

Incorporating community services in Exeter, East and Mid Devon



# Annual Report

2010 - 2011

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# Introduction

Running a complex organisation is about ensuring that standards are maintained and improved at the everyday level while taking the right decisions for the longer term.

The key in both hospital and community-based services is to safeguard the quality of care and treatment for patients. That underpins everything we do. And as this report shows, there were some real advances last year.

For example, our new service for people with wet, age-related macular degeneration (WAMD) – a common cause of blindness – was recognised as among the best in the South West. This means patients who had previously had to travel regularly to Torbay are getting the best treatment here, much closer to home.

We invested in a state-of-the-art CT scanner to improve the speed and accuracy of diagnosis for thousands of patients each year, and expanded our day-case capacity so more people could have their operations and go home the same day.

We also continued to be among the best trusts across the NHS at ensuring that patients were admitted within 18 weeks of referral by their GP. In fact most patients were treated much more quickly than this. And we continued to perform well in ensuring that both cancer and A&E patients were seen quickly.

These positives were underpinned by strong results in the annual in-patient survey, which placed the overall standard of care at North Devon District Hospital in the top 20% across the NHS.

Our clinical standards were confirmed by the Care Quality Commission when our services were formally registered in April 2010, and underlined when CQC inspectors found we were meeting all requirements when they made an unannounced visit in March 2011.

However, the need for constant improvement as underlined when a return visit by the CQC in summer 2011 found we needed to do more work on issues such as completing care plans and keeping complete patient records. This we are doing.

It was against such the backdrop of everyday safety and quality issues outlined above that we were thinking through the implications of major challenges for the longer term.

One was our application to become a Foundation Trust, which will give local people and our own staff a much greater say in our work and give us greater freedom to develop. Everyone will be able to have their say on our proposals when formal consultation begins this autumn.

A second was the opportunity to take over the management of community services, including 12 hospitals, in eastern and mid Devon, and of some specialist services across the entire county. This was made possible by our successful stewardship of community services in northern Devon. The transfer of services went through on 1 April 2011. Already we are beginning to see benefits across the entire area, sharing good practice and strengthening efficiency.

But perhaps the biggest challenge of them all is our response as the NHS landscape alters and public spending is constricted. This will call for real changes in the way we do things over coming years, with growing emphasis on care that can be provided out of hospital as the population ages and demand rises.

Our staff and local communities will be fully involved as we develop plans. But as mentioned above, we are determined to ensure that everyday quality and safety remain at the forefront of our minds as we look to this future.



Roger French  
Chair



Jac Kelly  
Chief Executive

# Trust background



Northern Devon Healthcare NHS Trust provides integrated acute hospital and community healthcare services to the local residents of northern Devon and, latterly, eastern and mid Devon.

The Trust was one of the first in England to integrate acute and community healthcare services in 2006, quickly followed by an integration of adult community health and social care services in 2008. More and more care is being provided in community settings; this Trust bases all its plans on tailoring services to meet the needs of individual patients and providing care in the right setting.

Our success at integrating acute hospital and community care laid the groundwork for the decision by NHS Devon in September 2010 to transfer an additional 12 community hospitals and complex care teams and all of the pan-Devon specialist community services to the Northern Devon Healthcare NHS Trust. A full description of the framework for this decision, Transforming Community Services, is contained on page 7.

Until 2010, the Trust employed 2600 staff, serving a population of 165,000 with a budget of £117million. From 2011, the Trust employs more than 4,500 staff and serves a population of 500,000, with a budget of £204 million.

More information is available on our website: [www.northdevonhealth.nhs.uk](http://www.northdevonhealth.nhs.uk)

With headquarters in Barnstaple, the Trust is now responsible for the management of, and services provided from, the following bases:

### **North Devon District Hospital, Barnstaple**

The populations of Torridge and North Devon account for 94% of the patients who come to North Devon District Hospital, with the remaining 6% comprising people the Cornish and Somerset borders and tourists to the area.

North Devon District Hospital provides a 24/7 accident and emergency service and a full range of acute services, such as trauma, orthopaedics, general surgery, stroke care and cancer services amongst

many others. The Trust has recently invested in state-of-the-art CT and other diagnostic services.

We also offer a range of general medical services, including cardio-respiratory, stroke and gastro-enterology. Our general surgical services include orthopaedics, vascular and colorectal specialties. We have been recognised by the Royal College of Surgeons as having some of the best (gold-standard) equipment in the NHS.

We also run very successful ophthalmology services, which use the latest procedures and techniques to treat glaucoma and macular degeneration.

An increasing number of procedures are now carried out as day cases, which means patients do not stay the night in hospital. This trend will continue. For example, we already provide over 75% of all surgery on a day-case basis and have plans in place to expand the gynaecological day case unit in 2011.

We also have a strategy to repatriate appropriate services to northern Devon to meet the needs of our local community. One example is the new service for wet, age-related macular degeneration. Where it is not clinically or financially viable to manage a service directly, we work with neighbouring acute trusts to establish clinical networks. We work with Taunton on a vascular network, Derriford on a neonatal network and Royal Devon & Exeter on a cancer network, for example. Other recent initiatives include haematology and specialist ear, nose and throat (ENT) clinics.

In between our acute and our community services, we have a range of intermediary services that aim to control and facilitate the flow of patients to and from the acute. Our Pathfinder Team organises timely and safe discharges for patients who require ongoing care or support after leaving hospital. In 2010 we appointed two Complex Discharge Co-ordinators. Their role is to work with our hospital teams to help ensure that patients with complex needs can be discharged safely and don't have to stay in hospital any longer than needed.

In 2010-11, North Devon District Hospital treated 44,000 inpatients, conducted 205,000 outpatient appointments and delivered 1,566 babies.

## Community hospitals and resource centres

The community hospitals in Bideford, Holsworthy, Ilfracombe, South Molton and Torrington have been managed by the Trust since 2006. They provide a range of services easily accessible to the local population, including inpatient beds, rehabilitation, and outpatient clinics with consultants from NDDH and from other hospitals in Exeter, Taunton or Plymouth. These include diabetes clinics in Holsworthy; ENT in Ilfracombe, Bideford and Torrington; and eye clinics in Stratton Hospital (Bude), Bideford and South Molton.

