Data entered below will be used throughout the workbook:

Trust name:	RJAH Orthopaedic Hospital NHS Trust
This year	2009/10
Last year	2008/09
This year ended	31 March 2010
Last year ended	31 March 2009
This year commencing:	1 April 2009

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2010

	NOTE	**2009/10** **£000**	2008/09 £000
Revenue			
Revenue from patient care activities	5	**72,292**	66,191
Other operating revenue	6	**6,438**	6,541
Operating expenses*	8	**(77,253)**	(69,998)
Operating surplus		**1,477**	2,734
Finance costs:			
Investment revenue	14	**11**	181
Other gains and (losses)	15	**0**	(171)
Finance costs	16	**(67)**	(128)
Surplus/(deficit) for the financial year		**1,421**	2,616
Public dividend capital dividends payable		**(1,347)**	(1,577)
Retained surplus/(deficit) for the year		**74**	**1,039**

* Includes impairment of £1.980m in 2009/10. The retained surplus excluding impairment costs was £2.054m.

Other comprehensive income

Impairments - MEA revaluation and Market Price indexation	(8,544)	(1,509)
Gains on revaluations - MEA revaluation and Market Price Indexation	318	12
Receipt of donated/government granted assets	758	5,760
Reclassification adjustments:		
- Transfers from donated and government grant reserves (depreciation)	(496)	(372)
Total comprehensive income for the year	**(7,890)**	**4,930**

The notes on pages 6 to 43 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2010

	NOTE	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
Non-current assets				
Property, plant and equipment	17	**46,104**	55,127	51,557
Intangible assets	18	**35**	0	0
Investment property		**0**	0	0
Other financial assets	23	**0**	0	0
Trade and other receivables	22	**436**	524	584
Total non-current assets		**46,575**	55,651	52,141
Current assets				
Inventories	21	**1,516**	1,275	1,315
Trade and other receivables	22	**5,365**	5,685	5,157
Other financial assets	23	**0**	0	0
Other current assets	24	**0**	0	0
Cash and cash equivalents	25	**1,754**	1,889	177
		8,635	8,849	6,649
Non-current assets held for sale	26	**0**	0	0
Total current assets		**8,635**	8,849	6,649
Total assets		**55,210**	64,500	58,790
Current liabilities				
Trade and other payables	27	**(7,556)**	(7,787)	(5,853)
Other liabilities	29	**(3)**	(1)	0
DH Working capital loan		**0**	(1,132)	(1,134)
DH Capital loan	28	**(50)**	(50)	(50)
Borrowings	28	**(3)**	(16)	(27)
Other financial liabilities	33	**0**	0	0
Provisions	34	**(197)**	(480)	(309)
Net current assets/(liabilities)		**826**	(617)	(724)
Total assets less current liabilities		**47,401**	55,034	51,417
Non-current liabilities				
Borrowings	28	**(3)**	(6)	(22)
DH Working capital loan		**0**	0	(1,132)
DH Capital loan	28	**(325)**	(375)	(425)
Trade and other payables	27	**0**	0	0
Other financial liabilities	33	**0**	0	0
Provisions	34	**(460)**	(500)	(550)
Other liabilities	29	**0**	0	0
Total assets employed		**46,613**	54,153	49,288
Financed by taxpayers' equity:				
Public dividend capital		**31,220**	30,870	30,935
Retained earnings		**(3,455)**	(3,616)	(4,655)
Revaluation reserve		**8,422**	15,660	16,597
Donated asset reserve		**10,101**	11,239	6,411
Government grant reserve		**325**	0	0
Other reserves		**0**	0	0
Total Taxpayers' Equity		**46,613**	54,153	49,288

The financial statements on pages 1 to 5 were approved by the Board on June 10th 2010 and signed on its behalf by:

Signed: ....(Chief Executive) Date: ....

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Gov't grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2008							
As previously stated	30,935	(4,655)	16,597	6,411	0	0	49,288
Prior Period Adjustment	0	0	0	0	0	0	0
Restated balance	30,935	(4,655)	16,597	6,411	0	0	49,288
Changes in taxpayers' equity for 2008/09							
Total Comprehensive Income for the year:							
Retained surplus/(deficit) for the year	0	1,039	0	0	0	0	1,039
Impairments and reversals	0	0	(937)	(572)	0	0	(1,509)
Net gain on revaluation of property, plant, equipment	0	0	0	12	0	0	12
Receipt of donated/government granted assets	0	0	0	5,760	0	0	5,760
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(372)	0	0	(372)
New PDC received	45	0	0	0	0	0	45
PDC repaid in year	(110)	0	0	0	0	0	(110)
Balance at 31 March 2009	30,870	(3,616)	15,660	11,239	0	0	54,153

