

ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2011

Somerset Partnership NHS Foundation Trust
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Somerset Partnership NHS Foundation Trust

FOREWORD TO THE ACCOUNTS

These accounts for the year ended 31 March 2011 have been prepared by Somerset Partnership NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 7 to the National Health Service Act 2006 in the form in which Monitor, the Independent Regulator of NHS Foundation Trusts, with the approval of the Treasury, has directed.

A handwritten signature in black ink, appearing to read 'Edward Colgan', with a small horizontal line under the final 'n'.

Edward Colgan, Chief Executive

31 May 2011

Somerset Partnership NHS Foundation Trust

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Statement of the chief executive's responsibilities as the accounting officer of Somerset Partnership 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 officers, 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 *NHS Foundation Trust Accounting Officer Memorandum* issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

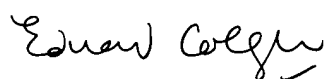
Under the National Health Service Act 2006, Monitor has directed the Somerset Partnership NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Somerset Partnership 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 Annual 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 Annual Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- 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 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*.



Edward Colgan, Chief Executive

31 May 2011

Somerset Partnership NHS Foundation Trust

STATEMENT ON INTERNAL CONTROL 2010-11

SOMERSET PARTNERSHIP NHS FOUNDATION TRUST

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement 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*.

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 Somerset Partnership NHS Foundation Trust, to 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 Somerset Partnership NHS Foundation Trust for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

Somerset Partnership NHS Foundation Trust is committed to providing high quality services in an environment which is safe and secure for service users, visitors and staff.

The Board and I are committed to providing the resources and support systems necessary to support the Risk Management Strategy and Policy (which sets out a framework for the management of both clinical and non-clinical risks) and to ensure that action is taken to address all identified risks assessed as unacceptable. During the year, the Risk Management Strategy and Policy were reviewed and rewritten, and they will be reviewed again following the acquisition of Somerset Community Health, to reflect potential changes in the Trust's management of risk.

The risk management framework has been devised to create an efficient risk management infrastructure within the organisation. The strategic responsibility for implementing the risk management agenda rests with the Risk Group, which is supported by other committees and groups, many of which have joint membership, ensuring that there is an effective network

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covering all aspects of risk management. The Risk Group is one of the Trust's four governance committees and it reports directly to the Audit Committee. The Risk Group is chaired by the Executive Director of Nursing Development and Governance. Its membership also consists of the Medical Director and the Deputy Chief Executive/Director of Operations, both of whom are Executive Directors.

At least one Non-Executive Director sits on each of the Partnership Trust's Governance Groups, and Audit Committee membership comprises all the Partnership Trust's Non-Executive Directors, other than the Chairman. Regular risk management reports are submitted to and reviewed by the Board.

Local risk management processes at ward and team level generate local risk registers, from which significant risks are transmitted to the Corporate Risk Register. The Risk Group reviews new corporate risks at its quarterly meetings. There is an ongoing programme of health and safety inspections, and there are safety and infection control monitors in all trust buildings. The Partnership Trust Board has agreed broad risk classifications that assist in identifying the degree of action required within a set timescale. The remit of the four integrated governance groups has been reviewed within the year to consider capacity and capability for affective risk management.

The key elements of the risk management process are detailed within the Risk Policy documents and include the following:

- identification of existing and potential risks;
- analysis of risks identified in respect of consequence and likelihood;
- creation of a Corporate Risk Register and Local Risk Registers;
- elimination or reduction of risks;
- funding of the financial consequences of retained risks (self insurance), or by transferring the financial impact via the NHS insurance pooling schemes, paying annual insurance premiums;
- monitoring the effectiveness of the controls and reviewing action taken;
- creation of an environment where risks are openly discussed, where mistakes and untoward incidents are dealt with in a positive and responsive manner;
- lessons learned are followed up with an action plan, which is regularly monitored by the relevant committees. The Partnership Trust maintains a "Lessons Learned" register.

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Adequate and appropriate training is given to staff to ensure the health and safety of service users, staff and visitors, and to identify, record and action, potential risks identified. Safety Action Bulletins and Hazard Notices are automatically distributed and staff are expected to respond appropriately.

Staff are encouraged to identify and report risk via the incident reporting system and local risk registers. Mandatory training addresses key risk areas e.g. lifting, fire and personal safety.

The Risk and Control Framework

The Chief Executive has overall responsibility for Risk Management. The risk management process is reviewed at least every two years and was last formally reviewed in October 2010 when the Strategy and Policy for risk were also reviewed. The review was conducted by the Executive Team, and was agreed by the Board. Implementation of the Risk Management Strategy and Policy is delegated to:

- Executive Directors;
- Managers and heads of professions;
- Risk Group;
- Serious Untoward Events Review Group;
- Clinical and Social Care Effectiveness Group;
- Audit Committee;
- Finance and Performance Committee;
- Health, Safety and Security Group;
- Infection Control Group;
- Caldicott and Information Governance Group;
- Patient and Carer Experience Group;
- Staff Experience Group;
- Mental Health Act Group;
- Drug and Therapeutics Group;
- ICT Business Group;
- Learning and Development Group;
- Equality and Diversity Group;
- Somerset Health, Social Care and Criminal Justice Liaison Group.

The Audit Committee is responsible for seeking assurance from key governance groups to ensure that the risk management process is being followed.

All new risks are reviewed by the relevant manager, and the Risk Group further reviews all new risks on a quarterly basis. This involves checking of information and testing of the risk definition and the controls and mitigations in place, and determines the risk appetite of the organisation. This process will be used in identifying future risks. The Trust uses a risk reporting module within the Datix electronic system; this is available to all Trust staff. A specific risk register has been formulated for the planned acquisition of Somerset Community Health, which has been reviewed by the Board.

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The risks which are rated at 12 and above (on a 5x5 likelihood vs consequence matrix) are also reviewed at the quarterly meetings of the Risk Group. This involves scrutiny of actions and their implementation.

The highest risks to the Trust are cross-referenced with the Assurance Framework and the Trust's Business Action Plan. The Assurance Framework is reviewed by the Audit Committee at every meeting and issues of concern are escalated to the Board. The highest risks to the Trust are available for detailed scrutiny to both internal and external auditors. A summary of these is:

- Maintenance of unconditional registration with Care Quality Commission.
- Provision of a safe environment for service users.
- In-Patient Suicide Prevention - Rydon Ward
- Delivery of year-end surplus target
- Medication safety
- Ensure that robust structures are in place to support effective clinical supervision arrangements.
- Delivery of the Trust's priorities for quality improvement through the ongoing development of the workforce, prioritising on Mandatory Training
- Ensuring retention of core business and remaining the provider of choice in Somerset (Any Willing Qualified Provider)

A review of any new potential risks takes place at the end of the agendas of the following Trust groups and committees and their relevant sub groups:

- Trust Board
- Executive Team meeting
- Senior Managers' Business Group
- Audit Committee
- Risk Group
- Staff Experience Group
- Patient and Carer experience Group
- Clinical and social Care effectiveness Group

Equality impact assessments are integrated into core Trust business; all new policies, procedures and guidance are subject to an equality impact assessment.

The Members' Council (Council of Governors) which includes governors elected from service user and carer constituencies has formed a number of working groups which look at variously at:

- Strategy and Planning
- User and Carer Experience
- Communication
- Remuneration and nominations

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The Board has developed an assurance framework that demonstrates:

- it covers all of the key business areas to provide the proper balance of the organisation's objectives and the risks that threaten their achievement;
- it has taken action to ensure the board has sufficient assurances about the effectiveness of the controls to manage the risks;
- the framework incorporates all the organisation's principal objectives, or at least the top priority principal objectives;
- the principal risks span the key business areas in a manner which reflects the organisation's core business activities;
- the controls to manage the principal risks have been identified;
- the potential sources of assurances about the effectiveness of controls have been identified (external reviewers, internal audit, clinical audit etc);
- the outcomes of those potential sources of assurance have been evaluated to determine their relevance and reliability;
- the necessary assurances are regularly reviewed by the Partnership Trust's governance groups and potential and actual failures in assurance and controls are escalated to the Audit Committee and if necessary to the Board of Directors.

The assurance framework also contains a list of mitigations, positive and negative assurances and stipulates the terms of assurance.

As part of the assurance framework process, information is being managed and controlled. The Trust has assessed itself using the Information Governance Toolkit, scoring 87% in 2010/11, with evidence retained for assessment and review.

Risk to data security for the Trust is managed through the Director of Finance, Information and Performance, who is the Trust's senior information risk owner. The role of Caldicott Guardian transferred during the year from the Medical director to the Director of Nursing Development and Governance

The Caldicott and Information Governance Group monitors the key methods of controlling data security. These include managing access rights to data both within the office and remotely, backing up of information, and safeguarding the integrity of the networks and all information in transit, which includes virus detection.

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The Trust also requires all security breaches and identified information risks to be assessed and reported to the Trust Board. Any significant breaches would be reported to the Information Commissioner's Office. There were no reportable information or data security breaches during the year.

The Chief Executive provides regular reports to the Members Council on the Trust's performance and developments.

Staff have access to a Local Security Management Specialist, and to the Counter Fraud service. The Whistle Blowing Policy enshrines the right and duty of staff to raise concerns about any aspect of the Partnership Trust's activities.

The directors are required under the Health Act 2009 and the National Health Service (Quality Accounts) Regulations 2010 to prepare Quality Accounts for each financial year. Monitor has issued guidance to NHS Foundation Trust boards on the form and content of annual Quality Reports which incorporate the above legal requirements in the NHS Foundation Trust Annual Reporting Manual.

