Shropshire Community Health NHS

NHS Trust

Annual Accounts 2012/13

2012-13 Annual Accounts of Shropshire Community Health NHS Trust

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;

- value for money is achieved from the resources available to the Trust;

- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;

- effective and sound financial management systems are in place; and

- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

nb: sign and date in any colour ink except black

Signed...J C Bridgewater...Chief Executive

Date...5-6.13...

2012-13 Annual Accounts of Shropshire Community Health NHS Trust

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;

- make judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

nb: sign and date in any colour ink except black

5.6.13. ....Date....... J C Bridgewater. ....Chief Executive

5th June 2013 ....Date..Finance Director

Shropshire Community Health NHS

NHS Trust

Governance Statement

Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

I have gained assurance on the system of internal control for the last year by reviewing written and verbal handovers from the Acting Chief Executive in the period before my appointment, and more general discussions with the Executive Team.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Trust from the 1st April 2012, to the year end on the 31st March 2013 and up to the date of approval of the annual report and accounts.

As Accountable Officer I work with partner organisations, including the local authorities, voluntary organisations, other healthcare providers, commissioners, the shadow clinical commissioning groups and local area teams, the strategic health authority and patient representative groups. I work with these organisations to ensure that the Trust meets its obligations in fulfilling services agreements with commissioning bodies, meeting statutory duties and ensuring proper stewardship of public money.

The governance framework of the organisation

The corporate governance arrangements of the Trust are set out in the Standing Orders, the Standing Financial Orders and the Schemes of Reservation and Delegation. These detail the committee structures and responsibilities. There are five Board sub-committees:

Audit Committee

The Audit Committee is responsible for ensuring that risk management systems, and systems for internal control are operating effectively by scrutinising assurance of their effectiveness. This applies to financial, clinical and governance systems. In doing this the committee utilises the work of internal and external audit in addition to internal management systems.

Quality and Safety Committee

The purpose of the Quality and Safety Committee is to oversee, co-ordinate, review and assess the clinical governance arrangements in place and issues relating to safety, effectiveness and patient experience throughout the Trust, together with performance issues relating to quality.

The primary aim is to ensure the robustness of systems and processes and behaviours that stand up to scrutiny and thus provide assurance to the Trust Board.

Resources and Performance Committee

The Resources and Performance Committee is responsible for the review and monitoring of Trust performance relating to finance and business, contract delivery, financial systems, business risks, capital investments and charitable funds.

Information Governance Committee

The information Governance Committee is responsible for the review and monitoring of all aspects of the supply and use of information, including the use of information technology. This includes:

- information security and information risk management
- IT equipment use and security,
- Data integrity and control.

Appointments, Nomination and Remuneration Committee

This committee reviews the arrangements for succession planning and development of senior managers, and the appointment and remuneration of Executive Directors.

The Board continually monitors its performance. A programme of Board development sessions is in place to enhance the Board's effectiveness in its management of the Trust. Each Board sub-committee presents a report of the key decision and findings at each Board meeting. The Board has a programme of work which is reviewed annually.

The Board met 7 times in the year 2012/13. 5 meetings were fully attended. There were 3 Voting Director non attendances in total across the other 2 meetings.

The Board carried out an assessment of its performance against the Department of Health Board Governance Assurance Framework (BGAF). This was verified by external consultants Chantry Vellacott. Where gaps in performance were identified actions have been identified, which are currently being implemented

The Trust has implemented the Burdett Quality Checklist for the Board and its sub-committees to ensure that quality is at the heart of all its committees

The Audit Committee has an annual plan of work which it confirms is being met at each meeting. The Committee assesses itself against the Audit Committee Handbook self assessment tool annually and prepares an annual report to the Board. This is informed by the work of internal and external audit, management reports, the committee's own assurance findings and any reports submitted to the Trust by regulatory or advisory bodies.

Risk assessment

The Trust's risk management arrangements are set out in the Risk Management Policy, which includes detailed guidance on the process of risk assessment. All risks are recorded on the Trust's risk management software.

Risks are identified through

- The recording and investigation of incidents, complaints and claims
- Specific group and committee sessions to identify and analyse risks
- Clinical, internal and external Audit
- Other work carried out by Groups and Committees
- External and Internal reports and inspections
- Other external bodies, e.g. commissioners, CQC
- Being raised by individual managers and staff

All risks are rated using a 5 by 5 risk matrix. Risk consequences are defined on the matrix using four categories:

- Injury or harm
- Finance
- Service delivery
- Reputation

Dependant on the rating, risks are recorded at 4 levels

Departmental	Risks that are low level and can be managed locally
Directorate	Risks of a moderate level that impact on the directorate's service objectives
Corporate	Risks that are moderate but Trust-wide and have impact on the Trust's strategic objectives
Board Assurance Framework	Risk that are high level and pose a significant threat to the Trust's strategic objectives

The mitigation controls are identified at all levels, along with any further actions necessary to further control or mitigate the risks. The risk management policy identifies the groups and committee whose responsibility it is to monitor risks at the four levels, the effectiveness of their controls and the implementation of actions to further mitigate the risks.

The Audit Committee reviews the Board Assurance Framework and tests assurances with management. Internal Audit has reviewed the framework in place and used by the Trust during 2012/13. The Audit Committee reports its finding to the Board, which reviews the framework at each meeting.

The risks below have been assessed as those with a score of 15 or above, and which pose the greatest threat to the strategic objectives of the Trust:

Title	Nature of the Risk	Summary of the Mitigation
Cost Improvement Plan delivery, Longer Term	Risks relating to the identification of longer term Cost Improvements, the dependency of these on the whole health economy and the effect this could have on the Foundation Trust application process	Negotiations with Clinical Commissioning Group, development of service line reporting and robust quality impact assessment
Dental Referral To Treatment (RTT) targets	Failure to meet 18 week referral to treatment for community dental patients requiring general anaesthetic	Negotiation with Acute hospital which provides the facilities and anaesthetic team. Additional capacity from alternative providers identified to clear backlog
Executive Team Capacity	Three directors have moved to new posts.	Appointment of interim directors and timely recruitment to substantive posts
Failure to achieve Foundation Trust status	Failure to meet the requirements to become a Foundation Trust within the required timescale	Process programme planned monitored by Programme Board . Self assessments verified by external consultants. Additional outside expertise employed
Failure to have appropriate Information Management Technology systems in place e.g. replacement Patient Administration System (PAS)	Risks associated with IT infrastructure. Several clinical systems in place.	Replacement PAS system identified with project plan developed for implementation
Inability to grow the Trust's business, leading to sustainability risks	Risk that national and local contracting systems and mechanisms work to hinder growth of the Trust's services, and as a result, the size of the Trust could present risks to its future sustainability.	Commercial strategy in place, partnerships with other health organisations, Negotiations with Clinical Commissioning Groups.
Insufficient investment in services by commissioners	Insufficient investment from commissioners particularly given financial challenges within LHE position. Trust is unable to fund significant transformational change, or is only able to do so at a limited pace, resulting in a failure to deliver efficiencies and benefits to patients	Commercial strategy, with development of contractual relationships, Strategic partnership with local acute. Working with commissioners on long term health economy plan.
Short Term Cost Improvement Programs (CIIPs) and Quality Impact Assessments (QIAs	Risks related to the delivery of current Cost Improvement Plans (CIPs) and that quality of services could be affected.	Project management of CIP. Forecasting and monitoring by Better Value Group and Resources and Performance Committee. Business Planning Process. Detailed process in place to assess quality impact and monitor any potential effects

The Board, as part of its Integrated Business Plan development work has considered in detail the risks associated with the plan. This is reflected in the risks detailed above.

