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.

nb: sign and date in any colour ink except black

Signed...Chief Executive

Date...**06/06/2012**...

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

nb: sign and date in any colour ink except black

...**06/06/2012**........Date..Chief Executive

...**06/06/2012**........Date..Finance Director

Annual Accounts 2011/12

Statement of Comprehensive Income for year ended 31 March 2012

	NOTE	2011-12 £000	2010-11 £000 (restated)	
Employee benefits	10.1	**(63,218)**	(62,187)	
Other costs	8	**(31,564)**	(26,592)	
Revenue from patient care activities	5	**78,865**	77,622	
Other Operating revenue	6	**16,441**	15,658	Restated
Operating surplus		**524**	4,501	
Investment revenue	12	**10**	9	
Other (losses)	13	**(21)**	(105)	
Finance costs	14	**(373)**	(531)	
Surplus for the financial year		**140**	3,874	
Public dividend capital dividends payable		**(1,843)**	(1,683)	
Retained surplus/(deficit) for the year		**(1,703)**	2,191	
Other Comprehensive Income				
Impairments and reversals	17	**(380)**	0	
Net gain/(loss) on revaluation of property, plant & equipment	15.1	**680**	905	
Total comprehensive income for the year		**(1,403)**	3,096	

Financial performance for the year				
Retained surplus/(deficit) for the year		**(1,703)**	2,191	Restated
Impairments	17	**5,178**	497	
Adjustments in respect of donated asset reserve elimination		**135**	(81)	
Adjusted retained surplus		**3,610**	2,607	

The Trust's reported NHS financial performance position is derived from its Retained surplus, but adjusted for:-
a) Impairments to Fixed Assets - An impairment charge is not considered part of the organisation's operating position (see Note 39.1 Trusts breakeven performance).
b) The impact from the change in accounting for the elimination of the donated asset reserve.

The notes on pages 61 to 92 form part of this account.

Statement of Financial Position as at 31 March 2012

	NOTE	**31 March 2012 £000**	31 March 2011 (restated) £000	31 March 2010 (restated) £000
Non-current assets:				
Property, plant and equipment	15	**61,505**	65,661	59,468
Intangible assets	16	**2,476**	1,958	1,259
Trade and other receivables	22.1	**382**	422	381
Total non-current assets		**64,363**	68,041	61,108
Current assets:				
Inventories	21	**1,248**	1,110	1,334
Trade and other receivables	22.1	**3,103**	3,263	3,589
Cash and cash equivalents		**1,987**	156	1,067
Total current assets		**6,338**	4,529	5,990
Non-current assets held for sale	27	**0**	0	0
Total current assets		**6,338**	4,529	5,990
Total assets		**70,701**	72,570	67,098
Current liabilities				
Trade and other payables	28	**(9,383)**	(7,278)	(7,716)
Provisions	35	**(300)**	(305)	(71)
Working capital loan from Department	30	**(2,250)**	(3,610)	(2,308)
Total current liabilities		**(11,933)**	(11,193)	(10,095)
Non-current assets plus/less net current assets/liabilities		**58,768**	61,377	57,003
Non-current liabilities				
Provisions	35	(357)	(313)	(343)
Working capital loan from Department	30	0	(4,250)	(8,442)
Total non-current liabilities		**(357)**	(4,563)	(8,785)
Total Assets Employed:		**58,411**	56,814	48,218
FINANCED BY:				
TAXPAYERS' EQUITY				
Public Dividend Capital		57,879	54,879	49,379
Retained earnings		(10,265)	(9,106)	(11,857)
Revaluation reserve		10,890	11,134	10,789
Other reserves		(93)	(93)	(93)
Total Taxpayers' Equity:	SOCITE	**58,411**	56,814	48,218

The financial statements on pages 61 to 92 were approved by the Board on 6th June 2012 and signed on its behalf by:

Chief Executive:

Date: **06/06/2012**

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Public Dividend capital	Retained earnings		Revaluation reserve	Other reserves	Total reserves
	£000	£000		£000	£000	£000
Balance at 1 April 2011	54,879	(9,106)		11,134	(93)	**56,814**
Opening balance adjustments		0		0	0	**0**
Restated balance at 1 April 2011	54,879	(9,106)		11,134	(93)	**56,814**
Changes in taxpayers' equity for 2011-12						
Retained (deficit) for the year		(1,703)				**(1,703)**
Net gain on revaluation of property, plant, equipment				680		**680**
Impairments and reversals				(380)		**(380)**
Transfers between reserves		544		(544)	0	**0**
New PDC Received	3,000					**3,000**
Net recognised revenue/(expense) for the year	3,000	(1,159)		(244)	0	1,597
Balance at 31 March 2012	**57,879**	**(10,265)**		**10,890**	**(93)**	**58,411**
Included above:						
Transfer from revaluation reserve to retained earnings in respect of impairments		483		(483)		0
Changes in taxpayers' equity for 2010-11						
Balance at 1 April 2010	49,379	(11,857)		10,789	(93)	48,218
Retained surplus for the year		2,191				2,191
Net gain on revaluation of property, plant, equipment				905		905
Transfers between reserves		560		(560)	0	0
New PDC Received	5,500					5,500
Net recognised revenue for the year	5,500	2,751		345	0	8,596
Balance at 31 March 2011	**54,879**	**(9,106)**	Restated	**11,134**	**(93)**	**56,814**
Included above:						
Transfer from revaluation reserve to retained earnings in respect of impairments		0		0		0

