University Hospitals Bristol NHS Foundation Trust

Accounts for the 10 months ended 31 March 2009

FOREWORD TO THE ACCOUNTS

These accounts for the 10 months ended 31st March 2009 have been prepared by University Hospitals Bristol NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Services Act 2006.

Graham Rich
Chief Executive

Income and Expenditure Account for the 10 months ended 31 March 2009

	Note	10 months ended 31 March £'000
Income from activities	3	293,632
Other operating income	4	87,018
Operating expenses	5-7	(362,065)
Operating surplus		**18,585**
Loss on disposal of fixed assets	8	(58)
Surplus before interest		**18,527**
Finance income	9.1	901
Finance costs	9.2	(705)
Surplus for the period		**18,723**
Public Dividend Capital dividends payable		(9,217)
Retained surplus for the period		**9,506**

All income and expenditure is derived from continuing operations.
The notes on pages 60 to 75 form part of these Accounts.

Balance sheet as at 31 March 2009

	Note	31 March 2009 £'000	1 June 2008 £'000
Fixed assets			
Intangible assets	10	2,565	2,834
Tangible assets	11	353,158	366,971
Investments	14.1	–	–
		355,723	**369,805**
Current assets			
Stock and work in progress	12	5,624	5,463
Debtors	13	21,703	25,156
Investments	14.2	–	7,555
Cash at bank and in hand	18.3	33,321	11,246
Total current assets		**60,648**	**49,420**
Creditors: amounts falling due within one year	**15.1**	**(51,538)**	**(41,030)**
Net current assets		9,110	8,390
Total assets less current liabilities		364,833	378,195
Creditors: Amounts falling due after more than one year	15.1	(6,446)	(13,648)
Provisions for liabilities and charges	16	(622)	(1,887)
Total assets employed		**357,765**	**362,660**
Financed by: taxpayers' equity			
Public dividend capital	17.2	183,958	169,015
Revaluation reserve	17.3	121,971	149,156
Government grant reserve	17.3	–	480
Donated asset reserve	17.3	13,302	14,811
Other reserves	17.3	85	85
Income and expenditure reserve	17.3	38,449	29,113
Total taxpayers' equity		**357,765**	**362,660**

The financial statements on pages 58 to 75 were approved by the Board on 5 June 2009 and signed on its behalf by:

Graham Rich
Chief Executive

Statement of Total Recognised Gains and Losses 10 months ended 31 March 2009

	10 months ended 31 March 2009 £'000
Surplus for the period before dividend payments	18,723
Fixed asset impairment losses	(28,190)
Unrealised deficit on fixed asset revaluations	(191)
Increases in the donated assets reserve due to receipt of donated assets	532
Reduction in the donated asset reserve due to the depreciation, impairment and disposal of donated assets	(1,036)
Other recognised gains and losses	21
Total recognised gains and losses recognised in the 10 month period	**(10,141)**

Cash Flow Statement for the 10 months ended 31 March 2009

	Note	10 months ended 31 March 2009 £'000
Operating activities		
Net cash inflow from operating activities	**18.1**	**47,218**
Returns on investments and servicing of finance		
Interest received		613
Interest paid		(374)
Interest element of finance leases		(483)
Net cash outflow from returns on investments and servicing of finance		**(244)**
Capital expenditure		
Payments to acquire tangible fixed assets		(28,213)
Receipts from sale of tangible fixed assets		62
Net cash outflow from capital expenditure		**(28,151)**
Dividends paid		(11,061)
Net cash inflow before management of liquid resources and financing		**7,762**
Management of liquid resources		
Realisation of current asset investments		7,000
Net cash inflow from management of liquid resources		**7,000**
Net cash inflow before financing		**14,762**
Financing		
New public dividend capital received		17,027
Public dividend capital repaid		(2,084)
Other loans repaid		(7,500)
Capital element of finance lease rental payments		(92)
Net cash inflow from financing		7,351
Increase in cash		**22,113**

1. ACCOUNTING POLICIES

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2008/09 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current costs. NHS foundation trusts, in compliance with HM Treasury's Financial Reporting Manual, are not required to comply with the FRS 3 requirements to report 'earnings per share' or historical profits and losses.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' whether or not they are acquired from outside the public sector. Activities are considered to be 'discontinued' where they meet all of the following conditions:

a. the sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;

b. if a termination, the former activities have ceased permanently;

c. the sale or termination has a material effect on the nature and focus of the reporting NHS foundation trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS foundation trust's continuing operations; and

d. the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes. Operations not satisfying all these conditions are classified as continuing.

1.3 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the trust is under contracts from commissioners in respect of healthcare services. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred. Income for partially completed spells is calculated on a pro-rata basis based on expected length of stay.

1.4 Pooled Budgets

The Trust has entered into a Pooled Budget arrangement with Bristol PCT, North Bristol NHS Trust and Bristol City Council, for the management and prevention of delayed discharges from hospital. Under the arrangement funds are pooled under Section 31 of the Health Act 1999. The Pool is hosted by Bristol City Council.

The Trust makes no contributions to the Pool Fund but receives income in the form of reimbursement payments which are paid where the level of delayed discharges exceeds an agreed threshold.

A Memorandum Note of Accounts, detailing the joint income and expenditure of the Pooled Budget, is prepared by Bristol City Council and included in the Council's Statutory Annual Accounts.

1.5 Expenditure

Expenditure is accounted for by applying the accruals convention.

1.6 Tangible fixed assets

Capitalisation

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

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

Valuation

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

Land and buildings

All land and buildings are revalued using professional valuations in accordance with Financial Reporting Standard 15 every five years. A three yearly interim valuation is also carried out. Internal reviews and additional valuations (if appropriate) are completed in the intervening years.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005. The revaluation undertaken at that date was accounted for on 31 March 2005.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non–specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use, or where the capitalised value exceeds £250K.

Residual interests in off-balance sheet private finance initiative (PFI) properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

Other assets

Assets with estimated economic lives of less than 10 years are considered to be short life assets. These are held at depreciated historical cost which is considered to be an appropriate proxy for current value.

Assets with estimated economic lives of more than 10 years are considered to be medium/long life assets. These are initially recorded at cost and then values are updated annually using appropriate indices to reflect current value (net current replacement cost).

Equipment surplus to requirements is valued at the net recoverable amount.

Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS foundation trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Assets are depreciated on a straight line basis over their estimated useful lives as follows:

Engineering plant and equipment	15
Medium and long life medical equipment	10
Set up costs in new buildings	10
Mainframe information technology installations	8
Vehicles	7
Furniture	7
Soft furnishings	7
Short life medical and other equipment	5
Office and information technology equipment	5

Fixed asset impairments resulting from losses of economic benefits are charged to the income and expenditure account. All other impairments are taken to the revaluation reserve and reported in the statement of total recognised gains and losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset. Any remaining impairment is recognised in the income and expenditure account, except where the carrying value is lower than the recoverable amount (higher of net realisable value and value in use), in which case the remaining impairment is also taken to the revaluation reserve (this could leave a negative reserve for a particular asset).