Data Security

The Trust has robust measures in place to protect sensitive information. This includes paper based information and electronic data. An assessment of the risks related to information security has taken place and is reviewed annually. Where concerns are raised these are investigated thoroughly and further data controls are introduced where necessary. The Trust has an Information Governance Committee which is a sub committee of the Board. This committee, supported by operational groups, assesses and tests the robustness of the systems employed. All mobile electronic devices used by the Trust are fully encrypted to ensure that unauthorised personnel cannot access the data.

The Trust has reported one serious data security significant incident

- A laptop was stolen from Trust premises following a break in. The laptop was fully encrypted and posed no information governance threats or issues.

The Trust has assessed itself against the Information Governance Toolkit.. A score of Level 2 was achieved for all standards with the exception of Information Governance training where the Trust did not achieve the target of 95% attendance. A plan is being developed to ensure that this is achieved for 2013/14.

The risk and control framework

The purpose of the risk and control framework is to ensure risk is managed at a level that allows the Trust to meet its strategic objectives. It is neither possible or desirable to eliminate all risk. The framework can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Risk Management Policy details the structure for the risk and control mechanisms. This includes the duties of individuals, groups and committees and the responsibility for the identification of risks, controls, further mitigation control and assurances.

The Quality and Safety Committee has the overall responsibility for the monitoring of the Trust's Risk Registers, which is conducted via the Quality and Safety Operational Group (With exceptions being notified to the Quality and Safety Committee). The Audit Committee, through its work programme, scrutinises the registers and risk management processes, seeking additional assurance where necessary.

The Resources and Performance Committee considers the detailed work and reports related to finance, performance indicators and contract monitoring performance indicators. It identifies any risks associated with these areas and reports these to Executives and the Board for inclusion in the risk management framework where it is appropriate to do so. It monitors the effectiveness of any controls in place and the implementation of further controls.

Serious Incidents are reported to the Strategic Health Authority, Commissioners and the Care Quality Commission through the National Reporting and Learning Service. All of these incidents are investigated using the Root Cause Analysis tools provided by the National Patient Safety Agency. The purpose of the investigation is to identify the key contributory factors that if addressed would prevent re-occurrence. Service Improvement Plans are developed and implemented where necessary.

In the year April 2012 to March 2013 the Trust reported 65 serious incidents. 54 of these related to Grade 3 or 4 pressure sores. The other 9 consisted of the following:

- patient leaving a hospital unattended
- information governance incident
- test result that was wrongly reported
- unexpected death
- two deaths in custody
- breach of referral to treatment 18 week target
- injury sustained during physiotherapy treatment
- three patient falls

Where risks are identified relating to these incidents they are assessed and added to the risk management framework as appropriate.

The Trust employs a Local Counter Fraud Specialist and assistant. A Counter Fraud program is developed annually. The program details the work to be carried out to raise awareness of issues, reporting and how cases are managed. Progress against the plan is reported to the Audit Committee. An annual report is prepared and presented to the Audit Committee.

Performance against the 2012/13 NHS Operating Framework.

The Trust has taken into account the NHS Operating Framework in its business planning and service delivery for the year 2012/13. Key aspects of the framework are included in the monthly performance report. Service quality issues are considered by the Quality and Safety Operational Group reporting to the Quality and Safety Committee. Finance and Business issues are considered by the Resources and Performance Committee. A summary report is prepared for each Board meeting

Issues raised in relation to the Operating Framework are:

Mortality

The Trust as a community organisation does not have HSMR or SHMI information and therefore has implemented a Mortality group to review unexpected deaths in community hospitals, using the global trigger tool. As of April 2013 we will be reviewing all deaths to ensure learning and best practice has been implemented for end of life care. In addition we link to the Child Death and Overview panel of the Local Children's Safeguarding Boards.

Long Term Conditions

The Trust is supporting the CCGs in delivery of a large scale development, linked to the Unscheduled Care Strategy, associated with frail and complex patients.

This is a whole systems approach to improving care to those patients classified as "Frail and Complex" using a single assessment tool. Emphasis is on admission avoidance where appropriate, supported timely discharge and care whenever possible delivered in the patients home.

As part of this initiative, the Community Trust is involved in four discrete work areas:

- Diagnostics, Assessment and Access to Rehabilitation and Treatment (DAART) reconfiguration,
- Therapy and nursing in reach,
- Community Interdisciplinary team work and
- Single point of Referral/ Access

To support patients with Long Term Condition the Trust has participated in the Harm Free Care Project. The aim of the project is to ensure that events causing harm, e.g. fall and pressure ulcers are reduced to as low a level as possible. .

During the year the Trust has implemented a night sitting service and enhanced services relating to end of life care.

Venous Thrombo-embolism

The Trust did not achieve the 90% target per month for this indicator until Oct 2012. Actions were implemented during Q1 and have resulted in improving compliance. Further actions to achieve full compliance in all areas are ongoing.

Patient Experience

Inpatients are asked their opinion on aspects of their care on discharge from hospital. In Q1 75% of respondents graded their overall care as excellent or very good. This had increased to 90% by Q2.

Eliminating mixed-sex accommodation

The Trust reported no breaches during the year.

Financial Performance

The Trust achieved a surplus for 2012/13 of £1,496,000 against an agreed target surplus of £1,479,000. This performance, together with other measures including EBITDA, liquidity and achievement of plan, means that against the operating framework measurements the Trust achieved an overall rating of 3 for 2012/13.

Quality Account

The Trust produces an annual quality account in line with Department of Health Guidance. This account looks back at performance in the last year and sets priorities for the following year. This was reviewed and approved by the Strategic Heath Authority. The Board approves the account prior to publication. The Quality and Safety Operational Group monitors performance against the priorities and reports to the Quality and Safety Committee any concerns or risks. This committee prepares a report to the Board which would include any serious issues arising out of the delivery of Quality Account priorities.

Review of the effectiveness of risk management and internal control

The process for reviewing the effectiveness of the system for internal control is continuous and has many aspects. The Head of Internal audit provides an opinion on the effectiveness of the System of Internal Control.

The opinion for 2012/13 is that there is a generally sound system of internal control and that controls are generally being applied consistently, and that based on Internal Audit work there are no issues that need to be flagged as significant control issues within this statement.

The opinion highlights internal control weaknesses with Data Quality in relation to Lorenzo data entry within 21 days and recording of District Nursing contacts to meet the urgent and non-urgent service specifications. Following this review an action plan was put into place, and a re-audit at the end of the year identified that progress has been made, with some actions fully implemented and others in progress. The actions in progress will be completed during 2013.

