Sandwell and West Birmingham Hospitals NHS

NHS Trust

Annual Accounts

2010-11

Where EVERYONE Matters

Data entered below will be used throughout the workbook:

Trust name:	Sandwell & West Birmingham Hospitals NHS Trust
This year	2010-11
Last year	2009-10
This year ended	31 March 2011
Last year ended	31 March 2010
This year commencing:	1 April 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	**2010-11 £000**	2009-10 £000
Revenue			
Revenue from patient care activities	5	**348,366**	345,091
Other operating revenue	6	**39,504**	39,683
Operating expenses	8	**(386,961)**	(404,274)
Operating surplus/(deficit)		**909**	(19,500)
Finance costs:			
Investment revenue	14	**87**	80
Other gains and losses	15	**(234)**	(102)
Finance costs	16	**(1,902)**	(2,179)
Surplus/(deficit) for the financial year		**(1,140)**	(21,701)
Public dividend capital dividends payable		**(5,745)**	(6,945)
Retained surplus/(deficit) for the year		**(6,885)**	(28,646)
Other comprehensive income			
Impairments and reversals		**(1,609)**	(50,719)
Gains on revaluations		**2,654**	27,270
Receipt of donated/government granted assets		**1,088**	287
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		**0**	0
Net gains/(losses) on available for sale financial assets		**0**	0
Reclassification adjustments:			
- Transfers from donated and government grant reserves		**(526)**	(507)
- On disposal of available for sale financial assets		**0**	0
Total comprehensive income for the year		**(5,278)**	(52,315)

The notes on pages 6 to 44 form part of these accounts.

Reported NHS financial performance position [Adjusted retained surplus/(deficit)]

Retained surplus/(deficit) for the year	**(6,885)**
IFRIC 12 adjustment	**(455)**
Impairments	**9,533**
Reported NHS financial performance position [Adjusted retained surplus/(deficit)]	**2,193**

The Trust's reported NHS financial performance position is derived from its Retained Surplus/(Deficit), but adjusted in the statement above for the following:-

a) An IFRIC12 adjustment (£455,000) relating to the revenue impact of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) which necessitates NHS Trusts' financial performance measurement being aligned with the guidance issued by HM Treasury for measuring departmental expenditure. Therefore, the incremental revenue impact resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, is reported as technical. This impact is not considered part of the organisation's operating position.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	NOTE	**31 March 2011 £000**	31 March 2010 £000
Non-current assets			
Property, plant and equipment	17	**216,135**	220,296
Intangible assets	18	**1,077**	426
Other financial assets	23	**0**	0
Trade and other receivables	22	**649**	1,158
Total non-current assets		**217,861**	221,880
Current assets			
Inventories	21	**3,531**	3,439
Trade and other receivables	22	**12,652**	19,289
Other financial assets	23	**0**	0
Other current assets	24	**0**	0
Cash and cash equivalents	25	**20,666**	15,867
		36,849	38,595
Non-current assets held for sale	26	**64**	0
Total current assets		**36,913**	38,595
Total assets		**254,774**	260,475
Current liabilities			
Trade and other payables	27	**(33,513)**	(31,962)
Other liabilities	29	**0**	0
Borrowings	28	**(1,262)**	(1,698)
Other financial liabilities	34	**0**	0
Provisions	35	**(4,943)**	(5,338)
Net current assets/(liabilities)		**(2,805)**	(403)
Total assets less current liabilities		**215,056**	221,477
Non-current liabilities			
Borrowings	28	**(31,271)**	(32,476)
Trade and other payables	27	**0**	0
Other financial liabilities	34	**0**	0
Provisions	35	**(2,237)**	(2,175)
Other liabilities	29	**0**	0
Total assets employed		**181,548**	186,826
Financed by taxpayers' equity:			
Public dividend capital		**160,231**	160,231
Retained earnings		**(28,075)**	(22,259)
Revaluation reserve		**36,573**	36,545
Donated asset reserve		**2,099**	2,148
Government grant reserve		**1,662**	1,103
Other reserves		**9,058**	9,058
Total taxpayers' equity		**181,548**	186,826

The financial statements on pages 1 to 5 were approved by the Board on 9th June 2011 and signed on its behalf by:

Signed: …………………………………(Chief Executive)   Date: …………………

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

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009							
As previously stated	160,231	4,637	60,699	2,531	1,985	9,058	239,141
Prior period adjustment							0
Restated balance	160,231	4,637	60,699	2,531	1,985	9,058	239,141
Changes in taxpayers' equity for 2009-10							
Total comprehensive income for the year:							
Retained surplus/(deficit) for the year	0	(28,646)	0	0	0	0	(28,646)
Transfers between reserves	0	1,750	(1,750)	0	0	0	0
Impairments and reversals	0	0	(49,519)	(348)	(852)	0	(50,719)
Net gain on revaluation of property, plant, equipment	0	0	27,115	127	28	0	27,270
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	287	0	0	287
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:	0	0	0	0	0	0	0
- transfers from donated asset/government grant reserve	0	0	0	(449)	(58)	0	(507)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
Balance at 31 March 2010	160,231	(22,259)	36,545	2,148	1,103	9,058	186,826

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2010-11							
Balance at 1 April 2010	160,231	(22,259)	36,545	2,148	1,103	9,058	186,826
Total comprehensive income for the year	0	0	0	0	0	0	0
Retained surplus/(deficit) for the year	0	(6,885)	0	0	0	0	(6,885)
Transfers between reserves	0	1,069	(1,069)	0	0	0	0
Impairments and reversals	0	0	(1,547)	0	(62)	0	(1,609)
Net gain on revaluation of property, plant, equipment	0	0	2,644	8	2	0	2,654
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	344	744	0	1,088
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:	0	0	0	0	0	0	0
- transfers from donated asset/government grant reserve	0	0	0	(401)	(125)	0	(526)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	0	0	0	0	0	0	0
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
Balance at 31 March 2011	160,231	(28,075)	36,573	2,099	1,662	9,058	181,548