1.7 Intangible fixed assets

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

Intangible fixed assets held for operational use (except for emissions allowances – see note below) are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

Allowances granted under the EU greenhouse gas emissions scheme are held at market value. Changes to market value are recognised directly within reserves, except for impairments which are recognised in the income and expenditure account. Allowances are used to extinguish emission liabilities arising under the scheme and are therefore not amortised.

1.8 Donated fixed assets

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

1.9 Liquid Resources

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

1.10 Government grants

Government grants are grants from Government bodies other than income from primary care trusts or NHS trusts for the provision of services. Grants from the Department of Health are accounted for as Government grants as are grants from the Big Lottery Fund. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to

fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.11 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) 'How to Account for PFI transactions' which provides definitive guidance for the application of application note F to FRS 5.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed land and buildings, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the income and expenditure account. Where, at the end of the PFI contract, a property reverts to the trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset. Where the balance of risks and rewards of ownership of the PFI property are borne by the trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.12 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods and services in intermediate stages of production. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

1.13 Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS foundation trust's cash book. These balances exclude monies held in the NHS foundation trust's bank account belonging to patients (see 'third party assets' below). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, 'interest receivable' and 'interest payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

1.14 Research and development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its resulting in a product or services that will eventually be brought into use; and
- adequate resources exist, or are reasonably expected to be available, to enable the project to becompleted and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, NHS foundation trusts disclose the total amount of research and development expenditure charged in the Income and Expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed. Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.15 Provisions

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

1.16 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 21 where an inflow of economic benefits is probable. Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 21 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 16.

Non-clinical risk pooling

The NHS foundation 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 when the liability arises.

1.17 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme under FRS 17: 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.

Employer's pension cost contributions are charged to operating expenses as and when they become due. Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the trust commits itself to the retirement, regardless of the method of payment.

1.18 Value Added Tax

Most of the activities of the NHS foundation 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.

1.19 Corporation Tax

NHS Foundation Trusts are potentially liable to corporation tax in certain circumstances. A review of other operating income is performed annually to assess any potential liability in conjunction with the HMR&C website. As a result of this review the Trust has concluded that there is no corporation tax liability for the period ended 31 March 2009.

1.20 Foreign exchange

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

1.21 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS foundation trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the HM Treasury Financial Reporting Manual.

1.22 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS foundation trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The interest element of the finance lease payment is charged to the income and expenditure account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the income and expenditure account on a straight-line basis over the term of the lease.

1.23 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the original NHS trust. A charge, reflecting the forecast cost of capital utilised by the NHS foundation trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.24 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 29 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.25 Financial instruments and financial liabilities

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described above/below.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement
Financial assets are categorised as 'Fair Value through Income and Expenditure', Loans and receivables or 'Available-for-sale financial assets'. Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'
Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities. These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the income and expenditure account.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets. The Trust's loans and receivables comprise: cash at bank and in hand, NHS debtors, accrued income and 'other debtors'. Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset. Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the Trust intends to dispose of them within 12 months of the balance sheet date. Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised in reserves are included in the income and expenditure account.

Other financial liabilities
All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities. Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

Determination of fair value
For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from reference to quoted market prices where possible, otherwise by valuation techniques including using recent arm's length market transactions between knowledgeable, willing parties if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transaction, the Trust should use that technique.

Impairment of financial assets
At the balance sheet date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' is impaired. Financial assets are impaired and impairment losses are recognised if, and only 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 cashflows of the asset.

It is the Trust's policy to make provision for potential bad debts. An assessment is made by using estimation techniques based on previous experience and prevailing economic conditions. Such techniques involve an aged analysis of the Trust's outstanding debtors. In addition, individual assessments are made on long outstanding significant debts.

2. SEGMENTAL ANALYSIS

University Hospitals Bristol NHS Foundation Trust only operates within the Healthcare segment and is therefore not required to complete Note 2 to the Accounts.

3. INCOME

3.1 Income from activities

	10 months ended 31 March 2009 £'000
NHS Trusts	23
Primary Care Trusts	263,328
Department of Health – other	21,615
NHS injury scheme	567
NHS Other	70
Non-NHS:	
– Private patients	1,710
– Overseas patients (non-reciprocal)	53
– Other	*6,266
Total	**293,632**

*Material items comprise: income from Non NHS Territorial Bodies £6.25m.

The NHS injury scheme is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

3.2 Mandatory and non mandatory split of income from activities

Of the total income from activities, £288.348m is mandatory and £5.284m is non-mandatory.

3.3 Private Patient Cap

	10 months ended 31 March 2009 £'000	2002/03 £'000
Private patient income	1,710	2,341
Total patient income	293,632	209,031
Proportion	0.6%	1.1%

Section 44 of the 2006 Act requires that the proportion of private patient income to total patient related income should not exceed the proportion that was achieved whilst the body was an NHS trust in 2002/03, which was 1.1%.

The Trust's Private Patient Cap has not been exceeded in the 10 months ended 31 March 2009.

4. OTHER OPERATING INCOME

	10 months ended 31 March 2009 £'000
Research and development	6,057
Education training and research	31,505
Charitable and other contributions to expenditure	518
Transfers from the donated asset reserve	1,036
Non-patient care services to other bodies	39,822
Other	8,080
Total	**87,018**

5. OPERATING EXPENSES

5.1 Operating expenses comprise:

	10 months ended 31 March 2009 £'000
Services from other NHS Foundation Trusts	197
Services from NHS Trusts	4,064
Services from other NHS bodies	3,547
Purchase of healthcare from non NHS bodies	2,571
Executive Directors costs	970
Non-Executive Directors costs	127
Staff costs	232,193
Drug costs	26,189
Supplies and services:	
– Clinical	34,015
– General	5,369
Establishment	6,732
Research and development	–
Transport	301
Premises	13,104
Bad debts	(234)
Depreciation and amortisation	14,672
Fixed asset impairments	61
Auditor's remuneration:	
– Audit services – statutory audit	67
– Other services	18
Clinical negligence	2,769
Other	15,333
Total	**362,065**

There is no limitation of liability in respect of audit services.

5.2 Operating Leases

Operating expenses include:	10 months ended 31 March 2009 £'000
Hire of plant & machinery	121
Other operating lease rentals	211
Total	**332**

There are no non-cancellable operating leases for land and buildings. Annual commitments under non-cancellable operating leases are as follows:

Operating leases which expire:	Other Leases 31 March 2009 £'000
Within 1 year	12
Between 1 and 5 years	221
After 5 years	–
Total	**233**

The old Bristol Children's Hospital and associated premises at St. Michaels Hill Bristol were sold to the University of Bristol on 28 February 2002. The Trust continues to occupy the following areas of the hospital and the premises at St. Michaels Hill under 'peppercorn' operating leases with the University of Bristol.