Statement Of Cash Flows For The Year Ended 31 March 2012

	NOTE	**2011-12 £000**	2010-11 £000	
Cash Flows from Operating Activities				
Operating Surplus	SOCI	**524**	**4,501**	Restated
Depreciation and Amortisation	8	**3,340**	**2,904**	
Impairments and Reversals	17	**5,178**	**497**	
Donated Assets received credited to revenue but non-cash	6	**(46)**	**(246)**	Restated
Interest Paid	SOCI	**(364)**	**(522)**	
Dividend paid	SOCI	**(1,873)**	**(1,653)**	
(Increase)/Decrease in Inventories	21	**(138)**	**224**	
Decrease in Trade and Other Receivables	22.1	**200**	**285**	
Increase in Trade and Other Payables	28	**1,137**	**64**	
Provisions Utilised	35	**(72)**	**(50)**	
Increase in Provisions	35	**102**	**245**	
Net Cash Inflow from Operating Activities		**7,988**	**6,249**	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received		**10**	**9**	
(Payments) for Property, Plant and Equipment		**(3,219)**	**(9,234)**	
(Payments) for Intangible Assets		**(403)**	**(813)**	
Proceeds of disposal of assets held for sale (PPE)		**19**	**22**	
Net Cash (Outflow) from Investing Activities		**(3,593)**	**(10,016)**	
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**4,395**	**(3,767)**	
CASH FLOWS FROM FINANCING ACTIVITIES				
Public Dividend Capital Received	SOCITE	3,000	5,500	
Loans repaid to DH - Working Capital Loans Repayment of Principal	30	(5,610)	(2,890)	
Capital grants and other capital receipts	6	46	246	
Net Cash Inflow/(Outflow) from Financing Activities		**(2,564)**	**2,856**	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,831**	**(911)**	
Cash and Cash Equivalents at Beginning of the Period		156	1,067	
Cash and Cash Equivalents at year end	**26**	**1,987**	156	

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 2011-12 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 Pooled Budgets

The Trust has not entered into any pooled budget arrangements.

1.4 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.

1.4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Assessing the value of significant accruals of income and expenditure at the year end.
- The Trust has prepared the accounts on a going concern basis.
- Assessing whether significant risks and rewards of ownership of leased assets have transferred.
- Assessing whether impairments to the values of Property Plant and Equipment non current assets and intangibles have arisen in year.

- Management has declared that the financial statements are free from any misstatement as a result of fraud or any weakness in systems of internal control

1.4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

- All land and buildings are restated to fair values using the professional valuation provided by the District Valuer based on a valuation date of 1st April 2010. The carrying amount for land and buildings as at 31 March 2012 has been assessed using recognised published indices and where the impact of the revaluation is material the assets have been revalued (see note 15).

- Holiday pay due to employees but not taken at 31st March is accrued for based on the carried forward leave information received from a representative sample of the Trust's workforce.
- Healthcare SLA over/under performance with some commissioners is estimated based on patientactivity; the final agreement of income will be made when the information is validated in accordance with the contracting timetable
- The accounting treatment for partially completed spells is to recognise the income for a treatment or spell once the patient is admitted and treatment begins on or prior to 31st March 2012. This is recognised on an agreed average of partially completed spells during the year with the Trusts Commissioners.

1.5 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 Primary Care Trusts, which are government funded commissioners of NHS health and patient care. Revenue is recognised in the period in which services are provided. 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 balance sheet date compared to expected total length of stay. The revenue is adjusted to take into account that the first two days are the most costly part of the stay consuming most resources.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

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.

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

1.6 Employee Benefits

1.6.1 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.

1.6.2 Retirement benefit costs

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

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

The Trust does not have any employees who are members of the Local Government Pension Scheme.

1.7 Other expenses

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

1.8 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.

The Trust instructed the Health Service District Valuer Service to value Land and Buildings on a modern equivalent assets basis as at 1 April 2010. The revaluation produced a reduction in values which have been reflected through the Statement of Financial Position.

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.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. 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.

1.9 Intangible assets

Recognition

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

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

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

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible assets 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.

1.10 Depreciation, amortisation and impairments

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

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. 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.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.11 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.12 Government grants

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.13 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.

1.14 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

The Trust does not hold any finance leases for Property, plant and equipment.

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

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

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

The Trust as lessor

The Trust does not have any finance leases as a lessor.

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

1.15 Private Finance Initiative (PFI) transactions

The Trust has no PFI arrangements or transactions.

1.16 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out method for all inventories except pharmacy which uses weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.17 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.

1.18 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. (2.8% for employee early departure obligations).

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

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

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.19 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.

1.20 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.

1.21 EU Emissions Trading Scheme

The Trust has not received an EU Emissions Trading scheme allowance.

1.22 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.

1.23 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.

The Trust does not hold financial assets in any of the following categories: financial assets at fair value through profit and loss; held to maturity investments and available for sale financial assets.

1.24 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.

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 any 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.

1.25 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.

The Trust does not have any other financial liabilities including Financial Guarantee contract liabilities or financial liabilities held at fair value through the profit and loss.

1.26 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.

1.27 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.

1.28 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 44 to the accounts.

