



Accounts 2009 - 10

FOREWORD TO THE ACCOUNTS

These accounts for the year ended 31 March 2010 have been prepared by the Northern Devon Healthcare NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 March 2010**

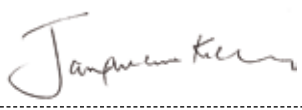
| | NOTE | 2009/10 £000 | 2008/09 £000 |
|---|------|-----------------|-----------------|
| Revenue | | | |
| Revenue from patient care activities | 5 | 119,606 | 119,427 |
| Other operating revenue | 6 | 8,903 | 9,428 |
| Operating expenses | 8 | (130,922) | (117,488) |
| Operating surplus (deficit) | | (2,413) | 11,367 |
| Finance costs: | | | |
| Investment revenue | 14 | 16 | 57 |
| Other gains and (losses) | 15 | (39) | (450) |
| Finance costs | 16 | (6) | (3) |
| Surplus/(deficit) for the financial year | | (2,442) | 10,971 |
| Public dividend capital dividends payable | | (2,644) | (3,053) |
| Retained surplus/(deficit) for the year | | (5,086) | 7,918 |
| Other comprehensive income | | | |
| Impairments and reversals | | (16,010) | (7,075) |
| Gains on revaluations | | 9,136 | 130 |
| Receipt of donated/government granted assets | | 130 | 186 |
| Net gain/(loss) on other reserves (e.g. defined benefit pension scheme) | | 0 | 0 |
| Net gains/(losses) on available for sale financial assets | | 0 | 0 |
| Reclassification adjustments: | | | |
| - Transfers from donated and government grant reserves | | (163) | (193) |
| - On disposal of available for sale financial assets | | 0 | 0 |
| Total comprehensive income for the year | | (11,993) | 966 |

The notes on pages 8 to 50 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 March 2009

| | NOTE | 31 March 2010 £000 | 31 March 2009 £000 | 1 April 2008 £000 |
|--|------|--------------------------|--------------------------|----------------------|
| Non-current assets | | | | |
| Property, plant and equipment | 17 | 71,496 | 81,633 | 82,194 |
| Intangible assets | 18 | 583 | 703 | 543 |
| Investment property | | 0 | 0 | 0 |
| Other financial assets | 23 | 0 | 0 | 0 |
| Trade and other receivables | 22 | 575 | 566 | 0 |
| Total non-current assets | | 72,654 | 82,902 | 82,737 |
| Current assets | | | | |
| Inventories | 21 | 2,519 | 2,119 | 1,971 |
| Trade and other receivables | 22 | 6,062 | 7,366 | 5,527 |
| Other financial assets | 23 | 0 | 0 | 0 |
| Other current assets | 24 | 0 | 0 | 740 |
| Cash and cash equivalents | 25 | 419 | 464 | 2,343 |
| | | 9,000 | 9,949 | 10,581 |
| Non-current assets held for sale | 26 | 0 | 0 | 0 |
| Total current assets | | 9,000 | 9,949 | 10,581 |
| Total assets | | 81,654 | 92,851 | 93,318 |
| Current liabilities | | | | |
| Trade and other payables | 27 | (9,072) | (10,226) | (8,931) |
| Other liabilities | 29 | 0 | (44) | (2,643) |
| DH Working capital loan | | 0 | 0 | 0 |
| DH Capital loan | | (500) | 0 | 0 |
| Borrowings | 28 | (19) | (17) | (189) |
| Other financial liabilities | 34 | 0 | 0 | 0 |
| Provisions | 35 | (46) | (44) | (67) |
| Net current assets/(liabilities) | | (637) | (382) | (1,249) |
| Total assets less current liabilities | | 72,017 | 82,520 | 81,488 |
| Non-current liabilities | | | | |
| Borrowings | 28 | (46) | (66) | 0 |
| DH Working capital loan | | 0 | 0 | 0 |
| DH Capital loan | | (1,500) | 0 | 0 |
| Trade and other payables | 27 | 0 | 0 | 0 |
| Other financial liabilities | 34 | 0 | 0 | 0 |
| Provisions | 35 | (10) | 0 | 0 |
| Other liabilities | 29 | 0 | 0 | 0 |
| Total assets employed | | 70,461 | 82,454 | 81,488 |
| Financed by taxpayers' equity: | | | | |
| Public dividend capital | | 57,717 | 57,717 | 57,717 |
| Retained earnings | | 656 | 5,742 | (2,210) |
| Revaluation reserve | | 10,871 | 17,643 | 24,606 |
| Donated asset reserve | | 1,137 | 1,256 | 1,268 |
| Government grant reserve | | 80 | 96 | 107 |
| Other reserves | | 0 | 0 | 0 |
| Total Taxpayers' Equity | | 70,461 | 82,454 | 81,488 |

The financial statements on pages 1 to 50 were approved by the Board on 8 June 2010 and signed on its behalf by:

Signed:  (Chief Executive)

Date:

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

| | Public dividend capital (PDC) | Retained earnings | Revaluation reserve | Donated asset reserve | Gov't grant reserve | Other reserves | Total |
|---|-------------------------------|-------------------|---------------------|-----------------------|---------------------|----------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 March 2008 | | | | | | | |
| As previously stated | 57,717 | (2,210) | 24,606 | 1,268 | 107 | 0 | 81,488 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restated balance | 57,717 | (2,210) | 24,606 | 1,268 | 107 | 0 | 81,488 |
| Changes in taxpayers' equity for 2008/09 | | | | | | | |
| Total Comprehensive Income for the year: | | | | | | | |
| Retained surplus/(deficit) for the year | 0 | 7,918 | 0 | 0 | 0 | 0 | 7,918 |
| Transfers between reserves | 0 | 34 | (34) | 0 | 0 | 0 | 0 |
| Impairments and reversals | 0 | 0 | (7,007) | (68) | 0 | 0 | (7,075) |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 78 | 47 | 5 | 0 | 130 |
| Net gain on revaluation of intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net gain on revaluation of financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net gain on revaluation of non current assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipt of donated/government granted assets | 0 | 0 | 0 | 186 | 0 | 0 | 186 |
| Net gain/loss on other reserves (e.g. defined benefit pension scheme) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements in other reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification adjustments: | | | | | | | |
| - transfers from donated asset/government grant reserve | 0 | 0 | 0 | (177) | (16) | 0 | (193) |
| - on disposal of available for sale financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves eliminated on dissolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Originating capital for Trust establishment in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New PDC received | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PDC repaid in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PDC written off | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in PDC in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2009 | 57,717 | 5,742 | 17,643 | 1,256 | 96 | 0 | 82,454 |