Premises	Lease Term	Termination Date
Residential Family Accommodation Royal Fort Road, Bristol	25 years	28 February 2027

6. STAFF COSTS AND NUMBERS

6.1 Staff Costs:

	10 months ended 31 March 2009 £'000
Salaries & wages	179,360
Social security costs	19,056
Employer contributions to NHSPA	25,633
Agency contract staff	9,359
Total	**233,408**

6.2 Average Number of Employees

	10 months ended 31 March 2009 No
Medical and dental staff	873
Ambulance staff	–
Administration and estate staff	1,520
Healthcare assistant & other support staff	705
Nursing, midwifery & health visiting staff	2,477
Nursing, midwifery & health visiting learners	4
Scientific, therapeutic and technical staff	1,096
Social care staff	–
Bank and agency staff	449
Total	**7,124**

Numbers are expressed as average whole time equivalents for the period. The total employer pension contribution for the 10 month period was £ 25.633m.

6.3 Employee Benefits

There were no non-pay benefits that were not attributable to individual employees.

6.4 Management Costs

	10 months ended 31 March 2009 £'000
Management costs	13,737
Income	380,650
Percentage of Income	3.6%

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

6.5 Retirements due to Ill Health

During the 10 months ended 31 March 2009 there were 14 early retirements from the Trust on the grounds of ill health The estimated additional pension liabilities of these ill-health retirements will be £0.646m . The cost of these ill health retirements will be borne by the NHS Business Services Authority – Pensions Division.

7. BETTER PAYMENT PRACTICE CODE

7.1 Measure of Compliance

	Number	10 months ended 31 March 2009 £'000
Total Non NHS trade invoices paid in the period	164,295	153,269
Total Non NHS trade invoices paid within target	145,624	138,608
Percentage of Non NHS trade invoices paid within target	88.6%	90.4%
Total NHS trade invoices paid in the period	3,135	38,536
Total NHS trade invoices paid within target	2,484	32,948
Percentage of NHS trade invoices paid within target	79.2%	85.5%

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

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

Included within Finance Costs (note 9.2) is £0.002m arising from claims made under this legislation in the period ended 31 March 2009. No other compensation was paid to cover debt recovery cost under this legislation for this period.

8. LOSS ON DISPOSAL OF FIXED ASSETS

The loss on the disposal of fixed assets of £0.058m related exclusively to non-protected assets. There were no protected assets disposed of during the period.

9. FINANCE

9.1 Finance Income

	10 months ended 31 March 2009 £'000
Interest on loans and receivables	473
Other	428
Total	**901**

9.2. Finance costs

	10 months ended 31 March 2009 £'000
Department of Health loan	300
Finance leases	403
Other	2
Total	**705**

10. INTANGIBLE FIXED ASSETS

	Software licences £000	Other £000	Total £000
Cost at 1 June 2008			
Opening balance adjustment	3,016	–	3,016
	–	555	555
Revised opening balance	3,016	555	3,571
Disposals	–	(76)	(76)
Fair value adjustment	–	(191)	(191)
Cost at 31 March 2009	**3,016**	**288**	**3,304**
Accumulated amortisation at 1 June 2008	182	–	182
Impairments	–	61	61
Charged during the year	496	–	496
Disposals	–	–	–
Accumulated amortisation at 31 March 2009	**678**	**61**	**739**
Net book value at 31 March 2009			
Purchased	2,338	227	2,565
Total net book value at 31 March 2009	**2,338**	**227**	**2,565**

At 1 June 2008 emission allowances granted under the EU Emissions Trading Scheme were reclassified from current asset investments to intangible assets 'other'. These allowances are held at market value.

11. TANGIBLE FIXED ASSETS

	Land £'000	Buildings excluding dwellings £'000	Dwellings £'000	Assets under construction & payments on account £'000	Plant & machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
Cost or valuation at 1 June 08	**42,577**	**234,971**	**6,983**	**47,404**	**79,434**	**696**	**15,303**	**1,924**	**429,292**
Additions – purchased	–	1,137	–	24,539	1,800	73	592	–	28,141
Additions – donated	–	–	–	–	532	–	–	–	532
Impairments	(4,116)	(23,071)	(1,003)	–	–	–	–	–	(28,190)
Reclassifications	–	4,664	30	(4,927)	203	–	30	–	–
Other in year revaluation	–	–	–	–	–	–	–	–	–
Disposals	(120)	–	–	–	(561)	–	–	–	(681)
At 31 March 2009	**38,341**	**217,701**	**6,010**	**67,016**	**81,408**	**769**	**15,925**	**1,924**	**429,094**
Accumulated depreciation at 1 June 08	**–**	**–**	**–**	**–**	**51,855**	**476**	**8,942**	**1,048**	**62,321**
Charged during the year	–	8,119	298	–	4,516	35	1,187	21	14,176
Impairments	–	–	–	–	–	–	–	–	–
Reversal of Impairments	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–
Other in year revaluation	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	(561)	–	–	–	(561)
At 31 March 2009	**–**	**8,119**	**298**	**–**	**55,810**	**511**	**10,129**	**1,069**	**75,936**
Net book value at 31 March 2009									
– Purchased	38,341	200,117	5,712	67,016	22,057	258	5,758	598	339,857
– Donated	–	9,465	–	–	3,541	–	38	257	13,301
Total at 31 March 2009	**38,341**	**209,582**	**5,712**	**67,016**	**25,598**	**258**	**5,796**	**855**	**353,158**

11. TANGIBLE FIXED ASSETS CONTINUED

The Trust completed an internal review of the market value for land, buildings and dwellings at 31 March 2009. Following discussions with the District Valuer, the Trust revised its valuations for these areas to reflect current market conditions, using the following indices:

	Original	Revised
Buildings	271	245
Land	122	110

There was a resulting impairment of £26.982m which has been charged directly to the revaluation/donated asset reserve. An external valuation of these assets will be completed in the year ended 31 March 2010. The District Valuer completed a revaluation of the Milne Centre at 31 March 2009 resulting in an impairment of £1.208m, which has been charged to the revaluation reserve.

Of the totals at 31 March 2009, £0.610m related to land valued at open market value and £1.258m related to buildings, installations and fittings valued at open market value. There were no dwellings valued at open market value.

The Bristol Dental Hospital buildings are owned by the University of Bristol. The Trust's ongoing access to the healthcare facilities provided by the hospital and future economic benefits from the Trust's capital investment in the hospital have been confirmed by the University of Bristol in a Memorandum of Understanding.