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Gov't grant reserve £000	Other reserves £000	Total £000
Changes in taxpayers' equity for 2009/10							
Balance at 1 April 2009	30,870	(3,616)	15,660	11,239	0	0	54,153
Total Comprehensive Income for the year							0
Transfer between reserves	0	87	(87)	0	0	0	0
Retained surplus/(deficit) for the year	0	74	0	0	0	0	74
Impairments and reversals	0	0	(7,469)	(1,058)	(17)	0	(8,544)
Net gain on revaluation of property, plant, equipment	0	0	318	0	0	0	318
Receipt of donated/government granted assets	0	0	0	414	344	0	758
Reclassification adjustments:							0
- transfers from donated asset/government grant reserve	0	0	0	(494)	(2)	0	(496)
New PDC received	350	0	0	0	0	0	350
Balance at 31 March 2010	31,220	(3,455)	8,422	10,101	325	0	46,613

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2010

	NOTE	2009/10 £000	2008/09 £000
Cash flows from operating activities			
Operating surplus		**1,477**	2,734
Depreciation and amortisation		**2,847**	3,294
Impairments and reversals		**1,980**	195
Transfer from donated asset reserve		**(494)**	(372)
Transfer from government grant reserve		**(2)**	0
Interest paid		**(67)**	(135)
Dividends paid		**(1,347)**	(1,577)
(Increase)/decrease in inventories		**(241)**	40
(Increase)/decrease in trade and other receivables		**457**	(468)
Increase/(decrease) in trade and other payables		**(131)**	2,028
Increase/(decrease) in other current liabilities		**2**	0
Increase/(decrease) in provisions	34	**(323)**	121
Net cash inflow/(outflow) from operating activities		**4,158**	5,860
Cash flows from investing activities			
Interest received		**11**	181
(Payments) for property, plant and equipment	17	**(4,113)**	(3,053)
(Payments) for intangible assets	18	**(36)**	0
Net cash (outflow) from investing activities		**(4,138)**	**(2,872)**
Net cash inflow before financing		**20**	2,988
Cash flows from financing activities			
Public dividend capital received		**350**	45
Public dividend capital repaid		**0**	(110)
Loans repaid to the DH		**(1,182)**	(1,184)
Other capital receipts		**696**	0
Capital element of finance leases and PFI		**(19)**	(27)
Net cash inflow/(outflow) from financing		**(155)**	(1,276)
Net increase/(decrease) in cash and cash equivalents		**(135)**	1,712
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		**1,889**	177
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	25	**1,754**	1,889

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 2009/10 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.

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 Critical judgements in applying accounting policies

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

1.3.2 Key sources of estimation uncertainty

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.

A small proportion of our March activity has been recognised based on average tarrif as opposed to actual coded price due to the Department of Health closedown timetable. This has only been an issue for other English NHS bodies. The risk is less than 0.01% of income.

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.

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 the 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 2009-10 returns were received relating to 89% of the total FTE of the Trust employees. These results were grossed up to 100%.

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

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.

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: 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.

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

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. HM Treasury has agreed that NHS trusts must apply these new valuation requirements by 1 April 2010 at the latest.

The Trust's land and buildings were revalued under these new requirements by the Valuation Office as at 1 April 2009. This revaluation resulted in an increase in land value and a decrease in buildings value. Building assets were indexed using indices produced by the Building Cost Information Service of RICS to achieve estimated fair values as at 31 March 2010. Land values were not amended on the advice of the Valuation Office, based on their knowledge of the site and local market conditions.

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 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 fair value.

Existing assets at that date with both a life of 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 medical 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 is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income. For Donated and Government Grant assets, any movement is taken to either the Donation Reserve or the Government Grant Reserve.

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.

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

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

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 the 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.

The trust as lessor

The Trust holds no finance leases as lessor as all buildings rental agreements are for substantially less that the life of the buildings and 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.

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

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.

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.

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 arsing 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 34.

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

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.

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.

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.

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

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.

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 40 to the accounts.

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

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.

For 2009/10, 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.

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

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

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

IAS 27 (Revised) Consolidated and separate financial statements

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

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

1.31 Accounting standards issued that have been adopted early

The amendment to IFRS 8 Operating segments that was included in the April 2009 Improvements to IFRS has been adopted early. As a result, total assets are not reported by operating segment.

1.32 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.

2. Pooled budgets

RJAH NHS Trust has no pooled budget arrangements.

3. Operating segments

RJAH 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 £78,731k) from the following external bodies:

English NHS - Primary Care Trusts	£46,971k	59.66%
Welsh NHS - Local Health Boards	£20,302k	25.79%

4. Income generation activities

The trust undertakes non patient care income generation with an aim of achieving profit, which is then used in patient care

There were no schemes in either 2009/10 or 2008/09 that had a full cost exceeding £1m or 1% of expenditure.