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	**2010-11 £000**	2009-10 £000
Cash flows from operating activities			
Operating surplus/(deficit)		**909**	(19,500)
Depreciation and amortisation		**13,266**	13,913
Impairments and reversals		**9,533**	36,463
Net foreign exchange gains/(losses)		**0**	0
Transfer from donated asset reserve		**(401)**	(449)
Transfer from government grant reserve		**(125)**	(58)
Interest paid		**(2,006)**	(764)
Dividends paid		**(5,026)**	(7,664)
(Increase)/decrease in inventories		**(92)**	(144)
(Increase)/decrease in trade and other receivables		**6,427**	566
(Increase)/decrease in other current assets		**0**	0
Increase/(decrease) in trade and other payables		**3,922**	(209)
Increase/(decrease) in other current liabilities		**0**	0
Increase/(decrease) in provisions		**(385)**	(173)
Net cash inflow/(outflow) from operating activities		**26,022**	21,981
Cash flows from investing activities			
Interest received		**87**	81
(Payments) for property, plant and equipment		**(20,314)**	(13,081)
Proceeds from disposal of plant, property and equipment		**417**	0
(Payments) for intangible assets		**(230)**	(51)
Proceeds from disposal of intangible assets		**133**	0
(Payments) for investments with DH		**0**	0
(Payments) for other investments		**0**	0
Proceeds from disposal of investments with DH		**0**	0
Proceeds from disposal of other financial assets		**0**	0
Revenue rental income		**0**	0
Net cash inflow/(outflow) from investing activities		**(19,907)**	(13,051)
Net cash inflow/(outflow) before financing		**6,115**	8,930
Cash flows from financing activities			
Public dividend capital received		**0**	0
Public dividend capital repaid		**0**	0
Loans received from the DH		**0**	0
Other loans received		**0**	0
Loans repaid to the DH		**0**	0
Other loans repaid		**0**	0
Other capital receipts		**344**	0
Capital element of finance leases and PFI		**(1,660)**	(1,815)
Net cash inflow/(outflow) from financing		**(1,316)**	(1,815)
Net increase/(decrease) in cash and cash equivalents		**4,799**	7,115
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		**15,867**	8,752
Effect of exchange rate changes on the balance of cash held in foreign currencies		**0**	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	25	**20,666**	15,867

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010-11 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.

1.3.1 Critical judgements in applying accounting policies

Apart from those involving estimations (identified below) that management has made in the process of applying the Trust’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements, there are no other critical judgements made in the application of accounting policies.

1.3.2 Key sources of estimation uncertainty

A valuation of assets using Modern Equivalent Asset valuation methodology was undertaken during 2010/2011 by the District Valuation Services, updating the valuation undertaken as at 31st March 2010 to reflect specific changes to the Trust's asset base and changes in general levels of costs and prices. This was used to value assets as at 31st March 2011.

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

Asset lives used by the Trust are based on lives estimated during the revaluation of assets in 2010/2011 for assets which existed at that time. For assets acquired since this valuation, standard lives have been applied except where known events have taken place which change these lives.

Provisions included in the financial position at 31st March 2011 are estimated using appropriate professional advice and based on circumstances prevailing at the balance sheet date.

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.

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.

The Trust undertakes limited sale of healthcare related goods, primarily drugs. Revenue in respect of these sales is initially recognised at the point of sale.

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.

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

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.

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.

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

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 that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

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

1.8 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 £5000.

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

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

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

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that 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 Government grants

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

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

1.12 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.

1.13 Leases

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

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

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases. This is a change in accounting policy from previous years where leased land was always treated as an operating lease.

1.14 Private Finance Initiative (PFI) transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The Trust therefore recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:
a) Payment for the fair value of services received;
b) Payment for the PFI asset, including finance costs; and
c) Payment for the replacement of components of the asset during the contract ‘lifecycle replacement’.

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within ‘operating expenses’.

PFI Asset

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently, the assets are measured at fair value, which is kept up to date in accordance with the Trust’s approach for each relevant class of asset in accordance with the principles of IAS 16.

PFI liability

A PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to ‘Finance Costs’ within the Statement of Comprehensive Income.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is allocated to the finance lease. In accordance with IAS 17, this amount is not included in the minimum lease payments, but is instead treated as contingent rent and is expensed as incurred. In substance, this amount is a finance cost in respect of the liability and the expense is presented as a contingent finance cost in the Statement of Comprehensive Income.

Lifecycle replacement

Components of the asset replaced by the operator during the contract (‘lifecycle replacement’) are capitalised where they meet the Trust’s criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value. To date, there are no elements of the trust's PFI scheme which have been treated in this way and all ongoing maintenance and replacement expenditure has been charged directly to the SOCI in line with the operator's original model.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a ‘free’ asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

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

1.15 Inventories

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

1.16 Cash and cash equivalents

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

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

1.17 Provisions

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

In June 2010, the Financial Reporting Advisory Board (FRAB) agreed to HM Treasury's proposal to amend the discount rate for post-employment benefits more fully into line with International Accounting Standard 19 Employee Benefits (IAS 19). Specifically, it was agreed to use a market implied inflation rate rather than HM Treasury's long-term assumption of the inflation rate to derive the real discount rate. The result of this is that a discount rate of 2.9% has been applied to post-employment benefit provisions, including injury benefits.

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

1.18 Clinical negligence costs

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

1.19 Non-clinical risk pooling

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

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

1.20 EU Emissions Trading Scheme

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

1.21 Contingencies

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

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

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

1.22 Financial assets

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

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through profit and loss

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

Held to maturity investments

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

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

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 through a provision for impairment of receivables.

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

1.23 Financial liabilities

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

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

Financial guarantee contract liabilities

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

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

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

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

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.

