



WESTON AREA HEALTH NHS TRUST

ANNUAL
ACCOUNTS

2010/2011

Finance Directorate
Weston General Hospital
Grange Road
Uphill
Weston-super-Mare
BS23 4TQ

www.waht.nhs.uk

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 MARCH 2011**

	NOTE	2010-11 £000	2009-10 £000
Revenue			
Revenue from patient care activities	5	77,622	80,011
Other operating revenue	6	15,577	10,392
Operating expenses	8	<u>(88,779)</u>	<u>(88,212)</u>
Operating surplus/(deficit)		4,420	2,191
Finance costs:			
Investment revenue	14	9	7
Other gains and losses	15	(105)	(15)
Finance costs	16	<u>(531)</u>	<u>(640)</u>
Surplus/(deficit) for the financial year		3,793	1,543
Public dividend capital dividends payable		<u>(1,683)</u>	<u>(1,611)</u>
Retained surplus/(deficit) for the year		<u>2,110</u>	<u>(68)</u>
Other comprehensive income			
Impairments and reversals		0	(9,343)
Gains on revaluations		905	50
Receipt of donated assets		246	0
Reclassification adjustments:			
- Transfers from donated reserves		<u>(165)</u>	<u>(159)</u>
Total comprehensive income for the year		<u>3,096</u>	<u>(9,520)</u>

The notes on pages 6 to 41 form part of these accounts.

Reported NHS financial performance position [Adjusted retained surplus]

	NOTE	2010-11 £000	2009-10 £000
Retained surplus/(deficit) for the year		2,110	(68)
Impairments	8	<u>497</u>	<u>2,516</u>
Reported NHS financial performance position [Adjusted retained surplus]		<u>2,607</u>	<u>2,448</u>

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).

**STATEMENT OF FINANCIAL POSITION AS AT
31 MARCH 2011**

	NOTE	31 March 2011 £000	31 March 2010 £000
Non-current assets			
Property, plant and equipment	17	65,661	59,468
Intangible assets	18	1,958	1,259
Trade and other receivables	22	422	381
Total non-current assets		<u>68,041</u>	<u>61,108</u>
Current assets			
Inventories	21	1,110	1,334
Trade and other receivables	22	3,263	3,589
Cash and cash equivalents	25	156	1,067
		<u>4,529</u>	<u>5,990</u>
Non-current assets held for sale	26	0	0
Total current assets		<u>4,529</u>	<u>5,990</u>
Total assets		<u>72,570</u>	<u>67,098</u>
Current liabilities			
Trade and other payables	27	(7,278)	(7,716)
Borrowings	28	(3,610)	(2,308)
Provisions	35	(305)	(71)
Net current assets/(liabilities)		<u>(6,664)</u>	<u>(4,105)</u>
Total assets less current liabilities		<u>61,377</u>	<u>57,003</u>
Non-current liabilities			
Borrowings	28	(4,250)	(8,442)
Provisions	35	(313)	(343)
Total assets employed		<u>56,814</u>	<u>48,218</u>
Financed by taxpayers' equity:			
Public dividend capital		54,879	49,379
Retained earnings		(12,992)	(15,581)
Revaluation reserve		11,134	10,789
Donated asset reserve		3,886	3,724
Other reserves		(93)	(93)
Total taxpayers' equity		<u>56,814</u>	<u>48,218</u>

The financial statements on pages 1 to 41 were approved by the Board on 7th June 2011 and signed on its behalf by:

Signed:(Chief Executive)

Date:

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

	Public dividend capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Other reserves £000	Total £000
Balance at 31 March 2009						
As previously stated	44,144	(16,320)	21,094	3,678	(93)	52,503
Prior period adjustment	0	0	0	0	0	0
Restated balance	44,144	(16,320)	21,094	3,678	(93)	52,503
Changes in taxpayers' equity for 2009-10						
Total comprehensive income for the year:						
Retained surplus/(deficit) for the year	0	(68)	0	0	0	(68)
Transfers between reserves	0	807	(807)	0	0	0
Impairments and reversals	0	0	(9,548)	205	0	(9,343)
Net gain on revaluation of property, plant, equipment	0	0	50	0	0	50
Reclassification adjustments:						
- transfers from donated asset	0	0	0	(159)	0	(159) Note
New Public Dividend Capital received	5,235	0	0	0	0	5,235
Balance at 31 March 2010	49,379	(15,581)	10,789	3,724	(93)	48,218

Note:

Transfers from donated asset is the depreciation on donated assets charged to the operating expenses offset by a transfer from the donated asset reserve to other operating revenue (see Note 6).