Some hospitals also offer a minor injury unit and specialist services such as stroke rehabilitation and renal care.

The resource centres in Barnstaple and Lynton provide local residents with a range of local outpatient and self-referring services, such as clinics and family planning.

From 1 April 2011, the Trust has managed an additional 12 community hospitals, in Axminster, Budleigh Salterton, Crediton, Exeter, Exmouth, Honiton, Okehampton, Ottery St Mary, Moretonhampstead, Seaton, Sidmouth and Tiverton.

These hospitals provide a very similar range of services to those in the north.

## Community teams

Our community nursing and therapy services are aligned into 17 complex care teams providing integrated health and social care services to ensure that patients are supported in living independently in their own homes.

The teams serve those patients who need regular support from skilled professionals, including district nurses, social workers, physiotherapists, occupational therapy, community nursing and community matrons. These patients may have long-term conditions or need rehabilitation following an illness.

Northern Devon Healthcare was one of the first Trusts in the country to launch these integrated teams. We are breaking down boundaries between different agencies so that patients don't get passed from one agency to the other.

## Specialist community services

Under Transforming Community Services in 2011 (see p7), the Trust is also the main provider of specialist community healthcare services in Devon, such as audiology and chiropody. Adult community health and social care services are provided through cluster management arrangements, aligned to primary care services.



Our main centres: Across these sites we have 341 acute beds and 303 community beds.

## Our area

Northern Devon has a population of around 165,000, dispersed across 950 square miles. This resident population rises every year with 250,000 visitors. The area is a popular retirement destination and has a third more older people than the national average. Earnings are 15% below the UK average and there are significant housing problems for working families due to the affordability gap created by the arrival of relatively-affluent retirees and by the number of second homes.

## Our community

Planners expect the northern Devon population to rise by 24,000 by 2031 – mainly in the over-60 age group. There are 20,000 new homes planned to be built in North Devon between now and 2021.

There are stark differences in life expectancy compared to the rest of Devon. NHS Devon's Strategic Review identifies an 18-year gap in life expectancy between the most-deprived areas in northern Devon and the least-deprived areas in Devon. Some of the most-deprived communities are in Ilfracombe, Torrington and Barnstaple.

## Transforming Community Services (TCS)

Transforming Community Services (TCS) is a national programme that aims to strengthen community services, bringing healthcare closer to people's homes. As part of this programme, NHS Devon was required to consider the future organisation of those community healthcare services provided by NHS Devon and ensure their safe transfer to an alternative provider by 1 April 2011.

In September 2010, NHS Devon signalled its intention to transfer the Exeter, East and Mid Devon community services and all Devon-wide specialist community services to Northern Devon Healthcare NHS Trust under a three-year contract, starting on 1 April 2011.

Leading up to the board decision, NHS Devon took full account of the views of stakeholders and staff via meetings and consultation events.

This decision triggered a three-month consultation for all those staff due to transfer with the services from NHS Devon's provider to Northern Devon Healthcare NHS Trust on 1 April 2011.

The Trust's approach to transferring these services was to plan to integrate them into our existing structures. We had found this approach very successful through our experience of the vertical integration of northern Devon acute and community services in 2006. The consultation with TUPE and at-risk staff was to gather views on the proposed management structures of each service. Staff feedback led the Trust to make several amendments to the way services were being transferred and aligned.

Post April 2011, the Trust provides services across an area greater than half of the county (1,300 square miles).

## Our values

**Integrity** - We will act with integrity and openness

**Diversity** - We will treat others fairly and equally and value diversity

**Compassion** - We will demonstrate care and compassion

**Support** - We will listen and support others and make time to do so

**Excellence** - We will strive for excellence in all that we do

## Our vision

*Our Trust will deliver safe and effective healthcare to the local population through a partnership with staff, patients, the public and other organisations.*

## The structure of this report

We have divided this report into three themes:

**Patient experience** – how we have improved the patient's experience of using our services

**Patient safety and quality** – how we have improved the safety of our services and the quality of care

**Performance** – how we are meeting national and locally-set targets



# Patient experience



The Trust is required to demonstrate that it listens and responds to patient feedback, and uses that feedback to improve the experience of the patient receiving our services.

Our regulators and commissioners require us to gather data on our patient experience and show that we have improved services materially as a result of applying the feedback.

Many service improvements already include some form of patient/user involvement, but there are few that focus on drawing out specific experience of patients and staff and even fewer that use an improvement in this experience to measure the success of a service.

Many surveys of services offered by the Trust ask questions about patients' experience, but this is applied inconsistently across all services, is not regular, and is therefore inconclusive.

This strategy places the patient experience on an equal footing to the operational and clinical qualities of service resilience, consistency and performance.

## What you thought in 2010-11

According to the national annual inpatient survey, patients rated the overall standard of care at North Devon District Hospital as being among the top 20% of hospitals in the NHS.

More than 450 people filled in the survey, which is published by the Care Quality Commission as part of its annual look at standards around the country.

The survey also put NDDH in the top fifth of hospitals for issues such as the way doctors and nurses work together, and the level of respect and dignity for patients.

Nurses in particular were highlighted for the way they talked with patients and the confidence they inspired.

Other areas in which the hospital was rated among the top 20% included:

- Patients' involvement in decisions about both their care and their discharge
- Availability of someone to talk to about worries and fears
- Choice of admission dates
- Hand-washing by both doctors and nurses
- The opportunity to talk with a doctor
- Staff doing everything to control pain
- Explanations of the risks and benefits of operations and procedures
- The low numbers of people who wanted to complain about their care

The hospital was among the bottom 20% in five areas, including noise at night, mixed-sex accommodation and the numbers of patients asked about the quality of their care while in hospital.

Noise at night should reduce as more single rooms for patients are created during ward refurbishment. The Trust will also be looking to see if any tasks currently carried out at night could be done during the day, to reduce disturbance.