The following steps have been put in place to assure the Board that the Quality Report presents a balanced view and that there are appropriate controls in place to ensure the accuracy of data.

The information provided is subject to robust checking, scrutiny by Senior Managers' Business Meeting, the Clinical and Social Care Effectiveness Group and Risk Group (the latter two being governance groups). The information is further integrated and tested by a Board Committee, namely the Finance and Performance Committee, and by the Board itself.

The Trust ensures performance and data quality are included within the annual external audit programme.

The Quality Account for 2011/12 has been determined following a process of engagement with the Members' Council, LINK, etc, and a number of community stakeholder organisations. These finalised plans are subject to final agreement and authorisation by the Trust Board, which includes a rolling programme of monitoring.

The foundation trust is fully compliant with the requirements of registration with the Care Quality Commission. Following a responsive review of Rydon ward, the Care Quality Commission found no systemic issues and did not recommend any enforcement action. However, the Commission did find two moderate and three minor concerns. The moderate concerns led to a finding of non-compliance with outcome 4 of the Commission's requirements. The Trust has since implemented a set of actions to remedy the situation, and is awaiting a visit from the Commission to confirm that all actions have been achieved. The Trust's unconditional registration with the Care Quality Commission has not been affected by this responsive review, and the Trust considers that it is now fully compliant with all outcomes.

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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 are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into 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.

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

The Foundation Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

QUALITY ACCOUNT

Governance and leadership

The Trust operates an integrated governance model, utilising the range of corporate, clinical, and information governance assurances to inform the Board in relation to operations and compliance. The Trust operates four main governance committees which inform the Audit Committee on a range of clinical, performance, staff and patient/carer issues. These governance groups are:

- Risk Group
- Patient and Carer Experience Group
- Clinical and Social Care Effectiveness Group
- Staff Experience Group

There are also sub groups dedicated to specific topics, such as the Practice Standards Group, which acts as a vital part of the clinical audit cycle by bringing together clinical experts and leaders within the Trust to look at setting practice standards, which are informed by quality and best practice sources and advice, such as NICE guidance etc.

The various professions have a system of professional heads who are either Executive Directors (as the case of medicine and nursing) or who are members of the Trust's Senior Manager Business Meetings (therapies, social work etc). Each of the professions has a professional forum (Senior Medical Staffing Group, Professional Nurse Advisory Group etc).

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The Trust monitors agreed performance and quality targets in a number of ways. This information is scrutinised by the Board on a monthly basis as part of the Trust's Performance and Quality Report, and the Finance and Performance Committee of the Board scrutinises this information in significant detail, including the triangulation of data.

The Trust monitors quality issues alongside performance through the use of a Trust dashboard which is examined in detail at the Senior Managers' Business Group. This examines quality information including performance against CQUIN and local and national quality measures, across the Trust's services. This information is then disseminated to departmental, ward and team level.

The Trust works collaboratively with NHS Somerset as the main commissioner of Trust services to set effective and meaningful quality and performance targets and these are regularly monitored in joint quality contract meetings.

The Trust also consults broadly on the contents of its Quality Accounts. This process is driven by a working group of the Trust's Governors, with support from the Trust's senior staff in order to ensure synergy between quality and governance measures.

At a corporate level the various audits and quality reports feed into the Trust's assurance framework as forms of assurance against significant risks.

The Trust believes that these various levels and methods of leadership and governance relating to governance and quality are effective.

Policies

The Trust has a well developed system for the formulation, updating, management and dissemination of policies. This process is managed by the Trust's Governance Team with the assistance of a brought forward system and an e-based solution known as *4 Policies*.

Policies go through a clear process. The formulation and update process is led by a named senior manager or senior clinician, who consults with appropriate governance, specialty, managerial and other groups. The final draft policy is then scrutinised and approved by the Trust's Senior Managers Business Meeting or Trust Executive Group as a delegated function of the Board. The Board retains overall oversight and scrutiny of policies. Certain policies and policy renewals it reserves to itself, others it gives delegated authority for.

In terms of dissemination, all Trust employees are advised to familiarise themselves with all policies. However, there are specific policies which are defined as essential for particular occupational and professional groups. The decision on which policies are allocated to which group is reached between the professional head and the Governance Team. E- links and reminders relating to essential policies (including those relevant the NHSLA's Risk Management Standards) are sent to each member of staff according to

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grouping. The staff member is required to click on a link to confirm they have read the policy and certain policies require a short test to demonstrate the staff member's understanding of the policy.

People and skills

The Trust utilises a number of systems to ensure that it has effective staff and skills capability.

There is a workforce development strategy which looks at the human resource requirements of the organisation and how this will be achieved. This is received and reviewed by the Trust Board. There is a matrix of mandatory and recommended training, and attendance is closely monitored and reported to the Board. This matrix is updated regularly.

The Trust has a system in place for appraisal and the development of Personal Development Plans, which not only identifies learning and development needs related to the Knowledge and Skills Framework for individuals, but on a wider organisational scale, informs the Trust's Learning and Development Strategy.

The Trust is currently assisting in the design of learning and skills systems with Tribal and Kings College, London, who secured the learning and development contract for the South West Region. The Trust's Director of Nursing and Governance is part of the Mental Health Pathway working group and this system operates on a blended method of e-learning, face to face learning, and an e-platform. This will be in place to complement the knowledge and skills requirements of the trust from September 2011.

The Trust works closely with the universities and professional training bodies to ensure that the correct skills and development is in place for professionals in training who will come to work in the trust, and those who currently work for the trust but will require further development. These institutions include the Severn Medical Deanery, Bristol University, the University of the West of England, Plymouth University, Bournemouth University and the Royal College of Psychiatrists and the Royal College of Nursing.

Practice standards are used to identify expected practice and competence requirements for clinicians and those in support roles.

The Trust's view is that these elements come together to provide an effective and skilled work force

Data use and reporting

Internal and external audit provide independent validation.

There are documented data quality procedures and policies, and weekly data quality meetings. Data quality issues are reported to the Caldicott and Information Governance Group, and to the Trust Board as appropriate.

The Board has approved the content and derivation of performance dashboard items. The Board reviewed and updated a master document

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setting out how each dashboard item was calculated and inclusions/exclusions from the calculations to assist with the triangulation of data.

Reports are provided to operational managers at ward and team level for validation.

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 the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the content of the quality report attached to this annual report and other performance information available to me. My review is also informed by 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 committee and risk committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Key processes that have been applied in year to ensure that resources are used economically, efficiently and effectively include:

- The monitoring of spend in year using budgets and variance analysis against actuals, with regular monthly financial monitoring reports produced for each operational unit or segment. An organisational report is produced monthly and reported to the Board, and discussed and reviewed in detail at the Finance and Performance Committee;
- Performance monitoring of operations against set performance targets centrally and reported to Board and Finance and Performance Committee. This includes the monitoring of volumes and quality of services delivered;
- Contract monitoring arrangements with key commissioners which provide evidence that key requirements have been delivered;
- Participating and receiving performance and cost information against other NHS benchmarked information. This includes reference cost information.

As part of these processes the Trust utilises information from its patient systems. Governance is achieved by the submission of papers to Boards and their discussion in further detail at sub-committee level. The risk and control framework, which includes internal audit, helps to ensure that information being monitored and reported is accurate.

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Internal audits were completed during the year on 13 risk and governance topics. Assurance levels for eight of these are green; the remainder are amber/green.

An unqualified Head of Internal Audit Opinion was issued for 2010/11 as follows:

“Based on the work undertaken in 2010/11. significant assurance can be given that there is a sound system of internal control which is designed to meet the organisation’s objectives, and that controls are being consistently applied in all the areas reviewed.”

Assurances are also obtained from the following sources:

- the Mental Health Act Commission
- the Health Overview and Scrutiny Committee
- unconditional registration on Healthcare Associated Infection from the Care Quality Commission.

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 Executive Team
- the Senior Managers Business Group

Board Committees:-

- the Audit Committee
- the Remuneration Committee
- the Finance and Performance Committee

Governance Groups:-

- Risk Group
- Clinical and Social Care Effectiveness Group
- Patient and Carer Experience Group
- Staff Experience Group

Governance Group sub groups:-

- Infection Control Group
- Drugs and Therapeutics Group
- Health and Safety Group
- Caldicott and Information Governance Group
- Serious Untoward Events Review Group
- Learning and Development Group
- Equality and Diversity Group

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- Somerset Health, Social Care and Criminal Justice Liaison Group
- Mental Health Act Group
- Practice Standards Group

Conclusion

There are no significant Internal Control Issues that have been identified.



Edward Colgan, Chief Executive

31 May 2011

Somerset Partnership NHS Foundation Trust

Independent Auditor's report to the Members' Council of Somerset Partnership NHS Foundation Trust

We have audited the financial statements of Somerset Partnership NHS Foundation Trust for the year ended 31 March 2011 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is the NHS Foundation Trust Annual Reporting Manual issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Respective responsibilities of Accounting Officer and auditors

As explained more fully in the Statement of the chief executive's responsibilities as the accounting officer of Somerset Partnership NHS Foundation Trust set out on page iii of the Annual Accounts the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with the NHS Act 2006, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Members' Council of Somerset Partnership NHS Foundation Trust in accordance with paragraph 24(5) of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 NHS Foundation Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Foundation Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with the NHS Foundation Trust Annual Reporting Manual, of the state of the NHS Foundation Trust's affairs as at 31 March 2011 and of its income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual.

