

Data entered below will be used throughout the workbook:

Trust name:	RJAH Orthopaedic & District Hospital NHS Trust
This year	2008/09
Last year	2007/08
This year ended	31 March 2009
Last year ended	31 March 2008
This year beginning	1 April 2008

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

	NOTE	2008/09 £000	2007/08 £000
<b>Income from activities</b>	3	<b>66,191</b>	60,386
<b>Other operating income</b>	4	<b>6,541</b>	6,657
<b>Operating expenses</b>	5-7	<u><b>(70,041)</b></u>	<u>(64,530)</u>
<b>OPERATING SURPLUS</b>		<b>2,691</b>	2,513
Cost of fundamental reorganisation/reconstruction		<b>0</b>	0
Loss on disposal of fixed assets	8	<u><b>(171)</b></u>	<u>0</u>
<b>SURPLUS BEFORE INTEREST</b>		<b>2,520</b>	2,513
Interest receivable	9	<b>181</b>	164
Interest payable	9	<b>(125)</b>	(177)
Other finance costs - unwinding of discount		<u><b>0</b></u>	<u>0</u>
<b>SURPLUS FOR THE FINANCIAL YEAR</b>		<b>2,576</b>	2,500
Public dividend capital dividends payable		<u><b>(1,577)</b></u>	<u>(1,354)</u>
<b>RETAINED SURPLUS FOR THE YEAR</b>		<u><u><b>999</b></u></u>	<u><u>1,146</u></u>

The notes on pages 5 to 36 form part of these accounts.  
All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT  
31 March 2009**

	NOTE	31 March 2009 £000	31 March 2008 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	0	0
Tangible assets	11	55,100	51,503
Financial assets	14	0	-
<b>TOTAL FIXED ASSETS</b>		<u>55,100</u>	<u>51,503</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	12	1,275	1,315
Debtors	13	6,209	5,741
Investments		-	0
Other financial assets	14	0	-
Cash at bank and in hand	18.3	1,889	177
<b>TOTAL CURRENT ASSETS</b>		<u>9,373</u>	<u>7,233</u>
<b>CREDITORS:</b> Amounts falling due within one year	15.1	<b>(8,970)</b>	(6,953)
Financial liabilities		<u>0</u>	<u>-</u>
<b>NET CURRENT ASSETS</b>		<b>403</b>	280
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>55,503</u>	<u>51,783</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	15.1	<b>(375)</b>	(1,558)
Financial liabilities		<u>0</u>	<u>-</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<b>(980)</b>	(859)
<b>TOTAL ASSETS EMPLOYED</b>		<u>54,148</u>	<u>49,366</u>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public dividend capital	22	30,870	30,935
Revaluation reserve	17	15,617	15,894
Donated asset reserve	17	11,239	6,411
Income and expenditure reserve	17	(3,578)	(3,874)
<b>TOTAL TAXPAYERS' EQUITY</b>		<u>54,148</u>	<u>49,366</u>

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

Signed: .....(Chief Executive)

Date: .....

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Surplus for the financial year before dividend payments	<b>2,576</b>	2,500
Fixed asset impairment losses	<b>(614)</b>	0
Unrealised surplus on fixed asset revaluations/indexation	<b>(926)</b>	3,538
Increases in the donated asset reserve due to receipt of donated assets	<b>5,760</b>	89
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
<b>Total recognised gains and losses for the financial year</b>	<b>6,796</b>	<b>6,127</b>
Prior period adjustment	<b>0</b>	0
<b>Total gains and losses recognised in the financial year</b>	<u><u>6,796</u></u>	<u><u>6,127</u></u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED**  
**31 March 2009**

