

ROYAL DEVON AND EXETER NHS FOUNDATION TRUST

ANNUAL ACCOUNTS

YEAR ENDED 31 MARCH 2010

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Statement of the Chief Executive's responsibilities as the Accounting Officer of the Royal Devon and Exeter NHS Foundation Trust

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

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

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

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

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

Signed:



Angela Pedder - Chief Executive

Date: 4 June 2010

STATEMENT ON INTERNAL CONTROL 2009/10

1.0 Scope of responsibility

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

2.0 The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the policies, aims and objectives of the Royal Devon and Exeter NHS Foundation Trust.

- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.2 The system of internal control has been in place in the Trust for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts.

3.0 Capacity to handle risk

3.1 The Governance Committee (committee of the Board of Directors) is chaired by a non-executive director and provides leadership to the risk management process. The work of the Governance Committee is supported by a number of subcommittees that are responsible for monitoring and managing specific types of risk. The Significant Events Forum is chaired by a consultant clinical lead and reviews all Route Cause Analysis of adverse incidents, clinical audits and mortality and morbidity reviews. The NPSA Alerts Working Party is chaired by the Medical Director and ensures the timely implementation of alert notifications. Other specialist committees, led by director or senior clinicians include:

- Medical Devices Groups
- Medicines Management Group
- Medical Gases Group
- Radiation Protection Group
- Infection Control Committee
- Clinical Audit and Effectiveness Committee
- Drugs and Therapeutics Committee

3.2 The Trust maintains a comprehensive risk register covering both clinical and organisational risks. Individual risks are assigned to an appropriate executive lead and manager who are responsible for ensuring that the risk is either eliminated or managed appropriately. Support and appropriate training in risk management are provided by the Risk Management Department. Specialist functions also exist to manage various agendas. These include:

- Head of Patient Governance
- Risk Manager
- Fire, Infection Control and Radiation Advisors
- Occupational Health Physician and Health Advisors
- Governance Support Unit providing clinical audit and research ethics advice
- Trust Solicitor
- Complaints Department
- Patient Advice and Liaison Service (PALS)
- Security Management Specialist
- Head of Information Governance

STATEMENT ON INTERNAL CONTROL 2009/10

- 3.3 Staff are trained and equipped to manage risk in a way appropriate to their authority and duties. Risk management is included in the Trust's mandatory training programme. Training is provided to staff at both corporate and local induction and as part of follow up refresher training. The training courses are run on a regular basis and provide staff with the skills needed to undertake risk management duties.
- 3.4 The training is underpinned by policies and procedures and feedback from audits, inspections and incident reporting. Included within this is the sharing of good practice and learning from incidents. The Trust Adverse Events Forum ensures that learning is shared across the organisation. The Governance Support Unit coordinates the root cause analysis investigations of adverse incidents and the learning points are made available to all relevant staff.
- 3.5 Policies and procedures are updated on a regular basis to offer a benchmark to the Trust on how to manage risk. Some of these policies, specifically the risk management strategy, risk assessment policy and procedure and the incident and investigation policy and procedure, also inform external stakeholders on the Trust position in these areas.
- 3.6 The Audit Committee is a non-executive committee of the Board of Directors and reviews the establishment and maintenance of an effective system of integrated governance across the whole of the Trust's activities that supports the achievement of the Trust's objectives. Specifically, the Committee reviews the adequacy of:
- all risk and control related disclosure statements together with the Head of Internal Audit statement and external audit opinion prior to endorsement by the Board.
 - reviews and approves the annual accounts.
 - reviews and approves the annual audit plans.
 - the policies for assuring compliance with relevant regulatory, legal and code of conduct requirements.
 - the policies and procedures for all work related to fraud and corruption as required by the counter fraud and security management service.
 - the Trust's self assessment process for assessing compliance with standards for Better Health for the period April 2009 to March 2010 .
 - the requirement for the chairs of the Audit Committee and the Governance Committee to meet no less than three times per year and ensure that the agendas are aligned and there are no gaps in assurance between the two Trust Board subcommittees, forms part of the committees terms of reference.

4.0 The risk and control framework

- 4.1 The risk management strategy clearly sets out the processes for identifying and managing risks. It incorporates a standard methodology in which risk is evaluated using a likelihood-consequence matrix. The roles and responsibilities of staff in managing risk are defined and key posts highlighted. The strategy also includes the governance reporting structure and the terms of reference of the Governance Committee and all the committees reporting to the Governance Committee.
- 4.2 The Trust has established directorate level risk registers which feed into the Trust risk register. At directorate level, the risk registers contain low level localised risks that can be managed by the relevant directorate. The Trust risk register contains the higher level risks and Trust wide risks. This ensures that risks are identified, managed and escalated appropriately at all levels of the organisation. All areas of the hospital have trained Risk Management Officers and the Risk Management Department carries out annual checks to ensure that risk assessments are being completed accurately and acted upon.

STATEMENT ON INTERNAL CONTROL 2009/10

- 4.3 All the directorates have their own Governance Groups which meet regularly. In 2009, the Trust invested in establishing Governance Coordinators posts to support the directorates in implementing robust governance processes. Each directorate provides quarterly reports to the Board of Directors, via the Governance Committee, on all aspects of governance.
- 4.4 The Board has approved an assurance framework, which reflects the Trust strategic objectives and key priorities. The assurance framework and the Trust risk register are reviewed quarterly by the Governance Committee. Any gaps in controls or assurance are highlighted and reported to the Board of Directors. Risks to the Trust's strategic objectives that can not be immediately eliminated are placed on the risk register and action plans put in place to address any gaps.
- 4.5 The assurance framework is split into a number of areas that include the regulatory, national, local and commissioner issues. These are:
- Monitor
 - Healthcare Standards
 - Strategic directions
 - National and local targets
- 4.6 Primary care trust consultations on the wider aspects of risk (for example access risk issues) are undertaken through regular monthly contract management meetings.
- 4.7 Planning risk issues are discussed with the local authorities via overview and scrutiny committees. The Trust also involves the media in matters relating to communication with the public. An example would be in managing the risks around infection outbreaks.
- 4.8 Quarterly Council of Governor meetings are also held to discuss all aspects of Trust business, including risks, in meeting local and national targets.
- 4.9 The Trust has formal structures in place for the management of information governance and data security in the form of an Information Governance Committee and Security Forum. The Information Security Forum is chaired by the Trust's Caldicott Guardian and deals with all aspects of information security and data confidentiality. Risks to information security are reported directly to the Information Governance Committee, chaired by the Director of Finance and Business Development, and recorded on the Trust's information risk register. The Director of Finance and Business Development is the Trust's nominated Senior Information Risk Owner and takes overall responsibility for information security risk management.
- 4.10 The Trust annually assesses its compliance with information governance standards using the Department of Health information governance toolkit. In 2009, the Trust enhanced its assurance processes by purchasing two audits, by external independent companies, on information security and early in 2010, Internal Audit provided further assurance on the Trust's submission on the key requirements of aspects of the information governance tool kit. Following these audits, an action plan was drawn up and completed.
- 4.11 Security of information is underpinned by a comprehensive set of policies and procedures specifically designed to reduce the risk of loss or inappropriate disclosure of personal information. All new induction staff and existing staff attending mandatory information governance training are provided with a copy of all relevant policies on CD and sign an acceptance and agreement to undertake to read all policies contained therein. All laptops and data sticks provided by the Trust are encrypted. All information governance incidents are reported via the Information Governance Committee.
- 4.12 The Trust is fully compliant with the core Standards for Better Health.

STATEMENT ON INTERNAL CONTROL 2009/10

5.0 Pensions

- 5.1 The Trust is an employer of staff entitled to membership of the NHS Pension Scheme. Control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations. The payroll system was audited by Internal Audit in December 2009 /January 2010.

6.0 Equality and diversity

- 6.1 Control measures are in place to ensure that the organisation's obligations under equality, diversity and human rights are complied with. Equality and diversity training is delivered to staff right from induction and is followed up with subsequent staff updates. Advanced training is tailored to meet the needs of different staff groups. The need for equality and diversity awareness is explicit in all job outlines.
- 6.2 The Trust's Single Equality Scheme outlines our strategy for delivering equality and diversity, including a detailed action plan which is updated annually. This is informed and developed through a comprehensive consultation plan with both staff and users. The Single Equality Scheme spells out a zero tolerance approach to any breach of respect and dignity, a core principle which is reinforced in all Trust policies.
- 6.3 There is a full range of policies, processes and training to ensure protection of vulnerable adults and children, to protect staff from abuse and for the prevention of bullying and harassment. In addition, guidance and procedures are published to meet individual spiritual and cultural needs and support end of life care. This is all underpinned with comprehensive intranet information and mandatory training.
- 6.4 Impact assessment is used to ensure that our activity is effectively promoting equality and diversity. Every policy is impact assessed, as this determines, at a practical level, how we go about our business. The Organisational Development Strategy and the work plan arising out of the Involving People Steering Group prioritises staff and user engagement and focuses on involvement across all 6 strands of diversity.

