

Data entered below will be used throughout the workbook:

Trust name:	Worcestershire Acute Hospitals NHS Trust
This year	2008/09
Last year	2007/08
This year ended	31 March 2009
Last year ended	31 March 2008
This year beginning	1 April 2008

Foreword to the Accounts

These accounts for the year ended 31st March 2009 have been prepared by Worcestershire Acute Hospitals NHS Trust under Section 98(2) of the National Health Services Act 1977 (as amended by Section 24(2), Schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

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

	NOTE	2008/09 £000	2007/08 £000
Income from activities	3	275,017	273,031
Other operating income	4	24,584	20,828
Operating expenses	5-7	<u>(286,540)</u>	<u>(281,651)</u>
OPERATING SURPLUS/(DEFICIT)		13,061	12,208
Cost of fundamental reorganisation/reconstruction*		0	0
Profit/(loss) on disposal of fixed assets	8	<u>(215)</u>	<u>(812)</u>
SURPLUS/(DEFICIT) BEFORE INTEREST		12,846	11,396
Interest receivable		771	1,007
Interest payable	9	(1,022)	(1,269)
Other finance costs - unwinding of discount	17	<u>(55)</u>	<u>(58)</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		12,540	11,076
Public dividend capital dividends payable		<u>(6,707)</u>	<u>(5,883)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u>5,833</u>	<u>5,193</u>

The notes on pages 1 to 38 form part of these accounts.
All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 March 2009**

	NOTE	31 March 2009 £000	31 March 2008 £000
FIXED ASSETS			
Intangible assets	10	549	674
Tangible assets	11	159,352	176,316
Financial assets	14	0	-
TOTAL FIXED ASSETS		159,901	176,990
CURRENT ASSETS			
Stocks and work in progress	12	4,256	3,726
Debtors	13	33,925	35,778
Investments		-	0
Other financial assets	14	0	-
Cash at bank and in hand	19.3	10,145	5,602
TOTAL CURRENT ASSETS		48,326	45,106
CREDITORS: Amounts falling due within one year	15.1	(40,732)	(31,033)
Financial liabilities	16	0	-
NET CURRENT ASSETS/(LIABILITIES)		7,594	14,073
TOTAL ASSETS LESS CURRENT LIABILITIES		167,495	191,063
CREDITORS: Amounts falling due after more than one year	15.2	(10,000)	(15,000)
Financial liabilities	16	0	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	(2,880)	(3,842)
TOTAL ASSETS EMPLOYED		154,615	172,221
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	23	139,729	145,860
Revaluation reserve	18	44,097	43,218
Donated asset reserve	18	1,143	1,281
Government grant reserve	18	274	335
Other reserves*	18	(861)	(861)
Income and expenditure reserve	18	(29,767)	(17,612)
TOTAL TAXPAYERS' EQUITY		154,615	172,221

The financial statements on pages 1 to 38 were approved by the Board on 9th June 2009 and signed on its behalf by:

Signed:(Chief Executive)

Date:

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

	2008/09	2007/08
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	12,540	11,076
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	(17,135)	12,079
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	67	186
Defined benefit scheme actuarial gains/(losses)		
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year	(4,528)	23,341
Prior period adjustment	0	(1,059)
Total gains and losses recognised in the financial year	<u><u>(4,528)</u></u>	<u><u>22,282</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	19.1	32,307	26,080
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		771	1,007
Interest paid		(1,022)	(1,269)
Interest element of finance leases		<u>0</u>	<u>0</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		(251)	(262)
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(9,675)	(9,341)
Receipts from sale of tangible fixed assets		0	0
(Payments) to acquire intangible assets		0	(133)
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		-	0
(Payments to acquire)/receipts from sale of financial instruments		<u>0</u>	<u>-</u>
Net cash inflow/(outflow) from capital expenditure		(9,675)	(9,474)
DIVIDENDS PAID			
Net cash inflow/(outflow) before management of liquid resources and financing		(6,707)	(5,883)
		<u>15,674</u>	<u>10,461</u>
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of financial assets with the Department of Health		0	0
(Purchase) of other current financial assets		0	0
Sale of financial assets with the Department of Health		0	0
Sale of other current financial asset		<u>0</u>	<u>0</u>
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		15,674	10,461
FINANCING			
Public dividend capital received		0	0
Public dividend capital repaid		(6,131)	0
Loans received from the Department of Health		0	0
Other loans received		0	0
Loans repaid to the Department of Health		(5,000)	(5,000)
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		<u>0</u>	<u>0</u>
Net cash inflow/(outflow) from financing		(11,131)	(5,000)
Increase/(decrease) in cash		4,543	5,461

