

**Sandwell and West Birmingham Hospitals NHS
Trust**

Financial Statements

For the year ended

31 March 2009

Data entered below will be used throughout the workbook:

Trust name:	Sandwell & West Birmingham Hospitals
This year	2008/09
Last year	2007/08
This year ended	31 March 2009
Last year ended	31 March 2008
This year beginning	1 April 2008

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

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

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Signed..........Chief Executive

Date...11 JUNE 2009.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

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

By order of the Board

11 June '09 Date  Chief Executive

11 June '09 Date  Finance Director

STATEMENT ON INTERNAL CONTROL 2008/09

SANDWELL AND WEST BIRMINGHAM HOSPITALS NHS TRUST

1. Scope of responsibility

- 1.1 The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.
- 1.2 In my role as Chief Executive of the Trust I fulfil my own responsibilities as its Accountable Officer in close association with the Chief Executive and senior officers of the West Midlands Strategic HA and the Chief Executives of the local Primary Care Trusts. Governance and risk issues are regularly discussed at a variety of Health Economy wide fora, including formal review meetings with the Strategic HA and monthly meetings of Chief Executives.

2. The purpose of the system of internal control

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- (a) Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives.
 - (b) Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.2 The system of internal control has been in place in Sandwell and West Birmingham Hospitals NHS Trust for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

- 3.1 The Trust has a Board approved Risk Management Strategy which identifies that the Chief Executive has overall responsibility for risk management within the Trust. All managers and clinicians accept the management of risks as one of their fundamental duties. Additionally the Strategy recognises that every member of staff must be committed to identifying and reducing risks. In order to achieve this the Trust promotes an environment of accountability to encourage staff at all levels to report when things go wrong, allowing open discussion to prevent their re-occurrence.

- 3.2 The Risk Strategy states that all staff will have access to risk management information, advice, instruction and training. The level of training varies to meet local and individual needs and will be assessed as part of the annual formal staff appraisal process. Additionally, an annual training session in risk management and incident reporting is delivered to the Trust Management Board, which comprises the Executive Team, Divisional Managers and Directors, and other key senior operational managers.
- 3.3 Information with regard to good practice is shared via training sessions provided by risk professionals, Divisional Governance Group meetings, staff newsletters, the intranet, e-mail communication and staff briefing sessions.
- 3.4 The Trust operates "Your Right to be Heard", a policy in which concerns and risk issues can be raised anonymously. The letter and the Trust's response to points raised are published in full, in a bi-monthly newsletter that is distributed to all staff. In addition the Trust operates a Board approved Whistle-blowing Policy.

4. The risk and control framework

- 4.1 The Board approved Risk Management Strategy includes the following:
- (a) Details of the aims and objectives for risk management in the organisation.
 - (b) A description of the relationships between various corporate committees.
 - (c) The identification of the roles and responsibilities of all members of the organisation with regard to risk management, including accountability and reporting structures.
 - (d) The promotion of risk management as an integral part of the philosophy, practices and business plans of the organisation.
 - (e) A description of the whole risk management process and requirement for all risks to be recorded, when identified, in a risk register and prioritised using a standard scoring methodology.
- 4.2 The risk management process is an integral part of good management practice and the aim is to ensure it becomes part of the Trust's culture. It is an increasingly important element of the Trust's Business Planning process and budget setting and performance review frameworks. The risk management process is supported by a number of policies which relate to risk assessment, incident reporting, training, health and safety, violence & aggression, complaints, infection control, fire, human Resources, consent, manual handling and security.
- 4.3 Senior responsibility for information security, risks and incidents rests with the Chief Operating Officer, as supported by the Deputy Director – IM & T. The Information Security Senior Responsible Owner (SRO) is supported by the Information Governance Manager and Head of Risk Management. The Information Governance Manager

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manages information security risk and incidents on a day to day basis and seeks support from the Head of Risk Management and SRO.

Quarterly reports are produced to identify information security incidents. These incidents are reviewed by the Information Governance Steering Committee to ensure appropriate action is taken and are also reported on a quarterly basis to the Governance Board through the IM & T governance update.

An annual report is produced to identify frequency of Information Security incidents. This report is used to identify particular information security issues so that appropriate action can be taken to reduce the risk impact or likelihood of reoccurrence.

The Information Security Policy sets out management and reporting processes for information security

- 4.4 The **Internal Auditor's Year End Report** and opinion on the effectiveness of the system of internal control is commented on below. His overall opinion is that '**significant assurance**' can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

The Auditor's weighted opinion gives consideration to specific audit reviews where 'significant assurance' or 'limited assurance' has been assigned. For example, the Assurance Framework (AF) identifies the risks to the Trust's strategic and corporate objectives, the key controls in place to manage these risks and the level of assurance with regard to the effectiveness of the controls. The framework identifies any gaps in both the controls and the assurances that the controls are effective. It is the Internal Auditor's view that the Trust has an Assurance Framework in place that links its objectives through to principal risks, controls and assurances. The design and construction of the Assurance Framework is deemed to be compliant with Department of Health guidance and the Auditor's testing, by sample, has confirmed that the controls on which the Trust relies are in place and that it has received satisfactory levels of assurance on the operation of those controls. The Internal Auditor gave an opinion of '**significant assurance**' on the controls surrounding the implementation of the Trust's Assurance Framework. A review of the Assurance Framework indicates that there are no significant gaps in control or assurance that require separate disclosure in this statement.