1.24 Value Added Tax

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

1.25 Foreign currencies

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

1.26 Third party assets

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

1.27 Public Dividend Capital (PDC) and PDC dividend

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

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

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

1.28 Losses and Special Payments

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

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

1.29 Subsidiaries

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

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

For 2009-10 and 2010-11 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

1.30 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.

1.31 Accounting Standards Issued But Not Yet Adopted

IFRIC 19 "Extinguishing financial liabilities with equity instruments" is effective from 1 July 2010. Neither the Treasury FReM nor the Department of Health's Manual for Accounts require this standard to be applied in 2010-11. The application of the IFRIC would not have a material impact on the Trust's accounts in 2010-11, were it applied in that year.

2. Pooled budgets

The Trust does not have any pooled budgets.

3. Operating segments

The Board, as 'Chief Operating Decision Maker', has determined that the Trust operates in one material segment which is the provision of healthcare services. The segmental reporting format reflects the Trust's management and internal reporting structure.

The provision of healthcare (including medical treatment, research and education) is within one main geographical segment, the United Kingdom, and materially from Departments of HM Government in England.

Revenue from activities (medical treatment of patients) is analysed by customer type in Note 5 to the financial statements on Page 19. Other operating revenue is analysed in Note 6 to the financial statements on Page 20 and materially consists of revenues from healthcare research and development, medical eductaion and the provision of services to other NHS bodies. Total revenue by individual customer within the whole of HM Government and considered material is disclosed in the related parties transactions Note 40 to the financial statements on Page 43.

The percentage of total revenue receivable in both 2010/11 and 2009/10 from within the whole of HM Government is 95% with 5% being received from elsewhere.

	SWB Hospitals		Other Segments		Total	
	2010-11	2009-10	**2010-11**	2009-10	**2010-11**	2009-10
	£000	£000	**£000**	£000	**£000**	£000
Income	**386,935**	384,774	**0**	0	**386,935**	384,774
Surplus/(Deficit)						
Segment surplus/(deficit)	**(6,885)**	(28,568)	**0**	0	**(6,885)**	(28,568)
Common costs	**0**	0	**0**	0	**0**	0
Surplus/(deficit) before interest	**380,050**	**356,206**	**0**	**0**	**380,050**	356,206
Net Assets:						
Segment net assets	**181,548**	186,904	**0**	0	**181,548**	186,904

4. Income generation activities

The Trust does not undertake any income generation activities where full cost exceeded £1m or was material to the financial performance of the Trust.

5. Revenue from patient care activities

	2010-11 £000	2009-10 £000
Strategic health authorities	**5,971**	6,243
NHS trusts	**2,001**	827
Primary care trusts	**335,180**	333,014
Foundation trusts	**53**	54
Department of Health	**733**	1,108
Non-NHS:		
Private patients	**80**	112
Overseas patients (non-reciprocal)	**90**	52
Injury costs recovery	**3,574**	2,375
Other	**684**	1,306
	348,366	345,091

Injury cost recovery income is subject to a provision for impairment of receivables of 22.8% to reflect expected rates of collection.

Non NHS: Other income includes £228,000 in respect of the Bowel Cancer Screening Programme and £128,000 for Occupational Health services.

6. Other operating revenue

	2010-11 £000	2009-10 £000
Patient transport services	**637**	703
Education, training and research	**19,942**	20,362
Charitable and other contributions to expenditure	**78**	78
Transfers from donated asset reserve	**401**	449
Transfers from government grant reserve	**125**	58
Non-patient care services to other bodies	**7,701**	6,865
Income generation	**3,179**	4,416
Other revenue	**7,441**	6,752
	39,504	39,683

Other revenue includes £2,109,000 in respect of Estates Service Level Agreements and £1,318,000 for Distinction Awards.

7. Revenue

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

8. Operating expenses	**2010-11**	2009-10
	£000	£000
Services from other NHS trusts	**1,463**	965
Services from PCTs	**320**	1,971
Services from other NHS bodies	**298**	171
Purchase of healthcare from non NHS bodies	**937**	1,155
Trust chair and non executive directors	**70**	58
Employee benefits	**259,819**	252,499
Supplies and services - clinical	**61,208**	57,402
Supplies and services - general	**5,633**	5,439
Consultancy services	**1,638**	1,793
Establishment	**4,089**	4,111
Transport	**1,341**	1,407
Premises	**15,921**	14,384
Provision for impairment of receivables	**356**	1,454
Inventories write down	**82**	64
Depreciation	**13,138**	13,729
Amortisation	**128**	184
Impairments and reversals of property, plant and equipment	**9,532**	36,463
Impairments and reversals of non current assets held for sale	**1**	0
Audit fees	**210**	232
Other auditor's remuneration [detail]	**105**	131
Clinical negligence	**7,529**	6,471
Research and development	**291**	290
Education and Training	**753**	682
Other	**2,099**	3,219
	386,961	404,274

Other costs include £339,000 in respect of insurance.

Impairment charges include an adjustment to the value of land acquired for the development of the new Midland Metropolitan Hospital to its carrying value for the intended purpose of providing health care services as well as changes to the value of existing property resulting from in year revaluation exercises. The Trust uses the District Valuations Service for the valuation of its assets.

9. Operating leases

9.1 As lessee

The Trust does not hold a material value of operating leases as the majority of higher value leases are defined as finance leases. Residual operating leases relate to low value items of equipment.

Payments recognised as an expense	**2010-11**	2009-10
	£000	£000
Minimum lease payments	**105**	69
	105	69

		2010-11			2009-10
Total future minimum lease payments	**Buildings**	**Land**	**Other**	**Total**	Total
	£000	**£000**	**£000**	**£000**	£000
Payable:					
Not later than one year	**0**	**0**	**0**	**0**	9
Between one and five years	**0**	**0**	**6**	**6**	71
After 5 years	**0**	**13**	**0**	**13**	13
Total	**0**	**13**	**6**	**19**	93

9.2 As lessor

The Trust does not hold any leases where it acts as lessor.