1.29 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.

1.30 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). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

1.31 Subsidiaries

The Trust does not have any subsidiaries.

For 2011-12 and 2010-11 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

1.32 Associates

The Trust does not have any associates.

1.33 Joint ventures

Joint ventures are accounted for by the equity method.

The Trust does not have any Joint ventures that are 'held for sale'.

1.34 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

1.35 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.

1.36 Accounting standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation
IAS 12 - Income Taxes (amendment) - subject to consultation
IAS 19 Post-employment benefits (pensions) - subject to consultation
IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 7 - Financial Instruments: Disclosures (annual improvements) - effective 2012-13
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled Budget

The Trust has not entered into any pooled budget arrangements.

3. Operating segments

The Trust has a number of directorates, all of which operate in the healthcare segment. These directorates are used for internal management purposes and divide the healthcare and other services of the Trust into various medical and surgical specialties. While these are reported on internally for financial and activity purposes, they have been consolidated, as permitted by IFRS 8 paragraphs 12 and 13, into Trust wide figures for these accounts.

4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of the income generation activities full costs exceeded £1m or was otherwise material.

5. Revenue from patient care activities

	2011-12	2010-11
	£000	£000
NHS trusts	**2**	6
Primary care trusts - tariff	**71,256**	71,739
Primary care trusts - non-tariff	**5,611**	4,033
Local authorities	**250**	292
Non-NHS:		
Private patients	**960**	981
Overseas patients (non-reciprocal)	**1**	2
Injury costs recovery	**539**	396
Other	**246**	173
	78,865	77,622

Note a: Injury cost recovery income is subject to a provision for impairment of receivables of 10.5% to reflect expected rates of collection (9.6% 2010-11). This is in line with national guidance.

6. Other operating revenue

	NOTE	**2011-12**	2010-11	
		£000	£000	
Education, training and research		**3,101**	3,600	
Charitable and other contributions to expenditure		**133**	382	
Receipt of donations for capital acquisitions		**46**	246	Restated
Non-patient care services to other bodies		**11,261**	9,585	
Income generation		**614**	639	

Rental revenue from operating leases	9.2	**231**	202
Other revenue		**1,055**	1,004
		16,441	15,658
Total operating revenue		**95,306**	93,280

7. Revenue

	2011-12	2010-11
	£000	£000
From rendering of services	**95,306**	93,280

Revenue is from the supply of services.

8. Operating expenses (excluding employee benefits)

	2011-12	2010-11	
	£000	£000	
Services from other NHS trusts	**548**	607	2010-11 Restated
Services from PCTs	**28**	33	
Services from other NHS bodies	**123**	119	2010-11 Restated
Services from foundation trusts	**863**	797	
Purchase of healthcare from non NHS bodies	**35**	220	
Trust chair and non executive directors	**49**	53	
Supplies and services - clinical	**13,321**	13,183	
Supplies and services - general	**1,632**	1,743	
Consultancy services	**378**	751	
Establishment	**746**	778	
Transport	**128**	225	
Premises	**3,097**	2,714	
Impairments and Reversals of Receivables	**(37)**	74	
Depreciation	**3,089**	2,790	
Amortisation	**251**	114	
Impairments and reversals of property, plant and equipment	**5,178**	497	
Audit fees	**131**	136	
Other auditor's remuneration	**0**	18	
Clinical negligence	**1,120**	1,017	
Education and Training	**408**	330	
Other	**476**	393	
	31,564	26,592	
Employee benefits			
Employee benefits excluding Board members	**62,764**	61,676	
Board members	**454**	511	
Total employee benefits	**63,218**	62,187	
Total operating expenses	**94,782**	88,779	

Note: Due to an incorrect classification of expenditure in 2010-11 £119k has been restated from Services from other NHS trusts to Services from other NHS bodies.

9 Operating Leases

9.1 Trust as lessee

	Land £000	Buildings £000	Other £000	2011-12 Total £000	2010-11 £000
Payments recognised as an expense					
Minimum lease payments	**1**	**34**	**123**	**158**	164
Total	**1**	**34**	**123**	**158**	164
Payable:					
No later than one year	**0**	**34**	**123**	**157**	158
Between one and five years	**0**	**0**	**409**	**409**	532
After five years	**0**	**0**	**0**	**0**	0
Total	**0**	**34**	**532**	**566**	690

The most significant future minimum lease payment relates to the Pathology Managed Equipment Service contract with Roche Diagnostics which has 4 years remaining.

9.2 Trust as lessor

The Trust receives rental revenue from a number of organisations for the use of it's land and buidings. The most significant arrangement is with Avon and Wiltshire Mental Health Partnership NHS Trust for a strip of land which has 62 years remaining.