	NOTE	2008/09 £000	2007/08 £000
<b>OPERATING ACTIVITIES</b>			
<b>Net cash inflow from operating activities</b>	18.1	<b>7,542</b>	6,789
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>			
Interest received		181	164
Interest paid		(132)	(175)
Interest element of finance leases		0	0
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>49</b>	(11)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(3,053)	(7,234)
Receipts from sale of tangible fixed assets		0	0
Payments to acquire intangible assets		0	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		-	0
(Payments to acquire)/receipts from sale of financial instruments		0	-
<b>Net cash inflow/(outflow) from capital expenditure</b>		<b>(3,053)</b>	(7,234)
<b>DIVIDENDS PAID</b>			
		(1,577)	(1,354)
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>2,961</b>	(1,810)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Purchase of financial assets with the Department of Health		0	0
Purchase of other current financial assets		0	0
Sale of financial assets with the Department of Health		0	0
Sale of other current financial asset		0	0
<b>Net cash inflow/(outflow) from management of liquid resources</b>		<b>0</b>	0
<b>Net cash inflow/(outflow) before financing</b>		<b>2,961</b>	(1,810)
<b>FINANCING</b>			
Public dividend capital received		45	2,469
Public dividend capital repaid		(110)	0
Loans received from the Department of Health		0	500
Other loans received		0	0
Loans repaid to the Department of Health		(1,184)	(1,159)
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>(1,249)</b>	1,810
<b>Increase/(decrease) in cash</b>		<b>1,712</b>	0

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired 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 Income Recognition

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

#### 1.4 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is carried at HC as a proxy for current cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

#### 1.5 Tangible fixed assets

##### Capitalisation

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

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

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

## 1.5 Tangible fixed assets (continued)

### Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index and the land index is based on the residential building land values indices prepared by the Valuation Office. These indices appear in the Treasury Public Expenditure System publication PES (2009)02 dated 19 February 2009.

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

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

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

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

Assets in the course of construction are valued at current cost are indexed on the same basis as assets in use. These assets include any existing land or buildings under the control of a contractor.

The Trust is not involved in any PFI Schemes.

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. The Trust has defined these assets as having an estimated useful life of less than 10 years and a cost of less than £30,000. Equipment surplus to requirements is valued at net recoverable amount.

### Depreciation, amortisation and impairments

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

Assets in the course of construction are not depreciated until the asset is brought into use.

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

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

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

## 1.6 Donated fixed assets

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

## 1.7 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

## 1.8 Research and development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to:
  - its technical feasibility;
  - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

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

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

## 1.9 Provisions

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

### Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 17.



## 1.9 Provisions (continued)

### 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 are charged to operating expenses as and when they become due. Any 'excesses' payable in respect of particular claims are funded on a back to back basis by Shropshire County PCT (64%) and Telford & Wrekin PCT (36%).

## 1.10 Pension costs

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

### a) Full actuarial (funding) valuation

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

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

### b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

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

The valuation of the Scheme liability as at 31 March 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 with summary global member and accounting data.

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

## 1.10 Pension costs (continued)

### Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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

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

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

### Existing members at 1 April 2008

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

### New entrants from 1 April 2008

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

## 1.11 Liquid resources

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

## 1.12 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.

## 1.13 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

#### 1.14 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 29 to the accounts.

#### 1.15 Leases

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

#### 1.16 Public Dividend Capital (PDC) and PDC Dividend

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

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

#### 1.17 Losses and Special Payments

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

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

#### 1.18 Financial Instruments

##### Financial assets

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

Financial assets are initially recognised at fair value.

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

## **1.18 Financial Instruments (continued)**

Financial assets at fair value through profit and loss

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

### **Loans and receivables**

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

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

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

### **Financial liabilities**

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

Financial liabilities are initially recognised at fair value.

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

Financial liabilities at fair value through profit and loss

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

### **1.18 Financial Instruments (continued)**

The Trust has exercised the option under FRS29 to exclude from the interest rate risk and fair values disclosures financial assets and liabilities which are due within one year and are entered in the accounts under the following headings:

Debtors

Prepayments and accrued income

Creditors - amounts falling due within one year - other than debenture loans and bank loans

Provisions for liabilities and charges

Accruals and deferred income

## **2 SEGMENTAL ANALYSIS**

The Trust does not engage in activities which have more than one business segment.

### 3. Income from Activities

	2008/09 £000	2007/08 £000
Strategic Health Authorities	750	686
NHS Trusts	182	185
Primary Care Trusts*	40,780	34,520
Foundation Trusts	0	0
Local Authorities	2	0
Department of Health	1,239	3,707
NHS Other	0	0
Non NHS:		
- Private patients	2,871	2,928
- Injury cost recovery**	351	387
- Other***	20,016	17,973
	<u>66,191</u>	<u>60,386</u>

\*2007/08 value Includes £110k to offset fixed asset impairments charged to operating expenses.  
2008-09 income includes non recurrent support of £2.2m.