The systems for providing assurance that risks are being managed effectively are monitored by the Audit Committee. Assurance sources include:

- NHSLA assessment against their Risk Management Standards
- Counter Fraud and Security Management Compound Indicator Assessment
- Audit Committee programmes and reviews
- Internal and External Audits
- Risk Management Reports
- Staff and Patient Surveys
- Clinical Audit Reports
- CQC Self Assessment, inspections and reviews
- Strategic Health Authority Reports
- Counter Fraud Reports
- Management Reports
- Performance and Quality Reports

The above and any other sources of assurance are reviewed by the Trust Board, Audit Committee, Resources and Performance Committee, Quality and Safety Committee and individual members of staff who contribute to the system for internal control.

Significant Issues No significant issues have been identified at the year end or during the year	
Accountable Officer : Name Julia Bridgewater, Interim Chief Executive Officer **Organisation:** Shropshire Community Health NHS Trust **Signature** J C Bridgewater **Date** 5.6.13.	

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SHROPSHIRE COMMUNITY HEALTH NHS TRUST

We have audited the financial statements of Shropshire Community Health NHS Trust for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes on page 37 of the Annual Report
- the table of pension benefits of senior managers and related narrative notes on page 37 of the Annual Report
- the narrative of pay multiples and related narrative notes on page 37 of the Annual Report.

This report is made solely to the Board of Directors of Shropshire Community Health NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust's directors and the Trust as a body, for our audit work, for this report, or for opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Shropshire Community Health NHS Trust as at 31 March 2013 and of its expenditure and income for the year then ended
- have been prepared properly in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Department of Health's Guidance
- we refer a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Trust and auditor

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Trust has proper arrangements for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that in all significant respects Shropshire Community Health NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Shropshire Community Health NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

G Patterson

Grant Patterson
Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

7 June 2013

Statement of Comprehensive Income for year ended 31 March 2013

	NOTE	2012-13 £000	2011-12 £000
Gross employee benefits	10.1	**(54,486)**	(54,769)
Other costs	8	**(23,745)**	(24,439)
Revenue from patient care activities	5	**74,481**	76,350
Other Operating revenue	6	**5,198**	4,452
Operating surplus/(deficit)		**1,448**	1,594
Investment revenue	12	**15**	6
Other gains and (losses)	13	**(16)**	0
Finance costs	14	**0**	0
Surplus/(deficit) for the financial year		**1,447**	1,600
Public dividend capital dividends payable		**0**	0
Net Gain/(loss) on transfers by absorption		**0**	
Retained surplus/(deficit) for the year		**1,447**	1,600

Other Comprehensive Income	2012-13 £000	2011-12 £000
Impairments and reversals	**0**	0
Net gain/(loss) on revaluation of property, plant & equipment	**11**	6
Net gain/(loss) on revaluation of intangibles	**0**	0
Net gain/(loss) on revaluation of financial assets	**0**	0
Movements in Other Reserves eg. Non NHS Pensions Scheme	**0**	0
Net gain/(loss) on available for sale financial assets	**0**	0
Net Gain / (loss) on Assets Held for Sale	**0**	
Net actuarial gain/(loss) on pension schemes	**0**	0
Reclassification Adjustments		
On disposal of available for sale financial assets	**0**	0
Total comprehensive income for the year*	**1,458**	1,606

* This sums the rows above and the surplus/(deficit) for the year before adjustments for PDC dividend and absorption accounting

Financial performance for the year

	2012-13 £000	2011-12 £000
Retained surplus/(deficit) for the year	**1,447**	1,600
Prior period adjustment to correct errors	**0**	0
IFRIC 12 adjustment	**0**	0
Impairments	**0**	0
Adjustments iro donated asset/gov't grant reserve elimination	**(49)**	203
Adjustment re Absorption accounting	**0**	
Adjusted retained surplus/(deficit)	**1,496**	1,397

The adjustment to arrive at reported financial performance relates to the adverse impact on the Trust of the change in accounting policy for assets funded by donations or government grants.

PDC dividends were overpaid at the end of 2011/12:

PDC dividend: balance receivable/(payable) at 31 March 2013	**0**
PDC dividend: balance receivable/(payable) at 1 April 2012	**530**

The notes on pages 1 to 39 form part of this account.

Statement of Financial Position as at 31 March 2013

	NOTE	31 March 2013 £000s	31 March 2012 £000s
Non-current assets:			
Property, plant and equipment	15	**2,305**	2,600
Intangible assets	16	**0**	0
Investment property	18	**0**	0
Other financial assets	24	**0**	0
Trade and other receivables	22.1	**110**	26
Total non-current assets		**2,415**	2,626
Current assets:			
Inventories	21	**330**	130
Trade and other receivables	22.1	**1,043**	3,908
Other financial assets	24	**0**	0
Other current assets	25	**0**	0
Cash and cash equivalents	26	**5,827**	2,915
Total current assets		**7,200**	6,953
Non-current assets held for sale	27	**1,000**	0
Total current assets		**8,200**	6,953
Total assets		**10,615**	9,579
Current liabilities			
Trade and other payables	28	**(6,055)**	(6,538)
Other liabilities	29	**0**	0
Provisions	35	**(64)**	(1,003)
Borrowings	30	**0**	0
Other financial liabilities	31	**0**	0
Working capital loan from Department	30	**0**	0
Capital loan from Department	30	**0**	0
Total current liabilities		**(6,119)**	(7,541)
Non-current assets plus/less net current assets/liabilities		**4,496**	2,038
Non-current liabilities			
Trade and other payables	28	**0**	0
Other Liabilities	31	**0**	0
Provisions	35	**0**	0
Borrowings	31	**0**	0
Other financial liabilities	30	**0**	0
Working capital loan from Department	30	**0**	0
Capital loan from Department	30	**0**	0
Total non-current liabilities		**0**	0
Total Assets Employed:		**4,496**	2,038
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**1,000**	0
Retained earnings		**3,401**	1,951
Revaluation reserve		**95**	87
Other reserves		**0**	0
Total Taxpayers' Equity:		**4,496**	2,038

The notes on pages 5 to 39 form part of this account.

5.6.13
The financial statements on pages 1 to 39 were approved by the Board on [redacted] and signed on its behalf by

Chief Executive: J C Bridgewater   Date: 5.6.13.

Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013

	Public Dividend Capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2012	**0**	**1,951**	**87**	**0**	**2,038**
Changes in taxpayers' equity for 2012-13					
Retained surplus/(deficit) for the year		1,447			**1,447**
Net gain / (loss) on revaluation of property, plant, equipment			11		**11**
Net gain / (loss) on revaluation of intangible assets			0		**0**
Net gain / (loss) on revaluation of financial assets			0		**0**
Net gain / (loss) on revaluation of assets held for sale			0		**0**
Impairments and reversals			0		**0**
Movements in other reserves				0	**0**
Transfers between reserves		3	(3)	0	**0**
Release of reserves to Statement of Comprehensive Income			0		**0**
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	**0**
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption		0	0		**0**
On Disposal of Available for Sale financial Assets			0		**0**
Reserves eliminated on dissolution	0	0	0	0	**0**
Originating capital for Trust established in year	0				**0**
New PDC Received	1,000				**1,000**
PDC Repaid In Year	0				**0**
PDC Written Off	0				**0**
Transferred to NHS Foundation Trust	0	0	0	0	**0**
Other Movements in PDC In Year	0				**0**
Net Actuarial Gain/(Loss) on Pension		0		0	**0**
Net recognised revenue/(expense) for the year	**1,000**	**1,450**	**8**	**0**	**2,458**
Balance at 31 March 2013	**1,000**	**3,401**	**95**	**0**	**4,496**