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

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

From 2006-07 NHS Trusts were required to assess the impact of partially completed spells, i.e. the recognition of income due for patients that were still receiving treatment at the balance sheet date. After the inception of this Accounting Policy, in future years the Trust would only need to account for the in-year movement in the value of the income due. Worcestershire Acute Hospitals NHS Trust had, prior to 2008-09 considered, after adjusting income for the previous year, that the financial value of the adjustment was immaterial and thus income was not accounted for. For 2008-09, in line with DH Guidance, the accrual has been made without a prior period adjustment for 2007-08, therefore the Trust will accrue the full value of the partially completed spells income in 2008-09.

1.4 Pooled Budgets

The Trust has no pooled budgets.

1.5 Intangible fixed assets

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

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

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

1.6 Tangible fixed assets

Capitalisation

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

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

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years and in the intervening years by the use of indices published by HM Treasury.

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

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

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

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

Assets in the course of construction are valued at current cost and are indexed annually. These assets include any existing land or buildings under the control of a contractor.

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

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net

Depreciation, amortisation and impairments

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

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

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

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

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

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.7 Donated fixed assets

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

1.8 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also taken to the Government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government grant reserve to the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.9 Private Finance Initiative (PFI) transactions

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

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

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

1.10 Stocks and work-in-progress

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

1.11 Research and development

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

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

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

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

1.12 Provisions

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

Clinical negligence costs

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

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2008/09 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

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.

1.13 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. 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.

1.14 Pension Costs

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

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

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2009, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

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

The valuation of the Scheme liability as at 31 March 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 with summary global member and accounting data.

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

Scheme provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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

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

Early payment of a pension is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

Existing members at 1 April 2008

Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse or eligible unmarried partner.

New entrants from 1 April 2008

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

1.15 Liquid resources

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

1.16 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.

1.17 Foreign Exchange

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

1.18 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 28 to the accounts.

1.19 Leases

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

1.20 Public Dividend Capital (PDC) and PDC Dividend

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

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.21 Losses and Special Payments

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

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

1.22 Other Reserves

The Other Reserve of (£861,000) represents an error that arose when the Worcestershire Acute Hospitals NHS Trust was formed from its three predecessor Acute Trusts. The financial instrument used to disclose Fixed Asset balances to the Department of Health at the point of Trust merger was overstated by this value and the Department issued guidance that a reserve be established to 'carry' the difference between the actual Asset values and the PDC issued. The reserve will remain with the Trust until such time that the Trust changes as an entity, i.e. through merger or dissolution.

1.23 Financial Instruments

Financial assets

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

Loans and receivables

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

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

Financial liabilities

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

Financial liabilities are initially recognised at fair value.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the Income and Expenditure Account. The net gain or loss incorporates any interest earned on the financial asset.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. 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.

2. Segmental Analysis

Worcestershire Acute Hospitals NHS Trust has no segmented activity for 2008/09.

3. Income from Activities

	2008/09	2007/08
	£000	£000
Strategic Health Authorities	72	2,476
NHS Trusts	2,415	3,298
Primary Care Trusts	253,111	249,017
Foundation Trusts	1,529	2,474
Local Authorities	254	135
Department of Health	15,624	13,439
NHS Other	0	0
Non NHS:		
- Private patients	360	416
- Overseas patients (non-reciprocal)	0	0
- Injury cost recovery *	1,374	1,114
- Other	278	662
	<u>275,017</u>	<u>273,031</u>

*Injury cost recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection

4. Other Operating Income

	2008/09	2007/08
	£000	£000
Patient transport services	0	0
Education, training and research	8,289	8,163
Charitable and other contributions to expenditure	418	350
Transfers from Donated Asset Reserve	171	435
Transfers from Government Grant Reserve	69	67
Non-patient care services to other bodies	7,786	7,364
Rental income from finance leases	0	0
Rental income from operating leases	0	0
Income generation	1,243	1,273
Other income	6,608	3,176
	<u>24,584</u>	<u>20,828</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	2008/09	2007/08
	£000	£000
Services from other NHS Trusts	148	178
Services from PCTs	114	203
Services from other NHS bodies	0	0
Services from Foundation Trusts	0	0
Purchase of healthcare from non NHS bodies	1,129	233
Directors' costs	718	720
Staff costs	175,109	162,834
Supplies and services - clinical	44,874	44,662
Supplies and services - general	4,158	4,589
Consultancy services	597	47
Establishment	4,111	4,006
Transport	1,135	1,109
Premises	12,770	13,419
Impairment of debtors	(37)	745
Depreciation	9,410	9,633
Amortisation	193	179
Tangible fixed asset impairments and reversals	0	6,131
Intangible fixed asset impairments and reversals	0	0
Impairments and reversals of financial assets (by class)	0	
Change in the fair value of financial instruments	0	-
Audit fees	193	215
Other auditor's remuneration	0	0
Clinical negligence	3,350	3,502
Redundancy costs	1	870
Education and training	456	438
Other *	28,111	27,938
	<u>286,540</u>	<u>281,651</u>