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

	Public dividend capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Other reserves £000	Total £000
Changes in taxpayers' equity for 2010-11						
Balance at 1 April 2010	49,379	(15,581)	10,789	3,724	(93)	48,218
Total comprehensive income for the year	0	2,110	0	0	0	2,110
Retained surplus/(deficit) for the year	0	479	(479)	0	0	0
Transfers between reserves	0	0	0	0	0	0
Impairments and reversals	0	0	0	0	0	0
Net gain on revaluation of property, plant, equipment	0	0	824	81	0	905
Receipt of donated/government granted assets	0	0	0	246	0	246
Reclassification adjustments:						
- transfers from donated asset	0	0	0	(165)	0	(165) Note
New Public Dividend Capital received	5,500					5,500
Balance at 31 March 2011	54,879	(12,992)	11,134	3,886	(93)	56,814

Note:

Transfers from donated asset is the depreciation on donated assets charged to the operating expenses offset by a transfer from the donated asset reserve to other operating revenue (see Note 6).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 MARCH 2011

	NOTE	2010-11 £000	2009-10 £000
Cash flows from operating activities			
Operating surplus/(deficit)		4,420	2,191
Depreciation and amortisation		2,904	2,904
Impairments and reversals		497	2,516
Transfer from donated asset reserve		(165)	(159)
Interest paid		(522)	(636)
Dividends paid		(1,653)	(1,611)
(Increase)/decrease in inventories		224	(100)
(Increase)/decrease in trade and other receivables		285	(899)
Increase/(decrease) in trade and other payables		64	451
Increase/(decrease) in provisions		195	159
Net cash inflow/(outflow) from operating activities		6,249	4,816
Cash flows from investing activities			
Interest received		9	7
(Payments) for property, plant and equipment		(9,234)	(6,699)
Proceeds from disposal of plant, property and equipment		22	30
(Payments) for intangible assets		(813)	(307)
Net cash inflow/(outflow) from investing activities		(10,016)	(6,969)
Net cash inflow/(outflow) before financing		(3,767)	(2,153)
Cash flows from financing activities			
Public dividend capital received		5,500	5,235
Loans repaid to the DH		(2,890)	(2,308)
Other capital receipts		246	0
Net cash inflow/(outflow) from financing		2,856	2,927
Net increase/(decrease) in cash and cash equivalents		(911)	774
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		1,067	293
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	25	156	1,067

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010/11 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 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 2011 has been assessed using recognised published indices and where the impact of the revaluation is material the assets have been revalued (see note 17).

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

- 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 patient

activity; 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 2011. 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.

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

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. HM Treasury has agreed that NHS Trusts must apply these new valuation requirements by 1 April 2010 at the latest.

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.

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

Until 31 March 2009, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2009 indexation has been applied using the GDP deflator. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

Subsequent expenditure

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

1.9 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.

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

1.10 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

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

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.11 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.12 Donated assets

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

1.13 Government grants

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

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

1.14 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.

1.15 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.

1.16 Private Finance Initiative (PFI) transactions

The Trust has no PFI arrangements or transactions.

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

1.17 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.

1.18 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.

1.19 Provisions

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

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

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.

1.20 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.

1.21 Non-clinical risk pooling

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

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

1.22 EU Emissions Trading Scheme

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

1.23 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.

1.24 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.

1.25 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.

1.26 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.

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

1.27 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.

1.28 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.

1.29 Third party assets

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

1.30 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 Government Banking Services. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

1.31 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.

1.32 Subsidiaries

The Trust does not have any subsidiaries.

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

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

1.33 Associates

The Trust does not have any associates.

1.34 Joint ventures

Joint ventures are accounted for by the equity method.

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

1.35 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.

1.36 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.

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

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

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	2010-11 £000	2009-10 £000
NHS trusts	6	0
Primary care trusts	75,772	78,272
Local authorities	292	209
Non-NHS:		
Private patients	981	1,001
Overseas patients (non-reciprocal)	2	0
Injury costs recovery	396	300 ^a
Other	173	229
	<u>77,622</u>	<u>80,011</u>

Note a: Injury cost recovery income is subject to a provision for impairment of receivables of 9.6% to reflect expected rates of collection (7.8% 2009-10). This is in line with national guidance.