	Public Dividend Capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2011	**0**	**350**	**82**	**0**	**432**
Changes in taxpayers' equity for the year ended 31 March 2012					
Retained surplus/(deficit) for the year		1,600			1,600
Net gain / (loss) on revaluation of property, plant, equipment			6		6
Net gain / (loss) on revaluation of intangible assets			0		0
Net gain / (loss) on revaluation of financial assets			0		0
Net gain / (loss) on revaluation of assets held for sale			0		0
Impairments and reversals			0		0
Movements in other reserves				0	0
Transfers between reserves		1	(1)	0	0
Release of reserves to Statement of Comprehensive Income			0		0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
On Disposal of Available for Sale financial Assets			0		0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0				0
New PDC Received	0				0
PDC Repaid In Year	0				0
PDC Written Off	0				0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0				0
Net Actuarial Gain/(Loss) on Pension		0		0	0
Net recognised revenue/(expense) for the year	0	1,601	5	0	1,606
Balance at 31 March 2012	**0**	**1,951**	**87**	**0**	**2,038**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 March 2013

	NOTE	2012-13 £000s	2011-12 £000s
Cash Flows from Operating Activities			
Operating Surplus/Deficit		**1,448**	1,594
Depreciation and Amortisation		**648**	680
Impairments and Reversals		**0**	0
Other Gains / (Losses) on foreign exchange		**0**	0
Donated Assets received credited to revenue but non-cash		**(22)**	(259)
Government Granted Assets received credited to revenue but non-cash		**0**	0
Interest Paid		**0**	0
Dividend (Paid) / Refunded		**530**	(530)
Release of PFI/deferred credit		**0**	0
(Increase)/Decrease in Inventories		**(200)**	(42)
(Increase)/Decrease in Trade and Other Receivables		**2,781**	(1,005)
(Increase)/Decrease in Other Current Assets		**0**	0
Increase/(Decrease) in Trade and Other Payables		**(961)**	1,869
(Increase)/Decrease in Other Current Liabilities		**0**	0
Provisions Utilised		**(772)**	0
Increase/(Decrease) in Provisions		**(167)**	1,003
Net Cash Inflow/(Outflow) from Operating Activities		**3,285**	3,310
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		**15**	6
(Payments) for Property, Plant and Equipment		**(1,416)**	(659)
(Payments) for Intangible Assets		**0**	0
(Payments) for Investments with DH		**0**	0
(Payments) for Other Financial Assets		**0**	0
(Payments) for Financial Assets (LIFT)		**0**	0
Proceeds of disposal of assets held for sale (PPE)		**6**	0
Proceeds of disposal of assets held for sale (Intangible)		**0**	0
Proceeds from Disposal of Investment with DH		**0**	0
Proceeds from Disposal of Other Financial Assets		**0**	0
Proceeds from the disposal of Financial Assets (LIFT)		**0**	0
Loans Made in Respect of LIFT		**0**	0
Loans Repaid in Respect of LIFT		**0**	0
Rental Revenue		**0**	0
Net Cash Inflow/(Outflow) from Investing Activities		**(1,395)**	(653)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**1,890**	2,657
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		**1,000**	0
Public Dividend Capital Repaid		**0**	0
Loans received from DH - New Capital Investment Loans		**0**	0
Loans received from DH - New Revenue Support Loans		**0**	0
Other Loans Received		**0**	0
Loans repaid to DH - Capital Investment Loans Repayment of Principal		**0**	0
Loans repaid to DH -Revenue Support Loans		**0**	0
Other Loans Repaid		**0**	0
Cash transferred to NHS Foundation Trusts		**0**	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		**0**	0
Capital grants and other capital receipts		**22**	259
Net Cash Inflow/(Outflow) from Financing Activities		**1,022**	259
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,912**	2,916
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		**2,915**	(1)
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		**0**	0
Cash and Cash Equivalents (and Bank Overdraft) at year end		**5,827**	2,915

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 2012-13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

1.4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1. Determining whether substantially all the significant risks and rewards of ownership of leased assets have transferred.

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

1.4.2 Key sources of estimation uncertainty

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

None were material.

1.5 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. Significant revenue relating to patient care spells that are part-completed at the year end is apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

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

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

1.6 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

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

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

1.7 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.

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

1.8 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 impairment.

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.

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. The Trust's policy on equipment indexation is that where a piece of equipment has a life of more than 10 years and a net book value in excess of £30,000 it is indexed using the Health Services Cost Index.

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

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. 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.

1.9 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.

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

1.10 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.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. 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.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.11 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.12 Government grants

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

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

1.13 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

1.14 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 and individually 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.

1.15 Inventories

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

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.8% for employee early departure obligations).

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

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

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

1.18 Clinical negligence costs

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

1.19 Non-clinical risk pooling

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

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

1.20 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

1.21 Contingencies

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

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

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

1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

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

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

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

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, or through a provision for impairment of receivables.

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

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

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

Financial guarantee contract liabilities
Financial guarantee contract liabilities are subsequently measured at the higher of:

The premium received (or imputed) for entering into the guarantee less cumulative amortisation.

The amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

Financial liabilities at fair value through profit and loss
Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

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

Other financial liabilities

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

1.24 Value Added Tax

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

1.25 Foreign currencies

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

1.26 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts.

1.27 Public Dividend Capital (PDC) and PDC dividend

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

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Government Banking Service. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.28 Losses and Special Payments

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

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

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

1.29 Subsidiaries

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

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

For 2010-11, 2011-12 and 2012-13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

1.30 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

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

1.31 Joint ventures

Material entities over which the Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. Joint ventures are accounted for by the proportional consolidation or the equity method.

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

1.32 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

1.33 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.

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

1.34 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled Budgets

There are no pooled budgets.

3. Operating Segments

The Trust has only one operating segment - healthcare. Therefore no further analysis is required.

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.

Occupational health services	**2012-13 £000s**	2011-12 £000s
Income	**1,011**	1,020
Full cost	**897**	1,012
Surplus/(deficit)	**114**	8

The financial objective is that the Occupational Health service should cover costs in full and generate a small surplus, which is invested in patient care.

5. Revenue from Patient Care Activities

	2012-13 £000s	2011-12 £000s
Strategic Health Authorities	**0**	133
NHS Trusts	**199**	203
Primary Care Trusts - tariff	**5,216**	5,267
Primary Care Trusts - non-tariff	**67,707**	69,708
Primary Care Trusts - market forces factor	**169**	79
NHS Foundation Trusts	**36**	77
Local Authorities	**224**	268
Department of Health	**0**	0
NHS other	**0**	0
Non-NHS:		
Private patients	**0**	0
Overseas patients (non-reciprocal)	**0**	0
Injury costs recovery	**60**	106
Other	**870**	509
Total revenue from patient care activities	**74,481**	76,350

6. Other Operating Revenue

	2012-13 £000s	2011-12 £000s
Recoveries in respect of employee benefits	**1,336**	1,364
Patient transport services	**0**	0
Education, training and research	**1,339**	838
Charitable and other contributions to revenue expenditure - NHS	**0**	0
Charitable and other contributions to revenue expenditure -non- NHS	**0**	0
Receipt of donations for capital acquisitions - NHS Charity	**22**	259
Receipt of Government grants for capital acquisitions	**0**	0
Non-patient care services to other bodies	**0**	0
Income generation	**822**	944
Rental revenue from finance leases	**0**	0
Rental revenue from operating leases	**158**	158
Other revenue	**1,521**	889
Total Other Operating Revenue	**5,198**	4,452
Total operating revenue	**79,679**	80,802

Of the "other revenue" figure, £1,060K relates to shared services income.

