

**ANNUAL ACCOUNTS**

**2009/10**

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## DIRECTORS' STATEMENT

### 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.

A Liles  
Chief Executive  
Ashford and St. Peter's Hospitals NHS Trust  
9 June 2010

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## DIRECTORS' STATEMENT

### 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, the 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 that they have complied with the above requirements in preparing the Accounts.

By order of the Board

A Liles  
Chief Executive  
Ashford and St. Peter's Hospitals NHS Trust  
9 June 2010

J Headley  
Director of Finance & Information  
Ashford and St. Peter's Hospitals NHS Trust  
9 June 2010

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**  
**DIRECTORS' STATEMENT ON INTERNAL CONTROL 2009/10**

**Statement of Directors' responsibility in respect of internal control**

**1. Scope of responsibility**

The Board is accountable for internal control. As Accountable Officer and Chief Executive of this Board I have operational responsibility for the delivery of all aspects of governance and the provision, oversight and effective working of the systems of internal control, in particular the risk management process and financial systems and processes. The Standing Orders, Standing Financial Instructions and Scheme of Delegation outline the accountability arrangements and scope of responsibility of the Board and the Trust Executive Members and officers. The Board has been fully involved in agreeing the strategic priorities for the Trust.

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.

Scrutiny by the Non Executive Directors and Auditors in the Audit Committee, Non Executive Directors in the Remuneration Committee and Non Executives and Executives in the Integrated Governance Assurance Committee provides me with assurance of internal control including probity in the application of public funds and in the conduct of the organisation's responsibilities. Minutes and reports from these Committees are reviewed in the Board meetings in public.

I am personally accountable to the Chief Executive of South East Coast SHA, through the Trust Board, for the achievement of national targets. Regular meetings take place with the SHA and the Trust's main commissioner, NHS Surrey, covering performance and strategy. The Trust also meets regularly with Surrey County Council, London Borough of Hounslow and other statutory and voluntary partners.

**2. 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 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 system of internal control has been in place in the Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

**3. Capacity to handle risk**

Risk Management is a corporate responsibility and, accordingly, the Trust Board has ultimate responsibility for ensuring that effective processes are in place. The Board is committed to the continuous development of a framework to manage risks in a structured and focused way in order to protect patients, staff and the public from harm and to protect the Trust from losses or damage to its reputation.

The Trust's approach to risk, including aims and objectives, is explained in the Risk Management Policy. It identifies the roles and responsibilities of Directors, managers and staff in relation to risk identification, analysis and control.

Through the Integrated Governance Assurance Committee, which has been chaired by a Non-Executive Director since October 2009, and which I attend together with the Head of Internal Audit, Executive Directors and senior managers, the Trust seeks to learn and share good practice through rigorous

assessment of the Board Assurance Framework and strives to cascade this information to relevant directorate teams through training and active support.

The Board receives assurance from the Audit Committee on processes employed by management with regard to the assessing and evaluating the control and the mitigation of significant risk.

Specifically, the Audit Committee provides the Board with the assurance that the latter is discharging its function to have in place:

- Key controls to assist in securing and delivering Trust business objectives as well as those that are defined in the core Health Care Standards;
- Effective and reliable control systems; and
- Agreed and timely corrective action plans for any gaps in controls, systems or assurances.

Internal and external audit reports are reviewed by the Audit Committee and references to best practice are identified and adopted wherever possible.

The Trust is committed to supporting its staff in exercising their roles and responsibilities with regard to health and safety risks and all other forms of risk.

Training is provided on an ongoing basis in order to equip staff to carry out their designated responsibilities according to their roles. In addition, risk management awareness is featured in the induction process for all new staff and all staff receive written information on risk, safety and relevant Trust policies. All such policies are available for staff on the Trust's intranet.

#### **4. The risk and control framework**

The Integrated Governance Assurance Committee (IGAC) was further embedded during 2009/10. This committee provides me with assurance of the robustness of the management control systems in place for risk management, clinical governance and education and training. Through this process I am also aware of the risk management systems in place for health informatics at the Trust.

The Trust's risk management system supports staff in assessing the risks inherent in their work and workplace, in identifying and implementing appropriate mitigating actions, and in monitoring their outcome.

The Trust Risk Management Strategy is endorsed by the Trust Board and is reviewed annually setting out the organisation's approach to risk management and future objectives. These processes are evidenced within the Care Quality Commission Core Standards declaration.

All Executive/Clinical Directors and General Managers have a responsibility to lead with a strong risk management approach in all aspects of the Trust's activities. Business priorities and decisions made by the Trust Executive Committee and Board reflect risk management assessments and consideration of high risk factors.

Managers at all levels of the organisation have a responsibility where possible to manage risks at a local level and to develop an environment where staff are encouraged to report risk issues proactively. All managers are expected to ensure that all staff report any near miss incidents, adverse incidents and serious incidents immediately using the Trust Incident Reporting Procedure.

Managers are also responsible for ensuring that staff receive appropriate feedback regarding specific incidents reported, and for ensuring that any recommendations following investigation of an incident are implemented and audited at a later date to ensure they have been effective in reducing the likelihood of the incident happening again.

All members of staff have an important role to play in identifying and minimising risks and hazards as part of their every day work within the Trust. Each individual has a responsibility for their own personal safety and for the safety of their colleagues, patients and all visitors to the Trust. All staff are expected to have an understanding of the Incident Reporting Procedure and knowledge of the corporate categories of incident which must be reported.

Risk management workshops have been attended by Board members, Clinical Directors and senior managers.

All new staff attend Induction training, which covers risk management, incident reporting and complaints. There is ongoing mandatory training which includes elements of risk management, information governance, manual handling, infection control etc. Further training is given to appropriate staff on other risk related topics and there is ongoing support from the Clinical Risk Team and the Risk, Health and Safety, Security and Fire Managers. We have a grading system of 1-4 for incident reporting. Incidents of level 3 and 4 require investigation and action plan, which includes learning points and a dissemination strategy.

The Trust submitted a mid year declaration to the CQC in November 2009. The assessment was undertaken with Executive Directors and relevant senior managers utilising the evidence database 'Performance Accelerator' to assess the position. Regular review is carried out through out the year by provision of overview reports to IGAC, where a RAG rated system is used to highlight areas of concern.