10. Employee costs and numbers

10.1 Employee costs

	2010-11 Total £000	2010-11 Permanently employed £000	2010-11 Other £000	2009-10 Total £000	2009-10 Permanently employed £000	2009-10 Other £000
Salaries and wages	**218,099**	**202,551**	**15,548**	212,602	197,335	15,267
Social security costs	**17,324**	**16,736**	**588**	17,202	16,572	630
Employer contributions to NHS Pension scheme	**23,385**	**23,085**	**300**	23,022	23,022	0
Termination benefits	**1,311**	**1,311**	**0**	1,007	1,007	0
Employee benefits expense	**260,119**	**243,683**	**16,436**	253,833	237,936	15,897

	2010-11	2009-10
Of the total above:		
Charged to capital	**300**	326
Employee benefits charged to revenue	**259,819**	253,507
	260,119	253,833

10.2 Average number of people employed

	2010-11 Total Number	2010-11 Permanently employed Number	2010-11 Other Number	2009-10 Total Number	2009-10 Permanently employed Number	2009-10 Other Number
Medical and dental	**750**	**733**	**17**	785	743	42
Administration and estates	**1,407**	**1,384**	**23**	1,463	1,417	46
Healthcare assistants and other support staff	**1,276**	**1,159**	**117**	652	497	155
Nursing, midwifery and health visiting staff	**1,871**	**1,765**	**106**	2,629	2,468	161
Scientific, therapeutic and technical staff	**979**	**978**	**1**	963	959	4
Total	**6,283**	**6,019**	**264**	6,492	6,084	**408**

	2010-11	2009-10
Of the above:		
Number of whole time equivalent staff engaged on capital projects	**6**	6

10.3 Management Costs

	2010-11 £000	2009-10 £000
Management costs	**12,309**	12,044
Income	**367,154**	364,492

10.4 Staff Sickness Absence

	2010-11 Number
Total days lost	**56,782**
Total staff years	**6,095**
Average working days lost	**9.32**

Staff sickness data is provided on a national basis by the Department of Health and covers the calendar year ended 31st December 2010.

10.5 Exit Packages Paid In Year

Exit Package Cost Band	Number of compulsory redundancies	Cost of compulsory redundancies £000	Number of other departures agreed	Cost of other departures agreed £000	Total number of exit packages	Total cost of exit packages £000
2010-11						
<£20,001	**6**	**30**	**5**	**61**	**11**	**91**
£20,001 - £40,000	**5**	**155**	**8**	**239**	**13**	**394**
£40,001 - 100,000	**2**	**127**	**3**	**215**	**5**	**342**
Total	**13**	**312**	**16**	**515**	**29**	**827**
2009-10						
<£20,001	2	9	0	0	2	9
£20,001 - £40,000	1	38	0	0	1	38
£40,001 - 100,000	2	152	0	0	2	152
Total	**5**	**199**	**0**	**0**	**5**	**199**

There were no departures in either 2010-11 or 2009-10 where special payments were made.

11. Pension costs

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

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

a) Full actuarial (funding) valuation

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

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

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

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 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

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

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

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

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

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

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

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.

12. Retirements due to ill-health

The cost of ill-health retirements are borne by the NHS Business Services Authority - Pensions Division.

13. Better Payment Practice Code

13.1 Better Payment Practice Code - measure of compliance	**2010-11**		2009-10	
	Number	**£000**	Number	£000
Total Non-NHS trade invoices paid in the year	**91,331**	**93,476**	100,584	91,142
Total Non NHS trade invoices paid within target	**70,090**	**70,001**	68,699	63,449
Percentage of Non-NHS trade invoices paid within target	**77%**	**75%**	68%	70%
Total NHS trade invoices paid in the year	**2,272**	**25,721**	2,254	26,454
Total NHS trade invoices paid within target	**1,120**	**15,635**	1,547	22,304
Percentage of NHS trade invoices paid within target	**49%**	**61%**	69%	84%

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

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

The Trust did not make any payments in respect of this act in 2010/11 or 2009/10.

14. Investment revenue	2010-11 £000	2009-10 £000
Interest revenue:		
Bank accounts	87	80
Total	87	80

15. Other gains and losses	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	**0**	(102)
Gain/(loss) on disposal of financial assets	**(234)**	0
Total	**(234)**	(102)

16. Finance costs	2010-11 £000	2009-10 £000
Interest on obligations under finance leases	**131**	193
Interest on obligations under PFI contracts:		
- main finance cost	**1,613**	1,654
- contingent finance cost	**262**	220
Total interest expense	**2,006**	2,067
Other finance costs	**(104)**	112
Total	**1,902**	2,179