* Other Expenditure includes PFI related expenditure £24,764,704 (£23,069,325 in 2007/08) and Amortisation of Deferred Assets (relating to PFI) of £559,804 (£527,256 in 2007/08)

5.2 Operating leases

5.2/1 Operating expenses include:

	2008/09	2007/08
	£000	£000
Hire of plant and machinery	0	0
Other operating lease rentals	397	331
	<u>397</u>	<u>331</u>

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

	Land and buildings		Other leases	
	2008/09	2007/08	2008/09	2007/08
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	68	0	4	41
Between 1 and 5 years	0	0	86	131
After 5 years	239	308	0	0
	<u>307</u>	<u>308</u>	<u>90</u>	<u>172</u>

6. Staff costs and numbers

6.1 Staff costs

	Total	2008/09 Permanently Employed	Other	2007/08
	£000	£000	£000	£000
Salaries and wages	152,044	139,320	12,724	137,940
Social Security Costs	9,364	9,364	0	10,116
Employer contributions to NHS BSA - Pensions Division	16,580	16,580	0	15,440
Other pension costs	0	0	0	0
	<u>177,988</u>	<u>165,264</u>	<u>12,724</u>	<u>163,496</u>

6.2 Average number of persons employed

	Total	2008/09 Permanently Employed	Other	2007/08
	Number	Number	Number	Number
Medical and dental	607	580	27	562
Ambulance staff	0	0	0	0
Administration and estates	967	924	43	919
Healthcare assistants and other support staff	734	734	0	668
Nursing, midwifery and health visiting staff	1,632	1,513	119	1,561
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	666	666	0	683
Social care staff	0	0	0	0
Other	0	0	0	0
Total	<u>4,606</u>	<u>4,417</u>	<u>189</u>	<u>4,393</u>

6.3 Employee benefits

There were no Employee Benefits for the year 2008/09

6.4 Management costs

	2008/09 £000	2007/08 £000
Management costs	8,133	8,060
Income	299,602	292,530

6.5 Retirements due to ill-health

During 2008/09 there were 5 (2007/08, 9) 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 £628,104 (2007/08: £643,246). The cost of these ill-health retirements will be borne by the NHS Business Services Authority-Pensions Division.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	78,871	108,054
Total Non NHS trade invoices paid within target	67,218	97,296
Percentage of Non-NHS trade invoices paid within target	85%	90%
Total NHS trade invoices paid in the year	3,202	30,754
Total NHS trade invoices paid within target	2,415	28,006
Percentage of NHS trade invoices paid within target	75%	91%

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.

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

	2008/09 £000	2007/08 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
TOTAL	<u><u>0</u></u>	<u><u>0</u></u>

8. Other gains and losses

	2008/09	2007/08
	£000	£000
Gain on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Gain on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Gain on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	0	0
Gains on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	(215)	(812)
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
	<u>(215)</u>	<u>(812)</u>

9. Finance Costs & Interest receivable

	2008/09	2007/08
	£000	£000
Finance Costs		
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	1,022	1,269
Bank loans and overdrafts	0	0
Other interest and finance costs	0	0
TOTAL	<u>1,022</u>	<u>1,269</u>
Interest Receivable		
Bank accounts	771	1,007
Impaired financial assets	0	-
Other financial assets	0	-
TOTAL	<u>771</u>	<u>1,007</u>

10. Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2008	477	0	0	462	939
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	462	0	0	(462)	0
Revaluation	0	0	0	0	0
Additions purchased	68	0	0	0	68
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2009	1,007	0	0	0	1,007
Amortisation at 1 April 2008	83	0	0	182	265
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	182	0	0	(182)	0
Revaluation	0	0	0	0	0
Charged during the year	193	0	0	0	193
Disposals	0	0	0	0	0
Amortisation at 31 March 2009	458	0	0	0	458
Net book value					
- Purchased at 1 April 2008	394	0	0	280	674
- Donated at 1 April 2008	0	0	0	0	0
- Government granted at 1 April 2008	0	0	0	0	0
- Total at 1 April 2008	394	0	0	280	674
- Purchased at 31 March 2009	549	0	0	0	549
- Donated at 31 March 2009	0	0	0	0	0
- Government granted at 31 March 2009	0	0	0	0	0
- Total at 31 March 2009	549	0	0	0	549