7. Revenue

	2012-13 £000	2011-12 £000
From rendering of services	**79,675**	80,801
From sale of goods	**4**	1

8. Operating Expenses (excluding employee benefits)

	2012-13 £000s	2011-12 £000s
Services from other NHS trusts	**2,694**	2,563
Services from PCTs	**2,634**	2,760
Services from other NHS bodies	**0**	2
Services from foundation trusts	**1,434**	1,249
Purchase of healthcare from non NHS bodies	**304**	272
Trust Chair and Non-executive Directors	**47**	48
Supplies and services - clinical	**5,997**	6,020
Supplies and services - general	**533**	530
Consultancy services	**1,049**	980
Establishment	**4,008**	4,164
Transport	**0**	0
Premises	**3,310**	4,081
Impairments and Reversals of Receivables	**46**	5
Inventories write down	**0**	0
Depreciation	**648**	680
Amortisation	**0**	0
Impairments and reversals of property, plant and equipment	**0**	0
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets [by class]	**0**	0
Impairments and reversals of non current assets held for sale	**0**	0
Impairments and reversals of investment properties	**0**	0
Audit fees	**51**	82
Other auditor's remuneration	**0**	0
Clinical negligence	**117**	105
Research and development (excluding staff costs)	**0**	0
Education and Training	**173**	240
Change in Discount Rate	**0**	
Other	**700**	658
Total Operating expenses (excluding employee benefits)	**23,745**	24,439
Employee benefits		
Employee benefits excluding Board members	**54,060**	54,363
Board members	**426**	406
Total employee benefits	**54,486**	54,769
Total operating expenses	**78,231**	79,208

9. Operating Leases

9.1 Trust as Lessee

The lease payments in 2012/13 include the provider properties which still belong to the local PCTs, and are due to transfer to the Trust in 2013/14. These payments total £2.2m.

The remainder are property leases for premises used by the Trust, and lease cars for staff.

	Land £000s	Buildings £000s	Other £000s	2012-13 Total £000s	2011-12 £000s
Payments recognised as an expense					
Minimum lease payments				**3,680**	2,947
Contingent rents				**0**	0
Sub-lease payments				**0**	0
Total				**3,680**	2,947
Payable:					
No later than one year	**0**	**826**	**600**	**1,426**	2,048
Between one and five years	**0**	**1,968**	**600**	**2,568**	5,150
After five years	**0**	**1,634**	**0**	**1,634**	10,464
Total	**0**	**4,428**	**1,200**	**5,628**	17,662
Total future sublease payments expected to be received:				**0**	0

9.2 Trust as Lessor

Leases are all property leases with other NHS bodies.

	2012-13 £000	2011-12 £000s
Recognised as income		
Rental revenue	**158**	158
Contingent rents	**0**	0
Total	**158**	158
Receivable:		
No later than one year	**158**	158
Between one and five years	**0**	0
After five years	**0**	0
Total	**158**	158

10. Employee Benefits & Staff Numbers

10.1 Employee Benefits

	2012-13 Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	**45,572**	**41,845**	**3,727**
Social security costs	**2,923**	**2,923**	**0**
Employer Contributions to NHS BSA - Pensions Division	**5,208**	**5,208**	**0**
Other pension costs	**0**	**0**	**0**
Other post-employment benefits	**0**	**0**	**0**
Other employment benefits	**0**	**0**	**0**
Termination benefits	**783**	**783**	**0**
Total employee benefits	**54,486**	**50,759**	**3,727**
Less recoveries in respect of employee benefits (table below)	**(1,336)**	**(1,336)**	**0**
Total - Net Employee Benefits including capitalised costs	**53,150**	**49,423**	**3,727**
Employee costs capitalised	**0**	**0**	**0**
Gross Employee Benefits excluding capitalised costs	**54,486**	**50,759**	**3,727**
Employee Benefits 2012-13 - income			
Salaries and wages	**1,123**	**1,123**	**0**
Social Security costs	**79**	**79**	**0**
Employer Contributions to NHS BSA - Pensions Division	**134**	**134**	**0**
Other pension costs	**0**	**0**	**0**
Other Post Employment Benefits	**0**	**0**	**0**
Other Employment Benefits	**0**	**0**	**0**
Termination Benefits	**0**	**0**	**0**
TOTAL excluding capitalised costs	**1,336**	**1,336**	**0**

	Total £000s	Permanently employed £000s	Other £000s
Gross Employee Benefits & Net expenditure 2011-12			
Salaries and wages	47,569	44,721	2,848
Social security costs	2,196	2,196	0
Employer Contributions to NHS BSA - Pensions Division	3,988	3,988	0
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	1,016	1,016	0
TOTAL - including capitalised costs	54,769	51,921	2,848
Less recoveries in respect of employee benefits	(1,364)	(1,364)	0
Total - Net Employee Benefits including capitalised costs	53,405	50,557	2,848
Recognised as			
Employee costs capitalised	0		
Net Employee Benefits excluding capitalised costs	54,769		

The 11/12 figures for social security costs & employer pension contributions were understated by a total of £2,064K and the salaries & wages overstated by an equal amount.

10.2 Staff Numbers

	2012-13 Total Number	Permanently employed Number	Other Number	2011-12 Total Number
Average Staff Numbers				
Medical and dental	**40**	**39**	**1**	44
Ambulance staff	**0**	**0**	**0**	0
Administration and estates	**343**	**318**	**25**	330
Healthcare assistants and other support staff	**87**	**84**	**3**	87
Nursing, midwifery and health visiting staff	**674**	**647**	**27**	672
Nursing, midwifery and health visiting learners	**0**	**0**	**0**	0
Scientific, therapeutic and technical staff	**209**	**205**	**4**	227
Social Care Staff	**8**	**0**	**8**	7
Other	**62**	**54**	**8**	59
TOTAL	**1,423**	**1,347**	**76**	1,426
Of the above - staff engaged on capital projects	**0**	**0**	**0**	0

10.3 Staff Sickness Absence & Ill Health Retirements

	2012-13 Number	2011-12 Number
Total days lost	**15,660**	8,099
Total staff years	**1,361**	688
Average working days lost	**11.5**	11.8

Sickness absence information, provided by the Department of Health is for a calendar year i.e. the 12/13 figures are for Jan-Dec 2012. The 11/12 figures are for Jul-Dec 2011, July 2011 being when the Trust was established.