The net book value of assets held under finance leases and hire purchase contracts at 31 March 2009 was:

Net book value	Buildings excluding dwellings £'000	Total £'000
At 31 March 2009	6,499	6,499

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance lease and hire purchase contracts at 31 March 2009 was:

Depreciation	Buildings excluding dwellings £'000	Total £'000
Depreciation 31 March 2009	303	303

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

	31 March 2009 £'000
Freehold	247,136
Long leasehold	6,499
Total	**253,635**

	£'000
Protected assets	96,554
Non-protected assets	157,081
Total	**253,635**

12. STOCKS AND WORK IN PROGRESS

	31 March 2009 £'000
Raw materials and consumables	5,624
Total	**5,624**

13. DEBTORS

Amount falling due within one year:	31 March 2009 £'000
NHS debtors	8,868
Other debtors	6,669
Provision for irrecoverable debts	(1,314)
Prepayments and accrued income	6,740
Total falling due within one year	20,963
Amounts falling due after more than one year:	
Other debtors	790
Provision for irrecoverable debts	(50)
Total falling due after more than one year	740
Total	**21,703**

Provision for irrecoverable debts (impairment of receivables):	31 March 2009 £'000
Balance at 1 June 2008	1,216
New provisions	389
Utilised in period	(70)
Reversed in period	(171)
Balance at 31 March 2009	1,364

Ageing of impaired debtors:	31 March 2009 £'000
By up to three months	153
By three to six months	231
By more than six months	980
Total	**1,364**

Ageing of non-impaired debtors past their due date:	31 March 2009 £'000
By up to three months	3,999
By three to six months	187
By more than six months	497
Total	**4,683**

14. INVESTMENTS

14.1 Fixed Asset Investments

The Trust held no fixed assets investments during the period.

14.2 Current Asset Investments

	EU Emissions £'000	Dept of Health £'000	Total £'000
Balance at 1 June 2008	555	7,000	7,555
Opening balance reclassification	(555)	–	(555)
Disposals	–	(7,000)	(7,000)
Balance at 31 March 2009	**–**	**–**	**–**

Allowances issued under the European Union Emissions Trading Scheme were reclassified as intangible assets at 1 June 2008. Short term investments are arranged through the Department of Health within its National Loans Fund.

15. CREDITORS

15.1 Creditors at the 31 March 2009:

	31 March 2009 £'000
Amounts falling due within one year:	
NHS creditors	11,596
Capital creditors	1,609
Other tax and social security costs	6,223
Obligations under finance leases and hire purchase contracts	116
Other creditors	9,899
Accruals and deferred income	22,095
Total falling due within one year	**51,538**
Amounts falling due after more than one year:	
Obligations under finance leases and hire purchase contracts	6,446
Total falling due after more than one year	**6,446**
Total	**57,984**

Other creditors include £3.374m relating to outstanding pension contributions.

15.2 Long-term Loans

The Trust's Department of Health working capital loan was repaid in full during the period (balance at 1 June 2008 £7.5m). The loan was originally taken out over a 20 year period commencing on 22 March 2007. There were no charges for early repayment.

15.3 Finance Lease Obligations

Payable:	31 March 2009 £'000
Within one year	575
Between one and two years	575
Between two and five years	1,725
After five years	8,294
Sub-Total	11,169
Less finance charges allocated to future periods	(4,607)
Net Obligation	**6,562**

15.4 Finance Lease Commitment

There are no finance lease commitments at 31 March 2009.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Legal Claims £'000	Other £'000	Total 31 March 2009 £'000
At 1 June 2008	500	1,387	1,887
Arising during the period	157	115	272
Utilised during the period	(110)	(456)	(566)
Reversed unused	(28)	(922)	(950)
Market value adjustment	–	(21)	(21)
At 31 March 2009	**519**	**103**	**622**
Expected timing of cashflows:			
Within 1 year	223	103	326
1 – 5 years	96	–	96
Over 5 years	200	–	200
Total	**519**	**103**	**622**

16.1 Legal Claims

The provision at 31 March 2009 comprises:

a) Provision for Staff Injuries
A staff injuries provision of £0.321m in respect of staff injury allowances payable to the NHS Pensions Agency.

b) Provision for Liabilities to Third Parties
A provisions for liabilities to third parties of £0.198m representing the excess payable by the Trust, under the NHS Litigation Authority (NHSLA) Liabilities to Third Parties Scheme.

16.2 Other Provisions

Other provisions at 31 March 2009 of £0.103m relate to the charge for carbon emissions under the EU Emissions Scheme.
This provision is stated at market value.

16.3 Clinical Negligence

Included in the provisions of the NHS Litigation Authority is £31.284m at 31 March 2009 in respect of Clinical Negligence liabilities of the Trust.

17. TAXPAYERS' EQUITY

17.1 Movements in taxpayers' equity

	31 March 2009 £'000
Taxpayers' equity 01 June 2008	362,660
Opening balance adjustment	(480)
Revised opening balance	362,180
Surplus for the period	18,723
Public Dividend Capital dividend paid	(9,217)
Fixed asset impairments	(28,190)
Surplus on revaluation of fixed assets	(170)
New Public Dividend Capital received	17,027
Public Dividend Capital repaid	(2,084)
Reduction on donated asset reserve	(504)
Taxpayers' equity at 31 March 2009	**357,765**

The opening balance adjustment relates to the reclassification of the Government Grant reserve to deferred income, following conversion to a Foundation Trust.

17.2 Movements in Public Dividend Capital

	31 March 2009 £'000
Public Dividend Capital at 01 June 2008	169,015
New Public Dividend Capital received	17,027
Public Capital Dividend repaid	(2,084)
Public Dividend Capital at 31 March 2009	**183,958**

17.3 Movements on Reserves

	Revaluation Reserve £'000	Donated Asset Reserve £'000	Government Grant Reserve £'000	Other Reserves £'000	Income & Expenditure Reserve £'000	Total £'000
At 01 June 2008	149,156	14,811	480	85	29,113	193,645
Opening balance adjustment on conversion to Foundation Trust	–	–	(480)			(480)
Restated opening balance	149,156	14,811	–	85	29,113	193,165
Transfer from the income and expenditure account	–	–	–	–	9,506	9,506
Fixed asset impairments	(27,185)	(1,005)	–	–	–	(28,190)
Deficit on revaluation of intangible assets	(191)	–	–	–	–	(191)
Transfer of realised profits to income & expenditure reserve	–	–	–	–	21	21
Receipt of donated assets	–	532	–	–	–	532
Transfer to income & expenditure account for depreciation of donated assets	–	(1,036)	–	–	–	(1,036)
Other transfers between reserves	191	–	–	–	(191)	–
At 31 March 2009	**121,971**	**13,302**	**–**	**85**	**38,449**	**173,807**

Other reserves comprise:

- A non-distributable reserve relating to the non cash transfer of Engineering Stock from NHS Supplies (South & West), now NHS Supply chain in 1993/94. No transfers are made to this reserve.
- A miscellaneous reserve to accommodate rounding differences which arise during the production of the Trust's Accounts.