	2011-12 £000	2010-11 £000
Recognised as income		
Rents	231	202
Total	**231**	202
Receivable:		
No later than one year	231	197
Between one and five years	389	373
After five years	4,858	4,718
Total	**5,478**	5,288

10 Employee benefits and staff numbers

10.1 Employee benefits

	Total £000	Permanently employed £000	Other £000
Employee Benefits 2011-12 - gross expenditure			
Salaries and wages	**53,287**	48,376	4,911
Social security costs	**4,022**	4,022	0

Employer contributions to NHS Pensions scheme	**5,828**	5,828	0
Other pension costs	**126**	126	0
Total employee benefits	**63,263**	58,352	4,911
Employee costs capitalised	**45**	25	20
Net Employee Benefits excluding capitalised costs	**63,218**	58,327	4,891

	Total £000	Permanently employed £000	Other £000
Employee Benefits 2010-11 - gross expenditure			
Salaries and wages	53,183	49,293	3,890
Social security costs	4,013	4,013	0
Employer contributions to NHS Pensions scheme	5,926	5,926	0
Total employee benefits	63,122	59,232	3,890
Employee costs capitalised	935		
Net Employee Benefits excluding capitalised costs	62,187		

10.2 Staff Numbers

	2011-12			2010-11	
	Total Number	Permanently employed Number	Other Number	Total Number	
Average Staff Numbers					
Medical and dental	218	188	30	218	
Administration and estates	343	339	4	376	
Healthcare assistants and other support staff	347	320	27	331	Restated 2010-11
Nursing, midwifery and health visiting staff	436	409	27	466	Restated 2010-11
Scientific, therapeutic and technical staff	177	177	0	182	
Other	0	0	0	5	
TOTAL	1,521	1,433	88	1,578	
Of the above - staff engaged on capital projects	1			22	

The 2010-11 staff numbers have been restated to move untrained nurses from Nursing, midwifery and health visiting staff to Healthcare assistants and other support staff.

10.3 Staff Sickness absence and ill health retirements

	2011 **Number**	2,010 Number
Total Days Lost	12,192	12,400
Total Staff Years	1,465	1,530
Average working Days Lost	**8.3**	8.1

Staff sickness figures relate to the calendar year 1 January 2011 to 31 December 2011

	2011-12	2010-11
	Number	Number
Number of persons retired early on ill health grounds	**0**	1
	£000s	£000s
Total additional pensions liabilities accrued in the year	**0**	68

10.4 Exit Packages agreed in 2011-12

There were not any exit packages agreed in 2011-12 or 2010-11

10.5 Pension costs

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". 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.

The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

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. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

c) Scheme provisions

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

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.
With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

11 Better Payment Practice Code

11.1 Measure of compliance

	2011-12 Number	**2011-12 £000**	2010-11 Number	2010-11 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	**27,425**	**22,578**	28,172	27,765
Total Non-NHS Trade Invoices Paid Within Target	**25,902**	**21,149**	26,943	26,673
Percentage of NHS Trade Invoices Paid Within Target	94.45%	93.67%	95.64%	96.07%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	**1,268**	**8,832**	1,300	9,061
Total NHS Trade Invoices Paid Within Target	**954**	**7,141**	918	6,690
Percentage of NHS Trade Invoices Paid Within Target	75.24%	80.85%	70.62%	73.83%

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

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

No claims for interest in respect of late payment of invoices have been made against the Trust by other businesses under this legislation in either period.

No claims for compensations to cover debt recovery costs have been made against the Trust in either period.

12 Investment Income

	2011-12	2010-11
	£000	£000
Bank interest	10	9
Total investment income	**10**	9

13 Other Gains and Losses

	2011-12	2010-11
	£000	£000
(Loss) on disposal of property, plant and equipment	(21)	(105)
Total	**(21)**	(105)

14 Finance Costs

	2011-12	2010-11
	£000	£000
Interest		
Interest on loans and overdrafts	364	522
Provisions - unwinding of discount	9	9
Total	**373**	531

15.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Assets under construction & payments on account	Plant & machinery	Information technology	Furniture & fittings	**Total**
2011-12							
	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:							
At 31 March 2011	9,905	41,036	8,520	13,024	3,706	1,398	**77,589**
Prior period adjustments	0	0	0	0	0	0	**0**
At 1 April 2011 restated	9,905	41,036	8,520	13,024	3,706	1,398	**77,589**
Additions Purchased	0	431	1,777	1,263	342	0	**3,813**
Additions Donated	0	0	0	46	0	0	**46**
Reclassifications	0	8,244	(8,637)	320	19	46	**(8)**

Disposals other than for sale	0	0	0	(227)	(646)	(144)	**(1,017)**
Upward revaluation/positive indexation	0	729	0	0	0	0	**729**
Impairments/negative indexation	0	(380)	0	0	0	0	**(380)**
Cumulative dep'n adjustment following revaluation	0	(5,270)	0	0	0	0	**(5,270)**
At 31 March 2012	**9,905**	**44,790**	**1,660**	**14,426**	**3,421**	**1,300**	**75,502**
Depreciation							
At 31 March 2011	0	1,478		7,625	1,765	1,060	**11,928**
Prior period adjustments	0	0		0	0	0	**0**
At 1 April 2011 restated	0	1,478		7,625	1,765	1,060	**11,928**
Disposals other than for sale	0	0		(188)	(645)	(144)	**(977)**
Upward revaluation/positive indexation	0	49		0	0	0	**49**
Impairments	0	5,178	0	0	0	0	**5,178**
Charged During the Year	0	1,552		1,010	424	103	**3,089**
Cumulative dep'n adjustment following revaluation	0	(5,270)	0	0	0	0	**(5,270)**
At 31 March 2012	**0**	**2,987**	**0**	**8,447**	**1,544**	**1,019**	**13,997**
Net book value at 31 March 2012	9,905	41,803	1,660	5,979	1,877	281	**61,505**
Purchased	9,905	38,290	1,660	5,695	1,877	271	**57,698**
Donated	0	3,513	0	284	0	10	**3,807**
Total at 31 March 2012	**9,905**	**41,803**	**1,660**	**5,979**	**1,877**	**281**	**61,505**
Asset financing:							
Owned	9,905	41,803	1,660	5,979	1,877	281	**61,505**
Total	**9,905**	**41,803**	**1,660**	**5,979**	**1,877**	**281**	**61,505**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Plant & machinery	Information technology	Furniture & fittings	**Total**
	£000's	£000's	£000's	£000's	£000's	**£000's**
At 31 March 2011	7,845	3,173	116	0	0	**11,134**
Prior period adjustments	0	0	0	0	0	**0**
At 1 April 2011 restated	7,845	3,173	116	0	0	**11,134**
Movements	0	(154)	(90)	0	0	**(244)**
At 31 March 2012	7,845	3,019	26	0	0	**10,890**

