

# Financial Statement For the year ended 31 March 2010

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Data entered below will be used throughout the workbook:

Trust name:	Sandwell & West Birmingham Hospitals
This year	2009/10
Last year	2008/09
This year ended	31 March 2010
Last year ended	31 March 2009
This year commencing:	1 April 2009

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

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

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

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

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

Date.....10/6/2010.....

**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:

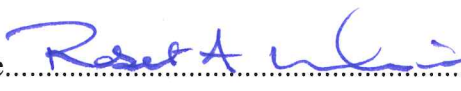
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and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

.....10/6/2010.....Date..........Chief Executive

.....10/6/2010.....Date..........Finance Director



## 2009-10 Annual Accounts of Sandwell & West Birmingham Hospitals NHS Trust

### STATEMENT ON INTERNAL CONTROL 2009/10

#### 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 Health Authority, the Chief Executives of the local Primary Care Trusts and the Council Leaders of the local authorities. Governance and risk issues are regularly discussed at a variety of Health Economy wide fora, including formal review meetings with the Strategic Health Authority, monthly meetings of Chief Executives and via the Partnership Board for the Health Economy-wide development plan, known as 'Right Care, Right Here'.

#### 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 2010 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. Mandatory training modules

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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. Initiatives to install encryption software onto laptops and introduction of controls to prevent the use of non-Trust approved secure memory sticks on the Trust's computers have strengthened the arrangements to minimise Information Security incidents.

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

- 4.4 The Trust uses its risk management guidelines to identify key obstacles to the achievement of its objectives and monitors these through the assurance framework. Regular risk reviews and annual strategic, operational and financial planning also provide the formal identification of clinical and corporate risks. For each major risk identified there is a set of mitigating plans and action.

RISK	MITIGATING ACTIVITIES
Risk to continued delivery of high standards of care owing to clinical capacity configuration and/or staffing changes as part of the cost improvement plan.	<ul style="list-style-type: none"> <li>▪ A review in detail of any staffing changes associated with efficiency improvements.</li> <li>▪ Establishment of a project team to oversee changes in clinical space utilisation.</li> <li>▪ Risk assessment of the Cost Improvement Plan (CIP).</li> </ul>
Non-delivery of the entirety of the £20m CIP	<ul style="list-style-type: none"> <li>▪ The creation of detailed line by line CIP schemes</li> <li>▪ Tightly controlled performance monitoring.</li> <li>▪ The requirement for all major schemes to have established project plans.</li> </ul>
A potential rise in unplanned (emergency) admissions, from an operational and financial perspective.	<ul style="list-style-type: none"> <li>▪ Plans in place to enhance early intervention services and ensure appropriate and efficient diagnosis and treatment, with the aim of avoiding unnecessary hospital admissions.</li> </ul>
Delay to the preparations being made for land acquisition and the further stages of approval for the new hospital outline business case.	<ul style="list-style-type: none"> <li>▪ A detailed capital spending plan (including resources earmarked for land assembly) has been included in plans approved by the Board and submitted to the Strategic Health Authority.</li> <li>▪ Enhanced project management arrangements are in place together with a clear timetable and project plan for delivery with appropriate resourcing.</li> </ul>

The present and future risks described above sit along side a whole range of other expected risks routinely found in the delivery of high quality healthcare. Where these risks are formalised, they are regularly monitored to ensure mitigation plans are working and any adverse impact is eliminated or minimised.

- 4.5 The **Internal Auditor's Year End Report** and opinion on the effectiveness of the system of internal control is commented on below. The internal auditor's 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.

## 2009-10 Annual Accounts of Sandwell & West Birmingham Hospitals NHS Trust

- 4.9 The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.
- 4.10 The Trust was fully compliant with the Core Standards for Better Health by the end of the financial year (i.e. 31<sup>st</sup> March 2010). There were two standards that were not fully complied with throughout the whole of the year. These were standard C20b (eliminating mixed-sex accommodation) which was achieved in December 2009 and standard C11b (mandatory training) which was achieved by 31<sup>st</sup> March 2010.
- 4.11 Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. The Trust's compliance with equality and diversity issues is also monitored through the Equality and Diversity Steering Group, which reports quarterly to the Trust Board. During 2009/10, all new Trust services, policies and functions are subjected to an equality impact assessment, the details of which are publicly available on the Trust's internet site.
- 4.12 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.

### 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 opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. 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 Care Quality Commission and the NHS Litigation Authority, clinical auditors, accreditation bodies and peer reviews.
- 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.



## **Independent auditors' report to the Board of Directors 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 ("the Trust") for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. 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 the 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 the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

### ***Respective responsibilities of Directors and auditors***

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

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

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

We review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'Guidance on Completing the Statement on Internal Control 2009/10' issued in February 2010. 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 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 Directors' Report. 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:

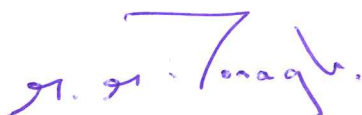
- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

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

### ***Opinion***

In our opinion:

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



Michael A McDonagh

Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Birmingham

10 June 2010





## **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.

### ***Auditors' 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, the Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

### ***Certificate***

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

A handwritten signature in blue ink, appearing to read 'M. A. McDonagh', written over a horizontal line.

Michael A McDonagh

Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Birmingham

10 June 2010

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

	NOTE	2009/10 £000	2008/09 £000
<b>Revenue</b>			
Revenue from patient care activities	5	345,091	323,035
Other operating revenue	6	39,683	36,126
Operating expenses	8	(404,274)	(350,732)
<b>Operating surplus (deficit)</b>		<b>(19,500)</b>	<b>8,429</b>
<b>Finance costs:</b>			
Investment revenue	14	80	1,048
Other gains and (losses)	15	(102)	(190)
Finance costs	16	(2,179)	(2,405)
<b>Surplus/(deficit) for the financial year</b>		<b>(21,701)</b>	<b>6,882</b>
Public dividend capital dividends payable		(6,945)	(9,258)
<b>Retained surplus/(deficit) for the year</b>		<b>(28,646)</b>	<b>(2,376)</b>
<b>Other comprehensive income</b>			
Impairments and reversals		(50,719)	(19,917)
Gains on revaluations		27,270	556
Receipt of donated/government granted assets		287	306
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		0	0
Net gains/(losses) on available for sale financial assets		0	0
Reclassification adjustments:			
- Transfers from donated and government grant reserves		(507)	(538)
- On disposal of available for sale financial assets		0	0
<b>Total comprehensive income for the year</b>		<b>(52,315)</b>	<b>(21,969)</b>

The notes on pages 6 to 45 form part of these accounts.