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa*	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	39,968	108,750	1,442	10,635	32,791	210	19,321	0	213,117
Additions purchased	0	370	8	6,298	2,015	0	1,038	0	9,729
Additions donated	0	0	0	0	67	0	0	0	67
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	2,976	0	(2,976)	0	0	0	0	0
Indexation	(11,586)	(6,183)	(75)	(510)	741	5	0	0	(17,608)
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(7,247)	0	(32)	0	(7,279)
Cost or Valuation at 31 March 2009	28,382	105,913	1,375	13,447	28,367	215	20,327	0	198,026
Depreciation at 1 April 2008					22,955	144	13,702	0	36,801
Charged during the year	0	4,584	44		2,978	17	1,787	0	9,410
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	(963)	(6)		492	4	0	0	(473)
Revaluation	0	0	0		0	0	0	0	0
Disposals	0	0	0		(7,040)	0	(24)	0	(7,064)
Depreciation at 31 March 2009	0	3,621	38	0	19,385	165	15,465	0	38,674
Net book value									
- Purchased at 1 April 2008	39,968	107,845	1,442	10,635	9,135	66	5,609	0	174,700
- Donated at 1 April 2008	0	905	0	0	366	0	10	0	1,281
- Government granted at 1 April 2008	0	0	0	0	335	0	0	0	335
- Total at 1 April 2008	39,968	108,750	1,442	10,635	9,836	66	5,619	0	176,316
- Purchased at 31 March 2009	28,382	101,471	1,337	13,447	8,388	50	4,860	0	157,935
- Donated at 31 March 2009	0	821	0	0	320	0	2	0	1,143
- Government granted at 31 March 2009	0	0	0	0	274	0	0	0	274
- Total at 31 March 2009	28,382	102,292	1,337	13,447	8,982	50	4,862	0	159,352

*Residual interests of off balance sheet PFI schemes are included within the Fixed Asset note under Assets under Construction, totalling £9,553,389. This represents the build up of value to 31.3.09 in the Trusts Accounts for the Worcestershire Royal Hospital Building which will revert to a Trust Asset at the end of the PFI Contract in 2032.

The Trust held no assets under finance leases or hire purchase contracts at the balance sheet date.

The Trust owns Land at the Alexandra Hospital that is leased for nil consideration to Polka Crest for the operation of an incinerator. The land is deemed as non operational and is therefore excluded from the values above. The latest valuation for this land was £300,000. The Worcestershire Mental Health Partnership NHS Trust also occupy 1.6 Hectares of land at the Alexandra Hospital for nil consideration. The value of this land is £1,246,585 and is included in the values above.

The latest valuation for Land, Buildings and Dwellings was 1.4.2005 and was provided by the District Valuer for Worcester, as provided by the Valuation Office Agency.

11 Tangible Fixed Assets (contd)

11.1 Asset Financing

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value 31 March 2009									
Owned	28,382	102,292	1,337	13,447	8,982	50	4,862	0	159,352
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Total 31 March 2009	28,382	102,292	1,337	13,447	8,982	50	4,862	0	159,352
Net book value 1 April 2008									0
Owned	39,968	108,750	1,442	10,635	9,836	66	5,619	0	176,316
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
Total 1 April 2008	39,968	108,750	1,442	10,635	9,836	66	5,619	0	176,316

11.3 The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2009	0	0	0	0	0	0	0	0	0
Depreciation 31 March 2008	0	0	0	0	0	0	0	0	0

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

	2008/09 £000	2007/08 £000
Freehold	132,011	150,160
Long Leasehold	0	0
Short Leasehold	0	0
TOTAL	132,011	150,160

11.3 Economic Lives of Fixed Assets

	Minimum Life	Maximum Life
Software Licences	2	5
Licences and trademarks	0	0
Patents	0	0
Development Expenditure	0	0
Buildings exc dwellings	0	83
Dwellings	0	83
Plant & Machinery	5	50
Transport Equipment	6	7

12. Stocks and Work in Progress

	31 March 2009	31 March 2008
	£000	£000
Raw materials and consumables	4,256	3,726
Work-in-progress	0	0
Finished goods	0	0
TOTAL	<u>4,256</u>	<u>3,726</u>