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

| | Public dividend capital (PDC) | Retained earnings | Revaluation reserve | Donated asset reserve | Gov't grant reserve | Other reserves | Total |
|---|-------------------------------|-------------------|---------------------|-----------------------|---------------------|----------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Changes in taxpayers' equity for 2009/10 | | | | | | | |
| Balance at 1 April 2009 | 57,717 | 5,742 | 17,643 | 1,256 | 96 | 0 | 82,454 |
| Total Comprehensive Income for the year | | | | | | | |
| Retained surplus/(deficit) for the year | 0 | (5,086) | 0 | 0 | 0 | 0 | (5,086) |
| Transfers between reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments and reversals | 0 | 0 | (15,908) | (102) | 0 | 0 | (16,010) |
| Net gain on revaluation of property, plant, equipment | 0 | 0 | 9,136 | 0 | 0 | 0 | 9,136 |
| Net gain on revaluation of intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net gain on revaluation of financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net gain on revaluation of non current assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipt of donated/government granted assets | 0 | 0 | 0 | 130 | 0 | 0 | 130 |
| Net gain/loss on other reserves (e.g. defined benefit pension scheme) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements in other reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification adjustments: | | | | | | | |
| - transfers from donated asset/government grant reserve | 0 | 0 | 0 | (147) | (16) | 0 | (163) |
| - on disposal of available for sale financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves eliminated on dissolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Originating capital for Trust establishment in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New PDC received | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PDC repaid in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PDC written off | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in PDC in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2010 | 57,717 | 656 | 10,871 | 1,137 | 80 | 0 | 70,461 |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2010

| | NOTE | 2009/10 £000 | 2008/09 £000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Operating surplus/(deficit) | | (2,413) | 11,367 |
| Depreciation and amortisation | | 5,119 | 4,921 |
| Impairments and reversals | | 5,086 | 0 |
| Net foreign exchange gains/(losses) | | 0 | 0 |
| Transfer from donated asset reserve | | (147) | (177) |
| Transfer from government grant reserve | | (16) | (16) |
| Interest paid | | (6) | (3) |
| Dividends paid | | (2,644) | (3,053) |
| (Increase)/decrease in inventories | | (400) | (148) |
| (Increase)/decrease in trade and other receivables | | 1,295 | (2,405) |
| (Increase)/decrease in other current assets | | 0 | 44 |
| Increase/(decrease) in trade and other payables | | 160 | 453 |
| Increase/(decrease) in other current liabilities | | (44) | (1,991) |
| Increase/(decrease) in provisions | 35 | 12 | (23) |
| Net cash inflow/(outflow) from operating activities | | 6,002 | 8,969 |
| Cash flows from investing activities | | | |
| Interest received | | 16 | 57 |
| (Payments) for property, plant and equipment | 17 | (7,705) | (10,649) |
| Proceeds from disposal of plant, property and equipment | | 0 | 0 |
| (Payments) for intangible assets | 18 | (470) | (337) |
| Proceeds from disposal of intangible assets | | 0 | 0 |
| (Payments) for investments with DH | | 0 | 0 |
| (Payments) for other investments | | 0 | 0 |
| Proceeds from disposal of investments with DH | | 0 | 0 |
| Proceeds from disposal of other financial assets | | 0 | 0 |
| Revenue rental income | | 0 | 0 |
| Net cash inflow/(outflow) from investing activities | | (8,159) | (10,929) |
| Net cash inflow/(outflow) before financing | | (2,157) | (1,960) |
| Cash flows from financing activities | | | |
| Public dividend capital received | | 0 | 0 |
| Public dividend capital repaid | | 0 | 0 |
| Loans received from the DH | | 2,000 | 0 |
| Other loans received | | 0 | 0 |
| Loans repaid to the DH | | 0 | 0 |
| Other loans repaid | | 0 | 0 |
| Other capital receipts | | 130 | 186 |
| Capital element of finance leases and PFI | | (18) | (105) |
| Cash transferred to NHS Foundation Trusts | | 0 | 0 |
| Net cash inflow/(outflow) from financing | | 2,112 | 81 |
| Net increase/(decrease) in cash and cash equivalents | | (45) | (1,879) |
| Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year | | 464 | 2,343 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | 0 | 0 |
| Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year | 25 | 419 | 464 |

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2009/10 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

The Trust has neither acquired or discontinued operations during the year.

1.3 Care Trust designation

Northern Devon Healthcare NHS Trust is not designated as a Care Trust.

1.4 Pooled Budgets

The Trust has entered into a pooled budget with NHS Devon and Devon County Council. Under the arrangement funds are pooled under S75 of the NHS Act 2006 for a store of equipment for home based care. Note 2.1 to the accounts provides details of the income and expenditure.

The pool is hosted by Devon County Council. Payments for services provided by the Trust are accounted for as income from Health Service bodies. The Trust accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget identified in accordance with the pooled budget agreement.

1.5 Critical Judgements

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

1.5.1 Critical judgements in applying accounting policies

The Trust has not made any specific critical judgements, apart from those involving estimations based on historical factors and other relevant information.

1.5.2 Key sources of estimation uncertainty

The Trust does not have any areas of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.6 Revenue

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

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

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

1.7 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

Some employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trust's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

1.8 Other expenses

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

1.9 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;

- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

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

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

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

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

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

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

1.10 Intangible assets

Recognition

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

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

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

Measurement

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

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

1.11 Depreciation, amortisation and impairments

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

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

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

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

1.12 Donated assets

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

1.13 Government grants

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

1.14 Non-current assets held for sale

The Trust is not holding any assets for sale in this accounting period

1.15 Leases

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

The trust as lessee

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

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

The trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

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

1.16 Private Finance Initiative (PFI) transactions

Northern Devon Healthcare NHS Trust does not have any PFI transactions.

1.17 Inventories

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

1.18 Cash and cash equivalents

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

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

1.19 Provisions

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

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

1.20 Clinical negligence costs

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

1.21 Non-clinical risk pooling

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

1.22 EU Emissions Trading Scheme

The Trust is not required to register for the EU Emissions Trading Scheme due to the low level of emissions.

1.23 Contingencies

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

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

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

1.24 Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

The Trust has no material contracts that contain embedded derivatives.

Held to maturity investments

The Trust has no held to maturity investments

Available for sale financial assets

The Trust has no available for sale financial assets.

Loans and receivables

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

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

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

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

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

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

1.25 Financial liabilities

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

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

Financial guarantee contract liabilities

The Trust has no financial guarantee contract liabilities.

Financial liabilities at fair value through profit and loss

The Trust has no material contract liabilities that contain embedded derivatives

Other financial liabilities

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

1.26 Value Added Tax

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

1.27 Foreign currencies

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

1.28 Third party assets

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

1.29 Public Dividend Capital (PDC) and PDC dividend

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

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

1.30 Losses and Special Payments

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

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

1.31 Subsidiaries

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

1.32 Associates

The Trust has no associates.

1.33 Joint ventures

The Trust has no joint ventures.

1.34 Joint operations

The Trust has no joint operations.

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

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

IAS 27 (Revised) Consolidated and separate financial statements

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

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers "

1.36 Accounting standards issued that have been adopted early

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

1.37 Research and Development

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

2. Community Equipment Store Pooled Budget

Northern Devon Healthcare Trust is a partner in a pooled budget arrangement with NHS Devon and Devon County Council set up under S75 of the National Health Service Act 2006. This arrangement established a store of equipment for home-based care. The memorandum account of costs for the year ending 31 March 2010 amounted to £2,567,780 (£2,760,415 2008/09) which represented an over spend of £375,541 (£241,644 over spend 2008/09). Northern Devon Healthcare NHS Trust's share of this overspend was £41,385 (£26,631, 2008/09).

There are no balances in the balance sheet which relate to the pooled budget.

The memorandum account is disclosed in note 2.1.

2.1 COMMUNITY EQUIPMENT SERVICES POOLED FUND MEMORANDUM ACCOUNT

For the period 1st April 2009 to 31st March 2010

Gross Funding

| | Cash £ | Other £ | Total £ |
|------------------------|------------------|------------|------------------|
| Devon County Council | 1,115,267 | | 1,115,267 |
| Devon PCT (less ILC) * | 831,167 | | 831,167 |
| NDHCT | 245,805 | | 245,805 |
| TOTAL FUNDING | 2,192,239 | - | 2,192,239 |

* ILC - Independent Living Centre, £38,295 contribution funded directly

NB The funding and expenditure does not include £0.400m capital funding contributed by Devon County Council and Devon Primary Care Trust for specific assets (these are excluded from the stock valuation).