18. NOTES TO THE CASH FLOW STATEMENT

18.1 Reconciliation of operating surplus to net cash flow from operating activities

	10 months ended 31 March 2009 £'000
Total operating surplus	18,585
Depreciation & amortisation	14,672
Fixed asset impairments	61
Transfer from donated asset reserve	(1,036)
Increase in stocks	(161)
Decrease in debtors	3,368
Increase in creditors	12,994
Decrease in provisions	(1,265)
Net cash inflow from operating activities	**47,218**

18.2 Reconciliation of net cash flow to movement in net debt

	10 months ended 31 March 2009 £'000
Increase in cash in the period	22,113
Cash outflow from debt repaid & finance lease capital payments	7,576
Cash inflow from decrease in liquid resources	(7,000)
Change in net funds resulting from cash flows	22,689
Non-cash changes in debt	–
Change in net funds	22,689
Net funds at 1 June 2008	4,070
Net funds at 31 March 2009	**26,759**

18.3 Analysis of changes in net funds

	1 June 2008 £'000	Cash Flows £'000	Non Cash Changes £'000	31 March 2009 £'000
OPG cash at bank	11,189	22,012	–	33,201
Commercial cash at bank & in hand	57	63	–	120
Bank overdrafts	(38)	38	–	–
Loan from DH due within 1 year	(394)	394	–	–
Loan from DH due after 1 year	(7,106)	7,106	–	–
Finance leases	(6,638)	76	–	(6,562)
Current asset investments	7,000	(7,000)	–	–
Totals	**4,070**	**22,689**	**–**	**26,759**

The Trust's Department of Health Working Capital loan was repaid in full during the period.
The loan was originally taken out over a 20 year period commencing on 22 March 2007. There were no charges for early repayment.

19. CAPITAL COMMITMENTS

Commitments under capital expenditure contracts at 31 March 2009 were £5.560m, comprising:

– The Bristol Heart Institute £4.550m, to be financed from Public Dividend Capital

– Information Management and Technology Hub relocation £1.010m, to be financed from Trust capital

20. POST-BALANCE SHEET EVENTS

There are no post-balance sheet events that have a material impact on the Trust's Accounts necessitating disclosure or adjustment to the Accounts.

21. CONTINGENCIES

21.1 Contingent Assets

The Trust has no contingent assets at 31 March 2009.

21.2 Contingent Liabilities

Contingent liabilities at 31 March 2009 comprise:

Bristol Education Centre Reviewable Rent
The Trust pays an annual rent of £0.575m for the lease of the Bristol Education Centre. In addition, an annual 'reviewable' rent, equal to 5% of the Market Rental Value of the premises is payable (currently £0.034m per annum). This rent is reviewed periodically in accordance with the lease terms. The Market Rental Value of the premises over the remaining period of the lease and hence the Trust's financial liability cannot be determined with any certainty.

Equal Pay Claims
The NHS Litigation Authority is co-ordinating a national approach to the litigation of equal pay claims and is providing advice to the Trust. The likely outcome of these claims and hence the Trusts financial liability, if any, cannot be determined until these claims are resolved.

Other Contingencies
The Trust has contingent liabilities relating to any new claims arising under the NHS Litigation Authority's 'Liability to third Parties' and 'Property Expenses' schemes. The contingent liability will be limited to the Trust's excess for each new claim.

22. PRUDENTIAL BORROWING CODE

The Trust is required to comply and remain within the Prudential Borrowing Limit (PBL). This is made up of two elements:

– the maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's compliance framework determines one of the ratios and therefore can impact on the long term borrowing limit.

– the amount of any working capital facility approved by Monitor.

Further information on the Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The Trust has a prudential borrowing limit of £88.65m at 31 March 2009 (maximum long term borrowing of £56.9m and an approved working capital facility of £31.75m). The Trust repaid its long term loan with the Department of Health during the period and at 31 March 2009 had £NIL outstanding long term borrowings. At 31 March 2009 the Trust had utilised £NIL funds from its working capital facility.

The Trust's performance against the key ratios on which the Prudential Borrowing Limit is based, is as follows:

Financial ratio	Actual ratios 10 months ended 31 March 2009	Approved PBL ratios 10 months ended 31 March 2009
Maximum debt/capital ratio	2%	25%
Minimum dividend cover	3.9x	1x
Minimum interest cover	51.1x	3x
Minimum Debt service cover	5.1x	2x
Maximum debt service to revenue	1.9%	3%

At 31 March 2009 the Trust is performing within all of the approved PBL ratios.

23. RELATED PARTY TRANSACTIONS

University Hospitals Bristol NHS Foundation Trust is a Public Benefit Corporation authorised under the National Health Service Act 2006.

During the year none of the Board members or members of the key management staff or parties related to them has undertaken any material transactions with the University Hospitals Bristol NHS Foundation Trust.

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below, the figures unless otherwise stated relates to income.

Avon and Wiltshire Mental Health Partnership NHS Trust (£0.94m)
Bath and North East Somerset PCT (£11.41m)
Cornwall and the Isles of Scilly (£2.45m)
Devon PCT (£4.75m)
Dorset PCT (£0.99m)
East of England SHA (Expenditure £0.51m)
Gloucestershire PCT (£8.54m)
Gloucestershire Hospital NHS Foundation Trust (£0.59m expenditure)
Great Western Ambulance Service NHS Trust (£1.56m expenditure)
Hampshire PCT (£0.71m)
Health Protection Agency (£2.1m expenditure)
Health Commission Wales (£4.35m)
London SHA (£0.48m)
NHS Blood and Transplant (£4.47m expenditure)
NHS Bristol PCT (£135.22m and £9.09m expenditure)
NHS Bristol SWSCG (£19.82m)
NHS Litigation Authority (£2.77m expenditure)
NHS Supply Chain (£6.12m expenditure)
North Bristol NHS Trust (£5.17m and £4.78m expenditure)
NHS Business Service Authority Pension Division (£25.63m expenditure)
North Somerset PCT (£35.46m)
North West SHA (£7.25m)
Pennine Acute Hospitals NHS Trust (£0.44m expenditure)
Plymouth Teaching PCT (£0.78m)
Royal United Hospitals Bath Trust (£0.45m and £0.52m expenditure)
Somerset PCT (£17.02m)
South Gloucestershire PCT (£27.71m)
South West SHA (£28.19m)
Southeast Essex PCT (£0.46m)
Swindon PCT (£2.67m)
Taunton and Somerset NHS Foundation Trust (£0.58m expenditure)
Torbay Care Trust (£0.71m)
Weston Area Health NHS Trust (£1.51m and £0.61m expenditure)
Wiltshire PCT (£6.62m)
Yorkshire and the Humber SHA (£1.88m)

In addition the Trust has had a number of material transactions with other Government Departments and other central and local government bodies. Most of these transactions have been with:

HM Revenue and Customs (£60.16m)
University of Bristol (£2.2m and £5.61m expenditure)

The Trust has also received capital payments from a number of charitable funds, including Above and Beyond Charities. Neither members of the Trust Board nor any employees of the Trust are Trustees of Above and Beyond Charities. The Audited Accounts of Above and Beyond Charities can be obtained from:

Above and Beyond Charities,
The Abbot's House,
Blackfriars,
Bristol BS1 2NZ

24. PRIVATE FINANCE TRANSACTIONS

At 31 March 2009 the Trust has no PFI schemes.