- 4.5 Other areas receiving 'significant assurance' include (but are not limited to), financial ledger, financial management, income and debtors, cash/treasury management, non pay expenditure, ordering & receipting, performance management monitoring; nurse bank, capital accounting and the Charitable Funds systems and processes. An assessment of 'limited assurance' was assigned in areas such as KSF development/appraisal, payroll owing to implementation of certain features of the electronic staff record, information governance and activity monitoring in EAU/MAU. Plans are in place to address audit recommendations.

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- 4.6 The publicly held Trust Board meetings cover the full gamut of clinical, corporate and business risk and discuss and monitor the delivery of corporate objectives and the detail of the Assurance Framework. The Trust Chair encourages as wide a range of public contributions in such discussions as possible from attendees.
- 4.7 In support of the 'Right Care, Right Here' Programme (previously known as 'Towards 2010') and service reconfiguration proposals, the Trust has met frequently with the Joint Local Authority Overview and Scrutiny Committees in Birmingham and Sandwell. The risk associated with this project and wider Trust objectives is assessed in the context of external influences from patients, public, ministers and the DoH and wider societal interests.
- 4.8 The Trust is not fully compliant with the Core Standards for Better Health. In the Trust's Core Standards declaration for 2008/09, four standards were declared as unmet. Non-compliance with standard C20b relates specifically to mixed sex accommodation requirements, while non-compliance with C2 refers to training of staff in child protection. Improvement plans have been developed to ensure compliance with these standards is achieved: C20b will be met by 31 December 2009 and while in-year non-compliance with C2 is to be declared, measures have been put into place to ensure that compliance was achieved from 1 April 2009. Action plans for the standards against which the Trust reported non-compliance in 2007/08 (C7e and C8b) have been achieved. Compliance with C7e and C8b was achieved in July 2008 and August 2008 respectively. Despite this and because full-year compliance has not been achieved, they must be declared as 'not met' in 2008/09.
- 4.9 As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.
- 4.10 Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

5. Review of effectiveness

- 5.1 As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an independent opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work programme. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by reports and comments made by the external auditor, the Healthcare Commission and the NHS Litigation Authority, clinical auditors, accreditation bodies and peer reviews.

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- 5.2 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board, Audit Committee, Finance and Performance Management Committee, Governance & Risk Management Committee, Governance Board, Health and Safety Committee and the Adverse Events Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.
- 5.3 The Trust Board is responsible for reviewing the effectiveness of internal control and the Board is supported in this by the corporate committees list below.
- (a) **Audit Committee** – this committee considers the annual plans and reports of both the External and Internal Auditors. It also provides an overview and advises the Trust Board on the internal control arrangements put in place by the Trust.
 - (b) **Finance and Performance Management Committee** – the FPMC receives regular monthly reports on financial performance and activity with particular regard to national targets. The committee also reviews all identified financial risks, proposed treatment plans and monitors their implementation.
 - (c) **Governance & Risk Management Committee** – the G&RMC receives regular reports from departments and divisions in respect of material risks, stratified by severity. It oversees the work of the Trust's Governance Board where potentially significant risk (i.e. 'red' risks) is scrutinised and where appropriate placed on to the Trust's corporate Risk Register. Progress in implementing the mitigation plans is monitored. The Committee considers progress with addressing gaps in control and assurance through the quarterly review of the Assurance Framework.
 - (d) **Remuneration Committee** – this is a committee of non-officer members (Non Executive Directors) which sets the pay and conditions of senior managers.
 - (e) **Equality and Diversity Steering Group** – the E & DSG provides a quarterly update to the Trust Board on progress with implementation of the Single Equality Scheme, including activities such as equality impact assessment of policies and services, work on patient experience and workforce monitoring
- 5.4 The Trust Board receives a quarterly update from the Director of Infection Prevention and Control on performance against national infection rate targets, together with effectiveness of structures in place to support infection control and measures to ensure continuous improvement in this area
- 5.5 Individual Executive Directors and managers are responsible for ensuring the adequacy and effectiveness of internal control within their sphere of responsibility.
- 5.6 Internal Audit carry out a continuous review of the internal control system and report the result of their reviews and recommendations for improvements in control to management and the Trust's Audit Committee.
- 5.7 Specific reviews have been undertaken by Internal Audit, External Audit, NHS Litigation Authority as well as various external bodies.

6 Significant control issues

- 6.1 The Trust has set out its declaration of non-compliance with core standards for better health within paragraph 4.8. Compliance with standards C7e (implementation of a Single Equality Scheme) and C8b (conducting appraisals) was achieved during 2008. Compliance with core standard C2 (staff training in child protection) was achieved by 31 March 2009 and a plan is in place to ensure compliance with the remaining standard C20b (elimination of mixed sex accommodation) by 31 December 2009.

7 Concluding Remarks

As Accountable Officer and on behalf of the Trust Board, I confirm that the Statement on Internal Control is a balanced reflection of the actual control position at 31 March 2009. Based on my review I do not consider there to be any material control weaknesses that require separate disclosure.

Signed  Chief Executive (On behalf of the board)

Date 11 JUNE 2009



Independent auditors' report to the Directors of the Board of Sandwell and West Birmingham Hospitals NHS Trust

Opinion on the financial statements

We have audited the financial statements of Sandwell and West Birmingham Hospitals NHS Trust for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and auditor

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

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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

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

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

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2009 and of its income and expenditure for the year then ended;
- The part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- Information which comprises the commentary on the financial performance included within the Operational and Financial Review included within the Annual Report is consistent with the financial statements.