The Trust's in year deficit is wholly generated by the impairment of land and buildings resulting from the revaluation of these assets onto a Modern Equivalent Asset (MEA) basis and general falls in land and building values as well as some limited economic impairment of assets resulting from change of use. Excluding the effect of the MEA and price related changes in value, the Trust has generated a surplus for the year of £2,201,000. Economic impairments are also treated as a technical adjustment and the effect of this change is to increase the surplus for the year to £7,260,000 as demonstrated in Note 39.1 to these accounts.



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

	NOTE	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
<b>Non-current assets</b>				
Property, plant and equipment	17	220,296	277,912	303,584
Intangible assets	18	426	547	373
Investment property		0	0	0
Other financial assets	23	0	0	0
Trade and other receivables	22	1,158	1,158	1,362
<b>Total non-current assets</b>		<b>221,880</b>	<b>279,617</b>	<b>305,319</b>
<b>Current assets</b>				
Inventories	21	3,439	3,295	3,649
Trade and other receivables	22	19,289	19,138	19,129
Other financial assets	23	0	0	0
Other current assets	24	0	0	0
Cash and cash equivalents	25	15,867	8,752	8,285
		<b>38,595</b>	<b>31,185</b>	<b>31,063</b>
Non-current assets held for sale	26	0	0	0
<b>Total current assets</b>		<b>38,595</b>	<b>31,185</b>	<b>31,063</b>
<b>Total assets</b>		<b>260,475</b>	<b>310,802</b>	<b>336,382</b>
<b>Current liabilities</b>				
Trade and other payables	27	(31,962)	(28,516)	(28,238)
Other liabilities	29	0	0	0
DH Working capital loan		0	0	(2,500)
DH Capital loan		0	0	0
Borrowings	28	(1,698)	(1,885)	(1,787)
Other financial liabilities	34	0	0	0
Provisions	35	(5,338)	(5,440)	(1,996)
<b>Net current assets/(liabilities)</b>		<b>(403)</b>	<b>(4,656)</b>	<b>(3,458)</b>
<b>Total assets less current liabilities</b>		<b>221,477</b>	<b>274,961</b>	<b>301,861</b>
<b>Non-current liabilities</b>				
Borrowings	28	(32,476)	(33,627)	(35,111)
DH Working capital loan		0	0	0
DH Capital loan		0	0	0
Trade and other payables	27	0	0	0
Other financial liabilities	34	0	0	0
Provisions	35	(2,175)	(2,193)	(3,575)
Other liabilities	29	0	0	0
<b>Total assets employed</b>		<b>186,826</b>	<b>239,141</b>	<b>263,175</b>
<b>Financed by taxpayers' equity:</b>				
Public dividend capital		160,231	160,231	162,296
Retained earnings		(22,259)	4,637	3,842
Revaluation reserve		36,545	60,699	83,147
Donated asset reserve		2,148	2,531	2,669
Government grant reserve		1,103	1,985	2,163
Other reserves		9,058	9,058	9,058
<b>Total Taxpayers' Equity</b>		<b>186,826</b>	<b>239,141</b>	<b>263,175</b>

The financial statements on pages 1 to 5 were approved by the Board on  
10th June 2010 and signed on its behalf by:

Signed:  (Chief Executive)  
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Date: 10/6/2010

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

## Balance at 31 March 2008

As previously stated	162,296	2,801	83,147	2,669	2,163	9,058	262,134
Prior Period Adjustment	0	1,041	0	0	0	0	1,041
<b>Restated balance</b>	<b>162,296</b>	<b>3,842</b>	<b>83,147</b>	<b>2,669</b>	<b>2,163</b>	<b>9,058</b>	<b>263,175</b>

## Changes in taxpayers' equity for 2008/09

Total Comprehensive Income for the year:	0	(2,376)	0	0	0	0	(2,376)
Retained surplus/(deficit) for the year	0	3,171	(3,171)	0	0	0	0
Transfers between reserves	0	0	(19,819)	0	(98)	0	(19,917)
Impairments and reversals	0	0	542	14	0	0	556
Net gain on revaluation of property, plant, equipment	0	0	0	0	0	0	0
Net gain on revaluation of intangible assets	0	0	0	0	0	0	0
Net gain on revaluation of financial assets	0	0	0	0	0	0	0
Net gain on revaluation of non current assets held for sale	0	0	0	0	0	0	0
Receipt of donated/government granted assets	0	0	0	306	0	0	306
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	0	0	0	0	0	0	0
Movements in other reserves	0	0	0	0	0	0	0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve	0	0	0	(458)	(80)	0	(538)
- on disposal of available for sale financial assets	0	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0	0
Originating capital for Trust establishment in year	0	0	0	0	0	0	0
New PDC received	0	0	0	0	0	0	0
PDC repaid in year	(2,065)	0	0	0	0	0	(2,065)
PDC written off	0	0	0	0	0	0	0
Other movements in PDC in year	0	0	0	0	0	0	0
<b>Balance at 31 March 2009</b>	<b>160,231</b>	<b>4,637</b>	<b>60,699</b>	<b>2,531</b>	<b>1,985</b>	<b>9,058</b>	<b>239,141</b>



# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

## Changes in taxpayers' equity for 2009/10

### Balance at 1 April 2009

Total Comprehensive Income for the year	
Retained surplus/(deficit) for the year	
Transfers between reserves	
Impairments and reversals	
Net gain on revaluation of property, plant, equipment	
Net gain on revaluation of intangible assets	
Net gain on revaluation of financial assets	
Net gain on revaluation of non current assets held for sale	
Receipt of donated/government granted assets	
Net gain/loss on other reserves (e.g. defined benefit pension scheme)	
Movements in other reserves	
Reclassification adjustments:	
- transfers from donated asset/government grant reserve	
- on disposal of available for sale financial assets	
Reserves eliminated on dissolution	
Originating capital for Trust establishment in year	
New PDC received	
PDC repaid in year	
PDC written off	
Other movements in PDC in year	
<b>Balance at 31 March 2010</b>	

Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Gov't grant reserve £000	Other reserves £000	Total £000
160,231	4,637	60,699	2,531	1,985	9,058	239,141
0	(28,646)	0	0	0	0	(28,646)
0	1,750	(1,750)	0	0	0	0
0	0	(49,519)	(348)	(852)	0	(50,719)
0	0	27,115	127	28	0	27,270
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	287	0	0	287
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	(449)	(58)	0	(507)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
160,231	(22,259)	36,545	2,148	1,103	9,058	186,826