13. Debtors

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

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
NHS debtors	12,349	14,225
Non NHS trade debtors	536	458
Provision for impairment of debtors	(381)	(434)
Other prepayments and accrued income	1,930	1,105
Current part of PFI payment	0	0
Other debtors	3,661	5,194
Sub Total: falling due within one year	<u>18,095</u>	<u>20,548</u>
Amounts falling due after more than one year:		
NHS debtors	0	0
Non NHS trade debtors	0	0
Provision for impairment of debtors	0	0
Other prepayments and accrued income**	14,705	14,289
Other debtors	1,125	941
Sub Total: falling due after more than one year	<u>15,830</u>	<u>15,230</u>
TOTAL	<u>33,925</u>	<u>35,778</u>

** Other prepayments and accrued income reflect (in part) the creation of the three deferred assets arising from the PFI scheme - Land £3,286,185 , Equipment £3,603,580, and Buildings £6,869,980. The valuation of these assets is at Net Book Value.

	31 March 2009
	£000
13.2 Provision for impairment of debtors	
Balance at 1 April	434
Amount written off during the year	(16)
Amount recovered during the year	0
(Increase)/decrease in debtors impaired	(37)
Balance at 31 March	381

13.3 Debtors past due date but not impaired:	31 March 2009
	£000
By up to 3 months	1,881
By 3 to 6 months	336
By more than 6 months	474
TOTAL	2,691

14 Other Financial Assets

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

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

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	5,000	5,000
Interest payable	0	0
Payments received on account	2	2
NHS creditors	2,715	3,835
Non - NHS trade creditors - revenue	9,313	7,413
Non - NHS trade creditors - capital	1,926	1,804
Tax	1,980	27
VAT	0	0
Social security costs	1,654	22
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	2,709	633
Accruals and deferred income	15,433	12,297
Current part of finance leases element of on balance sheet PFI contracts	0	0
Sub Total: amounts falling due within one year	<u>40,732</u>	<u>31,033</u>
Amounts falling due after more than one year:		
Long - term loans*	10,000	15,000
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Imputed finance leases element of on balance sheet PFI contracts	0	0
Other	0	0
Sub Total: amounts falling due in more than one year	<u>10,000</u>	<u>15,000</u>
TOTAL	<u><u>50,732</u></u>	<u><u>46,033</u></u>

Other creditors include;

£2,084,385 outstanding pensions contributions at 31 March 2009 (31 March 2008 £25,405).

* The Loan value of £10,000,000 is a Working Capital Loan taken from the Department of Health in 2006-07

15.2 Loans [and other long-term financial liabilities]

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Amounts falling due:				
In one year or less	5,000	0	5,000	5,000
Between one and two years	5,000	0	5,000	5,000
Between two and five years	5,000	0	5,000	10,000
Over 5 years	0	0	0	0
TOTAL	15,000	0	15,000	20,000

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	15,000	0	15,000	20,000
Wholly repayable after five years, not by instalments	0	0	0	0
Wholly or partially repayable after five years, by instalments	0	0	0	0
TOTAL	15,000	0	15,000	20,000
Total repayable after five years by instalments	0	0	0	0

Loans [and long-term financial liabilities] wholly or partially repayable within five years:

	Interest rate %	31 March 2009 Value outstanding £000	31 March 2008 Value outstanding £000
Terms of payment	5.45	15,000	20,000

The Working Capital Cash Loan was taken out in March 2007. It is repayable over a period of 5 years. Repayments are in September and March of each financial year with each instalment comprising a principle repayment of £2.5 million plus interest.

15.3 Finance lease obligations

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

15.4 Finance Lease Commitments

Worcestershire Acute Hospitals NHS Trust has no Finance Lease Commitments as at 31st March 2009.

16 Other Financial Liabilities

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

17 Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	Total £000
At 1 April 2008	0	944	1,854	0	1,044	3,842
Arising during the year	0	21	264	0	0	285
Utilised during the year	0	(82)	(171)	0	(574)	(827)
Reversed unused	0	0	(5)	0	(470)	(475)
Unwinding of discount	0	19	36	0	0	55
At 31 March 2009	<u><u>0</u></u>	<u><u>902</u></u>	<u><u>1,978</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>2,880</u></u>

Expected timing of cashflows:

Within one year	0	82	248	0	0	330
Between one and five years	0	413	516	0	0	929
After five years	0	407	1,214	0	0	1,621

The provision for pensions relating to other staff includes a degree of uncertainty in respect of timings and amounts ,due to the uncertainty over life

The provision for other legal claims relates to Injury benefit payments to former employees, third party liability and property expense claims. The Trust's legal advisors have assessed each claim and a provision has been made, based upon the expected outcome of the claim, the related probability and the expected settlement date.