\*\*Injury cost recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection

\*\*\*Other includes contract activity for Welsh NHS bodies.

### 4. Other Operating Income

	2008/09 £000	2007/08 £000
Education, training and research	2,256	2,291
Charitable and other contributions to expenditure	30	15
Transfers from Donated Asset Reserve	372	315
Rental income from operating leases	195	192
Income generation	2,080	1,918
Other income	1,608	1,926
	<u>6,541</u>	<u>6,657</u>

**5. Operating Expenses****5.1 Operating expenses comprise:**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Services from other NHS Trusts	<b>78</b>	77
Services from PCTs	<b>27</b>	21
Purchase of healthcare from non NHS bodies	<b>1,316</b>	512
Directors' costs	<b>774</b>	746
Staff costs	<b>38,713</b>	35,460
Supplies and services - clinical	<b>17,980</b>	17,069
Supplies and services - general	<b>1,594</b>	1,414
Consultancy services	<b>537</b>	237
Establishment	<b>975</b>	880
Transport	<b>616</b>	625
Premises	<b>2,387</b>	2,717
Impairment of debtors	<b>638</b>	579
Depreciation	<b>3,267</b>	2,842
Tangible fixed asset impairments and reversals	<b>152</b>	118
Audit fees	<b>156</b>	141
Other auditor's remuneration	<b>114</b>	71
Clinical negligence	<b>241</b>	259
Redundancy costs	<b>26</b>	200
Education and training	<b>217</b>	206
Other	<b>233</b>	356
	<b><u>70,041</u></b>	<u>64,530</u>

## 5.2 Operating leases

### 5.2/1 Operating expenses include:

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Hire of plant and machinery	<b>624</b>	432
Other operating lease rentals	<b>0</b>	0
	<b><u>624</u></b>	<u>432</u>

### 5.2/2 Annual commitments under non - cancellable operating leases are:

	<b>Land and buildings</b>		<b>Other leases</b>	
	<b>2008/09</b>	2007/08	<b>2008/09</b>	2007/08
	<b>£000</b>	£000	<b>£000</b>	£000
Operating leases which expire:				
Within 1 year	<b>0</b>	0	<b>26</b>	214
Between 1 and 5 years	<b>0</b>	0	<b>1,537</b>	1,288
After 5 years	<b>0</b>	0	<b>0</b>	0
	<b><u>0</u></b>	<u>0</u>	<b><u>1,563</u></b>	<u>1,502</u>



**6. Staff costs and numbers**

**6.1 Staff costs**

	<b>Total</b>	<b>2008/09 Permanently Employed</b>	<b>Other</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	<b>33,496</b>	32,524	972	30,505
Social Security Costs	<b>2,388</b>	2,388	0	2,260
Employer contributions to NHS BSA - Pensions Division	<b>3,562</b>	3,562	0	3,397
	<b><u>39,446</u></b>	<b><u>38,474</u></b>	<b><u>972</u></b>	<b><u>36,162</u></b>

**6.2 Average number of persons employed**

	<b>Total</b>	<b>2008/09 Permanently Employed</b>	<b>Other</b>	<b>2007/08</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Medical and dental	<b>88</b>	88	0	89
Administration and estates	<b>235</b>	224	11	224
Healthcare assistants and other support staff	<b>249</b>	236	13	240
Nursing, midwifery and health visiting staff	<b>235</b>	231	4	232
Scientific, therapeutic and technical staff	<b>153</b>	150	3	154
Total	<b><u>960</u></b>	<b><u>929</u></b>	<b><u>31</u></b>	<b><u>939</u></b>

### 6.3 Employee benefits

The Trust provided no non-pay benefits that were not attributable to individual employees in either 2008/09 or 2007/08.

### 6.4 Management costs

	2008/09 £000	2007/08 £000
Management costs	3,186	3,008
Income	72,732	67,043
Management costs as a percentage of income	4.38%	4.49%

Management costs are defined as those on the management costs website at [www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en](http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en).

### 6.5 Retirements due to ill-health

During 2008/09 there were no (2007/08, 4) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements was (2007/08: £55,420.67). The cost of these ill-health retirements is to be borne by the NHS Business Services Authority -Pensions Division.