7.0 Review of economy, efficiency and effectiveness of the use of resources

- 7.1 Internally, overall performance is monitored at the monthly meetings of the Board of Directors. Operational management and the coordination of Trust services is delivered by the Trust Executive, which comprises the executive directors and clinical directors. Performance of individual clinical and support divisions is monitored informally on a monthly basis and formally on a quarterly basis via the quarterly review process.
- 7.2 I can confirm that the Trust complies with the cost allocation of and charging requirements set out in H M Treasury and Office of Public Sector Information guidance.

8.0 Annual Quality Report

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

STATEMENT ON INTERNAL CONTROL 2009/10

8.2 The Quality Report provides a balanced view of the quality of the services we provide as a Trust. The Director of Nursing has overall responsibility for the production of the Quality Report; consulting with the Board of Directors on the key issues to include in the report and the approach taken. Quality performance measures and the content of the Quality Report have also been influenced through consultation with external partners. The Trust has consulted with its Members, Patients and Governors on quality issues as well as seeking the views of the Oversight and Scrutiny Committee, LINKs Devon and NHS Devon Primary Care Trust. The Board have taken the view that openness and transparency in highlighting relative performance on quality issues will give the public solid information on the quality of healthcare. Transparency and openness will also help drive up quality and help engage clinicians who are on the frontline in quality improvement. The Quality Report summaries the Trust's approach to ensuring the provision of high quality clinical services which it seeks to embed throughout the hospital. The data used in the Quality Report is validated using the same processes that apply to all Trust performance data.

9.0 Review of effectiveness

9.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

9.2 There is a number of further areas of work that have been included in my review of the effectiveness of the system of internal control. These include:

- Annual health check evidence gathering for core Standards for Better Health.
- Self assessment against the Care Quality Commissions (CQC) Essential Standards for Quality and Safety (reviewed by internal audit).
- Achievement of CNST level 2 accreditation for its maternity services.
- Maintenance of CNST level 1 accreditation for all other services.
- Performance monitoring by the Board of Directors of strategic directions and operational milestones to achieve internal and external targets.
- Results of the national patient and staff survey.
- Completion of the health & safety action plan.
- The Trust's compliance with the Hygiene Code has been reviewed by the CQC.
- The Trust's application for registration with the CQC was accepted without condition.

9.3 Key stakeholders have advised me on achievement of both national and locally agreed targets. These stakeholders include:

The Board of Directors - Executive and non-executive strategic management of all Trust objectives;

The Audit Committee - Reviews the effectiveness of the systems of integrated governance;

The Governance Committee - Provides leadership on the risk management process;

Internal audit - Provides independent assurance on issues examined and agreed on the annual audit plan;

External audit - Provides external independent assurance on the financial framework, internal audit function and risk management function of the Trust;

STATEMENT ON INTERNAL CONTROL 2009/10

- 9.4 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee and Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 9.5 My review of the effectiveness of the system of internal control has been presented and approved by the Board of Directors. The Board of Directors and the Audit and Governance Committees have been kept informed of progress against action plans throughout the year. The assurance framework includes plans to address any gaps in control or assurance in order to ensure that continuous improvement of the system is in place.
- 9.6 Internal Audit has examined the assurance framework for the Trust and has agreed that it is satisfactory. The Board of Directors will review the process on a quarterly basis and regular reports are given to the Audit and Governance Committees. The Trust's position against the core Standards for Better Health and the CQC Essential Standards for Quality and Safety has been reported to the Board of Directors and the Care Quality Commission via the Annual Declaration. The Trust achieved registration with the CQC without condition.
- 9.7 No significant internal control issues (i.e. issues where the risk could not be effectively controlled) have been identified in respect of 2009/10.

Signed:



Angela Pedder - Chief Executive

Date: 4 June 2010

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF GOVERNORS OF THE ROYAL DEVON AND EXETER NHS FOUNDATION TRUST

We have audited the financial statements of the Royal Devon and Exeter NHS Foundation Trust for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is the NHS Foundation Trust Annual Reporting Manual issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Accounting Officer Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with relevant statute, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

The maintenance and integrity of the Royal Devon and Exeter NHS Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the NHS Foundation Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Foundation Trust; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with the NHS Foundation Trust Annual Reporting Manual, of the state of the NHS Foundation Trust's affairs as at 31 March 2010 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual.

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

In our opinion:

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

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF GOVERNORS OF THE ROYAL DEVON AND EXETER NHS FOUNDATION TRUST


Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from locations not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- Foundation Trust Annual Reporting Manual or is misleading or inconsistent with information of which we are aware from our audit; or
- we have not been able to satisfy ourselves that the NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Certificate

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



Heather Ancient (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth

4 June 2010

FOREWORD TO THE ACCOUNTS

These accounts for the year ended 31 March 2010 have been prepared by the Royal Devon and Exeter NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 in the form which Monitor has, with the approval of the Treasury, directed.

The Royal Devon and Exeter NHS Foundation Trust Annual Report and Accounts are presented to Parliament pursuant to Schedule 7, paragraph 25(4) of National Health Service Act 2006.

Signed:

A handwritten signature in black ink, appearing to read 'Angela Pedder', written in a cursive style.

Angela Pedder - Chief Executive

Date: 4 June 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2010

	Note	2009/10 £000	2008/09 £000
Income from activities	3	272,763	254,997
Other operating income	4	62,926	57,840
Operating income		<u>335,689</u>	<u>312,837</u>
Operating expenses	5	<u>(320,290)</u>	<u>(296,334)</u>
Operating surplus		15,399	16,503
Finance costs			
Finance income	11	144	1,867
Finance expense	12	(1,131)	(1,189)
PDC dividends payable	15	<u>(7,577)</u>	<u>(8,800)</u>
Net finance costs		(8,564)	(8,122)
Surplus for the year		<u>6,835</u>	<u>8,381</u>
Other comprehensive income			
Revaluation losses and impairment losses property, plant and equipment		(33,668)	(23,595)
Increase in the donated asset reserve due to receipt of donated assets		179	222
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of on donated assets		<u>(448)</u>	<u>(414)</u>
Total comprehensive income and expense for the year		<u>(27,102)</u>	<u>(15,406)</u>

STATEMENT OF FINANCIAL POSITION AS AT
31 MARCH 2010

	Note	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
Non-current assets				
Intangible assets	16	789	829	643
Property, plant and equipment	17	231,737	261,148	293,091
Trade and other receivables	19	838	810	619
Total non-current assets		233,364	262,787	294,353
Current assets				
Inventories	18	4,607	4,691	4,079
Trade and other receivables	19	13,116	13,575	13,189
Cash and cash equivalents	25	41,498	38,359	31,598
		59,221	56,625	48,866
Non-current assets held for sale	20	6,000	6,000	-
Total current assets		65,221	62,625	48,866
Current liabilities				
Trade payables and receipts in advance	21	(22,223)	(21,877)	(20,880)
Other liabilities	21	(2,250)	(1,637)	(3,548)
Borrowings	22	(1,271)	(1,270)	(1,270)
Provisions	23	(130)	(147)	(101)
Tax payables	21	(4,048)	(3,700)	(3,629)
Total current liabilities		(29,922)	(28,631)	(29,428)
Total assets less current liabilities		268,663	296,781	313,791
Non-current liabilities				
Other liabilities	21	(153)	(320)	(565)
Borrowings	22	(21,483)	(22,754)	(24,024)
Provisions	23	(296)	(270)	(359)
Total non-current liabilities		(21,932)	(23,344)	(24,948)
Total assets employed		246,731	273,437	288,843
Financed by taxpayers' equity				
Public dividend capital		149,715	149,319	149,319
Revaluation reserve		50,784	86,857	113,469
Donated asset reserve		3,831	4,808	5,140
Income and expenditure reserve		42,401	32,453	20,915
Total taxpayers' equity		246,731	273,437	288,843

Prior year comparatives have been restated to take account of the transition to reporting under International Financial Reporting Standards. Where required, reconciliations have been prepared that explain material changes to amounts previously reported under UK GAAP and are disclosed in note 31.

The notes on pages 16 to 38 form part of these accounts.