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	**1**	3
	£000s	£000s
Total additional pensions liabilities accrued in the year	**63**	120

10.4 Exit Packages agreed in 2012-13

	2012-13			2011-12		
Exit package cost band (including any special payment element)	***Number of compulsory redundancies**	***Number of other departures agreed**	**Total number of exit packages by cost band**	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	**Number**	**Number**	Number	Number	Number
Less than £10,000	**6**	**8**	**14**	2	2	4
£10,001-£25,000	**8**	**11**	**19**	0	0	0
£25,001-£50,000	**4**	**13**	**17**	0	0	0
£50,001-£100,000	**1**	**3**	**4**	0	0	0
£100,001 - £150,000	**4**	**0**	**4**	0	0	0
£150,001 - £200,000	**0**	**0**	**0**	0	0	0
>£200,000	**0**	**0**	**0**	0	0	0
Total number of exit packages by type (total cost	**23**	**35**	**58**	2	2	4
Total resource cost (£000s)	**816**	**915**	**1,731**	9	4	13

Redundancy and other departure costs have been paid in accordance with the provisions of NHS Agenda for Change rules on pay. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

A local MARS scheme (Mutually Agreed Resignation Scheme) was set up by the Trust towards the end of 2011/12. A number of departures in 2012/13 were under this scheme.

This disclosure reports the number and value of exit packages agreed during the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

10.5 Pension Costs

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that " the period between formal valuations shall be four years, with approximate assessments in intervening years. An outline of these follows:

a) Accounting valuation
A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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.

b) 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.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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.

11. Better Payment Practice Code

11.1 Measure of Compliance

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**23,611**	**17,642**	24,412	18,148
Total Non-NHS Trade Invoices Paid Within Target	**22,771**	**17,074**	23,323	17,303
Percentage of NHS Trade Invoices Paid Within Target	**96.4%**	**96.8%**	95.5%	95.3%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**1,787**	**13,612**	1,826	20,267
Total NHS Trade Invoices Paid Within Target	**1,671**	**12,951**	1,559	18,798
Percentage of NHS Trade Invoices Paid Within Target	**93.5%**	**95.1%**	85.4%	92.8%

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

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

There were no payments under the Late Payment of Commercial Debts (Interest) Act 1998.

12. Investment Income

	2012-13 £000s	2011-12 £000s
Rental Income		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
Other finance lease revenue	0	0
Subtotal	0	0
Interest Income		
LIFT: equity dividends receivable	0	0
LIFT: loan interest receivable	0	0
Bank interest	15	6
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Subtotal	15	6
Total investment income	15	6

13. Other Gains and Losses

	2012-13 £000s	2011-12 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	(2)	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other then held for sale	0	0
Gain (Loss) on disposal of assets held for sale	(14)	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	(16)	0

14. Finance Costs

There were no finance costs.

15.1 Property, Plant and Equipment

2012-13	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
At 1 April 2012	**0**	**0**	**0**	**0**	**2,955**	**169**	**2,018**	**172**	**5,314**
Additions of Assets Under Construction				**0**					**0**
Additions Purchased	1,000	0	0		216	0	126	0	**1,342**
Additions Donated	0	0	0	0	22	0	0	0	**22**
Additions Government Granted	0	0	0	0	0	0	0	0	**0**
Additions Leased	0	0	0		0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	(1,000)	0	0	0	(39)	0	0	0	**(1,039)**
Disposals other than for sale	0	0	0	0	(68)	0	(263)	(41)	**(372)**
Upward revaluation/positive indexation	0	0	0	0	11	0	0	0	**11**
Impairments/negative indexation	0	0	0	0	0	0	0	0	**0**
Reversal of Impairments	0	0	0	0	0	0	0	0	**0**
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0	0	0	0	0	0	**0**
At 31 March 2013	**0**	**0**	**0**	**0**	**3,097**	**169**	**1,881**	**131**	**5,278**
Depreciation									
At 1 April 2012	**0**	**0**	**0**	**0**	**1,226**	**123**	**1,276**	**89**	**2,714**
Reclassifications	0	0	0		0	0	0	0	**0**
Reclassifications as Held for Sale and reversals	0	0	0		(19)	0	0	0	**(19)**
Disposals other than for sale	0	0	0		(67)	0	(263)	(40)	**(370)**
Upward revaluation/positive indexation	0	0	0		0	0	0	0	**0**
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	0	0		338	15	277	18	**648**
Transfers to NHS Foundation Trust	0	0	0	0	0	0	0	0	**0**
Transfer (to)/from Other Public Sector bodies	0	0	0		0	0	0	0	**0**
At 31 March 2013	**0**	**0**	**0**	**0**	**1,478**	**138**	**1,290**	**67**	**2,973**
Net Book Value at 31 March 2013	**0**	**0**	**0**	**0**	**1,619**	**31**	**591**	**64**	**2,305**
Purchased	0	0	0	0	1,216	31	591	64	**1,902**
Donated	0	0	0	0	354	0	0	0	**354**
Government Granted	0	0	0	0	49	0	0	0	**49**
Total at 31 March 2013	**0**	**0**	**0**	**0**	**1,619**	**31**	**591**	**64**	**2,305**
Asset financing:									
Owned	0	0	0	0	1,619	31	591	64	**2,305**
Held on finance lease	0	0	0	0	0	0	0	0	**0**
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	**0**
PFI residual: interests	0	0	0	0	0	0	0	0	**0**
Total at 31 March 2013	**0**	**0**	**0**	**0**	**1,619**	**31**	**591**	**64**	**2,305**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	0	0	0	0	81	6	0	0	**87**
Movements (indexation)	0	0	0	0	8	0	0	0	**8**
At 31 March 2013	**0**	**0**	**0**	**0**	**89**	**6**	**0**	**0**	**95**

15.2 Property, Plant and Equipment (prior-year)

2011-12	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or valuation:									
At 1 April 2011	0	0	0	0	2,369	169	1,973	192	4,703
Additions - purchased	0	0	0	0	361	0	45	0	406
Additions - donated	0	0	0	0	259	0	0	0	259
Additions - government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(40)	0	0	(20)	(60)
Revaluation & indexation gains	0	0	0	0	6	0	0	0	6
Impairments	0	0	0	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0	0	0	0
In-year transfers to/from NHS bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	0	0	0	0	0	0	0	0
At 31 March 2012	0	0	0	0	2,955	169	2,018	172	5,314
Depreciation									
At 1 April 2011	0	0	0		976	103	925	90	2,094
Reclassifications		0	0		0	0	0	0	0
Reclassifications as Held for Sale and reversals	0	0	0		0	0	0	0	0
Disposals other than for sale	0	0	0		(40)	0	0	(20)	(60)
Upward revaluation/positive indexation	0	0	0		0	0	0	0	0
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	0	0	0	290	20	351	19	680
Transfers to NHS Bodies	0	0	0	0	0	0	0	0	0
Transfer to NHS Foundation Trust	0	0	0	0	0	0	0	0	0
Cumulative dep netted off cost following revaluation	0	0	0	0	0	0	0	0	0
At 31 March 2012	0	0	0	0	1,226	123	1,276	89	2,714
Net book value at 31 March 2012	0	0	0	0	1,729	46	742	83	2,600
Purchased	0	0	0	0	1,280	46	742	82	2,150
Donated	0	0	0	0	392	0	0	1	393
Government Granted	0	0	0	0	57	0	0	0	57
Total at 31 March 2012	0	0	0	0	1,729	46	742	83	2,600
Asset financing:									
Owned	0	0	0	0	1,729	46	742	83	2,600
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SOFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual: interests	0	0	0	0	0	0	0	0	0
Total at 31 March 2012	0	0	0	0	1,729	46	742	83	2,600

15.3 Property, Plant and Equipment

The Trust currently has no land and buildings assets other than the land acquired by the Trust in 2012/13 for the new Ludlow healthcare facility. Properties used by the Trust will not transfer from the 2 local PCTs until 2013/14.