## 7. Better Payment Practice Code

### 7.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	33,209	37,167
Total Non NHS trade invoices paid within target	32,788	36,606
Percentage of Non-NHS trade invoices paid within target	99%	98%
Total NHS trade invoices paid in the year	743	12,543
Total NHS trade invoices paid within target	647	12,335
Percentage of NHS trade invoices paid within target	87%	98%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date

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

	2008/09 £000	2007/08 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

**8. Other gains and losses**

	2008/09 £000	2007/08 £000
Loss on disposal of plant and equipment	(171)	0
	<u>(171)</u>	<u>0</u>

These losses arose as a result of equipment no longer in use written out of the asset register in year following a housekeeping exercise.

**9. Finance Costs & Interest receivable**

	2008/09 £000	2007/08 £000
<b>Finance Costs</b>		
Loans*	125	177
<b>TOTAL</b>	<u>125</u>	<u>177</u>

\*The loans figure relates to Department of Health loans - Working Capital cash loan of £3.4m taken out by Trust in March 2007 to be repaid over a 3 year period and the Capital Investment cash loan of £500k taken out in November 2007 to be repaid over a ten year period.

**Interest Receivable**

Bank accounts	181	164
Impaired financial assets	0	-
Other financial assets	0	-
<b>TOTAL</b>	<u>181</u>	<u>164</u>

**10. Intangible Fixed Assets**

The Trust has no intangible fixed assets.

**11. Tangible Fixed Assets**
**11.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa*	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	1,152	43,815	498	159	10,837	52	3,844	541	60,898
Additions purchased	0	1,479	7	465	490	0	484	42	2,967
Additions donated	0	5,536	0	0	195	25	4	0	5,760
Impairments	0	(614)	0	0	0	0	0	0	(614)
Reclassifications	0	365	0	(233)	(139)	0	0	0	(7)
Indexation	(341)	(688)	(5)	(12)	15	0	0	0	(1,031)
Disposals	0	(14)	0	0	(4,985)	(21)	(1,151)	(119)	(6,290)
<b>Cost or Valuation at 31 March 2009</b>	<b>811</b>	<b>49,879</b>	<b>500</b>	<b>379</b>	<b>6,413</b>	<b>56</b>	<b>3,181</b>	<b>464</b>	<b>61,683</b>
Depreciation at 1 April 2008					7,289	42	1,625	439	9,395
Charged during the year	0	2,114	14	0	657	5	460	17	3,267
Impairments	0	118	0	0	34	0	0	0	152
Reclassifications	0	0	0	0	(7)	0	0	0	(7)
Indexation	0	(107)	(1)	0	3	0	0	0	(105)
Disposals	0	0	0	0	(4,835)	(21)	(1,147)	(116)	(6,119)
<b>Depreciation at 31 March 2009</b>	<b>0</b>	<b>2,125</b>	<b>13</b>	<b>0</b>	<b>3,141</b>	<b>26</b>	<b>938</b>	<b>340</b>	<b>6,583</b>
<b>Net book value</b>									
- Purchased at 1 April 2008	1,152	37,651	498	159	3,314	10	2,216	92	45,092
- Donated at 1 April 2008	0	6,164	0	0	234	0	3	10	6,411
- Government granted at 1 April 2008	0	0	0	0	0	0	0	0	0
<b>- Total at 1 April 2008</b>	<b>1,152</b>	<b>43,815</b>	<b>498</b>	<b>159</b>	<b>3,548</b>	<b>10</b>	<b>2,219</b>	<b>102</b>	<b>51,503</b>
- Purchased at 31 March 2009	811	36,939	487	379	2,887	5	2,238	115	43,861
- Donated at 31 March 2009	0	10,815	0	0	385	25	5	9	11,239
- Government granted at 31 March 2009	0	0	0	0	0	0	0	0	0
<b>- Total at 31 March 2009</b>	<b>811</b>	<b>47,754</b>	<b>487</b>	<b>379</b>	<b>3,272</b>	<b>30</b>	<b>2,243</b>	<b>124</b>	<b>55,100</b>

Of the totals at 31 March 2009, none related to land, buildings or dwellings valued at open market value.