Expenditure

| | Cash £ | Other £ | Total £ |
|---|------------------|------------|------------------|
| New equipment | 1,062,337 | | 1,062,337 |
| Deliveries/collections and associated costs | 1,229,382 | | 1,229,382 |
| Infrastructure | 668,895 | | 668,895 |
| <i>Increase in stock value</i> | <i>-392,834</i> | | <i>-392,834</i> |
| TOTAL EXPENDITURE | 2,567,780 | - | 2,567,780 |

NET OVER/(UNDER) SPEND

375,541

NB: The overspend will be split based on the basic cash contributions to the Pool, adjusted for ILC contributions, as follows:

| | |
|-----------|-----------------|
| DCC | -187,771 |
| NDHCT | -41,385 |
| Devon PCT | -146,386 |
| | <u>-375,541</u> |

Minor adaptations are not included in this statement as it refers to a DCC element of the service only.

Assets and liabilities - as at 31 March 2010

The value of surplus equipment held in the CES store and of hoists on loan to clients.

The payments still to be made at year end.

| | Stock value | Liabilities |
|-------------------------------------|--------------------|--------------------|
| | £ | |
| Devon County Council | 923,826 | 144,875 |
| NDHCT | 203,611 | 31,930 |
| Devon PCT | 720,215 | 112,945 |
| Total stock as 31 March 2010 | 1,847,652 | 289,750 |

CERTIFICATE OF CHIEF FINANCIAL OFFICER/DIRECTOR OF FINANCE

I certify that the above pooled fund memorandum account accurately discloses the income received and expenditure incurred in accordance with the partnership agreement, as amended by any subsequent agreed variations, entered into under section 75 of the National Health Services Act 2006.

Signec *M. C. Davis*

Date 19 April 2010

Chief Financial Officer/Director of Finance

3. Operating segments

The Trust has determined only one segment to be reported, that being healthcare activities.

| | Healthcare | | Total | |
|-----------------------------------|------------------|-----------|------------------|-----------|
| | 2009/10 | 2008/09 | 2009/10 | 2008/09 |
| | £000 | £000 | £000 | £000 |
| Income | 128,509 | 128,855 | 128,509 | 128,855 |
| Surplus/(Deficit) | | | | |
| Segment surplus/(deficit) | | | 0 | 0 |
| Common costs | (133,595) | (120,937) | (133,595) | (120,937) |
| Surplus/(deficit) before interest | (5,086) | 7,918 | (5,086) | 7,918 |
| Net Assets: | | | | |
| Segment net assets | 70,461 | 82,454 | 70,461 | 82,454 |

4. Income generation activities

The trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

The Trust does not undertake any activities where the full costs exceed £1m.

5. Revenue from patient care activities

| | 2009/10 | 2008/09 |
|------------------------------------|----------------|----------------|
| | £000 | £000 |
| Strategic health authorities | 0 | 0 |
| NHS trusts | 0 | 0 |
| Primary care trusts | 118,643 | 118,439 |
| Foundation trusts | 0 | 0 |
| Local authorities | 0 | 0 |
| Department of Health | 0 | 0 |
| NHS other | 0 | 0 |
| Non-NHS: | | |
| Private patients | 533 | 587 |
| Overseas patients (non-reciprocal) | 0 | 0 |
| Injury costs recovery | 386 | 360 |
| Other | 44 | 41 |
| | 119,606 | 119,427 |

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

6. Other Operating Revenue

| | 2009/10 | 2008/09 |
|---|--------------|--------------|
| | £000 | £000 |
| Patient transport services | 0 | 0 |
| Education, training and research | 3,099 | 3,474 |
| Charitable and other contributions to expenditure | 47 | 191 |
| Transfers from Donated Asset Reserve | 147 | 177 |
| Transfers from Government Grant Reserve | 16 | 16 |
| Non-patient care services to other bodies | 2,459 | 2,463 |
| Income generation | 898 | 794 |
| Rental revenue | 0 | 0 |
| Other revenue | 2,237 | 2,313 |
| | <u>8,903</u> | <u>9,428</u> |

Other income includes dermatology income, car park receipts, accommodation charges and contributions to staff costs.

7. Revenue

| | 2009/10 | 2008/09 |
|----------------------------|---------|---------|
| | £000 | £000 |
| From rendering of services | 127,611 | 128,061 |
| From sale of goods | 898 | 794 |

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

8. Operating Expenses

| | 2009/10 | 2008/09 |
|--|----------------|----------------|
| | £000 | £000 |
| Services from other NHS Trusts | 278 | 275 |
| Services from PCTs | 89 | 88 |
| Services from other NHS bodies | 0 | 0 |
| Services from Foundation Trusts | 322 | 488 |
| Purchase of healthcare from non NHS bodies | 0 | 0 |
| Directors' costs | 973 | 904 |
| Other Employee Benefits | 86,478 | 81,650 |
| Supplies and services - clinical | 17,757 | 15,234 |
| Supplies and services - general | 5,463 | 5,024 |
| Consultancy services | 117 | 72 |
| Establishment | 1,854 | 1,769 |
| Transport | 584 | 607 |
| Premises | 3,712 | 4,027 |
| Provision for impairment of receivables | 4 | 12 |
| Inventories write offs | 0 | 0 |
| Depreciation | 4,876 | 4,744 |
| Amortisation | 243 | 177 |
| Impairments and reversals of property, plant and equipment | 4,766 | 0 |
| Impairments and reversals of intangible assets | 320 | 0 |
| Impairments and reversals of financial assets [by class] | 0 | 0 |
| Impairments and Reversals for Non Current Assets held for sale | 0 | 0 |
| Audit fees | 159 | 143 |
| Other auditor's remuneration [detail] | 0 | 0 |
| Clinical negligence | 1,906 | 1,090 |
| Research and development | 14 | 5 |
| Education and Training | 383 | 433 |
| Other | 624 | 746 |
| | 130,922 | 117,488 |

9. Operating leases

9.1 As lessee

| Payments recognised as an expense | 2009/10 | 2008/09 |
|--|----------------|----------------|
| | £000 | £000 |
| Minimum lease payments | 205 | 169 |
| Contingent rents | 0 | 0 |
| Sub-lease payments | 0 | 0 |
| | <u>205</u> | <u>169</u> |
| | | |
| Total future minimum lease payments | 2009/10 | 2008/09 |
| | £000 | £000 |
| Payable: | | |
| Not later than one year | 185 | 3 |
| Between one and five years | 260 | 163 |
| After 5 years | 0 | 0 |
| Total | <u>445</u> | <u>166</u> |

9.2 As lessor

The Trust has no lessor arrangements.