Action plans in place to deal with areas of non compliance at 31 March 2009 were all completed by 31 March 2010, and the Trust did not submit any further notices of significant lapse during the year. Details of how the outstanding issues were resolved are shown below:

<p>C13a Healthcare organisations have systems in place to ensure that staff treat patients, their relatives and carers with dignity and respect.</p> <p>The Trust declared this standard Not Met due to the provision of single sex facilities and single sex accommodation. We were unable to provide this in a robust and consistent way.</p>	<p>The action plan put in place included a comprehensive programme of bed re modelling and refurbishment which was completed at March 2010. This enabled the Trust to provide the single sex facilities including bathroom facilities that patients required, and hence to stop admitting patients to mixed sex bays.</p>
<p>C13c: Healthcare organisations have systems in place to ensure that staff treat patient information confidentially, except where authorised by legislation to the contrary.</p> <p>An incident occurred that involved the loss of memory sticks which contained patient data which the Trust declared as a Serious Untoward Incident.</p>	<p>The incident was fully investigated by an independent investigator and an action plan put in place. The action plan was completed which included implementing new secure processes for memory sticks, mandatory training for all members of the Trust and spot checks to follow up to ensure implementation of training was evident. An Internal Audit report commissioned to follow up on mobile data security reported "significant assurance" on the control environment in April 2010.</p>
<p>C20b: Healthcare services are provided in environments which promote effective care and optimise health outcomes by being supportive of patient privacy and confidentiality.</p> <p>As with C13a the Trust declared this standard Not Met due to the provision of single sex facilities and single sex accommodation. We were unable to provide this in a robust and consistent way.</p>	<p>The action plan put in place included a comprehensive programme of bed re modelling and refurbishment which was completed at March 2010. This enabled the Trust to provide the single sex facilities including bathroom facilities that patients required to ensure we are being supportive of patient privacy and confidentiality</p>

The Trust was therefore not fully compliant with core standards for better health for part of the year but was compliant by the end of the financial year. The Trust has been registered with CQC from 1 April 2010 with no conditions.

The Trust's Board Assurance Framework has been in place for the whole year. In line with national guidance it is structured around the high level risks which were deemed to be the most significant risks to prevent delivery of the corporate objectives in 2009/10. It has been considered by the Trust Board nine times. As in previous years, the process by which the Board Assurance Framework has

been constructed and maintained has been reviewed by Audit Committee and it has been cross referenced to the Care Quality Commission Core Standards.

Within his annual opinion, the Head of Internal Audit has again reported that "Significant Assurance" can be given to the Board Assurance Framework as part of our system of internal control.

The Board Assurance Framework links the main elements and aims of the Trust's internal control and governance policies. The Framework consists of the following key elements:

- Principal Risks: the risk management policies sought to identify the main risks which might impede the Trust in achieving its objectives and to keep these under review by the Trust Board.
- Key Controls / Treatments: these were the mechanisms for controlling the risks that have been identified.
- Board Assurance: the Board gained assurance that the Trust's objectives were being achieved and the risks controlled through a variety of assurance processes, including performance reports with high level KPIs, audit (internal and external), assessments by regulatory and monitoring agencies (e.g. Care Quality Commission, RPST, CNST, Health and Safety) and reports from its assurance sub committees.

At 31 March 2010, the Board Assurance Framework highlighted the following areas, graded as moderate risk or above, where risks were posed to the Trust's key objectives and where gaps in control had been detected. The associated action plans were also fully detailed.

- National patient survey satisfaction scores were below the national average, with consequent risks for the Trust's image and reputation. Detailed action plans were being pursued on various levels to improve the patient experience, and hand held surveying devices were being piloted so the Board could receive more up to date information on patient feedback.
- There were risks involved with failing to achieve Foundation Trust status. Active project management of the application process and support received from South East Coast SHA were in place to mitigate this risk.
- Financial challenges faced by the Trust's main commissioner, NHS Surrey, together with constrained NHS funding and the planned introduction of a reduced tariff for non elective work over a 2008/09 "capped" level. Joint working on controlling demand for acute healthcare together with the Trust's efficiency programme were the main actions.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

There is an established Information Governance framework within the Trust with the role of Caldicott Guardian being held by the Medical Director and the SIRO (Senior Organisation Risk Officer) role held by the Director of Finance and Information.

A number of Information Asset Owners have been appointed to support the SIRO and they have now carried out information risk assessments on the Trust's main information assets.

The Trust has an active Information Governance Steering Group which meets on a quarterly basis. The Group is responsible for reviewing any breaches of patient confidentiality and information security incidents recommending appropriate action where necessary. Information Governance policy is overseen ensuring relevant legislation is adhered to, safeguarding person identifiable information at all times.

The Trust also has in place defined and documented information sharing protocols covering other NHS bodies and multi-agencies.

The Information Governance Toolkit was submitted in March 2010, based on self assessment signed off by the IG Steering Group and Trust Executive Committee. The "green" rating and detailed scores compare favourably with comparable Trusts in the South East.

The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with. The Trust Board has committed to a significant reduction in carbon admissions by sponsoring the Trust's adherence to the 10/10 scheme which seeks carbon reduction of 10% in 2010. In addition the Trust is working with our auditors as part of the audit work programme to establish a baseline of compliance and to deliver the action plan for future compliance.

Public stakeholders have been involved where appropriate in managing risks which impact on them. Patient involvement has been achieved in a number of core Committees within the Trust, for example IGAC and the Patient and Public Engagement Group.

## **5. Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways.

In summary,

- The annual head of internal audit opinion provides me with an opinion on the overall arrangements for gaining assurance through the Board Assurance Framework and on the effectiveness of controls reviewed as part of the internal audit work;
- Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance; and
- The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed

My review is also informed by detailed major sources of assurance on which reliance has been placed during the year - for example the external auditors, internal audit, clinical audits and the self assessment in respect of the Trust's annual declaration of compliance against the Core Standards for Better Health and the Auditors Local Evaluation.

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the controls reviewed as part of the internal audit work and I can report that they have offered a 'Significant Assurance' opinion for the year ended 31 March 2010.

In 2009/10, I have also received and considered a report on the effectiveness of work undertaken by the Local Counter Fraud Specialist.

I have also been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee, Finance Committee, and Integrated Governance Assurance Committee. Control weaknesses that are identified continue to be assessed and addressed to ensure continuous improvement of the system is in place.

## **6. Significant Control Issues**

There were two Significant Control Issues identified during the 2009/10 accounting period:

- Between May and June 2009 a loss occurred of three memory sticks containing patient identifiable data. This was reported to NHS Surrey, to the South East Coast and to the Information Commissioner. The incident was fully investigated by an independent

investigator and an action plan put in place. The action plan was completed which included implementing a new secure processes for memory sticks, mandatory training for all members of the Trust and spot checks to follow up to ensure compliance with Trust policies. A follow-up review of mobile data security by Internal Audit in April 2010 provided "significant assurance" of controls in this area.

- The Trust had difficulties in providing single sex facilities for our patients and recognised this as an issue which compromised our patients' privacy and confidentiality. The action plan put in place included a comprehensive programme of bed re modelling and refurbishment which was completed at March 2010.