Michael McDonagh (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

2 Cornwall Street

Birmingham

11 June 2009



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

Directors' Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Sandwell and West Birmingham Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

Michael McDonagh (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

2 Cornwall Street

Birmingham

11 June 2009

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2009**

	NOTE	2008/09 £000	2007/08 £000
Income from activities	3	323,035	310,786
Other operating income	4	36,126	38,730
Operating expenses	5-7	<u>(348,059)</u>	<u>(334,190)</u>
OPERATING SURPLUS/(DEFICIT)		11,102	15,326
Profit/(loss) on disposal of fixed assets	8	<u>(190)</u>	<u>(101)</u>
SURPLUS/(DEFICIT) BEFORE INTEREST		10,912	15,225
Interest receivable		1,048	1,644
Interest payable	9	(104)	(422)
Other finance costs - unwinding of discount	16	<u>(51)</u>	<u>(51)</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		11,805	16,396
Public dividend capital dividends payable		<u>(9,258)</u>	<u>(8,831)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u>2,547</u>	<u>7,565</u>

The notes on pages 5 to 43 form part of these accounts.

All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 March 2009**

	NOTE	31 March 2009 £000	31 March 2008 £000
FIXED ASSETS			
Intangible assets	10	547	373
Tangible assets	11	255,007	274,392
Financial assets	14	0	0
TOTAL FIXED ASSETS		255,554	274,765
CURRENT ASSETS			
Stocks and work in progress	12	3,295	3,649
Debtors	13	20,242	20,549
Investments		0	0
Other financial assets	14	0	0
Cash at bank and in hand	18.3	8,752	8,285
TOTAL CURRENT ASSETS		32,289	32,483
CREDITORS: Amounts falling due within one year	15.1	(27,328)	(29,672)
Financial liabilities	16	0	0
NET CURRENT ASSETS/(LIABILITIES)		4,961	2,811
TOTAL ASSETS LESS CURRENT LIABILITIES		260,515	277,576
CREDITORS: Amounts falling due after more than one year	15.2	0	0
Financial liabilities	16	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	17	(7,633)	(5,571)
TOTAL ASSETS EMPLOYED		252,882	272,005
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	23	160,231	162,296
Revaluation reserve	18	60,699	83,147
Donated asset reserve	18	2,531	2,669
Government grant reserve	18	1,985	2,163
Other reserves	18	9,058	9,058
Income and expenditure reserve	18	18,378	12,672
TOTAL TAXPAYERS' EQUITY		252,882	272,005

The financial statements on pages 1 to 43 were approved by the Board on 11th June 2009 and signed on its behalf by:

Signed:  (Chief Executive)

Date: 11 June 2009

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2009**

	2008/09	2007/08
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	11,805	15,355
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	(19,361)	19,302
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	306	72
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year	(7,250)	34,729
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	<u><u>(7,250)</u></u>	<u><u>34,729</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	19.1	29,242	41,589
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,174	1,603
Interest paid		(110)	(428)
Interest element of finance leases		0	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		1,064	1,175
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(15,679)	(14,107)
Receipts from sale of tangible fixed assets		21	164
(Payments) to acquire intangible assets		(358)	(76)
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
(Payments to acquire)/receipts from sale of financial instruments		0	0
Net cash inflow/(outflow) from capital expenditure		(16,016)	(14,019)
DIVIDENDS PAID		(9,258)	(8,831)
Net cash inflow/(outflow) before management of liquid resources and financing		5,032	19,914
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of financial assets with the Department of Health		0	0
(Purchase) of other current financial assets		0	0
Sale of financial assets with the Department of Health		0	0
Sale of other current financial asset		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		5,032	19,914
FINANCING			
Public dividend capital received		0	0
Public dividend capital repaid		(2,065)	(6,116)
Loans received from the Department of Health		0	0
Other loans received		0	0
Loans repaid to the Department of Health		(2,500)	(6,500)
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		(4,565)	(12,616)
Increase/(decrease) in cash		467	7,298

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 Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies 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 fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired 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 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is carried at current cost. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

1.5 Tangible fixed assets

Capitalisation

Borrowing costs associated with the construction of new assets are not capitalised.

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £5,000; or
- collectively 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
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Expenditure on digital hearing aids in the years ended 31 March 2004 to 31 March 2007 (but not in earlier years) was treated as capital expenditure in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. As a result of a change in accounting policy adopted by the Department of Health, hearing aids purchased in the financial year ended 31 March 2008 were not capitalised but charged directly to the Trust's Income & Expenditure Account.

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. For 2008/09, neither land nor building indices have been applied but asset values impaired to reflect downward movements in indices published by HM Treasury.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Gains arising from indexation and revaluations are taken to the Revaluation Reserve. Losses arising from revaluation are recognised as impairments and are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year's Income & Expenditure account, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations

Assets in the course of construction are valued at current cost and, as they are expected to become operational over a short time period, they are neither indexed nor revalued. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment is carried at current value. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

On acquisition of new capital equipment, the Trust uses the following economic lives:

- Short life engineering plant and equipment - 5 years
- Medium life engineering plant and equipment - 10 years
- Long life engineering plant and equipment - 15 years
- Vehicles - 7 years
- Furniture - 10 years
- Office and IT equipment - 5 years
- Soft furnishings - 7 years
- Short life medical and other equipment - 5 years
- Medium life medical equipment - 10 years
- Long life medical equipment - 15 years
- Mainframe-type IT installations - 8 years

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

1.6 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.7 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Gains and losses on revaluations are also 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 Income and Expenditure Account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.8 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides practical guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.9 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.10 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- there is a clearly defined project;
- the related expenditure is separately identifiable;

- the outcome of the project has been assessed with reasonable certainty as to:
 - its technical feasibility;
 - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.11 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 17.

Non-clinical risk pooling

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

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

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 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. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date 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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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.

Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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 income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension 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, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. 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. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse or eligible unmarried partner.

New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

1.13 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.14 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.