In addition to the amount provided for within the Trust's accounts, details of contingent liabilities and assets relating to these claims are given in Note 22.

£31,287,811 is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the Trust (31 March 2008 £17,492,877).

18 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2008 as previously stated	43,218	1,281	335	(861)	(17,612)	26,361
PPA: other	0	0	0	0	0	0
PPA: elimination of negative revaluation reserves in respect of change in policy on impairments	0	0	0	0	0	0
At 1 April 2008 as restated	<u>43,218</u>	<u>1,281</u>	<u>335</u>	<u>(861)</u>	<u>(17,612)</u>	<u>26,361</u>
Transfer from the income and expenditure account					5,833	5,833
Fixed asset impairments	0	0	0			0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	(17,109)	(34)	8			(17,135)
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0		0	0
Receipt of donated/government granted assets		67	0			67
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets		(171)	(69)			(240)
Other transfers between reserves**	17,988	0	0	0	(17,988)	0
Other movements on reserves				0		0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2009	<u>44,097</u>	<u>1,143</u>	<u>274</u>	<u>(861)</u>	<u>(29,767)</u>	<u>14,886</u>

** The movement between the Revaluation Reserve and Income and Expenditure Reserve is represented by :-

a) £1,809,120 for excess depreciation from 1.4.08 to 31.3.09. In accordance with the FRS5:-

(3.39) UK GAAP is clear that all the depreciation chargeable on revalued assets must pass through the revenue statement, i.e. I&E account. This means that the extra depreciation incurred because an asset has been indexed or revalued upwards is included in the depreciation charge for the year

(3.40) NHS Bodies should, however, release an amount from the revaluation reserve to the General Fund/I&E reserve in respect of this excess depreciation over historic cost. This transfer avoids the anomaly of the revaluation reserve remaining in perpetuity after an asset has become fully depreciated. It is also justified as it recognises a 'realised profit' in Companies Act terms

b) (£19,837,444) for the balance on the Revaluation Reserve for Fixed Assets that had a negative balance, previously incurred as a result of a reduction in valuation when new assets are first bought into use and revalued from Cost to Depreciated Replacement Cost

c) £40,407 for the balance on the Revaluation Reserve which refers to Fixed Assets that the Trust has disposed of in 2008-09

19 Notes to the cash flow Statement

19.1 Reconciliation of operating surplus to net cash flow from operating activities:

	2008/09	2007/08
	£000	£000
Total operating surplus/(deficit)	13,061	12,208
Depreciation and amortisation charge	9,603	9,812
Asset impairments and reversals, and movement in financial instruments	0	6,131
Transfer from Donated Asset Reserve	(171)	(435)
Transfer from the Government Grant Reserve	(69)	(67)
(Increase)/decrease in stocks	(530)	14
(Increase)/decrease in debtors	1,853	(7,295)
Increase/(decrease) in creditors	9,577	6,052
Increase/(decrease) in provisions	(1,017)	(340)
Net cash inflow/(outflow) from operating activities before restructuring costs	32,307	26,080
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	<u>32,307</u>	<u>26,080</u>

19.2 Reconciliation of net cash flow to movement in net debt

	2008/09	2007/08
	£000	£000
Increase/(decrease) in cash in the period	4,543	5,461
Cash (inflow) from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	5,000	5,000
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	9,543	10,461
Non - cash changes in debt	0	0
Net debt at 1 April 2008	(14,398)	(24,859)
Net debt at 31 March 2009	<u>(4,855)</u>	<u>(14,398)</u>

19.3 Analysis of changes in net debt

	At 1 April 2008	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2009
	£000	£000	£000	£000	£000
OPG cash at bank	5,468	0	4,668		10,136
Commercial cash at bank and in hand	134	0	(125)		9
Bank overdraft	0	0	0		0
Loan from the Department of Health due within one year	(5,000)	0	0	0	(5,000)
Other debt due within one year	0	0	0	0	0
Loan from the Department of Health due after one year	(15,000)	0	5,000	0	(10,000)
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0			0	-
Current financial assets		0	0	0	0
	(14,398)	0	9,543	0	(4,855)

20 Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £3,762,142 (31 March 2008 £3,205,136)

21 Post Balance Sheet Events

The Trust is hoping to achieve Foundation Trust Status in 2009/10

22 Contingencies

	2008/09 £000	2007/08 £000
Contingent liabilities*	(60)	(30)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	<u>(60)</u>	<u>(30)</u>
Contingent Assets	<u>0</u>	<u>0</u>