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

	NOTE	2009/10 £000	2008/09 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		(19,500)	8,429
Depreciation and amortisation		13,913	17,179
Impairments and reversals		36,463	5,066
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(449)	(458)
Transfer from government grant reserve		(58)	(80)
Interest paid		(764)	(110)
Dividends paid		(7,664)	(9,258)
(Increase)/decrease in inventories		(144)	354
(Increase)/decrease in trade and other receivables		566	76
(Increase)/decrease in other current assets		0	0
Increase/(decrease) in trade and other payables		(209)	679
Increase/(decrease) in other current liabilities		0	0
Increase/(decrease) in provisions	35	(173)	2,011
<b>Net cash inflow/(outflow) from operating activities</b>		<b>21,981</b>	<b>23,888</b>
<b>Cash flows from investing activities</b>			
Interest received		81	1,174
(Payments) for property, plant and equipment	17	(13,081)	(15,679)
Proceeds from disposal of plant, property and equipment		0	21
(Payments) for intangible assets	18	(51)	(358)
Proceeds from disposal of intangible assets		0	0
(Payments) for investments with DH		0	0
(Payments) for other investments		0	(2,322)
Proceeds from disposal of investments with DH		0	0
Proceeds from disposal of other financial assets		0	0
Revenue rental income		0	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(13,051)</b>	<b>(17,164)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>8,930</b>	<b>6,724</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		0	0
Public dividend capital repaid		0	(2,065)
Loans received from the DH		0	0
Other loans received		0	0
Loans repaid to the DH		0	(2,500)
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance leases and PFI		(1,815)	(1,692)
Cash transferred to NHS Foundation Trusts		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>(1,815)</b>	<b>(6,257)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,115</b>	<b>467</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>8,752</b>	<b>8,285</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	25	<b>15,867</b>	<b>8,752</b>

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

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

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

##### 1.3.1 Critical judgements in applying accounting policies

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

##### 1.3.2 Key sources of estimation uncertainty

A full professional valuation of assets using Modern Equivalent Asset valuation methodology was undertaken during 2009/2010 by the District Valuation Services. This was used to value assets as at 1st April 2009. A further revaluation of assets was undertaken at 31st March 2010, again by the District Valuation Service, using building cost and other indices published at a national level. A further partial revaluation will be undertaken as at 31st March 2011, at which point any uncertainty created by the use of indices will be resolved.

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

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

Provisions included in the financial position at 31st March 2010 are estimated using appropriate professional advice and based on circumstances prevailing at the balance sheet date.

### **1.4 Revenue**

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

Where income is received for a specifically defined activity that is to be delivered in the following year(s), that income is deferred.

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

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

### **1.5 Employee Benefits**

#### **Short-term employee benefits**

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

#### **Retirement benefit costs**

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

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

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

### 1.6 Other expenses

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

### 1.7 Property, plant and equipment

#### Recognition

Property, plant and equipment is capitalised if:

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

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

#### Valuation

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

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

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

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



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

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

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

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

### Subsequent expenditure

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

## 1.8 Intangible assets

### Recognition

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

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

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

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

### Measurement

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

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

### 1.9 Depreciation, amortisation and impairments

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

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

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

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

### 1.10 Donated assets

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

### 1.11 Government grants

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

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

### **1.12 Non-current assets held for sale**

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

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

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

### **1.13 Leases**

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

#### **The trust as lessee**

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

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

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

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

### **1.14 Private Finance Initiative (PFI) transactions**

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

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques based upon the developers model for PFI schemes:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

### Services received

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

### PFI Asset

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

### PFI liability

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

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

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

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

### Lifecycle replacement

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

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

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

### **1.15 Inventories**

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

### **1.16 Cash and cash equivalents**

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

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

### **1.17 Provisions**

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

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

### **1.18 Clinical negligence costs**

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

### **1.19 Non-clinical risk pooling**

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

### **1.20 EU Emissions Trading Scheme**

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

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

### **1.21 Contingencies**

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

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

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

### **1.22 Financial assets**

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

Financial assets are initially recognised at fair value.

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

#### **Financial assets at fair value through profit and loss**

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

#### **Held to maturity investments**

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

#### **Available for sale financial assets**

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

#### **Loans and receivables**

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

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

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

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

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

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

### **1.23 Financial liabilities**

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

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

#### **Financial guarantee contract liabilities**

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

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

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

#### **Financial liabilities at fair value through profit and loss**

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

#### **Other financial liabilities**

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



#### **1.24 Value Added Tax**

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

#### **1.25 Foreign currencies**

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

#### **1.26 Third party assets**

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

#### **1.27 Public Dividend Capital (PDC) and PDC dividend**

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

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

#### **1.28 Losses and Special Payments**

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

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

#### **1.29 Subsidiaries**

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

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

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

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

### **1.30 Associates**

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

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

### **1.31 Joint ventures**

The Trust has no joint ventures.

### **1.32 Joint operations**

The Trust has no joint operations.

### **1.33 Accounting standards that have been issued but have not yet been adopted**

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

IAS 27 (Revised) Consolidated and separate financial statements

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

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

### **1.34 Accounting standards issued that have been adopted early**

The amendment to IFRS 8 Operating Segments that was included in the April 2009 Improvements to IFRS has been adopted early by the NHS. However, Sandwell & West Birmingham Hospitals NHS Trust is not managed nor does it report financial results in a way which allows or generates segmental reporting.

### **1.35 Research and Development**

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

## 2. Pooled budget

The Trust does not have any pooled budgets.

## 3. Operating segments

All operations of the Trust are currently considered as a single segment as they are under the single operational control of the Trust Board and the Executive Management Team. The management structure of the Trust, having a single Chief Operating Officer and single Chief Nurse, reflects this operational control. In addition, the Trust does not currently have an embedded process for service line reporting which might reflect the performance of individual segments.

	SWB Hospitals		Other Segments		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£000	£000	£000	£000	£000	£000
Income	<u>384,774</u>	<u>359,161</u>	<u>0</u>	<u>0</u>	<u>384,774</u>	<u>359,161</u>
Surplus/(Deficit)						
Segment surplus/(deficit)	(28,568)	(2,376)	0	0	(28,568)	(2,376)
Common costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Surplus/(deficit) before interest	<u>356,206</u>	<u>356,785</u>	<u>0</u>	<u>0</u>	<u>356,206</u>	<u>356,785</u>
Net Assets:						
Segment net assets	<u>186,904</u>	<u>239,141</u>	<u>0</u>	<u>0</u>	<u>186,904</u>	<u>239,141</u>

#### 4. Income generation activities

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

#### 5. Revenue from patient care activities

2009/10  
£000

2008/09  
£000

Strategic health authorities	6,243	5,996
NHS trusts	827	813
Primary care trusts	333,014	313,159
Foundation trusts	54	82
Local authorities	0	0
Department of Health	1,108	765
NHS other	0	0
Non-NHS:		
Private patients	112	147
Overseas patients (non-reciprocal)	52	154
Injury costs recovery	2,375	1,617
Other	1,306	302
	<b>345,091</b>	<b>323,035</b>

Injury cost recovery income is subject to a provision for impairment of receivables of 22.4% to reflect expected rates of collection.