With the exception of the internal control issues that I have outlined in this statement, my review confirms that Ashford and St. Peter's Hospitals NHS Trust has a generally sound system of internal controls that supports the achievement of its policies, aims and objectives and that those control issues have been or are being addressed.

A Liles  
Chief Executive  
For and behalf of the Board of Ashford and St. Peter's Hospitals NHS Trust  
9 June 2010

## **ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

### **INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD**

#### **Opinion on the financial statements**

We have audited the financial statements of Ashford and St. Peter's Hospitals NHS Trust for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Operating Cost Statement, the Statements of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared 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 set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Ashford and St. Peter's Hospitals NHS Trust, as a body, in accordance with Section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Board of Ashford and St. Peter's Hospitals NHS Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ashford and St. Peter's Hospitals NHS Trust and the Board of Ashford and St. Peter's Hospitals NHS Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Directors and auditor**

The Directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report whether the financial statements and the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Operational and Financial Review, included in the Annual Report, is consistent with the financial statements.

We review whether the Directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2008/09' issued 25 February 2009. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Directors' Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report and the remaining elements of the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the

amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2010 and of its income and expenditure for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Operational and Financial Review, included within the Annual Report, is consistent with the financial statements.

June Awty, Senior Statutory Auditor  
For and on behalf of KPMG LLP  
Statutory Auditor  
London  
9 June 2010

## **ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

### **INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD**

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources.**

#### **Directors' Responsibilities**

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

#### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust 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 in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. 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.

#### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission, we are satisfied that, in all significant respects, Ashford & St Peter's Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

#### **Certificate**

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

June Awty, Senior Statutory Auditor  
For and on behalf of KPMG LLP  
Senior Statutory Auditor  
London  
9 June 2010

## **FOREWORD TO THE ACCOUNTS**

### **ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

These Accounts for the year ended 31 March 2010 have been prepared by the Ashford and St. Peter's Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), Schedule 2 of the National Health Service and Community Care Act 1990), in the form which the Secretary of State has, with the approval of the Treasury, directed.

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

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

	Note	2009/10 £'000	2008/09 £'000
<b>REVENUE</b>			
Revenue from patient care activities	4	206,670	193,344
Other operating revenue	5	17,400	19,922
Operating expenses	7	(215,986)	(201,104)
<b>OPERATING SURPLUS</b>		<u>8,084</u>	<u>12,162</u>
<b>FINANCE COSTS:</b>			
Investment Revenue	13	86	334
Other gains and (losses)	14	(44)	(12)
Finance Costs	15	(491)	(634)
<b>SURPLUS FOR THE FINANCIAL YEAR</b>		<u>7,635</u>	<u>11,850</u>
Public dividend capital dividends payable		(5,508)	(6,339)
<b>RETAINED SURPLUS FOR THE YEAR</b>		<u>2,127</u>	<u>5,511</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Impairments and reversals		(36,920)	(244)
Gains on revaluations		473	-
Receipt of donated assets		1,220	402
Reclassification adjustments:			
- Transfers from donated reserve		(233)	(178)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(33,333)</u>	<u>5,491</u>

The notes on pages 17 to 46 form part of these accounts.

All income and expenditure is derived from continuing operations.

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

**STATEMENT OF FINANCIAL POSITION  
AS AT  
31 MARCH 2010**

	Note	31/3/10 £'000	31/3/09 £'000	1/4/08 £'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	16	146,090	185,450	184,309
Intangible assets	17	1,787	2,125	2,499
Trade and other receivables	21	885	949	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>148,762</u>	<u>188,524</u>	<u>186,808</u>
<b>CURRENT ASSETS</b>				
Inventories	20	3,042	2,956	2,176
Trade and other receivables	21	16,835	20,510	25,043
Cash and cash equivalents	22	11,659	522	450
<b>TOTAL CURRENT ASSETS</b>		<u>31,536</u>	<u>23,988</u>	<u>27,669</u>
<b>TOTAL ASSETS:</b>		<u>180,298</u>	<u>212,512</u>	<u>214,477</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	23	(21,519)	(18,222)	(23,807)
Other Liabilities	25	(1,447)	(1,385)	(1,260)
DH Working Capital Loan	24	(2,450)	(2,450)	(2,450)
Borrowings	24	(4)	(20)	(24)
Provisions	28	(739)	(617)	(239)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>5,377</u>	<u>1,294</u>	<u>(111)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		154,139	189,818	186,697
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	24	-	(10)	(9)
DH working Capital Loan	24	(4,900)	(7,350)	(9,800)
Provisions	28	(702)	(588)	(644)
<b>TOTAL ASSETS EMPLOYED</b>		<u>148,537</u>	<u>181,870</u>	<u>176,244</u>
<b>FINANCED BY TAXPAYERS' EQUITY:</b>				
Public dividend capital		85,706	85,706	85,571
Retained earnings		1,798	(4,845)	(11,446)
Revaluation reserve		59,267	99,943	101,277
Donated asset reserve		1,766	1,066	842
<b>TOTAL TAXPAYERS' EQUITY</b>		<u>148,537</u>	<u>181,870</u>	<u>176,244</u>

The financial statements on pages 13 to 46 were approved by the Board on June 2010 and signed on its behalf by:

A Liles  
Chief Executive  
Ashford and St. Peter's Hospitals NHS Trust  
9 June 2010

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY  
FOR THE YEAR ENDED

31 MARCH 2010

	Public Dividend Capital (PDC) £'000	Retained Earnings £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Total £'000
<b>BALANCE AT 31 MARCH 2008</b>					
As previously stated	85,571	(11,446)	101,277	842	176,244
Prior Period Adjustment	-	-	-	-	-
<b>RESTATED BALANCE AT 1 APRIL 2008</b>	<u>85,571</u>	<u>(11,446)</u>	<u>101,277</u>	<u>842</u>	<u>176,244</u>
<b>CHANGES IN TAXPAYERS EQUITY FOR 2008/09</b>					
Retained surplus/(deficit) for the year	-	5,511	-	-	5,511
Transfers between reserves	-	1,090	(1,090)	-	-
Impairments and reversals	-	-	(244)	-	(244)
Receipt of donated assets	-	-	-	402	402
Reclassification adjustments: - transfers from donated asset reserve	-	-	-	(178)	(178)
New PDC received	135	-	-	-	135
<b>BALANCE AT 31 MARCH 2009</b>	<u>85,706</u>	<u>(4,845)</u>	<u>99,943</u>	<u>1,066</u>	<u>181,870</u>
	Public Dividend Capital (PDC) £'000	Retained Earnings £'000	Revaluation Reserve £'000	Donated Asset Reserve £'000	Total £'000
<b>BALANCE AT 1 APRIL 2009</b>	85,706	(4,845)	99,943	1,066	181,870
<b>CHANGES IN TAXPAYERS EQUITY FOR 2009/10</b>					
Retained surplus/(deficit) for the year	-	2,127	-	-	2,127
Transfers between reserves	-	4,516	(4,516)	-	-
Impairments and reversals	-	-	(36,631)	(289)	(36,920)
Net gain on revaluation of property, plant and equipment	-	-	471	2	473
Receipt of donated assets	-	-	-	1,220	1,220
Reclassification adjustments: - transfers from donated asset reserve	-	-	-	(233)	(233)
<b>BALANCE AT 31 MARCH 2010</b>	<u>85,706</u>	<u>1,798</u>	<u>59,267</u>	<u>1,766</u>	<u>148,537</u>