25. POOLED BUDGET PROJECTS

The Trust is party to a Pooled Budget arrangement with NHS Bristol, North Bristol NHS Trust, Bristol City Council, North Somerset Council and South Gloucestershire Council for the management and prevention of delayed discharges from hospitals. Under the arrangement funds are pooled under Section 31 of the Health Act 1999. The Pool is hosted by the Councils. The Trust makes no contribution to the Pooled Fund but receives income in the form of reimbursement payments which are paid where the level of delayed discharge exceeds an agreed threshold and it serves a Section 2 Notice and Section 5(3) Notice on the Council. For the 10 months ended 31 March 2009 the total income amounted to £0.009m.

A Memorandum Note of Accounts for the Pooled Fund is prepared by Bristol City Council and included in the Council's Statutory Annual Accounts.

26. FINANCIAL INSTRUMENTS

FRS 29, 'Financial Instruments: Disclosures', requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the continuing service provider relationship that the Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the 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 the listed companies to which FRS 29 mainly applies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within the parameters defined formally within the Trust's Treasury Management Policy, which has been approved by the Board of Directors. Treasury activity is subject to review by the Trust's internal auditors.

Market risk
Market risk is the possibility that the fair value or cash flows of a financial instrument may fluctuate due to market prices. Market risk can be subdivided into two areas: interest rate and currency.

Interest rate risk
The Trust is able through its Prudential Borrowing Limit to borrow from Government for capital expenditure subject to affordability. 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.

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.

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 2009 are in receivables from customers, as disclosed in the Trade and Other Receivables note.

Liquidity Risk
The Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government subject to an agreed limit and compliance with the Prudential Borrowing Code. Details of the Trust's performance against the Prudential Borrowing Code are shown in note 22.

26.1 Financial Instruments by currency

Financial Assets Currency	Total £000
At 31 March 2009	
Denominated in Sterling	53,147
Total	**53,147**

Financial Liabilities Currency	Total £000
At 31 March 2009	
Denominated in Sterling	37,722
Total	**37,722**

The Trust has negligible foreign currency income or expenditure.

26.2 Financial instruments by category

Financial assets per balance sheet	Total 31 March 2009 £'000	Loans and receivables £'000
NHS debtors	8,868	8,868
Other debtors	7,459	7,459
Accrued income	4,863	4,863
Provision for irrecoverable debts	(1,364)	(1,364)
Cash at bank and in hand	33,321	33,321
Total at 31 March 2009	**53,147**	**53,147**

Loans and receivables are held at amortised cost.

Financial liabilities per balance sheet	Total 31 March 2009 £'000	Other Financial Liabilities £'000
NHS creditors	11,596	11,596
Capital creditors	1,609	1,609
Other creditors	9,899	9,899
Accruals	8,056	8,056
Finance lease obligations	6,562	6,562
Total at 31 March 2009	**37,722**	**37,722**

Other financial liabilities are held at amortised cost.

26.3 Fair Values

As at 31 March 2009 there is no significant difference between the fair value and the carrying value of any of the Trust's financial instruments.

26.4 Maturity of financial assets

	31 March 2009 £'000
Less than one year	52,407
In more than one year but not more than two years	740
Total	**53,147**

Financial assets due after one year of £0.740m relate to amounts due in respect of the NHS injury scheme.

26.5 Maturity of financial liabilities

	31 March 2009 £'000
Less than one year	31,276
In more than one year but not more than two years	140
In more than two years but not more than five years	564
In more than five years	5,742
Total	**37,722**

27 THIRD PARTY ASSETS

At 31 March 2009 the Trust held £NIL cash at bank and in hand which relates to monies held by the Trust on behalf of patients.

28 Intra-Government Balances

	Debtors: amounts falling due within one year £'000	Debtors: amounts falling due after more than one year £'000	Creditors: amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000
Foundation Trusts and NHS Trusts	3,028	–	5,139	–
Department of Health	192	–	59	–
Strategic Health Authority	1,055	–	682	–
Primary Care Trusts	4,537	–	1,237	–
RAB Special Health Authorities	42	–	4,045	–
NHS CGA bodies	7	–	227	–
NHS WGA bodies	7	–	207	–
TOTAL NHS	**8,868**	**–**	**11,596**	**–**
Other WGA bodies	1,131	–	6,399	–
TOTAL at 31 March 2009	**9,999**	**–**	**17,995**	**–**

29 Losses and Special Payments

There were 487 cases of losses and special payments totalling £0.096m paid during the period ended 31 March 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL

1. Scope of Responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievements of the NHS Foundation Trust's policies, aims and objectives whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

As Accounting Officer I met on a weekly basis with the Chairman and reported on a monthly basis to the Board. In addition I met regularly at Chief Executive Officer level with the lead commissioning Primary Care Trust for University Hospitals Bristol NHS Foundation Trust as well as with other health community partners. Regular meetings were held with the Strategic Health Authority and contact maintained with politicians from both local and national government.

The Trust Board met monthly in public. Strategic seminars and briefings for Board Directors were also held regularly. A monthly performance report is issued publicly and is available on the Trust's Internet site www.uhbristol.nhs.uk. The Trust Executive Group includes Executive Directors and the five Clinical Heads of Division.

Divisional Review meetings were held in May and October 2008 and monthly financial and operational reviews have been undertaken with all divisions.

The Board approved the Trust's income and expenditure budget in April 2008. The reported surplus for the ten months to 31st March 2009 is £9.506 m. This surplus together with the surplus achieved for the two months to 31st May 2008 (as an NHS Trust) is greater than the planned surplus underpinning the Trust's Integrated Business Plan.

The Trust has a Finance Committee (a sub-committee of the Board) which meets on a monthly basis throughout the year. Membership comprises Non-Executive and Executive Directors of the Board. The Committee does not detract from the Board's key and overarching responsibilities, but provides the opportunity for increased scrutiny and time to be spent on finance issues.

Throughout 2008/09 the Trust has worked to achieve its financial target surplus for the year whilst delivering the national targets and effective healthcare. The Trust achieved cash releasing efficiency savings in excess of £15m. For 2009/10 and beyond the outlook is more challenging with the prospect of lower levels of growth moneys for the NHS coupled with higher levels of efficiency savings and demand for services alongside significant service changes locally.