<b>6. Other Operating Revenue</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Patient transport services	703	627
Education, training and research	20,362	18,365
Charitable and other contributions to expenditure	78	76
Transfers from Donated Asset Reserve	449	458
Transfers from Government Grant Reserve	58	80
Non-patient care services to other bodies	6,865	6,959
Income generation	4,416	4,216
Rental revenue	0	0
Other revenue	6,752	5,345
	<b>39,683</b>	<b>36,126</b>

## 7. Revenue

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

<b>8. Operating Expenses</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
Services from other NHS Trusts	965	727
Services from PCTs	1,971	2,014
Services from other NHS bodies	171	142
Services from Foundation Trusts	0	115
Purchase of healthcare from non NHS bodies	1,155	639
Directors' costs	889	861
Other Employee Benefits	251,668	238,762
Supplies and services - clinical	57,402	51,048
Supplies and services - general	5,439	5,588
Consultancy services	1,793	2,906
Establishment	4,111	4,020
Transport	1,407	1,299
Premises	14,384	15,344
Provision for impairment of receivables	1,454	(1,350)
Inventories write offs	64	0
Depreciation	13,729	16,977
Amortisation	184	202
Impairments and reversals of property, plant and equipment	36,463	5,066
Impairments and reversals of intangible assets	0	0
Impairments and reversals of financial assets	0	0
Impairments and Reversals for Non Current Assets held for sale	0	0
Audit fees	232	229
Other auditor's remuneration [primarily Internal Audit services]	131	76
Clinical negligence	6,471	5,046
Research and development	290	0
Education and Training	682	679
Other	3,219	342
	<b>404,274</b>	<b>350,732</b>

Termination costs of £1,007,000 are included with "other" costs above. For 2008/09, the equivalent figure of £920,000 is reported within "other employee benefits".

With the exception of the inclusion of termination benefits described above, the increase in "other" costs is primarily the result of a large number of one off reductions in expenditure in 2008/09 rather than real increases from one year to another. As it was not possible to specifically identify the areas to which the reductions related, an adjustment was made to "other" costs.

Impairments of property, plant and equipment relates to the revaluation of the Trust's land and buildings to a Modern Equivalent Asset basis (all NHS organisations were required to complete this revaluation by 31st March 2010) as well as general falls in property values. This is treated as a technical adjustment and excluded when measuring performance against the Trust's financial targets.

## 9. Operating leases

### 9.1 As lessee

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

#### Payments recognised as an expense

	2009/10 £000	2008/09 £000
Minimum lease payments	69	71
Contingent rents	0	0
Sub-lease payments	0	0
	<b>69</b>	<b>71</b>

#### Total future minimum lease payments

	2009/10 £000	2008/09 £000
Payable:		
Not later than one year	9	0
Between one and five years	71	25
After 5 years	13	13
Total	<b>93</b>	<b>38</b>

### 9.2 As lessor

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



**10. Employee costs and numbers****10.1 Employee costs**

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	212,602	197,335	15,267	202,080	195,460	6,620
Social Security Costs	17,202	16,572	630	15,645	15,645	0
Employer contributions to NHS Pension scheme	23,022	23,022	0	21,202	21,202	0
Other pension costs	0	0	0	0	0	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	1,007	1,007	0	0	0	0
<b>Employee benefits expense</b>	<b>253,833</b>	<b>237,936</b>	<b>15,897</b>	<b>238,927</b>	<b>232,307</b>	<b>6,620</b>

**Of the total above:**

Charged to capital	326	311
Employee benefits charged to revenue	253,507	238,616
	<b>253,833</b>	<b>238,927</b>

Termination costs of £920,000 were incurred in 2008/09 but were reported elsewhere in the accounts.

**10.2 Average number of people employed**

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental	785	743	42	773	755	18
Ambulance staff	0	0	0	0	0	0
Administration and estates	1,463	1,417	46	1,377	1,321	56
Healthcare assistants and other support staff	652	497	155	621	531	90
Nursing, midwifery and health visiting staff	2,629	2,468	161	2,543	2,522	21
Nursing, midwifery and health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	963	959	4	921	913	8
Social care staff	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>6,492</b>	<b>6,084</b>	<b>408</b>	<b>6,235</b>	<b>6,042</b>	<b>193</b>

**Of the above:**

Number of staff (WTE) engaged on capital projects	6	6
---------------------------------------------------	---	---

Included in the "other" category above for 2009/10 are agency, bank and locum staff. For 2008/09, only agency staff are included in this category with bank and locum staff included within the "permanently employed" category. Adjusting 2008/09 figures for bank and locum staff amends the "other" category to £15,886,000 for salaries and wage and £578,000 for Social Security costs (with an equal and opposite effect for "permanently employed"). Adjusting for numbers of people employed results in the following "other" numbers.

	Number
Medical and dental	44
Ambulance staff	0
Administration and estates	56
Healthcare assistants and other support staff	211
Nursing, midwifery and health visiting staff	190
Nursing, midwifery and health visiting learners	0
Scientific, therapeutic and technical staff	8
Social care staff	0
Other	0
<b>Total</b>	<b>509</b>

**10.3 Staff sickness absence**

	2009/10 Number
Days lost (long term)	41,700
Days lost (short term)	15,767
<b>Total days lost</b>	<b>57,467</b>
<b>Total staff years worked</b>	<b>6,054</b>
Average working days lost	9.49
Total staff employed in period (headcount)	8,520
Total staff employed in period with no absence (headcount)	3,894
<b>Percentage staff with no sick leave</b>	<b>45.7%</b>

Sickness data included above is based on a calendar year to 31st December 2009.

**10.4 Management Costs**

	2009/10 £000	2008/09 £000
Management costs	12,044	11,235
Income	364,492	340,761



## 11. Pension costs

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

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

### a) Full actuarial (funding) valuation

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

The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. 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) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

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

### c) Scheme provisions

The scheme is a "final salary" scheme. 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. 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.

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

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

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.