1.15 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

1.16 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 29 to the accounts.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.18 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash 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. 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.

1.19 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 each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account 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).

1.20 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as Government Granted Other Current Asset, valued at open market value. As the Trust 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 current asset, provision and Government Grant Reserve are valued at current market value at the Balance Sheet date.

1.21 Financial Instruments

Financial assets

Financial assets are recognised on the balance sheet when the Trust becomes party to the financial instrument contract or, in the case of trade debtors, 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.

1.21 Financial Instruments (cont)

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 net carrying amount of the financial asset.

At the balance sheet date, 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.

1.21 Financial Instruments (cont)

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, 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.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

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 Income and Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

1.24 Other Reserves

Other reserves of £9,058,000 were created as a result of imbalances between the transfer of assets to the Sandwell Primary Care Trusts and the issue of Public Dividend Capital on the creation of Sandwell and West Birmingham Hospitals on 1st April 2002.

2 SEGMENTAL ANALYSIS

The Trust does not carry out activities of a material value that would warrant disclosure under the segmental reporting requirements (Nil in 2007/08).

3. Income from Activities

	2008/09 £000	2007/08 £000
Strategic Health Authorities	5,996	5,690
NHS Trusts	813	607
Primary Care Trusts	292,701	282,000
Foundation Trusts	82	575
Local Authorities	0	0
Department of Health	21,223	18,499
NHS Other	0	0
Non NHS:		
- Private patients	147	134
- Overseas patients (non-reciprocal)	154	75
- Injury cost recovery	1,617	1,031
- Other	302	2,175
	323,035	310,786

Injury Cost Recovery Income is subject to varying provision for doubtful debts depending on the age and collection profile of the debt. This ranges from 0% for claims less than one year old to 42% for claims greater than 4 years old. This reflects expected rates of collection. Overall, the provision for doubtful debts equates to 23.6% of total ICR debtors compared with a national recommended provision of 7.8%.

4. Other Operating Income

	2008/09 £000	2007/08 £000
Patient transport services	627	569
Education, training and research	18,365	17,956
Charitable and other contributions to expenditure	76	81
Transfers from Donated Asset Reserve	458	445
Transfers from Government Grant Reserve	80	80
Non-patient care services to other bodies	6,959	9,383
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Income generation	4,216	4,195
Other income	5,345	6,021
	36,126	38,730

Included in other income above are the following values:

	2008/09 £000	2007/08 £000
Grants (including Reimbursement Grant)	14	493
Distinction Awards	1,355	1,214
Estates Services	961	881

5. Operating Expenses

5.1 Operating expenses comprise:

	2008/09 £000	2007/08 £000
Services from other NHS Trusts	727	940
Services from PCTs	2,014	1,870
Services from other NHS bodies	142	99
Services from Foundation Trusts	115	0
Purchase of healthcare from non NHS bodies	639	776
Directors' costs	861	766
Staff costs	237,814	218,920
Supplies and services - clinical	52,073	51,551
Supplies and services - general	5,588	4,929
Consultancy services	2,906	2,481
Establishment	4,020	3,507
Transport	1,422	1,265
Premises	18,210	16,490
Impairment of debtors	(1,350)	1,648
Depreciation	15,384	15,513
Amortisation	202	212
Tangible fixed asset impairments and reversals	0	3,346
Intangible fixed asset impairments and reversals	0	0
Impairments and reversals of financial assets (by class)	0	0
Change in the fair value of financial instruments	0	0
Audit fees	229	256
Other auditor's remuneration	76	0
Clinical negligence	5,046	4,210
Redundancy costs	920	1,283
Education and training	679	482
Other	342	3,646
	348,059	334,190

5.2 Operating leases

5.2/1 Operating expenses include:

	2008/09 £000	2007/08 £000
Hire of plant and machinery	0	0
Other operating lease rentals	350	291
	<u>350</u>	<u>291</u>

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2008/09 £000	2007/08 £000	2008/09 £000	2007/08 £000
Operating leases which expire:				
Within 1 year	0	0	0	8
Between 1 and 5 years	0	0	271	218
After 5 years	13	13	0	17
	<u>13</u>	<u>13</u>	<u>271</u>	<u>243</u>

6. Staff costs and numbers

6.1 Staff costs

	Total	2008/09 Permanently Employed	Other	2007/08
	£000	£000	£000	£000
Salaries and wages	202,080	195,460	6,620	184,871
Social Security Costs	15,645	15,645	0	15,133
Employer contributions to NHS BSA - Pensions Division	21,202	21,202	0	19,954
Other pension costs	0	0	0	0
	<u>238,927</u>	<u>232,307</u>	<u>6,620</u>	<u>219,958</u>

Included in salaries and wages above is an amount of £310,537 in respect of capitalised salaries (2007/08 £333,059).

The NHS Pensions Scheme is accounted for as though it is a defined contribution scheme.

6.2 Average number of persons employed

	Total	2008/09 Permanently Employed	Other	2007/08
	Number	Number	Number	Number
Medical and dental	773	755	18	748
Ambulance staff	0	0	0	0
Administration and estates	1,377	1,321	56	1,295
Healthcare assistants and other support staff	621	531	90	557
Nursing, midwifery and health visiting staff	2,543	2,522	21	2,534
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	921	913	8	878
Social care staff	0	0	0	0
Other	0	0	0	0
Total	<u>6,235</u>	<u>6,042</u>	<u>193</u>	<u>6,012</u>

6.3 Employee benefits

There were no employee benefits paid in 2008/2009 (nil in 2007/2008).

