

**Robert Jones & Agnes Hunt Orthopaedic and District Hospital NHS Trust**

**Annual Accounts 2010/11**

**Primary Accounting Statements & Notes to the Accounts**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 MARCH 2011**

	NOTE	2010-11 £000	2009-10 £000
<b>Revenue</b>			
Revenue from patient care activities	5	76,126	72,292
Other operating revenue	6	6,231	6,438
Operating expenses	8	<u>(80,654)</u>	<u>(77,253)</u>
<b>Operating surplus</b>		<b>1,703</b>	<b>1,477</b>
<b>Finance costs:</b>			
Investment revenue	14	12	11
Other gains and losses	15	0	0
Finance costs	16	<u>(23)</u>	<u>(67)</u>
<b>Surplus for the financial year</b>		<b>1,692</b>	<b>1,421</b>
Public dividend capital dividends payable		<u>(1,182)</u>	<u>(1,347)</u>
<b>Retained surplus for the year</b>		<b><u>510</u></b>	<b><u>74</u></b>
<b>Other comprehensive income</b>			
Impairments and reversals		(68)	(8,544)
Gains on revaluations		1,126	318
Receipt of donated/government granted assets		400	758
Reclassification adjustments:			
- Transfers from donated and government grant reserves		<u>(423)</u>	<u>(496)</u>
<b>Total comprehensive income for the year</b>		<b><u>1,545</u></b>	<b><u>(7,890)</u></b>

The notes on pages 6 to 40 form part of these accounts.

**Reported NHS financial performance position [Adjusted retained surplus]**

<b>Retained surplus for the year</b>	<b>510</b>
Impairments [included in "operating expenses" above]	<u>1,108</u>
<b>Reported NHS financial performance position [Adjusted retained surplus]</b>	<b><u>1,618</u></b>

A Trust's Reported NHS financial performance position is derived from its Retained surplus, but adjusted for Impairments to Fixed Assets. An impairment charge is not considered part of the organisation's operating position.

**STATEMENT OF FINANCIAL POSITION AS AT  
31 MARCH 2011**

		<b>31 March</b>	31 March	Restated
	NOTE	<b>2011</b>	2010	1 April
		<b>£000</b>	£000	£000
<b>Non-current assets</b>				
Property, plant and equipment	17	<b>45,937</b>	46,104	55,127
Intangible assets	18	<b>107</b>	35	0
Trade and other receivables	22	<b>231</b>	436	524
<b>Total non-current assets</b>		<b>46,275</b>	46,575	55,651
<b>Current assets</b>				
Inventories	21	<b>1,535</b>	1,516	1,275
Trade and other receivables	22	<b>4,110</b>	5,365	5,685
Cash and cash equivalents	25	<b>3,859</b>	1,754	1,889
<b>Total current assets</b>		<b>9,504</b>	8,635	8,849
<b>Total assets</b>		<b>55,779</b>	55,210	64,500
<b>Current liabilities</b>				
Trade and other payables	27	<b>(6,453)</b>	(7,556)	(7,787)
Other liabilities	29	<b>(3)</b>	(3)	(1)
Borrowings	28	<b>(75)</b>	(53)	(1,198)
Provisions	35	<b>(262)</b>	(197)	(480)
<b>Net current assets/(liabilities)</b>		<b>2,711</b>	826	(617)
<b>Total assets less current liabilities</b>		<b>48,986</b>	47,401	55,034
<b>Non-current liabilities</b>				
Borrowings	28	<b>(402)</b>	(328)	(381)
Provisions	35	<b>(426)</b>	(460)	(500)
<b>Total assets employed</b>		<b>48,158</b>	46,613	54,153
<b>Financed by taxpayers' equity:</b>				
Public dividend capital		<b>31,220</b>	31,220	30,870
Retained earnings		<b>(2,907)</b>	(3,455)	(3,616)
Revaluation reserve		<b>9,174</b>	8,422	15,660
Donated asset reserve		<b>10,345</b>	10,101	11,239
Government grant reserve		<b>326</b>	325	0
<b>Total taxpayers' equity</b>		<b>48,158</b>	46,613	54,153

The financial statements on pages 1 to 5 were approved by the Board on 26 May 2011 and signed on its behalf by:

Signed: .....(Chief Executive)

Date: .....

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY  
FOR THE YEAR ENDED 31 MARCH 2010**

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Total £000
<b>Balance at 31 March 2009</b>						
As previously stated	30,870	(3,616)	15,660	11,239	0	54,153
Prior period adjustment						0
<b>Restated balance</b>	30,870	(3,616)	15,660	11,239	0	54,153
<b>Changes in taxpayers' equity for 2009-10</b>						
Total comprehensive income for the year:						
Retained surplus/(deficit) for the year		74				74
Transfers between reserves		87	(87)	0	0	0
Impairments and reversals			(7,469)	(1,058)	(17)	(8,544)
Net gain on revaluation of property, plant, equipment			318	0	0	318
Receipt of donated/government granted assets				414	344	758
Reclassification adjustments:						
- transfers from donated asset/government grant reserve				(494)	(2)	(496)
New PDC received	350					350
<b>Balance at 31 March 2010</b>	<b>31,220</b>	<b>(3,455)</b>	<b>8,422</b>	<b>10,101</b>	<b>325</b>	<b>46,613</b>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY  
FOR THE YEAR ENDED 31 MARCH 2011**

	<b>Public dividend capital (PDC) £000</b>	<b>Retained earnings £000</b>	<b>Revaluation reserve £000</b>	<b>Donated asset reserve £000</b>	<b>Government grant reserve £000</b>	<b>Total £000</b>
<b>Changes in taxpayers' equity for 2010-11</b>						
<b>Balance at 1 April 2010</b>	31,220	(3,455)	8,422	10,101	325	46,613
Total comprehensive income for the year						
Retained surplus/(deficit) for the year		510				510
Transfer between reserves		38	(38)			
Impairments and reversals*			0	(68)	0	(68)
Net gain on revaluation of property, plant, equipment			790	326	10	1,126
Receipt of donated/government granted assets				400	0	400
Reclassification adjustments:						
- transfers from donated asset/government grant reserve				(414)	(9)	(423)
<b>Balance at 31 March 2011</b>	<b>31,220</b>	<b>(2,907)</b>	<b>9,174</b>	<b>10,345</b>	<b>326</b>	<b>48,158</b>