17. Property, plant and equipment

2010-11	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	31,293	156,484	2,803	543	96,403	3,093	18,665	1,457	310,741
Additions purchased	4,735	7,453	0	1,960	2,469	308	609	6	17,540
Additions donated	0	0	0	0	323	0	21	0	344
Reclassifications	0	2,503	0	(2,503)	0	0	0	0	0
Reclassified as held for sale	(97)	0	(218)	0	0	0	0	0	(315)
Disposals other than by sale	(4)	0	0	0	(2,173)	0	0	0	(2,177)
Revaluation/indexation gains	70	11,376	210	0	0	0	0	0	11,656
Impairments	(1,059)	(488)	0	0	0	0	0	0	(1,547)
Reversal of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2011	34,938	177,328	2,795	0	97,022	3,401	19,295	1,463	336,242
Depreciation at 1 April 2010	0	0	0	0	71,417	2,547	15,749	732	90,445
Reclassified as held for sale	0	0	(50)	0	0	0	0	0	(50)
Disposals other than by sale	0	0	0	0	(1,960)	0	0	0	(1,960)
Revaluation/indexation gains	0	8,893	109	0	0	0	0	0	9,002
Impairments	2,480	11,019	0	0	0	0	0	0	13,499
Reversal of impairments	0	(3,961)	(6)	0	0	0	0	0	(3,967)
Charged during the year	0	6,532	158	0	4,958	189	1,172	129	13,138
Depreciation at 31 March 2011	2,480	22,483	211	0	74,415	2,736	16,921	861	120,107
Net book value									
Purchased	32,458	153,285	2,584	0	21,020	665	2,343	602	212,957
Donated	0	465	0	0	1,587	0	31	0	2,083
Government granted	0	1,095	0	0	0	0	0	0	1,095
Total at 31 March 2011	32,458	154,845	2,584	0	22,607	665	2,374	602	216,135
Asset financing									
Owned	32,458	135,895	2,584	0	22,607	326	2,374	602	196,846
Finance leased	0	0	0	0	0	339	0	0	339
Private finance initiative	0	18,950	0	0	0	0	0	0	18,950
Total 31 March 2011	32,458	154,845	2,584	0	22,607	665	2,374	602	216,135

17.1 Revaluation reserve balance for property, plant & equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	16,884	17,747	1,097	772	3	0	42	36,545
Revaluation of assets	(25)	2,669	0	0	0	0	0	2,644
Impairment of assets	(1,059)	(488)	0	0	0	0	0	(1,547)
Transfers between reserves	0	(763)	(33)	(259)	(3)	0	(11)	(1,069)
At 31 March 2011	15,800	19,165	1,064	513	0	0	31	36,573

17. Property, plant and equipment continued

2009-10

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	23,374	213,436	3,347	707	101,730	3,142	18,139	1,302	365,177
Additions purchased	0	7,813	0	543	6,321	476	540	155	15,848
Additions donated	0	0	0	0	277	0	0	0	277
Reclassifications	0	11,008	0	(595)	(10,413)	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,512)	(525)	(14)	0	(2,051)
Revaluation/indexation gains	8,123	18,831	316	0	0	0	0	0	27,270
Impairments	(204)	(49,914)	(616)	(18)	0	0	0	0	(50,752)
At 31 March 2010	31,293	201,174	3,047	637	96,403	3,093	18,665	1,457	355,769
Depreciation at 1 April 2009	0	0	0	0	69,487	2,751	14,410	617	87,265
Reclassifications	0	1,432	0	0	(1,432)	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,424)	(513)	(14)	0	(1,951)
Impairments	0	36,229	107	94	0	0	0	0	36,430
Charged during the year	0	7,029	137	0	4,786	309	1,353	115	13,729
Depreciation at 31 March 2010	0	44,690	244	94	71,417	2,547	15,749	732	135,473
Net book value									
Purchased	31,293	154,934	2,803	543	23,326	546	2,897	725	217,067
Donated	0	467	0	0	1,640	0	19	0	2,126
Government granted	0	1,083	0	0	20	0	0	0	1,103
Total at 31 March 2010	31,293	156,484	2,803	543	24,986	546	2,916	725	220,296
Asset financing									
Owned	31,293	137,631	2,803	543	23,698	53	2,916	725	199,662
Finance leased	0	0	0	0	1,288	493	0	0	1,781
Private finance initiative	0	18,853	0	0	0	0	0	0	18,853
Total 31 March 2010	31,293	156,484	2,803	543	24,986	546	2,916	725	220,296

17. Property, plant and equipment (cont.)

The Trust received donated assets to the value of £343,640 during the year. A donation of £265,500 was made via Sandwell & West Birmingham Hospital's charitable funds, primarily in respect of medical equipment, £39,913 was received from the League of Friends and £38,227 from the Birmingham Eye Foundation, again mainly in respect of medical equipment.

The Trust's property assets (land and buildings) were revalued during the year by the District Valuation Service and using Modern Equivalent Asset valuation techniques. Valuation was undertaken at the effective date of 31st March 2011. Valuation was undertaken with reference to the size, location and function of existing buildings and the basis on which they would be replaced by Modern Equivalent Assets as well as with reference to changes in the building cost index.

Asset lives for currently held assets are as follows:

Buildings excluding dwellings 0-83 years
Dwellings 3-44 years
Plant and machinery 0-14 years
Transport equipment 0-7 years
Information technology 0-5 years
Furniture and fittings 0-9 years

18. Intangible assets

2010-11	Computer software - purchased	Patents	Total
	£000	£000	£000
Gross cost at 1 April 2010	1,779	0	1,779
Additions purchased	230	0	230
Additions government granted	0	744	744
Disposals other than by sale	0	(133)	(133)
Impairments	0	(62)	(62)
Gross cost at 31 March 2011	2,009	549	2,558
Amortisation at 1 April 2010	1,353	0	1,353
Charged during the year	128	0	128
Amortisation at 31 March 2011	1,481	0	1,481
Net book value			
Purchased	512	0	512
Donated	16	0	16
Government granted	0	549	549
Total at 31 March 2011	528	549	1,077

18. Intangible assets continued

2009-10	Computer software - purchased	Total
	£000	£000
Gross cost at 1 April 2009	1,716	1,716
Additions purchased	53	53
Additions donated	10	10
Gross cost at 31 March 2010	1,779	1,779
Amortisation at 1 April 2009	1,169	1,169
Charged during the year	184	184
Amortisation at 31 March 2010	1,353	1,353
Net book value		
Purchased	404	404
Donated	22	22
Total at 31 March 2010	426	426

18. Intangible assets (cont.)

Asset lives for intangible assets (purchased computer software) range from 0 to 5 years. Assets are initially recognised at cost and amortised over the expected life of the asset. They have not been revalued.