The Annual Accounts were formally approved by the Board of Directors and were signed on its behalf by:



Angela Pedder - Chief Executive

Date: 4 June 2010

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

	Public dividend capital £000	Revaluation reserve £000	Donated assets reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' equity at 1 April 2008	149,319	113,469	5,140	20,915	288,843
Surplus for the year	-	-	-	8,381	8,381
Revaluation losses and impairment losses property, plant and equipment	-	(23,455)	(140)	-	(23,595)
Increase in the donated asset reserve due to receipt of donated assets	-	-	222	-	222
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of on donated assets	-	-	(414)	-	(414)
Transfers to the income and expenditure account in respect of assets disposed of	-	(11)	-	11	-
Transfer of the excess of current cost depreciation over historical cost depreciation to the income and expenditure reserve	-	(3,146)	-	3,146	-
Taxpayers' equity at 31 March and 1 April 2009	149,319	86,857	4,808	32,453	273,437
Surplus for the year	-	-	-	6,835	6,835
Revaluation losses and impairment losses property, plant and equipment	-	(32,960)	(708)	-	(33,668)
Increase in the donated asset reserve due to receipt of donated assets	-	-	179	-	179
Reduction in the donated asset reserve in respect of depreciation, impairment, and/or disposal of on donated assets	-	-	(448)	-	(448)
Transfers to the income and expenditure account in respect of assets disposed of	-	(4)	-	4	-
Transfer of the excess of current cost depreciation over historical cost depreciation to the income and expenditure reserve	-	(3,109)	-	3,109	-
Public dividend capital received	396	-	-	-	396
Taxpayers' equity at 31 March 2010	149,715	50,784	3,831	42,401	246,731

Public dividend capital ("PDC")

PDC represents the excess of assets over liabilities at the time of establishment of the Trust. It also includes new PDC received to fund capital expenditure on schemes supported by the Department of Health central capital budgets. PDC has no fixed capital repayment period.

Revaluation reserve

The reserve reflects movements in the value of purchased property, plant and equipment and intangible assets as set out in the accounting policies.

Donated assets reserve

The reserve reflects movements in the value of donated property, plant and equipment and intangibles assets as set out in the accounting policies.

Income and expenditure reserve

The reserve is the cumulative surplus / (deficit) made by the Trust since its inception. It is held in perpetuity and cannot be released to the Statement of Comprehensive Income.

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 MARCH 2010

	Note	2009/10 £000	2008/09 £000
Cash flows from operating activities			
Operating surplus		15,399	16,503
Non-cash income and expense:			
Depreciation and amortisation		13,706	13,542
Transfer from the donated asset reserve		(448)	(414)
Decrease/(increase) in trade and other receivables		715	(577)
Decrease/(increase) in inventories		84	(612)
Increase in trade and other payables		1,902	19
Increase/(decrease) in other liabilities		446	(2,156)
Increase/(decrease) in provisions		9	(43)
Increase in tax liability payable		348	71
Other movements in operating cash flows		114	99
Net cash generated from operations		32,275	26,432
Cash flows from investing activities			
Interest received		144	1,867
Purchase of intangible assets		(166)	(363)
Sales of intangible assets		4	-
Purchase of property, plant and equipment		(19,513)	(10,147)
Sales of property, plant and equipment		82	9
Net cash used in investing activities		(19,449)	(8,634)
Cash flows from financing activities			
PDC received		396	-
Loans repaid		(1,270)	(1,270)
Interest paid		(1,131)	(1,189)
PDC dividend paid		(7,861)	(8,800)
Cash flows from other financing activities		179	222
Net cash used in financing activities		(9,687)	(11,037)
Increase in cash and cash equivalents		3,139	6,761
Cash and cash equivalents at 1 April		38,359	31,598
Cash and cash equivalents at 31 March	25	41,498	38,359

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Monitor has directed that the financial statements of the Trust shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual which shall be agreed with HM Treasury. Consequently, the financial statements have been prepared in accordance with the 2009/10 NHS Foundation Trust Annual Reporting Manual issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS), EU endorsed, and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of non current assets at their value to the business by reference to their fair value.

The directors have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

1.1 Income recognition

Income 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 income for the Trust is contracts with commissioners in respect of healthcare services.

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

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

1.2 Expenditure

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

1.3 Intangible assets**Recognition**

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

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

Internally generated intangible assets

Internally generated goodwill, brands, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Measurement

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

Subsequently intangible assets are measured at fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Intangible assets (continued)

Amortisation and impairment

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

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Software

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

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

<u>Asset category</u>	<u>Useful life</u> <u>(years)</u>
Software licences	4 - 7

Research and development

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

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

Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Where possible the Trust will disclose the total amount of research and development expenditure charged in the Statement of Comprehensive Income separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

Other property, plant and equipment assets acquired for use in research and development are amortised over the life of the associated project.

1.4 Property, plant and equipment

Recognition

Property, plant and equipment are capitalised where:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential be provided to, the Trust;
- it is expected to be used for more than one financial year;

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Property, plant and equipment (continued)

- the cost of the item can be measured reliably and;
- has an individual cost of at least £5,000; or
- the items form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up costs, irrespective of their individual or collective cost.

Measurement and revaluation

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

Property assets

The fair value of land and buildings is determined by valuations carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. 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. For non-operational properties, including surplus land, the valuations are carried out at open market value. The frequency of revaluation is dependent upon changes in the fair value of property assets however, in line with Monitor's view the frequency of property asset revaluations will be at least every five years.

Assets under construction are valued at cost and are subsequently revalued by professional valuers when brought into use or when factors indicate that the value of the asset differs materially from its carrying value.

Non-property assets

For non-property assets the depreciated historical cost basis has been adopted as a proxy fair value in respect of assets which have short lives or low values. Non property assets acquired up to 31 March 2008 were revalued through an annual uplift by the change in the value of the GDP deflator. These revalued assets are included in the non-property assets valuation, but further indexation of these assets has ceased.

Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Subsequent expenditure

Expenditure incurred after items of property, plant and equipment have been brought into operation, such as repairs and maintenance, is normally charged to the Statement of Comprehensive Income in the period in which is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an items of property, plant and equipment, and where the cost of an item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits.

Useful lives are determined on a case by case basis. The typical lives for the following assets are:

<u>Asset category</u>	<u>Useful life</u> <u>(years)</u>
Freehold property - buildings	17 - 43
Freehold property - dwellings	33 - 48
Plant and machinery	5 - 10
Equipment - transport	5 - 7
Equipment - information technology	3 - 5
Equipment - furniture and fittings	5 - 10

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Property, plant and equipment (continued)

Freehold land is considered to have an infinite life and is not depreciated.

The excess depreciation on revalued assets over the historical cost is released to the income and expenditure reserve. On disposal of an asset the remaining revaluation reserve balance is also released to the income and expenditure reserve.

Impairment

The carrying values of property, plant and equipment assets are reviewed for impairment when events or changes in circumstances indicate their carrying value may not be recoverable.

Increases in asset values arising from revaluation are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income.

Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income.

1.5 Donated assets

Donated non-current assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated non-current 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 Statement of Comprehensive Income. Similarly, any impairment on donated assets charged to the Statement of Comprehensive Income is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the income and expenditure reserve.

1.6 Government grants

Government grants are grants from Government bodies other than income from primary care trusts or NHS trusts for the provision of services. Grants from the Department of Health are accounted for as Government grants as are grants from the Big Lottery Fund. Where the Government grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to operating income over the life of the asset in a manner consistent with the depreciation charge for that asset.

1.7 Inventories and work in progress

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost is determined using a first in, first out method.

Work-in-progress comprises goods in intermediate stages of production.

Provision is made where necessary for obsolete, slowing moving and defective inventories and work in progress.

1.8 Provisions

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

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)**1.8 Provisions (continued)****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. 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 23. The provision relates to the excess payable on each of the Trust's cases administered by the NHSLA.

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 when the liability arises.

1.9 Expenditure on employee benefits**Short-term employee benefits**

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

Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. It is not possible for the Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme.

Employers pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.10 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 non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.11 Contingent liabilities

The Trust has contingent liabilities in respect of NHSLA legal claims arising in the normal course of activities. Where the transfer of economic benefits in respect of legal claims is possible the Trust discloses the estimated value as a contingent liability in note 27.

1.12 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in a separate note, note 30, to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including, expectations of future events.

1.14 Leases

Operating leases

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

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease.

Lessor of assets

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

1.15 Public dividend capital

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

A charge, reflecting the forecast cost of capital utilised by the Trust, is paid over as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust.

Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Government Banking Service. Average relevant net assets are calculated as a simple means of opening and closing relevant net assets.

1.16 Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

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

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Classification and measurement

Financial assets are categorised as 'loans and receivables'. Financial liabilities are classified as 'other financial liabilities'.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (CONTINUED)

1.16 Financial instruments and financial liabilities (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: cash and cash equivalents, NHS receivables, accrued income and 'other receivables'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the Statement of Comprehensive Income.

Other financial liabilities

Other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the statement of financial position date, which are classified as non-current liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Impairment of financial assets

At the statement of financial position date, the Trust assesses whether any financial assets are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a bad debt provision that is determined specifically on individual assets.

1.17 Corporation tax

The Trust does not foresee that it will have any material commercial activities on which corporation tax liability will arise under the guidance issued by HM Revenue and Customs.

1.18 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value.