6.4 Management costs

	2008/09 £000	2007/08 £000
Management costs	11,235	10,737
Income	340,761	330,064

Management costs are defined as those on the management costs website at www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en.

6.5 Retirements due to ill-health

During 2008/09 there were 14 (2007/08, 12) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £1,176,000 (2007/08: £424,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	99,384	94,545
Total Non NHS trade invoices paid within target	67,667	63,019
Percentage of Non-NHS trade invoices paid within target	68%	67%
Total NHS trade invoices paid in the year	2,179	18,412
Total NHS trade invoices paid within target	1,092	13,055
Percentage of NHS trade invoices paid within target	50%	71%

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.

NHS Bodies are permitted to adjust the measure of performance for any invoices which are considered to be disputed. Sandwell & West Birmingham Hospitals does not collect this information and the performance figures above cannot, therefore, be amended to reflect this adjustment.

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

The Trust incurred no charges under this legislation during 2008/2009 (£Nil 2007/2008).

8. Other gains and losses

	2008/09 £000	2007/08 £000
Gain on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Gain on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Gain on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	0	0
Gains on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	(190)	(101)
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
	<u>(190)</u>	<u>(101)</u>

9. Finance Costs & Interest Receivable

	2008/09 £000	2007/08 £000
Finance Costs		
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	104	422
Bank loans and overdrafts	0	0
Other interest and finance costs	0	0
TOTAL	<u>104</u>	<u>422</u>
Interest Receivable		
Bank accounts	1,048	1,644
Impaired financial assets	0	0
Other financial assets	0	0
TOTAL	<u>1,048</u>	<u>1,644</u>

10. Intangible Fixed Assets

	Software licences	Total
	£000	£000
Gross cost at 1 April 2008	1,340	1,340
Indexation		0
Impairments	0	0
Reclassifications	0	0
Revaluation	0	0
Additions purchased	358	358
Additions donated	18	18
Additions government granted	0	0
Disposals	0	0
Gross cost at 31 March 2009	1,716	1,716
Amortisation at 1 April 2008	967	967
Indexation		0
Impairments	0	0
Reversal of impairments	0	0
Reclassifications	0	0
Revaluation	0	0
Charged during the year	202	202
Disposals	0	0
Amortisation at 31 March 2009	1,169	1,169
Net book value		
- Purchased at 1 April 2008	373	373
- Donated at 1 April 2008	0	0
- Government granted at 1 April 2008	0	0
- Total at 1 April 2008	373	373
- Purchased at 31 March 2009	531	531
- Donated at 31 March 2009	16	16
- Government granted at 31 March 2009	0	0
- Total at 31 March 2009	547	547

11. Tangible Fixed Assets**11.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	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 2008	32,917	209,869	3,686	2,251	80,540	2,597	17,085	1,252	350,197
Additions purchased	0	6,563	0	3,165	4,483	0	1,036	17	15,284
Additions donated	0	0	0	0	270	0	18	0	288
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	3,159	0	(3,159)	0	0	0	0	0
Indexation	(9,543)	(10,003)	(169)	(202)	2,103	67	0	33	(17,714)
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,448)	0	0	0	(1,448)
Cost or Valuation at 31 March 2009	23,374	209,608	3,517	2,055	85,948	2,664	18,139	1,302	346,607
Depreciation at 1 April 2008	0	9,233	170	0	60,436	2,191	12,685	493	75,805
Charged during the year	0	0	0	0	3,933	212	1,725	111	15,384
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	1,577	57	0	13	1,647
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,236)	0	0	0	(1,236)
Depreciation at 31 March 2009	0	9,233	170	0	64,710	2,460	14,410	617	91,600
Net book value									
- Purchased at 1 April 2008	32,917	207,009	3,686	2,251	18,144	406	4,388	759	269,560
- Donated at 1 April 2008	0	767	0	0	1,890	0	12	0	2,669
- Government granted at 1 April 2008	0	2,093	0	0	70	0	0	0	2,163
- Total at 1 April 2008	32,917	209,869	3,686	2,251	20,104	406	4,400	759	274,392
- Purchased at 31 March 2009	23,374	197,731	3,347	2,055	19,408	204	3,703	685	250,507
- Donated at 31 March 2009	0	705	0	0	1,784	0	26	0	2,515
- Government granted at 31 March 2009	0	1,939	0	0	46	0	0	0	1,985
- Total at 31 March 2009	23,374	200,375	3,347	2,055	21,238	204	3,729	685	255,007

* Residual interests of off balance sheet PFI schemes are recorded here. In the case of Sandwell & West Birmingham Hospitals, this is the Birmingham Treatment Centre.

The open market value of assets held by the Trust at 31st March 2009 and at 31st March 2008 is the same as the net book value shown below for the respective years.

The value of land and buildings held by the Trust at 31 March 2009 has been impaired using indices published by HM Treasury which show significant falls in property values reflecting the general economic climate. The Trust plans to undertake a full external valuation of its assets during 2009/2010 using a Modern Equivalent Asset valuation method.

In the light of downward valuations of land and buildings, no indices have been applied to these categories of asset during 2008/2009. Equipment has been uplifted by indices published by the Department of Health. The expectation is that these indices will continue to be published by the Valuation Office and will continue to be applied by the Trust in future years.

11 Tangible Fixed Assets (contd)

11.2 Asset Financing

All of the assets shown in Note 11.1, for both 2008/09 and 2007/08 are owned by the Trust. The Trust did not hold any assets under finance leases or on balance sheet PFI contracts in either year.