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
31 MARCH 2010**

	<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
		£'000	£'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating surplus/(deficit)		8,084	12,162
Depreciation and amortisation		9,361	8,919
Impairments and reversals		4,148	261
Transfer from donated asset reserve		(233)	(178)
Interest paid		(497)	(640)
Dividends paid		(6,209)	(6,339)
(Increase)/decrease in inventories		(86)	(780)
(Increase)/decrease in trade and other receivables		4,442	3,560
(Increase)/decrease in other current assets		-	-
Increase/(decrease) in trade and other payables		3,318	(5,088)
Increase/(decrease) in other current liabilities		62	130
Increase/(decrease) in provisions	28	236	322
		<hr/>	<hr/>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>		<b><u>22,626</u></b>	<b><u>12,329</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		84	358
(Payments) for property, plant and equipment		(8,958)	(10,069)
Proceeds of disposal of assets held for sale (PPE)		1	1
(Payments) for intangible assets		(140)	(197)
		<hr/>	<hr/>
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		<b><u>(9,013)</u></b>	<b><u>(9,907)</u></b>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		<b>13,613</b>	<b>2,422</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Public dividend capital received		-	135
Loans repaid to the DH		(2,450)	(2,450)
Capital element of finance leases and PFI		(26)	(35)
		<hr/>	<hr/>
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>		<b><u>(2,476)</u></b>	<b><u>(2,350)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>11,137</b>	<b>72</b>
<b>CASH (AND) CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>522</b>	<b>450</b>
		<hr/>	<hr/>
<b>CASH (AND) CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	22	<b><u>11,659</u></b>	<b><u>522</u></b>

NOTES TO THE ACCOUNTS  
31 MARCH 2010

**1. Accounting policies**

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

**1.1 Accounting convention**

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

**1.2 Acquisitions and discontinued operations**

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

**1.3 Critical accounting judgements and key sources of estimation uncertainty**

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

Critical judgements in applying accounting policies

There were no areas of 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 a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

There are no 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

**1.4 Revenue**

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

NOTES TO THE ACCOUNTS  
(Continued)  
31 MARCH 2010

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

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

## 1.5 Employee Benefits

### Short-term employee benefits

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

### Retirement benefit costs

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

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

## 1.6 Other expenses

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

## 1.7 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
  - ◇ the item has cost of at least £5,000; or
  - ◇ Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
  - ◇ Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

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

### Valuation

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

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

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

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

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

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

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

### Subsequent expenditure

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

NOTES TO THE ACCOUNTS  
(Continued)  
31 MARCH 2010

**1.8 Intangible assets**

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

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

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

Measurement

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

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

**1.9 Depreciation, amortisation and impairments**

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

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

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

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

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

### 1.10 Donated assets

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

### 1.11 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.

### 1.12 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.

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

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

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

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

### The Trust as lessor

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

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

### **1.13 Inventories**

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

### **1.14 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.

### **1.15 Provisions**

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

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

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

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

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.

### 1.16 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 28.

### 1.17 Non-clinical risk pooling

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

### 1.18 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.

### 1.19 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.

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

### 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.

### 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.

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.

NOTES TO THE ACCOUNTS  
(Continued)  
31 MARCH 2010

**1.20 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; and
- ◇ 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.

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.

**1.21 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.

**1.22 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.

**1.23 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 34 to the accounts.

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

### 1.24 Public Dividend Capital (PDC) and PDC dividend

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

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

### 1.25 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 the Trusts not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

### 1.26 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 2009/10, in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

### 1.27 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'

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

### 1.28 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. The Trust currently does not have any Joint ventures.

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'

### 1.29 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.

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

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

- ◇ IAS 27 (Revised) Consolidated and separate financial statements
- ◇ Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues
- ◇ Amendment to IAS 39 Eligible hedged items
- ◇ IFRS 3 (Revised) Business combinations
- ◇ IFRIC 17 Distributions of Non-cash Assets to Owners
- ◇ IFRIC 18 Transfer of assets from customers

### 1.31 Accounting standards issued that have been adopted early

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

### 1.32 Research and Development

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

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

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**2. Operating Segments**

The Trust Board receives financial information for the Trust as a whole, making decisions based on this. On this basis that Trust has one operating segment being the provision of healthcare. The key data for this operating segment is: -

	<b>Healthcare</b>	
	<b>2009/10</b>	<b>2008/09</b>
	£'000	£'000
Income	<u>224,070</u>	<u>213,266</u>
Surplus	<u>2,127</u>	<u>5,511</u>
Net assets	<u>148,537</u>	<u>181,870</u>

Of the total income £204,376,000 (2008/09 - £164,840,000) relates to income from Primary Care Trusts.

**3. Income generation activities**

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. There were no income generation activities that are considered material in the context of the accounts.

**4. Revenue from patient care activities**

	<b>2009/10</b>	<b>2008/09</b>
	£'000	£'000
Primary Care Trusts	204,550	161,691
Local Authorities	95	108
Department of Health	(33)	29,505
Non- NHS		
- Private patients	706	710
- Overseas patients (non reciprocal)	107	65
- Injury cost recovery	992	993
- Other	253	272
	<u>206,670</u>	<u>193,344</u>

Market forces factor payments were paid by the Department of Health in 2008/09 and by Primary Care Trusts in 2009/10.