Opinion on other matters prescribed by the Audit Code for NHS Foundation Trusts

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual; and

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- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Audit Code for NHS Foundation Trusts requires us to report to you if:

- in our opinion the Statement on Internal Control does not meet the disclosure requirements set out in the NHS Foundation Trust Annual Reporting Manual or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor have we considered, whether the Accounting Officer's Statement on Internal Control addresses all risks and controls or that risks are satisfactorily addressed by internal controls;
- we have not been able to satisfy ourselves that the NHS Foundation Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; or
- we have qualified our report on any aspects of the Quality Report.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by Monitor.



Simon Cookson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

6 June 2011

- (a) The maintenance and integrity of the Somerset Partnership NHS Foundation Trust website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

	NOTE	31 March 2011 £000	Restated 31 March 2010 £000
Operating Income from continuing activities	3, 4	58,036	56,689
Operating Expenses from continuing activities	5	<u>(60,588)</u>	<u>(59,435)</u>
OPERATING DEFICIT		(2,552)	(2,746)
FINANCE COSTS			
Finance income - interest receivable	10	20	33
Finance expense - financial liabilities	11	(17)	(7)
Finance expense - unwinding of discount on provisions	21	(11)	(10)
Public Dividend Capital - dividends payable		<u>(1,199)</u>	<u>(1,342)</u>
NET FINANCE COSTS		(1,207)	(1,326)
DEFICIT FOR THE YEAR		<u>(3,759)</u>	<u>(4,072)</u>
OTHER COMPREHENSIVE INCOME			
Impairments		(86)	(1,850)
Revaluation gains/(losses)		879	(4,165)
Movements arising from classifying non current assets as Assets Held for Resale		0	(10)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u><u>(2,966)</u></u>	<u><u>(10,097)</u></u>

The notes on pages 5 to 35 form part of these accounts.

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

	NOTE	31 March 2011 £000	Restated 31 March 2010 £000
NON-CURRENT ASSETS			
Intangible assets	13	50	20
Property, plant and equipment	14	38,354	36,547
Trade and other receivables		36	64
TOTAL NON-CURRENT ASSETS		<u>38,440</u>	<u>36,631</u>
CURRENT ASSETS			
Inventories	16	40	48
Trade and other receivables	17	1,951	2,091
Cash and cash equivalents	22	2,131	3,815
TOTAL CURRENT ASSETS		<u>4,122</u>	<u>5,954</u>
Non-current assets held for resale	15	1,275	1,740
TOTAL ASSETS		<u>43,837</u>	<u>44,325</u>
CURRENT LIABILITIES			
Trade and other payables	18	(4,537)	(4,288)
Borrowings	20	(444)	0
Provisions	21	(104)	(86)
Other liabilities	19	(351)	(98)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>38,401</u>	<u>39,853</u>
NON-CURRENT LIABILITIES			
Borrowings	20	(1,556)	0
Provisions	21	(344)	(386)
TOTAL ASSETS EMPLOYED		<u>36,501</u>	<u>39,467</u>
FINANCED BY TAXPAYERS' EQUITY:			
TAXPAYERS' EQUITY			
Public dividend capital		20,680	20,680
Income and expenditure reserve		2,938	6,097
Revaluation reserve		12,883	12,690
TOTAL TAXPAYERS' EQUITY		<u>36,501</u>	<u>39,467</u>

The financial statements on pages 1 to 35 were approved by the Board on 31 May 2011 and signed on its behalf by:

Signed: Edward Colgan (Chief Executive)

Date: 31 May 2011

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	TOTAL	Public Dividend Capital	Revaluation Reserve	Income and Expenditure Reserve
	£000	£000	£000	£000
Taxpayers' Equity at 1 April 2010	39,467	20,680	12,690	6,097
Total Comprehensive Income for the period	(3,759)	0	0	(3,759)
Impairments	(86)	0	(86)	0
Revaluation gains/(losses)	879	0	879	0
Other Recognised Gains and losses:				
Transfers to the income and expenditure account in respect of assets disposed of	0	0	(143)	143
Transfer of the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve	0	0	(206)	206
Transfer in respect of impairment due to loss of economic benefit	0	0	(581)	581
Transfer in respect of impairments written back	0	0	330	(330)
Taxpayers' Equity at 31 March 2011	<u>36,501</u>	<u>20,680</u>	<u>12,883</u>	<u>2,938</u>

	TOTAL	Public Dividend Capital	Restated Revaluation Reserve	Restated Income and Expenditure Reserve
	£000	£000	£000	£000
Taxpayers' Equity at 1 April 2009	45,464	16,580	21,870	7,014
Total Comprehensive Income for the period				
- as previously stated	(1,444)			(1,444)
- effect of change in accounting policy*	(2,628)			(2,628)
	<u>(4,072)</u>	0	0	<u>(4,072)</u>
Impairments				
- as previously stated	(4,478)		(4,478)	
- effect of change in accounting policy*	2,628		2,628	
	<u>(1,850)</u>	0	<u>(1,850)</u>	0
Revaluation gains/(losses)	(4,175)	0	(4,175)	0
Other Recognised Gains and losses:				
Transfer of the excess of current cost depreciation over historical cost depreciation to the Income and Expenditure Reserve	0	0	(527)	527
Transfer in respect of impairment due to loss of economic benefit*	0	0	(2,628)	2,628
Public Dividend Capital received	4,100	4,100	0	0
Taxpayers' Equity at 31 March 2010	<u>39,467</u>	<u>20,680</u>	<u>12,690</u>	<u>6,097</u>

All Revaluation Reserves relate to Property, Plant & Equipment.

* The prior period adjustment has resulted from a change in accounting policy required by the HM Treasury FReM. Impairments which result from the consumption of economic benefits are now charged to operating expenses regardless of whether there is an available revaluation reserve balance. This has required restatement for two properties which were revalued and subsequently transferred to assets for resale.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 MARCH 2011**

	31 March 2011		31 March 2010	
	£000	£000	£000	£000
Cash flows from operating activities				
Operating deficit from continuing operations		(2,552)		(2,746)
Operating deficit		<u>(2,552)</u>		<u>(2,746)</u>
Non-cash income and expense:				
Depreciation and amortisation charge	1,445		1,631	
Impairments	4,383		4,700	
Reversal of impairments	(233)		(55)	
(Increase)/Decrease in Trade and Other Receivables	168		(486)	
(Increase)/Decrease in Inventories	8		(3)	
Increase in Trade and Other Payables	623		204	
Increase in Other Liabilities	253		48	
Decrease in Provisions	(24)		(115)	
Net Losses on Disposals	151		0	
		<u>6,774</u>		<u>5,924</u>
NET CASH GENERATED FROM OPERATIONS		<u>4,222</u>		<u>3,178</u>
Cash flows from investing activities				
Interest received	20		34	
Purchase of intangible assets	(38)		(20)	
Purchase of Property, Plant and Equipment	(7,540)		(6,518)	
Net sale proceeds from sales of Property, Plant and Equipment	0		20	
Net sale proceeds from sales of current assets held for resale	830		0	
		<u>(6,728)</u>		<u>(6,484)</u>
Cash flows from financing activities				
Public dividend capital received	0		4,100	
Loans received	2,000		0	
Interest paid	0		(7)	
PDC Dividend paid:				
Dividends repayable at 31st March B/F	87		0	
Dividends payable for year ending 31st March	(1,199)		(1,342)	
Dividends repayable at 31st March C/F	(66)	<u>(1,178)</u>	(87)	<u>(1,429)</u>
Net cash generated from other financing activities		<u>822</u>		<u>2,664</u>
Decrease in cash and cash equivalents		<u>(1,684)</u>		<u>(642)</u>
Cash and cash equivalents at beginning of year		<u>3,815</u>		<u>4,457</u>
Cash and cash equivalents at 31 March	Note 22	<u><u>2,131</u></u>		<u><u>3,815</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

Somerset Partnership NHS Foundation Trust is a public benefit corporation authorised under the National Health Service Act 2006, on 1 May 2008.

The primary objective of Somerset Partnership NHS Foundation Trust is to provide mental health services to the population of Somerset and increasingly to a wider community.

The financial statements of Somerset Partnership NHS Foundation Trust are for the year ended 31 March 2011 as approved by the Trust Board.

1.1 Accounting policies and other information

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the NHS Foundation Trust Annual Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2010/11 NHS Foundation Trust Annual Reporting Manual issued by Monitor. The accounting policies contained in that manual follow International Financial Reporting Standards (IFRS) and HM Treasury's Annual 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

The accounts have been prepared under the historical costs convention as modified by the valuation of fixed assets in accordance with the EU endorsed International Financial Reporting Standards and IFRIC interpretations. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement to apply to the Trusts accounting policies. See Note 1.22.

The charitable funds of the Trust are considered to be a subsidiary under IAS 27. However taking HM Treasury dispensation from this requirement, the charitable funds have not been consolidated in to the annual accounts for 2010/11.

1.2 Income

Income 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 income for the trust is contracts with commissioners in respect of healthcare services.

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

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

1.3 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement 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.

Pension 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 Secretary of State, in England and Wales. The NHS pension scheme is subject to a full valuation every four years by the Government Actuary. The latest valuation, published in December 2007, relates to the period 1 April 1999 to 31 March 2004. The notional deficit of the scheme was £3.3 billion as per that valuation. It is not possible for the Trust to identify its share of the underlying scheme liabilities as the scheme is an NHS multi-employer scheme.

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 operating expenses at the time the trust commits itself to the retirement, regardless of the method of payment.

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971. Up to and including 2009/10, that increase was based on retail price index, subsequently it is based on the consumer price index. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk

NOTES TO THE FINANCIAL STATEMENTS

1.4 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

1.5 Property, plant and equipment

Recognition

Property, Plant and Equipment is capitalised where:

- 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 be provided to, the Trust;
- it is expected to be used for more than one financial year; and
- the cost of the item can be measured reliably;
- 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.