## 12. Retirements due to ill-health

During 2009/10 there were 8 (2008/09, 14) 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 £355,000 (2008/09: £1,176,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## 13. Better Payment Practice Code

### 13.1 Better Payment Practice Code - measure of compliance

	2009/10		2008/09	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	100,584	91,142	99,384	94,545
Total Non NHS trade invoices paid within target	68,699	63,449	67,667	63,019
Percentage of Non-NHS trade invoices paid within target	68%	70%	68%	67%
Total NHS trade invoices paid in the year	2,254	26,454	2,179	18,412
Total NHS trade invoices paid within target	1,547	22,304	1,092	13,055
Percentage of NHS trade invoices paid within target	69%	84%	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.

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

There were no payments in either 2009/2010 or 2008/2009 in respect of the Commercial Debts (Interest) Act 1998.

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<b>14. Investment revenue</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	80	1,048
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>80</b>	<b>1,048</b>
<b>15. Other gains and losses</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Gain/(loss) on disposal of property, plant and equipment	(102)	(190)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets available for sale	0	0
<b>Total</b>	<b>(102)</b>	<b>(190)</b>
<b>16. Finance Costs</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Interest on loans and overdrafts	0	104
Interest on obligations under finance leases	193	224
Interest on obligations under PFI contracts:		
- main finance cost	1,654	1,703
- contingent finance cost	220	296
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>2,067</b>	<b>2,327</b>
Other finance costs	112	78
<b>Total</b>	<b>2,179</b>	<b>2,405</b>

**17. Property, plant and equipment****2009/10:****Cost or valuation at 1 April 2009**

	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
Additions purchased	23,374	213,436	3,347	707	101,730	3,142	18,139	1,302	365,177
Additions donated	0	7,813	0	543	6,321	476	540	155	15,848
Additions government granted	0	0	0	0	277	0	0	0	277
Reclassifications	0	0	0	(595)	(10,413)	0	0	0	0
Reclassified as held for sale	0	11,008	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	(525)	(14)	0	(2,051)
Revaluation/indexation gains	8,123	18,831	316	0	(1,512)	0	0	0	27,270
Impairments	(171)	(49,914)	(616)	(18)	0	0	0	0	(50,719)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Transfers to Foundation Trust	0	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>31,326</b>	<b>201,174</b>	<b>3,047</b>	<b>637</b>	<b>96,403</b>	<b>3,093</b>	<b>18,665</b>	<b>1,457</b>	<b>355,802</b>

**Depreciation at 1 April 2009**

	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
Depreciation at 1 April 2009	0	0	0	0	69,487	2,751	14,410	617	87,265
Reclassifications	0	1,432	0	0	(1,432)	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,424)	(513)	(14)	0	(1,951)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	33	36,229	107	94	0	0	0	0	36,463
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	7,029	137	0	4,786	309	1,353	115	13,729
Transfer to Foundation Trust	0	0	0	0	0	0	0	0	0
<b>Depreciation at 31 March 2010</b>	<b>33</b>	<b>44,690</b>	<b>244</b>	<b>94</b>	<b>71,417</b>	<b>2,547</b>	<b>15,749</b>	<b>732</b>	<b>135,506</b>

**Net book value**

	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
Purchased	31,293	154,934	2,803	543	23,326	546	2,897	725	217,067
Donated	0	467	0	0	1,640	0	19	0	2,126
Government granted	0	1,083	0	0	20	0	0	0	1,103
<b>Total at 31 March 2010</b>	<b>31,293</b>	<b>156,484</b>	<b>2,803</b>	<b>543</b>	<b>24,986</b>	<b>546</b>	<b>2,916</b>	<b>725</b>	<b>220,296</b>

**Asset financing**

	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
Owned	31,293	137,631	2,803	543	23,698	53	2,916	725	199,662
Finance Leased	0	0	0	0	1,288	493	0	0	1,781
Private finance initiative	0	18,853	0	0	0	0	0	0	18,853
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2010</b>	<b>31,293</b>	<b>156,484</b>	<b>2,803</b>	<b>543</b>	<b>24,986</b>	<b>546</b>	<b>2,916</b>	<b>725</b>	<b>220,296</b>



**Prior year:**

**2008/09:**

**Cost or valuation at 1 April 2008**

Additions purchased	
Additions donated	
Additions government granted	
Reclassifications	
Reclassified as held for sale	
Disposals other than by sale	
Revaluation/indexation gains	
Impairments	
Reversal of impairments	
<b>At 31 March 2009</b>	

**Depreciation at 1 April 2008**

Reclassifications	
Reclassified as held for sale	
Disposals other than by sale	
Revaluation/indexation gains	
Impairments	
Reversal of impairments	
Charged during the year	
<b>Depreciation at 31 March 2009</b>	

**Net book value**

Purchased	
Donated	
Government granted	
<b>Total at 31 March 2009</b>	

**Asset financing**

Owned	
Finance Leased	
Private finance initiative	
PFI residual interests	
<b>Total 31 March 2009</b>	

	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	226,310	3,686	1,024	96,630	2,986	17,085	1,252	381,890
Additions purchased	0	6,583	0	3,044	4,887	89	1,036	17	15,656
Additions donated	0	0	0	0	270	0	18	0	288
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	3,159	0	(3,159)	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,448)	0	0	0	(1,448)
Revaluation/indexation gains	0	0	0	0	2,103	67	0	33	2,203
Impairments	(9,543)	(9,291)	(169)	(202)	(712)	0	0	0	(19,917)
Reversal of impairments	0	0	0	0	0	0	0	0	0
<b>At 31 March 2009</b>	<b>23,374</b>	<b>226,761</b>	<b>3,517</b>	<b>707</b>	<b>101,730</b>	<b>3,142</b>	<b>18,139</b>	<b>1,302</b>	<b>378,672</b>
Depreciation at 1 April 2008	0	0	0	0	62,750	2,378	12,685	493	78,306
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(1,236)	0	0	0	(1,236)
Revaluation/indexation gains	0	0	0	0	1,577	57	0	13	1,647
Impairments	0	3,800	0	0	1,266	0	0	0	5,066
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	9,525	170	0	5,130	316	1,725	111	16,977
<b>Depreciation at 31 March 2009</b>	<b>0</b>	<b>13,325</b>	<b>170</b>	<b>0</b>	<b>69,487</b>	<b>2,751</b>	<b>14,410</b>	<b>617</b>	<b>100,760</b>
<b>Net book value</b>									
Purchased	23,374	210,792	3,347	707	30,413	391	3,703	685	273,412
Donated	0	705	0	0	1,784	0	26	0	2,515
Government granted	0	1,939	0	0	46	0	0	0	1,985
<b>Total at 31 March 2009</b>	<b>23,374</b>	<b>213,436</b>	<b>3,347</b>	<b>707</b>	<b>32,243</b>	<b>391</b>	<b>3,729</b>	<b>685</b>	<b>277,912</b>
<b>Asset financing</b>									
Owned	23,374	200,375	3,347	2,055	21,238	204	3,729	685	255,007
Finance Leased	0	0	0	0	2,023	187	0	0	2,210
Private finance initiative	0	13,061	0	(1,348)	8,982	0	0	0	20,695
PFI residual interests	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2009</b>	<b>23,374</b>	<b>213,436</b>	<b>3,347</b>	<b>707</b>	<b>32,243</b>	<b>391</b>	<b>3,729</b>	<b>685</b>	<b>277,912</b>

**17. Property, plant and equipment (cont.)**

The Birmingham Treatment Centre which is funded via the PFI initiative was also independently valued at the balance sheet date.