The increase in single rooms will help the Trust place patients in single-sex areas. Around £940,000 has already been spent to reduce breaches of guidance on single-sex accommodation, with every incident followed up and weekly reports to senior managers.

More feedback on quality of care will be captured with the introduction of handheld mini-computers, so patients can be asked for their views while in hospital.

The survey did not cover community hospitals.

## Inpatients show high satisfaction with orthopaedic care

A survey of orthopaedic in-patients at NDDH – the first of its kind – has shown high levels of patient satisfaction.

It showed, for example, that:

- Overall care was described as good or excellent from 96% of nurses, 88% of physiotherapists and 92% of anaesthetists; junior doctors scored 80%, but this might be affected by missing data
- Overall care from surgeons was good or excellent in 95% of cases (with individual surgeons scoring between 79 and 100%)
- 92% thought the way the teams worked together was good or excellent
- 93% described their overall experience as good or excellent
- 97% indicated that they would choose this hospital again for similar surgery in future (80% definitely and 17% probably)

## Mothers highlight high standards of care and cleanliness

New mums praised standards of maternity care

provided by Northern Devon Healthcare NHS Trust, in a Care Quality Commission Survey published in December. The Trust was rated equal to, or higher than, every other maternity department.



The care during labour and birth was described as excellent or very good by 94% of women who gave their views over the summer of 2010, well ahead of the average of 84% among other trusts surveyed.

Care during pregnancy was rated as excellent or very good by 89%, compared to the average of 76%. And care after birth was rated as excellent or very good by 76% of mothers, against the average of 67%.

Cleanliness also came out well ahead of other trusts, with 74% saying the wards were very clean (average = 51%), and 67% saying toilets and bathrooms were very clean (average = 40%).

## Telling us what you think

'Tell us what you think' feedback forms are available in all wards and public areas throughout the Trust's hospitals. Our ward staff encourage patients to fill them in because feedback is essential to seeing what we need to do to improve our services. We also gather feedback via our website, which includes comments areas and message boards.

In 2010, the Trust invested in handheld computers and purpose-built kiosks so patients can give us feedback during their stay. The surveys are due to be launched in Summer 2011.

We will ask patients for feedback on the quality of care and general experience during their stay. This feedback will be automatically analysed and sent to the wards for them to act.



## Patient Environment Action Team (PEAT) data 2010

PEAT is an annual assessment of inpatient healthcare sites in England with more than 10 beds. The inspection is carried out by a team of PEAT assessors, which includes patients, patient representatives and members of the public, as well as nurses, matrons, doctors, catering and domestic service managers, executive and non-executive directors and others.

The PEAT inspection assesses standards across a range of services including food, cleanliness, infection control and patient environment (including bathroom areas, décor, lighting, floors and patient areas).

The Trust's hospitals performed strongly in 2010, as shown in the table below:

Hospital	Environment	Food	Privacy & dignity
North Devon District	Excellent	Good	Good
Holsworthy	Excellent	Excellent	Excellent
Bideford	Excellent	Excellent	Excellent
Torrington	Good	Excellent	Excellent
South Molton	Excellent	Excellent	Excellent

## Investment in services for patients

Over the past year, we have continued to invest in services and equipment to improve and enhance the care we provide for patients.

### Larger Day Surgery Unit opens its doors

Building work to refurbish and expand the Day Surgery Unit at North Devon District Hospital from 14 to 20 bed spaces was completed in March 2011. This means an extra 1,000 patients per year can be seen through the Unit. The revamped unit also provides improved patient facilities, helping us provide prompt, high-quality treatment with fewer waits and cancellations.



### New CT scanner and CT suite

In the autumn, the Trust invested £600,000 in a new CT scanner. More than 6,000 patients will benefit from this state-of-the-art diagnostic tool. The investment will increase accuracy and diagnostic power, allowing our clinicians to work out the best care plan quickly for patients.



### £1m project to improve services for women, children and babies

In December, the Trust started discussions with staff on how to improve services for women and children. In January, the executive team agreed a £1m investment in works to improve facilities and patient environments.

We plan to move the children's ward alongside the other services for women, children and babies, to create a facility with specialist services and enable better use of nurses and doctors, as they will be able to work across both services and cross-cover.

The aim is to create better, more-modern facilities that are able to meet national standards.

## Gold standard equipment

In 2010, the Trust was awarded a 'gold' rating for the standard of its laparoscopic equipment, putting it among the top 11 per cent of hospitals across the NHS. Audit work by the Association of Laparoscopic Surgeons of Great Britain and Ireland showed 28% of hospitals operating with outdated kit for keyhole surgery (bronze), with the remaining 61% somewhere in between (silver).

Of hospitals involved in the South West, only Derriford also ranked at the gold standard.

## Portable ultrasound scanner for northern Devon Breast Care Unit

Patients in northern Devon are benefiting from a new portable ultrasound scanner – thanks to the generosity of local people.

The Breast Care Team at Northern Devon Healthcare NHS Trust was given sufficient funds to purchase the scanner, which is now in use in the Out-patient Department and operating theatres at North Devon District Hospital.

An ultrasound scanner enables core (needle) biopsies to be performed more accurately, meaning that more patients can be spared a second visit for further core biopsies.

The purchase follows on from the successful fundraising initiative for an integrated imaging suite. The integrated suite enables patients to be seen in one area rather than doing the rounds of various departments.

## Chemotherapy fundraising appeal

In February 2011, we launched a special fundraising appeal to create a new, purpose-built chemotherapy and day treatment unit at NDDH. The target for the appeal is £2.2million.

With one in three people being diagnosed with cancer at some point in their life, it is a disease which affects nearly all families. The NDDH Chemotherapy Service treats nearly 5,000 northern Devon residents a year and on average sees up to 22 diagnosed patients a day.

When talking to patients, we hear many fantastic things about the support and advice offered by staff and the way they frequently go above and beyond the call of duty. But everybody agrees that the building housing the service needs updating to reflect the outstanding care and dedicated people who work here.