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

**5. Other operating revenue**

	<b>2009/10</b>	<b>2008/09</b>
	£'000	£'000
Education, training and research	8,159	7,484
Transfer from Donated Asset Reserve	233	178
Non-patient care services to other bodies	2,680	5,634
Income generation	4,809	5,231
Other income	1,519	1,395
	<u>17,400</u>	<u>19,922</u>

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6. Revenue

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

7. Operating expenses

	2009/10 £'000	2008/09 £'000
Services from other NHS Trusts	593	819
Services from Primary Care Trusts	926	2,212
Services from other NHS bodies	104	108
Services from Foundation Trusts	121	313
Purchase of healthcare from non NHS bodies	5,014	4,124
Directors' costs	1,402	1,489
Other Employee Benefits	134,170	126,461
Supplies and services – clinical	38,182	34,522
Supplies and services – general	4,251	3,920
Consultancy services	1,653	1,678
Establishment	2,109	2,006
Transport	358	407
Premises	7,775	10,299
Provision for impairment of receivables	316	69
Depreciation	8,767	8,332
Amortisation	594	587
Impairments and reversals of property, plant and equipment	4,148	261
Audit fees	107	108
Other auditor's remuneration	62	52
NHS clinical negligence scheme	4,110	2,264
Education and Training	507	469
Other	717	604
	<u>215,986</u>	<u>201,104</u>

8. Operating leases

As lessee:

	2009/10 £'000	2008/09 £'000
<b>Payments recognised as an expense:</b>		
Minimum lease payments	343	377
Contingent rents	-	-
Sub-lease payments	-	-
	<u>343</u>	<u>377</u>

	2009/10 £'000	2008/09 £'000
<b>Total future minimum lease payments:</b>		
Not later than one year	290	291
Between one and five years	443	535
After five years	-	-
Total	<u>733</u>	<u>826</u>

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9. Employee costs and numbers

9.1 Employee costs

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	£'000	£'000	£'000	£'000	£'000	£'000
Salaries and wages	115,043	103,127	11,916	108,539	98,621	9,918
Social security costs	8,387	7,281	1,106	7,935	7,020	915
Employer contributions to NHS Pension scheme	11,163	9,691	1,472	10,569	9,351	1,218
Other pension costs	625	625	-	425	425	-
Termination benefits	300	300	-	426	426	-
	<u>135,518</u>	<u>121,024</u>	<u>14,494</u>	<u>127,894</u>	<u>115,843</u>	<u>12,051</u>

9.2 Average number of people employed

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental Administration and estates	465	446	19	445	434	11
Healthcare assistants and other support staff	1,006	933	73	972	902	70
Nursing, midwifery and health visiting staff	27	27	-	26	25	1
Nursing, midwifery and health visiting learners	1,424	1,171	253	1,344	1,130	214
Scientific, therapeutic and technical staff	13	13	-	15	15	0
	427	400	27	394	341	53
	<u>3,362</u>	<u>2,990</u>	<u>372</u>	<u>3,196</u>	<u>2,847</u>	<u>349</u>

9.3 Staff sickness absence

	2009/10
Total days lost	22,645
Total staff years	2,939
Average working days lost	7.7

9.4 Management costs

	2009/10 £'000	2008/09 £'000
Management costs	10,170	9,251
Income	222,830	211,943
Management costs as a percentage of relevant income	4.56%	4.36%

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10. Pension costs

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

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

(a) Full actuarial (funding) valuation

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

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

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

(b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation. Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

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

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

(c) Scheme provisions

In 2008-09 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

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## NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2010

### Annual Pensions

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

### Pensions Indexation

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

### Lump Sum Allowance

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

### Ill-Health Retirement

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

### Death Benefits

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

### Additional Voluntary Contributions (AVCs)

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

### Transfer between Funds

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

### Preserved Benefits

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

### Compensation for Early Retirement

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

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**11. Retirements due to ill-health**

During 2009/10 there was 1 (2008/09 2) early retirement from the Trust agreed on the grounds of ill-health. The estimated additional pension liability of this ill-health retirement will be £33,000 (2008/09: £14,000). The cost of this ill-health retirement will be borne by the NHS Business Services Authority – Pensions Division.

**12. Better Payment Practice Code**

**12.1 Better Payment Practice Code - measure of compliance**

	2009/10		2008/09	
	Number	£'000	Number	£'000
Total Non-NHS trade invoices paid in the year	56,160	71,138	54,934	71,626
Total Non-NHS trade invoices paid within target	52,502	63,949	49,926	64,013
Percentage of Non-NHS trade invoices paid within target	93.5%	89.9%	90.9%	89.4%
Total NHS trade invoices paid in the year	2,418	21,349	2,584	23,433
Total NHS trade invoices paid within target	1,350	13,329	1,490	14,115
Percentage of NHS trade invoices paid within target	55.8%	62.4%	57.7%	60.2%

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

**12.2 The Late Payment of Commercial Debts (Interest) Act 1998**

An amount of £nil (2008/09 – £8,000) is included within Finance Costs (Note 15) arising from claims made under this legislation. No compensation was paid to cover debt recovery costs under this legislation.

**13. Investment revenue**

	2009/10 £'000	2008/09 £'000
<b>Interest revenue</b>		
Bank accounts	<u>86</u>	<u>334</u>

**14. Other gains and losses**

	2009/10 £'000	2008/09 £'000
Gain/(loss) on disposal of property, plant and equipment	<u>(44)</u>	<u>(12)</u>

**15. Finance costs**

	2009/10 £'000	2008/09 £'000
<b>Finance costs</b>		
Interest on loans	491	622
Interest on obligations under finance leases	-	2
Interest on late payment of commercial debt	-	8
Other interest expense	-	2
<b>Total</b>	<u>491</u>	<u>634</u>

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**16. Property, plant and equipment**

2009/10:	Land	Buildings excluding dwellings	Assets under construction and payments on account	Plant & machinery	Transport & equipment	Information technology	Furniture & fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation at 1 April 2009</b>	37,018	132,642	6,350	27,028	22	6,400	3,422	212,882
Additions purchased	-	2,622	4,593	1,291	-	389	48	8,943
Additions donated	-	853	-	315	-	52	-	1,220
Reclassifications	-	8,593	(9,300)	519	51	0	21	(116)
Disposals other than by sale	-	-	-	(2,956)	-	(225)	(34)	(3,215)
Revaluation/indexation gains	-	473	-	-	-	-	-	473
Impairments	(4,318)	(32,602)	-	-	-	-	-	(36,920)
<b>At 31 March 2010</b>	<u>32,700</u>	<u>112,581</u>	<u>1,643</u>	<u>26,197</u>	<u>73</u>	<u>6,616</u>	<u>3,457</u>	<u>183,267</u>
<b>Depreciation at 1 April 2009</b>	-	-	-	20,744	18	4,389	2,281	27,432
Reclassifications	-	-	-	(47)	47	-	-	-
Disposals other than by sale	-	-	-	(2,911)	-	(225)	(34)	(3,170)
Impairments	-	4,148	-	-	-	-	-	4,148
Charged during the year	-	6,385	-	1,667	1	511	203	8,767
<b>Depreciation at 31 March 2010</b>	<u>-</u>	<u>10,533</u>	<u>-</u>	<u>19,453</u>	<u>66</u>	<u>4,675</u>	<u>2,450</u>	<u>37,177</u>
<b>Net book value at 31 March 2010</b>	<u>32,700</u>	<u>102,048</u>	<u>1,643</u>	<u>6,744</u>	<u>7</u>	<u>1,941</u>	<u>1,007</u>	<u>146,090</u>
<b>Net book value</b>								
Purchased	32,700	101,257	1,643	5,864	7	1,887	972	144,330
Donated	-	791	-	880	-	54	35	1,760
<b>Total at 31 March 2010</b>	<u>32,700</u>	<u>102,048</u>	<u>1,643</u>	<u>6,744</u>	<u>7</u>	<u>1,941</u>	<u>1,007</u>	<u>146,090</u>
<b>Asset financing</b>								
Owned	32,700	102,048	1,643	6,739	3	1,941	1,007	146,081
Finance leased	-	-	-	5	4	-	-	9
<b>Total at 31 March 2010</b>	<u>32,700</u>	<u>102,048</u>	<u>1,643</u>	<u>6,744</u>	<u>7</u>	<u>1,941</u>	<u>1,007</u>	<u>146,090</u>