1.19 Consolidation of NHS charitable funds

The Trust is the Corporate Trustee of the Royal Devon and Exeter NHS Foundation Trust General Charity. The Charity has not been consolidated within these annual accounts as HM Treasury has granted a dispensation to the application of IAS 27 in relation to the consolidation of NHS charitable funds for 2009/10 and 2010/11. Further information relating to transactions between the Trust and the Charity is disclosed in note 28.

NOTES TO THE ACCOUNTS

2. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Trust's Board of Directors.

The Trust's income and activities are for the provision of health and health related services within the United Kingdom. The services provided by the Trust are designated between directorates. Details of the services provided within each of the Trust's main clinical directorates are included below. The information is a summary of activity by directorate level, similar information is provided to the Trust's Board of Directors each month.

Segmental information by assets and liabilities has not been disclosed as this information is not reported to the chief operating decision maker. The Foundation Trust Annual Reporting Manual includes the early adoption of the International Accounting Standards Board's amendment to IFRS 8 operating segments. The Trust has followed this guidance in preparing these accounts.

2.1 Segmental analysis - explanation of the services provided by directorates

Directorates	Examples of services provided within each directorate: -
Cancer Services	Clinical haematology, oncology and breast care unit.
Critical Care	Anaesthetics, day care unit, fracture clinic, intensive therapy unit / high dependency unit, pain services, resuscitation training and theatres.
Diagnostics	Blood transfusion, cellular pathology, clinical chemistry, computerised tomography scanning, cytopathology, haematology, histopathology, immunology, infection control, microbiology, magnetic resonance imaging services, mortuary, pathology and ultrasound.
Medicine (Specialist and General)	Dermatology, diabetes, medical outpatients, renal services, tissue viability/special needs. Acute medicine, cardiology, elderly care, lymphoedema, neurology, neurophysiology, respiratory medicine, stroke and rehabilitation and emergency department.
Orthopaedics	Bone bank, fracture clinic, orthopaedic day surgery, orthopaedic inpatient surgery, orthopaedic outpatients, rheumatology day cases, rheumatology outpatients and trauma inpatient surgery.
Professional Services	Chaplains, chiropody, clinical measurements, Exeter Mobility Centre, medical equipment management, medical physics, nutrition and dietetics, occupational therapy, osteoporosis service, pharmacy, physiotherapy and social services support.
Specialist Surgery	Ophthalmology, oral surgery, orthodontics, orthoptics, otolaryngology and plastic and reconstructive surgery.
Surgery 1	Breast surgery, colorectal surgery, general surgery, surgical outpatients, thoracic and upper gastrointestinal surgery, urology and vascular surgery.
Women and Children's Health	Child health, clinical genetics, gynaecology, fertility services, Honeylands children centre, maternity, midwifery, neonatology, obstetrics and paediatrics.
Other	Included within the "Other" heading are Facilities and Research and Development directorates and other non-directorate services.

NOTES TO THE ACCOUNTS

2. Segmental analysis (continued)

2.2 Segmental analysis 2009/10

	Cancer	Critical Care	Diagnostics	Medicine	Orthopaedics	Professional	Specialist	Surgery 1	Women and Children's	Other	Total	Reconciliation to figures reported on the Statement of Comprehensive Income see explanation below	
	Services					Services	Surgery		Health			£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Patient income	23,404	8,000	14,283	88,778	35,609	12,247	24,068	27,831	38,516	(749)	271,987		
Road traffic accident income	-	-	-	-	-	53	6	-	-	717	776		
Education income	599	1,141	774	3,818	615	215	1,126	958	1,525	8,672	19,443		
Research & development Income	-	-	-	-	-	-	-	6	-	12,313	12,319		
Commercial income	75	575	3,758	1,672	288	2,188	496	430	1,873	19,728	31,083		
Total operating income	24,078	9,716	18,815	94,268	36,512	14,703	25,696	29,225	41,914	40,681	335,608	81	335,689
Pay	6,769	18,336	15,979	42,270	12,536	11,486	11,552	11,571	23,178	35,455	189,132		
Drugs	7,707	955	3,140	6,443	2,324	2,473	1,725	764	1,071	49	26,651		
Clinical supplies	406	4,698	6,317	7,448	6,004	7,361	1,247	499	1,368	302	35,650		
Non-clinical supplies	36	219	39	393	183	48	60	67	142	3,290	4,477		
Research & development expense	-	-	-	-	-	-	-	-	-	11,165	11,165		
Other non-pay	240	227	1,142	1,767	1,570	885	668	207	2,338	30,270	39,314		
Depreciation and amortisation*	-	-	-	-	-	-	-	-	-	13,706	13,706		
Net recharges between directorates*	8,159	(14,520)	(11,659)	35,663	14,339	(9,556)	12,502	15,965	16,021	(66,914)	-		
Total operating expenditure	23,317	9,915	14,958	93,984	36,956	12,697	27,754	29,073	44,118	27,323	320,095	195	320,290
Total operating surplus / (deficit)	761	(199)	3,857	284	(444)	2,006	(2,058)	152	(2,204)	13,358	15,513	(114)	15,399
Net loss on disposal of asset	-	-	-	-	-	-	-	-	-	(114)	(114)	114	-
Interest receivable*	-	-	-	-	-	-	-	-	-	144	144	-	144
Interest payable*	-	-	-	-	-	-	-	-	-	(1,131)	(1,131)	-	(1,131)
Dividends on public dividend capital*	-	-	-	-	-	-	-	-	-	(7,577)	(7,577)	-	(7,577)
Retained surplus / (deficit) for year	761	(199)	3,857	284	(444)	2,006	(2,058)	152	(2,204)	4,680	6,835	-	6,835

Income received from English primary care trusts in 2009/10 totalled £284,256,000 (2008/09: £259,428,000) and is included in all the segments above.

Explanation for reconciling items between figures reported in the segmental analysis information and the Statement of Comprehensive Income.

Profits / losses on disposal of non-current assets are included within income and operating expenditure headings in the accounts but disclosed separately within the segmental analysis.

* Depreciation and amortisation, interest receivable, interest payable, gains and (losses) on disposal of assets and dividends on public dividend capital are included within recharges between directorates.

NOTES TO THE ACCOUNTS

2. Segmental analysis (continued)

2.3 Segmental analysis 2008/09

	Critical Care	Diagnostics	Medicine	Orthopaedics	Professional Services	Specialist Surgery	Surgery 1	Women and Children's Health	Other	Total	Ref	Reconciliation to figures reported on the Statement of Comprehensive Income see explanation below	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		£000	£000
Patient income	8,151	9,293	82,986	34,382	11,559	24,830	31,652	36,184	15,148	254,185			
Road traffic accident income	-	-	-	-	-	-	-	-	758	758			
Education income	1,308	813	3,551	655	139	935	1,051	1,393	9,054	18,899			
Research and development income	-	-	-	-	-	-	-	-	7,830	7,830			
Commercial income	463	3,704	1,391	179	2,484	487	421	1,842	16,829	27,800			
Total operating income	9,922	13,810	87,928	35,216	14,182	26,252	33,124	39,419	49,619	309,472	A	3,365	312,837
Pay	16,995	15,281	38,660	10,906	10,741	11,167	10,998	21,470	41,708	177,926			
Non-pay	5,538	10,702	16,477	8,656	10,770	3,500	1,799	4,683	39,150	101,275			
Depreciation*	-	-	-	-	-	-	-	-	14,400	14,400			
Net recharges between directorates*	(18,095)	(13,763)	33,357	14,659	(8,475)	12,192	18,397	15,228	(53,500)	-			
Total operating expenditure	4,438	12,220	88,494	34,221	13,036	26,859	31,194	41,381	41,758	293,601	B & D	2,733	296,334
Total operating surplus / (deficit)	5,484	1,590	(566)	995	1,146	(607)	1,930	(1,962)	7,861	15,871		632	16,503
Net loss on disposal of asset	-	-	-	-	-	-	-	-	(99)	(99)	C	99	-
Interest receivable*	-	-	-	-	-	-	-	-	1,867	1,867		-	1,867
Interest payable*	-	-	-	-	-	-	-	-	(1,189)	(1,189)		-	(1,189)
Dividends on public dividend capital*	-	-	-	-	-	-	-	-	(8,800)	(8,800)		-	(8,800)
Retained surplus / (deficit) for year	5,484	1,590	(566)	995	1,146	(607)	1,930	(1,962)	(360)	7,650		731	8,381

Income received from English primary care trusts in 2008/09 totalled £259,428,000 and is included in all the segments above.

Explanation for reconciling items between figures reported in the segmental analysis information and the Statement of Comprehensive Income:

Reconciliation A - Some income has been netted against expenditure when reported in the segmental analysis. This only relates to income received from external organisations in connection with research and development, estates services and telephone/computer equipment recharges.