Asset lives for each class of asset fall into the following ranges :-
- Plant & machinery : 2 to 15 years
- Transport equipment : 7 to 7 years
- Information technology : 3 to 5 years
- Furniture & fittings : 10 to 10 years

No asset lives have been changed during the year.

The donors of the assets donated in-year were the League of Friends of the Community Hospitals.

16. Intangible Non-Current Assets

There were no intangible non-current assets.

17. Analysis of Impairments and Reversals Recognised in 2012-13

There were no impairments or reversals.

18. Investment Property

There was no investment property.

19. Commitments

There were no capital or other financial commitments.

20. Intra-Government and Other Balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	**583**	**0**	**2,304**	**0**
Balances with Local Authorities	**165**	**0**	**305**	**0**
Balances with NHS bodies outside the Department Group	**0**	**0**	**0**	**0**
Balances with NHS Trusts and Foundation Trusts	**50**	**0**	**611**	**0**
Balances with Public Corporations and Trading Funds	**0**	**0**	**0**	**0**
Balances with bodies external to government	**245**	**110**	**2,835**	**0**
At 31 March 2013	**1,043**	**110**	**6,055**	**0**
Prior period:				
Balances with other Central Government Bodies	2,351	0	1,871	0
Balances with Local Authorities	283	0	306	0
Balances with NHS Trusts and Foundation Trusts	249	0	589	0
Balances with Public Corporations and Trading Funds	722	0	1,792	0
Balances with bodies external to government	303	26	1,980	0
At 31 March 2012	3,908	26	6,538	0

21. Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Work in progress £000s	Loan Equipment £000s	Other £000s	Total £000s
Balance at 1 April 2012	**0**	**130**	**0**	**0**	**0**	**0**	**130**
Additions	**0**	**1,762**	**0**	**0**	**0**	**0**	**1,762**
Inventories recognised as an expense in period	**0**	**(1,562)**	**0**	**0**	**0**	**0**	**(1,562)**
Write-down of inventories (including losses)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Reversal of write-down previously taken to SoCI	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfers (to) Foundation Trusts	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfers (to) / from other Public Sector Bodies	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2013	**0**	**330**	**0**	**0**	**0**	**0**	**330**

22.1 Trade and Other Receivables

	Current		Non-current	
	31 Mar 2013	31 Mar 2012	**31 Mar 2013**	31 Mar 2012
	£000s	£000s	**£000s**	£000s
NHS receivables - revenue	**536**	2,600	**0**	0
NHS receivables - capital	**0**	0	**0**	0
NHS prepayments and accrued income	**0**	0	**0**	0
Non-NHS receivables - revenue	**332**	516	**62**	29
Non-NHS receivables - capital	**0**	0	**0**	0
Non-NHS prepayments and accrued income	**124**	64	**56**	0
Provision for the impairment of receivables	**(49)**	(8)	**(8)**	(3)
VAT	**97**	192	**0**	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	**0**	0	**0**	0
Interest receivables	**0**	0	**0**	0
Finance lease receivables	**0**	0	**0**	0
Operating lease receivables	**0**	0	**0**	0
Other receivables	**3**	544	**0**	0
Total	**1,043**	3,908	**110**	26
Total current and non current	**1,153**	3,934		
Included in NHS receivables are prepaid pension	**0**	0		

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As PCT 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 Mar 2013	31 Mar 2012
	£000s	£000s
By up to three months	**379**	407
By three to six months	**112**	58
By more than six months	**134**	44
Total	**625**	509

22.3 Provision for Impairment of Receivables

	2012-13	2011-12
	£000s	£000s
Balance at 1 April 2012	**(11)**	0
Amount written off during the year	**0**	0
Amount recovered during the year	**0**	0
(Increase)/decrease in receivables impaired	**(46)**	0
Transfer to NHS Foundation Trust	**0**	
Balance at 31 March 2013	**(57)**	**0**

The majority of the impairment (£46,000) relates to over performance on the healthcare SLA with Powys Local Health Board. There is no signed agreement relating to over performance so there is a risk of non-payment.

The balance relates to the NHS Injury Costs Recovery Scheme.

23. NHS LIFT Investments

There were no NHS LIFT investments.

24. Other Financial Assets

There were no other financial assets.

25. Other Current Assets

There were no other current assets.

26. Cash and Cash Equivalents

	31 Mar 2013 £000s	31 Mar 2012 £000s
Opening balance	**2,915**	19
Net change in year	**2,912**	2,896
Closing balance	**5,827**	2,915
Made up of		
Cash with Government Banking Service	**5,805**	2,897
Commercial banks	**0**	18
Cash in hand	**22**	0
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**5,827**	2,915
Bank overdraft - Government Banking Service	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**5,827**	2,915
Patients' money held by the Trust, not included above	**0**	0

27. Non-Current Assets Held For Sale

	Land	Buildings, excl. dwellings	Dwellings	Asset Under Construction and Payments on Account	Plant and Machinery	Transport and Equipment	Information Technology	Furniture and Fittings	Intangible Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	1,000	0	0	0	20	0	0	0	0	1,020
Less assets sold in the year	0	0	0	0	(20)	0	0	0	0	(20)
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from other public sector bodies	0	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2013	1,000	0	0	0	0	0	0	0	0	1,000
Liabilities associated with assets held for sale at 31 March 2013	0	0	0	0	0	0	0	0	0	0
Balance at 1 April 2011	0	0	0	0	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2012	0	0	0	0	0	0	0	0	0	0
Liabilities associated with assets held for sale at 31 March 2012	0	0	0	0	0	0	0	0	0	0

The land classed as held for sale is land for building the new Ludlow health facility, to be sold to the 3rd party developer following financial close.

The equipment that was classed as held for sale and subsequently sold was medical equipment which was no longer required.

28. Trade and Other Payables

	Current		Non-current	
	31 Mar 2013	31 Mar 2012	**31 Mar 2013**	31 Mar 2012
	£000s	£000s	**£000s**	£000s
Interest payable	**0**	0		
NHS payables - revenue	**1,194**	2,460	**0**	0
NHS payables - capital	**0**	0	**0**	0
NHS accruals and deferred income	**54**	0	**0**	0
Non-NHS payables - revenue	**1,252**	1,222	**0**	0
Non-NHS payables - capital	**147**	199	**0**	0
Non_NHS accruals and deferred income	**956**	786	**0**	0
Social security costs	**473**	490		
VAT	**0**	0	**0**	0
Tax	**459**	506		
Payments received on account	**0**	0	**0**	0
Other	**1,520**	875	**0**	0
Total	**6,055**	6,538	**0**	0
Total payables (current and non-current)	**6,055**	6,538		

29. Other Liabilities

There were no other liabilities.