**11 Tangible Fixed Assets (contd)**

**11.2 Asset Financing**

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Net book value 31 March 2009</b>									
Owned	811	47,754	487	379	3,272	30	2,243	124	55,100
<b>Total 31 March 2009</b>	<b>811</b>	<b>47,754</b>	<b>487</b>	<b>379</b>	<b>3,272</b>	<b>30</b>	<b>2,243</b>	<b>124</b>	<b>55,100</b>
<b>Net book value 1 April 2008</b>									
Owned	1,152	43,815	498	159	3,548	10	2,219	102	51,503
<b>Total 1 April 2008</b>	<b>1,152</b>	<b>43,815</b>	<b>498</b>	<b>159</b>	<b>3,548</b>	<b>10</b>	<b>2,219</b>	<b>102</b>	<b>51,503</b>

**11.3 The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:**

The Trust holds no assets under finance leases or hire purchase contracts.

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

	2008/09 £000	2007/08 £000
Freehold	49,052	45,465
<b>TOTAL</b>	<b>49,052</b>	<b>45,465</b>

**12. Stocks and Work in Progress**

	<b>31 March 2009</b>	31 March 2008
	<b>£000</b>	£000
Raw materials and consumables	<b>1,275</b>	1,315
<b>TOTAL</b>	<b><u>1,275</u></b>	<u>1,315</u>

**13. Debtors**

**13.1 Debtors at the balance sheet date are made up of:**

	<b>31 March 2009</b>	31 March 2008
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
NHS debtors	<b>3,412</b>	2,120
Non NHS trade debtors	<b>605</b>	1,400
Provision for impairment of debtors	<b>(867)</b>	(574)
Other prepayments and accrued income	<b>1,830</b>	763
Other debtors	<b>705</b>	1,448
<b>Sub Total: falling due within one year</b>	<b><u>5,685</u></b>	<u>5,157</u>
<b>Amounts falling due after more than one year:</b>		
Provision for impairment of debtors	<b>(44)</b>	(49)
Other debtors	<b>568</b>	633
<b>Sub Total: falling due after more than one year</b>	<b><u>524</u></b>	<u>584</u>
<b>TOTAL</b>	<b><u><u>6,209</u></u></b>	<u><u>5,741</u></u>

	<b>31 March 2009</b>
	<b>£000</b>
<b>13.2 Provision for impairment of debtors</b>	
<b>Balance at 1 April</b>	<b>623</b>
Amount written off during the year	<b>(350)</b>
Amount recovered during the year	<b>0</b>
(Increase)/decrease in debtors impaired	<b>638</b>
<b>Balance at 31 March</b>	<b>911</b>
	<hr/> <hr/>
<b>13.3 Debtors past due date but not impaired:</b>	<b>31 March 2009</b>
	<b>£000</b>
By up to 3 months	<b>394</b>
By 3 to 6 months	<b>52</b>
By more than 6 months	<b>18</b>
<b>TOTAL</b>	<b>464</b>
	<hr/> <hr/>

#### **14 Other Financial Assets**

The Trust has no other financial assets.

**15. Creditors**

**15.1 Creditors at the balance sheet date are made up of:**

	<b>31 March 2009</b>	31 March 2008
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Current instalments due on loans	<b>1,182</b>	1,183
Interest payable	<b>0</b>	7
Payments received on account	<b>1</b>	0
NHS creditors	<b>446</b>	640
Non - NHS trade creditors - revenue	<b>515</b>	455
Non - NHS trade creditors - capital	<b>161</b>	247
Tax	<b>526</b>	458
VAT	<b>0</b>	0
Social security costs	<b>391</b>	321
Obligations under finance leases and hire purchase contracts	<b>0</b>	0
Other creditors	<b>824</b>	693
Accruals and deferred income	<b>4,924</b>	2,949
<b>Sub Total: amounts falling due within one year</b>	<b><u>8,970</u></b>	<u>6,953</u>
<b>Amounts falling due after more than one year:</b>		
Long - term loans	<b>375</b>	1,558
<b>Sub Total: amounts falling due in more than one year</b>	<b><u>375</u></b>	<u>1,558</u>
<b>TOTAL</b>	<b><u><u>9,345</u></u></b>	<u><u>8,511</u></u>

Other creditors include;

- £453k outstanding pensions contributions at 31 March 2009 (31 March 2008 £416k).