Asset lives for currently held assets are as follows:

Buildings excluding dwellings 0-84 years

Dwellings 2-45 years

Plant and machinery 0-15 years

Transport equipment 0-7 years

Information technology 0-5 years

Furniture and fittings 0-10 years

The Trust received donated assets to the value of £277,000 during the year. A donation of £270,000 was made via Sandwell & West Birmingham Hospital's charitable funds, primarily in respect of medical equipment and £7,000 was received from the League of Friends, again in respect of medical equipment.

The Trust's property assets (land and buildings) were revalued during the year by the District Valuation Service and using Modern Equivalent Asset valuation techniques. Valuations were undertaken at the effective dates of 1st April 2009 and 31st March 2010. Valuation was undertaken with reference to the size, location and function of existing buildings and the basis on which they would be replaced by Modern Equivalent Assets as well as with reference to changes in the building cost index.

# 18. Intangible assets

2009/10:

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2009	1,716	0	0	0	0	1,716
Additions purchased	53	0	0	0	0	53
Additions internally generated	0	0	0	0	0	0
Additions donated	10	0	0	0	0	10
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation/indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2010</b>	<b>1,779</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,779</b>

Amortisation at 1 April 2009

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
	£000	£000	£000	£000	£000	£000
Amortisation at 1 April 2009	1,169	0	0	0	0	1,169
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	184	0	0	0	0	184
<b>Amortisation at 31 March 2010</b>	<b>1,353</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,353</b>

Net book value

	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
	£000	£000	£000	£000	£000	£000
Purchased	404	0	0	0	0	404
Donated	22	0	0	0	0	22
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2010</b>	<b>426</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>426</b>



**Prior year:**

**2008/09:**

	Computer software - purchased £000	Computer software - internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2008	1,340	0	0	0	0	1,340
Additions purchased	358	0	0	0	0	358
Additions internally generated	0	0	0	0	0	0
Additions donated	18	0	0	0	0	18
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2009</b>	<b>1,716</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,716</b>
Amortisation at 1 April 2008	967	0	0	0	0	967
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	202	0	0	0	0	202
<b>Amortisation at 31 March 2009</b>	<b>1,169</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,169</b>
<b>Net book value</b>						
Purchased	531	0	0	0	0	531
Donated	16	0	0	0	0	16
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2009</b>	<b>547</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>547</b>



## **18. Intangible assets (cont.)**

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

A donated asset of £10,000 (cardiac analysis software) was received in year, funded from Sandwell & West Birmingham Hospitals Charitable Funds.

### **18.2 Revaluation reserve balance for intangible assets**

The Trust does not hold any revaluation reserves for intangible assets.

## **19. Impairments**

Impairments of land and buildings totalling £87,182,000 were charged in year, £49,519,000 to the revaluation reserve, £348,000 to the donated assets reserve (in respect of reductions in the value of donated assets), £852,000 to the government grant reserve (in respect of those assets funded by government grants) and £36,463,000 to the Statement of Comprehensive Income. This charge reflects the downward movement in property values, in part resulting from the revaluation of assets on a Modern Equivalent Asset basis, (£82,123,000) and the effect of economic impairment of assets no longer in use (£5,059,000)

All NHS bodies were required to revalue their land and buildings to a Modern Equivalent Asset basis by 31st March 2010. Sandwell & West Birmingham Hospitals undertook this exercise through a professional valuation service (the District Valuation Service), revaluing all land and buildings as at 1st April 2009. A further valuation, based on the RICS Building Cost Index, was undertaken at 31st March 2010 to ensure that the Trust's asset values at the accounting date reflected current worth. The result of these exercises was a very significant fall in the value of the Trust's land and buildings as described above. Approximately 63% of the fall in values resulted from the movement to a Modern Equivalent Asset basis with the remaining 37% reflecting falls in building costs between 1st April 2009 and 31st March 2010.

**20. Capital commitments**

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

	31 March 2010 £000	31 March 2009 £000
Property, plant and equipment	3,238	2,063
Intangible assets	0	0
<b>Total</b>	<b>3,238</b>	<b>2,063</b>

**21. Inventories****21.1. Inventories**

	31 March 2010 £000	31 March 2009 £000
Drugs	1,633	1,435
Work in progress	0	0
Consumables	1,376	1,337
Energy	430	523
Other	0	0
<b>Total</b>	<b>3,439</b>	<b>3,295</b>
Of which held at net realisable value:	0	0

**21.2 Inventories recognised in expenses**

	31 March 2010 £000	31 March 2009 £000
Inventories recognised as an expense in the period	23,564	19,745
Write-down of inventories (including losses)	64	115
Reversal of write-downs that reduced the expense	0	0
<b>Total</b>	<b>23,628</b>	<b>19,860</b>

**22. Trade and other receivables****22.1 Trade and other receivables**

	<b>Current</b>		<b>Non-current</b>	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
NHS receivables-revenue	17,851	12,172	0	0
NHS receivables-capital	0	0	0	0
Non-NHS receivables-revenue	1,268	1,368	0	0
Non-NHS receivables-capital	0	0	0	0
Provision for the impairment of receivables	(2,529)	(1,101)	(395)	(540)
Accrued income	483	5,025	0	0
Finance lease Receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	631	535	0	0
Other receivables	1,585	1,139	1,553	1,698
<b>Total</b>	<b>19,289</b>	<b>19,138</b>	<b>1,158</b>	<b>1,158</b>

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary. There are no material individual receivables which are neither past due nor impaired.