* The Trust's contingent liabilities include claims brought by employees and third parties totalling £60,613. The Provisions for these claims are included within Note 17 under 'Legal Claims'

23 Movement in Public Dividend Capital

	2008/09 £000	2007/08 £000
Public Dividend Capital as at 1 April 2008	145,860	145,860
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	0	0
Public Dividend Capital repaid in year	(6,131)	0
Public Dividend Capital written off	0	0
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2009	<u>139,729</u>	<u>145,860</u>

24 Financial Performance Targets

24.1 Breakeven Performance

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

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000	£000
Turnover	190,844	227,004	246,068	263,801	293,859	299,601
Retained surplus/(deficit) for the year	(12,801)	2	(4,952)	53	5,193	5,833
Adjustment for:						
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	315	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	(1,720)	0	0	0	0	0
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	(1,392)	0	0	0	0
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	0	0	0	0
2007/08 Prior Period Adjustment (relating to 1997/98 to 2006/07)	0	0	0	(1,059)	0	0
2008/09 Prior Period Adjustment (relating to 1997/98 to 2007/08)	0	0	0	0	0	0
- Adjustments for Impairments						0
- Other agreed adjustments	0	0	0	0	0	
Break-even in-year position	(14,206)	(1,390)	(4,952)	(1,006)	5,193	5,833
Break-even cumulative position	(25,532)	(26,922)	(31,874)	(32,880)	(27,687)	(21,854)
The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2011/12						2,012
If anticipated financial year of recovery is more than two years state the period agreed with SHA						3
Materiality test (i.e. is it equal to or less than 0.5%):						
- Break-even in-year position as a percentage of turnover	-7.4%	-0.6%	-2.0%	-0.4%	1.8%	1.9%
- Break-even cumulative position as a percentage of turnover	-13.4%	-11.9%	-13.0%	-12.5%	-9.4%	-7.3%

24.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £6,707,000, bears to the average relevant net assets of £154,242,000, that is 4.3%.

The Trust did not achieve the Capital cost within the DH range of 3.0% to 4.0%. This was due to the late application of reduced Indices for Fixed Assets that reduced the closing Asset base by £23,346,074 more than had originally been forecast. Without this late change the Trust would have achieved an absorption rate of 4.0% which is within the DH range

24.3 External financing

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

	£000	2008/09 £000	2007/08 £000
External financing limit		(8,417)	(6,962)
Cash flow financing	(15,674)		(10,461)
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement	<u>0</u>	<u>(15,674)</u>	<u>(10,461)</u>
Undershoot/(overshoot)		<u><u>7,257</u></u>	<u><u>3,499</u></u>

24.4 Capital Resource Limit

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

	2008/09 £000	2007/08 £000
Gross capital expenditure	9,864	9,764
Less: book value of assets disposed of	(215)	(814)
Plus: loss on disposal of donated assets	19	224
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(67)	(186)
Charge against the capital resource limit	<u>9,601</u>	<u>8,988</u>
Capital resource limit	12,517	11,962
(Over)/Underspend against the capital resource limit	<u><u>2,916</u></u>	<u><u>2,974</u></u>

25 Related Party Transactions

Worcestershire Acute Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year one of the Board Members or members of the key management staff or parties related to him has undertaken material transactions with Worcestershire Acute Hospitals NHS Trust.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Mr. Michael O'Riordan - Chairman of the Trust and: Chairman of the Healthcare Purchasing Consortium effective from 11/07/06. Trustee of the Charles Hastings Education Centre				

Transactions with the Healthcare Purchasing Consortium

Payments - Managed Purchasing Service	273,829	0	0	0
Payments - Supplies Senior Staffing Costs	69,694	0	0	0
Payments - Support Costs relating to Workmate System	14,240	0	0	0

Transactions with the Charles Hastings Education Centre	238,633	0	0	0
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The Department of Health is regarded as a related party. During the year Worcestershire Acute 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.

Worcestershire PCT
 Worcestershire Mental Health Partnership NHS Trust
 the NHS Litigation Authority;
 the NHS Supplies Authority;

In addition, the Trust has had a significant number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with Worcestershire County Council, Worcester City Council, Redditch Borough Council and Wyre Forest District Council in respect of business rates and the provision of public mortuary services.

The Trust has also received revenue and capital payments from a number of charitable funds amounting to £400,969 (£559,079 in 2007/08), certain of the Trustees for which are also members of the NHS Trust Board. The Financial Statements of the Funds Held on Trust and a Trustees Report will also be published by the Trust.