5. Revenue from patient care activities

	2009/10	2008/09
	£000	£000
Strategic health authorities	**815**	750
NHS trusts	**195**	182
Primary care trusts*	**47,512**	41,989
Local authorities	**19**	2
Department of Health	**0**	30
Non-NHS:		
Private patients	**2,893**	2,871
Injury costs recovery**	**476**	351
Other***	**20,382**	20,016
	72,292	**66,191**

*2008-09 comparator includes £1,209k MFF payment previously shown under Department of Health income and now received via PCT

**Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection.

***Other income is primarily from Welsh Healthcare bodies.

6. Other Operating Revenue

	2009/10 £000	2008/09 £000
Education, training and research	**2,250**	2,256
Charitable and other contributions to expenditure	**7**	30
Transfers from Donated Asset Reserve	**494**	372
Transfers from Government Grant Reserve	**2**	0
Income generation*	**1,916**	2,180
Rental revenue	**343**	271
Other revenue	**1,426**	1,432
	6,438	6,541

*2008-09 income generation value includes £100k rental income misclassification

7. Revenue

The revenue the Trust receives from the sale of goods is immaterial.

8. Operating Expenses

	2009/10 £000	2008/09 £000
Services from other NHS Trusts	**89**	78
Services from PCTs	**27**	27
Purchase of healthcare from non NHS bodies	**764**	1,316
Directors' costs	**681**	774
Other Employee Benefits	**41,573**	38,656
Supplies and services - clinical	**19,477**	17,820
Supplies and services - general	**1,737**	1,594
Consultancy services	**759**	537
Establishment	**1,348**	975
Transport	**667**	616
Premises	**3,425**	2,387
Provision for impairment of receivables	**148**	638
Inventories write offs	**45**	0
Depreciation	**2,846**	3,294
Amortisation	**1**	0
Impairments and reversals of property, plant and equipment	**1,980**	195
Audit fees	**124**	156
Other auditor's remuneration*	**129**	114
Clinical negligence	**493**	241
Research and development	**94**	130
Education and Training	**273**	217
Other**	**573**	233
	77,253	69,998

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

**Other expenditure includes the car parking management service and security and consultant fees for fixed cost private patient work.

9. Operating leases

9.1 As lessee

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

Payments recognised as an expense	**2009/10**	2008/09
	£000	£000
Minimum lease payments	**995**	597
	995	597

Total future minimum lease payments	**2009/10**	2008/09
	£000	£000
Payable:		
Not later than one year	**1,321**	429
Between one and five years	**3,180**	1,384
After 5 years	**7**	0
Total	**4,508**	1,813

The increase in future lease payments relates to the two additional modular theatres.

9.2 As lessor

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

Rental Revenue	**2009/10**	2008/09
	£000	£000
Contingent rent	**88**	
Other	**255**	271
Total rental revenue	**343**	271

Total future minimum lease payments	**2009/10**	2008/09
	£000	£000
Receivable:		
Not later than one year	**180**	235
Between one and five years	**695**	696
After 5 years	**275**	653
Total	**1,150**	1,584

10. Employee costs and numbers

10.1 Employee costs

	2009/10			2008/09		
	Total	**Permanently Employed**	**Other**	Total	Permanently Employed	Other
	£000	**£000**	**£000**	£000	£000	£000
Salaries and wages	**35,804**	**34,012**	**1,792**	33,412	32,440	972
Social Security Costs	**2,637**	**2,554**	**83**	2,388	2,388	0
Employer contributions to NHS Pension scheme	**3,865**	**3,865**	**0**	3,562	3,562	0
Employee benefits expense	**42,306**	**40,431**	**1,875**	39,362	38,390	972

Of the total above:		
Charged to capital	98	41
Employee benefits charged to revenue	42,208	39,321
	42,306	**39,362**

10.2 Average number of people employed

	2009/10			2008/09		
	Total	**Permanently Employed**	**Other**	Total	Permanently Employed	Other
	Number	**Number**	**Number**	Number	Number	Number
Medical and dental	**95**	**95**	**0**	88	88	0
Administration and estates	**263**	**250**	**13**	235	224	11
Healthcare assistants and other support staff	**241**	**229**	**12**	249	236	13
Nursing, midwifery and health visiting staff	**256**	**249**	**7**	235	231	4
Scientific, therapeutic and technical staff	**183**	**179**	**4**	153	150	3
Other	**4**	**0**	**4**	0	0	0 not picked up before
Total	**1,042**	**1,002**	**40**	960	929	**31**

Of the above:		
Number of staff (WTE) engaged on capital projects	**2**	**1**

10.3 Staff sickness absence

	Calendar Year 2,009 Number	**Financial Year 2009/10 Number**
Days lost	9,391	9,406
Total days lost	**9,391**	**9,406**
Total staff years	**974**	**1,009**
Average working days lost	9.64	9.32

The 2009 sickness absence values above refer to the period January to December 2009, the 2009-10 values refer to the period April 2009 to March 2010.

10.4 Management Costs

	2009/10	**2008/09**
	£000	**£000**
Management costs	3,548	3,186
Income	78,731	72,732
Management cost as percentage of income	4.51%	4.38%

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

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

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 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 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

In 2008-09 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:

Annual pensions

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".

11. Pension costs (continued)

Pensions indexation
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.

Lump Sum Allowance
A lump sum is payable on retirement which is normally three times the annual pension payment.

Ill-Health Retirement
Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

Death Benefits
A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVCs)
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.

Transfer between Funds
Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment

Preserved Benefits
Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

Compensation for Early Retirement
Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

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