6. Other operating revenue	2010-11 £000	2009-10 £000
Education, training and research	3,600	3,249
Charitable and other contributions to expenditure	382	353
Transfers from donated asset reserve	165	159
Non-patient care services to other bodies	9,585	5,375 Note a
Income generation	639	645
Rental revenue from operating leases	202	0
Other revenue	1,004	611
	<u>15,577</u>	<u>10,392</u>

Note a:

The increase in income for Non patient care services to other bodies is due to:
- non recurrent funding from North Somerset PCT as per the agreed financial plan

7. Revenue	2010-11 £000	2009-10 £000
From rendering of services	93,199	90,403
From sale of goods	0	0

Revenue is from the supply of services.

8. Operating expenses	2010-11 £000	2009-10 £000
Services from other NHS trusts	726	855
Services from PCTs	33	31
Services from foundation trusts	797	720
Purchase of healthcare from non NHS bodies	220	28
Trust chair and non executive directors	53	49 2009/10 Restated
Employee benefits	62,187	60,282 2009/10 Restated
Supplies and services - clinical	13,183	12,905
Supplies and services - general	1,743	1,938
Consultancy services	751	114
Establishment	778	853
Transport	225	191
Premises	2,714	2,771
Provision for impairment of receivables	74	48
Depreciation	2,790	2,763
Amortisation	114	141
Impairments and reversals of property, plant and equipment	497	780
Impairments and reversals of intangible assets	0	1,736
Audit fees	136	130
Other auditor's remuneration	18	0
Clinical negligence	1,017	1,162
Education and Training	330	356
Other	393	359
	<u>88,779</u>	<u>88,212</u>

Note: Due to a change in presentation of the Trust chair and non executive directors costs, the 2009/10 figure has been restated to include just the Trust chair and non executive directors cost with the balance for Executive Directors in 2009/10 included in employee benefits.

9. Operating leases

9.1 As lessee

Payments recognised as an expense				2010-11 £000	2009-10 £000
Minimum lease payments				164	57
				<u>164</u>	<u>57</u>
Total future minimum lease payments	Buildings	2010-11		Total	2009-10
	£000	Land	Other	£000	Total
		£000	£000	£000	£000
Payable:					
Not later than one year	34	1	123	158	121
Between one and five years	0	0	532	532	543
After 5 years	0	0	0	0	534
Total	<u>34</u>	<u>1</u>	<u>655</u>	<u>690</u>	<u>1,198</u>

The most significant future minimum lease payment relates to the Pathology Managed Equipment Service contract with Roche Diagnostics which has 5 years remaining.

9.2 As lessor

The Trust receives rental revenue from a number of organisations for the use of its land and buildings. The most significant arrangement is with Avon and Wiltshire Mental Health Partnership NHS Trust for a strip of land which has 63 years remaining.

In 2009/10 these arrangements were not categorised as lessor agreements in the annual accounts.

Rental revenue		2010-11 £000	2009-10 £000
Other		202	209
Total rental revenue		<u>202</u>	<u>209</u>
Total future minimum lease payments		2010-11	2009-10
		£000	£000
Receivable:			
Not later than one year		197	202
Between one and five years		373	464
After 5 years		4,718	4,800
Total		<u>5,288</u>	<u>5,466</u>

10. Employee costs and numbers

10.1 Employee costs

	2010-11			2009-10		
	Total £000	Permanently employed £000	Other £000	Total £000	Permanently employed £000	Other £000
Salaries and wages	53,183	49,293	3,890	50,742	47,112	3,630
Social security costs	4,013	4,013	0	3,659	3,659	0
Employer contributions to NHS Pension scheme	5,926	5,926	0	5,685	5,685	0
Employee benefits expense	<u>63,122</u>	<u>59,232</u>	<u>3,890</u>	<u>60,086</u>	<u>56,456</u>	<u>3,630</u>
Of the total above:						
Charged to capital	935			751		
Employee benefits charged to revenue	<u>62,187</u>			<u>59,335</u>		
	<u>63,122</u>			<u>60,086</u>		