11.3 The net book value of land, buildings and dwellings at 31 March 2009 comprises:

	2008/09 £000	2007/08 £000
Freehold	227,096	246,472
Long Leasehold	0	0
Short Leasehold	0	0
TOTAL	227,096	246,472

12. Stocks and Work in Progress

	31 March 2009	31 March 2008
	£000	£000
Raw materials and consumables	3,295	3,649
Work-in-progress	0	0
Finished goods	0	0
TOTAL	3,295	3,649

13. Debtors**13.1 Debtors at the balance sheet date are made up of:**

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
NHS debtors	12,172	13,746
Non NHS trade debtors	0	0
Provision for impairment of debtors	(1,101)	(3,124)
Other prepayments and accrued income	5,025	4,888
Current part of PFI payment	0	0
Other debtors	3,042	3,677
Sub Total: falling due within one year	19,138	19,187

Amounts falling due after more than one year:

NHS debtors	0	0
Non NHS trade debtors	0	0
Provision for impairment of debtors	(540)	0
Other prepayments and accrued income	0	0
Other debtors	1,749	1,362
Sub Total: falling due after more than one year	1,209	1,362
TOTAL	20,347	20,549

There were no prepaid pension contributions included in debtors in 2008/2009 or 2007/2008.

NHS debtors for both 31 March 2008 and 31 March 2009 includes the value of incomplete spells at the balance sheet date relating to a number of PCTs. The value of incomplete spells was £1,090,000 at 31 March 2009 and £1,041,000 at 31 March 2008. This was treated as a prior period adjustment relating to 2007/08 and the effect of the adjustment is shown in the financial year ended 31 March 2008.

	31 March 2009 £000
13.2 Provision for impairment of debtors	
Balance at 1 April 2008	3,124
Amount written off during the year	(133)
Amount recovered during the year	(1,711)
(Increase)/decrease in debtors impaired	361
Balance at 31 March 2009	1,641

	31 March 2009 £000
13.3 Debtors past due date but not impaired:	
By up to 3 months	6,192
By 3 to 6 months	1,170
By more than 6 months	1,025
TOTAL	8,387

14 Other Financial Assets

	Current financial assets 31 March 2009 £000	Fixed financial assets 31 March 2009 £000
Financial assets carried at fair value through profit and loss	0	0
Held to maturity investments at amortised cost	0	0
Available for sale financial assets carried at fair value	0	0
Loans carried at amortised cost	0	0
TOTAL	0	0

15. Creditors**15.1 Creditors at the balance sheet date are made up of:**

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	0	2,500
Interest payable	0	6
Payments received on account	0	0
NHS creditors	6,063	4,688
Non - NHS trade creditors - revenue	4,441	4,519
Non - NHS trade creditors - capital	1,447	1,843
Tax	0	0
VAT	0	0
Social security costs	0	0
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	263	532
Accruals and deferred income	15,207	15,584
Current part of finance leases element of on balance sheet PFI contracts	0	0
Sub Total: amounts falling due within one year	27,421	29,672
Amounts falling due after more than one year:		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Imputed finance leases element of on balance sheet PFI contracts	0	0
Other	0	0
Sub Total: amounts falling due in more than one year	0	0
TOTAL	27,421	29,672

Other creditors include;

- £nil for payments due in future years under arrangements to buy out the liability for early retirements over 5 years; and
- £nil outstanding pensions contributions at 31 March 2009 (31 March 2008 £nil).

15.2 Loans [and other long-term financial liabilities]

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Amounts falling due:				
In one year or less	0	0	0	2,500
Between one and two years	0	0	0	0
Between two and five years	0	0	0	0
Over 5 years	0	0	0	0
TOTAL	0	0	0	2,500

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	0	0	0	2,500
Wholly repayable after five years, not by instalments	0	0	0	0
Wholly or partially repayable after five years, by instalments	0	0	0	0
TOTAL	0	0	0	2,500

Total repayable after five years by instalments	0	0	0	0
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15.3 Finance lease obligations

	31 March 2009 £000	31 March 2008 £000
Payable:		
In one year or on demand	0	0
In more than 1 year but no longer than 2	0	
In more than 2 years but no longer than 5	0	
In more than 5 years	0	0
Less finance charges allocated to future periods	0	0
	0	0

15.4 Finance Lease Commitments

The Trust has no finance lease commitments at 31 March 2009 and had nil at 31 March 2008.

16 Other Financial Liabilities

	Due within one year 31 March 2009 £000	Due after more than one year 31 March 2009 £000
Financial liabilities carried at fair value through profit and loss	<u>0</u>	<u>0</u>

17 Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	Total £000
At 1 April 2008	0	864	1,162	0	3,545	5,571
Arising during the year	0	73	907	0	3,682	4,662
Utilised during the year	0	(84)	(262)	0	(845)	(1,191)
Reversed unused	0	0	(829)	0	(631)	(1,460)
Unwinding of discount	0	19	0	0	32	51
At 31 March 2009	<u>0</u>	<u>872</u>	<u>978</u>	<u>0</u>	<u>5,783</u>	<u>7,633</u>

Expected timing of cashflows:

Within one year	0	85	978	0	4,377	5,440
Between one and five years	0	397	0	0	381	778
After five years	0	390	0	0	1,025	1,415

Provisions relating to other staff covers pre 1995 early retirement costs. Liabilities and the timing of liabilities are based on pensions provided to individual ex employees and projected life expectancies using government actuarial tables. The major uncertainties rest around life expectancies assumed for the cases.

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 £1,487,000, CNST premiums £1,342,000, redundancies £764,000, employment tribunals and litigation £2,179,000 and consultants contract £11,000.

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

The provision for CNST premiums relates to the national planned recoupment by the NHS Litigation Authority in 2009/2010 of shortfalls in funding relating to 2008/2009.