If you would like to help us reach our fundraising target, please talk to our fundraising team on 01271 311 772 or via email: [ian.roome@ndevon.swest.nhs.uk](mailto:ian.roome@ndevon.swest.nhs.uk). More information is also on our website: [www.northdevonhealth.nhs.uk](http://www.northdevonhealth.nhs.uk)

We also continue to support fundraising for other areas, such as wards and children's services.



James May, supporting the campaign

## Keeping patients informed

Our patient information leaflet service produces more than 300 different titles, covering all specialities at the Trust.

A significant development for the Trust in 2010 was the use of patient information films to further improve the information we provide. We made a film touring the maternity unit to give expectant parents an insight into the facilities and care available at the North Devon District Hospital.

We have also produced patient information films covering a range of common procedures, such as hernia and gallstone operations. In 2011, we started work on a film about what to expect when coming into hospital.

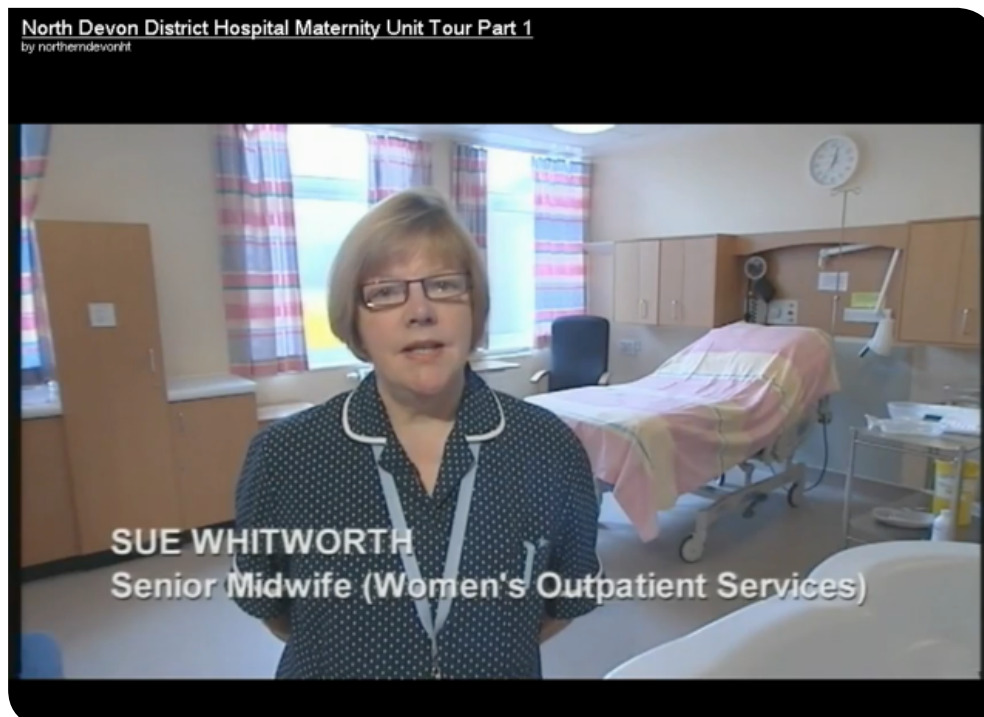
Feedback from patients about the films shows that they are providing detailed information, re-assurance and advice for members of the public who may require such a procedure. We anticipate expanding our range throughout 2011.

The films are all on our website:  
[www.northdevonhealth.nhs.uk](http://www.northdevonhealth.nhs.uk)

## Outpatient reminder scheme launched in April 2011

Last year, patients failed to turn up for 9,771 appointments with Northern Devon Healthcare NHS Trust's nurses, therapists and doctors. This means that, in each case, another patient was denied the chance to be seen more quickly. The cost of these missed appointments to our local hospitals was in the region of £1m in wasted staff time.

In April, the Trust launched a reminder scheme whereby people receive telephone reminders about their outpatient appointments. Calls are made in the week before they are due at clinic, to make sure they are still planning to attend. Patients are also able to cancel or rearrange the appointment on that call.



## Involving patients and the public in improving services

In 2010, the Trust set up an Involving People Steering Group (IPSG) to make sure patients' voices are always heard and acted upon, as we develop proposals for improving services. The approach reflects work over the past year to update our Patient and Public Involvement (PPI) Strategy, echoing the national commitment to patients: 'No decision about me, without me.'

Following its first meeting in August 2010, the IPSG continues to meet every two months.

To date, the group has played an important part in developing signage at NDDH, plans to develop the Ladywell redevelopment and dementia focus groups.

## Sensory Impairment Task Group

The Sensory Impairment Task Group meets quarterly to facilitate improved access to Trust information and services for people with sensory impairments, and ensure that the access is publicised

The group includes a representative from LINK Devon and one from the See Hear Centre, a project run by Living Options Devon. The group has recently been working on ensuring that patients with a visual impairment receive appointment letters in large print and on yellow paper. This has been achieved for patients attending eye clinic, while significant progress has been made towards ensuring that people with visual impairment receive all appointment letters in large print.



## Remembrance garden

A project was set up in response to suggestions from bereaved parents that a remembrance garden would be a valued facility at NDDH. The Remembrance Garden was opened in January 2011, providing a place for quiet reflection for patients, their families and carers, and for staff.



# Patient Safety



## Safe care in a safe environment

The safety of patients is at the top of our list of priorities. We believe people who come into our hospitals, or are cared for in the community by our staff, should be absolutely confident that we are doing the right thing in the right way.

## Doing the rounds

We operate a rolling programme for executive directors to make regular walkarounds, checking on patient safety issues and talking with staff about any problems they face and suggestions they might have. Following these visits, each area is supported in addressing actions to improve patient safety.

As well as tackling individual points, the programme has helped raise the profile of patient safety, underlining its fundamental importance to everything that we do.

## Preventing infections

We report to every meeting of the Trust Board on all aspects of infection and its prevention and control, reflecting the seriousness with which the issues are viewed. We continue to make real progress in reducing the number of patients who contract infections, with our last hand-washing audit showing our highest-ever rate of hand-washing compliance, 94%, among doctors and nurses.