10. Employee costs and numbers

10.1 Employee costs

| | 2009/10 | | | 2008/09 | | |
|--|---------------|----------------------|--------------|---------------|----------------------|--------------|
| | Total | Permanently Employed | Other | Total | Permanently Employed | Other |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Salaries and wages | 75,387 | 70,403 | 4,984 | 70,622 | 68,180 | 2,442 |
| Social Security Costs | 5,068 | 4,917 | 151 | 4,707 | 4,707 | 0 |
| Employer contributions to NHS Pension scheme | 7,624 | 7,396 | 228 | 7,846 | 7,846 | 0 |
| Other pension costs | 17 | 17 | 0 | 19 | 19 | 0 |
| Other post-employment benefits | 0 | 0 | 0 | 0 | 0 | 0 |
| Other employment benefits | 0 | 0 | 0 | 0 | 0 | 0 |
| Termination benefits | 0 | 0 | 0 | 0 | 0 | 0 |
| Employee benefits expense | 88,096 | 82,733 | 5,363 | 83,194 | 80,752 | 2,442 |
| Of the total above: | | | | | | |
| Charged to capital | 645 | | | 640 | | |
| Employee benefits charged to revenue | 87,451 | | | 82,554 | | |
| | 88,096 | | | 83,194 | | |

10.2 Average number of people employed

| | 2009/10 | | | 2008/09 | | |
|---|--------------|-----------------------------|--------------|--------------|-----------------------------|--------------|
| | Total Number | Permanently Employed Number | Other Number | Total Number | Permanently Employed Number | Other Number |
| Medical and dental | 251 | 216 | 35 | 222 | 213 | 9 |
| Ambulance staff | 0 | 0 | 0 | 0 | 0 | 0 |
| Administration and estates | 563 | 544 | 19 | 572 | 554 | 18 |
| Healthcare assistants and other support staff | 446 | 446 | 0 | 434 | 434 | 0 |
| Nursing, midwifery and health visiting staff | 730 | 686 | 44 | 676 | 664 | 12 |
| Nursing, midwifery and health visiting learners | 0 | 0 | 0 | 0 | 0 | 0 |
| Scientific, therapeutic and technical staff | 264 | 263 | 1 | 274 | 273 | 1 |
| Social care staff | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 2,254 | 2,155 | 99 | 2,178 | 2,138 | 40 |
| Of the above: | | | | | | |
| Number of staff (WTE) engaged on capital projects | 17 | | | 16 | | |

10.3 Staff sickness absence

| | 2009/10 |
|---------------------------|----------------|
| | Number |
| Days lost (long term) | 0 |
| Days lost (short term) | 26,148 |
| Total days lost | 26,148 |
| Total staff years | 2,155 |
| Average working days lost | 12.13 |

| | 2009/10 | 2008/09 |
|------------------|----------------|----------------|
| | £000 | £000 |
| Management costs | 6,261 | 5,945 |
| Income | 128,509 | 120,937 |

10.4 Management Costs

| | 2009/10 | 2008/09 |
|------------------|----------------|----------------|
| | £000 | £000 |
| Management costs | 6,261 | 5,945 |
| Income | 128,509 | 120,937 |

11. Pension costs

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

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

a) Full actuarial (funding) valuation

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

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

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

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

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

The valuation of the scheme liability as at 31 March 2010, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data

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

c) Scheme provisions

In 2009-10 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

Annual Pensions

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of member

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

Pensions Indexation

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

Lump Sum Allowance

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

Ill-Health Retirement

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

Death Benefits

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

Additional Voluntary Contributions (AVCs)

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

Transfer between Funds

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

Preserved Benefits

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

Compensation for Early Retirement

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

12. Retirements due to ill-health

During 2009/10 there were 5 (2008/09, 6) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £100,255 (2008/09: £247,640). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

13. Better Payment Practice Code

13.1 Better Payment Practice Code - measure of compliance

| | 2009/10 | | 2008/09 | |
|---|---------|--------|---------|--------|
| | Number | £000 | Number | £000 |
| Total Non-NHS trade invoices paid in the year | 38,331 | 40,556 | 38,670 | 40,010 |
| Total Non NHS trade invoices paid within target | 31,990 | 33,468 | 29,986 | 30,444 |
| Percentage of Non-NHS trade invoices paid within target | 83% | 83% | 78% | 76% |
| Total NHS trade invoices paid in the year | 1,000 | 9,205 | 905 | 5,915 |
| Total NHS trade invoices paid within target | 742 | 8,041 | 510 | 3,948 |
| Percentage of NHS trade invoices paid within target | 74% | 87% | 56% | 67% |

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

13.2 The Late Payment of Commercial Debts (Interest) Act 1998

| | 2009/10 | 2008/09 |
|---|----------|----------|
| | £000 | £000 |
| Amounts included in finance costs from claims made under this legislation | 0 | 0 |
| Compensation paid to cover debt recovery costs under this legislation | 0 | 0 |
| Total | 0 | 0 |

14. Investment revenue

| | 2009/10 £000 | 2008/09 £000 |
|-----------------------------|-----------------|-----------------|
| Rental revenue: | | |
| PFI finance lease revenue: | | |
| planned | 0 | 0 |
| contingent | 0 | 0 |
| Other finance lease revenue | 0 | 0 |
| Interest revenue: | | |
| Bank accounts | 16 | 57 |
| Other loans and receivables | 0 | 0 |
| Impaired financial assets | 0 | 0 |
| Other financial assets | 0 | 0 |
| Total | 16 | 57 |

15. Other gains and losses

| | 2009/10 £000 | 2008/09 £000 |
|---|-----------------|-----------------|
| Gain/(loss) on disposal of property, plant and equipment | (39) | (450) |
| Gain/(loss) on disposal of intangible assets | 0 | 0 |
| Gain/(loss) on disposal of financial assets | 0 | 0 |
| Gain/(loss) on foreign exchange | 0 | 0 |
| Change in fair value of financial assets carried at fair value through profit and loss | 0 | 0 |
| Change in fair value of financial liabilities carried at fair value through profit and loss | 0 | 0 |
| Change in fair value of investment property | 0 | 0 |
| Recycling of gain/(loss) from equity on disposal of financial assets available for sale | 0 | 0 |
| Total | (39) | (450) |

16. Finance Costs

| | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|-----------------|
| Interest on loans and overdrafts | 0 | 0 |
| Interest on obligations under finance leases | 6 | 3 |
| Interest on obligations under PFI contracts: | | |
| - main finance cost | 0 | 0 |
| - contingent finance cost | 0 | 0 |
| Interest on late payment of commercial debt | 0 | 0 |
| Other interest expense | 0 | 0 |
| Total interest expense | 6 | 3 |
| Other finance costs | 0 | 0 |
| Total | 6 | 3 |