\* No impairments were taken to the revaluation reserve during 2010/11 as the relevant reserves had been cleared by the MEA revaluation impairments of 2009/10.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**

**31 MARCH 2011**

	NOTE	2010-11 £000	2009-10 £000
<b>Cash flows from operating activities</b>			
Operating surplus		1,703	1,477
Depreciation and amortisation		2,904	2,847
Impairments and reversals		1,108	1,980
Transfer from donated asset reserve		(414)	(494)
Transfer from government grant reserve		(9)	(2)
Interest paid		(22)	(67)
Dividends paid		(1,182)	(1,347)
(Increase) in inventories		(19)	(241)
Decrease in trade and other receivables		1,411	457
(Decrease) in trade and other payables		(1,267)	(131)
Increase in other current liabilities		0	2
Increase/(decrease) in provisions		31	(323)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>4,244</b>	<b>4,158</b>
<b>Cash flows from investing activities</b>			
Interest received		(12)	11
Payments for property, plant and equipment		(2,625)	(4,113)
Payments for intangible assets		(80)	(36)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(2,717)</b>	<b>(4,138)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>1,527</b>	<b>20</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		0	350
Loans repaid to the DH		(50)	(1,182)
Other capital receipts		635	696
Capital element of finance leases and PFI		(7)	(19)
<b>Net cash inflow/(outflow) from financing</b>		<b>578</b>	<b>(155)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,105</b>	<b>(135)</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>1,754</b>	<b>1,889</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	25	<b>3,859</b>	<b>1,754</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010-11 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another. The Trust had no acquisitions or discontinued operations during 2010/11.

#### 1.3 Critical accounting judgements and key sources of estimation uncertainty

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

##### 1.3.1 Critical judgements in applying accounting policies

The Trust management has had to make no critical judgements, apart from those involving estimations, in the process of applying the Trust's accounting policies.

##### 1.3.2 Key sources of estimation uncertainty

Most key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the relevant notes.

In an improvement on the position for 2009/10, all of our March activity has been recognised based on actual coded price.

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

### 1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

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

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

The current suggested bad debt provision rate for outstanding ICR notifications is 9.6%. The Trust has reviewed this percentage and estimated that a provision of 16.7% more accurately reflects the risk, based on recent levels of withdrawals.

### 1.5 Employee Benefits

#### Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Untaken annual leave is accrued as an expense when it equates to additional days worked for which the cost will be borne in the following year when the leave is taken. Managers are required to complete a return stating the number of days leave untaken by staff by grade. The calculation is made based on the mid-point cost of each grade. Staff costs are then amended by the movement year on year. In 2010-11 returns were received relating to 78% of the total FTE of the Trust's employees. These results were grossed up to 100%

#### Retirement benefit costs

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

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



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

### 1.6 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

### 1.7 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives. The Trust records and splits buildings into the following six components based on Valuation Office reports: Windows/Doors, Ventilation System, Electrical Installations, Lifts, Structure excluding Windows/Doors and Engineering excluding Ventilation Systems and Lifts.

#### Valuation

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

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

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

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

The Trust's land and buildings were first revalued under these new requirements by the Valuation Office as at 1 April 2009. An alternative site valuation is not considered appropriate for this Trust.

A subsequent "good housekeeping" valuation was carried out by the Valuation Office in January 2011 for land and for buildings where material expenditure had been included since the previous revaluation date. Details of the effect of this revaluation are given in the Property, Plant and Equipment and the Intangible Asset notes.

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

The remaining property assets were indexed using indices produced by the Building Cost Information Services of RICS to achieve estimated fair values as at 31 March 2011. These indices are produced regularly, are recognised within the construction industry and are the indices used by the Valuation Office.

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation of short life, low value assets has ceased and the depreciated cost value is considered by the Trust to be a fair proxy for current value. The Trust has defined short life, low value assets as those with an expected useful life of less than 10 years and a value of less than £30k. For short life, low value assets the carrying value of existing assets as at 1 April 2008 will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from their fair value.

Existing assets as at 31 March 2008 with both a life or greater than 10 years and a value of greater than £30k continue to be indexed as will all new fixtures and equipment assets meeting these criteria. The indexation value used is the relevant equipment indexation purchase price increase for the previous 12 months found in the January Healthcare Services Cost Index (HSCI) report posted on the DH financial website each year in late March or early April.

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

### Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

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

### 1.8 Intangible assets

#### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

#### Measurement

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

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

### 1.9 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

At each reporting period end, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### **1.10 Donated assets**

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

### **1.11 Government grants**

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to offset the expenditure.

### **1.12 Non-current assets held for sale**

The Trust holds no non-current assets for sale.

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

### **1.13 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### **The trust as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

The Trust does not lease any land or buildings.

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

### The trust as lessor

The Trust holds no finance lease as lessor as all buildings rental agreements are for substantially less than the life of the buildings and/or have been assessed as operating leases.

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

### 1.14 Private Finance Initiative (PFI) transactions

The Trust currently has no PFI schemes and has no plans for any such schemes in the future.

### 1.15 Inventories

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

During 2010/11 the Trust reviewed its inventory policy and decided that it is not appropriate to account for inventory stocks where they have a total value of less than £10k. There were two inventory stocks which fell under this value and were therefore taken into revenue where transactions for these lower value stocks will be accounted for in future. The total balance of these stocks combined was £14k in the closing balance of the 2009-10 accounts but as the Trust does not believe this change to materially affect the understanding of these accounts a prior year adjustment has not been made.