By the end of 2010-11, the *Clostridium difficile* total cases were 27, eight under our set limit of 35.

The only downside was an unexpected three cases of MRSA against a target of one.

## Norovirus

Norovirus and similar bugs that cause diarrhoea and vomiting always pose a challenge to any hospital. Although not considered as dangerous to patients as *Clostridium difficile* or MRSA, these bugs are unpleasant and highly-contagious in a confined setting like a hospital ward.

The problem is made all the greater because norovirus is widespread in the community, particularly in winter months, which means that anyone coming into the hospital – patient, visitor, staff – might be incubating the disease. Hand hygiene using soap and water or antiviral alcohol gel is hugely important in preventing its spread which is why we signpost these facilities clearly and ask people to use them prior to or on entering a ward, and on leaving clinical areas.

We make every effort to keep the number of cases low, but experienced an outbreak of Norovirus in late March 2011. This meant bays and some wards had to be closed to new patients for a number of days whilst our Infection Control Team oversaw work to control of the outbreak, which included cleaning and disinfection. Some elective surgery had to be postponed and visiting restrictions were imposed.

Nevertheless, we were pleased to get a clean bill of health on our control strategies from an inspection led by South West Strategic Health Authority this year.



## How to beat norovirus

Please help us keep norovirus at bay by:

- Always using the alcohol gel at the doors to each ward
- Making sure our staff wash their hands between seeing patients – don't be afraid to tell them if they forget
- Not visiting anyone in hospital if you have had diarrhoea and/or vomiting in the previous 48 hours
- Not visiting anyone in hospital if you have been with anyone else who has had diarrhoea and/or vomiting in the previous 48 hours

## 'A clean environment'

In the 2010 national inpatient survey, 93% of respondents described the toilets and bathrooms at North Devon District Hospital as fairly or very clean. This figure rose to 97% for the wards.



## A learning culture

Northern Devon Healthcare NHS Trust continues to have one of the strongest safety-reporting cultures in the country. Compared to other organisations of a similar size, the Trust comes out top for reporting its incidents, in terms of both the speed of reporting (within 30 days) and the volume of incidents reported. The National Patient Safety Agency, which compiles the data on all Trusts, recognises these indicators as reflecting a learning organisation that makes every effort to reduce harm to patients.

The Trust encourages its doctors, nurses and managers to report any incidents or events that cause them concern. This enables the Trust to investigate both the infrequent high-risk events and the more-common low-risk events.

Staff are encouraged to make professional judgements about when and where patient safety could be improved; the Trust uses these reports to reduce risks across the organisation.

## Northern Devon among best in South West for quality and safety measures

In November 2010, the Trust welcomed publication of the latest Dr Foster guide, which puts it among the best performers in the South West when it comes to the quality and safety of key services.

The Trust was particularly strong in orthopaedics, scoring significantly better than expected for the readmission rate after hip replacement, the revision rate for knee replacement and the speed with which patients undergo surgery after fracturing their hip.

According to Dr Foster, this puts Northern Devon among the best six trusts in England for orthopaedic care. Only one other trust nationally had such low readmission rates for hip and knee replacements.

## High ratings from staff

The 2010 NHS staff survey showed high ratings for the Trust compared to the rest of the health service across England.

The views of the workforce put the Trust in the top fifth in 10 areas out of 38, and above average in a further 12. It was below average in three areas and in the bottom fifth of trusts for just one.

The survey also highlights that 66% of staff would be happy with the standard of care if a friend or relative needed treatment – up from 62% in 2009. This compares to the NHS average of 63%.

The 2010 survey only put the Trust in the bottom fifth for the proportion of staff experiencing physical violence from patients, relatives or members of the public.

Analysis by the NHS Security Management Service, which collates figures, shows that the great majority of all assaults involve medical factors – typically the patient's condition or the treatment they had been undergoing.



# Performance



## Value for money

For the year, the Audit Commission has stated the organisation has proper arrangements in place to secure financial resilience and for challenging how it secures economy, efficiency and effectiveness.

In 2008/09 the Care Quality Commission rated the Trust's financial management as 'good'. The Commission concluded that we are performing well and we have met financial targets for at least the past two years.

For more details, please see the Operating and Financial Review.

## Accountability

Northern Devon Healthcare NHS Trust is steered by the Trust Board, which meets regularly to set strategy and to receive assurance that quality and safety standards are being met by those managing the day-to-day operations.

From January 2011, the Board has been chaired by Roger French. Alongside Mr French sit seven executive directors and five part-time non-executive directors. Non-executive directors are local people who bring skills and knowledge from outside into the NHS. The Chair and non-executives are accountable to the Secretary of State.

The Chief Executive and six other executive directors are responsible for running the Trust on a day-to-day basis. The Boards hold the Trust's executive director team to account for performance.

All of the Trust's Board meetings are open to the public, with meeting papers published on the Trust's website. The Trust's Annual General Meeting is advertised widely in the press, and members of the public are encouraged to attend.

## Keeping waiting times down

Northern Devon Healthcare continues to be one of the best Trusts across the South West in terms of ensuring that patients are treated within 18 weeks of referral.

During 2010-11, we consistently treated over 90% of patients requiring admission, and over 95% of patients not needing admission, within 18 weeks. The national target is 90%.

## Meeting the latest standards

Last year, each Trust was required to complete a 'provider compliance assessment' by the Care Quality Commission (CQC), which was our self-assessment of the standards and quality of the services we provide.

The CQC confirmed our assessment by announcing that all our services had achieved registration status. The Trust is in the process of re-registering those services that transferred from NHS Devon on 1 April 2011.

The CQC has now embarked on an inspection programme to visit all locations. NDDH received an unannounced visit in March 2011.

Inspectors spent time talking to a total of 50 patients and visitors in various areas of the hospital, in addition to speaking to staff working in these areas.

Overall they heard very positive comments about individuals' experiences of using the hospital. Patients spoken to had no complaints about the environment or cleanliness of the hospital. Patients also felt that staff explained their treatment to them, and that they were involved in decisions about their care and treatment. The inspectors saw that the care and nursing staff had a good understanding of patients' needs, and that care and treatment were being delivered appropriately.