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.

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

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs 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. The frequency of the revaluation is dependent on the changes in the fair value of the items of property, plant and equipment being revalued.

Basis for assessing fair values

Operational land, buildings and dwellings are valued on a three and five yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance sheet date to ensure that those values are not materially different to fair value.

Operational land and buildings:

All land and buildings are revalued using professional valuations in accordance with IAS 16 every five years. A three yearly interim valuation is also carried out.

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 2009/2010 by the District Valuation Service as at the prospective valuation date of 31 March 2010 and incorporated Department of Health estimation requirements of Market Equivalent Valuation.

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.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Property, plant and equipment (continued)

Operational equipment:

Operational equipment is valued at net current replacement cost, based on depreciated historical cost. Equipment surplus to requirements is valued at net recoverable amount. Under normal circumstances operational equipment is not revalued. Where equipment is acquired second hand, these will be revalued at their fair value based on age and intended purpose.

Accounting for revaluations:

Somerset Partnership NHS Foundation Trust accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset, unless this is an impairment which has arisen from a clear consumption of economic benefit in which case the reduction in values is charged directly to the Statement of Comprehensive Income. Where valuations results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Comprehensive Income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

For impairments expensed directly to the Statement of Comprehensive Income, the balance on any revaluation reserve (up to the level of impairment) to which the impairment would have been charged under IAS 36 should be transferred to the general fund.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition. The carrying amount of the part replaced is de-recognised.

Depreciation

Items of Property, Plant and Equipment are depreciated over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the trust.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings, Dwellings	20 to 50 years	(2%-5%)
Plant and machinery	5 to 10 years	(10%-20%)
Information technology	5 years	(20%)
Furniture & fittings	5 to 7 years	(14.3%-20%)

Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification. Assets in the course of construction are not depreciated until the asset is brought into use.

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the FT ARM, impairments that are due to a loss of economic benefits or service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of:

- (i) the impairment charged to operating expenses; and
- (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

NOTES TO THE FINANCIAL STATEMENTS

1.5 Property, plant and equipment (continued)

Impairments (continued)

An impairment arising from a loss of economic benefit or service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating income to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of "other impairments" are treated as revaluation gains.

De-recognition

Assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
 - o management are committed to a plan to sell the asset;
 - o an active programme has begun to find a buyer and complete the sale;
 - o the asset is being actively marketed at a reasonable price;
 - o the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
 - o the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset. The asset is reviewed for impairment and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

1.6 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only where 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 the value is £5,000 or greater.

Internally generated intangible assets:

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Trust intends to complete the asset and sell or use it;
- the Trust has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Trust to complete the development and sell or use the asset; and
- the Trust can measure reliably the expenses attributable to the asset during development.

Software

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

NOTES TO THE FINANCIAL STATEMENTS

1.6 Intangible assets (continued)

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in operating expenses, in which case they are recognised in operating income. Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses. Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Intangible assets held for sale are measured at the lower of their carrying amount or 'fair value less costs to sell'.

Amortisation

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Developments	3 to 5 years (20%-33%)
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1.7 Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Only those assets which are held solely to generate a commercial return are considered to be investment properties. An investment property is measured initially at its cost, including transaction costs.

After initial recognition, Somerset Partnership Foundation Trust measures all investment property at fair value as at appropriate intervals by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the Statement of Comprehensive Income.

1.8 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs of sale.

Non-current assets held for resale have been determined by the trust to be assets where there is an intention to sale confirmed by the Board for property or land sales, with an initial anticipation that the resale will occur within 12 months. Where the Board determines that property or land asset sales should not continue the assets will be reclassified as an operating or investment asset.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Income. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Impairments may be identified as part of the process of undertaking valuations.

NOTES TO THE FINANCIAL STATEMENTS

1.9 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial position. For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in statement of financial position, a reversal of the impairment loss is also recognised in the statement of financial position. For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

1.11 Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Income as a grant.

A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

The Trust has determined that the requirement for a provision for impairment of receivables will need to be assessed where individual transactions exceed £1,000.

1.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank 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.

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

1.13 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.

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 'Loans and receivables'.

Financial liabilities are classified as 'Other financial liabilities'.

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 and cash equivalents, 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 Statement of Comprehensive Income.

Other Financial liabilities

All 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 Statement of Financial Position 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 Finance Costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

Impairment of financial assets

At the Statement of Financial Position date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are 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.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced through the use of a bad debt provision. Impairments are only accounted for directly when occurring in year. Impairments are charged against the bad debt provision when a risk is identified of non-payment. The amount charged is the probable reduction in the recoverable asset.

NOTES TO THE FINANCIAL STATEMENTS

1.14 Leases

Finance 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 Property, Plant and Equipment and a corresponding liability is recorded. The initial value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

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 annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to Finance Costs in the Statement of Comprehensive Income.

Operating Leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to operating expenses over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

1.15 Provisions

The NHS foundation trust provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position 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 2.9% in real terms (2009/10 2.2%).

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 21.

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.

1.16 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 where an inflow of economic benefits is probable.

- Contingent liabilities 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:
 - o 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
 - o 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.

NOTES TO THE FINANCIAL STATEMENTS

1.17 Equity

Equity is the community's interest in Somerset Partnership NHS Foundation Trust and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Public Dividend Capital
- Income and expenditure reserve
- Asset revaluation reserves

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 predecessor NHS trust. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by the NHS foundation trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets, balance due or repayable in respect of dividends as calculated and cash held with the Government Banking Service.

Income and expenditure reserve

Retained earnings is the movement in equity resulting from operations, excluding PDC funding.

Asset Revaluation reserve

Relates to the movement in asset valuations between historic purchase cost levels and fair values assessed by professional valuers.

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

Somerset Partnership NHS Foundation Trust has determined that it has no corporation tax liability as the trust has minimal private income from non-operational areas, which falls below regulatory limits.

1.20 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 HM Treasury's Financial Reporting Manual.

1.21 Critical accounting estimates and assumptions

In preparing these financial statements Somerset Partnership NHS Foundation Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.22 Critical judgements in applying Somerset Partnership NHS Foundation Trust's accounting policies

Management has exercised the following critical judgements in applying the Somerset Partnership NHS Foundation Trust's accounting policies for the year ended 31 March 2011:

- A lease or a group of leases where individually the lease is £5,000 or lower and the lease category total remains under £60,000 are treated as operating leases;
- Leases with other NHS organisations where there was no intention to create a finance lease, and where the lessor NHS body has treated the lease as an operating lease will be treated as an operating lease;

NOTES TO THE FINANCIAL STATEMENTS

1.22 Critical judgements in applying Somerset Partnership NHS Foundation Trust's accounting policies (continued)

- iii. Only trade receivables over £1,000 are considered for purposes of impairment. The majority of income invoiced for under £1,000 relates to Social Care activities invoiced on behalf of Somerset County Council. If not collected it is recharged direct to the County Council;
- iv. That for land and property assets which are determined by the Board for resale within 12 months will be classified as Non-Current Assets for Resale. The Board will need to agree that these assets are no longer to be resold and to be reclassified as an operational or investment asset.
- v. The Trust has determined a valuation increase on assets using a property index factor and a locality factor as well as a VAT adjustment provided by the District Valuer. Land relating to these properties have also been devalued using a factor provided by the District Valuer.

1.23 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 Statement of Comprehensive Income, 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). Note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.24 Financial Reporting Standards to be adopted Standards issued but not yet adopted.

Under International Financial Reporting, organisations are required to state those standards that have not yet been adopted in preparation for the accounts. The following list provides details of the standards that have not been adopted by the NHS as well as those that are yet to be adopted by the European Union.

- IAS 12: Income Taxes amendment;
- IAS 24 (amendment): Related party disclosures;
- IAS 27 (revised): Consolidated and separate financial statements;
- IAS 32 (amendment): Financial Instruments, presentation or rights issues;
- IAS 39 (amendment): Eligible hedged items;
- IFRS 1 (revised plus amendments): First time adoption of IFRS;
- IFRS 2: Share based payment - group cash-settled share based payment transactions;
- IFRS 3 (revised): Business combinations;
- IFRS 9: Financial Instruments;
- IFRIC 14, IAS 19 (amendment): Prepayments of a minimum funding requirement;
- IFRIC 17: Distributions of non-cash assets to owners;
- IFRIC 18: Transfers of assets from customers;
- IFRIC 19: Extinguishing financial liabilities with equity instruments;
- Annual Improvements 2010;
- Government Reporting manual re treatment of Grants received and Donated Assets.

Standards and interpretations not yet adopted by the EU.

- IFRIC 19: Extinguishing financial liabilities with equity instruments;
- IFRIC 14: Prepayments of a minimum funding requirement;
- IFRS 1: First time adoption of IFRS, additional exemptions;
- IFRS 1: First time adoption of IFRS, exemption to not include new fair value hierarchy;
- IAS 24: Related party disclosures;
- IFRS 7 & 9: Financial Instruments.

The above standards, to the extent that they are applicable to the Trust, are expected to be implemented in the next 1 to 3 years.

2. Segmental Analysis

All income and activities are for the provision of health and health related services in the UK.

Somerset Partnership NHS Foundation Trust is managed by the Board of Directors, which is made up of executive and non-executive directors. The non executive directors bring expertise to the trust and provide advice and challenge to the executive directors. The executive directors have responsibility for the day to day running of the Foundation Trust.

The Board is therefore considered to be the Chief Operating Decision Maker (CODM) of the Trust.