The provision for consultants contract is based on the potential liability resulting from outstanding claims in respect of the transfer to the new consultants contract.

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, £704,000 of the Trust's gross liability is reimbursable by the NHS Litigation Authority.

£26,661,308 is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the NHS Trust (31 March 2008 £22,256,700).

18 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2008 as previously stated	83,147	2,669	2,163	9,058	11,631	108,668
PPA: other	0	0	0	0	1,041	1,041
PPA: elimination of negative revaluation reserves in respect of change in policy on impairments	0	0	0	0	0	0
At 1 April 2008 as restated	<u>83,147</u>	<u>2,669</u>	<u>2,163</u>	<u>9,058</u>	<u>12,672</u>	<u>109,709</u>
Transfer from the income and expenditure account						
Fixed asset impairments	0	0	0	0	0	0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	(19,277)	14	(98)	0	0	(19,361)
Transfer of realised profits/(losses) to the income and expenditure reserve	(23)	0	0	0	23	0
Receipt of donated/government granted assets	0	306	0	0	0	306
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	(458)	(80)	0	0	(538)
Other transfers between reserves	(3,148)	0	0	0	3,148	0
Other movements on reserves	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2009	<u><u>60,699</u></u>	<u><u>2,531</u></u>	<u><u>1,985</u></u>	<u><u>9,058</u></u>	<u><u>18,390</u></u>	<u><u>92,663</u></u>

The prior period adjustment shown under the Income and Expenditure Reserve relates to the inclusion of partially completed spells as debtors in the accounts of the Trust at 31st March 2008 and 31st March 2009. The impact on the Income and Expenditure Statement of this change is shown in the year ended 31 March 2008.

19 Notes to the cash flow Statement**19.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	2008/09	2007/08
	£000	£000
Total operating surplus/(deficit)	11,102	15,326
Depreciation and amortisation charge	15,586	15,725
Asset impairments and reversals, and movement in financial instruments	0	3,346
Transfer from Donated Asset Reserve	(458)	(445)
Transfer from the Government Grant Reserve	(80)	(80)
(Increase)/decrease in stocks	354	(48)
(Increase)/decrease in debtors	76	466
Increase/(decrease) in creditors	651	7,008
Increase/(decrease) in provisions	2,011	291
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	29,242	41,589
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	29,242	41,589
	<hr/> <hr/>	<hr/> <hr/>

19.2 Reconciliation of net cash flow to movement in net debt

	2008/09	2007/08
	£000	£000
Increase/(decrease) in cash in the period	467	7,298
Cash (inflow) from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	2,500	6,500
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	2,967	13,798
Non - cash changes in debt	0	0
Net debt at 1 April 2008	5,785	(8,013)
Net debt at 31 March 2009	8,752	5,785
	<hr/> <hr/>	<hr/> <hr/>

19.3 Analysis of changes in net debt

	At 1 April 2008	Cash Transferred (to)/from other NHS bodies £000	Other cash changes in year £000	Non-cash changes in year £000	At 31 March 2009
	£000				£000
OPG cash at bank	8,232	0	487	0	8,719
Commercial cash at bank and in hand	53	0	(20)	0	33
Bank overdraft	0	0	0	0	0
Loan from the Department of Health due within one year	(2,500)	0	2,500	0	0
Other debt due within one year	0	0	0	0	0
Loan from the Department of Health due after one year	0	0	0	0	0
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0	0	0
Current financial assets	0	0	0	0	0
	5,785	0	2,967	0	8,752

20 Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £2,063,000 (31 March 2008 £4,573,000)

21 Post Balance Sheet Events

There are no post balance sheet events which would materially affect the accounts of the Trust.

22 Contingencies

	2008/09 £000	2007/08 £000
Contingent liabilities	(604)	(623)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	(604)	(623)
 Contingent Assets	 0	 0

*Contingent liabilities held by the Trust relate to employers and public liability claims (£144,000) and injury benefits (£460,000). 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.

23 Movement in Public Dividend Capital

	2008/09 £000	2007/08 £000
Public Dividend Capital as at 1 April 2008	162,296	168,412
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	0	0
Public Dividend Capital repaid in year	(2,065)	(6,116)
Public Dividend Capital written off	0	0
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2009	160,231	162,296

The Trust's originating debt is made up of Public Dividend Capital (PDC). The Trust is required to make two dividend payments on its PDC each year. PDC currently has no repayment terms.

24 Financial Performance Targets**24.1 Breakeven Performance**

The trust's breakeven performance for 2008/09 is as follows:

Turnover

Retained surplus/(deficit) for the year

Adjustment for:

- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)
- 2007/08 Prior Period Adjustment (relating to 1997/98 to 2006/07)
- 2008/09 Prior Period Adjustment (relating to 1997/98 to 2007/08)

- Adjustments for Impairments

- Other agreed adjustments

Break-even in-year position

Break-even cumulative position

Materiality test (i.e. is it equal to or less than 0.5%):

Break-even in-year position as a percentage of turnover

Break-even cumulative position as a percentage of turnover

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
Turnover	259,821	281,832	313,388	327,536	348,475	359,161
Retained surplus/(deficit) for the year	(1,593)	(7,806)	(5,726)	3,399	6,524	2,547
Adjustment for:						
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0	0
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0	0	0	0	0
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	0	0	0	0
- 2007/08 Prior Period Adjustment (relating to 1997/98 to 2006/07)	0	0	0	0	0	0
- 2008/09 Prior Period Adjustment (relating to 1997/98 to 2007/08)	0	0	0	0	0	0
- Adjustments for Impairments						
- Other agreed adjustments	0	1,593	0	5,726	0	0
Break-even in-year position	(1,593)	(6,213)	(5,726)	9,125	6,524	2,547
Break-even cumulative position	(1,588)	(7,801)	(13,527)	(4,402)	2,122	4,669
Materiality test (i.e. is it equal to or less than 0.5%):						
Break-even in-year position as a percentage of turnover	-0.61%	-2.20%	-1.83%	2.79%	1.87%	0.71%
Break-even cumulative position as a percentage of turnover	-0.61%	-2.77%	-4.32%	-1.34%	0.61%	1.30%

24.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £9,258,000, bears to the average relevant net assets of £251,368,000, that is 3.7%.