Reconciliation B - The netting off of income in A sums to £3,365,000, which when grossed up is a non-pay expense.

Reconciliation C - The loss on disposal of fixed assets reported under UK GAAP has been included under operating expenditure due to adoption of IFRS.

Reconciliation D - Is the sum of the adjustments arising from adoption of IFRS (see note 31) and the transfer of the loss on disposal of fixed assets (see reconciliation C)

* Depreciation and amortisation, interest receivable, interest payable, gains and (losses) on disposal of assets and dividends on public dividend capital are included within recharges between directorates.

NOTES TO THE ACCOUNTS

3. Income from activities

	2009/10	2008/09
	£000	£000
Elective income	76,440	70,801
Non-elective income	89,649	85,081
Outpatient income	44,765	44,524
Other NHS clinical income	51,247	45,209
A & E income	9,393	8,030
Private patient income	1,205	1,297
Other non-protected clinical income	64	55
	<u>272,763</u>	<u>254,997</u>
Income from mandatory services	271,494	253,645
Income from non-mandatory services	1,269	1,352
	<u>272,763</u>	<u>254,997</u>

NHS Injury Scheme income is subject to a provision for doubtful debts of 8.7% to reflect expected rates of collection based upon historical experience.

3.1 Income from activities - by source

	2009/10	2008/09
	£000	£000
NHS foundation trusts	37	10
NHS trusts	45	48
Strategic health authorities	271	-
Primary care trusts	269,830	245,255
Department of Health - other	42	7,246
NHS other	447	236
Non-NHS: private patients	1,205	1,297
Non-NHS: overseas patients (non-reciprocal)	110	94
NHS injury scheme	712	758
Non-NHS: other	64	53
	<u>272,763</u>	<u>254,997</u>

3.2 Private patient income

	2009/10	2008/09	Base year
	£000	£000	2002/03
			£000
Private patient income	1,205	1,297	1,806
Total patient related income	<u>272,763</u>	<u>254,997</u>	<u>145,349</u>
Proportion (as a percentage)	<u>0.4%</u>	<u>0.5%</u>	<u>1.2%</u>

Section 44 of the 2006 Act requires that the proportion of private patient income to the total patient related income of NHS foundation trusts should not exceed its proportion whilst the body was an NHS Trust in 2002/03 or the base year.

4. Other operating income

	2009/10	2008/09
	£000	£000
Research and development	12,319	8,539
Education and training	19,443	18,898
Transfers from the donated asset reserve in respect of depreciation, impairment and disposal of donated assets	448	414
Non-patient care services to other bodies	24,230	23,260
Profit on disposal of intangible fixed assets	4	-
Profit on disposal of plant and equipment	77	-
Other	6,405	6,729
	<u>62,926</u>	<u>57,840</u>

Included within "Non-patient care services to other bodies" are laundry services, transport services, financial services, payroll services, procurement services, IT services, estates services, pathology services, pharmacy services and drug sales totalling £14.2 million (2008/09 - £13.9 million).

NOTES TO THE ACCOUNTS

5. Operating expenses

	2009/10 £000	2008/09 £000
Services from other NHS foundation trusts	1,075	722
Services from NHS trusts	1,328	2,164
Services from other NHS bodies	3,389	2,457
Employee expenses - executive directors (see note 5.1)	927	893
Employee expenses - non-executive directors (see note 5.1)	145	142
Employee expenses - staff	188,060	174,150
Drug costs	26,651	23,328
Supplies and services - clinical (excluding drug costs)	35,650	35,608
Supplies and services - general	4,477	4,069
Establishment	3,677	3,407
Research and development	11,657	7,709
Transport	367	418
Premises	12,078	13,219
(Decrease) / increase in bad debt provision	(52)	65
Depreciation	13,500	13,365
Amortisation of intangible assets	206	177
Audit fees - statutory audit	52	62
Other auditors' remuneration	7	102
Clinical negligence	4,355	2,167
Losses, ex gratia and special payments	151	145
Loss on disposal of plant and equipment	195	99
Peninsula Medical School - medical student placements and other services	6,038	6,155
Other	6,357	5,711
	<u>320,290</u>	<u>296,334</u>

The total employer's pension contributions are disclosed in note 6.1.

5.1 Directors' remuneration and other benefits

	2009/10 £000	2008/09 £000
Aggregate directors' remuneration	971	941
Employer's contribution to pension scheme	101	94
Total	<u>1,072</u>	<u>1,035</u>

In the year ended 31 March 2010 eight (2009 - nine) directors accrued benefits under defined benefit pension schemes.

5.2 Other auditor remuneration

The audit fee for the statutory audit in 2009/10 was £52,000 (2008/09 - £62,000) including VAT not recoverable. This was the fee for an audit in accordance with the Audit Code issued by Monitor in October 2007. In addition to this, payments made to the auditors for non audit work in 2009/10 amounted to £7,500, excluding VAT, for an IFRS review. Non audit fees in 2008/09 were £102,000 and related to reviews for workforce benchmarking, IFRS, information governance, cost improvement programme and service line management.

5.3 Auditors' liability

The Board of Governors appointed PricewaterhouseCoopers LLP (PwC) as external auditors for the financial year ending 31 March 2010. The engagement letter signed on 19 April 2010, states that the liability of PwC, its members, partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed £1 million in the aggregate in respect of all services (2008/09 - £1 million).

5.4 Operating leases

Arrangements containing an operating lease are:	2009/10 £000	2008/09 £000
Operating lease payments recognised in expenses	<u>1,623</u>	<u>1,316</u>

Lease expenditure relates to minimum lease payments and is charged to the Statement of Comprehensive Income in a straight line basis over the term of the lease.

Future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	2009/10			2008/09		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
No later than 1 year	135	898	1,033	244	811	1,055
Later than 1 year and no later than 5 years	62	2,577	2,639	96	2,892	2,988
Later than 5 years	574	1,747	2,321	589	2,179	2,768
	<u>771</u>	<u>5,222</u>	<u>5,993</u>	<u>929</u>	<u>5,882</u>	<u>6,811</u>

The Trust leases various, property, plant and equipment under non-cancellable operating leases. The largest lease relates to a lease arrangement for the supply of electricity with ABB Zanting Limited.

NOTES TO THE ACCOUNTS

6. Staff costs and numbers

6.1 Staff costs	2009/10 £000	2008/09 £000
Salaries and wages	156,930	144,646
Social security costs	11,791	10,954
Employer contributions to NHSPA	19,129	17,662
Agency and contract staff	4,170	4,653
	<u>192,020</u>	<u>177,915</u>

6.2 Average number of persons employed including directors

	Permanent employees Number	Other employees Number	2009/10 total Number	2008/09 total Number
Medical and dental	547	4	551	542
Administration and estates	1,230	5	1,235	1,127
Healthcare assistants and other support staff	528	-	528	513
Nursing, midwifery and health visiting staff	1,825	6	1,831	1,761
Scientific, therapeutic and technical staff	701	1	702	664
Bank and agency staff	-	210	210	189
Total	<u>4,831</u>	<u>226</u>	<u>5,057</u>	<u>4,796</u>

7 Employee benefits

There were no employee benefits during the year.

8 Pensions

All NHS foundation trusts participate in the NHS Pension Scheme. This is a statutory, defined benefit scheme, the regulations of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). The scheme is not designed to be run in such 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. Employers' pension cost contributions are charged as operating expenses as and when they become due.

The NHS pension scheme is subject to a full valuation every four years by the Government Actuary. The latest published valuation relates to the period 1 April 1999 to 31 March 2004 which was published in December 2007 and is available on the NHS Pensions Agency website. The notional deficit of the scheme was £3.3 billion as per the last scheme valuation. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis.

Employer contribution rates are reviewed every four years following the scheme valuation, on advice from the actuary. At the last valuation it was recommended that employer contribution rates should continue at 14% of pensionable pay. From 1 April 2008, employees' pay contributions will be on a tiered scale from 5% to 8.5% of their pensionable pay.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability is charged to operating expenses as and when they become due.

9 Retirements due to ill-health

During 2009/10 there were six (2008/09 - four) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £307,000 (2008/09 - £291,000). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

10 The late payment of commercial debts (Interest) Act 1998

In 2009/10 the Trust did not incur expenditure (2008/09 - £nil) arising from claims made under this legislation.