Due to the nature of the block contract with NHS Somerset for services the Trust does not currently report fully the income by directorates (segments), although it does report the expenditure by service area reflecting the current operational management structure.

The monthly financial information presented to the Board includes a corporate level Statement of Comprehensive Income, a Statement of Financial Position, a Statement of Cash Flow and a number of other financial indicators including capital expenditure, performance against cost improvement plans, debt analysis and risk rating.

The segmental expenditure data is included by way of a separate note reporting achievement against planned expenditure inclusive of any directorate specific income and highlights any variances.

The table below summarises details reported to the Board during 2010/11. All operational services come under one operations director and reflect the current management structure in place.

	31 March 2011 £000	31 March 2010 £000
Total Corporate Income	56,024	54,626
Expenditure less non specific income:		
Adult services	15,940	16,052
Child and Adolescent Mental Health Services	5,563	4,996
Specialist services	5,350	5,413
Strategic development services	704	563
Named patients - purchased healthcare	2,873	2,764
TOTAL ADULT & YOUNG PERSONS SERVICES	30,430	29,788
Older peoples services	13,068	12,908
Learning disabilities	2,306	2,178
TOTAL OLDER PEOPLES & LD SERVICES	15,374	15,086
Medical - central budget only + training income	(438)	(365)
Pharmacy - central budget only	579	473
Central budgets	6,772	6,016
TOTAL OTHER SERVICES	6,913	6,124
Total Operating Expenditure net of specific income	52,717	50,998
Operational EBITDA before the effect on non-recurring items, as reported to the Board ¹	3,307	3,628
Other adjustments	(113)	
Net loss on disposal of assets	(151)	(94)
Trust EBITDA¹	3,043	3,534
Depreciation and amortisation	(1,445)	(1,625)
Impairments	(4,150)	(4,655)
Interest receivable	20	33
Finance charges	(28)	(17)
PDC dividend payable	(1,199)	(1,342)
Deficit for year per Statement of Comprehensive Income	(3,759)	(4,072)

¹ Earnings before Interest Tax Depreciation and Amortisation

3.1 Operating Income (by classification)

	31 March 2011 £000	31 March 2010 £000
Income from Activities		
Cost and Volume Contract income	1,002	213
Block Contract income	50,888	50,551
Clinical Partnerships providing mandatory services (including S31 agreements)	3,039	3,288
Other clinical income from mandatory services	28	163
Other non-protected clinical income	1,211	835
Total Income from activities	<u>56,168</u>	<u>55,050</u>
Other Operating Income		
Education and training	981	933
Other income	651	689
Profit on disposal of assets for resale	3	0
Profit on disposal of other tangible fixed assets	0	17
Reversal of impairments of property, plant and equipment	<u>233</u>	<u>0</u>
Total other operating income	1,868	1,639
TOTAL OPERATING INCOME	<u><u>58,036</u></u>	<u><u>56,689</u></u>

3.2 Private Patient Income

	31 March 2011 £000	31 March 2010 £000
Private patient income	0	0
Total patient related income	<u>56,168</u>	<u>55,050</u>
Proportion (as percentage)	<u><u>0.00%</u></u>	<u><u>0.00%</u></u>

Under the terms of its authorisation and under Section 44 of the Finance Act 2006 the proportion of private patient income to the total patient related income of the Foundation Trust should not exceed its proportion whilst the body was an NHS Trust in 2002/03 or the base year. Based on 2002/03 activity, the Trust had a nil private patient cap for 2009/10. The Trust did not exceed this limit in 2009/10. For 2010/11 the guidance has altered allowing the cap to increase to 1.5% of total activity.

3.3 Operating lease income included in other operating income (other)

	31 March 2011 £000	31 March 2010 £000
Operating Lease Income		
Rents recognised as income in the period	10	95
TOTAL	<u><u>10</u></u>	<u><u>95</u></u>
Future minimum lease receipts due		
- not later than one year;	10	90
- later than one year and not later than five years	0	0
- later than five years	0	0
TOTAL	<u><u>10</u></u>	<u><u>90</u></u>

4.1 Operating Income (by type)

	31 March 2011 £000	31 March 2010 £000
Income from Activities		
NHS Foundation Trusts	26	111
Strategic Health Authorities	527	350
Primary Care Trusts	51,921	50,961
Local Authorities	3,676	3,620
Non NHS: Other ¹	18	8
Total Income from activities	<u>56,168</u>	<u>55,050</u>
Other Operating Income		
Education and training	981	933
Profit on disposal of assets for resale	3	0
Profit on disposal of other tangible fixed assets	0	17
Reversal of impairments of property, plant and equipment	233	0
Other income ²	<u>651</u>	<u>689</u>
Total other operating income	<u>1,868</u>	<u>1,639</u>
TOTAL OPERATING INCOME	<u><u>58,036</u></u>	<u><u>56,689</u></u>

¹ The Trust received £26,000 during 2010/11 (£107,000 2009/10) in respect of referrals from the Ministry of Defence. This is included within NHS Foundation Trust income as it was received via South Staffordshire and Shropshire Healthcare NHS Foundation Trust.

² Analysis of Other Operating Income: Other

	31 March 2011 £000	31 March 2010 £000
Staff recharges	149	132
Pharmacy sales	8	7
Staff accommodation rentals	10	9
Catering	0	2
Property rentals	100	190
Other	384	349
TOTAL	<u><u>651</u></u>	<u><u>689</u></u>

5. Operating Expenses**5.1 Operating expenses comprise:**

	31 March 2011	Restated
	£000	31 March 2010
		£000
Services from NHS Foundation Trusts	1,312	1,434
Services from NHS Trusts	188	289
Services from other NHS bodies	85	262
Purchase of healthcare from non NHS bodies	2,950	2,397
Employee costs - Executive directors	675	640
Employee costs - Non-executive directors	129	129
Employee costs - Staff	41,236	39,835
Drug costs	1,034	998
Supplies and services - clinical (excluding drug costs)	106	122
Supplies and services - general	908	930
Establishment	1,949	1,851
Transport	100	107
Premises	2,808	2,781
Increase/decrease in bad debt provision	33	3
Depreciation on property, plant and equipment	1,437	1,631
Amortisation on intangible assets	8	0
Impairments of property, plant and equipment		
- as previously stated		2,072
- effect of change in accounting policy ²	4,152	<u>2,628</u>
Reversal of impairments of property, plant and equipment	0	(55)
Audit fees		
audit services - statutory audit	55	70
Other auditors remuneration		
other services	10	4
Clinical negligence	110	96
Loss on disposal of land and buildings ¹	34	0
Loss on disposal of other property, plant and equipment ¹	5	94
Loss on disposal of assets held for sale	115	0
Impairments of assets held for sale	231	10
Other *	918	1,107
	<u><u>60,588</u></u>	<u><u>59,435</u></u>

	31 March 2011	31 March 2010
	£000	£000
*Breakdown of Operating Expenditure: Other		
Legal fees	40	111
Consultancy costs	70	187
Training, courses and conferences	239	256
Patient travel	156	199
Car parking & Security	13	11
Insurance	47	52
Other services, e.g.. external payroll	39	36
Losses, ex gratia and special payments	48	10
Other	266	245
	<u><u>918</u></u>	<u><u>1,107</u></u>

¹ Loss on disposals all relate to Non-Protected Assets.

² The prior period adjustment has resulted from a change in accounting policy required by the HM Treasury FReM. Impairments which result from the consumption of economic benefits are now charged to operating expenses regardless of whether there is an available revaluation reserve balance. This has required restatement for two properties that were revalued and subsequently transferred to assets for resale.

6.1 Operating leases

6.1.1 Arrangements containing an operating lease

	31 March 2011 £000	31 March 2010 £000
Minimum lease payments	802	695
TOTAL	802	695

6.1.2 Arrangements containing an operating lease: future minimum lease payments due

	31 March 2011 £000	31 March 2010 £000
Future minimum lease payments due:		
- not later than one year;	673	620
- later than one year and not later than five years;	951	1,135
- later than five years.	266	287
TOTAL	1,890	2,042

Future operating lease rentals include £370,000 (2010: £370,000) with other NHS bodies.

The Trust has two areas of significant leasing. Of the £802,000 (2010: £695,000) in year costs charged, £255,000 (2010: £233,000) related to car rentals and £511,000 (2010: £414,000) related to building rentals. The majority of vehicle rentals related to staff vehicles leased where staff make a contribution via payroll recharges.

Buildings rentals are for a large number of properties, with two significant properties being Chantry House at £119,000 (2010: £119,000) leased from the NHS and Mallard Court at £160,000 (2010: £128,000) leased from a commercial lessor. Chantry has a break clause every three years with the next ending March 2014 and Mallard Court has a break clause every five years with the next ending March 2014. A part of a new community hospital in Minehead has been leased from the Primary Care Trust during 2010/11. The Trust paid £32,000 during the period but no lease arrangement has been entered into due to the active transfer of community services.

7.1 Limitation on auditor's liability

There is a requirement to disclose any limitations on auditor's liability. The Trust's auditor's liability is restricted to £1,000,000 (2009/10 Nil Restriction).

8.1 The late payment of commercial debts (interest) Act 1998

The Trust has not incurred any interest arising from claims made under this legislation or paid any compensation to cover debt recovery costs in 2010/11 or 2009/10.

9. Employee expenses and numbers**9.1 Employee expenses**

	31 March 2011	31 March 2010
	£000	£000
Salaries and wages	33,116	31,189
Social Security Costs	2,506	2,572
Pension costs - defined contribution plans		
Employers contributions to NHS Pensions	4,157	4,054
Agency and contract staff	2,132	2,660
	<u>41,911</u>	<u>40,475</u>

Employer contributions to the NHSPA represent total employer pension contributions payable for the period.