**15.2 Loans [and other long-term financial liabilities]**

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Amounts falling due:				
In one year or less	1,182	0	1,182	1,183
Between one and two years	50	0	50	1,183
Between two and five years	150	0	150	150
Over 5 years	175	0	175	225
<b>TOTAL</b>	<b>1,557</b>	<b>0</b>	<b>1,557</b>	<b>2,741</b>

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	1,132	0	1,132	2,266
Wholly repayable after five years, not by instalments	0	0	0	0
Wholly or partially repayable after five years, by instalments	425	0	425	475
<b>TOTAL</b>	<b>1,557</b>	<b>0</b>	<b>1,557</b>	<b>2,741</b>

Total repayable after five years by instalments	175	0	175	0
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**Loans [and long-term financial liabilities] wholly or partially repayable after five years:**

Terms of payment	Interest rate %	31 March 2009 Value outstanding £000	31 March 2008 Value outstanding £000
Capital Investment Loan from Department of Health - taken out November 2007, principle to be repaid at six-monthly intervals over 10 years (£25k March and £25k September each year)	5	425	475

**15.3 Finance lease obligations**

The Trust had no obligations under finance leases at 31 March 2009.

**15.4 Finance Lease Commitments**

The Trust had no finance lease commitments at 31 March 2009.

**15.5 Other Financial Liabilities**

The Trust has no financial liabilities carried at fair value through profit or loss.

**16 Provisions for liabilities and charges**

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	(
At 1 April 2008	0	595	64	200	
Arising during the year	0	0	21	26	
Utilised during the year	0	(35)	(10)	0	
Reversed unused	0	0	(30)	0	
Unwinding of discount	0	0	0	0	
<b>At 31 March 2009</b>	<b>0</b>	<b>560</b>	<b>45</b>	<b>226</b>	

**Expected timing of cashflows:**

Within one year	0	60	45	226
Between one and five years	0	180	0	0
After five years	0	320	0	0

Legal claims relate to the excess payable on each Employer's and Public Liability claim handled by NHS Litigation Authority on the Trust's 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 and Wrekin PCT. The provision is based on the estimate provided by the NHS Litigation Authority and has a related contingent liability of £17,750.

Other provisions relate to pay claims and their associated legal costs. These provisions are based on legal advice.

£4,893,032 is included in the provisions of the NHS Litigation Authority (NHSLA) at 31 March 2009 in respect of clinical negligence liability (31 March 2008 £4,107,740). This increase is in line with a national re-assessment of claims being declared by the NHSLA.

**17 Movements on Reserves**

**Movements on reserves in the year comprised the following:**

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	<b>Total £000</b>
At 1 April 2008 as previously stated	15,894	6,411	0	0	(3,874)	<b>18,431</b>
Transfer from the income and expenditure account					999	<b>999</b>
Fixed asset impairments	(342)	(272)	0			<b>(614)</b>
Surplus on other revaluations/indexation of fixed assets	(638)	(288)	0			<b>(926)</b>
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0		0	<b>0</b>
Receipt of donated/government granted assets		5,760	0			<b>5,760</b>
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets		(372)	0			<b>(372)</b>
Other transfers between reserves	703	0	0	0	(703)	<b>0</b>
At 31 March 2009	<b>15,617</b>	<b>11,239</b>	<b>0</b>	<b>0</b>	<b>(3,578)</b>	<b>23,278</b>

**18 Notes to the cash flow Statement**

**18.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Total operating surplus	<b>2,691</b>	2,513
Depreciation and amortisation charge	<b>3,267</b>	2,842
Asset impairments and reversals, and movement in financial instruments	<b>152</b>	128
Transfer from Donated Asset Reserve	<b>(372)</b>	(315)
Transfer from the Government Grant Reserve	<b>0</b>	0
Decrease in stocks	<b>40</b>	94
(Increase)/decrease in debtors	<b>(468)</b>	1,396
Increase in creditors	<b>2,111</b>	1,026
Increase/(decrease) in provisions	<b>121</b>	(895)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b><u>7,542</u></b>	<b><u>6,789</u></b>

