>46,375</u></b>	<b><u>46,375</u></b>

## 23.2a Fair values of financial assets

	<b>31 March 2011 Book Value £000</b>	<b>31 March 2011 Fair value £000</b>	31 March 2010 Book Value £000	31 March 2010 Fair value £000
NHS receivables over 1 year - Agreements with commissioners to cover payables and provisions	130	130	54	54
Other - cash and cash equivalents	18,571	18,573*	17,149	17,151*
<b>Total</b>	<b><u>18,701</u></b>	<b><u>18,703</u></b>	<b><u>17,203</u></b>	<b><u>17,205</u></b>

Current financial assets are excluded as the fair values are matched equally by the book values.

\*The fair value of the cash equivalent includes interest.

## 23.2b Fair values of financial liabilities

	<b>Book Value £000</b>	<b>Fair value £000</b>	Book Value £000	Fair value £000
Borrowings	32,256	32,256	29,790	29,790
<b>Total</b>	<b><u>32,256</u></b>	<b><u>32,256</u></b>	<b><u>29,790</u></b>	<b><u>29,790</u></b>

Current financial liabilities are excluded as the fair values are matched equally by the book values.

## 23.3 Maturity of financial liabilities

	<b>31 March 2011 £000</b>	31 March 2010 £000
Less than one year	19,981	16,585
In more than one year but not more than two years	1,617	950
In more than two years but not more than five years	4,854	4,408
In more than five years	25,786	24,432
<b>Total</b>	<b><u>52,238</u></b>	<b><u>46,375</u></b>

The Foundation Trust does not deem the maturity of its financial liabilities to be subject to significant liquidity risk.

## 23.4 Financial risk management

### Liquidity Risk

Financial reporting standard IFRS 7 requires the 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. The Foundation Trust's net operating costs are incurred under annual service contracts with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Foundation Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Foundation Trust receives cash each month based on the agreed level of contract activity and there are quarterly payments/deductions made to adjust for the actual income due under PBR. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. To alleviate this issue the Foundation Trust has maintained an £18,000,000 working capital facility with its current Bankers, which was not utilised in 2010/11.

The Foundation Trust presently finances its capital expenditure from internally generated funds. In addition, the Foundation Trust can borrow, both from the Foundation Trust Financing Facility and commercially to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the Foundation Trust is not, therefore, exposed to significant liquidity risks in this area.

### Interest Rate Risk

All of the Foundation Trust's financial assets and financial liabilities carry nil or fixed rates of interest. The Foundation Trust is not, therefore, exposed to significant interest-rate risk. The only risk is therefore regarding the level of interest generated on the Foundation Trust's investment which may be higher or lower than planned at the start of the year due to fluctuating interest rates. The value of interest generated in 2010/11 was £120k and the exposure is therefore limited.

### Foreign Currency Exchange Rate Risk

The Foundation Trust has negligible foreign currency income or expenditure.

### Treasury Management Arrangements

The Foundation Trust has a Treasury Management Committee that reviews the financial performance of the Foundation Trust's cash investments. The Foundation Trust operates within an agreed Treasury Management policy that governs the nature of cash investments.

### Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Foundation Trust. Credit risk arises from deposits with banks as well as credit exposures to the Foundation Trust's commissioners and other debtors. Surplus operating cash is only invested with the National Loans Fund and Lloyds TSB as a condition of the Working Capital Facility. The Foundation Trust's cash assets are held only with HSBC and CitiBank, the latter of which forms part of the Government Banking Service. The Foundation Trust's net operating costs are incurred in the delivery of annual service agreements with local primary care trusts, which are financed from resources voted annually by Parliament. An analysis of the ageing of receivables and provision for impairment can be found at Note 12.

## 24. Third party assets

The Trust held £20,051 cash at bank and in hand at 31/03/11 (£16,084 at 31/03/10) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts.

## 25. Intra-Government and other balances

	Receivables: amounts falling due within one year £000	Receivables: amounts falling due after more than one year £000	Payables: amounts falling due within one year £000	Payables: amounts falling due after more than one year £000
Balances with other Central Government Bodies	2,395	130	8,106	3,763
Balances with NHS Trusts and Foundation Trusts	386	0	2,165	0
Balances with bodies external to government	3,053	713	16,964	32,293
<b>At 31 March 2011</b>	<b><u>5,834</u></b>	<b><u>843</u></b>	<b><u>27,235</u></b>	<b><u>36,056</u></b>
Balances with other Central Government Bodies	7,092	54	4,586	2,294
Balances with NHS Trusts and Foundation Trusts	766	0	1,837	0
Balances with bodies external to government	2,324	1,136	16,462	29,845
At 31 March 2010	<u>10,182</u>	<u>1,190</u>	<u>22,885</u>	<u>32,139</u>

## 26. Public Dividend Capital Dividend

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The dividend of £5,216,000 is calculated by applying the 3.5% Treasury rate to the average relevant net assets of £149,032,000.

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%.

## 27.1 Losses and special payments

NHS Foundation Trusts are required to follow the guidance issued by the Department of Health in accounting for losses and special payments:

- These 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 divided into different categories, which govern the way each individual case is handled.

The number and value of losses and special payment cases:

Ref. Category of loss / special payment	1 April 2010 – 31 March 2011		1 April 2009 – 31 March 2010	
	Number of cases	Value of cases £	Number of cases	Value of cases £
1a Losses of cash due to theft, fraud etc	0	0	1	879
1b Losses of cash due to overpayment of salaries etc.	10	6,492	9	65,579
1c Losses of cash due to other causes	3	27	9	198
3a Bad debts and claims abandoned – private patients	6	157	26	3,630
3b Bad debts and claims abandoned – overseas visitors	1	609	3	1,097
3c Bad debts and claims abandoned – other	456	12,418	758	19,324
4a Damage to buildings, loss of equipment and property due to theft, fraud etc	8	4,681	7	9,492
4b Damage to buildings, loss of equipment and property due to other causes	70	90,367	81	312,137
7a Ex-gratia payments for loss of personal effects	24	5,324	38	8,331
7c Ex-gratia payments for personal injury with advice	39	136,059	33	136,212
7e Ex-gratia payments - other - <b>Note 27.2</b>	28	211,640	0	0
<b>Total Losses and Special Payments</b>	<b>645</b>	<b>467,774</b>	<b>965</b>	<b>556,879</b>

The above values have been calculated on an accruals basis whereby expenditure is recognised in the period in which the associated liability was incurred.



## 27.2. Staff exit packages

Note 27.1, item reference 7e, includes costs associated with a Voluntary Severance Scheme, forming part of the Trust’s Cost Improvement Programme. The scheme was formally approved by the Treasury.

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<£10,000	0	8	8
£10,000 – £25,000	0	6	6
£25,000 – £50,000	0	2	2
<b>Total number of exit packages by type</b>	<b>0</b>	<b>16</b>	<b>16</b>
<b>Total resource cost</b>	<b>£0</b>	<b>£198,655</b>	<b>£198,655</b>



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NHS Foundation Trust