17. Property, plant and equipment

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construct and poa £000 | Plant and machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|--------------------------------------|---------------|---|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------|
| 2009/10: | | | | | | | | | |
| Cost or valuation at 1 April 2009 | 12,482 | 51,351 | 1,865 | 6,237 | 17,942 | 12 | 3,959 | 204 | 94,052 |
| Additions purchased | 0 | 3,619 | 0 | 691 | 1,568 | 0 | 354 | 56 | 6,288 |
| Additions donated | 0 | 0 | 0 | 1 | 100 | 0 | 20 | 9 | 130 |
| Additions government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | (137) | 42 | 0 | 67 | 28 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (2,640) | 0 | (84) | (2) | (2,726) |
| Revaluation/indexation gains | 424 | 8,712 | 0 | 0 | 0 | 0 | 0 | 0 | 9,136 |
| Impairments | 0 | (9,218) | 0 | (6,792) | 0 | 0 | 0 | 0 | (16,010) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Foundation Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2010 | 12,906 | 54,464 | 1,865 | 0 | 17,012 | 12 | 4,316 | 295 | 90,870 |
| Depreciation at 1 April 2009 | 0 | 0 | 0 | 0 | 10,814 | 4 | 1,548 | 53 | 12,419 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (2,601) | 0 | (84) | (2) | (2,687) |
| Revaluation/indexation gains | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 3,784 | 493 | 0 | 0 | 0 | 489 | 0 | 4,766 |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 0 | 2,359 | 50 | 0 | 1,602 | 3 | 840 | 22 | 4,876 |
| Transfer to Foundation Trust | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation at 31 March 2010 | 0 | 6,143 | 543 | 0 | 9,815 | 7 | 2,793 | 73 | 19,374 |
| Net book value | | | | | | | | | |
| Purchased | 12,906 | 47,441 | 1,322 | 0 | 6,887 | 5 | 1,505 | 213 | 70,279 |
| Donated | 0 | 800 | 0 | 0 | 310 | 0 | 18 | 9 | 1,137 |
| Government granted | 0 | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 80 |
| Total at 31 March 2010 | 12,906 | 48,321 | 1,322 | 0 | 7,197 | 5 | 1,523 | 222 | 71,496 |
| Asset financing | | | | | | | | | |
| Owned | 12,906 | 48,321 | 1,322 | 0 | 7,133 | 5 | 1,523 | 222 | 71,432 |
| Finance Leased | 0 | 0 | 0 | 0 | 64 | 0 | 0 | 0 | 64 |
| Private finance initiative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI residual interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total 31 March 2010 | 12,906 | 48,321 | 1,322 | 0 | 7,197 | 5 | 1,523 | 222 | 71,496 |

Prior year:

| | Land £000 | Buildings excluding dwellings £000 | Dwellings £000 | Assets under construct and poa £000 | Plant and machinery £000 | Transport equipment £000 | Information technology £000 | Furniture & fittings £000 | Total £000 |
|--------------------------------------|---------------|---|-------------------|--|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|---------------|
| 2008/09: | | | | | | | | | |
| Cost or valuation at 1 April 2008 | 16,037 | 54,498 | 2,009 | 524 | 19,052 | 12 | 3,673 | 119 | 95,924 |
| Additions purchased | 0 | 2,591 | 0 | 5,807 | 1,873 | 0 | 1,062 | 80 | 11,413 |
| Additions donated | 0 | 0 | 0 | 20 | 166 | 0 | 0 | 0 | 186 |
| Additions government granted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | (2) | 2 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (3,491) | 0 | (774) | 0 | (4,265) |
| Revaluation/indexation gains | 0 | 0 | 0 | 22 | 410 | 0 | 0 | 3 | 435 |
| Impairments | (3,555) | (3,227) | (89) | (136) | (68) | 0 | 0 | 0 | (7,075) |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2009 | 12,482 | 53,862 | 1,920 | 6,237 | 17,942 | 12 | 3,959 | 204 | 96,618 |
| Depreciation at 1 April 2008 | 0 | 0 | 0 | 0 | 12,016 | 2 | 1,675 | 37 | 13,730 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | (3,020) | 0 | (774) | 0 | (3,794) |
| Revaluation/indexation gains | 0 | 0 | 0 | 0 | 304 | 0 | 0 | 1 | 305 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of Impairments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 0 | 2,511 | 55 | 0 | 1,514 | 2 | 647 | 15 | 4,744 |
| Depreciation at 31 March 2009 | 0 | 2,511 | 55 | 0 | 10,814 | 4 | 1,548 | 53 | 14,985 |
| Net book value | | | | | | | | | |
| Purchased | 12,482 | 50,341 | 1,865 | 6,217 | 6,808 | 6 | 2,411 | 151 | 80,281 |
| Donated | 0 | 914 | 0 | 20 | 320 | 2 | 0 | 0 | 1,256 |
| Government granted | 0 | 96 | 0 | 0 | 0 | 0 | 0 | 0 | 96 |
| Total at 31 March 2009 | 12,482 | 51,351 | 1,865 | 6,237 | 7,128 | 8 | 2,411 | 151 | 81,633 |
| Asset financing | | | | | | | | | |
| Owned | 12,482 | 51,351 | 1,865 | 6,237 | 7,041 | 8 | 2,411 | 151 | 81,546 |
| Finance Leased | 0 | 0 | 0 | 0 | 87 | 0 | 0 | 0 | 87 |
| Private finance initiative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI residual interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total 31 March 2009 | 12,482 | 51,351 | 1,865 | 6,237 | 7,128 | 8 | 2,411 | 151 | 81,633 |

17. Property, plant and equipment (cont.)

Various donors have funded assets during the year

All land and buildings are restated to current modern equivalent asset value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. A professional valuation from the District Valuer has been undertaken at the end of the year and the revaluation has been applied to all land and buildings.

Of the land value £1.106m relates to land associated with dwellings.

| Economic lives of fixed assets | Min life Years | Max life Years |
|---------------------------------------|---------------------------|---------------------------|
| Software Licences | 5 | 5 |
| Licences and trademarks | 5 | 5 |
| Buildings exc dwellings | 12 | 62 |
| Dwellings | 10 | 57 |
| Plant & Machinery | 5 | 15 |
| Transport Equipment | 7 | 7 |
| Information Technology | 5 | 5 |
| Furniture and Fittings | 10 | 10 |

The Trust has a gross carrying amount of £7.253m of assets which are fully written down.

18. Intangible assets

| | Computer software - purchased | Computer software - internally generated | Licences and trademarks | Patents | Development expenditure (internally generated) | Total |
|--------------------------------------|-------------------------------|--|-------------------------|----------|--|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 2009/10: | | | | | | |
| Gross cost at 1 April 2009 | 935 | 0 | 0 | 0 | 0 | 935 |
| Additions purchased | 443 | 0 | 0 | 0 | 0 | 443 |
| Additions internally generated | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions donated | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions government granted | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation/indexation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversals of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross cost at 31 March 2010 | 1,378 | 0 | 0 | 0 | 0 | 1,378 |
| Amortisation at 1 April 2009 | 232 | 0 | 0 | 0 | 0 | 232 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications as held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 320 | 0 | 0 | 0 | 0 | 320 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 243 | 0 | 0 | 0 | 0 | 243 |
| Amortisation at 31 March 2010 | 795 | 0 | 0 | 0 | 0 | 795 |
| Net book value | | | | | | |
| Purchased | 583 | 0 | 0 | 0 | 0 | 583 |
| Donated | 0 | 0 | 0 | 0 | 0 | 0 |
| Government granted | 0 | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2010 | 583 | 0 | 0 | 0 | 0 | 583 |

Prior year:

| | Computer software - purchased | Computer software - internally generated | Licences and trademarks | Patents | Development expenditure (internally generated) | Total |
|--------------------------------------|-------------------------------|--|-------------------------|----------|--|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 2008/09: | | | | | | |
| Gross cost at 1 April 2008 | 598 | 0 | 0 | 0 | 0 | 598 |
| Additions purchased | 337 | 0 | 0 | 0 | 0 | 337 |
| Additions internally generated | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions donated | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions government granted | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation / indexation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversals of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross cost at 31 March 2009 | 935 | 0 | 0 | 0 | 0 | 935 |
| Amortisation at 1 April 2008 | 55 | 0 | 0 | 0 | 0 | 55 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications as held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 177 | 0 | 0 | 0 | 0 | 177 |
| Amortisation at 31 March 2009 | 232 | 0 | 0 | 0 | 0 | 232 |
| Net book value | | | | | | |
| Purchased | 703 | 0 | 0 | 0 | 0 | 703 |
| Donated | 0 | 0 | 0 | 0 | 0 | 0 |
| Government granted | 0 | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2009 | 703 | 0 | 0 | 0 | 0 | 703 |

18. Intangible assets (cont.)

Intangible assets are not revalued.