Overall the CQC report was very positive, though it found improvements were needed in some areas relating to record keeping and providing improved support and supervision of staff. The Trust produced an action plan to implement these changes.

## NDDH eye service recognised as best in the South West

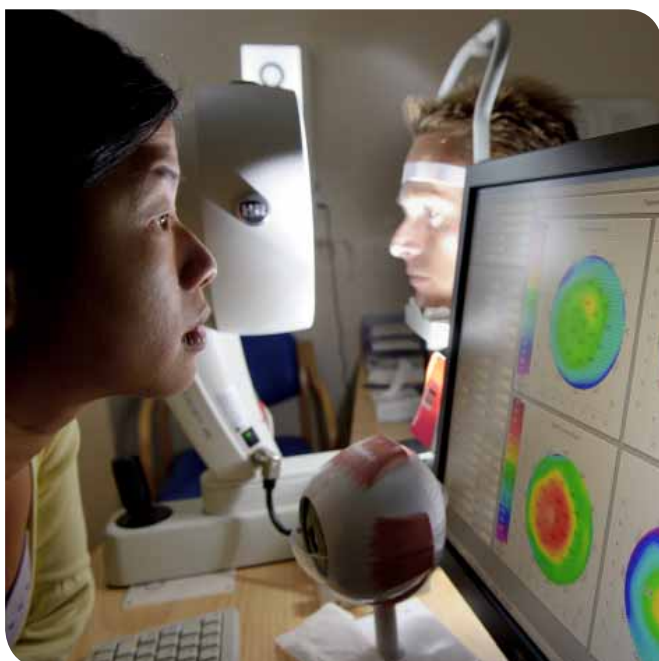
The Trust's ophthalmology team has been recognised for the excellence of its new service for patients with wet age-related macular degeneration (WAMD) – a major cause of sight-loss.

Comparisons with other hospitals in the South West show that the improvement in patients' sight at NDDH is amongst the best in the South West. Patient satisfaction is also very high.

Another external audit has shown that the way in which patients are assessed and tested is of a uniformly-high standard.

Treatment for WAMD, based on injections of the drug Lucentis, is relatively new in the NHS. The Trust's service was only introduced last year. Previously, patients from northern Devon had to travel to Torbay once a month for treatment.

GPs and optometrists can refer patients straight to NDDH for a one-stop appointment, where they can be assessed and injected before going home the same day.



## Customer relations

Our Customer Relations Department handles all concerns and complaints, ensuring that patients and their families receive swift resolutions to any issues raised.

During the year, the Trust handled 234 complaints and dealt with 701 PALS contacts.

Our systems have been further improved in 2010-11 with greater staff resourcing. This has enabled the department to offer more local resolution meetings, offering a more customer-friendly approach. This also helps ensure that resolution times are quicker and that patients and their families receive answers to their concerns and are kept informed at all times.

All complaints and concerns are monitored and, where appropriate, action plans are formulated to ensure any lessons learned and changes required are acted upon across the organisation.

Patients and the public have been involved in several projects to make service improvements. These means, for example, that patients now receive a copy of their consultation appointment and are sent appointment reminders to ensure maximum attendance at clinics. Signage and written correspondence continues to be improved for patients with sensory impairments.

We plan to roll out updated customer care training for our staff in 2011-12. We are also planning to improve how we monitor patient questionnaires, ensuring that they are tailored to reflect customer feedback so services can be improved.

## Effective training and induction

In 2010, we reviewed our induction process for new staff in response to staff feedback. Under the new process, all staff receive relevant training in patient confidentiality, health and safety, and other professional and legal responsibilities.

Meanwhile, our rolling programme of compulsory e-learning ensures that all existing staff keep up to date with requirements. The Trust has been placed in the top 10 NHS Organisations for its use of e-learning within the National Learning Management System (NLMS). This is a great achievement, as the Trust only went 'live' with e-learning through the NLMS in March 2010.

## Dealing with violence and aggression

The Trust encourages staff to report all incidents of violence and aggression, both physical or verbal, and whether major or minor.

This approach has helped make us the highest-reporting trust among organisations of similar size – for all incidents, not just violence and aggression.

The great majority of incidents result in no harm or in minimal harm.

### Stepping up security for lone workers

The Trust has issued electronic devices for staff who work alone in the community to call discreetly for help if they feel threatened. The technology can also be used to monitor and record incidents.

The devices are issued to 265 staff, including district nurses, health visitors, community midwives and therapists.

# Operating and Financial Review



## 1. Objective of the Operating Financial Review

The objective of this OFR is to prepare a balanced and comprehensive analysis to inform the reader of events that impacted on the Trust during the 2010-11 financial year. It is presented through the eyes of the Trust Board.

*Please note that the information here applies to the period before the Trust took over management of community services that transferred from NHS Devon.*

## 2. Trust overview

Northern Devon Healthcare NHS Trust serves a population of approximately 165,000 people within northern Devon and neighbouring towns and villages in North East Cornwall and Mid Devon. Northern Devon is a popular retirement area, with more than 20% of the population over 65 years old and nearly 10% over 75 years old, against UK averages of 16% and 7.5%, respectively. The total local population has increased by about 1% per year in the last decade.

Since 1991, the Trust has managed North Devon District Hospital in Barnstaple and provides a full complement of adult and child secondary care services including outpatient care, inpatient, day case, emergency treatment and follow-up care, diagnostics, maternity services (including the Special Care Baby Unit), intensive care and a busy Accident & Emergency department.

The Trust also has ownership and management responsibility for the provision of community hospitals together with community services including physiotherapy, occupational therapy, speech and language therapy, podiatry and district nursing.

The five community hospitals, based at South Molton, Bideford, Ilfracombe, Holsworthy and Torrington, offer a range of minor injury, rehabilitation and inpatient bed facilities. Barnstaple Health Centre offers a mix of primary and secondary care services such as podiatry, sexual health and children's services, whilst Lynton has a resource centre with a minor injury unit.