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

	31 March 2010 £000	31 March 2009 £000
By up to three months	4,977	6,192
By three to six months	164	1,170
By more than six months	469	1,025
<b>Total</b>	<b>5,610</b>	<b>8,387</b>

**22.3 Provision for impairment of receivables**

**31 March 2010**      31 March 2009  
£000                      £000

<b>Balance at 1 April</b>	<b>(1,641)</b>	<b>(3,124)</b>
Amount written off during the year	171	133
Amount recovered during the year	526	1,711
(Increase)/decrease in receivables impaired	(1,980)	(361)
<b>Balance at 31 March</b>	<b>(2,924)</b>	<b>(1,641)</b>

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

**23. Other financial assets**

The Trust does not hold any other financial assets.

**24. Other current assets**

The Trust does not hold any other current assets.

**25. Cash and cash equivalents**

**31 March 2010**      31 March 2009  
£000                      £000

Balance at 1 April	<b>8,752</b>	8,285
Net change in year	<b>7,115</b>	467
<b>Balance at 31 March</b>	<b>15,867</b>	<b>8,752</b>

**Made up of**

Cash with Government Banking Service	<b>15,810</b>	8,719
Commercial banks and cash in hand	<b>57</b>	33
Current investments	<b>0</b>	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>15,867</b>	<b>8,752</b>
Bank overdraft - Government Banking Service	<b>0</b>	0
Bank overdraft - Commercial banks	<b>0</b>	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>15,867</b>	<b>8,752</b>

**26. Non-current assets held for sale**

The Trust does not currently hold any non current assets which are available for sale.

## 27. Trade and other payables

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Interest payable	0	0		
NHS payables-revenue	4,601	6,063	0	0
NHS payables-capital	125	0	0	0
Non NHS trade payables - revenue	5,096	5,536	0	0
Non NHS trade payables - capital	4,089	1,447	0	0
Accruals and deferred income	17,580	15,207	0	0
Social security costs	9	0		
VAT	0	0	0	0
Tax	47	0		
Other	415	263	0	0
<b>Total</b>	<b>31,962</b>	<b>28,516</b>	<b>0</b>	<b>0</b>

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

## 28. Borrowings

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Bank overdraft - Office of HM Paymaster General	0	0		
Bank overdraft - Commercial banks	0	0		
Loans from:				
Department of Health	0	0	0	0
Other entities	0	0	0	0
PFI liabilities	837	989	31,540	32,225
LIFT	0	0	0	0
Finance lease liabilities	861	896	936	1,402
Other (describe)	0	0	0	0
<b>Total</b>	<b>1,698</b>	<b>1,885</b>	<b>32,476</b>	<b>33,627</b>

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

## 29. Other liabilities

The Trust does not hold any other liabilities.

### 30. Finance lease obligations

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

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

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

#### Amounts payable under finance leases:

	Minimum lease payments		Present value of minimum lease payments	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Within one year	861	896	861	896
Between one and five years	974	1,458	936	1,402
After five years	0	0	0	0
Less future finance charges	(38)	(56)		
Present value of minimum lease payments	1,797	2,298	1,797	2,298
Included in:				
Current borrowings	861	896	861	896
Non-current borrowings	936	1,402	936	1,402
	1,797	2,298	1,797	2,298

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

The Trust has no finance lease receivables.



### 32. Finance lease commitments

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

### 33. Private Finance Initiative contracts

#### 33.1 PFI schemes off-Statement of Financial Position

The trust does not have any off Statement PFI schemes.

#### 33.2 PFI schemes on-Statement of Financial Position

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

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

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

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

	31 March 2010 £000	31 March 2009 £000
Not later than one year	837	989
Later than one year, not later than five years	4,301	4,301
Later than five years	27,239	27,924
Sub total	32,377	33,214
Less: interest element	0	0
<b>Total</b>	<b>32,377</b>	<b>33,214</b>

### 33.3 Charges to expenditure

The total charged in the year to expenditure in respect of off-statement of financial position PFI contracts and the service element of on-statement of financial position PFI contracts was £986,000 (prior year £784,000).

The trust is committed to the following annual charges

	31 March 2010 £000	31 March 2009 £000
<b>PFI scheme expiry date:</b>		
Not later than one year	0	0
Later than one year, not later than five years	0	0
Later than five years	86,270	21,168
<b>Total</b>	<b>86,270</b>	<b>21,168</b>

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

### 34. Other financial liabilities

The Trust has no other financial liabilities.

### 35. Provisions

	Current		Non-current	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	£000	£000	£000	£000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	89	85	800	787
Legal claims	1,022	978	0	0
Restructurings	0	0	0	0
Continuing care	0	0	0	0
Equal pay	420	675	0	0
Agenda for change	231	528	0	0
Other (specify)	3,576	3,174	1,375	1,406
<b>Total</b>	<b>5,338</b>	<b>5,440</b>	<b>2,175</b>	<b>2,193</b>

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Continuing care	Equal pay	Agenda for change	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2008									
Arising during the year	0	864	1,162	0	0	675	528	3,545	5,571
Used during the year	0	73	907	0	0	0	0	2,479	4,662
Reversed unused	0	(84)	(262)	0	0	(255)	(297)	(845)	(1,191)
Unwinding of discount	0	0	(829)	0	0	0	0	(631)	(1,460)
Transfers in year	0	19	0	0	0	0	0	32	51
At 1 April 2009	0	872	978	0	0	675	528	4,580	7,633
Arising during the year	0	86	862	0	0	0	0	1,993	2,941
Used during the year	0	(89)	(231)	0	0	(255)	(297)	(1,655)	(2,527)
Reversed unused	0	0	(587)	0	0	0	0	0	(587)
Unwinding of discount	0	20	0	0	0	0	0	33	33
Transfers in year	0	0	0	0	0	0	0	0	0
At 31 March 2010	0	889	1,022	0	0	420	231	4,951	7,493

#### Expected timing of cash flows:

In the remainder of the spending review period to 31 March 2011  
Between 1 April 2011 and 31 March 2016  
Between 1 April 2016 and 31 March 2021  
Thereafter

	0	89	1,022	0	0	420	231	3,576	5,338
	0	417	0	0	0	0	0	381	798
	0	383	0	0	0	0	0	375	758
	0	0	0	0	0	0	0	619	619

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 £1,456,000, redundancies £1,567,000, employment tribunals, litigation and contractual claims £1,928,000.

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

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

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

In respect of legal claims, £714,000 of the Trust's gross liability is reimbursable by the NHS Litigation Authority.

£35,620,903 is included in the provisions of the NHS Litigation Authority at 31 March 2010 in respect of clinical negligence liabilities of the NHS Trust (31 March 2009 £26,661,308).

### 36. Contingencies

<b>36.1 Contingent liabilities</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Equal pay cases	0	0
Other (specify)	(619)	(604)
Amounts recoverable against contingent liabilities	0	0
<b>Total</b>	<b>(619)</b>	<b>(604)</b>

### 36.2 Contingent assets

The Trust does not hold any contingent assets.