The Trust has reviewed its liquidity position throughout 2008/09 and has repaid £7.5m being the balance of the Department of Health loan. The availability of cash resources and the movement during the latter part of the year to a situation where there was an adverse position on relative rates of interest payable and receivable made it commercially appropriate to bring forward the repayment of the loan principal. This is one year earlier than had been planned in the Integrated Business Plan.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the policies, aims and objectives of University Hospitals Bristol NHS Foundation Trust,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in University Hospitals Bristol NHS Foundation Trust for the 10-months ended 31 March 2009 and up to the date of approval of the annual report and accounts.

As an employer with staff entitled to membership of the NHS Pension Scheme control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the regulations.

3. Capacity to handle risk

A. Leadership:
The overall responsibility for managing risk rests with the Chief Executive who also chairs the Governance and Risk Management Committee, which includes Executive Directors as well as specialist advisers from within the Trust. Minutes of this Committee are reported to the Board in public session and to the Audit and Assurance Committee. Risk management is a priority throughout the organisation and the Board is formally appraised of all risks throughout the organisation including clinical, non-clinical, information and financial, through the various Board committees properly constituted within the Trust. In particular the Audit and Assurance Committee receives the minutes of the Governance and Risk Management Committee in order to consider further significant concerns with respect to high level risks that may have been raised. Divisional Risk Registers have been embedded within the systems of management in divisions and exception reports are reported to the Board via the Governance and Risk Management Committee. Divisions report in full on their Divisional Risk Register to the Governance and Risk Management Committee on a rotational basis. The Corporate Risk Register has been maintained and is reviewed by the Trust Board on a quarterly basis. The Clinical Risk Assurance Committee is chaired by the Medical Director who reports regularly to the Governance and Risk Management Committee. There are prepared monthly Integrated Performance Reports on the Trust's governance and assurance activities and these are considered by the Board.

B. Risk management:
During the ten months ending 31 March 2009 the Trust has continued to work with divisions to strengthen their risk management arrangements. This has included developing the system of risk management with each division having in place appropriately trained and experienced risk leads and risk assessors and with Divisional Risk Registers which are considered by divisional Boards and reflect and drive their agendas. The governance and assurance specialist advisers from within the Trust have worked with the Chief Nurse and Director of Governance to ensure that the infrastructure is continually developed and fit for purpose, for example the electronic Risk Register. There has been continued work in 2008/2009 to ensure that registers are up to date, reported to the appropriate groups and senior managers trained in their use. In addition, the Trust is also supported through the use of external advisers as necessary who are experienced in risk management as applied to the health service.

There is a comprehensive single incident reporting scheme for both clinical and non-clinical incidents, which has been highly commended by the NHS Litigation Authority in both its design and application. All incidents are assessed and those of a more serious nature are subject to a full investigation and root cause analysis and appropriate action plans are produced. This has included external review of incidents occurring in the Trust which have identified patient safety factors of national relevance. The Trust places great emphasis on learning from good practice both from within and outside the Trust. This includes learning points identified through the investigation of incidents, complaints and claims, which are discussed at the relevant individual committees and the identification of trends and learning is undertaken in a joint review group which reports to the Governance and Risk Management Committee and the Clinical Divisions. In addition the Trust, through national groups such as the Association of Litigation and Risk Managers (ALARM), shares details of good practice in all areas of risk management. The Trust is a member of the regional Network of Governance and Risk Managers which shares details of good practice in all areas of risk management.

The Trust has completed a 2-year project with North Bristol Trust (Safer Patient Initiative). This has been followed by the national 'Patient Safety 1st Campaign' which has five workstreams associated with patient safety hazards.

The Trust takes all complaints seriously and through the Senior Nurse for Complaints, under the direction of the Chief Nurse and Director of Governance and, in conjunction with divisions, investigates and responds to all complaints in accordance with the requirements of the NHS Complaints Procedure and works closely with Patient Advisory and Liaison Services. The Trust responds to all legal claims appropriately and in accordance with NHS Litigation Authority guidance. Risk management issues identified through the complaints and/or litigation process are addressed through the appropriate committee of the Trust.

C. Training:
Risk awareness training is conducted throughout the Trust on a regular basis. This training commences at induction and is continued through more detailed training in clinical and non-clinical areas. Where appropriate, risk assessment training including root cause analysis training is provided to key members of staff. During 2008/2009 the Board members consolidated their learning on method and process of monitoring and managing risk. There is a risk management training matrix for all staff.

4. The risk and control framework

A. Risk management strategy:
The risk management strategy, which is regularly updated and approved by the Board, seeks to achieve a culture where everyone has a responsibility for risk management. Its objective is to ensure a pro-active approach to risk management involving staff at all levels. It is available to the public on the Trust web site at www.uhbristol.nhs.uk/keypublications.html.

B. Risk management system:
The risk management system is embedded throughout the organisation and seeks to ensure that risks are identified and managed through the Risk Register and the specialist advisory committees such as the Clinical Risk Assurance Committee, as well as the system of Board Committees. The Trust seeks to continually improve its performance in all areas and in terms of risk management this is achieved through relevant assessments, audits and inspections with detailed action plans produced to address areas where performance can be improved. The Risk Register is central to the overall system of risk management being applied to both 'high level' corporate risks as well as risks identified through the divisions. It is regularly reviewed and updated. The 'live' data entry facility, to enable divisions to adopt a pro-active approach to the review of identified risks, is enabling a new link to be made to the Assurance Framework. During the 10-months ending 31 March 2009 further training of managers in the use of the Risk Register and Assurance Framework was undertaken and this work is ongoing in 2009/2010.

The Trust considered in detail the 2008/2009 Standards for Better Health and assessed critically the Trust's position against the standards for its declaration on compliance. The Assurance Framework for 2008/2009 was structured around these Standards and other key risks such as finance, information management and technology, planning and targets. The Risk Register uses categories linking risks to the Assurance Framework.

C. Assurance framework:
The Assurance Framework approved by the Board is balanced and considers all the stated aims and objectives of the Trust together with the controls and assurances in place. Furthermore it identifies any gaps in those controls and assurances, and action plans are formulated to address those gaps. The framework is reviewed regularly by the Governance and Risk Management Committee and the Audit and Assurance Committee and reported to the Board on a full reporting basis. The Audit and Assurance Committee routinely selects two Core Standards (chosen according to the focus of wider discussion and emerging issues) for closer scrutiny at each of its meetings. There has been extensive Board involvement in the process for gaining assurance leading to a final declaration at the Trust Board meeting held on 29 April 2009 for the Core Healthcare Standards throughout 2008/2009. This process for Board involvement will be continued in 2009/2010.