Across these sites we have more than 20 wards, nine operating theatres, around 400 inpatient beds and more than 20 day-case beds. We spent around £134.4m to provide healthcare services in 2010-11 (£128.5m in 2009/10 and at the end of the financial year we employed on average 2,285 whole time equivalent staff (2,254 in 2009/10).

The Trust also provides a unique model of care in northern Devon, with the merging of some health services and social care services to provide integrated, high-quality and efficient care that treats the patient in

the right place and increasing access to a broad range of services with minimal bureaucracy, supported by the Electronic Single Assessment Process (eSAP).

The services are provided by five complex care teams across northern Devon covering the geographical areas of Barnstaple, Torrington, Ilfracombe, South Molton and Chulmleigh. The complex care teams are supported by services from health service bodies, social services and the voluntary sector.

Staff involved from the Trust include district nurses, community matrons, occupational therapists, and physiotherapists.

The Trust also accommodates Devon Partnership NHS Trust's mental health inpatient facilities at Barnstaple and Bideford, which include a learning disabilities unit.

To meet local healthcare needs we work closely with the following organisations:

- South West Strategic Health Authority
- Devon Primary Care Trust
- Cornwall & Isles of Scilly Primary Care Trust
- Somerset Primary Care Trust
- Devon Partnership NHS Trust
- Royal Devon & Exeter NHS Foundation Trust
- Plymouth Hospitals NHS Trust
- Taunton Hospitals NHS Foundation Trust
- South Western Ambulance Service NHS Trust;
- Devon County Council
- Devon County Council Adult and Community (Social) Services
- North Devon District Council
- Torrington District Council

The Trust continually reviews services to ensure that they follow the latest guidelines in clinical best practice and policy, and is committed to involving service users, patients, carers and the public in planning, developing, delivering and improving healthcare services.

The Trust is continuing to develop its Estate Control Plan to prioritise future developments to maximise the efficiency of those services.

The Trust can demonstrate the following examples of system change that have been implemented during the current year:

- New 26-bed Victoria Ward, including Coronary Care Unit, opens to strengthen care for heart patients
- The Trust buys a new £600,000 state-of-the-art CT scanner
- Early Supported Discharge beds introduced to help stroke patients leave hospital more quickly, with the right therapy support, so they can recover in the community

- ❑ Pioneering 'just in case' boxes, developed at NDDH for use in end-of-life care, are rolled out across the country
- ❑ Three new paediatric consultants join the Trust
- ❑ Standardised shift patterns are implemented
- ❑ A new theatre management system maximises the efficient and productive use of operating theatres
- ❑ A video link between NDDH and Royal Devon & Exeter improves care for haematology cancer patients across northern Devon
- ❑ There is national recognition for pioneering work at NDDH to help people with Parkinson's disease stay at home rather than going to hospital
- ❑ A new electronic telephone answering service ensures that callers receive prompt attention
- ❑ The Trust's six-year Estates Strategy is updated to meet future service developments and ensure that the physical estate remains safe, functional and up to clinical standards required for modern healthcare premises
- ❑ The involving People Steering Group ensures that patients' voices are heard and acted upon as the Trust develops proposals to improve services
- ❑ The Patient Administration System (PAS) is upgraded to provide 'live bed state' information
- ❑ New wipe-clean bedside folders are introduced, providing comprehensive bedside information for inpatients and visitors
- ❑ All clinical areas at NDDH and local community hospitals are equipped with 'hypoboxes' to provide treatment for patients with diabetes whose blood-glucose levels fall to potentially-dangerous levels
- ❑ A portable ultrasound scanner for the Breast Care Unit is purchased with donations from local people, enabling more-accurate core biopsies and leading to reduction in number of required second visits

Other highlights included:

- ❑ The launch of the new Chemotherapy Unit fundraising appeal
- ❑ Unconditional registration by the CQC of services run by NDHT, which means the Trust meets essential standards for quality and safety
- ❑ NDHT's identification among the best performers in the South West for quality and safety of key services in the latest Doctor Foster guide, with orthopaedic care being among the best six Trusts in England
- ❑ New mums' praise in the CQC maternity survey for standards of care provided by the Trust
- ❑ Ofsted praise for of Hospital Education Centre for its work to ensure children don't miss out on their education whilst in hospital
- ❑ Publication of the first-ever Quality Account, setting out how the Trust is maintaining and improving standards of care, with four main priorities identified for 2010-11
- ❑ Recognition of the ophthalmology team for the excellence of its new Wet, Age-Related Macular Degeneration (WAMD) service
- ❑ The award to NDDH by the Association of Laparoscopic Surgeons of Great Britain and Ireland of a 'gold' rating, placing it in the top 11% of hospitals across the NHS for the standard of equipment
- ❑ The NHS Staff survey, covering 2010, shows high ratings for NDHT compared with the remainder of the NHS across England

### 3. Trust governance and Board-level changes

The Trust is directed by the Trust Board, which meets regularly to determine strategy and receive information from those managing day-to-day operations.

The Trust Board is led by a Chairman together with a team of five non-executive directors and five executive directors. The non-executive directors have a part-time role, providing experience and expertise, usually gained from working in organisations outside the NHS.

The executive and associate directors are led by the Chief Executive and combine their role as board members with regular management responsibility.

The Trust experienced the following executive and non-executive director movements during the financial year:

- ❑ Mr Brian Sherwin resigned from the role of Chairman on 31 January 2011
- ❑ Mr Roger French was appointed to the role of Chairman from 1 February 2011
- ❑ Mr Samuel Jones resigned from the role of Non-Executive Director on 30 September 2010
- ❑ Mrs Pauline Geen was appointed to the role of Non-Executive Director on 3 March 2011
- ❑ Mrs Rachel Dennis resigned with effect from 31 March 2011
- ❑ Mrs Joanne Gibbs resigned from the role of Director of Operations from 31 March 2010
- ❑ Mrs Kate Lyons was appointed to the role of Director of Operations from 1 June 2010

Full details of these and any other executive and non-executive directors are contained within the remuneration report.

The treatment of pension liabilities can be found on pages 26 to 27 of the accounts.