11 Finance income

	2009/10 £000	2008/09 £000
Interest on cash and cash equivalents	144	1,867

12 Finance expense

	2009/10 £000	2008/09 £000
Loans from the Foundation Trust Financing Facility	(1,124)	(1,181)
Unwinding of discount on provisions	(7)	(8)
Total	<u>(1,131)</u>	<u>(1,189)</u>

NOTES TO THE ACCOUNTS

13 Better Payment Practice Code

	2009/10 Number	2009/10 £000	2008/09 Number	2008/09 £000
Total non-NHS trade invoices paid in the year	93,983	115,707	98,009	101,220
Total non-NHS trade invoices paid within target	80,105	96,587	82,588	79,877
Percentage of non-NHS trade invoices paid within target	85.23%	83.48%	84.27%	78.91%
Total NHS trade invoices paid in the year	2,711	29,084	2,580	20,836
Total NHS trade invoices paid within target	1,909	20,534	1,639	13,768
Percentage of NHS trade invoices paid within target	70.42%	70.60%	63.53%	66.08%

The Better Payment Practice Code requires the Trust to aim to pay all valid non-NHS invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. The payment performance has been calculated upon this criteria, irrespective of whether a query or dispute was raised by the Trust due to supplier error resulting in a delay in payment.

14 Losses and special payments

	2009/10 Number	2009/10 Value £000	2008/09 Number	2008/09 Value £000
Losses	308	119	163	155
Special payments	66	46	83	40
Total losses and special payments	374	165	246	195

15 Public dividend capital

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Government Banking Service.

16 Intangible assets
16.1 Intangible assets at 31 March 2009

	Software licences £000
Fair value at 1 April 2008	1,298
Additions - purchased	337
Additions - donated	26
Disposals	(31)
Fair value at 31 March 2009	1,630
Accumulated amortisation at 1 April 2008	655
Provided during the year	177
Eliminated on disposals	(31)
Accumulated amortisation at 31 March 2009	801
Net book value	
- Purchased at 1 April 2008	610
- Donated at 1 April 2008	33
- Total at 1 April 2008	643
- Purchased at 31 March 2009	783
- Donated at 31 March 2009	46
- Total at 31 March 2009	829

16.2 Intangible assets at 31 March 2010

Fair value at 1 April 2009	1,630
Additions - purchased	166
Disposals	(254)
Fair value at 31 March 2010	1,542
Accumulated amortisation at 1 April 2009	801
Provided during the year	206
Eliminated on disposals	(254)
Accumulated amortisation at 31 March 2010	753
Net book value	
- Purchased at 1 April 2009	783
- Donated at 1 April 2009	46
- Total at 1 April 2009	829
- Purchased at 31 March 2010	759
- Donated at 31 March 2010	30
- Total at 31 March 2010	789

NOTES TO THE ACCOUNTS

17 Property, plant and equipment

17.1 Property, plant and equipment at the statement of financial position date comprise the following elements:

	Freehold land	Freehold buildings excluding dwellings	Freehold dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	38,859	188,399	2,616	11,389	42,510	1,109	10,618	1,259	296,759
Additions - purchased	-	211	-	16,999	358	155	39	16	17,778
Additions - donated	-	37	-	51	95	(4)	-	-	179
Reclassifications	-	4,021	-	(13,980)	8,233	194	1,482	50	-
Impairment	(5,369)	(35,764)	(216)	-	-	-	-	-	(41,349)
Disposals	-	-	-	-	(4,586)	(194)	(3,294)	(26)	(8,100)
Total at 31 March 2010	33,490	156,904	2,400	14,459	46,610	1,260	8,845	1,299	265,267
Accumulated depreciation at 1 April 2009	-	-	-	-	27,610	834	6,421	746	35,611
Provided during the year	-	7,615	66	-	3,857	128	1,707	127	13,500
Revaluation	-	(7,615)	(66)	-	-	-	-	-	(7,681)
Eliminated on disposals	-	-	-	-	(4,386)	(194)	(3,294)	(26)	(7,900)
Accumulated depreciation at 31 March 2010	-	-	-	-	27,081	768	4,834	847	33,530
Net book value									
Purchased at 1 April 2009	38,859	184,877	2,616	11,298	13,916	245	4,093	482	256,386
Donated at 1 April 2009	-	3,522	-	91	984	30	104	31	4,762
Total at 1 April 2009	38,859	188,399	2,616	11,389	14,900	275	4,197	513	261,148
Purchased at 31 March 2010	33,490	154,177	2,400	14,459	18,558	470	3,952	430	227,936
Donated at 31 March 2010	-	2,727	-	-	971	22	59	22	3,801
Total at 31 March 2010	33,490	156,904	2,400	14,459	19,529	492	4,011	452	231,737
17.2 Analysis of property, plant and equipment									
Protected assets at 31 March 2010	31,685	149,969	-	-	-	-	-	-	181,654
Unprotected assets at 31 March 2010	1,805	6,935	2,400	14,459	19,529	492	4,011	452	50,083
Net book value	33,490	156,904	2,400	14,459	19,529	492	4,011	452	231,737

There were no assets held under finance leases, hire purchase contracts or private finance initiative (PFI) at the statement of financial position date.

Protected assets are designated as protected in the Trust's Terms of Authorisation ("ToA"). Condition 9 of the ToA defines property as protected if it is required for the purposes of providing mandatory goods and services. Protected assets are limited to land and buildings owned by the Trust, assets such as equipment are not regarded as protected assets.

The Trust's land, buildings and dwellings have been revalued as at 31 March 2010. The valuation was undertaken by the District Valuer, in accordance with International Financial Reporting Standards and also complies with HM Treasury's requirements to value land and buildings on the basis of utilising modern equivalent buildings that would give the same service potential as is provided by the actual estate that the Trust owns.

NOTES TO THE ACCOUNTS

17 Property, plant and equipment (continued)

17.3 Property, plant and equipment at the prior year's statement of financial position date comprised the following elements:

	Freehold land	Freehold buildings excluding dwellings	Freehold dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	55,565	204,091	3,730	9,580	43,266	1,019	9,799	1,211	328,261
Additions - purchased	-	33	-	9,574	1,012	50	255	5	10,929
Additions - donated	-	30	-	17	117	32	-	-	196
Reclassifications	-	4,617	-	(7,834)	2,503	56	647	11	-
Impairment	(13,710)	(8,602)	(270)	-	-	-	-	-	(22,582)
Revaluation	-	(9,525)	(85)	107	1,131	27	-	32	(8,313)
Transferred to asset held for sale	(2,996)	(2,245)	(759)	-	-	-	-	-	(6,000)
Disposals	-	-	-	(55)	(5,519)	(75)	(83)	-	(5,732)
Total at 31 March 2009	38,859	188,399	2,616	11,389	42,510	1,109	10,618	1,259	296,759
Accumulated depreciation at 1 April 2008	-	3	-	-	28,587	782	5,190	608	35,170
Provided during the year	-	7,992	89	-	3,742	106	1,314	122	13,365
Revaluation	-	(7,995)	(89)	-	747	21	-	16	(7,300)
Eliminated on disposals	-	-	-	-	(5,466)	(75)	(83)	-	(5,624)
Accumulated depreciation at 31 March 2009	-	-	-	-	27,610	834	6,421	746	35,611
Net book value									
Purchased at 1 April 2008	55,565	201,564	3,730	8,159	13,719	230	4,453	564	287,984
Donated at 1 April 2008	-	2,524	-	1,421	960	7	156	39	5,107
Total at 1 April 2008	55,565	204,088	3,730	9,580	14,679	237	4,609	603	293,091
Purchased at 31 March 2009	38,859	184,877	2,616	11,298	13,916	245	4,093	482	256,386
Donated at 31 March 2009	-	3,522	-	91	984	30	104	31	4,762
Total at 31 March 2009	38,859	188,399	2,616	11,389	14,900	275	4,197	513	261,148

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17.4 Analysis of property, plant and equipment

Protected assets at 31 March 2009	37,060	178,827	-	-	-	-	-	-	215,887
Unprotected assets at 31 March 2009	1,799	9,572	2,616	11,389	14,900	275	4,197	513	45,261
Net book value	38,859	188,399	2,616	11,389	14,900	275	4,197	513	261,148

There were no assets held under finance leases, hire purchase contracts or private finance initiative (PFI) at the statement of financial position date.

Protected assets are designated as protected in the Trust's Terms of Authorisation ("ToA"). Condition 9 of the ToA defines property as protected if it is required for the purposes of providing mandatory goods and services. Protected assets are limited to land and buildings owned by the Trust, assets such as equipment are not regarded as protected assets.

NOTES TO THE ACCOUNTS

18 Inventories

18.1 Inventories held at year end

	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
Materials	4,588	4,650	4,051
Work-in-progress	8	23	10
Finished goods	11	18	18
Total inventories	4,607	4,691	4,079

18.2 Inventories recognised in expenses

	2009/10 £000	2008/09 £000
Write-down of inventories recognised in expenses	93	128

19 Trade and other receivables

	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
Current			
NHS receivables	8,496	9,088	8,583
Non-NHS receivables	1,392	1,580	1,653
Provision for impaired receivables	(25)	(91)	(50)
Prepayments	1,476	1,324	1,583
Accrued income	901	1,060	972
Other receivables	592	614	448
PDC receivable	284	-	-
Total current trade and other receivables	13,116	13,575	13,189

Non-current

Accrued income	838	810	619
Total trade and other receivables	13,954	14,385	13,808

Provision for impairment of receivables

At 1 April	91	50	31
Increase in provision	-	65	59
Unused amounts reversed	(52)	-	-
Amounts utilised	(14)	(24)	(40)
At 31 March	25	91	50

The provision for impairment of receivables relates to specific receivables over 3 months old.