9.2 Average number of persons employed (WTE basis)

	31 March 2011		31 March 2010	
	Total	Permanently	Total	Permanently
	Number	Employed	Number	Employed
		Number		Number
Medical and dental	64	64	65	65
Administration and estates	149	149	146	146
Healthcare assistants and other support staff	53	53	54	54
Nursing, midwifery and health visiting staff	613	613	607	607
Scientific, therapeutic and technical staff	119	119	112	112
Social care staff	0	0	12	12
Bank and agency staff	38	0	54	0
Other	38	38	30	30
Total	<u>1,074</u>	<u>1,036</u>	<u>1,080</u>	<u>1,026</u>

9.3 Employee benefits

Management costs for the salary sacrifice scheme for child care operated by agencies amounted to £3,000 (£1,000 for 2009/10). There were no other employee benefits provided by the Trust.

9.4 Retirements due to ill-health

The additional pension costs for individuals who retired early on ill-health grounds will be borne by the NHS Business Services Authority - Pensions Division. For the year ended 31 March 2011 there were 4 retirements (3 in 2009/10), at an estimated additional cost of £415,284 (£210,948 in 2009/10).

These retirements represented 3.54 per 1,000 active scheme members.

(The information was supplied by the NHS Business Services Authority - Pensions Division)

9.5 Directors' remuneration and other benefits

	31 March 2011	31 March 2010
	£000	£000
Total directors' remuneration excluding social security costs	670	644
Other taxable benefits	14	16
Employer pension contributions	64	59
	<u>748</u>	<u>719</u>

Number of executive directors to whom pension benefits are accruing

5

5

There were no other gains, incentive schemes or assets receivable by directors. The emoluments of the highest paid director were £127,890 (2009/10: £119,703). Further information is available within the Remuneration report contained within the Trust's Annual Report.

10. Finance income

	31 March 2011 £000	31 March 2010 £000
Other - interest receivable on bank deposits	20	33
TOTAL	<u><u>20</u></u>	<u><u>33</u></u>

11. Finance costs - interest expense

	31 March 2011 £000	31 March 2010 £000
Loans from the Foundation Trust Financing Facility	5	0
Other	12	7
TOTAL	<u><u>17</u></u>	<u><u>7</u></u>

Other represents a finance charge in respect of a creditor included within NHS payables for the buyout of pension liability on early retirement in lieu of redundancy, to be paid over 5 years, the final instalment paid in 2010/11.

12. Impairment of assets (PPE & Intangibles)

	31 March 2011 £000	31 March 2010 £000
Loss or damage from normal operations	4,018	0
Changes in market price	110	2,072
TOTAL IMPAIRMENTS	<u><u>4,128</u></u>	<u><u>2,072</u></u>

13.1 Intangible Fixed Assets

	Development expenditure £000	Total £000
Gross cost at 1 April 2010	20	20
Additions purchased	38	38
Disposals	0	0
Gross cost at 31 March 2011	<u>58</u>	<u>58</u>
Amortisation at 1 April 2010	0	0
Provided during the year	8	8
Disposals	0	0
Amortisation at 31 March 2011	<u>8</u>	<u>8</u>
Net book value		
- Purchased at 1 April 2010	20	20
- Donated at 1 April 2010	0	0
- Total at 1 April 2010	<u>20</u>	<u>20</u>
- Purchased at 31 March 2011	50	50
- Donated at 31 March 2011	0	0
- Total at 31 March 2011	<u>50</u>	<u>50</u>

	Development expenditure £000	Total £000
Gross cost at 1 April 2009	0	0
Additions purchased	20	20
Disposals	0	0
Gross cost at 31 March 2010	<u>20</u>	<u>20</u>
Amortisation at 1 April 2009	0	0
Provided during the year	0	0
Disposals	0	0
Amortisation at 31 March 2010	<u>0</u>	<u>0</u>
Net book value		
- Purchased at 1 April 2009	0	0
- Donated at 1 April 2009	0	0
- Total at 1 April 2009	<u>0</u>	<u>0</u>
- Purchased at 31 March 2010	20	20
- Donated at 31 March 2010	0	0
- Total at 31 March 2010	<u>20</u>	<u>20</u>

13.3 Economic life of Intangibles

	Min Life Years	Max Life Years
Intangible assets - internally generated Development expenditure	3	3

14. Property, Plant and Equipment**14.1 Property, plant and equipment at the date of the Statement of Financial Position comprise the following elements:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	9,579	24,850	550	2,643	395	2,487	942	41,446
Additions purchased	0	3,284	0	3,222	119	77	463	7,165
Additions donated	0	0	0	0	0	0	0	0
Impairments charged to Revaluation Reserve	0	(86)	0	0	0	0	0	(86)
Revaluation Surpluses/(Reductions)	(259)	1,120	18	0	0	0	0	879
Reclassifications	0	5,348	0	(5,348)	0	(3)	3	0
Transferred to Assets Held for Sale	(261)	(495)	0	0	0	0	0	(756)
Disposals	0	0	0	0	0	(94)	(59)	(153)
Cost or Valuation at 31 March 2011	9,059	34,021	568	517	514	2,467	1,349	48,495
Depreciation at 1 April 2010	1,525	1,103	0	0	194	1,698	379	4,899
Charged during the year	0	1,006	22	0	43	240	126	1,437
Impairments recognised in operating expenses	248	3,671	0	0	0	0	0	3,919
Reversal of Impairments	0	0	0	0	0	0	0	0
Revaluation Surpluses/(Reductions)	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0
Transferred to Assets Held for Sale	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	(94)	(20)	(114)
Depreciation at 31 March 2011	1,773	5,780	22	0	237	1,844	485	10,141
Net book value								
- Purchased at 1 April 2010	8,054	23,747	550	2,643	201	789	563	36,547
- Finance Lease at 1 April 2010	0	0	0	0	0	0	0	0
- Donated at 1 April 2010	0	0	0	0	0	0	0	0
- Total at 1 April 2010	8,054	23,747	550	2,643	201	789	563	36,547
- Purchased at 31 March 2011	7,286	28,241	546	517	277	623	864	38,354
- Finance Lease at 31 March 2011	0	0	0	0	0	0	0	0
- Donated at 31 March 2011	0	0	0	0	0	0	0	0
- Total at 31 March 2011	7,286	28,241	546	517	277	623	864	38,354
Analysis of Tangible Fixed Assets								
Net book value								
Protected assets at 31 March 2011	5,616	23,213	27	0	0	0	0	28,856
Unprotected assets at 31 March 2011	1,670	5,028	519	517	277	623	864	9,498
	7,286	28,241	546	517	277	623	864	38,354
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	9,806	30,660	658	1,877	377	2,047	749	46,174
Additions purchased	355	1,390	0	4,188	48	413	358	6,752
Additions donated	0	0	0	0	0	0	0	0
Impairments charged to Revaluation Reserve	225	(2,075)	0	0	0	0	0	(1,850)
Revaluation Surpluses/(Reductions)	(277)	(7,325)	(108)	0	0	0	0	(7,710)
Reclassifications	0	3,270	0	(3,422)	0	152	0	0
Transferred to Assets Held for Sale	(530)	(1,070)	0	0	0	0	0	(1,600)
Disposals	0	0	0	0	(30)	(125)	(165)	(320)
Cost or Valuation at 31 March 2010	9,579	24,850	550	2,643	395	2,487	942	41,446
Depreciation at 1 April 2009	0	278	4	0	191	1,562	412	2,447
Charged during the year	0	1,220	26	0	32	259	94	1,631
Impairments recognised in operating expenses	1,525	3,175	0	0	0	0	0	4,700
Reversal of Impairments	0	(55)	0	0	0	0	0	(55)
Revaluation Surpluses/(Reductions)	0	(3,515)	(30)	0	0	0	0	(3,545)
Reclassifications	0	0	0	0	0	0	0	0
Transferred to Assets Held for Sale	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(29)	(123)	(127)	(279)
Depreciation at 31 March 2010	1,525	1,103	0	0	194	1,698	379	4,899
Net book value								
- Purchased at 1 April 2009	9,806	30,382	654	1,877	186	485	337	43,727
- Finance Lease at 31 March 2009	0	0	0	0	0	0	0	0
- Donated at 1 April 2009	0	0	0	0	0	0	0	0
- Total at 1 April 2009	9,806	30,382	654	1,877	186	485	337	43,727
- Purchased at 31 March 2010	8,054	23,747	550	2,643	201	789	563	36,547
- Finance Lease at 31 March 2010	0	0	0	0	0	0	0	0
- Donated at 31 March 2010	0	0	0	0	0	0	0	0
- Total at 31 March 2010	8,054	23,747	550	2,643	201	789	563	36,547
Analysis of Tangible Fixed Assets								
Net book value								
Protected assets at 31 March 2010	5,621	17,747	0	0	0	0	0	23,368
Unprotected assets at 31 March 2010	2,433	6,000	550	2,643	201	789	563	13,179
	8,054	23,747	550	2,643	201	789	563	36,547

14.2 Economic life of property, plant and equipment

	Min Life Years	Max Life Years
Land	ND	ND
Buildings excluding dwellings	20	50
Dwellings	20	50
Assets under Construction and payments on account	ND	ND
Plant and Machinery	5	10
Information Technology	5	5
Furniture & Fittings	5	7

Key: ND = Not Depreciated

14.3 Impairments and Revaluations

During the accounting period the total reduction in the value of land, buildings and dwellings due to revaluations and impairments was £3,126,000 (2009/10: £10,660,000). A valuation was provided by the District Valuer for one development which was brought in to use in the year. Other valuation adjustments relate to the District Valuer's report received on 31 March 2010, with amendments required but not actioned in 2009/10 initiated on 1 April 2010, valuation assessments made by professional consultants working for the Trust on assets surplus to requirements and an internal valuation assessment to reflect market changes to assets following advice received from the District Valuer. For 2009/10 valuations were provided for four developments which were brought in to use in the year and the remaining properties were valued at the year end in accordance with the Trust's valuation policy.