D. Involvement of public stakeholders:
During 2008/2009 the Trust has established its Membership Council of Governors and has developed systems to ensure interaction between the Board and Governors through recruitment and engagement of members. The Trust has built on previous public and patient involvement mechanisms and works actively with a number of groups involving patient and public representatives in the design and planning of its services. There has been significant engagement of the general public, voluntary organisations, staff and scrutiny committees as well as the involvement in the detailed planning of a number of services and the Trust's redevelopment schemes. The Trust has a Board approved Membership Strategy and systems to involve the public and particularly seldom heard minority groups were strengthened as part of this process. Work continues to be undertaken in 2009/2010 to further strengthen involvement of public stakeholders.

E. Information governance:
The Trust recognises that the information it holds, including personal data of patients, employees and others, as well as corporate information is a valuable asset and it has made great efforts to ensure the security and integrity of that information throughout 2008/2009. Particular focus this year has been on encryption of laptops and other portable media thus ensuring the security of data held on these devices.

The Trust has used the Information Governance Toolkit to make year on year continuous improvements to its information governance arrangements. For 2008/9 the Trust was able to declare an overall score for the 62 elements of the Toolkit of 79%. The Trust recognises further improvements are necessary particularly in the area of Corporate Information Assurance and an action plan has been developed by the Information Governance Steering Group to address outstanding issues in 2009/2010. This group which is chaired by the Medical Director – who is the Senior Information Risk Officer (SIRO) for the Trust – meets regularly to review progress with improvement plans.

During 2008/2009, there have been no Serious Untoward Incidents within the Trust in relation to information governance; therefore there were no significant control issues.

5. Review of economy, efficiency and effectiveness of the use of resources

The Trust has continued to work to develop and expand an improvement programme to streamline working practices using 'lean' methodology. This brings together multi-disciplinary teams to review their ways of working and agree how they can improve services for patients. The focus is placed on identifying and removing unnecessary activities that do not add to the quality of the care patients receive. Divisional Review meetings are held six-monthly and monthly financial and operational reviews are undertaken with divisions. These review meetings focus on issues relating to performance targets, human resources and finance such as cash releasing efficiency savings.

During 2007/2008, the Trust benefited from the Healthcare Commission's Maternity Services Review, the aim of which was to inform the Trust about its performance compared with other comparable providers and to make recommendations where there is scope for quality or value for money improvements to be made. The Trust has also positively benefited from a review by the Department of Health's MRSA intensive support team in relation to the prevention and control of infection as a result of this visit.

Internal audit has reviewed and reported upon control, governance and risk management processes, based on an audit plan approved by the Audit and Assurance Committee. The work included identifying and evaluating controls and testing their effectiveness, in accordance with NHS Internal Audit Standards. Individual audits have raised issues relating to economy, efficiency and effectiveness and, where scope for improvement was identified during an internal audit review, appropriate recommendations were made and action plans were agreed with management for implementation. In 2008/2009 the Audit Commission began work to undertake reviews on consultant productivity and ward staffing. These reviews would be concluded in 2009/2010.

Measures are in place to ensure that all organisation's obligations under equality, diversity and human rights legislation are complied with.

6. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within University Hospitals Bristol NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Assurance Committee and the Governance and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by assurances received from internal sources including clinical audit reports and reports of the Head of Internal Audit as well as activities such as the extensive staff survey carried out in 2007. The Heads of Division and Executive Directors meet on a monthly basis under the auspices of the Trust Executive Group and advise me accordingly.

There was extensive Board involvement in the process for gaining assurance on the Healthcare Standards for 2008/2009. Following review by the Governance and Risk Management Committee and Audit and Assurance Committee, the Trust Board met on 29 April 2009 and agreed a declaration for the Core Healthcare Standards throughout 2008/2009. The Trust Board agreed a declaration of 'compliance' for all Core Healthcare Standards, with the exception of Standard 4c Decontamination where a declaration of 'not met' was made.

The Core Standard Statement for Standard 4c Decontamination states that 'Healthcare organisations keep patients, staff and visitors safe by having systems to ensure that all reusable medical devices are properly decontaminated prior to use and that the risks associated with decontamination facilities and processes are well managed.'

Following review at the end of March 2009, the Executive Directors were made aware of areas of non-compliance with the Core Healthcare Standard 4c (Decontamination) and an urgent review and action was put in place to address these issues. The action plan, produced at the end of March 2009, has target dates set within the first quarter of 2009/2010.

At its meeting on 29 April 2009, the Board received and considered a range of evidence which included the standard statement, the related requirements within the Code of Practice for the NHS on the Prevention and Control of Healthcare Associated Infections and presented the current position against the seven elements of the Healthcare Commission inspection guide for 2007/2008 for each of the areas in the Trust undertaking decontamination activities. The Board considered that the evidence demonstrated some aspects of the responsibility and reporting structure which needed to be improved and implementation of appropriate testing schedules was not in place in some areas. Although action had been taken in March 2009 (in-year), completion of these actions could not be evidenced to state compliance in 2008/2009. There were no significant lapses or evidence of failure of decontamination or of patient harm. Therefore a declaration of 'not-met' was agreed for Standard 4c Decontamination.

The Head of Internal Audit's overall opinion for the ten months ending 31 March 2009 is that significant assurance can be given and that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

I have also received assurances as a result of inspections, audits and reviews by a number of national and professional bodies including the Audit Commission who have conducted a number of reviews, the medical Royal Colleges who have considered clinical areas specifically, as well as external audits conducted in accordance with ISO 9000 accreditation of, for example, security services and the Medicines and Healthcare Products Regulatory Agency with respect to the manufacture and supply of medicines. The Trust participates in nationally organised benchmarking programmes. Importantly the Trust achieved Level III compliance with the maternity risk management standards under the National Health Service Litigation Authority in 2007/2008. The Trust can apply for re-assessment for Level III compliance with the maternity risk management standards in December 2009. The Trust was reassessed under the National Health Service Litigation Authority acute general standards and attained the Level I standard. The Trust is working diligently to achieve Level II compliance. The Trust continues to enjoy the highest level Practice Plus status under the Improving Working Lives scheme.

The overall effectiveness of the Assurance Framework is assessed by the Governance and Risk Management Committee and the Audit and Assurance Committee who report to the Board. The other Board Committees assess specific areas of the Assurance Framework and through the Executive Directors approve improvement plans. The overall effectiveness of the Assurance Framework and its ability to support the system of internal control is reviewed as part of the work of internal audit.

Conclusion

During the ten months ending 31 March 2009 no significant control issues were identified other than in respect of Core Healthcare Standard 4c Decontamination as outlined in section 6 of this Statement.

Graham Rich
Chief Executive

Statement of the chief executive's responsibilities as the accounting officer of University Hospitals Bristol NHS Foundation Trust

The National Health Service Act 2006 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts (Monitor).

Under the National Health Service Act 2006, Monitor has directed University Hospitals Bristol NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of University Hospitals Bristol NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS foundation trust Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.

Graham Rich
Chief Executive