### 1.16 Cash and cash equivalents

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

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

### 1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

### 1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

### 1.19 Non-clinical risk pooling

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

### 1.20 EU Emissions Trading Scheme

The Trust is not currently part of this scheme.

### 1.21 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

The Trust holds no contingencies in 2010/11.

### 1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

Of the above categories, the Trust only holds loans and receivables.

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

### Loans and receivables

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques - amortised cost which is cost less principal payments and amortisation.

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

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

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

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

### 1.23 Financial liabilities

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

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

### Other financial liabilities

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

### 1.24 Value Added Tax

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

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

### 1.25 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

### 1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 41 to the accounts.

### 1.27 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

### 1.28 Losses and Special Payments

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

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

### 1.29 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

For 2009-10 and 2010-11, in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

### 1.30 Research and Development

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

### 1.31 Accounting standards that have been issued but have not yet been adopted

IFRIC 19 "Extinguishing financial liabilities with equity instruments" is effective from 1 July 2010. Neither the Treasury FReM nor the Department of Health's manual for Accounts require this standard to be applied in 2010-11. The application of the IFRIC would not have a material impact on the Trust.



## 2. Pooled budgets

The Trust has no pooled budget arrangements.

## 3. Operating segments

RJAH Hospital NHS Trust is a specialist hospital with only the one business segment of healthcare.

The Trust receives material income (amounting to 10% or more of total income of £82,357k) from the following external bodies:

English NHS - Primary Care Trusts	£50,678k	62%
Welsh NHS - Local Health Boards	£21,700k	26%

#### 4. Income generation activities

The trust undertakes income generation activities with an aim of achieving a surplus, which is then used to invest in patient care. No schemes in either 2009-10 or 2010-11 had a full cost which exceeded £1m or 1% of operating expenditure which was deemed material.

<b>5. Revenue from patient care activities</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Strategic health authorities	<b>961</b>	815
NHS trusts	<b>225</b>	195
Primary care trusts	<b>49,583</b>	47,512
Local authorities	<b>8</b>	19
Department of Health	<b>34</b>	0
Non-NHS:		
Private patients	<b>3,268</b>	2,893
Injury costs recovery*	<b>302</b>	476
Other**	<b>21,745</b>	20,382
	<b><u>76,126</u></b>	<u>72,292</u>

\* Injury cost recovery income is subject to a provision for impairment of receivables of 16.7% to reflect expected rates of collection. This is based upon a local assessment of notified claims that mature into cash receipts.

\*\* Other income is primarily from Welsh healthcare bodies

<b>6. Other operating revenue</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Education, training and research	<b>2,400</b>	2,250
Charitable and other contributions to expenditure	<b>50</b>	7
Transfers from donated asset reserve	<b>414</b>	494
Transfers from government grant reserve	<b>9</b>	2
Income generation	<b>1,687</b>	1,916
Rental revenue from operating leases	<b>325</b>	343
Other revenue	<b>1,346</b>	1,426
	<b><u>6,231</u></b>	<b><u>6,438</u></b>

## 7. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

<b>8. Operating expenses</b>	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Services from other NHS trusts	<b>114</b>	89
Services from PCTs	<b>27</b>	27
Purchase of healthcare from non NHS bodies	<b>0</b>	764
Trust chair and non executive directors	<b>53</b>	46
Employee benefits	<b>45,175</b>	42,208
Supplies and services - clinical	<b>21,247</b>	19,477
Supplies and services - general	<b>1,486</b>	1,737
Consultancy services	<b>590</b>	759
Establishment	<b>1,314</b>	1,348
Transport	<b>698</b>	667
Premises	<b>3,875</b>	3,425
Provision for impairment of receivables	<b>571</b>	148
Inventories write down	<b>50</b>	45
Depreciation	<b>2,896</b>	2,846
Amortisation	<b>8</b>	1
Impairments and reversals of property, plant and equipment	<b>1,108</b>	1,980
Audit fees	<b>101</b>	124
Other auditor's remuneration*	<b>130</b>	129
Clinical negligence (NHSLA premium)**	<b>568</b>	493
Research and development	<b>64</b>	94
Education and Training	<b>279</b>	273
Other***	<b>300</b>	573
	<b><u>80,654</u></b>	<b><u>77,253</u></b>

\* Other auditor's remuneration includes fees for internal audit services.

\*\* Clinical negligence refers to the premiums paid to the NHS Litigation Authority for the national pooled scheme which is based on the number of consultants in a Trust weighted by their specialty. The year on year increase is due to the Trust employing an increased number of consultants and an increase in the premium charged per consultant.

\*\*\* Other expenditure includes car parking and security management services.

## 9. Operating leases

### 9.1 As lessee

The Trust has no material operating leases exceeding 1% of expenditure.

<b>Payments recognised as an expense</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Minimum lease payments	<u>1,458</u>	<u>995</u>
	<b>1,458</b>	<b>995</b>
<b>Total future minimum lease payments</b>	<b>2010-11</b>	2009-10
	<b>Total</b>	Total
	<b>£000</b>	£000
Payable:		
Not later than one year	1,550	1,321
Between one and five years	3,130	3,180
After 5 years	0	7
Total	<u>4,680</u>	<u>4,508</u>

### 9.2 As lessor

The Trust rents out a small proportion of the hospital buildings to partner organisations who compliment the service it provides.