19.1 Analysis of impaired receivables

	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
Ageing of impaired receivables			
In three to six months	78	193	202
Over six months	177	413	432
	255	606	634

19.2 Ageing of non-impaired receivables past their due date

Up to three months	1,137	974	1,019
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20 Non-current assets held for sale

	Property, plant and equipment £000
Net book value of non-current assets held for sale at 1 April 2008	-
Assets classified as available for sale in the year	6,000
Net book value of non-current assets held for sale at 31 March 2009	6,000
Net book value of non-current assets held for sale at 1 April 2009 and 31 March 2010	6,000

All non-current assets held for sale are property assets that are no longer used by the Trust and have been declared surplus to requirements. Although the assets were available for sale in 2008/09, it is still considered appropriate that they should continue to be classed as assets held for sale in 2009/10. The sale of these assets is expected to complete in the 2010/11 financial year.

NOTES TO THE ACCOUNTS

21 Trade and other payables
Current trade and other payables

	31 March 2010	31 March 2009	01 April 2008
	£000	£000	£000
NHS payables	3,503	3,398	2,858
Trade payables - capital	2,024	3,580	2,602
Other trade payables	2,460	3,627	4,256
Other payables	2,568	2,417	2,162
Accruals	<u>11,668</u>	<u>8,855</u>	<u>9,002</u>
	22,223	21,877	20,880
Other liabilities	2,250	1,637	3,548
Taxes payable	<u>4,048</u>	<u>3,700</u>	<u>3,629</u>
	28,521	27,214	28,057
Non-current trade and other payables			
Other liabilities	<u>153</u>	<u>320</u>	<u>565</u>
Total trade and other payables	<u>28,674</u>	<u>27,534</u>	<u>28,622</u>

22 Borrowings
Current

	31 March 2010	31 March 2009	01 April 2008
	£000	£000	£000
Loans from Foundation Trust Financing Facility	<u>1,271</u>	<u>1,270</u>	<u>1,270</u>

Non-current

Loans from Foundation Trust Financing Facility	<u>21,483</u>	<u>22,754</u>	<u>24,024</u>
Total borrowings	<u>22,754</u>	<u>24,024</u>	<u>25,294</u>

Amounts falling due within: -

In one year or less by instalments	1,271	1,270	1,270
Between one and five years by instalments	5,082	5,081	5,082
Over five years by instalments	<u>16,401</u>	<u>17,673</u>	<u>18,942</u>
	<u>22,754</u>	<u>24,024</u>	<u>25,294</u>

Two loans are repayable to the Secretary of State for Health.

The first loan of £17 million, was entered into in the year ended 31 March 2006. It is a repayable over a 20 year period, ending 30 March 2026, by equal quarterly instalments. The interest rate of the loan is fixed at 4.55% per annum.

The second loan of £10 million, was entered into in the year ended 31 March 2007, and is repayable over a 25 year period, ending 30 March 2032, by equal quarterly instalments. The interest rate of the loan is fixed at 5.05% per annum.

23 Provisions

	Early retirements	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2008	124	79	257	460
Arising during the year	7	102	4	113
Utilised during the year	(10)	(30)	(11)	(51)
Reversed unused	-	(22)	(91)	(113)
Unwinding of discount	3	-	5	8
At 31 March 2009	<u>124</u>	<u>129</u>	<u>164</u>	<u>417</u>
At 1 April 2009	124	129	164	417
Arising during the year	12	63	43	118
Utilised during the year	(11)	(53)	(24)	(88)
Reversed unused	-	(28)	-	(28)
Unwinding of discount	3	-	4	7
At 31 March 2010	<u>128</u>	<u>111</u>	<u>187</u>	<u>426</u>

Expected timing of cash flows:

	31 March 2010	31 March 2009
	£000	£000
In one year or less	130	147
Between one and five years	75	68
Over five years	<u>221</u>	<u>202</u>
	<u>426</u>	<u>417</u>

Legal claims relate to employee and public liability claims.

The "Other" category relates to £187,000 (2009 - £164,000) of injury benefit claims against the Trust.

Contingent liabilities relating to legal claims are shown in note 27.

The NHS Litigation Authority is carrying provisions as at 31 March 2010 in relation to Existing Liabilities Scheme and in relation to Clinical Negligence Scheme on behalf of the Trust of £23,744,000 (2009 - £14,632,000).

NOTES TO THE ACCOUNTS

24 Prudential Borrowing Limit

	31 March 2010	31 March 2009	1 April 2008
	£000	£000	£000
Total long term borrowing limit set by Monitor	70,000	70,800	67,400
Working capital facility agreed by Monitor	18,000	18,000	18,000
Total Prudential Borrowing Limit	<u>88,000</u>	<u>88,800</u>	<u>85,400</u>
Long term borrowing at beginning of year	24,024	25,294	26,565
Repayment in year	(1,270)	(1,270)	(1,271)
Long term borrowing at the end of year	<u>22,754</u>	<u>24,024</u>	<u>25,294</u>

The approved working capital facility was unused during the year.

Financial ratios

	2009/10	2009/10	2008/09	2008/09
	Actual	Minimum	Actual	Minimum
	ratios	PBL	ratios	PBL
Dividend cover	3.6x	>1x	3.5x	>1x
Interest cover	25.0x	>3x	27.0x	>3x
Debt service cover	11.8x	>2x	13.1x	>2x
Debt service to revenue	0.7%	<3%	0.8%	<3%

The Trust is required to comply and remain within a prudential borrowing limit.

The maximum cumulative amount of long-term borrowing. This is set by reference to the four ratio tests set out in Monitor's Prudential Borrowing Code.

25 Cash and cash equivalents

	31 March 2010	31 March 2009	01 April 2008
	£000	£000	£000
At 1 April	38,359	31,598	15,797
Net change in the year	3,139	6,761	15,801
At 31 March	<u>41,498</u>	<u>38,359</u>	<u>31,598</u>

Broken down into:

Cash at commercial banks and in hand	38	1,549	19,495
Cash with Government Banking Service	41,460	36,810	12,103
Cash and cash equivalents as in SoFP and Cash Flow Statement	<u>41,498</u>	<u>38,359</u>	<u>31,598</u>

Cash and cash equivalents represents cash in hand and deposits with any financial institution with a short term maturity period of three months or less from the date of the acquisition of the investment.

26 Capital commitments

Commitments under capital expenditure contracts, which relate to property, plant and equipment, at the balance sheet date were £4,470,100 (2009 - £1,490,000 and 2008 - £268,000).

27 Contingent liabilities

	31 March 2010	31 March 2009	01 April 2008
	£000	£000	£000
Contingent NHSLA legal claims.	<u>3</u>	<u>67</u>	<u>46</u>

28 Related party transactions

The Royal Devon and Exeter NHS Foundation Trust is a body corporate established by the issue of a licence of authorisation from Monitor.

The Trust is under the common control of the Board of Directors. During the year a board member held positions or had interests in the University of Exeter.

Directors' remuneration and other benefits are disclosed within the operating expenditure, note 5.1.

NOTES TO THE ACCOUNTS

28 Related party transactions (continued)

The Royal Devon and Exeter NHS Foundation Trust is the Corporate Trustee of the Royal Devon and Exeter NHS Foundation Trust General Charity ("Charity"). The Trust has received during the year £55,000 (2008/09 - £53,000) revenue income and £179,000 (2008/09 - £222,000) capital contributions from the Charity. At 31 March 2010 the Trust was due £56,000 (2009 - £33,000) from the Charity.

During the year the Royal Devon and Exeter NHS Foundation Trust has had a significant number of material transactions with the Department of Health ("DoH"), and with other entities for which the DoH is regarded as the parent of those entities.

Income received and expenditure incurred from/with related parties: -

	2009/10 £000	2008/09 £000
Department of Health income from services provided	<u>11,684</u>	<u>15,064</u>

Amounts owed to and by related parties: -

	31 March 2010 £000	31 March 2009 £000	01 April 2008 £000
Amounts owed by related parties: -			
Department of Health	<u>319</u>	<u>226</u>	<u>149</u>
Amounts owed to related parties: -			
Department of Health	<u>41</u>	<u>36</u>	<u>25</u>

29 Financial instruments

A financial instrument is a contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity. IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The financial assets and liabilities of the Trust are generated by day to day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

Credit risk

Credit risk arises when the Trust is exposed to the risk that a party is unable to meet its obligation to the Trust in respect of financial assets due.