Intangible assets are assigned a 5 year life.

18.2 Revaluation reserve balance for intangible assets

There is no balance on the revaluation reserve relating to intangible assets

19. Impairments

Impairments relate to overspecification of building assets, and to the revaluation of the estate under modern equivalent asset values.

19.1 Property, Plant & Equipment impairments and reversals charged to Statement of Comprehensive Income

| | 31 March 2010 £000 | 31 March 2009 £000 |
|---|-----------------------|-----------------------|
| Loss or Damage Resulting from Normal Operations | 0 | 0 |
| Over Specification of Assets | 0 | 0 |
| Abandonment of Assets in the Course of Construction | 0 | 0 |
| Unforeseen Obsolescence | 0 | 0 |
| Loss as a Result of a Catastrophe | 0 | 0 |
| Other | 0 | 0 |
| Changes in Market Price | 4,766 | 0 |
| Total | 4,766 | 0 |

19.2 Property, Plant & Equipment impairments and reversals charged to Revaluation Reserve, Donated Asset Reserve or Govt Grant Reserve

| | 31 March 2010 £000 | 31 March 2009 £000 |
|---|-----------------------|-----------------------|
| Loss or Damage Resulting from Normal Operations | 0 | 0 |
| Over Specification of Assets | 8,595 | 0 |
| Abandonment of Assets in the Course of Construction | 0 | 0 |
| Unforeseen Obsolescence | 0 | 0 |
| Loss as a Result of a Catastrophe | 0 | 0 |
| Other | 0 | 0 |
| Changes in Market Price | 7,415 | 0 |
| Total | 16,010 | 0 |

19.3 Intangible Assets impairments and reversals charged to Statement of Comprehensive Income

| | 31 March 2010 | 31 March 2009 |
|---|----------------------|---------------|
| | £000 | £000 |
| Loss or Damage Resulting from Normal Operations | 0 | 0 |
| Over Specification of Assets | 320 | 0 |
| Abandonment of Assets in the Course of Construction | 0 | 0 |
| Unforeseen Obsolescence | 0 | 0 |
| Loss as a Result of a Catastrophe | 0 | 0 |
| Other | 0 | 0 |
| Changes in Market Price | 0 | 0 |
| Total | 320 | 0 |

20. Capital commitments

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

The Trust has no major capital projects currently ongoing.

21. Inventories**21.1. Inventories**

| | 31 March 2010 | 31 March 2009 |
|--|----------------------|---------------|
| | £000 | £000 |
| Drugs | 727 | 436 |
| Work in progress | 0 | 0 |
| Consumables | 1,644 | 1,626 |
| Energy | 148 | 57 |
| Other | 0 | 0 |
| Total | 2,519 | 2,119 |
| Of which held at net realisable value: | 0 | 0 |

21.2 Inventories recognised in expenses

| | 31 March 2010 | 31 March 2009 |
|--|----------------------|---------------|
| | £000 | £000 |
| Inventories recognised as an expense in the period | 0 | 0 |
| Write-down of inventories (including losses) | 0 | 0 |
| Reversal of write-downs that reduced the expense | 0 | 0 |
| Total | 0 | 0 |

22. Trade and other receivables

22.1 Trade and other receivables

| | Current | | Non-current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| NHS receivables-revenue | 4,443 | 5,588 | 0 | 0 |
| NHS receivables-capital | 0 | 0 | 0 | 0 |
| Non-NHS receivables-revenue | 966 | 316 | 0 | 0 |
| Non-NHS receivables-capital | 0 | 0 | 0 | 0 |
| Provision for the impairment of receivables | (8) | (51) | (47) | 0 |
| Accrued income | 398 | 668 | 0 | 0 |
| Finance lease Receivables | 0 | 0 | 0 | 0 |
| Operating lease receivables | 0 | 0 | 0 | 0 |
| VAT | 236 | 265 | 0 | 0 |
| Other receivables | 27 | 580 | 622 | 566 |
| Total | 6,062 | 7,366 | 575 | 566 |

The great majority of trade is with primary care trusts, as commissioners for NHS patient care services. As primary care trusts are funded by government to buy NHS patient care services, no credit scoring of them is considered necessary.

22.2 Receivables past their due date but not impaired

| | 31 March 2010 £000 | 31 March 2009 £000 |
|-------------------------|-----------------------|-----------------------|
| By up to three months | 19 | 149 |
| By three to six months | 10 | 8 |
| By more than six months | 62 | 71 |
| Total | 91 | 228 |

22.3 Provision for impairment of receivables

| | 31 March 2010 £000 | 31 March 2009 £000 |
|---|-----------------------|-----------------------|
| Balance at 1 April | (51) | (39) |
| Amount written off during the year | 0 | 0 |
| Amount recovered during the year | 0 | 0 |
| (Increase)/decrease in receivables impaired | (4) | (12) |
| Balance at 31 March | (55) | (51) |

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

23. Other financial assets

| | Current | | Non-current | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| Embedded derivatives carried at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Financial assets carried at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Held to maturity investments at amortised cost | 0 | 0 | 0 | 0 |
| Available for sale financial assets carried at fair value | 0 | 0 | 0 | 0 |
| Loans carried at amortised cost | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

24. Other current assets

| | 31 March 2010 £000 | 31 March 2009 £000 |
|--|--------------------------|--------------------------|
| EU Emissions trading scheme allowances | 0 | 0 |
| Other assets | 0 | 0 |
| Total | 0 | 0 |

25. Cash and cash equivalents

| | 31 March 2010 £000 | 31 March 2009 £000 |
|--|--------------------------|--------------------------|
| Balance at 1 April | 464 | 2,343 |
| Net change in year | (45) | (1,879) |
| Balance at 31 March | 419 | 464 |
| Made up of | | |
| Cash with Office of HM Paymaster General | 414 | 458 |
| Commercial banks and cash in hand | 5 | 6 |
| Current investments | 0 | 0 |
| Cash and cash equivalents as in statement of financial position | 419 | 464 |
| Bank overdraft - Office of HM Paymaster General | 0 | 0 |
| Bank overdraft - Commercial banks | 0 | 0 |
| Cash and cash equivalents as in statement of cash flows | 419 | 464 |

26. Non-current assets held for sale

The Trust has no non-current assets held for sale

27. Trade and other payables

| | Current | | Non-current | |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| Interest payable | 0 | 0 | | |
| NHS payables-revenue | 731 | 795 | 0 | 0 |
| NHS payables-capital | 0 | 0 | 0 | 0 |
| Non NHS trade payables - revenue | 1,891 | 1,774 | 0 | 0 |
| Non NHS trade payables - capital | 1,634 | 2,948 | 0 | 0 |
| Accruals and deferred income | 940 | 950 | 0 | 0 |
| Social security costs | 794 | 825 | | |
| VAT | 0 | 0 | 0 | 0 |
| Tax | 919 | 831 | | |
| Other | 2,163 | 2,103 | 0 | 0 |
| Total | 9,072 | 10,226 | 0 | 0 |

Other payables include:

There are no payments due in future years under arrangements to buy out the liability for early retirements over instalments; and £1,066,182 outstanding pensions contributions at 31 March 2010 (prior year £1,018,384).