10.2 Average number of people employed

	2010-11			2009-10		
	Total Number	Permanently employed Number	Other Number	Total Number	Permanently employed Number	Other Number
Medical and dental	217	187	30	201	181	20
Administration and estates	375	371	4	362	357	5
Healthcare assistants and other support staff	159	159	0	155	155	0
Nursing, midwifery and health visiting staff	638	606	32	664	611	53
Scientific, therapeutic and technical staff	183	181	2	174	171	3
Other	5	5	0	7	7	0
Total	<u>1,577</u>	<u>1,509</u>	<u>68</u>	<u>1,563</u>	<u>1,482</u>	<u>81</u>
Of the above:						
Number of whole time equivalent staff engaged on capital projects	<u>22</u>			<u>27</u>		

10.3 Staff sickness absence

	2010-11 Number	2009-10 Number
Total days lost	12,400	13,623
Total staff years	1,530	1,465
Average working days lost	8	9

10.4 Management Costs

	2010-11 £000	2009-10 £000
Management costs	4,580	4,454
Income	93,199	90,403
Management costs as a % of income	4.91%	4.93%

11. Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions.

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

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

a) Full actuarial (funding) valuation

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

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

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

b) Accounting valuation

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

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

c) Scheme provisions

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

Note 11. (Continued)

Annual Pensions

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

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

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

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

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

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

12. Retirements due to ill-health

The requirements for NHS Bodies to include this note in the future has been withdrawn in 2010/11.

13. Better Payment Practice Code

13.1 Better Payment Practice Code - measure of compliance

	2010-11		2009-10	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	28,172	27,765	31,754	25,691
Total Non NHS trade invoices paid within target	<u>26,943</u>	<u>26,673</u>	<u>27,815</u>	<u>22,969</u>
Percentage of Non-NHS trade invoices paid within target	<u>96%</u>	<u>96%</u>	<u>88%</u>	<u>89%</u>
Total NHS trade invoices paid in the year	1,300	9,061	1,353	8,419
Total NHS trade invoices paid within target	<u>918</u>	<u>6,690</u>	<u>835</u>	<u>5,118</u>
Percentage of NHS trade invoices paid within target	<u>71%</u>	<u>74%</u>	<u>62%</u>	<u>61%</u>

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

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

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

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

14. Investment revenue	2010-11 £000	2009-10 £000
Interest revenue:		
Bank accounts	<u>9</u>	<u>7</u>
Total	<u>9</u>	<u>7</u>

15. Other gains and losses	2010-11 £000	2009-10 £000
Gain/(loss) on disposal of property, plant and equipment	<u>(105)</u>	<u>(15)</u>
Total	<u>(105)</u>	<u>(15)</u>

16. Finance costs	2010-11 £000	2009-10 £000
Interest on loans and overdrafts	522	636
Other finance costs	<u>9</u>	<u>4</u>
Total	<u>531</u>	<u>640</u>

17. Property, plant and equipment

2010-11

	Land	Buildings excluding dwellings	Assets under construct and poa	Plant and machinery	Information technology	Furniture & fittings	Total
	£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
Impairments	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0
At 31 March 2011	9,905	41,036	9,017	13,024	3,706	1,398	78,086

Depreciation at 1 April 2010

Reclassifications	0	0	0	7,865	1,402	984	10,251
Reclassified as held for sale	0	0	0	(9)	9	0	0
Disposals other than by sale	0	0	0	0	0	0	0
Revaluation/indexation gains	0	34	0	(1,121)	0	(26)	(1,147)
Impairments	0	0	497	0	0	0	34
Reversal of impairments	0	0	0	0	0	0	497
Charged during the year	0	1,444	0	890	354	102	2,790
Depreciation at 31 March 2011	0	1,478	497	7,625	1,765	1,060	12,425

Net book value

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
Total 31 March 2011	9,905	39,558	8,520	5,399	1,941	338	65,661

17.1 Revaluation reserve balance for property, plant & equipment

	Land	Buildings excluding dwellings	Assets under construct and poa	Plant and machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	7,845	2,730	0	214	0	0	10,789
Movements	0	443	0	(98)	0	0	345
At 31 March 2011	7,845	3,173	0	116	0	0	11,134