The amounts charged to impairments of £3,919,000 (2009/10: £6,550,000) relate to valuations on assets brought in to use, on property reclassified as Assets for Resale, and professional valuation assessments on existing properties where there is an intention to market to property. One property was reclassified to Assets for Resale in year. The Trust are undertaking major development works on one property (See Note 24: Capital Commitments). Impairments are first offset against existing revaluation reserves where the impairment relates to changes in market price with the balance chargeable to the Statement of Comprehensive Income. Where impairments arise from other factors, all the impairment is charged to the Statement of Comprehensive Income, irrespective of revaluation reserve balances held. A transfer within reserves from the revaluation reserve balances up to the level of the impairment is actioned where applicable. This is a change in accounting policy as described in Note 1.5

The change in accounting policy, if not applied in 2010/11, would be to reduce the impairments charged to the Statement of Comprehensive Income for the year ended 31 March 2011 by £490,000; which would have been charged directly against the revaluation reserve balances.

In year a net £3,919,000 was charged to the Statement of Comprehensive Income (2009/10: £4,655,000) for impairments relating to Property, Plant and Equipment. In year £3,497,000 was charged in regard to the Broadway Park building brought in to use (2009/10 two impairments relating to assets reclassified for resale; Orchard Lodge £1,316,000 and Barnfield £1,312,000 and £925,000 relating to Foundation House brought in to operation). All other impairments charged are individually under £1m. A further £233,000 (2009/10 £55,000) related to impairments charged in previous or current periods to the Statement of Comprehensive Income but reversed this year following an increase in the value of properties.

15.1 Non-current assets for sale and assets in disposal groups

	Total £000	Property, Plant and Equipment £000
As at 31 March 2011		
NBV of non-current assets for sale and assets in disposal groups at 1 April 2010	1,740	1,740
Plus assets classified as available for sale in the year	756	756
Less assets sold in year	(990)	(990)
Less Impairment of assets held for sale	(231)	(231)
NBV of non-current assets for sale and assets in disposal groups at 31 March 2011	<u>1,275</u>	<u>1,275</u>
	£000	£000
As at 31 March 2010		
NBV of non-current assets for sale and assets in disposal groups at 1 April 2009	150	150
Plus assets classified as available for sale in the year	1,600	1,600
Less Impairment of assets held for sale	(10)	(10)
NBV of non-current assets for sale and assets in disposal groups at 31 March 2010	<u>1,740</u>	<u>1,740</u>

During May 2008 a property, 5 Bishops Crescent, was confirmed surplus to requirements and transferred to Assets for Resale. The property was transferred at the valuation received on the 31 December 2008 so no gain or loss arose on the reclassification. This property was being marketed commercially through estate agents. In 2009/10 the property continued to be actively marketed and was sold in 2010/11.

In 2009/10 three additional properties were reclassified as Assets for Resale, being Ivor House, Barnfield House and Orchard Lodge. All properties are recognised in the Trust's Estates Strategy as being surplus, to be disposed of to finance the Trust's capital programme. All properties are being sold through commercial vendors with an expectation of sales within one year.

In 2010/11 the DV provided an amended valuation for Orchard Lodge resulting in an impairment. A further impairment has been assessed on Barnfield House by Professional Advisors in year. These impairments have been charged to operating expenses.

Ivor House has been sold in 2010/11.

In 2010/11 two properties Bekynton and Little Court have been reclassified as Assets for Resale, being actively being marketed and an intention to sell within 12 months. A valuation has been made at this point and an impairment loss has been charged against the Statement of Comprehensive Income.

16.1 Inventories

	31 March 2011 £000	31 March 2010 £000
Materials	40	48
TOTAL	40	48

16.2 Inventories recognised in expenses

	31 March 2011 £000	31 March 2010 £000
Inventories recognised in expenses	1,034	998
TOTAL Inventories recognised in expenses	1,034	998

17.1 Trade and Other Receivables

	Total 31 March 2011 £000	Total 31 March 2010 £000
Current		
Amounts falling due within one year:		
NHS Receivables	705	588
Other Receivables with Related Parties	561	788
Provision for Impaired Receivables	(38)	(5)
Prepayments	452	311
Accrued Income	13	48
PDC Dividend Receivable	66	87
VAT Receivable	93	130
Other Receivables	99	144
Total Current Trade and Other Receivables	1,951	2,091
Non-Current		
Amounts falling due after more than one year:		
NHS Receivables	36	64
Total Non-Current Trade and Other Receivables	36	64
TOTAL	1,987	2,155

17.2 Provision for Impairment of Receivables

	31 March 2011 £000	31 March 2010 £000
Opening balance	5	2
Provision in period	33	3
Total	38	5

17.3 Analysis of Impaired Receivables

	31 March 2011 £000	31 March 2010 £000
Up to three months	0	0
In three to six months	0	3
Over six months	38	2
Total	<u>38</u>	<u>5</u>

17.4 Receivables Past Their Due Date but not impaired

	31 March 2011 £000	31 March 2010 £000
Up to three months	128	360
In three to six months	34	186
Over six months	21	176
Total	<u>183</u>	<u>722</u>

18.1 Trade and other payables

	Total 31 March 2011 £000	Total 31 March 2010 £000
Current		
Amounts falling due within one year:		
NHS payables	1,715	1,429
Trade payables - Capital	205	580
Other trade payables	1,158	668
Taxes payable	858	814
Other payables	28	116
Accruals	573	681
Total Current Trade and Other Payables	<u>4,537</u>	<u>4,288</u>
Non-current		
Amounts falling due after more than one year:		
Total Non Current Trade and Other Payables	<u>0</u>	<u>0</u>
TOTAL TRADE AND OTHER PAYABLES	<u><u>4,537</u></u>	<u><u>4,288</u></u>

19. Other Liabilities

	31 March 2011 £000	31 March 2010 £000
Current		
Deferred income	351	98
Total Current Other Liabilities	<u>351</u>	<u>98</u>
Non-current		
Total Current Other Liabilities	<u>0</u>	<u>0</u>
TOTAL OTHER LIABILITIES	<u><u>351</u></u>	<u><u>98</u></u>

20. Borrowings

	31 March 2011 £000	31 March 2010 £000
Current		
Loans from Foundation Trust Financing Facility	444	0
TOTAL CURRENT BORROWINGS	444	0
Non-current		
Loans from Foundation Trust Financing Facility	1,556	0
TOTAL OTHER NON CURRENT LIABILITIES	1,556	0
TOTAL BORROWINGS	2,000	0

20.1 Prudential Borrowing Limit

The Trust has a Prudential Borrowing Limit as follows:

	31 March 2011 £000	31 March 2010 £000
Total long term borrowing limit set by Monitor	8,500	11,200
Working capital facility agreed by Monitor	4,500	4,500
Total Prudential Borrowing Limit	13,000	15,700

The Trust has actually borrowed £2 million in 2010/11 (£0 in 2009/10). This is in the form of an unsecured loan from the Foundation Trust Financing Facility (HM Treasury), repayable in nine instalments by September 2015 at a fixed interest rate of 1.48%.

The Trust has not utilised any of the £4.5 million working capital facility in either year.

The Trust's performance against the Prudential Borrowing Limit was as shown below.

Financial Ratio	Actual 2010/11	Actual 2009/10	Monitor threshold
Minimum dividend cover	2.7 x	2.68 x	>1 x
Minimum interest cover	638 x	n/a	>3x
Minimum debt service cover	n/a	n/a	>2x
Maximum debt service to revenue	n/a	n/a	<2.5%

The NHS Foundation Trust is required to comply and remain within a Prudential Borrowing Limit. This is made up of two elements :

- a) the maximum cumulative amount of long-term borrowing. This is set by reference to the four ratio tests set out in the *Prudential Borrowing Code for NHS Foundation Trusts*. The financial risk rating set under Monitor's *Compliance Framework* determines one of the ratios and can therefore impact on the long term borrowing limit: and
- b) the amount of any working capital facility approved by Monitor.

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

21. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Other Redundancy	Total
	£000	£000	£000	£000
At 1 April 2010	441	31	0	472
Arising during the year	50	54	0	104
Utilised during the year	(54)	(35)	0	(89)
Reversed unused	(50)	0	0	(50)
Unwinding of discount	11	0	0	11
At 31 March 2011	398	50	0	448
	£000	£000	£000	£000
At 1 April 2009	487	55	55	597
Arising during the year	0	0	11	11
Utilised during the year	(56)	(12)	(66)	(134)
Reversed unused	0	(12)	0	(12)
Unwinding of discount	10	0	0	10
At 31 March 2010	441	31	0	472
Expected timing of cashflows:				
Within one year	54	50	0	104
Between one and five years	200	0	0	200
After five years	144	0	0	144
At 31 March 2011	398	50	0	448
Within one year	55	31	0	86
Between one and five years	220	0	0	220
After five years	166	0	0	166
At 31 March 2010	441	31	0	472

22. Cash and cash equivalents

	31 March 2011	31 March 2010
	£000	£000
At start of financial year/period	3,815	4,457
Net change in year/period	(1,684)	(642)
At end of the financial year/period	<u>2,131</u>	<u>3,815</u>
Broken down into:		
Commercial cash at bank and in hand	34	42
Cash with Government Banking Service	2,097	3,773
Cash and cash equivalents as in Statement of Cash Flows	<u>2,131</u>	<u>3,815</u>

23. Losses and Special Payments

There were 18 cases of losses and special payments totalling £69,000 paid for 2010/11 (6 cases £10,000 in 2009/10). Of this £29,000 related to claims via the NHS Litigation Authority that were below the excess levels for which £23,000 had been included within provisions March 2010. There were no cases exceeding £100,000.

24. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2011 were as follows:

	31 March 2011	31 March 2010
	£000	£000
Property, Plant and Equipment	<u>2,112</u>	<u>4,217</u>

The capital commitments relate to building development works on the Rydon Hospital site to be completed during 2011/12.

25. Events after the Reporting Period

The Trust is working with NHS Somerset to acquire the Community Services from the Primary Care Trust under the Transforming Community Services initiative. It is expected that the acquisition will be completed in the second quarter of 2011/12, following a process of due diligence and recommendation by Monitor. An agreement has been put in place from 1 April 2011 for the Foundation Trust to manage the services undertaken by Somerset Community Health in the interim.

The transfer of community services will have a significant impact on the organisation, with an anticipated increase in turnover of approximately £80m and the number of staff increasing by approximately 2,500. The capital assets related to the provision of community services will not initially be transferred to the Foundation Trust, under current proposals.

As the transaction represents a 'machinery of government' change where both entities fall within the Whole of Government Accounts boundary, the Foundation Trust will be required to use merger accounting, which will involve the restatement of prior year balances.

26. Contingent Liabilities

In addition to provisions made in Note 21 there are potential contingent liabilities of up to £33,000 (2010 £17,000) regarding legal claims, the outcome and value of which is uncertain. There are no amounts identified as recoverable against these liabilities.

27. Related Party Transactions

Somerset Partnership NHS Foundation Trust is a Public Benefit Corporation authorised by the Independent Regulator of NHS Foundation Trusts (the office now known as Monitor) pursuant to the National Health Service Act 2006.

During the period details of transactions with Board Members or members of the key management staff or parties related to them are detailed below:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
Sedgemoor District Council Non-Executive Director, Barrie Crow (District Councillor)	114	0	0	0
South Western Ambulance Service NHS Foundation Trust Chief Executive, Edward Colgan (appointed member of members' council)	4	0	3	0
Bournemouth University Director of Nursing Development and Governance, Philip King (honorary fellow)	0	64	0	11
Taunton & Somerset NHS Foundation Trust Director of Operations/Deputy Chief Executive, Diana Rowe (appointed member of members' council)	1,741	118	349	53
Royal College of Psychiatrists Director of Nursing, Chris Mortimore (psychiatry representative of the S W division)	16	0	0	0

Details of interests have been acknowledged. The officers have therefore not influenced the Trust in transactions with these organisations during the year.

27. Related Party Transactions continued

The Department of Health is regarded as a related party. During the period Somerset Partnership NHS Foundation 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:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
NHS South West	2	722	1	0
NHS London	0	527	0	0
Bath and North East Somerset Primary Care Trust	2	47	0	25
Bournemouth and Poole Primary Care Trust	0	172	0	45
Bristol Primary Care Trust	0	62	0	44
Cornwall and Isles of Scilly Primary Care Trust	0	57	4	1
Devon Primary Care Trust	0	849	0	54
Dorset Primary Care Trust	29	380	0	113
North Somerset Primary Care Trust	0	93	0	3
Somerset Primary Care Trust	272	50,185	453	386
Telford and Wrekin Primary Care Trust	0	31	0	0
Torbay Care Trust	0	172	0	0
Wiltshire Primary Care Trust	66	2	20	0
Devon Partnership NHS Trust	107	0	51	0
Dorset Healthcare NHS Foundation Trust;	178	0	25	0
Northamptonshire Healthcare NHS Trust	27	0	0	0
Nottingham Healthcare NHS Trust;	38	0	0	0
Royal Devon and Exeter NHS Foundation Trust	10	0	0	0
South London and Maudsley NHS Foundation Trust	66	0	0	0
South Staffordshire and Shropshire Healthcare NHS Foundation Trust	1	26	0	5
South West Ambulance Service NHS Trust	29	0	0	0
South Western Ambulance Service NHS Foundation Trust	4	0	3	0
Taunton and Somerset NHS Foundation Trust	1,741	118	349	53
University Hospital Bristol NHS Foundation Trust	0	65	0	0
Yeovil District Hospital NHS Foundation Trust	448	108	126	0
NHS Pension Scheme	0	0	529	0
NHS Litigation Authority	126	0	0	0
NHS Business Services Authority	303	0	37	0
Prescription Pricing Authority	375	0	91	0
Other NHS bodies (under £10,000)	13	46	26	12
Somerset Partnership Charitable Trust Fund	0	2	0	0

28. Financial Instruments

Financial Risk Management

IAS32, IAS39 and IFRS7, dealing with Financial Instruments, 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 NHS Trust has with local 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 the listed companies to which these standards mainly apply.

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 has the power to borrow for capital expenditure subject to affordability as confirmed by Monitor the independent regulator. During 2010/11 the Trust took out a £2m loan from the Foundation Trust Financing Facility to fund capital expenditure at a fixed 1.48% pa (2009/10 Nil Borrowing) for the 5 year life of the loan. The amount borrowed falls within the Trust's Prudential Borrowing limit and the borrowing ratio is within Monitor's parameters.

Some of the financial instruments have a fixed interest rate which means the Trust is exposed to interest rate risk. If the interest rate moves interest paid could be higher than the market rates, and/or interest received could be lower than the market rates.

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.

As at 31 March 2011 the Trust had total receivables of £62,000 (2010 £212,000) with external non-government bodies. At 31 March 2011 the Trust had £25,000 (2010: £25,000) of this balance outstanding beyond the due date with an impairment provision of £1,000 (2010: £2,000) for doubtful debts having been made.

The balance of total receivables £1,889,000 (2010: £1,903,000) relates to public sector bodies. During May 2011 the balance remaining and in progress amounted to £158,000. Although a small risk exists that these sums are not recovered, this is not anticipated except for £37,000. A bad debt provision against these sums has been created.

Liquidity risk

The NHS Trust's net operating costs are incurred under contracts with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from retained surpluses and funds obtained subject to its Prudential Borrowing Limit. The Trust has undertaken a Going Concern review involving a 12 month future cashflow assessment. Somerset Partnership NHS Foundation Trust is not, therefore, exposed to significant liquidity risks following this review.

Investment risk

The Trust can borrow funds up to its Prudential Borrowing set by Monitor using the risk rating methodology. The Trust also has the ability to invest surplus cash, the risks resulting from transactions of this nature are mitigated by the Foundation Trust's treasury and investment policies and protocols and by the reporting of performance against financial targets to the Foundation Trust regulator, Monitor.

28.1 Financial Assets by category

Assets as per Statement of Financial Position	Total	Loans and receivables
	£000	£000
Trade and other receivables excluding non financial assets	1,376	1,376
Cash and cash equivalents	<u>2,131</u>	<u>2,131</u>
Total at 31 March 2011	<u>3,507</u>	<u>3,507</u>
	£000	£000
Trade and other receivables excluding non financial assets	1,529	1,529
Cash and cash equivalents	<u>3,815</u>	<u>3,815</u>
Total at 31 March 2010	<u>5,344</u>	<u>5,344</u>

28.2 Financial Liabilities by category

Liabilities as per Statement of Financial Position	Total	Other financial liabilities
	£000	£000
Borrowings excluding Finance lease liabilities	2,000	2,000
Trade and other payables excluding non financial liabilities	<u>3,679</u>	<u>3,679</u>
Total at 31 March 2011	<u>5,679</u>	<u>5,679</u>
	£000	£000
Borrowings excluding Finance lease liabilities	0	0
Trade and other payables excluding non financial liabilities	2,902	2,902
Provisions under contract	<u>31</u>	<u>31</u>
Total at 31 March 2010	<u>2,933</u>	<u>2,933</u>

Foreign Currency Risk

The Trust has no/negligible foreign currency income or expenditure.

Foreign Currency Risk

The Trust has no/negligible foreign currency income or expenditure.

28.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the Trust's financial assets and liabilities as at 31 March 2011.

	Book Value	Fair Value
	£000	£000
Assets as per Statement of Financial Position		
Trade and other receivables excluding non financial assets	1,376	1,376
Cash and cash equivalents	2,131	2,131
Total at 31 March 2011	<u>3,507</u>	<u>3,507</u>
Trade and other receivables excluding non financial assets	1,529	1,529
Cash and cash equivalents	3,815	3,815
Total at 31 March 2010	<u>5,344</u>	<u>5,344</u>
Liabilities as per Statement of Financial Position		
Borrowings excluding Finance lease liabilities	2,000	2,000
Trade and other payables excluding non financial liabilities	3,679	3,679
Total at 31 March 2011	<u>5,679</u>	<u>5,679</u>
Trade and other payables excluding non financial liabilities	2,902	2,902
Provisions under contract	31	31
Total at 31 March 2010	<u>2,933</u>	<u>2,933</u>

29. Third Party Assets

The Trust held £703,438 cash at bank and in hand at 31 March 2011 (£711,270 at 31 March 2010) which relates to monies held by the NHS Foundation Trust on behalf of clients. This has been excluded from cash at bank and in hand figure reported in the accounts.

Funds are held within a dedicated Client account with the Government Banking Service.