28. Borrowings

| | Current | | Non-current | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| Bank overdraft - Office of HM Paymaster General | 0 | 0 | | |
| Bank overdraft - Commercial banks | 0 | 0 | | |
| Loans from: | | | | |
| Department of Health | 500 | 0 | 1,500 | 0 |
| Other entities | 0 | 0 | 0 | 0 |
| PFI liabilities | 0 | 0 | 0 | 0 |
| LIFT | 0 | 0 | 0 | 0 |
| Finance lease liabilities | 19 | 17 | 46 | 66 |
| Other (describe) | 0 | 0 | 0 | 0 |
| Total | 519 | 17 | 1,546 | 66 |

The capital loan was taken out at the end of the year and is repayable over 4 years.

29. Other liabilities

| | Current | | Non-current | |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| PFI asset – deferred credit | 0 | 0 | 0 | 0 |
| Lease incentives | 0 | 0 | 0 | 0 |
| Other - payments on account | 0 | 44 | 0 | 0 |
| Total | 0 | 44 | 0 | 0 |

30. Finance lease obligations

| Amounts payable under finance leases: | Minimum lease payments | | Present value of minimum lease payments | |
|---|--------------------------|--------------------------|---|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| Within one year | 17 | 20 | 19 | 17 |
| Between one and five years | 50 | 70 | 46 | 66 |
| After five years | 0 | 0 | 0 | 0 |
| Less future finance charges | (2) | (7) | 0 | 0 |
| Present value of minimum lease payments | 65 | 83 | 65 | 83 |
| Included in: | | | | |
| Current borrowings | 19 | 17 | 19 | 17 |
| Non-current borrowings | 46 | 66 | 46 | 66 |
| | 65 | 83 | 65 | 83 |

31. Finance lease receivables (i.e. as lessor)

The Trust has no finance lease receivables

32. Finance lease commitments

The trust has entered into a finance lease agreement whereby the assets are available for use. The minimum payments under the lease total £65,000, payable over 3 years.

33. Private Finance Initiative contract

The Trust has no private finance initiative contracts.

34. Other financial liabilities

The Trust has no other financial liabilities to report.

35. Provisions

| | Current | | Non-current | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 |
| Pensions relating to former directors | 0 | 0 | 0 | 0 |
| Pensions relating to other staff | 0 | 0 | 0 | 0 |
| Legal claims | 46 | 44 | 10 | 0 |
| Restructurings | 0 | 0 | 0 | 0 |
| Continuing care | 0 | 0 | 0 | 0 |
| Equal pay | 0 | 0 | 0 | 0 |
| Agenda for change | 0 | 0 | 0 | 0 |
| Other (specify) | 0 | 0 | 0 | 0 |
| Total | 46 | 44 | 10 | 0 |

35. Provisions (cont.)

| | Pensions relating to former directors £000 | Pensions relating to other staff £000 | Legal claims £000 | Restructurings £000 | Continuing care £000 | Equal pay £000 | Agenda for change £000 | Other £000 | Total £000 |
|-------------------------|---|--|----------------------|------------------------|-------------------------|-------------------|---------------------------|---------------|---------------|
| At 1 April 2008 | 0 | 0 | 15 | 0 | 52 | 0 | 0 | 52 | 119 |
| Arising during the year | 0 | 0 | 36 | 0 | 0 | 0 | 0 | 0 | 36 |
| Used during the year | 0 | 0 | 0 | 0 | -52 | 0 | 0 | -52 | (104) |
| Reversed unused | 0 | 0 | (7) | 0 | 0 | 0 | 0 | 0 | (7) |
| Unwinding of discount | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 1 April 2009 | 0 | 0 | 44 | 0 | 0 | 0 | 0 | 0 | 44 |
| Arising during the year | 0 | 0 | 13 | 0 | 0 | 0 | 0 | 0 | 13 |
| Used during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversed unused | 0 | 0 | (1) | 0 | 0 | 0 | 0 | 0 | (1) |
| Unwinding of discount | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2010 | 0 | 0 | 56 | 0 | 0 | 0 | 0 | 0 | 56 |

Expected timing of cash flows:

| | | | | | | | | | |
|---|---|---|----|---|---|---|---|---|----|
| In the remainder of the spending review period to 31 March 2011 | 0 | 0 | 46 | 0 | 0 | 0 | 0 | 0 | 46 |
| Between 1 April 2011 and 31 March 2016 | 0 | 0 | 10 | 0 | 0 | 0 | 0 | 0 | 10 |
| Between 1 April 2016 and 31 March 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Thereafter | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Legal Claims - relates to provisions for the member's excess due in Employer Liability cases as notified by the NHS Litigation Authority. The provision reflects the excess due by the Trust since the NHS Litigation Authority make the majority of payments and recharge the Trust in due course. An associated contingent liability £15,000 is shown in note 36 (2008/09 £19,000).

£15,768,000 is included in the provisions of the NHS Litigation Authority at 31/3/2010 in respect of clinical negligence liabilities of the trust (31/03/09 £10,385,000).

A further £1,372,000 of claims have been lodged with the NHS Litigation Authority after the year end, relating to cases for the current year ended.

36. Contingencies

36.1 Contingent liabilities

| | 2009/10 £000 | 2008/09 £000 |
|--|-----------------|-----------------|
| Equal pay cases | 0 | 0 |
| Other | (15) | (19) |
| Amounts recoverable against contingent liabilities | 0 | 0 |
| Total | (15) | (19) |

£15,000 (2008/09 £19,000) contingency reflects the potential liability relating to Employer's liability cases as notified by the NHS Litigation Authority. An associated provision is shown in note 35.

An equal pay claim has been lodged by the employees of Sodexo, to be backdated three years. At the date of signing, Sodexo had been unable to quantify the amount of the claim and as such no provision has been made in the accounts for the years prior to the current year.

36.2 Contingent assets

The Trust has no contingent assets

37. Financial Instruments

37.1 Financial assets

| | At fair value through profit and loss £000 | Loans and receivables £000 | Available for sale £000 | Total £000 |
|-------------------------------|---|----------------------------------|-------------------------------|---------------|
| Embedded derivatives | 0 | | | 0 |
| Receivables | | 5,515 | | 5,515 |
| Cash at bank and in hand | | 466 | | 466 |
| Other financial assets | 0 | 1,477 | 0 | 1,477 |
| Total at 31 March 2009 | 0 | 7,458 | 0 | 7,458 |
| Embedded derivatives | 0 | | | 0 |
| Receivables | | 5,230 | | 5,230 |
| Cash at bank and in hand | | 419 | | 419 |
| Other financial assets | 0 | 720 | 0 | 720 |
| Total at 31 March 2010 | 0 | 6,369 | 0 | 6,369 |

37.2 Financial liabilities

| | At fair value through profit and loss | Other | Total |
|-----------------------------------|--|--------------|--------------|
| | £000 | £000 | £000 |
| Embedded derivatives | 0 | | 0 |
| Payables | | 5,828 | 5,828 |
| PFI and finance lease obligations | | 0 | 0 |
| Other borrowings | | 83 | 83 |
| Other financial liabilities | 0 | 1,554 | 1,554 |
| Total at 31 March 2009 | 0 | 7,465 | 7,465 |
| Embedded derivatives | 0 | | 0 |
| Payables | | 4,348 | 4,348 |
| PFI and finance lease obligations | | 65 | 65 |
| Other borrowings | | 2,000 | 2,000 |
| Other financial liabilities | 0 | 913 | 913 |
| Total at 31 March 2010 | 0 | 7,326 | 7,326 |

37.3 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

The Trust has taken out a four year capital loan at a rate of 1.6%

Credit risk

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the Trade and other receivables note.