Of the totals at 31 March 2010 £ 2,000,000 related to land valued at open market value and £nil related to buildings and dwellings valued at open market value.

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**16. Property, plant and equipment (continued)**

Prior year 2008/09:	Land	Buildings excluding dwellings	Assets under construction and payments on account	Plant & machinery	Transport & equipment	Information technology	Furniture & fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation at 1 April 2008</b>	37,018	136,787	2,512	25,657	31	5,368	3,283	210,656
Additions purchased	-	1,375	5,353	1,722	-	1,015	140	9,605
Additions donated	-	22	-	364	-	-	7	393
Reclassifications	-	667	(1,515)	645	-	196	-	(7)
Disposals other than by sale	-	-	-	(1,360)	(9)	(179)	(8)	(1556)
Revaluation/indexation gains	-	-	-	-	-	-	-	-
Impairments	-	(244)	-	-	-	-	-	(244)
<b>At 31 March 2009</b>	<u>37,018</u>	<u>138,607</u>	<u>6,350</u>	<u>27,028</u>	<u>22</u>	<u>6,400</u>	<u>3,422</u>	<u>218,847</u>
<b>Depreciation at 1 April 2008</b>	-	-	-	20,245	26	3,991	2,085	26,347
Reclassifications	-	-	-	-	-	-	-	-
Disposals other than by sale	-	-	-	(1,347)	(9)	(179)	(8)	(1,543)
Impairments	-	261	-	-	-	-	-	261
Charged during the year	-	5,704	-	1,846	1	577	204	8,332
<b>Depreciation at 31 March 2009</b>	<u>-</u>	<u>5,965</u>	<u>-</u>	<u>20,744</u>	<u>18</u>	<u>4,389</u>	<u>2,281</u>	<u>33,397</u>
<b>Net book value at 31 March 2009</b>	<u>37,018</u>	<u>132,642</u>	<u>6,350</u>	<u>6,284</u>	<u>4</u>	<u>2,011</u>	<u>1,141</u>	<u>185,450</u>
<b>Net book value</b>								
Purchased	37,018	132,409	6,350	5,510	4	2,001	1,100	184,392
Donated	-	233	-	774	-	10	41	1,058
<b>Total at 31 March 2009</b>	<u>37,018</u>	<u>132,642</u>	<u>6,350</u>	<u>6,284</u>	<u>4</u>	<u>2,011</u>	<u>1,141</u>	<u>185,450</u>
<b>Asset financing</b>								
Owned	37,018	132,642	6,350	6,248	4	2,011	1,141	185,414
Finance leased	-	-	-	36	-	-	-	36
<b>Total at 31 March 2009</b>	<u>37,018</u>	<u>132,642</u>	<u>6,350</u>	<u>6,284</u>	<u>4</u>	<u>2,011</u>	<u>1,141</u>	<u>185,450</u>

Of the totals at 31 March 2009 £ 2,509,000 related to land valued at open market value and £nil related to buildings and dwellings valued at open market value.

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The Trust had its land and building revalued in March 2010 by the Valuation Office Agency. This resulted in impairments and revaluations for 2009/10 as set out in the table above.

**17. Intangible fixed assets**

<b>2009/10:</b>	<b>Software Licences £'000</b>	<b>Total £'000</b>
Gross cost at 1 April 2009	3,780	3,780
Indexation	-	-
Reclassifications	116	116
Additions purchased	140	140
Additions donated	-	-
<b>Gross cost at 31 March 2010</b>	<b><u>4,036</u></b>	<b><u>4,036</u></b>
Amortisation at 1 April 2009	1,655	1,655
Indexation	-	-
Charged during the year	594	594
<b>Amortisation at 31 March 2010</b>	<b><u>2,249</u></b>	<b><u>2,249</u></b>
<b>Net book value</b>		
- Purchased	1,781	2,499
- Donated	6	-
<b>Total at 31 March 2010</b>	<b><u>1,787</u></b>	<b><u>1,787</u></b>
<b>Prior year 2008/09:</b>	<b>Software Licences £'000</b>	<b>Total £'000</b>
Gross cost at 1 April 2008	3,567	3,567
Indexation	-	-
Reclassifications	7	7
Additions purchased	197	197
Additions donated	9	9
<b>Gross cost at 31 March 2009</b>	<b><u>3,780</u></b>	<b><u>3,780</u></b>
Amortisation at 1 April 2008	1,068	1,068
Indexation	-	-
Charged during the year	587	587
<b>Amortisation at 31 March 2009</b>	<b><u>1,655</u></b>	<b><u>1,655</u></b>
<b>Net book value</b>		
- Purchased	2,117	2,499
- Donated	8	-
<b>Total at 31 March 2009</b>	<b><u>2,125</u></b>	<b><u>2,125</u></b>

The Revaluation Reserve balance for intangible assets is £nil (2008/09 £nil).