An intangible asset in respect of Carbon Emission Credits is included in the Trust's accounts to reflect the receipt and consumption of these credits. They are valued at market price at 31st March 2011.

The Trust does not hold any revaluation reserve balances in respect of intangible assets.

19. Impairments

Impairments of land and buildings totalling £11,132,000 were charged in year, £1,600,000 to the revaluation reserve and £9,533,000 to the Statement of Comprehensive Income. This charge reflects the impact of the revaluation of assets carried out during 2010/2011.

Land acquired for the development of the new Midland Metropolitan Hospital has been adjusted to ensure its carrying value reflects the intended purpose of providing health care services. The resultant adjusted value includes an impairment of £2,425,000 and this is accounted for in year in the Trust's Statement of Comprehensive Income.

All valuations of land and buildings were carried out on behalf of the Trust during 2010/11 by the District Valuations Service.

20. Commitments

20.1 Capital commitments

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

	31 March 2011	31 March 2010
	£000	£000
Property, plant and equipment	**486**	3,238
Total	**486**	3,238

20.2 Other financial commitments

The trust has entered into any non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements).

21. Inventories

21.1 Inventories	**31 March 2011**	31 March 2010
	£000	£000
Drugs	**1,764**	1,633
Consumables	**1,487**	1,376
Energy	**280**	430
Total	**3,531**	3,439
Of which held at net realisable value:	**0**	0

21.2 Inventories recognised in expenses	**31 March 2011**	31 March 2010
	£000	£000
Inventories recognised as an expense in the period	**32,446**	23,564
Write-down of inventories (including losses)	**82**	64
	32,528	23,628

22. Trade and other receivables

22.1 Trade and other receivables	**Current**	**Non-current**	Current	Non-current
	31 March 2011	**31 March 2011**	31 March 2010	31 March 2010
	£000	**£000**	£000	£000
NHS receivables-revenue	**8,977**	**0**	17,851	0
Non-NHS receivables-revenue	**1,379**	**0**	1,268	0
Provision for the impairment of receivables	**(1,814)**	**(272)**	(2,529)	(395)
Prepayments and accrued income	**757**	**0**	483	0
VAT	**414**	**0**	631	0
Other receivables	**2,939**	**921**	1,585	1,553
Total	**12,652**	**649**	19,289	1,158

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

There are no material individual receivables which are neither past due nor impaired.

22.2 Receivables past their due date but not impaired	**31 March 2011**	31 March 2010
	£000	£000
By up to three months	**1,283**	4,977
By three to six months	**256**	164
By more than six months	**172**	469
Total	**1,711**	5,610

22.3 Provision for impairment of receivables	**31 March 2011**	31 March 2010
	£000	£000
Balance at 1 April	**(2,924)**	(1,641)
Amount written off during the year	**1,194**	171
Amount recovered during the year	**2,031**	526
(Increase)/decrease in receivables impaired	**(2,387)**	(1,980)
Balance at 31 March	**(2,086)**	(2,924)

Impairment of receivables is based on an assessment of individual amounts receivable taking into account the age of the debt and other known circumstances regarding the debt or the debtor.

23. Other financial assets

The Trust does not hold any other financial assets.

24. Other current assets

The Trust does not hold any other financial assets.

25. Cash and cash equivalents	**31 March 2011**	31 March 2010
	£000	£000
Balance at 1 April	**15,867**	8,752
Net change in year	**4,799**	7,115
Balance at 31 March	**20,666**	15,867
Made up of		
Cash with Government banking services	**20,632**	15,810
Commercial banks and cash in hand	**34**	57
Cash and cash equivalents as in statement of financial position	**20,666**	15,867
Cash and cash equivalents as in statement of cash flows	**20,666**	15,867

26. Non-current assets held for sale

The Trust holds dwellings with a book value of £64,000 as "held for sale".

27. Trade and other payables	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS payables-revenue	**2,854**	**0**	4,601	0
NHS payables-capital	**636**	**0**	125	0
Non NHS trade payables - revenue	**7,278**	**0**	5,096	0
Non NHS trade payables - capital	**1,148**	**0**	4,089	0
Accruals and deferred income	**21,322**	**0**	17,580	0
Social security costs	**19**	**0**	9	0
Tax	**23**	**0**	47	0
Other	**233**	**0**	415	0
Total	**33,513**	**0**	31,962	0

Other payables does not include any amounts in respect of arrangements to buy out early retirements over 5 years.

28. Borrowings	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
PFI liabilities	**797**	**30,782**	837	31,540
Finance lease liabilities	**465**	**489**	861	936
Total	**1,262**	**31,271**	1,698	32,476

Liabilities under the terms of finance lease vary with the period covered by the lease(usually between 3 and 7 years).
PFI liabilities cover the remaining concession period up to 2035.

29. Other liabilities

The Trust does not hold any other liabilities.

30. Finance lease obligations

The only material finance lease held by the Trust relates to the Birmingham Treatment Centre which was funded under the Private Finance Initiative. Other finance lease are short term, generally five years or less, and relate to items of medical equipment or vehicles.

Contingent rentals are calculated only for the Birmingham Treatment Centre and are derived by considering the variation in payments between the base value and the value uplifted to reflect general price changes which is the basis on which lease rentals are chargeable.

Future minimum lease payments are discounted using the Treasury discount rate of 2.2% to generate the present value of lease payments

Amounts payable under finance leases:

Other	**Minimum lease payments**	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	31 March 2011	**31 March 2011**	31 March 2010	31 March 2010
	£000	**£000**	£000	£000
Within one year	**465**	**465**	**861**	861
Between one and five years	**508**	**489**	**974**	936
Less future finance charges	**(19)**		**(38)**	
Present value of minimum lease payments	**954**	**954**	**1,797**	1,797
Included in:				
Current borrowings		**465**		861
Non-current borrowings		**489**		936
		954		1,797

Contingent rents recognised as an expense were £262,000 (2009-10 £220,000)

31. Finance lease receivables

The Trust has no finance lease receivables.