15.2 Property, plant and equipment

	Land	Buildings excluding dwellings	Assets under construction & payments on account	Plant & machinery	Information technology	Furniture & fittings	**Total**
2010-11							
	£000	£000	£000	£000	£000	£000	**£000**
Cost or valuation:							
At 1 April 2010	9,905	37,424	5,975	11,716	3,275	1,424	**69,719**
Additions - purchased	0	252	7,259	1,044	393	0	**8,948**
Additions - donated	0	37	0	209	0	0	**246**

Reclassifications	0	2,384	(4,217)	1,303	38	0	**(492)**
Disposals other than by sale	0	0	0	(1,248)	0	(26)	**(1,274)**
Revaluation & indexation gains	0	939	0	0	0	0	**939**
At 31 March 2011	**9,905**	**41,036**	**9,017**	**13,024**	**3,706**	**1,398**	**78,086**
Depreciation							
At 1 April 2010	0	0		7,865	1,402	984	**10,251**
Reclassifications		0		(9)	9	0	**0**
Disposals other than for sale	0	0		(1,121)	0	(26)	**(1,147)**
Upward revaluation/positive indexation	0	34		0	0	0	**34**
Impairments	0	0	497	0	0	0	**497**
Charged During the Year	0	1,444		890	354	102	**2,790**
At 31 March 2011	0	1,478	497	7,625	1,765	1,060	12,425
Net book value	**9,905**	**39,558**	**8,520**	**5,399**	**1,941**	**338**	**65,661**
Purchased	9,905	36,002	8,520	5,087	1,941	320	**61,775**
Donated	0	3,556	0	312	0	18	**3,886**
Total at 31 March 2011	9,905	39,558	8,520	5,399	1,941	338	**65,661**
Asset financing:							
Owned	9,905	39,558	8,520	5,399	1,941	338	**65,661**
	9,905	39,558	8,520	5,399	1,941	338	**65,661**

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Plant & machinery	Information technology	Furniture & fittings	**Total**
	£000's	£000's	£000's	£000's	£000's	**£000's**
At 1 April 2010 restated	7,845	2,730	214	0	0	**10,789**
Movements	0	443	(98)	0	0	**345**
At 31 March 2011	7,845	3,173	116	0	0	**11,134**

15.3 Property, plant and equipment

Of the totals at 31 March 2012 there are no tangible fixed assets relating to land, buildings, dwellings, installations or fittings valued at open market value. (31 March 2011 also NIL)

The Trust property, plant and equipment was last revalued on 1 April 2010 by the District Valuer. The valuation was undertaken having regard to International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards 6th Edition, in so far as these terms are consistent with the requirements of HM Treasury, the National Health Service and Department of Health and carried out on the basis of Depreciated Replacement Cost for specialised operational property and existing use value for non specialised operational property.

Gains relating to indexation 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 statement of comprehensive income, 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. This applies where the fall in value is as a result from the fall in market prices however if the fall in value arises from the clear consumption of economic benefit this should then be charged to expenditure.

There were no assets held under finance leases or hire purchase contracts at the balance sheet date. (31 March 2011 also NIL)

No dwellings or transport equipment assets were held in either period.

There are no restrictions imposed on the use of donated assets.

15.4 Economic Lives of Non-Current Assets

	Min/Max Life in years
Intangible Assets	
Software Licences	5 - 15
Property, Plant and Equipment	
Buildings exc Dwellings	5 - 77
Plant & Machinery	5 - 30
Information Technology	3 - 15
Furniture and Fittings	5 - 41

16.1 Intangible non-current assets

	Software purchased
2011-12	
	£000
Cost or valuation:	
At 31 March 2011	2,701
Prior period adjustments	0
At 1 April 2011 restated	2,701
Additions - purchased	761
Reclassifications	8
Disposals other than by sale	(144)
At 31 March 2012	3,326
Amortisation	
At 31 March 2011	743
Prior period adjustments	0
At 1 April 2011	743
Disposals other than by sale	(144)
Charged during the year	251
At 31 March 2012	850
NBV at 31 March 2012	2,476
Net book value at 31 March 2012 comprises:	
Purchased	2,476
Total at 31 March 2012	2,476

There is a nil balance in the revaluation reserve balance for intangible non-current assets in both periods.