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**18. Impairments**

As set out in note 16, impairments of land and building arose mainly through the valuation of land and buildings in March 2010 by the Valuation Office Agency. Amounts in 2009/10, and their treatment were as follows: -

<b>Asset type</b>	<b>To I&amp;E £'000</b>	<b>To Reserves £'000</b>	<b>Total £'000</b>
Land	-	4,318	4,318
Buildings	4,148	32,602	36,750
<b>Total</b>	<u>4,148</u>	<u>36,920</u>	<u>41,068</u>

**19. Capital commitments**

Contracted capital commitments as at 31 March 2010 were as follows:

	<b>31/3/10 £'000</b>	<b>31/3/09 £'000</b>
Property, plant and equipment	608	631
Intangible assets	-	60
<b>Total</b>	<u>608</u>	<u>691</u>

**20. Inventories**

	<b>31/3/10 £'000</b>	<b>31/3/09 £'000</b>
Drugs	725	865
Consumables	2,254	2,065
Energy	63	26
<b>Total</b>	<u>3,042</u>	<u>2,956</u>

Of which held at net realisable value = =

**21. Trade and other receivables**

**21.1 Trade and other receivables**

	<b>Current</b>		<b>Non-current</b>	
	<b>31/3/10 £'000</b>	<b>31/3/09 £'000</b>	<b>31/3/10 £'000</b>	<b>31/3/09 £'000</b>
NHS receivables – revenue	10,833	10,539	-	-
NHS receivables – capital	-	-	-	-
Non NHS receivables – revenue	1,267	1,976	-	-
Non NHS receivables - capital	-	-	-	-
Provision for the impairment of receivables	(446)	(271)	-	-
Prepayments and accrued income	2,960	3,324	-	-
VAT	398	591	-	-
Other receivables	1,823	4,351	885	949
<b>Total</b>	<u>16,835</u>	<u>20,510</u>	<u>885</u>	<u>949</u>

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

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**21.2 Receivables past their due date but not impaired**

	<b>31/03/10</b>	<b>31/3/09</b>
	£'000	£'000
By up to three months	1,190	1,333
By three to six months	332	546
By more than six months	1,565	2,793
<b>Total</b>	<u><b>3,087</b></u>	<u><b>4,672</b></u>

**21.3 Provision for impairment of receivables**

	<b>31/03/10</b>	<b>31/3/09</b>
	£'000	£'000
<b>Balance at 1 April 2009</b>	(271)	(202)
Amount written off during the year	141	-
Amount recovered during the year	-	-
(Increase)/decrease in receivables impaired	(316)	(69)
<b>Balance at 31 March 2010</b>	<u><b>(446)</b></u>	<u><b>(271)</b></u>

**22. Cash and cash equivalents**

	<b>31/03/10</b>	<b>31/3/09</b>
	£'000	£'000
<b>Balance at 1 April 2009</b>	522	450
Net change in year	11,137	72
<b>Balance at 31 March 2010</b>	<u><b>11,659</b></u>	<u><b>522</b></u>
<b>Made up of</b>		
Cash with OPG/GBS	11,634	501
Commercial banks and cash in hand	25	21
<b>Cash and cash equivalents as in statement of financial position</b>	<u><b>11,659</b></u>	<u><b>522</b></u>
Bank overdraft	-	-
<b>Cash and cash equivalents as in statement of cash flows</b>	<u><b>11,659</b></u>	<u><b>522</b></u>

**23. Trade and other payables**

	<b>Current</b>		<b>Non-current</b>	
	<b>31/3/10</b>	<b>31/3/09</b>	<b>31/3/10</b>	<b>31/3/09</b>
	£'000	£'000	£'000	£'000
Interest payable	17	23	-	-
NHS payables – revenue	2,140	2,040	-	-
Non NHS trade payables – revenue	4,203	5,434	-	-
Non NHS trade payables - capital	563	578	-	-
Accruals and deferred income	11,470	9,790	-	-
Social security costs	1,242	99	-	-
Tax	1,517	75	-	-
Other	367	183	-	-
<b>Total</b>	<u><b>21,519</b></u>	<u><b>18,222</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS  
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24. Borrowings

	Current		Non-current	
	31/3/10	31/3/09	31/3/10	31/3/09
	£'000	£'000	£'000	£'000
Department of Health loan	2,450	2,450	4,900	7,350
Finance lease liabilities	4	20		10
Total	<u>2,454</u>	<u>2,470</u>	<u>4,900</u>	<u>7,360</u>

The loan was taken out in March 2007 for a period of six years. Repayments of principal and interest are made in September and March each year and the last repayment is due in March 2013.

25. Other liabilities

	Current		Non-current	
	31/3/10	31/3/09	31/3/10	31/3/09
	£'000	£'000	£'000	£'000
Other	<u>1,447</u>	<u>1,385</u>	-	-

Other liabilities include £1,447,000 for outstanding pensions contributions at 31 March 2010 (31 March 2009 - £1,383,000).

26. Finance lease obligations

Amounts payable under finance leases:	Minimum lease payments		Present value of minimum lease payments	
	31/3/10	31/3/09	31/3/10	31/3/09
	£'000	£'000	£'000	£'000
Within one year	4	21	4	20
Between one and five years	-	10	-	10
After five year	-	-	-	-
Less future finance charges	-	(1)	-	-
Present value of minimum lease payments	<u>4</u>	<u>30</u>	<u>4</u>	<u>30</u>

27. Finance lease commitments

The Trust has not entered into any finance lease whereby the asset will be made available for use and rental payments commence in 2010/11.

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

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**28. Provisions for liabilities and charges**

	Pensions relating to other staff £'000	Legal claims £'000	Other £'000	Total £'000
<b>At 1 April 2008</b>	678	29	176	883
Arising during the year	-	171	381	552
Used during the year	(198)	(16)	(13)	(227)
Reversed unused	-	(3)	-	(3)
Unwinding of discount	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 1 April 2009</b>	480	181	544	1,205
Arising during the year	163	35	558	756
Used during the year	(56)	(153)	(265)	(474)
Reversed unused	(46)	-	-	(46)
Unwinding of discount	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2010</b>	<u>541</u>	<u>63</u>	<u>837</u>	<u>1,441</u>
<b>Expected timing of cashflows:</b>				
In the remainder of the spending				
Period to 31 March 2011				
	57	63	619	739
Between 1 April 2011 and 31 March 2016				
	210	-	71	281
Between 1 April 2016 and 31 March 2021				
	274	-	147	421
<b>As at 31 March 2010</b>				
Current	57	63	619	739
Non-Current	484	-	218	702
<b>As at 31 March 2009</b>				
Current	52	181	384	617
Non-Current	428	-	160	588

Of the provisions a total of £168,000 (31 March 2009 - £168,000) is recoverable from PCT's under back to back arrangements.

**Clinical negligence provisions**

Included in the provisions of the NHS Litigation Authority at 31 March 2010 is £23,336,000 in respect of clinical negligence liabilities of the Trust (31 March 2009 - £24,407,000).

**Legal claim provisions**

The majority of these provisions relate to claims under the Liabilities to Third Parties Scheme and Property Expenses Scheme, and are calculated based on information provided by the NHS Litigation Authority. The amounts involved and the timing of the payments represents their best estimate of the outcome of each claim against the Trust.

In addition to these provisions, contingent liabilities in respect of the claims are given in note 26.

**Other provisions**

Other provisions at 31 March 2010 include: -

- two injury benefit cases of £235,000 as notified to the Trust by the NHS Business Services Authority - Pensions Division;
- redundancy/restructuring costs of £473,000; and
- unpaid salary arrears for medical staff transferring to a new contract of £127,000.