32. Finance lease commitments

The Trust does not have any commitments to make lease payments where assets are not operational at the balance sheet date.

33. Private Finance Initiative contracts

33.1 PFI schemes off-Statement of Financial Position

The Trust does not have any off Statement PFI schemes.

33.2 PFI schemes on-Statement of Financial Position

The Trust has a single PFI scheme: the Birmingham Treatment Centre which is used for a variety of out-patient, day case and short stay activities. The Centre became operational in 2005 and is based on a 30 year concession period. The value of the unitary payment was determined at the time of the development of the Operator Model and is adjusted annually in line with movements in the retail price index. The PFI arrangement includes the provision of hard FM services.

The land on which the Birmingham Treatment Centre is built was already owned by and remains the property of Sandwell & West Birmingham Hospitals NHS Trust.

Under the provisions of IFRIC 12, the asset is treated as an asset of the Trust. The substance of the contract is that the Trust has a finance lease and payments comprise two elements - imputed finance lease charges and service charges.

Total obligations for on-statement of financial position PFI contracts due:

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	**797**	837
Later than one year, not later than five years	**4,682**	4,301
Later than five years	**26,100**	27,239
Total	**31,579**	32,377

33.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £1,094,000 (prior year £986,000).

The Trust is committed to the following charges

	31 March 2011	31 March 2010
	£000	£000
Not later than one year	**1,045**	1,546
Later than one year, not later than five	**5,773**	8,893
Later than five years	**35,809**	75,831
Total	**42,627**	86,270

Annual charges will vary in line with movements in the retail price index.

34. Other financial liabilities

The Trust has no other financial liabilities.

35. Provisions	**Current 31 March 2011**	**Non-current 31 March 2011**	Current 31 March 2010	Non-current 31 March 2010
	£000	**£000**	£000	£000
Pensions relating to other staff	**88**	**724**	89	800
Legal claims	**1,174**	**0**	1,022	0
Redundancy	**2,050**	**0**	0	0
Other	**1,631**	**1,513**	4,227	1,375
Total	**4,943**	**2,237**	5,338	2,175

	Pensions relating to other staff	**Legal claims**	**Redundancy**	**Other**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2010	**889**	**1,022**	**0**	**5,602**	**7,513**
Arising during the year	**17**	**790**	**3,617**	**715**	**5,139**
Used during the year	**(88)**	**(224)**	**(823)**	**(2,053)**	**(3,188)**
Reversed unused	**0**	**(414)**	**(744)**	**(1,031)**	**(2,189)**
Unwinding of discount	**20**	**0**	**0**	**32**	**52**
Change in Discount Rate	**(26)**	**0**	**0**	**(121)**	**(147)**
At 31 March 2011	**812**	**1,174**	**2,050**	**3,144**	**7,180**
Expected timing of cash flows:					
Within one year	**88**	**1,174**	**2,050**	**1,631**	**4,943**
Between one and five years	**397**	**0**	**0**	**449**	**846**
After five years	**327**	**0**	**0**	**1,064**	**1,391**

Provisions relating to other staff covers pre 1995 early retirement costs. Liabilities and the timing of liabilities are based on pensions provided

Legal claims cover the Trust's potential liabilities for public and employer liability. Potential liabilities are calculated using professional assessment of individual cases by the Trust's insurers. The Trust's maximum liability for any individual case is £10,000 with the remainder being covered by insurers.

Other provisions cover Injury Benefits £1,610,000, employment tribunals and litigation claims £864,000, other contractual obligations £566,000 and £104,000 for carbon emission credits repayable. For 2009/10 and brought forward at 1st April 2010, this category also included redundancy costs which are now shown as a separate category.

Injury benefit provisions are calculated with reference to the NHS Pensions Agency and actuarial tables for life expectancy.

Staff litigation claims represent potential liabilities to the Trust in respect of claims made by current or former employees.

The timing and amount of the cashflows is shown above but it must be pointed out that, in the case of provisions, there will always be a measure of uncertainty. However, the values listed are best estimates taking all the relevant information and professional advice into consideration.

In respect of legal claims, £879,000 of the Trust's gross liability is reimbursable by the NHS Litigation Authority.

£38,296,567 is included in the provisions of the NHS Litigation Authority at 31 March 2011 in respect of clinical negligence liabilities of the NHS Trust (31 March 2010 £35,620,903).

36. Contingencies

36.1 Contingent liabilities

	2010-11	2009-10
	£000	£000
Other (see below)	**(620)**	(619)
Total	**(620)**	(619)

36.2 Contingent assets

The Trust does not hold any contingent assets.

Contingent liabilities held by the Trust relate to employers and public liability claims (£115,000) and injury benefits (£505,000). These values relate to the difference between the maximum potential value of claims and the amount included by the Trust as a provision based on professional notification of the likelihood of the success of claims.

37. Financial instruments

37.1 Financial assets

	At fair value through profit and loss	**Loans and receivables**	**Available for sale**	**Total**
	£000	**£000**	**£000**	**£000**
Receivables		**649**		**649**
Cash at bank and in hand		**20,668**		**20,668**
Total at 31 March 2011	**0**	**21,317**	**0**	**21,317**
Receivables		23,011		23,011
Cash at bank and in hand		15,867		15,867
Total at 31 March 2010	0	38,878	0	38,878

37.2 Financial liabilities

	At fair value through profit and loss	**Other**	**Total**
	£000	**£000**	**£000**
Embedded derivatives	**0**		**0**
Payables		**2,382**	**2,382**
PFI and finance lease obligations		**32,068**	**32,068**
Total at 31 March 2011	**0**	**34,450**	**34,450**
Embedded derivatives	0		0
Payables		(30,967)	(30,967)
PFI and finance lease obligations		(34,174)	(34,174)
Total at 31 March 2010	0	(65,141)	(65,141)

37.3 Financial risk management

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

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

Currency risk

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

Interest rate risk

The Trust may borrow 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 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 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

38. Events after the reporting period

There are no events occurring after the end of the reporting period which would have a material effect on the reported financial position.