16.2 Intangible non-current assets

	Software purchased
2010-11	
	£000
Cost or valuation:	
At 1 April 2010	3,936
Additions - purchased	321
Reclassifications	(1,556)
At 31 March 2011	2,701
Amortisation	
At 1 April 2010	2,677
Reclassifications	(2,048)
Charged during the year	114
At 31 March 2011	743
Net book value at 31 March 2010	1,958
Net book value at 31 March 2010 comprises:	
Purchased	1,958
Total at 31 March 2011	1,958

16.3 Intangible non-current assets

Intangible assets comprise purchased computer software which is carried at amortised historical cost, as a proxy for fair value.

Assets are capitalised and amortised over the useful lives on a straight-line basis. Useful lives are all finite and range from 5 to 15 years.

17 Analysis of impairments and reversals recognised in 2011-12

	2011-12 Total
	£000
Property, Plant and Equipment impairments and reversals taken to SoCI	
Total charged to Departmental Expenditure Limit	0
Changes in market price	5,178
Total charged to Annually Managed Expenditure	5,178
Property, Plant and Equipment impairments and reversals charged to the revaluation reserve	
Changes in market price	380
Total impairments for PPE charged to reserves	380

Total Impairments of Property, Plant and Equipment	5,558

Total Impairments charged to Revaluation Reserve	380
Total Impairments charged to SoCI - DEL	0
Total Impairments charged to SoCI - AME	5,178
Overall Total Impairments	5,558

Of which:

Impairment on revaluation to "modern equivalent asset" basis	5,558

Following the successful construction of the Integrated Urgent Care Centre (IUCC) on time and within budget the District Valuers Office have valued the asset as at the 13th April 2011 being the date when the building was brought into operational use.

This has resulted in an impairment relating to the building of the IUCC of £5,558k. With £5,178k charged to the Statement of Comprehensive Income and the balance £380k charged against the value held for the existing assets on the Revaluation Reserve.

18 Investment property

The trust did not hold investment property for either year.

19 Commitments

19.1 Capital commitments

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

	31 March 2012 £000	31 March 2011 £000
Property, plant and equipment	**336**	137
Total	**336**	137

20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	1,207	0	2,182	0
Balances with Local Authorities	7	0	0	0
Balances with NHS Trusts and Foundation Trusts	548	0	509	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	1,341	382	6,692	0
At 31 March 2012	**3,103**	**382**	**9,383**	**0**
prior period:				
Balances with other Central Government Bodies	2,192	0	2,467	0
Balances with Local Authorities	13	0	0	0
Balances with NHS Trusts and Foundation Trusts	311	0	658	0

Balances with Public Corporations and Trading Funds	0	0	30	0
Balances with bodies external to government	747	422	4,123	0
At 31 March 2011	**3,263**	**422**	**7,278**	**0**

21 Inventories

	Drugs £000	Consumables £000	Energy £000	Total £000
Balance at 1 April 2011	454	646	10	**1,110**
Prior period adjustment	0	0	0	**0**
Restated at 1 April 2011	454	646	10	**1,110**
Additions	6,120	9,076	0	**15,196**
Inventories recognised as an expense in the period	(5,962)	(9,096)	0	**(15,058)**
Balance at 31 March 2012	612	626	10	**1,248**

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2012 £000	31 March 2011 £000	**31 March 2012 £000**	31 March 2011 £000
NHS receivables - revenue	**1,586**	2,240	**0**	0
Non-NHS receivables - revenue	**619**	485	**441**	467
Non-NHS prepayments and accrued income	**446**	220	**0**	0
Provision for the impairment of receivables	**(89)**	(172)	**(59)**	(45)
VAT	**169**	263	**0**	0
Interest receivables	**1**	0	**0**	0
Other receivables	**371**	227	**0**	0
Total	**3,103**	3,263	**382**	422
Total current and non current	**3,485**	3,685		

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.

22.2 Receivables past their due date but not impaired

	31 March 2012 £000	31 March 2011 £000
By up to three months	**277**	242
By three to six months	**367**	204
By more than six months	**708**	600
Total	**1,352**	1,046

22.3 Provision for impairment of receivables

	2011-12 £000	2010-11 £000
Balance at 1 April 2011	**(217)**	(148)
Adjustments	**0**	0
Restated balance at 1 April 2011	**(217)**	(148)
Amount written off during the year	**32**	5
(Increase)/decrease in receivables impaired	**37**	(74)
Balance at 31 March	**(148)**	**(217)**

23 NHS LIFT investments

The Trust does not hold NHS Lift investments in 2011-12 or 2010-11.

24 Other financial assets

The Trust has not held any fixed or current asset investments during either year.

25 Other current assets

The Trust did not have any other current assets in 2011/12 or 2010/11.

26 Cash and Cash Equivalents

	31 March 2012 £000	31 March 2011 £000
Opening balance at	**156**	1,067
Opening balance adjustment	**0**	0
Restated	**156**	1,067
Net change in year	**1,831**	(911)
Closing balance	**1,987**	156
Made up of		
Cash with Government Banking Service	**2,053**	160
Commercial banks	**(66)**	(4)
Cash and cash equivalents as in statement of financial position	**1,987**	156
Cash and cash equivalents as in statement of cash flows	**1,987**	156

27 Non-current assets held for sale

The Trust did not hold any non current assets held for sale in either 2011-12 or 2010-11.