<b>Rental revenue</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Contingent rent	0	88
Other	<u>325</u>	<u>255</u>
<b>Total rental revenue</b>	<b>325</b>	<b>343</b>
<b>Total future minimum lease payments</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Receivable:		
Not later than one year	180	180
Between one and five years	722	695
After 5 years	105	275
Total	<u>1,007</u>	<u>1,150</u>

## 10. Employee costs and numbers

### 10.1 Employee costs

	2010-11			2009-10		
	Total £000	Permanently employed £000	Other £000	Total £000	Permanently employed £000	Other £000
Salaries and wages	38,220	36,726	1,494	35,804	34,012	1,792
Social security costs	2,870	2,769	101	2,637	2,554	83
Employer contributions to NHS Pension scheme	4,177	4,177	0	3,865	3,865	0
Other pension costs	0	0	0	0	0	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
<b>Employee benefits expense</b>	<b>45,267</b>	<b>43,672</b>	<b>1,595</b>	<b>42,306</b>	<b>40,431</b>	<b>1,875</b>
<b>Of the total above:</b>						
Charged to capital	92			98		
Employee benefits charged to revenue	45,175			42,208		
	<b>45,267</b>			<b>42,306</b>		

### 10.2 Average number of people employed

	2010-11			2009-10		
	Total Number	Permanently employed Number	Other Number	Total Number	Permanently employed Number	Other Number
Medical and dental	104	104	0	95	95	0
Ambulance staff	0	0	0	0	0	0
Administration and estates	293	277	16	263	250	13
Healthcare assistants and other support staff	257	239	18	241	229	12
Nursing, midwifery and health visiting staff	263	256	7	256	249	7
Nursing, midwifery and health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	187	184	3	183	179	4
Social care staff	0	0	0	0	0	0
Other	0	0	0	4	0	4
<b>Total</b>	<b>1,104</b>	<b>1,060</b>	<b>44</b>	<b>1,042</b>	<b>1,002</b>	<b>40</b>
<b>Of the above:</b>						
Number of whole time equivalent staff engaged on capital projects	2			2		

### 10.3 Management Costs

	2010-11 £000	2009-10 £000
Management costs	3,806	3,722
Income	82,357	78,731
Management cost as a percentage of income	4.62%	4.73%

The 2009-10 management cost has been restated to include audit fees in line with the 2010-11 value.

## 11. Pension costs

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

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.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### 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 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 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 NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

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

The Trust has no staff who are members of other schemes.

**12. Retirements due to ill-health**

The Trust experienced no retirements due to ill health during 2010-11.

**13. Better Payment Practice Code**

<b>Better Payment Practice Code - measure of compliance</b>	<b>2010-11</b>		<b>2009-10</b>	
	<b>Number</b>	<b>£000</b>	<b>Number</b>	<b>£000</b>
Total Non-NHS trade invoices paid in the year	<b>31,083</b>	<b>40,352</b>	30,603	39,144
Total Non NHS trade invoices paid within target	<b>29,909</b>	<b>39,343</b>	29,724	37,828
Percentage of Non-NHS trade invoices paid within target	<b>96%</b>	<b>97%</b>	97%	97%
Total NHS trade invoices paid in the year	<b>740</b>	<b>7,499</b>	771	10,849
Total NHS trade invoices paid within target	<b>680</b>	<b>7,290</b>	643	10,207
Percentage of NHS trade invoices paid within target	<b>92%</b>	<b>97%</b>	83%	94%

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

The Trust is an approved signatory to the Prompt Payment Code.

<b>14. Investment revenue</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest revenue:		
Bank accounts	12	11
<b>Total</b>	<u>12</u>	<u>11</u>

**15. Other gains and losses**

The Trust had no other gains or losses during 2010-11 (none in 2009-10).

<b>16. Finance costs</b>	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest on loans	17	66
Interest on obligations under finance leases	6	1
<b>Total</b>	<u>23</u>	<u>67</u>



**17. Property, plant and equipment**

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2010-11</b>									
Cost or valuation at 1 April 2010	1,109	41,918	189	220	8,016	56	3,403	581	55,492
Additions purchased	0	491	0	1,183	502	0	203	0	2,379
Additions donated	0	400	0	0	0	0	0	0	400
Disposals other than by sale	0	0	0	0	(375)	0	(196)	0	(571)
Revaluation/indexation gains	0	1,074	3	39	16	0	0	0	1,132
Impairments	0	(68)	0	0	0	0	0	0	(68)
<b>At 31 March 2011</b>	<b>1,109</b>	<b>43,815</b>	<b>192</b>	<b>1,442</b>	<b>8,159</b>	<b>56</b>	<b>3,410</b>	<b>581</b>	<b>58,764</b>
Depreciation at 1 April 2010	0	3,462	74	2	3,963	35	1,480	372	9,388
Disposals other than by sale	0	0	0		(375)	0	(196)	0	(571)
Revaluation/indexation gains	0	0	0		6	0	0	0	6
Impairments	0	1,040	0	212	0	0	0	0	1,252
Reversal of impairments	0	(144)	0	0	0	0	0	0	(144)
Charged during the year	0	1,468	4		821	3	555	45	2,896
<b>Depreciation at 31 March 2011</b>	<b>0</b>	<b>5,826</b>	<b>78</b>	<b>214</b>	<b>4,415</b>	<b>38</b>	<b>1,839</b>	<b>417</b>	<b>12,827</b>
<b>Net book value</b>									
Purchased	1,109	27,602	114	1,228	3,487	0	1,569	157	35,266
Donated	0	10,061	0	0	257	18	2	7	10,345
Government granted	0	326	0	0	0	0	0	0	326
<b>Total at 31 March 2011</b>	<b>1,109</b>	<b>37,989</b>	<b>114</b>	<b>1,228</b>	<b>3,744</b>	<b>18</b>	<b>1,571</b>	<b>164</b>	<b>45,937</b>
<b>Asset financing</b>									
Owned	1,109	37,989	114	1,228	3,596	18	1,569	164	45,787
Finance leased	0	0	0	0	148	0	2	0	150
<b>Total 31 March 2011</b>	<b>1,109</b>	<b>37,989</b>	<b>114</b>	<b>1,228</b>	<b>3,744</b>	<b>18</b>	<b>1,571</b>	<b>164</b>	<b>45,937</b>