17. Property, plant and equipment continued

	Land	Buildings excluding dwellings	Assets under construct and poa	Plant and machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000
2009-10							
Cost or valuation at 1 April 2009	14,611	42,891	1,182	11,620	3,151	1,405	74,860
Additions purchased	0	1,188	5,205	805	418	5	7,621
Additions donated	0	0	0	0	0	0	0
Reclassifications	0	244	(419)	171	4	0	0
Disposals other than by sale	0	0	0	(996)	(298)	0	(1,294)
Revaluation/indexation gains	0	0	7	116	0	14	137
Impairments	(4,706)	(4,637)	0	0	0	0	(9,343)
Reversal of impairments	0	0	0	0	0	0	0
At 31 March 2010	9,905	39,686	5,975	11,716	3,275	1,424	71,981
Depreciation at 1 April 2009	0	0	0	7,861	1,398	873	10,132
Reclassifications	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	(951)	(298)	0	(1,249)
Revaluation/indexation gains	0	0	0	78	0	9	87
Impairments	0	780	0	0	0	0	780
Reversal of impairments	0	0	0	0	0	0	0
Charged during the year	0	1,482	0	877	302	102	2,763
Depreciation at 31 March 2010	0	2,262	0	7,865	1,402	984	12,513
Net book value							
Purchased	9,905	33,892	5,975	3,686	1,873	413	55,744
Donated	0	3,532	0	165	0	27	3,724
Total at 31 March 2010	9,905	37,424	5,975	3,851	1,873	440	59,468
Asset financing							
Owned	9,905	37,424	5,975	3,851	1,873	440	59,468
Total 31 March 2010	9,905	37,424	5,975	3,851	1,873	440	59,468

17. Property, plant and equipment (cont.)

Of the totals at 31 March 2011 there are no tangible fixed assets relating to land, buildings, dwellings, installations or fittings valued at open market value. (31 March 2010 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 2010 also NIL)

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

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

17.2 Economic Lives of Non-Current Assets

	Min/Max Life in years
Intangible Assets	
Software Licences	5 - 15
Property, Plant and Equipment	
Buildings exc Dwellings	14 - 77
Plant & Machinery	5 - 30
Information Technology	3 - 15
Furniture and Fittings	5 - 41

18. Intangible assets

	Computer software - purchased
2010-11	£000
Gross cost at 1 April 2010	3,936
Additions purchased	321
Reclassifications	<u>(1,556) Note</u>
Gross cost at 31 March 2011	<u>2,701</u>
Amortisation at 1 April 2010	2,677
Reclassifications	<u>(2,048) Note</u>
Charged during the year	114
Amortisation at 31 March 2011	<u>743</u>
Net book value	
Purchased	<u>1,958</u>
Total at 31 March 2011	<u>1,958</u>

Note

A £2,048k adjustment has been made to both the gross cost and the amortisation sections in order to correct the gross cost and amortisation cost for intangible assets following the 2009/10 Impairment charge. The gross cost reclassification also includes £492k transferred from assets under construction.

18. Intangible assets continued

2009-10	Computer software - purchased
	£000
Gross cost at 1 April 2009	3,624
Additions purchased	<u>312</u>
Gross cost at 31 March 2010	<u>3,936</u>
Amortisation at 1 April 2009	800
Impairments	1,736
Charged during the year	<u>141</u>
Amortisation at 31 March 2010	<u>2,677</u>
Net book value	
Purchased	<u>1,259</u>
Total at 31 March 2010	<u>1,259</u>

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.

19. Impairments

The Trust has recognised an impairment against the Imaging building following the valuation by the District Valuer on bringing this asset into use, when the valuation is compared to the costs incurred on building the Imaging facility. This has resulted in an impairment charge of £497,000 being charged to the Statement of Comprehensive Income.

20. Commitments

20.1 Capital commitments

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

	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	137	27
Intangible assets	0	94
Total	137	121

20.2 Other financial commitments

The trust has not entered into any non-cancellable contracts in either year.