Contingent liabilities held by the Trust relate to employers and public liability claims (£180,000) and injury benefits (£439,000). These values relate to the difference between the maximum potential value of claims and the amount included by the Trust as a provision based on professional notification of the likelihood of the success of claims.

### 37. Financial Instruments

<b>37.1 Financial assets</b>	<b>At fair value through profit and loss £000</b>	<b>Loans and receivables £000</b>	<b>Available for sale £000</b>	<b>Total £000</b>
Embedded derivatives	0			0
Receivables		16,912		16,912
Cash at bank and in hand		8,752		8,752
Other financial assets	0	0	0	0
<b>Total at 31 March 2009</b>	<b>0</b>	<b>25,664</b>	<b>0</b>	<b>25,664</b>

Embedded derivatives	0			0
Receivables		23,011		23,011
Cash at bank and in hand		15,867		15,867
Other financial assets	0	0	0	0
<b>Total at 31 March 2010</b>	<b>0</b>	<b>38,878</b>	<b>0</b>	<b>38,878</b>

<b>37.2 Financial liabilities</b>	<b>At fair value through profit and loss £000</b>	<b>Other £000</b>	<b>Total £000</b>
Embedded derivatives	0		0
Payables		(28,514)	(28,514)
PFI and finance lease obligations		0	0
Other borrowings		(35,568)	(35,568)
Other financial liabilities	0	0	0
<b>Total at 31 March 2009</b>	<b>0</b>	<b>(64,082)</b>	<b>(64,082)</b>

Embedded derivatives	0		0
Payables		(30,967)	(30,967)
PFI and finance lease obligations		0	0
Other borrowings		(34,174)	(34,174)
Other financial liabilities	0	0	0
<b>Total at 31 March 2010</b>	<b>0</b>	<b>(65,141)</b>	<b>(65,141)</b>

### **37.3 Financial risk management**

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

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

#### **Currency risk**

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

#### **Interest rate risk**

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

#### **Credit risk**

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

#### **Liquidity risk**

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



### 38. Events after the reporting period

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

### 39. Financial performance targets

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

#### 39.1 Breakeven Performance

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Turnover	313,388	327,536	348,475	359,161	384,774
Retained surplus/(deficit) for the year	(5,726)	3,399	6,524	2,547	(28,646)
Adjustment for:					
Timing/non-cash impacting distortions:					
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0				
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0			
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0		
Adjustments for Impairments				0	36,463
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					(557)
Other agreed adjustments	0	5,726	0	0	0
Break-even in-year position	(5,726)	9,125	6,524	2,547	7,260
Break-even cumulative position	(13,527)	(4,402)	2,122	4,669	11,929

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

### 39.2 Capital cost absorption rate

For 2008/09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £9,258,000, bears to the actual average relevant net assets of £251,374,000, that is 3.7%.

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

### 39.3 External financing

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

	£000	2009/10 £000	2008/09 £000
External financing limit		(568)	(3,894)
Cash flow financing	(8,930)		(5,032)
Finance leases taken out in the year	454		0
Other capital receipts	0		0
External financing requirement		(8,476)	(5,032)
<b>Undershoot/(overshoot)</b>		<b>7,908</b>	<b>1,138</b>

### 39.4 Capital Resource Limit

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

	2009/10 £000	2008/09 £000
Gross capital expenditure	16,188	15,948
Less: book value of assets disposed of	(100)	(212)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(287)	(306)
Charge against the capital resource limit	15,801	15,430
Capital resource limit	16,066	16,843
<b>(Over)/Underspend against the capital resource limit</b>	<b>265</b>	<b>1,413</b>

#### 40. Related party transactions

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

The Department of Health is regarded as a related party. During 2009/2010, 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:

	Revenue £000	Receivables £000
Sandwell Primary Care Trust	162,922	6,403
Heart of Birmingham Teaching Primary Care Trust	91,200	1,154
Birmingham East and North Primary Care Trust	45,258	1,365
South Birmingham PCT	18,243	1,024
Walsall Primary Care Trust	6,796	164
Heart of England Foundation Trust	1,520	1,691
	Expenditure £000	Payables £000
Sandwell PCT	2,520	890
NHS Purchasing and Supply Agency	9,522	360
NHS Litigation Authority	8,098	482
Heart of England Foundation Trust	462	1,106

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

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Department for Education and Skills in respect of university hospitals and Sandwell MBC and Birmingham City Council in respect of joint enterprises.

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

#### 41. Third Party Assets

The Trust held £2,940 cash and cash equivalents at 31 March 2010 (£326 - at 31 March 2009) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

#### 42. Intra-Government and Other Balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	13,521	0	2,424	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	4,089	0	2,245	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	17,610	0	4,669	0
Balances with bodies external to Government	1,679	1,158	27,293	0
<b>At 31 March 2010</b>	<b>19,289</b>	<b>1,158</b>	<b>31,962</b>	<b>0</b>

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	1,158	22,453	0
<b>At 31 March 2009</b>	<b>19,138</b>	<b>1,158</b>	<b>28,516</b>	<b>0</b>

#### 43. Losses and Special Payments

There were 630 cases of losses and special payments (2008/09: 966 cases) totalling £418,905 (2008/09: £453,391) accrued

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).



#### 44. Transition to IFRS

	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve
	£000	£000	£000	£000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP:</b>	<b>18,390</b>	<b>60,699</b>	<b>2,531</b>	<b>1,985</b>
Adjustments for IFRS changes:				
Private finance initiative	(21,969)	0	0	0
Leases	(145)	0	0	0
Others	8,361	0	0	0
Adjustments for:				
Impairments recognised on transition	0	0	0	0
UK GAAP errors	0	0	0	0
<b>Taxpayers' equity at 1 April 2009 under IFRS:</b>	<b>4,637</b>	<b>60,699</b>	<b>2,531</b>	<b>1,985</b>
	<b>£000</b>			
<b>Surplus/(deficit) for 2008/09 under UK GAAP</b>	<b>2,547</b>			
Adjustments for:				
Private finance initiative	(4,840)			
Leases	(28)			
Others (specify)	(55)			
<b>Surplus/(deficit) for 2008/09 under IFRS</b>	<b>(2,376)</b>			

The UK GAAP 2008/09 cash flow statement included net movements in liquid resources of £nil. This net movement is included in the bottom line cash and cash equivalents figure in the 2009/10 statement of cash flows under IFRS.

For 2009/2010, the effect of IFRS on the trust's financial performance is not material.