**17.1 Revaluation reserve balance for property, plant & equipment**

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	689	7,654	0	79	0	0	0	8,422
Movements - indexation	0	780	0	(28)	0	0	0	752
<b>At 31 March 2011</b>	<b>689</b>	<b>8,434</b>	<b>0</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,174</b>

**17. Property, plant and equipment continued**

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2009-10</b>									
Cost or valuation at 1 April 2009	811	47,754	487	379	6,546	56	3,181	464	59,678
Additions purchased	0	1,506	0	0	1,442	0	206	117	3,271
Additions donated	0	401	0	0	13	0	0	0	414
Additions government granted	0	344	0	0	0	0	0	0	344
Reclassifications	0	150	0	(150)	(14)	0	16	0	2
Revaluation/indexation gains	298	0	0	0	29	0	0	0	327
Impairments	0	(8,237)	(298)	(9)	0	0	0	0	(8,544)
<b>At 31 March 2010</b>	<b>1,109</b>	<b>41,918</b>	<b>189</b>	<b>220</b>	<b>8,016</b>	<b>56</b>	<b>3,403</b>	<b>581</b>	<b>55,492</b>
Depreciation at 1 April 2009					3,247	26	938	340	4,551
Reclassifications		0	0		(9)	0	11	0	2
Revaluation/indexation gains	0	0	0		9	0	0	0	9
Impairments	0	1,909	69	2	0	0	0	0	1,980
Charged during the year	0	1,553	5		716	9	531	32	2,846
<b>Depreciation at 31 March 2010</b>	<b>0</b>	<b>3,462</b>	<b>74</b>	<b>2</b>	<b>3,963</b>	<b>35</b>	<b>1,480</b>	<b>372</b>	<b>9,388</b>
<b>Net book value</b>									
Purchased	1,109	28,386	115	218	3,729	0	1,920	201	35,678
Donated	0	9,745	0	0	324	21	3	8	10,101
Government granted	0	325	0	0	0	0	0	0	325
<b>Total at 31 March 2010</b>	<b>1,109</b>	<b>38,456</b>	<b>115</b>	<b>218</b>	<b>4,053</b>	<b>21</b>	<b>1,923</b>	<b>209</b>	<b>46,104</b>
<b>Asset financing</b>									
Owned	1,109	38,456	115	218	4,053	21	1,918	209	46,099
Finance leased	0	0	0	0	0	0	5	0	5
<b>Total 31 March 2010</b>	<b>1,109</b>	<b>38,456</b>	<b>115</b>	<b>218</b>	<b>4,053</b>	<b>21</b>	<b>1,923</b>	<b>209</b>	<b>46,104</b>

## 17. Property, plant and equipment (cont.)

During 2010-11 the RJAH Hospital League of Friends contributed £400k towards the installation of a replacement MRI scanner.

In January 2011 the Trust commissioned the District Valuer (DV) to carry out a revaluation as at 31 March 2011 of assets brought into use since his previous valuation date of 1 April 2009. This resulted in an impairment detailed in Note 19.

Property assets not covered by the DV revaluation, were revalued using the "All in Tender Price Index" produced by the Royal Institute of Chartered Surveyors (RICS) in January 2011, an increase since 1 April 2011 of just over 3%. Assets under construction were indexed on the same basis as property assets.

Revaluation increases not required to reverse previous impairments (see note 19) were taken to the revaluation reserves.

The High Value Long Life Equipment held by the Trust is radiology based, including the MRI scanner purchased in 2005. It was indexed based on the increase in X-Ray equipment cost movement as per the Health Services Cost Index listing published by the Department of Health in March 2011.

A summary of the results of the indexation revaluations are shown below:

	<b>NHS Purchased</b>	<b>Donated</b>	<b>Government Grant</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Revaluation</b>				
RCIS Indexation	924	326	10	1260
HCSI Indexation	10			10
<b>Total Revaluation</b>	<b>934</b>	<b>326</b>	<b>10</b>	<b>1270</b>
Reversal of previous impairments*	-144			
<b>Revaluation increase to reserves</b>	<b>790</b>	<b>326</b>	<b>10</b>	<b>1270</b>

\* Taken to operating expenses - see Impairments - Note 18

The Trust entered into three new finance leases for radiology equipment with a total equipment value of £155k, following the maturity of existing operating lease agreements.

### Asset Lives

The District Valuer determines the lives of the Trust's property assets. These are within the following ranges:

- ~ Buildings excluding dwellings have a minimum life of 2 years and a maximum life of 68 years.
- ~ Dwellings have minimum life of 8 years and a maximum life of 51 years.

Equipment and intangible asset lives are determined locally and are with the following ranges:

- ~ Plant and machinery have a minimum life of 0 years and a maximum life of 19 years
- ~ Transport equipment has a minimum life of 0 years and a maximum life of 5 years
- ~ Information technology has a minimum life of 0 years and a maximum life of 6 years
- ~ Furniture and fittings have a minimum life of 0 years and a maximum life of 9 years

The gross carrying amount of fully depreciated assets still in use is £2,176k.

**18. Intangible assets**

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
2010-11	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2010	36	0	0	0	0	36
Additions purchased	80	0	0	0	0	80
<b>Gross cost at 31 March 2011</b>	<b>116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>116</b>
Amortisation at 1 April 2010	1	0	0	0	0	1
Charged during the year	8	0	0	0	0	8
<b>Amortisation at 31 March 2011</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
<b>Net book value</b>						
Purchased	107	0	0	0	0	107
<b>Total at 31 March 2011</b>	<b>107</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107</b>

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
2009-10	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2009	35	0	0	0	0	35
Additions purchased	36	0	0	0	0	36
<b>Gross cost at 31 March 2010</b>	<b>71</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71</b>
Amortisation at 1 April 2009	0	0	0	0	0	0
Charged during the year	1	0	0	0	0	1
<b>Amortisation at 31 March 2010</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Net book value</b>						
Purchased	35	0	0	0	0	35
<b>Total at 31 March 2010</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>

There has been a classification correction of software assets from "internally generated" to "purchased".