21. Inventories

21.1 Inventories	31 March 2011 £000	31 March 2010 £000
Drugs	454	439
Work in progress	0	0
Consumables	646	885
Energy	10	10
Other	0	0
Total	1,110	1,334
Of which held at net realisable value:	0	0

21.2 Inventories recognised in expenses	31 March 2011 £000	31 March 2010 £000	
Inventories recognised as an expense in the period	13,290	12,845	Restated 31 March 2010

The Trust has recognised that the basis for the calculation used for year ending 31 March 2010 was incorrect, this figure has been restated using the same basis as the 31 March 2011

22. Trade and other receivables

22.1 Trade and other receivables	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables-revenue	2,240	0	2,595	0
Non-NHS receivables-revenue	485	467	495	413
Provision for the impairment of receivables	(172)	(45)	(116)	(32)
Prepayments and accrued income	220	0	270	0
VAT	263	0	99	0
Other receivables	227	0	246	0
Total	3,263	422	3,589	381

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 2011 £000	31 March 2010 £000
By up to three months	242	1,053
By three to six months	204	124
By more than six months	600	1,062
Total	1,046	2,239

22.3 Provision for impairment of receivables	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	(148)	(137)
Amount written off during the year	5	37
(Increase)/decrease in receivables impaired	(74)	(48)
Balance at 31 March	(217)	(148)

23. Other financial assets

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

24. Other current assets

The Trust did not have any other current assets in 2010/11 or 2009/10

25. Cash and cash equivalents	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	1,067	293
Net change in year	(911)	774
Balance at 31 March	<u>156</u>	<u>1,067</u>
Made up of		
Cash with Government banking services	160	1,028
Commercial banks and cash in hand	(4)	39
Current investments	0	0
Cash and cash equivalents as in statement of financial position	<u>156</u>	<u>1,067</u>
Bank overdraft - Government banking services	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	<u>156</u>	<u>1,067</u>

26. Non-current assets held for sale

The Trust did not hold any non current assets held for sale.

27. Trade and other payables	Current	Current
	31 March 2011	31 March 2010
	£000	£000
NHS payables-revenue	1,158	1,227
Non NHS trade payables - revenue	411	827
Non NHS trade payables - capital	1,003	1,535
Accruals and deferred income	2,678	2,174
Social security costs	561	540
VAT	0	0
Tax	710	670
Other	757	743
Total	7,278	7,716

Other payables include:

- £726,000 outstanding pension contributions at 31 March 2011 (£716,000 31 March 2010)

28. Borrowings	Current	Non-current	Current	Non-current
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	£000	£000	£000	£000
Loans from:				
Department of Health	3,610	4,250	2,308	8,442
Total	3,610	4,250	2,308	8,442

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 £949,000 are due next year in September and March with an additional £1,444,000 repayment required to meet the terms of the 5 year recovery plan. £7,592,000 was outstanding as at 31st March 2011.

A further rollover loan facility of £800,000 was also obtained via Department of Health on 15th March 2009 for £800,000 at an interest rate of 1.4% repayable over 3 years, with repayments of £133,000 due each September and March. £268,000 was outstanding as at 31st March 2011.

The Trust did not have any other liabilities.

30. Finance lease obligations

The Trust had no finance lease obligations during 2010/11 and 2009/10.

31. Finance lease receivables

The Trust had no finance lease receivables during 2010/11 and 2009/10.

32. Finance lease commitments

The Trust had no finance lease commitments during 2010/11 and 2009/10.

33. Private Finance Initiative contracts

The Trust is not involved with any PFI schemes.

34. Other financial liabilities

The Trust had no financial liabilities during 2010/11 and 2009/10.

35. Provisions

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to other staff	29	150	29	174
Legal claims	33	0	34	0
Restructurings	214	0	0	0
Other	29	163	8	169
Total	305	313	71	343

	Pensions relating to other staff	Legal claims	Restructurings	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2010	203	34	0	177	414
Arising during the year	0	31	214	20	265
Used during the year	(29)	(12)	0	(9)	(50)
Reversed unused	0	(20)	0	0	(20)
Unwinding of discount	5	0	0	4	9
At 31 March 2011	179	33	214	192	618

Expected timing of cash flows:

Within one year	29	33	214	29	305
Between one and five years	126	0	0	38	164
After five years	24	0	0	125	149

£3,823,266 is included in the provisions of the NHS Litigation Authority at 31/3/2011 in respect of clinical negligence liabilities of the trust (31/03/10 £4,621,501).

Provisions for 'Pensions relating to other staff' are for pre-6 March 1985 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 brought in a provision for restructuring identified prior to 31st March 2011 in relation to 5 cases in non clinical services.