30. Borrowings

There were no borrowings.

31. Other Financial Liabilities

There were no other financial liabilities.

32. Deferred Income

	Current		Non-current	
	31 Mar 2013	31 Mar 2012	**31 Mar 2013**	31 Mar 2012
	£000s	£000s	**£000s**	£000s
Opening balance at 1 April 2012	**0**	0	**0**	0
Deferred income addition	**54**	0	**0**	0
Transfer of deferred income	**0**	0	**0**	0
Current deferred Income at 31 March 2013	**54**	0	**0**	0
Total deferred income (current and non-current)	**54**	0		

33. Finance Lease Obligations as Lessee

There were no finance lease obligations as lessee.

34. Finance Lease Obligations as Lessor

There were no finance lease obligations as lessor.

35. Provisions

	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Equal Pay	Agenda for Change	Other	Redundancy
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	**1,003**	0	0	0	1,003	0	0	0	0	0
Arising During the Year	**64**	0	0	9	0	0	0	0	0	55
Utilised During the Year	**(772)**	0	0	0	(772)	0	0	0	0	0
Reversed Unused	**(231)**	0	0	0	(231)	0	0	0	0	0
Unwinding of Discount	**0**	0	0	0	0	0	0	0	0	0
Change in Discount Rate	**0**	0	0	0	0	0	0	0	0	0
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	**0**	0	0	0	0	0	0	0	0	0
Transferred (to)/from other public sector bodies	**0**	0	0	0	0	0	0	0	0	0
Balance at 31 March 2013	**64**	**0**	**0**	**9**	**0**	**0**	**0**	0	**0**	**55**
Expected Timing of Cash Flows:										
No Later than 1 Year	**64**	0	0	9	0	0	0	0	0	55
Later than 1 Year and not later than 5 Years	**0**	0	0	0	0	0	0	0	0	0
Later than 5 Years	**0**	0	0	0	0	0	0	0	0	0

Amount included in the provisions of the NHS Litigation Authority in respect of Clinical Negligence liabilities at 31st March 2013 (and 31st March 2012) was nil.

36. Contingencies

	31 Mar 2013	31 Mar 2012
	£000s	£000s
Contingent liabilities		
Equal Pay	**0**	0
Other (employer/public liability claims)	**(14)**	0
Amounts Recoverable Against Contingent Liabilities	**0**	0
Net Value of Contingent Liabilities	**(14)**	0
Contingent Assets		
Contingent Assets	**0**	0
Net Value of Contingent Assets	**0**	0

37. PFI and LIFT - Additional Information

There were no PFI or LIFT schemes.

38. Impact of IFRS Treatment - Current Year

There was no impact of IFRS treatment in the current year.

39. Financial Instruments

39.1 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

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 31st March 2013 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.

39.2 Financial Assets

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
Embedded derivatives	**0**			**0**
Receivables - NHS		**536**		**536**
Receivables - non-NHS		**394**		**394**
Cash at bank and in hand		**5,827**		**5,827**
Other financial assets	**0**	**0**	**0**	**0**
Total at 31 March 2013	**0**	**6,757**	**0**	**6,757**
Embedded derivatives	0			0
Receivables - NHS		2,600		2,600
Receivables - non-NHS		1,047		1,047
Cash at bank and in hand		2,915		2,915
Other financial assets	0	0	0	0
Total at 31 March 2012	0	6,562	0	6,562

39.3 Financial Liabilities

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
Embedded derivatives	**0**		**0**
NHS payables		**1,248**	**1,248**
Non-NHS payables		**3,193**	**3,193**
Other borrowings		**0**	**0**
PFI & finance lease obligations		**0**	**0**
Other financial liabilities	**0**	**0**	**0**
Total at 31 March 2013	**0**	**4,441**	**4,441**
Embedded derivatives	0		0
NHS payables		2,460	2,460
Non-NHS payables		2,410	2,410
Other borrowings		0	0
PFI & finance lease obligations		0	0
Other financial liabilities	0	0	0
Total at 31 March 2012	0	4,870	4,870

40. Events After The Reporting Period

As a result of the abolition of Primary Care Trusts on 31st March 2013, on 1st April 2013 a number of properties used by the Trust will transfer from the 2 local PCTs to the Trust. The value of these assets on the Statement of Financial Position is approxinately £16.8m

41. Related Party Transactions

During the year none of the Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with the Trust.

The Department of Health is regarded as a related party. During the year the 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:

Shrewsbury & Telford Hospitals NHS Trust
Shropshire County PCT
South Staffordshire & Shropshire Healthcare NHS Foundation Trust
Stoke on Trent PCT
Telford & Wrekin PCT
West Midlands SHA

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 Shropshire Council and Telford & Wrekin Council in respect of joint enterprises.

The Trust has also received revenue and capital payments from charitable funds, the trustees for which are also members of the Trust board. There is a separate set of accounts and annual report for the Trust's charitable funds.

42. Losses and Special Payments

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	**306**	**3**
Special payments	**90,393**	**6**
Total losses and special payments	**90,699**	**9**

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	3,395	11
Special payments	679	6
Total losses and special payments	4,074	17

There were no cases over £250,000.

43. 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.

43.1 Breakeven Performance

	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s
Turnover	0	0	0	0	0	0	80,802	**79,679**
Retained surplus/(deficit) for the year	0	0	0	0	0	0	1,600	**1,447**
Adjustment for:								
Timing/non-cash impacting distortions:								
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	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	0	0	0	**0**
Adjustments for impact of policy change re donated/government grants assets							(203)	**49**
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					0	0	0	**0**
Adsorption Accounting Adjustment								**0**
Other agreed adjustments	0	0	0	0	0	0	0	**0**
Break-even in-year position	**0**	**0**	**0**	**0**	**0**	**0**	**1,397**	**1,496**
Break-even cumulative position	**0**	**0**	**0**	**0**	**0**	**0**	**1,397**	**2,893**

Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Materiality test (I.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	0.00	0.00	0.00	0.00	0.00	0.00	1.73	**1.88**
Break-even cumulative position as a percentage of turnover	0.00	0.00	0.00	0.00	0.00	0.00	1.73	**3.63**

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.

43.2 Capital Cost Absorption Rate

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%.

However, since average relevant net assets for the Trust are negative, no dividend is payable.

43.3 External Financing

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

		2012-13	2011-12
	£000s	**£000s**	£000s
External financing limit		**357**	(1,220)
Cash flow financing	**(1,890)**		(2,657)
Finance leases taken out in the year	**0**		0
Other capital receipts	**(22)**		(259)
External financing requirement		**(1,912)**	(2,916)
Undershoot/(overshoot)		**2,269**	1,696

43.4 Capital Resource Limit

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

	2012-13	2011-12
	£000s	£000s
Gross capital expenditure	**1,364**	665
Less: book value of assets disposed of	**(22)**	0
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(22)**	(259)
Charge against the capital resource limit	**1,320**	406
Capital resource limit	**1,350**	432
(Over)/underspend against the capital resource limit	**30**	26

44. Third Party Assets

There were no third party assets.