28 Trade and other payables

	Current	
	31 March 2012	31 March 2011
	£000	£000
NHS payables - revenue	**582**	1,158
NHS payables - capital	**22**	0
NHS accruals and deferred income	**110**	0
Non-NHS payables - revenue	**918**	411
Non-NHS payables - capital	**1,979**	1,003
Non-NHS accruals and deferred income	**3,758**	2,678
Social security costs	**568**	561
Tax	**693**	710
Other	**753**	757
Total	**9,383**	7,278
Total payables	**9,383**	7,278
Included above:		
outstanding Pension Contributions at the year end	714	726

29 Other liabilities

The Trust did not have any other liabilities as at 31 March 2012 (Nil 31 March 2011).

30 Borrowings

	Current		Non-current	
	31 March 2012	31 March 2011	**31 March 2012**	31 March 2011
	£000	£000	**£000**	£000
Loans from Department of Health	**2,250**	3,610	**0**	4,250
Total	**2,250**	3,610	**0**	4,250
Total other liabilities (current and non-current)	**2,250**	7,860		

Loans - repayment of principal falling due in:

	31 March 2012		
	DH	**Other**	**Total**
	£000	**£000**	**£000**
0-1 years	2,250	0	2,250
1 - 2 Years	0	0	0
2 - 5 Years	0	0	0
Over 5 Years	0	0	0
TOTAL	2,250	0	2,250

The Trust agreed a capital loan facility with the Department of Health on 15th July 2008 for £14,300,000 repayable over 7 years at an interest rate of 5.32% to repay historic debts. Repayments of £5,610,000 have been made in year to meet the terms of the 5 year recovery plan which includes an additional £2,000,000 repayment made from working capital. This leaves £2,250,000 outstanding as at 31st March 2012 to be repaid by 31st March 2013.

31 Other financial liabilities

The Trust had no other financial liabilities during 2011/12 and 2010/11.

32 Deferred income

	Current	
	31 March 2012	31 March 2011
	£000	£000
Opening balance at 01/04/11	**660**	529
Deferred income addition	**17**	162
Transfer of deferred income	**(165)**	(31)
Current deferred Income at 31 March 2012	**512**	660
Total other liabilities	**512**	**660**

33 Finance lease obligations as lessee

The Trust had no finance lease obligations during 2011/12 and 2010/11.

34 Finance lease receivables as lessor

The Trust had no finance lease receivables during 2011/12 and 2010/11.

35 Provisions

			Comprising:			
		Total	**Pensions Relating to Other Staff**	**Legal Claims**	**Restructuring**	**Other**
	NOTE	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Balance at "01/04/11"		618	179	33	214	192
Prior period adjustment		0	0	0	0	0
Restated Balance 01/04/11		618	179	33	214	192
Arising During the Year		342	0	16	252	74
Utilised During the Year		(72)	(29)	(34)	0	(9)
Reversed Unused		(240)	0	(6)	(214)	(20)
Unwinding of Discount		9	5	0	0	4
Balance as at "31/03/12"		**657**	**155**	**9**	**252**	**241**
Expected Timing of Cash Flows:						
No Later than One Year	SOFP	**300**	**30**	**9**	**252**	**9**
Later than One Year and not later than Five Years		**235**	**125**	**0**	**0**	**110**

Later than Five Years		**122**	**0**	**0**	**0**	**122**
	SOFP	**357**	**125**	**0**	**0**	**232**

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:	
As at "31/03/12"	2,878
As at "31/03/11"	3,823

£2,878,000 is included in the provisions of the NHS Litigation Authority at 31/3/2012 in respect of clinical negligence liabilities of the trust (31/03/11 £3,823,000).

Provisions for 'Pensions relating to other staff' are for pre-6 March 1995 early retirement cases where a retirement was due to ill health and consequently not funded by the NHS Pension scheme. The level of payment in these cases is predetermined and uplifted for inflation each year.

Legal claims relate to Employee and Public liability cases where assistance is provided by Insurers where the value of the case exceeds the Trust excess.

The Trust has reviewed the provision for restructuring. As at 31st March 2012 there are 12 cases identified.

Other - £241,000 is made up of 2 cases, a permanent injury benefit £167,000 and 1 other contractual claim (31 March 2011 £171,000 permanent injury benefit case).

36 Contingent liabilities

	31 March 2012	31 March 2011
	£000	£000
Other	**(13)**	**(108)**
Net value of contingent liabilities	**(13)**	**(108)**

The contingent liabilities represent possible legal claims against the trust, these are managed by the NHS Litigation Authority for clinical negligence and liabilties for third parties scheme, £13,000 31 March 2012, (£8,000 31 March 2011)

The contingent liability for other legal claims Nil 31 March 2012 (£100,000 31 March 2011).

37 PFI and LIFT - additional information

The Trust did not have any PFI and LIFT dealings or transactions in either 2011-12 or 2010-11

38 Impact of IFRS treatment - current year

The was not any revenue consequences resulting from impact of IFRS in 2011-12 or 2010-11

39 Financial Instruments

39.1 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 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 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 2012 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.