## 18. Intangible assets (cont.)

No revaluation of intangible assets was carried out during 2010-11 as the Trust holds no high value long life intangible assets and the depreciated cost value is considered to be a fair approximation of their fair value.

None of the intangible assets held by the Trust were donated and none were internally generated.

All the intangible assets are software with a minimum life of 1 year and a maximum life of 5 years.

There are no revaluation reserves relating to intangible assets.

## 19. Impairments

All impairments relating to donated or government granted assets are taken to the relevant reserve.

Total impairments of £1,320k were incurred against property assets during 2010-11 of which £68k related to donated assets and was taken straight to the donation reserve, the remaining £1,252k was taken to operational expenditure net of the reversal of impairment relating to the indexation revaluation detailed in Note 17.

Total impairments of £1,320k were incurred against property assets during 2010-11. The component drivers of this impairment are shown below:

	<b>NHS Purchased</b>	<b>Donated</b>	<b>Government Grant</b>	<b>Total</b>
<b><u>Impairments</u></b>				
Revaluation of assets brought into use	-498	-68	0	-566
Car Park	-212			-212
Nurses Home	-542			-542
<b>Total Impairments</b>	<b>-1252</b>	<b>-68</b>	<b>0</b>	<b>-1320</b>
Reversal of previous impairments*	144			144
<b>Impairments net of reversals</b>	<b>-1108</b>	<b>-68</b>	<b>0</b>	<b>-1176</b>

\* Increase in value of assets which have previously incurred an impairment based on market price reduction

All NHS Purchased impairments, net of any reversals, were taken to operating expenses.

The DV valuation resulted in no movement in the land value.

An asset under construction relating to car parking provision was impaired as it was no longer required under the finalised main entrance and outpatient configuration.

The remaining £542k impairment taken to operating expenses related to the closure and demolition of the Nurses Home which will commence in early 2011/12 as part of the new main entrance and outpatient configuration.

Of the £1,260k increase in purchased property assets following the indexation revaluation mentioned in Note 17, part related to assets which had market price impairments taken to operating expenses in a prior period. An impairment reversal credit of £144k was taken to operating expenses, being the lower of either the previous impairment or the revaluation increase available for each asset.. This had the effect of reducing the overall impairment revenue expense for 2010-11 from £1,252k to £1,108k.

The remaining valuation increase was taken to the revaluation reserves.

A further £123k market price impairment from prior periods may be reversed in future periods dependent upon future indices applied.

## 20. Capital Commitments

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

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	574	0
<b>Total</b>	<b>574</b>	<b>0</b>

## 21. Inventories

### 21.1 Inventories by category

	31 March 2011 £000	31 March 2010 £000
Drugs	212	216
Consumables*	1,286	1,273
Energy	37	27
<b>Total</b>	<b>1,535</b>	<b>1,516</b>

\* March 2010 value includes £14k low value stocks since reclassified as revenue

Of which none were held at net realisable value.

### 21.2 Inventories recognised in expenses

	31 March 2011 £000	31 March 2010 £000
Inventories recognised as an expense in the period	0	0
Write-down of inventories (including losses)	(50)	(45)
Reversal of write-downs that reduced the expense	0	0

## 22. Trade and other receivables

### 22.1 Trade and other receivables by category

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables-revenue*	1,230	0	2,557	0
Non-NHS receivables-revenue**	871	0	1,035	0
Non-NHS receivables-capital	0	0	49	0
Provision for the impairment of receivables	(709)	(46)	(412)	(37)
Accrued Income	880	0	626	0
Prepayments	833	0	652	0
VAT	69	0	79	0
Other receivables***	936	277	779	473
<b>Total</b>	<b>4,110</b>	<b>231</b>	<b>5,365</b>	<b>436</b>

The great majority of trade is with Primary Care Trusts and Welsh NHS bodies, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government and Welsh NHS bodies are funded by the Welsh Assembly to buy NHS patient care services, no credit scoring of them is considered necessary.

\* NHS receivables refers to English NHS receivables only.

\*\* Non-NHS receivables includes income due from Welsh, Scottish and Northern Irish NHS bodies as they are separate entities to the English NHS.

\*\*\* Other receivables mainly relates to income due from the Compensation Recovery Unit under the Injury Compensation Recovery Scheme and also includes expenditure recharges to third parties.

## 22. Trade and other receivables continued

The Trust does not provide for the impairment of English NHS receivables, following Department of Health guidance. All other invoiced receivables are provided for on the following basis:

~ as considered appropriate where it is believed there is a risk of non payment prior to the standard conditions below

~ 100% for receivables overdue by 12 months

~ 50% for receivables overdue by more than 3 months but less than 12 months

<b>22.2 Receivables past their due date but not impaired</b>	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
By up to three months	<b>921</b>	1,457
By three to six months	<b>32</b>	29
By more than six months	<b>15</b>	64
<b>Total</b>	<b>968</b>	1,550

The above values include English NHS receivables, the 2009-10 values being restated, for which a provision is not made. They are based on the unpaid debtor invoices outstanding as at 31.3.11 excluding those raised in the last 7 days of the year which are not classified as being overdue. The reduction in 2010-11 is a reflection in the reduction in outstanding debtor invoices year on year.

<b>22.3 Provision for impairment of receivables</b>	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
<b>Balance at 1 April</b>	<b>(449)</b>	(911)
Amount written off during the year	<b>265</b>	610
Amount recovered during the year	<b>102</b>	0
(Increase) in receivables impaired	<b>(673)</b>	(148)
<b>Balance at 31 March</b>	<b>(755)</b>	(449)

## 23. Other financial assets

The Trust holds no other financial assets.

## 24. Other current assets

The Trust holds no other current assets.