Liquidity risk

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

38. Events after the reporting period

There are no events which have occurred after the reporting period that have an impact on these accounts.

39. Financial performance targets

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

39.1 Breakeven Performance

| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---|----------------|-----------------|----------------|--------------|------------|
| | £000 | £000 | £000 | £000 | £000 |
| Turnover | 77,056 | 89,547 | 118,418 | 128,855 | 128,509 |
| Retained surplus/(deficit) for the year | (7,961) | (6,924) | 7,602 | 7,902 | (5,086) |
| Adjustment for: | | | | | |
| Timing/non-cash impacting distortions: | | | | | |
| Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements] | 0 | 0 | 0 | 0 | 0 |
| 2006/07 PPA (relating to 1997/98 to 2005/06) | 0 | | | | |
| 2007/08 PPA (relating to 1997/98 to 2006/07) | 0 | 0 | | | |
| 2008/09 PPA (relating to 1997/98 to 2007/08) | 0 | 0 | 0 | | |
| Adjustments for Impairments | | | | 0 | 5,086 |
| Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12* | | | | | 0 |
| Other agreed adjustments | 0 | 0 | 0 | 0 | 0 |
| Break-even in-year position | <u>(7,961)</u> | <u>(6,924)</u> | <u>7,602</u> | <u>7,902</u> | <u>0</u> |
| Break-even cumulative position | <u>(8,329)</u> | <u>(15,253)</u> | <u>(7,651)</u> | <u>251</u> | <u>251</u> |
| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
| | % | % | % | % | % |
| Materiality test (i.e. is it equal to or less than 0.5%): | | | | | |
| Break-even in-year position as a percentage of turnover | -10% | -8% | 6% | 6% | 0% |
| Break-even cumulative position as a percentage of turnover | -11% | -17% | -6% | 0% | 0% |

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

39.2 Capital cost absorption rate

For 2008/09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £3,053,000, bears to the actual average relevant net assets of £79,764,000, that is 3.5%.

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

39.3 External financing

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

| | £000 | 2009/10 £000 | 2008/09 £000 |
|--------------------------------------|-------|-----------------|-----------------|
| External financing limit | | 2,000 | 4,954 |
| Cash flow financing | 2,157 | | 1,978 |
| Finance leases taken out in the year | 0 | | 0 |
| Other capital receipts | (130) | | (186) |
| External financing requirement | | <u>2,027</u> | <u>1,792</u> |
| Undershoot/(overshoot) | | <u>(27)</u> | <u>3,162</u> |

39.4 Capital Resource Limit

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

| | 2009/10 £000 | 2008/09 £000 |
|---|-----------------|-----------------|
| Gross capital expenditure | 6,861 | 11,937 |
| Less: book value of assets disposed of | (39) | (471) |
| Plus: loss on disposal of donated assets | 0 | 34 |
| Less: capital grants | 0 | 0 |
| Less: donations towards the acquisition of non-current assets | (130) | (186) |
| Charge against the capital resource limit | <u>6,692</u> | <u>11,314</u> |
| Capital resource limit | <u>6,692</u> | <u>11,314</u> |
| (Over)/Underspend against the capital resource limit | <u>0</u> | <u>0</u> |

40. Related party transactions

Northern Devon Healthcare NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Northern Devon Healthcare NHS Trust.

The Department of Health is regarded as a related party. During the year Northern Devon Healthcare NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are:

| | |
|--------------------------------|---|
| NHS Devon | Royal Devon & Exeter Foundation NHS Trust |
| NHS South West | South Devon Healthcare Foundation Trust |
| NHS Cornwall & Isles of Scilly | South West Ambulance Service NHS Trust |
| NHS Plymouth | North Bristol NHS Trust |
| Portsmouth Hospitals NHS Trust | Devon Partnership Trust |
| NHS Litigation Authority | NHS Torbay |
| NHS Supplies Authority | NHS Professionals |
| NHS Pensions Agency | National Blood Authority |

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

- North Devon District Council in respect of business rates;
- Inland Revenue in respect of tax and national insurance;
- Customs and Excise in respect of VAT payable/recoverable;
- Devon County Council in respect of the provision of a joint community equipment store.

The trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the NHS trust board.

41. Third Party Assets

The Trust held £1,784 cash and cash equivalents at 31 March 2010 (£7,634 - at 31 March 2009) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

42. Intra-Government and Other Balances

| | Current receivables | Non-current receivables | Current payables | Non- current payables |
|--|------------------------|----------------------------|---------------------|-----------------------------|
| | £000 | £000 | £000 | £000 |
| Balances with other Central Government Bodies | 236 | 0 | 2,779 | 0 |
| Balances with Local Authorities | 17 | 0 | 0 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 4,443 | 0 | 731 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Intra Government balances | 4,696 | 0 | 3,510 | 0 |
| Balances with bodies external to Government | 1,366 | 575 | 5,562 | 0 |
| At 31 March 2010 | 6,062 | 575 | 9,072 | 0 |
| Balances with other Central Government Bodies | 262 | 0 | 2,668 | 0 |
| Balances with Local Authorities | 75 | 0 | 20 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 5,588 | 0 | 795 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Intra Government balances | 5,925 | 0 | 3,483 | 0 |
| Balances with bodies external to Government | 1,441 | 566 | 6,743 | 0 |
| At 31 March 2009 | 7,366 | 566 | 10,226 | 0 |

43. Losses and Special Payments

There were 155 cases of losses and special payments (2008/09: 37 cases) totalling £56,374 (2008/09: £19,125) accrued during 2009/10.

There were no cases exceeding £250,000

44. Transition to IFRS

| | Retained earnings | Revaluation reserve | Donated asset reserve | Government grant reserve |
|--|----------------------|------------------------|-----------------------------|--------------------------------|
| | £000 | £000 | £000 | £000 |
| Taxpayers' equity at 31 March 2009 under UK GAAP: | 4,389 | 19,350 | 1,256 | 96 |
| Adjustments for IFRS changes: | | | | |
| Private finance initiative | 0 | 0 | 0 | 0 |
| Leases | (7) | 10 | 0 | 0 |
| Others (see below) | 1,360 | (1,717) | 0 | 0 |
| Adjustments for: | | | | |
| Impairments recognised on transition | 0 | 0 | 0 | 0 |
| UK GAAP errors | 0 | 0 | 0 | 0 |
| Taxpayers' equity at 1 April 2009 under IFRS: | 5,742 | 17,643 | 1,256 | 96 |
| | £000 | | | |
| Surplus/(deficit) for 2008/09 under UK GAAP | 7,902 | | | |
| Adjustments for: | | | | |
| Private finance initiative | | | | |
| Leases | (1) | | | |
| Others - holiday pay accrual | 17 | | | |
| Surplus/(deficit) for 2008/09 under IFRS | 7,918 | | | |
| | £000 | | | |
| Retained Earnings | | | | |
| Re-alignment of revaluation reserve for disposed assets | 1,717 | | | |
| Holiday Pay accrual | (380) | | | |
| Removal of general bad debt provision | 23 | | | |
| | 1,360 | | | |
| Revaluation Reserve | | | | |
| Re-alignment of revaluation reserve for disposed assets | (1,717) | | | |
| | (1,717) | | | |