Other - £192,000 is made up of 2 cases, a permanent injury benefit and 1 other claim (31 March 2010 £177,000 1 permanent injury benefit case).

36. Contingencies

36.1 Contingent liabilities	2010-11 £000	2009-10 £000
Other	(108)	(19)
Total	(108)	(19)

The contingent liabilities represent possible legal claims against the trust, these are managed by the NHS Litigation Authority for clinical negligence and liabilities for third parties scheme, £8,000 31 March 2011, (£19,000 31 March 2010) and by the Trust's solicitors for other legal claims £100,000 31 March 2011 (£nil 31 March 2010).

During the year a legal claim was brought against the Trust by a former employee. As at the end of the reporting period (31 March 2011), no decision has been made as to the outcome of the claim. The contingent liability reflects that a claim has been made and is based on legal advice. The contingent liability in no way reflects any perceived liability and has been included to reflect accounting requirements only.

36.2 Contingent assets

There were no contingent assets in either period

37. Financial Instruments

37.1 Financial assets	Loans and receivables	Total
	£000	£000
Receivables	3,187	3,187
Cash at bank and in hand	156	156
Total at 31 March 2011	3,343	3,343
Receivables	3,858	3,858
Cash at bank and in hand	1,067	1,067
Total at 31 March 2010	4,925	4,925
37.2 Financial liabilities	Other	Total
	£000	£000
Payables	4,621	4,621
Other borrowings	7,860	7,860
Total at 31 March 2011	12,481	12,481
Payables	5,261	5,261
Other borrowings	10,750	10,750
Total at 31 March 2010	16,011	16,011

37.3 Financial risk management

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

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

Currency risk

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

Interest rate risk

The trust 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 2011 are in receivables from customers, as disclosed in the Trade and other receivables note.

Liquidity risk

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

37.4 Maturity of financial liabilities

	31 March 2011 £000	31 March 2010 £000
In one year or less	8,231	7,569
In more than one year but not more than two years	4,250	2,310
In more than two years but not more than five years	-	6,132
In more than five years	-	-
Total	12,481	16,011

38. Events after the reporting period

The Trust opened its new Integrated Urgent Care Centre on 13th April 2011 at a total cost of £8.4 million. As at 31 March 2011 £8.3 million was classified as an asset under construction within property plant and equipment (Note 17). The balance of the total costs were incurred in the financial year 2011/12.

This event does not require adjustment in the accounts.

The financial statements were authorised for issue on 07 June 2011, following approval by the Trust's Board.

39. Financial performance targets

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

39.1 Breakeven performance

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	£000	£000	£000	£000	£000	£000
Turnover	68,162	70,300	80,100	85,914	90,403	93,199
Retained surplus/(deficit) for the year	(6,989)	(6,673)	8	408	(68)	2,110
Adjustment for:						
Timing/non-cash impacting distortions:						
Adjustments for impairments				0	2,516	497
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					0	0
Other agreed adjustments	5,154	0	0	0	0	0
Break-even in-year position	(1,835)	(6,673)	8	408	2,448	2,607
Break-even cumulative position	(7,569)	(14,242)	(14,234)	(13,826)	(11,378)	(8,771)

The Trust has delivered it's recovery plan for the 3 years from the 1 April 2008 to 31 March 2011, the approved recovery plan agreed with the SHA aims to achieve break-even by the end of the financial year ending 31 March 2013. The Trust intends to continue to deliver against the plan in 2011/12.

The adjustment for the reversal of the Resource Accounting and Budgeting £5,154,000 was agreed by the Strategic Health Authority and the Trusts' auditors in 2007/08.

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

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

Break-even cumulative position as a percentage of turnover

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	%	%	%	%	%	%
Break-even in-year position as a percentage of turnover	-3%	-9%	0%	0%	3%	3%
Break-even cumulative position as a percentage of turnover	-11%	-20%	-18%	-16%	-13%	-9%

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.