39.2 Financial Assets

	Loans and receivables	Total
	£000	£000
Receivables - NHS	1,586	**1,586**
Receivables - non-NHS	1,271	**1,271**
Cash at bank and in hand	1,987	**1,987**
Total at 31 March 2012	**4,844**	**4,844**
Receivables - NHS	2,240	2,240

Receivables - non-NHS	947	947
Cash at bank and in hand	156	156
Total at 31 March 2011	3,343	3,343
	Other	**Total**
	£000	**£000**

39.3 Financial Liabilities

	Other £000	**Total £000**
NHS payables	1,176	**1,176**
Non-NHS payables	5,720	**5,720**
Other borrowings	2,250	**2,250**
Other financial liabilities	72	72
Total at 31 March 2012	**9,218**	**9,218**
NHS payables	3,463	3,463
Non-NHS payables	1,158	1,158
Other borrowings	7,860	**7,860**
Total at 31 March 2011	12,481	12,481

40 Events after the end of the reporting period

There are not any events after the end of the reporting period that have a material effect on the accounts.

The financial statements were authorised for issue on 06 June 2012, following approval by the Trust's Board.

41 Related party transactions

Weston Area Health NHS Trust is a body corporate established by order of the Secretary of State for Health.

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 Weston Area Health NHS Trust.

The Department of Health is regarded as a related party. During the year Weston Area Health 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:
Bristol PCT, NHS Blood and Transplant, NHS Litigation Authority, North Bristol NHS Trust, North Somerset PCT, Somerset PCT, South Gloucestershire PCT, South West Strategic Health Authority, University Hospitals of Bristol NHS Foundation Trust.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies e.g HM Revenue and Customs.

The Trust has also received revenue and capital payments of £133,000 from the Weston Health General Charitable funds whose Trustees are the same as those members of the NHS Trust Board. The Charity is a separate legal entity (Registered Charity 1057589) and produces its own annual report of accounts that is open to public view on the charity commission website.

42 Losses and special payments

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	13,709	49
Special payments	10,139	15
Total losses and special payments	23,848	64

The total number of losses cases in 2010-11and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	6,897	54
Special payments	7,666	13
Total losses and special payments	14,563	67

43. 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.

43.1 Breakeven performance

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Turnover	68,162	70,300	80,100	85,914	90,403	93,199	95,306
Retained surplus/(deficit) for the year	(6,989)	(6,673)	8	408	(68)	2,110	(1,703)
Adjustment for:							
Timing/non-cash impacting distortions:							
Adjustments for Impairments	0	0	0	0	2,516	497	5,178
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	135
Other agreed adjustments	5,154	0	0	0	0	0	0
Break-even in-year position	(1,835)	(6,673)	8	408	2,448	2,607	3,610
Break-even cumulative position	(7,569)	(14,242)	(14,234)	(13,826)	(11,378)	(8,771)	(5,161)

The Trust has delivered it's recovery plan for the 4 years from the 1 April 2008 to 31 March 2012. The approved recovery plan agreed with the SHA is due to be achieved by the year ending 31 March 2013.

The 2010-11 breakeven performance figures are the actual figures prior to the restatement. The Department of Health does not re-assess prior year performance.

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	%	%	%	%	%	%	%
Materiality test (I.e. is it equal to or less than 0.5%):							
Break-even in-year position as a percentage of turnover	-3	-9	0	0	3	3	4
Break-even cumulative position as a percentage of turnover	-11	-20	-18	-16	-13	-9	-5

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

43.2 External financing

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

		2011-12	2010-11
	£000	**£000**	£000
External financing limit		**(2,576)**	4,050
Cash flow financing	**(4,395)**		3,767
Other capital receipts	**(46)**		(246)
External financing requirement		**(4,441)**	3,521
Undershoot		**1,865**	529

43.3 Capital resource limit

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

	2011-12	2010-11
	£000	£000
Gross capital expenditure	**4,620**	9,515
Less: book value of assets disposed of	**(40)**	(127)
Less: capital grants	**0**	0
Less: donations towards the acquisition of non-current assets	**(46)**	(246)
Charge against the capital resource limit	**4,534**	9,142
Capital resource limit	**6,529**	9,174
Underspend against the capital resource limit	**1,995**	32

44 Third party assets

The Trust held £232 cash and cash equivalents at 31 March 2012 (£153 at 31 March 2011) 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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF WESTON AREA HEALTH NHS TRUST

I have audited the financial statements of Weston Area Health NHS Trust for the year ended 31 March 2012 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. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. I 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 Directors of Weston Area Health NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Weston Area Health NHS Trust as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly 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 in England.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- I refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because I have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998

I have nothing to report in these respects.

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

Respective responsibilities of the Trust and auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Trust's arrangements for securing financial resilience, I identified that the Trust did not deliver its savings plans in full for 2011/12. The Trust did secure additional funding in year of £1.2 million which enabled delivery of the financial plan for the year. For 2012/13 a more rigorous approach to delivery of the savings plans has been established. The effectiveness of these arrangements to deliver the required savings has yet to be fully proven. The Trust is carrying an underlying deficit and in recognition of a challenging financial environment is working with partners to develop a new integrated care model that is financially and clinically sustainable.

Qualified conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, with the exception of the matter reported in the basis for qualified conclusion paragraph above, I am satisfied that in all significant respects Weston Area Health NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to provide assurance over the Trust's annual quality accounts. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Peter Barber
Officer of the Audit Commission
Audit Commission
5th Floor, Block 3 Shire Hall
Westgate Street
Gloucester
GL1 2TG

7 June 2012