**NOTES TO THE ACCOUNTS**  
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**29. Contingent assets/(liabilities)**Other

Other Contingent Liabilities for non-clinical negligence incidents total £(22,000) (2008/09-£(14,000)).

**30. Financial instruments****30.1 Financial assets**

	<b>Loans &amp; Receivables</b>	<b>Total</b>
	£'000	£'000
Trade Receivables	12,100	12,100
Cash at bank and in hand	11,659	11,659
<b>Total at 31 March 2010</b>	<u>23,759</u>	<u>23,759</u>
Trade Receivables	12,515	12,515
Cash at bank and in hand	522	522
<b>Total at 31 March 2009</b>	<u>13,037</u>	<u>13,037</u>

**30.2 Financial liabilities**

	<b>Other</b>	<b>Total</b>
	£'000	£'000
Trade Payables	6,906	6,906
Other borrowings	7,350	7,350
<b>Total at 31 March 2010</b>	<u>14,256</u>	<u>14,256</u>
Trade Payables	8,052	8,052
Other borrowings	9,800	9,800
<b>Total at 31 March 2009</b>	<u>17,852</u>	<u>17,852</u>

**30.3 Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local 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 the 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.

# ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

## NOTES TO THE ACCOUNTS

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### Currency Risk

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

### Interest Rate Risk

The Trust borrows from Government for capital expenditure, subject to affordability as confirmed by the Strategic Health Authority. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

### Credit Risk

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

### Liquidity risk

The Trust's operating costs are incurred under contract 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.

## **31. Events after the reporting period**

The Trust is in the process of applying for Foundation Trust status and hopes to attain this in 2010. There were no other post balance sheet events having a material effect on the accounts.

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

**NOTES TO THE ACCOUNTS  
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**32. 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.

**32.1 Breakeven Performance**

The Trust's breakeven performance for 2009/10 is as follows:

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Turnover	169,011	179,522	191,650	213,266	224,070
Retained surplus/(deficit) for the year	(7,560)	1,068	2,450	5,513	2,127
Adjustments for impairments	-	-	-	261	4,148
Other agreed adjustment – reversal of RAB deduction	-	-	-	-	-
Breakeven in year position	(7,560)	1,068	2,450	5,774	6,275
Breakeven cumulative position	(11,715)	(10,647)	(8,197)	(2,423)	3,852
Materiality test:					
Breakeven in-year position	(4.47%)	0.59%	1.28%	2.71%	2.80%
Breakeven cumulative position	(6.93%)	(5.93%)	(4.28%)	(1.14%)	1.72%

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.

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**32.2 Capital cost absorption rate**

For 2008/09 the Trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £5,508,000, bears to the average relevant net assets of £157,720,000 that is 3.5 % (2008/09: 3.6%).

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

**32.3 External financing**

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

	2009/10 £'000	2008/09 £'000
External financing limit	(6,199)	(2,387)
Cash flow financing	(13,613)	(2,387)
External financing requirement	<u>          </u>	(2,387)
Undershoot	<u>7,414</u>	<u>          </u>

**32.4 Capital resource limit**

The Trust is given a Capital Resource Limit (CRL) which it is not permitted to overspend.

	2009/10 £'000	2008/09 £'000
Gross capital expenditure	10,303	10,171
Less: book value of assets disposed of	(45)	(13)
Plus: loss on disposal of donated assets	-	-
Less: donations towards the acquisition of fixed assets	(1,220)	(402)
Charge against the CRL	<u>9,038</u>	<u>9,756</u>
Capital resource limit	9,433	9,893
Underspend against the CRL	<u>395</u>	<u>137</u>

**33. Related party transactions**

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Ashford and St Peter's Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year Ashford and St Peter's Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

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South East Coast Strategic Health Authority  
London Strategic Health Authority  
NHS Surrey  
Hounslow PCT  
Ealing PCT  
Berkshire East PCT  
Richmond & Twickenham PCT  
Hampshire PCT  
West Kent PCT  
Lambeth PCT  
Surrey and Borders Partnership NHS Foundation Trust  
Royal Surrey County NHS Foundation Trust  
NHS Business Services Authority  
NHS Blood and Transplant  
NHS Professionals  
NHS Litigation Authority  
NHS Purchasing and Supply Agency  
NHS Pensions Scheme

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 H M Revenue and Customs, Surrey County Council, Runnymede Borough Council and Spelthorne Borough Council.

The Trust has also received revenue and capital payments from the Ashford and St. Peter's Hospitals Charitable Fund. The Board members of the Trust are also Trustees of this charity. The audited annual report and accounts of the Charity are available to the public on request.

The Trust paid Costain Limited in 2009/10 for work carried out at the Trust during the financial year. One of the Non-Executive Directors of the Trust was a part-time consultant with Costain International. Although the Trust Board approved the award of the contract to Costain Limited, the Non-Executive Director was not involved in any of the discussions or decision making leading up to the approval by the Trust Board. In addition that individual had no involvement in any contractual discussions since the contract award

### **34. Third Party Assets**

The Trust held £9,000 cash at bank and in hand at 31 March 2010 (31 March 2009 - £9,000) which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

**ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST**

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**35. Intra-Government and other balances**

	Current receivables	Non- current receivables	Current payables	Non- current payables
	£000	£000	£000	£000
Balances with other Central Government Bodies	9,933	-	1,100	-
Balance with Local Authorities	25	-	2	-
Balances with NHS Trusts and Foundation Trusts	900	-	1,040	-
Balances with Public Corporations and Trading Funds	-	-	-	-
Balance with bodies external to Government	5,977	885	19,377	-
	<u>16,835</u>	<u>885</u>	<u>21,519</u>	<u>-</u>
At 31 March 2010	<u>16,835</u>	<u>885</u>	<u>21,519</u>	<u>-</u>
Balances with other Central Government Bodies	9,181	-	2,250	-
Balance with Local Authorities	10	-	31	-
Balances with NHS Trusts and Foundation Trusts	1,949	-	759	-
Balances with Public Corporations and Trading Funds	-	-	-	-
Balance with bodies external to government	9,370	949	19,016	-
	<u>20,510</u>	<u>949</u>	<u>22,056</u>	<u>-</u>
At 31 March 2009	<u>20,510</u>	<u>949</u>	<u>22,056</u>	<u>-</u>

**36. Losses and special payments**

There were 156 cases of losses and special payments (2008/09: 374 cases) totalling £270,000 (2008/09: £121,000) paid during 2009/10.

There were no cases where the net payment exceeded £250,000 (2008/09 – nil)

**37. Transition to IFRS**

There were no material effects on the reported financial position, financial performance and cash flows following the transition to IFRS.