**25. Cash and cash equivalents**

	<b>31 March 2011</b>	31 March 2010
	<b>£000</b>	£000
Balance at 1 April	<b>1,754</b>	1,889
Net change in year	<b>2,105</b>	(135)
<b>Balance at 31 March</b>	<b><u>3,859</u></b>	<u>1,754</u>
<b>Made up of</b>		
Cash with Government banking services	<b>3,856</b>	1,751
Commercial banks and cash in hand	<b>2</b>	3
Current investments	<b>1</b>	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b><u>3,859</u></b>	<u>1,754</u>
<b>Cash and cash equivalents as in statement of cash flows</b>	<b><u>3,859</u></b>	<u>1,754</u>

**26. Non-current assets held for sale**

The Trust holds no non-current assets for sale.



**27. Trade and other payables**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March 2011</b>	<b>31 March 2011</b>	31 March 2010	31 March 2010
	£000	£000	£000	£000
NHS payables-revenue	171	0	885	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue*	1,357	0	1,407	0
Non NHS trade payables - capital	263	0	77	0
Accruals	2,182		2,829	
Deferred Income	773	0	776	0
Social security costs	442		397	
VAT	49	0	62	0
Tax	592		524	
Other**	624	0	599	0
<b>Total</b>	<b>6,453</b>	<b>0</b>	<b>7,556</b>	<b>0</b>

\* Reclassification split of 2009-10 accounts £2006k balance stated for Non NHS trade payables - revenue; this balance included £599k non revenue payables including employer and employee pension contributions to be paid to the NHS Pensions agency and other salary deductions to be paid to third parties.

\*\* Other payables includes pension contributions and salary deductions to be paid to a third party of £543k (£509k 2009-10).

Most payables are expected to be settled within one month and all payables are expected to be settled within 12 months.

**28. Borrowings**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March 2011</b>	<b>31 March 2011</b>	31 March 2010	31 March 2010
	£000	£000	£000	£000
Loans from:				
Department of Health*	50	275	50	325
Finance lease liabilities**	25	127	3	3
<b>Total</b>	<b>75</b>	<b>402</b>	<b>53</b>	<b>328</b>

\* A £500k capital investment loan taken out in November 2007 at an interest rate of 4.85%, principal to be repaid at six-monthly intervals over ten years with the final payment due in September 2017.

\*\* Three operating leases were extended during 2010/11 for a further five years which brought them under the finance lease classification.

**29. Other liabilities**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March 2011</b>	<b>31 March 2011</b>	31 March 2010	31 March 2010
	£000	£000	£000	£000
Other - Staff car parking fees received on account	3	0	3	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>

**30. Finance lease obligations**

The Trust has no material finance leasing arrangements. The £152k payable over the next five years relates to four pieces of equipment.

**Amounts payable under finance leases:**

Other	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
	<b>31 March 2011 £000</b>	<b>31 March 2011 £000</b>	31 March 2010 £000	31 March 2010 £000
Within one year	25	25	3	3
Between one and five years	127	127	3	3
Present value of minimum lease payments	<u>152</u>	<u>152</u>	<u>6</u>	<u>6</u>
Included in:				
Current borrowings		25		3
Non-current borrowings		127		3
		<u>152</u>		<u>6</u>

**31. Finance lease receivables**

The Trust holds no finance leases as lessor.

**32. Finance lease commitments**

The Trust holds no material finance lease commitments.

**33. Private Finance Initiative contracts**

The Trust has no Private Finance Initiative contracts

**34. Other financial liabilities**

The Trust has no Other other financial liabilities.

**35. Provisions**

	<b>Current</b>	<b>Non-current</b>	Current	Non-current
	<b>31 March 2011</b>	<b>31 March 2011</b>	31 March 2010	31 March 2010
	<b>£000</b>	<b>£000</b>	£000	£000
Pensions relating to other staff	44	426	55	460
Legal claims	60	0	49	0
Other (specify)	158	0	93	0
<b>Total</b>	<b>262</b>	<b>426</b>	<b>197</b>	<b>460</b>

	<b>Pensions relating to other staff</b>	<b>Legal claims</b>	<b>Other</b>	<b>Total</b>
	<b>N.1</b>	<b>N.2</b>	<b>N.3</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2010	515	49	93	657
Arising during the year	0	62	151	213
Used during the year	(45)	(31)	0	(76)
Reversed unused	0	(20)	(86)	(106)
Unwinding of discount	0	0	0	0
At 31 March 2011	<b>470</b>	<b>60</b>	<b>158</b>	<b>688</b>

**Expected timing of cash flows:**

Within one year	44	60	158	262
Between one and five years	178	0	0	178
After five years	248	0	0	248

**N.1** Pensions relating to other staff relates to pensions payable to staff given early retirement prior to 1995. The total liability and expected time flows are estimates based on life expectancy.

**N.2** Legal claims relate to the excess payable on each Employer's Liability, Public Liability and Property claims handled by NHS Litigation Authority on the Trust's behalf, with an excess of £10k for Employer's Liability Claims and £3k for Public Liability Claims. It is held on a back to back basis with Shropshire County PCT and Telford & Wrekin PCT. The provision is based on the outstanding claims notified by the NHS Litigation Authority who run the scheme.

**N.3** Other provisions are for pay claims and their associated legal costs, mainly relating to re-banding claims outstanding from the Agenda for Change exercise.

£7,277k is included in the provisions of the NHS Litigation Authority at 31/3/2011 in respect of clinical negligence liabilities of the trust (31/03/2010 £4,657k).

### 36. Contingencies

The Trust held no contingent liabilities or assets as at 31 March 2011.