Financial assets mainly comprise monies due from primary care trusts for services rendered by the Trust in fulfilment of service agreements, and cash balances held on deposit. It is considered that financial assets due from primary care trusts pose low credit risk as these entities are funded by HM Government.

A significant proportion of the Trust's cash balances are held on deposit with the Government Banking Service, and as such the credit risk on these balances is considered to be negligible. Cash balances are regularly transferred to a commercial bank, from deposit with the Government Banking Service, in order to make payments. Whilst lodged with the commercial bank said deposits pose a credit risk if the commercial bank were to become insolvent during the period from receipt of monies to subsequent payment of suppliers. However as payments are structured to minimise the period of credit risk exposure, the Trust considers that it has reduced the credit risk to an acceptable level.

Liquidity risk

Liquidity risk arises if the Trust is unable to meet its obligations arising from financial liabilities. The Trust's financial liabilities mainly arise from net operating costs, which are mainly incurred under legally binding annual service agreements with local primary care trusts, and liabilities incurred through expenditure on capital projects. Other liquidity risks are loans repayable to the Foundation Trust Financing Facility.

Income from contracted activities with primary care trusts is based upon a nationally set tariff, which under Payment by Results is paid to the Trust in twelve monthly instalments throughout the year; any performance in excess of agreed targets is paid in accordance with the terms of the relevant contract. Payment by instalments allows the Trust to accurately forecast cash inflows and through the preparation and review of cash flow forecasts, as well as the controls in place governing the authorisation of expenditure, ensures that the Trust maintains sufficient funds to meet obligations as they fall due.

To alleviate the risk of any cash shortfall resulting from the timing of revenue or capital receipts and payments, the Trust has in place a £18 million working capital facility with a commercial bank, in accordance with the Trust's Terms of Authorisation. The Trust has not drawn down this facility.

Market risk

Market risk arises when the Trust is exposed to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

NOTES TO THE ACCOUNTS

29 Financial instruments (continued)

Currency risk

The Trust receives income denominated in sterling. The Trust, on occasion, does enter in agreements to make payments in non-sterling denominated currencies. Non-sterling payments are principally short term liabilities and for non-significant amounts. Given this the Trust does not consider that it is exposed to any material currency risk and therefore has elected not to hedge its exposure.

Interest rate risk

The Trust does not enter into contracts where cash flows are determined by the use of a variable interest rate.

Other price risk

The Trust enters into legally binding contracts with both its customers and suppliers that stipulate the price to be paid. As such it does not consider itself exposed to material other price risk.

29.1 Financial assets by category

	Loans and receivables £000
NHS receivables	8,583
Accrued income	1,591
Other receivables	1,797
Cash at bank and in hand	31,598
Total at 1 April 2008	43,569
NHS receivables	9,088
Accrued income	1,870
Other receivables	1,790
Cash at bank and in hand	38,359
Total at 31 March 2009	51,107
NHS receivables	8,496
Accrued income	1,739
Other receivables	1,571
Cash at bank and in hand	41,498
Total at 31 March 2010	53,304

An analysis of any impairment of receivables is provided in note 19.

29.2 Financial liabilities by category

	Other financial liabilities £000
Borrowings	25,294
NHS payables	2,858
Other payables	6,418
Accruals	9,002
Capital payables	2,602
Provisions under contracts	460
Total at 1 April 2008	46,634
Borrowings	24,024
NHS payables	3,398
Other payables	6,044
Accruals	8,855
Capital payables	3,580
Provisions under contracts	417
Total at 31 March 2009	46,318
Borrowings	22,754
NHS payables	3,503
Other payables	5,028
Accruals	11,668
Capital payables	2,024
Provisions under contracts	426
Total at 31 March 2010	45,403

29.3 Fair value

For all of the financial assets and liabilities at 31 March 2010, 31 March 2009 and 1 April 2008 the fair value is equal to book value.

30 Third party assets

The Trust held £nil cash at bank and in hand at 31 March 2010 (2009 - £161 and 2008 - £nil) relating to monies held on behalf of patients.

NOTES TO THE ACCOUNTS

31 Reconciliation of accounts prepared under UK GAAP to IFRS

The financial year ended 31 March 2010 is the first year that the Trust has produced financial statements prepared under International Financial Reporting Standards. The Trust is required under IFRS1 to produce reconciliations that explain how the transition from UK GAAP to IFRS has affected its reported financial position, financial performance and cash flows.

31.1 Reconciliation of surplus for the year ended 31 March 2009 under UKGAAP to IFRS

	£000
Retained surplus for 2008/09 under UK GAAP	7,650
Adjustments for:	
IAS 19	(127)
IAS 36	858
Retained surplus for 2008/09 under IFRS	<u>8,381</u>

IAS 19

An accrual for untaken holiday was calculated as at 31 March 2009 and a charge of £127,000 was recognised in the statement of comprehensive income, which represents the increase in the holiday pay accrual during the year.

IAS 36

Under UK GAAP when an impairment charge arises due to a permanent reduction in the economic value of an asset it is charged to the statement of comprehensive income regardless of whether a revaluation reserve balance exist on the asset being impaired. Under IAS 36 all impairment charges are taken to the revaluation reserve where one exists on the asset(s) being impaired. If no reserve exists the full impairment is charged to the statement of comprehensive income, or the impairment charge exceeds the revaluation balance, the excess is charged.

In the year ended 31 March 2009 an impairment of £858,000 was charged to the income and expenditure due to a permanent reduction in the economic value of assets. There existed sufficient revaluation reserve on the assets that had been impaired and as such the charge has been taken to the revaluation reserve and the statement of comprehensive income credited.

31.2 Taxpayers' equity at 1 April 2008

	Public dividend capital £000	Revaluation reserve £000	Donated asset reserve £000	Income and expenditure reserve £000	Total taxpayers' equity £000
Taxpayers' equity under UK GAAP	149,319	113,469	5,140	22,402	290,330
Adjustments for:					
IAS 19	-	-	-	(1,487)	(1,487)
Taxpayer's equity under IFRS	<u>149,319</u>	<u>113,469</u>	<u>5,140</u>	<u>20,915</u>	<u>288,843</u>

IAS 19 requires an accrual to be calculated for untaken holiday pay as at year end. The cost of untaken holiday as at 1 April 2008 was £1,487,000. The cost was charged to the income and expenditure reserve.

31.3 Taxpayers' equity at 31 March 2009

	Public dividend capital £000	Revaluation reserve £000	Donated asset reserve £000	Income and expenditure reserve £000	Total taxpayers' equity £000
Taxpayers' equity under UK GAAP	149,319	86,857	4,808	34,067	275,051
Adjustments for:					
IAS 19	-	-	-	(1,614)	(1,614)
Taxpayer's equity under IFRS	<u>149,319</u>	<u>86,857</u>	<u>4,808</u>	<u>32,453</u>	<u>273,437</u>

IAS 19 requires an accrual to be calculated for untaken holiday pay as at year end. The cost of untaken holiday as at 1 April 2009 was £1,614,000. The cost was charged to the income and expenditure reserve.

31.4 Reconciliation of cash flows under UK GAAP to IFRS for the year ended 31 March 2009

The transition from UKGAAP to IFRS did not alter the cash position for the Trust.

NOTES TO THE ACCOUNTS

32 Accounting standards issued and not adopted

The financial statements have been prepared in accordance with the 2009/10 NHS Foundation Trust Annual Reporting Manual issued by Monitor. The accounting policies contained in that manual follow International Reporting Standards (IFRS) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. Below is a list of recent standards issued but not yet adopted in the NHS. It is not known or it is reasonably estimated that when these accounting standards are adopted they will not materially affect the Trust's annual accounts.

- Amendment to IAS 24 - Related party disclosures (IFRS effective date annual periods beginning on or after 1 January 2011)
- IAS 27 (Revised) Consolidated and separate financial statements. See accounting policy 1.19 for further details. (IFRS effective date annual periods on or after 1 July 2009)
- Amendment to IAS 32 Financial instruments. Presentation on classification or rights issues. (IFRS effective date annual periods on or after 1 February 2010)
- IFRS 1 (revised) First time adoption of IFRS. (IFRS effective date annual periods beginning on or after 1 July 2009)
- IFRS 2 Share-based payment – Group cash-settled share-based payment transactions. (IFRS effective date annual periods beginning on or after 1 January 2010)
- IFRS 3 (Revised) Business combinations. (IFRS effective date annual periods beginning on or after 1 July 2009)
- IFRS 9 Financial instruments. (IFRS effective date annual periods beginning on or after 1 January 2013)
- Amendment to IFRIC 14, IAS 19 prepayment of a minimum funding requirement. (IFRS effective date annual periods beginning on or after 1 January 2011)
- IFRIC 19 Extinguishing financial liabilities with equity instruments. (IFRS effective date annual periods beginning on or after 1 July 2010)