24.3 External financing

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

	£000	2008/09 £000	2007/08 £000
External financing limit		(3,894)	(19,643)
Cash flow financing	(5,032)		(19,914)
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		(5,032)	(19,914)
Undershoot/(overshoot)		1,138	271

24.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	15,948	13,232
Less: book value of assets disposed of	(212)	(265)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(306)	(72)
Charge against the capital resource limit	15,430	12,895
Capital resource limit	16,843	14,647
(Over)/Underspend against the capital resource limit	1,413	1,752

25 Related Party Transactions

Sandwell & West Birmingham Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year, none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Sandwell & West Birmingham Hospitals NHS Trust.

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

	Income £000	Debtors £000
Sandwell Primary Care Trust	142,315	3,590
Heart of Birmingham Teaching Primary Care Trust	88,368	1,287
Birmingham East and North Primary Care Trust	38,749	438
South Birmingham PCT	14,651	624
Walsall Primary Care Trust	5,665	49
Heart of England Foundation Trust	1,668	1,408
	Expenditure £000	Creditors £000
Sandwell PCT	3,074	1,015
NHS Purchasing and Supply Agency	7,743	238
NHS Litigation Authority	3,980	1

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.

26 Private Finance Transactions

26.1 PFI schemes deemed to be off-balance sheet

	2008/09 £000	2007/08 £000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	3,671	2,703
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	<u>3,671</u>	<u>2,703</u>

The NHS Trust is committed to make the following payments during the next year.

PFI scheme which expires; 26th to 30th years (inclusive)	3,671	3,761
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The estimated annual payments in future years are not expected to be materially different from those which the NHS Trust is committed to make during the next year.

	£000	£000
Estimated capital value of the PFI scheme	38,848	38,848
Contract Start date:		20th July 2005
Contract End date:		19th July 2035

PFI commitments relate to the Birmingham Treatment Centre which was practically completed in July 2005. The contract includes maintenance of buildings, plant and surrounding grounds only and no staff transferred to the private sector.

Based on a valuation at 31st March 2009, the Centre has a residual value of £6,592,000.

26.2 'Service' element of PFI schemes deemed to be on-balance sheet

The Trust has no schemes deemed to be on balance sheet.

27 Pooled Budgets

The Trust did not have any pooled budgets with other organisations in 2007/08 or 2008/09.

28 Financial Instruments

Financial Reporting Standard 29 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 these standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

Currency risk

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

Interest-rate risk

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

Credit risk

Because of the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2009 are in receivables from customers, as disclosed in the debtors note.

Liquidity risk

The Trust's new operating costs are incurred under contract with Primary Care Trusts, which are financed from resources voted annually by Parliament. The trust funds its capital expenditure from funds obtained within its Prudential Borrowing Limit. The Trust is not, therefore, exposed to significant liquidity risks.

28.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non- interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	9,961	8,752	0	1,209	0.00	0	0
Other	0	0	0	0	0.00	0	0
Gross financial assets	9,961	8,752	0	1,209			
At 31 March 2008							
Sterling	8,285	8,285	0	0	0.00	0	0
Other	0	0	0	0	0.00	0	0
Gross financial assets	8,285	8,285	0	0			

28.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate			Non-interest bearing	Weighted average term
			£000	£000	£000		
At 31 March 2009							
Sterling	2,193	0	0	2,193	0.00	0	0
Other	0	0	0	0	0.00	0	0
Gross financial liabilities	2,193	0	0	2,193			
At 31 March 2008							
Sterling	2,168	0	0	2,168	0.00	0	0
Other	0	0	0	0	0.00	0	0
Gross financial liabilities	2,168	0	0	2,168			

28.3 Financial Assets

	At 'fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS debtors	0	0	0	0
Non NHS debtors	0	1,209	0	1,209
Cash at bank and in hand	0	8,752	0	8,752
Other financial assets	0	0	0	0
Total at 31 March 2009	0	9,961	0	9,961

28.4 Financial Liabilities

	At 'fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
NHS creditors	(2,193)	0	(2,193)
Non NHS creditors	0	0	0
Borrowings	0	0	0
Private Finance Initiative and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
Total at 31 March 2009	(2,193)	0	(2,193)

29 Third Party Assets

The Trust held £326 cash at bank and in hand at 31 March 2009 (£4,219 - at 31 March 2008) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

30 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	8,392	0	3,911	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,780	0	2,150	0
Balances with Public Corporations and Trading Funds	0	0	2	0
Intra Government balances	12,172	0	6,063	0
Balances with bodies external to Government	6,966	1,209	21,358	0
At 31 March 2009	19,138	1,209	27,421	0
Balances with other Central Government Bodies	7,659	0	2,430	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	5,046	0	2,258	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	12,705	0	4,688	0
Balances with bodies external to Government	5,441	1,362	24,984	0
At 31 March 2008	18,146	1,362	29,672	0

31 Losses and Special Payments

There were 966 cases of losses and special payments (2007/08: 1185 cases) totalling £453,391 (2007/08: £570,552) during 2008/09.

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).