### 37. Financial instruments

<b>37.1 Financial assets</b>	<b>At fair value through profit and loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Receivables		2341		2341
Cash at bank and in hand		3859		3859
<b>Total at 31 March 2011</b>	<b>0</b>	<b>6200</b>	<b>0</b>	<b>6200</b>
Receivables		3934		3934
Cash at bank and in hand		1754		1754
<b>Total at 31 March 2010</b>	<b>0</b>	<b>5688</b>	<b>0</b>	<b>5688</b>
 <b>37.2 Financial liabilities</b>	 <b>At fair value through profit and loss £000</b>	 <b>Other £000</b>	 <b>Total £000</b>	
Payables		5056	5056	
PFI and finance lease obligations		152	152	
Other borrowings*		325	325	
<b>Total at 31 March 2011</b>	<b>0</b>	<b>5533</b>	<b>5533</b>	
Payables**		6780	6780	
PFI and finance lease obligations		6	6	
Other borrowings*		375	375	
Other financial liabilities	0	0	0	
<b>Total at 31 March 2010</b>	<b>0</b>	<b>7161</b>	<b>7161</b>	

\* The other borrowings relates to the Capital Investment Loan from the Department of Health which is held at amortised historic cost.

\*\* The 2009-10 payables value has been restated following the reclassification of non revenue payables to "other" in note 27.

### **37.3 Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS trust has with primary care trusts and the way those primary care trusts are financed, the NHS trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS trust in undertaking its activities.

The trust's treasury management operations are carried out by the finance department, within parameters defined formally within the trust's standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the trust's internal auditors.

#### **Currency risk**

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

#### **Interest rate risk**

The trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The trust therefore has low exposure to interest rate fluctuations.

#### **Credit risk**

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

#### **Liquidity risk**

The trust's operating costs are incurred under contracts with primary care trusts, which are financed from resources voted annually by Parliament. The trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The trust is not, therefore, exposed to significant liquidity risks.

### **38. Events after the reporting period**

The Trust experienced no non-adjusting events after the reporting period.

**39. Financial performance targets**

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

**39.1 Breakeven performance**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	£000	£000	£000	£000	£000	£000
Turnover	57,263	58,702	67,043	72,732	78,730	82,357
Retained surplus/(deficit) for the year	253	(2,109)	1,146	999	74	510
Adjustment for:						
Adjustments for Impairments				152	1,980	1,108
Break-even in-year position	253	(2,109)	1,146	1,151	2,054	1,618
Break-even cumulative position	478	(1,631)	(485)	666	2,720	4,338

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	%	%	%	%	%	%
Materiality test (I.e. is it equal to or less than 0.5%):						
Break-even in-year position as a percentage of turnover	0%	-4%	2%	2%	3%	2%
Break-even cumulative position as a percentage of turnover	1%	-3%	-1%	1%	3%	5%

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

### 39.2 Capital cost absorption rate

Until 2008/09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

### 39.3 External financing

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

	£000	2010-11 £000	2009-10 £000
External financing limit		23	1,012
Cash flow financing	(1,527)		(20)
Finance leases taken out in the year	153		0
Other capital receipts	(635)		(696)
External financing requirement		<u>(2,009)</u>	<u>(716)</u>
<b>Undershoot</b>		<u>2,032</u>	<u>1,728</u>

### 39.4 Capital resource limit

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

	2010-11 £000	2009-10 £000
Gross capital expenditure	2,859	4,065
Less: donations towards the acquisition of non-current assets	(400)	(414)
Charge against the capital resource limit	<u>2,459</u>	<u>3,651</u>
Capital resource limit	<u>3,485</u>	<u>3,697</u>
<b>Underspend against the capital resource limit</b>	<u>1,026</u>	<u>46</u>

The underspend was due to the rephasing of one of the Trust's main schemes, the hospital redesign project, which will be completed in 2011-12.

**40. Related party transactions**

During the year none of the Department of Health Ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with The Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Trust.

The Department of Health is regarded as a related party. During the year 2010/11 the Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These

Strategic health Authorities  
Primary care trusts  
NHS trusts  
NHS Litigation Authority  
NHS Business Services Authority

Also during the year the Trust has had a significant number of material transactions with various Welsh NHS Local Health Boards for which the Welsh Assembly is regarded as the parent organisation.

In addition, the trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with the Workforce Development Confederation.

The trust has also received revenue payments from the Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Trust Charity, Charity No. 1058878, for which the Trust is the corporate trustee.



**41. Third party assets**

The Trust held no monies on behalf of patients.

<b>42. Intra-Government and other balances</b>	<b>Current receivables</b>	<b>Non-current receivables</b>	<b>Current payables</b>	<b>Non-current payables</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances with other central government bodies	1,579	0	1,649	0
Balances with local authorities	13	0	0	0
Balances with NHS trusts and foundation trusts	51	0	131	0
Balances with public corporations and trading funds	0	0	0	0
Intra government balances	<u>1,643</u>	<u>0</u>	<u>1,780</u>	<u>0</u>
Balances with bodies external to government	<u>2,467</u>	<u>231</u>	<u>4,673</u>	<u>0</u>
<b>At 31 March 2011</b>	<b><u>4,110</u></b>	<b><u>231</u></b>	<b><u>6,453</u></b>	<b><u>0</u></b>
Balances with other central government bodies	2,095	0	1,770	0
Balances with local authorities	6	0	0	0
Balances with NHS trusts and foundation trusts	462	0	550	0
Balances with public corporations and trading funds	879	0	0	0
Intra government balances	<u>3,442</u>	<u>0</u>	<u>2,320</u>	<u>0</u>
Balances with bodies external to government	<u>1,923</u>	<u>436</u>	<u>5,236</u>	<u>0</u>
<b>At 31 March 2010</b>	<b><u>5,365</u></b>	<b><u>436</u></b>	<b><u>7,556</u></b>	<b><u>0</u></b>

The 2009-10 current payables "public corporations and trading funds" balance has been reclassified as "other central government bodies".

**43. Losses and special payments**

There were 105 cases of losses and special payments (2009-10: 49 cases) totalling £90,008 (2009-10: £49,655) accrued during 2010-11.