**18.2 Reconciliation of net cash flow to movement in net debt**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Increase/(decrease) in cash in the period	<b>1,712</b>	0
Cash (inflow) from new debt	<b>0</b>	(500)
Cash outflow from debt repaid and finance lease capital payments	<b>1,184</b>	1,159
Change in net debt resulting from cash flows	<b>2,896</b>	659
Net debt at 1 April 2008	<b>(2,564)</b>	(3,223)
<b>Net debt at 31 March 2009</b>	<b><u>332</u></b>	<b><u>(2,564)</u></b>

**18.3 Analysis of changes in net debt**

	At 1 April 2008	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2009
	£000	£000	£000	£000	£000
OPG cash at bank	177	0	1,703		1,880
Commercial cash at bank and in hand	0	0	9		9
Loan from the Department of Health due within one year	(1,183)	0	1	0	(1,182)
Loan from the Department of Health due after one year	(1,558)	0	1,183	0	(375)
Current asset investments	0			0	-
Current financial assets		0	0	0	0
	<b>(2,564)</b>	<b>0</b>	<b>2,896</b>	<b>0</b>	<b>332</b>

## 19 Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £521k (31 March 2008 £198k)

## 20 Post Balance Sheet Events

There were no post balance sheet events having a material effect on the accounts.

## 21 Contingencies

	2008/09 £000	2007/08 £000
Contingent liabilities*	(18)	0
Amounts recoverable against contingent liabilities	18	0
<b>Net value of contingent liabilities</b>	<u><u>0</u></u>	<u><u>0</u></u>

## Contingent Assets

<u><u>0</u></u>	<u><u>0</u></u>
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\*Contingent liabilities relate to the potential cost of claims being handled by the NHS Litigation Authority and relate to the provision carried in these accounts.

## 22 Movement in Public Dividend Capital

	2008/09 £000	2007/08 £000
Public Dividend Capital as at 1 April 2008 and 1 April 2007	30,935	28,466
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	45	2,469
Public Dividend Capital repaid in year	(110)	0
Public Dividend Capital written off	0	0
Other movements in Public Dividend Capital in year	0	0
<b>Public Dividend Capital as at 31 March 2009</b>	<u><u>30,870</u></u>	<u><u>30,935</u></u>

## 23 Financial Performance Targets

### 23.1 Breakeven Performance

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

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
Turnover	41,968	50,840	57,263	58,702	67,043	72,732
Retained surplus/(deficit) for the year	(2,314)	0	253	(2,109)	1,146	999
Adjustment for:						
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0	0
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0	0	0	0	0
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	0	0	0	0
2007/08 Prior Period Adjustment (relating to 1997/98 to 2006/07)	0	0	0	0	0	0
2008/09 Prior Period Adjustment (relating to 1997/98 to 2007/08)	0	0	0	0	0	0
- Adjustments for Impairments						152
- Other agreed adjustments	800	2,522	0	0	0	0
Break-even in-year position	(1,514)	2,522	253	(2,109)	1,146	1,151
Break-even cumulative position	(2,297)	225	478	(1,631)	(485)	666
The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2008/09.						0
If anticipated financial year of recovery is more than two years state the period agreed with SHA						0
Materiality test (i.e. is it equal to or less than 0.5%):						
- Break-even in-year position as a percentage of turnover	-3.61	4.96	0.44	-3.59	1.71	1.58
- Break-even cumulative position as a percentage of turnover	-5.47	0.44	0.83	-2.78	-0.72	0.92

### 23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £1,577,000, bears to the average relevant net assets of £41,904k, that is 3.8% which is within the allowed range of 3.0% to 4.0%.

### 23.3 External financing

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

	£000	2008/09 £000	2007/08 £000
External financing limit		(898)	1,810
Cash flow financing	(2,961)		1,810
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>(2,961)</u>	<u>1,810</u>
<b>Undershoot</b>		<u><u>2,063</u></u>	<u><u>0</u></u>

### 23.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	8,727	5,552
Less: book value of assets disposed of	(171)	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(5,760)	(89)
Charge against the capital resource limit	<u>2,796</u>	<u>5,463</u>
Capital resource limit	2,796	5,463
<b>(Over)/Underspend against the capital resource limit</b>	<u><u>0</u></u>	<u><u>0</u></u>