39.2 Capital cost absorption rate

Until 2008/09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

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

39.3 External financing

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

	£000	2010-11 £000	£000	2009-10 £000
External financing limit		4,050		2,971
Cash flow financing	3,767		2,153	
Other capital receipts	(246)		0	
External financing requirement		<u>3,521</u>		<u>2,153</u>
Undershoot		<u>529</u>		<u>818</u>

39.4 Capital resource limit

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

	2010-11 £000	2009-10 £000
Gross capital expenditure	9,515	7,933
Less: book value of assets disposed of	(127)	(45)
Less: donations towards the acquisition of non-current assets	(246)	0
Charge against the capital resource limit	<u>9,142</u>	<u>7,888</u>
Capital resource limit	<u>9,174</u>	<u>8,379</u>
Underspend against the capital resource limit	<u>32</u>	<u>491</u>

40. 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:

	Receivables £000s	Payables £000s	Income £000s	Expenditure £000s
South West Strategic Health Authority	8	0	3,775	0
Bristol Primary Care Trust	121	3	1,944	39
North Somerset Primary Care Trust	898	32	65,046	48
Somerset Primary Care Trust	682	1	14,575	0
South Gloucestershire Primary Care Trust	37	0	900	0
Avon and Wiltshire Mental Health NHS Partnership Trust	9	49	468	343
Great Western Ambulance NHS Trust	1	2	0	120
North Bristol NHS Trust	1	200	5	606
University Hospitals Bristol NHS Foundation Trust	260	340	429	1,347
NHS Blood and Transport	0	30	13	652
NHS Business Services Authority (incl NHS Supply Chain)	0	284	0	3,357
NHS Litigation Authority	0	0	0	1,147
Totals	<u>2,017</u>	<u>941</u>	<u>87,155</u>	<u>7,659</u>

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 £382,000 from the Weston Health General Charitable funds whose Trustees are the same as those members of the NHS Trust Board. The audited accounts of these funds are reported in their own annual report and accounts. (Registered Charity 1057589)

41. Third party assets

The Trust held £153 cash and cash equivalents at 31 March 2011 (£2,479 - at 31 March 2010) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

42. Intra-Government and other balances

	Current receivables	Non-current receivables	Current payables
	£000	£000	£000
Balances with other central government bodies	2,192	0	2,467
Balances with local authorities	13	0	0
Balances with NHS trusts and foundation trusts	311	0	658
Balances with public corporations and trading funds	0	0	30
Intra government balances	<u>2,516</u>	<u>0</u>	<u>3,155</u>
Balances with bodies external to government	<u>747</u>	<u>422</u>	<u>4,123</u>
At 31 March 2011	<u>3,263</u>	<u>422</u>	<u>7,278</u>
Balances with other central government bodies	2,198	0	445
Balances with local authorities	24	0	5
Balances with NHS trusts and foundation trusts	397	0	774
Balances with public corporations and trading funds	5	0	0
Intra government balances	<u>2,624</u>	<u>0</u>	<u>1,224</u>
Balances with bodies external to government	<u>965</u>	<u>381</u>	<u>6,492</u>
At 31 March 2010	<u>3,589</u>	<u>381</u>	<u>7,716</u>

43. Losses and special payments

There were 67 cases of losses and special payments (2009-10: 64 cases) totalling £14,563 (2009-10: £38,183) accrued during 2010-11.


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...07/06/11....

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

02/06/11 Date..... ..... Chief Executive
27/06/11 Date..... ..... Finance Director

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 2011 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. 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 the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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. I read all the 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 state of Weston Area Health NHS Trust's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

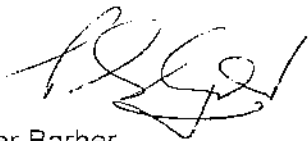
In considering the Trust's arrangements for securing financial resilience, I identified that the Trust did not have effective arrangements in place for securing delivery of the savings plan for 2010/11, resulting in the Strategic Health Authority reducing the Trust's year end surplus target for the year by £1 million. For 2011/12 a more rigorous approach to developing financial savings plans has been established. However, as at May 2011, not all of the required savings plans have been formalised and risks inevitably remain over their delivery in year.

Qualified conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, 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 2011.

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

Engagement Lead

Audit Commission

Westward House

Stoke Gifford

Bristol

BS34 8SR

9 June 2011

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

Certificate

In my report dated 9 June 2011, I explained that I could not formally conclude the audit on that date until I had completed the work to provide assurance on the Trust's annual quality accounts. I have now completed this work. No matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

I certify that I have completed the audit of the accounts of Weston Area Health NHS Trust in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Peter Barber
Engagement Lead

Audit Commission
Westward House
Stoke Gifford
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BS34 8SR

1 July 2011