On 31st March 2011, the Board of Directors of the Trust approved the transfer of the majority of staff and services from Sandwell Community Healthcare Services (SCHS) which was previously part of Sandwell PCT (small elements of SCHS being transferred to other organisations at the same time). This transfer is effective from 1st April 2011.

Both the revised NHS Operating Framework 2010-11 and the White Paper 'Liberating the NHS' made it clear that changes to future governance arrangements for PCT in-house community service providers was a vital step towards delivering the Government's vision where front-line staff are empowered and where patients have the choice and control over their community care and treatment.

Changes to community services are expected to provide better health outcomes for patients, families and communities and increase efficiency by providing modern, personalised and responsive high quality care that is accessible to all. Community services also play an important part in changing the way in which the health system works as a whole, to enable truly integrated working between all services and ensure seamless care with the most effective outcomes.

The transfer is expected to increase both Trust income and expenditure by £33,007,000 with no net impact on the planned surplus. There is not expected to be any material impact on the net assets of the Trust.

In the 2011-12 financial statements, the transaction will be accounted for using the merger accounting requirements outlined in the NHS Manual for Accounts.

39. Financial performance targets

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

39.1 Breakeven performance	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Turnover	313,388	327,536	348,475	359,161	384,774	387,870
Retained surplus/(deficit) for the year	(5,726)	3,399	6,524	2,547	(28,646)	(6,885)
Adjustment for:						
Impairments				0	36,463	9,533
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					(557)	(455)
Other agreed adjustments	0	5,726	0	0	0	0
Break-even in-year position	(5,726)	9,125	6,524	2,547	7,260	2,193
Break-even cumulative position	(13,527)	(4,402)	2,122	4,669	11,929	14,122

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring breakeven performance.

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

39.2 Capital cost absorption rate

Until 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 bears to the actual average relevant net assets.

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

39.3 External financing

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

		2010-11	2009-10
	£000	**£000**	£000
External financing limit		**(482)**	(568)
Cash flow financing	**(6,115)**		(8,930)
Finance leases taken out in the year	**0**		454
Other capital receipts	**(344)**		0
External financing requirement		**(6,459)**	(8,476)
Undershoot/(overshoot)		**5,977**	7,908

39.4 Capital resource limit

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

	2010-11	2009-10
	£000	£000
Gross capital expenditure	**18,858**	16,188
Less: book value of assets disposed of	**(550)**	(100)
Less: capital grants	**(744)**	0
Less: donations towards the acquisition of non-current assets	**(344)**	(287)
Charge against the capital resource limit	**17,220**	15,801
Capital resource limit	**17,900**	16,066
(Over)/underspend against the capital resource limit	**680**	265

40. 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 Sandwell & West Birmingham Hospitals NHS Trust.

The Department of Health is regarded as a related party. During 2010/2011, Sandwell & West Birmingham 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:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Sandwell Primary Care Trust	686	166,814	191	2,094
Heart of Birmingham Teaching Primary Care Trust	0	88,902	23	810
Birmingham East and North Primary Care Trust	22	46,779	0	773
South Birmingham PCT	100	18,574	0	488
Walsall Primary Care Trust	0	6,975	0	514
NHS Business Services Authority	9,047	0	1,249	0
NHS Litigation Authority	7,917	0	1	879
West Midlands Strategic Health Authority	17	17,909	2	110
NHS Pensions	35,064	0	0	0

There are a number of other Health Bodies with which the Trust has transacted during the normal course of its activities but these are not considered to be material.

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 the Department for Education and Skills in respect of university hospitals and Sandwell MBC and Birmingham City Council in respect of joint enterprises.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the NHS Trust Board.

41. Third party assets

The Trust held £1,552 cash and cash equivalents at 31 March 2011 (£2,940 - at 31 March 2010) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

42. Intra-Government and other balances	**Current receivables**	**Non-current receivables**	**Current payables**	**Non-current payables**
	£000	**£000**	**£000**	**£000**
Balances with other central government bodies	**6,583**	**0**	**2,326**	**0**
Balances with NHS trusts and foundation trusts	**2,394**	**0**	**1,164**	**0**
Total intra government balances	**8,977**	**0**	**3,490**	**0**
Balances with bodies external to government	**3,675**	**649**	**30,023**	**0**
At 31 March 2011	**12,652**	**649**	**33,513**	**0**
Balances with other central government bodies	13,521	0	2,424	0
Balances with NHS trusts and foundation trusts	4,089	0	2,245	0
total intra government balances	17,610	0	4,669	0
Balances with bodies external to government	1,679	1,158	27,293	0
At 31 March 2010	**19,289**	**1,158**	**31,962**	**0**

43. Losses and special payments

There were 590 cases of losses and special payments in 2010/11 totalling £403,927 (630 cases totalling £418,905 in the prior year).

There were no clinical negligence cases where the net payment exceeded £250,000 (prior year also no cases). Clinical negligence cases are dealt with by the NHS Litigation Authority and the cost of these cases included in the accounts of the Authority. There is no direct charge on Sandwell and West Birmingham Hospitals.

There were no fraud cases where the net payment exceeded £250,000 (prior year no cases).

There were no personal injury cases where the net payment exceeded £250,000 (prior year no cases). The Trust insures against personal injury claims and the maximum cost chargeable to the Trust for any individual case is £10,000.

There were no compensation under legal obligation cases where the net payment exceeded £250,000 (prior year no cases). The Trust insures against such cases and the maximum liability for an individual case is £10,000.

There were no fruitless payment cases where the net payment exceeded £250,000 (prior year no cases).