26 Private Finance Transactions

26.1 PFI schemes deemed to be off-balance sheet

	2008/09	2007/08
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	24,764	23,069
Amortisation of PFI deferred asset	(559)	527
Net charge to operating expenses	<u>24,205</u>	<u>23,596</u>

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

PFI scheme which expires;		
Within one year*	0	0
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	0	0
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	28,914	28,914
26th to 30th years (inclusive)*	0	0
31st to 35th years (inclusive)*	0	0

	£000	£000
Estimated capital value of the PFI scheme	106,000	106,000
Contract Start date:	01/04/99	
Contract End date:	31/03/32	

The PFI scheme in Worcester is for a new hospital to reprovide services that were delivered on three sites. As well as the construction of the new hospital, Catalyst Healthcare (Worcester) Ltd provide a comprehensive facilities management service including estates maintenance, hotel services and equipment procurement and maintenance. In advance of the new hospital becoming operational, the equipment element of the contract commenced on 1st July 1999.

Deferred assets are valued at £13,759,746 (net book value at date arising) and residual interest at £9,553,389
 Details of Residual Interest valuations are included within Accounting Policies Note 1.6 (Page 6)
 Payments of the annual tariff for the PFI contract are made monthly in advance.

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

There are no 'service' elements of PFI schemes deemed to be on-balance sheet as at 31st March 2009

There are no PFI transactions for on balance sheet schemes that give rise to guarantees, commitments or other rights and obligations.

27 Pooled Budgets

There are no Pooled Budget Projects for the Financial Year 2008/09

28 Financial Instruments

Financial Reporting Standard 29 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

Currency risk

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

Interest-rate risk

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

Credit risk

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

Liquidity risk

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

28.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing Weighted average term
					Weighted average interest rate	Weighted average period for which fixed	
					%	Years	
	£000	£000	£000	£000			Years
At 31 March 2009							
Sterling	10,145	10,145	0	0	0	0	0
Other	0	0	0	0	0	0	0
Gross financial assets	10,145	10,145	0	0			
At 31 March 2008							
Sterling	5,602	5,602	0	0	0	0	0
Other	0	0	0	0	0	0	0
Gross financial assets	5,602	5,602	0	0			

28.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing Weighted average term
					Weighted average interest rate	Weighted average period for which fixed	
					%	Years	
	£000	£000	£000	£000			Years
At 31 March 2009							
Sterling	(15,000)	(15,000)	0	0	2.2%	0	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	(15,000)	(15,000)	0	0			
At 31 March 2008							
Sterling	(21,648)	(20,000)	(1,648)	0	0	0	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	(21,648)	(20,000)	(1,648)	0			

Note: The public dividend capital is of unlimited term.

28.3 Financial Assets

	At 'fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS debtors	0	0	0	0
Non NHS debtors	0	0	0	0
Cash at bank and in hand	10,145	0	0	10,145
Other financial assets	0	0	0	0
Total at 31 March 2009	<u>10,145</u>	<u>0</u>	<u>0</u>	<u>10,145</u>

28.4 Financial Liabilities

	At 'fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
NHS creditors	0	0	0
Non NHS creditors	0	0	0
Borrowings	15,000	0	15,000
Private Finance Initiative and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
Total at 31 March 2009	<u>15,000</u>	<u>0</u>	<u>15,000</u>

29 Third Party Assets

The Trust held £5,248 cash at bank and in hand at 31 March 2009 (£4,634 - at 31 March 2008) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

30 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	11,018	0	6,236	10,000
Balances with Local Authorities	90	0	2	0
Balances with NHS Trusts and Foundation Trusts	1,328	0	1,089	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Intra Government balances	12,436	0	7,327	10,000
Balances with bodies external to Government	5,659	15,830	33,405	0
At 31 March 2009	<u>18,095</u>	<u>15,830</u>	<u>40,732</u>	<u>10,000</u>
Balances with other Central Government Bodies	11,955	0	6,155	15,000
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,270	0	1,278	0
Balances with Public Corporations and Trading Funds	0	0	1,465	0
Intra Government balances	14,225	0	8,898	15,000
Balances with bodies external to Government	6,323	15,230	22,135	0
At 31 March 2008	<u>20,548</u>	<u>15,230</u>	<u>31,033</u>	<u>15,000</u>

31 Losses and Special Payments

There were 237 cases of losses and special payments (2007/08: 133 cases) totalling £352,929 (2007/08: £421,133) during 2008/09.