The Board has adopted Codes of Conduct and Accountability recommended by the NHS Executive. Audit, Risk, Clinical Governance and Remuneration and Terms of Service Committees and other sub-committees of the Board are well established.

Details of company directorships or other significant interests held by directors where those companies are likely to do business, or are possibly seeking to do business with the NHS where this may conflict with their managerial responsibilities, are required to be disclosed in the Declaration of Members' Interests. This is presented at each Board meeting and is updated as required.

The Declaration of Members' Interests is available for inspection from Corporate Affairs, Munro House, North Devon District Hospital, Raleigh Park, Barnstaple, North Devon. EX31 4JB

The Board receives assurance from many sources and these are detailed in the Statement of Internal Control.

## 4. Vision, values and strategic objectives

The Trust reviewed its vision, values and strategic objectives and those agreed from 2009/10 are as follows:

### Ambition and vision:

It is the Trust's ambition and vision that:

*Our Trust will deliver safe and effective healthcare to the local population through a partnership with staff, patients, the public and other organisations.*

In other words, the Trust's aim over the next five years is: keeping services local.

This ambition is in line with the principles of the NHS Constitution and is underpinned by five values that characterise the way the organisation operates at every level. These are:

#### Integrity

We will act with integrity and openness.

#### Diversity

We will treat others fairly and equally and value diversity.

#### Compassion

We will demonstrate care and compassion.

#### Support

We will listen and support others and make time to do so.

#### Excellence

We will strive for excellence in all that we do.

### Strategic objectives:

The Trust's aim, vision and values provide a unified ambition for the organisation. This is supported by six high-level strategic objectives, both service-based and organisational, which enable the Trust to plan five years ahead to 2015 in order to visualise what the organisation will look like once the strategy has been delivered. They are:

#### Effective care

We will deliver clinically effective care grounded in safe and effective systems and processes.

#### Sustainable services

We will continue to provide locally sustainable services that are supported through robust clinical networks

#### Integrated care

We will maximise the opportunities of an integrated health and social care delivery systems to provide the right care at the right time in the right place for the individual patient.

#### Exceptional workforce

We will find, recruit and retain exceptional staff.

#### Modern environments

We will maintain and develop clean, modern and welcoming environments at each Trust's location.

#### Financial health

We will ensure ongoing sustainable financial health.

As part of the Trust's annual business planning process, each of the strategic objectives will be translated into work programmes which will have been developed to identify the actions that will deliver the Trust's vision. These in turn will be monitored through key performance Indicators.

Each service in turn will be required to develop plans to demonstrate how they will deliver the strategic objectives. This information will form the basis of the Trust's Annual Business Plan.

In conjunction with Devon Primary Care Trust, the Trust will continue to develop services that take a multi-agency approach to providing the best healthcare, in the right place at the right time for the benefit of the patient.

## 5. Trust performance

The main performance indicators published by the Trust in this financial year have included:

Indicator	Year Actual Performance	Year Status
MRSA (Cum) Acute >2 Days	3	x
C.Diff (Cum.) Acute >3 Days	-8	✓
18wk RTT Admitted	>90%	✓
18wk RTT Non-Ad.	>95%	✓
Outpatients GP Waiting >11 wks	2	✓
Elective patients Waiting >20 wks	1	✓
Diagnostics Waiting >6 wks	112	◆
A&E 4 HR waits (NDDH Type 1)	96.5%	✓
A&E 4 HR waits (All Inc. MIU)	97.5%	✓
Cancer 14 Day Urgent Referral	96.6%	✓
Symptomatic Breast 14 Day	91.3%	◆
Cancer 31Day Diag. to Treat	98.4%	✓
Cancer 31Day Subs Surgery	98.1%	✓
Cancer 31Day Subs Drug	100%	✓
Cancer 62 Day Urg Ref to Treat	89.9%	✓
Cancer 62 Day Screening	93.3%	✓
Cancer 62 Day Cons Upgrade	91.2%	✓
Cancelled Ops. <28 day (Cum)	99.5%	✓
Cancelled Ops. As % of Elective	0.91%	x
GU Offer <48Hrs	100%	✓
Thrombolysis CTN	73.3%	✓
Rapid Access Chest Pain Clinic	99.7%	✓
Delayed Transfer of Care (Acute)	3.2%	◆
Delayed Transfer of Care (CHs)	9.1%	x

Indicator	Year Actual Performance	Year Status
GP Referrals	-4.1%	✓
Other Referrals	-2.0%	✓
Total Referrals	-3.3%	✓
Outpatient FST Attends	-3.3%	◆
Outpatient FUP Attends	+3.5%	◆
Outpatient Waiting List	276	◆
Elective DC Activity	-4.8%	◆
Elective IP Activity	-7.2%	◆
Elective Total Activity	-5.3%	◆
DC Rate Overall	81.0%	✓
Elective Waiting List	-150	✓
Non-elective (All inc Mat.)	-2.0%	✓
Non-elective (General & Acute)	-1.4%	✓
A&E Attends (NDDH)	+3.2%	✓

Points to note include:

- Low incidence of Clostridium difficile against thresholds
- High performance against the national 18-week maximum referral to treatment target
- Achievement of the four-hour target for A&E waiting times
- The impact of patient choice on achievement of the 14-day symptomatic breast screening target
- The impact on cancelled operations of adverse weather conditions in December and January
- The improvement in community delayed transfers of care, though these continue to experience ongoing issues involving packages of care and support in community/home setting
- The overall number of referrals, which was below planned levels agreed with Devon Primary Care Trust
- The overall number of patients treated, which was below planned levels agreed with Devon Primary Care Trust;

As a result of the time-lag that naturally exists in reporting performance data, indicators for March 2011 are taken from the April 2011 performance report that went to the Trust Board.

The Board recognises the dedication and hard work of all staff that has made 2010-11 such a successful year.

## 6. Essential Standards of Quality & Safety

### 2009-10

In November 2009, the Trust was required to produce a mid-year declaration regarding compliance with the Care Quality Commission's Standards for Better Health for the period 1 April 2009 to 31 March 2010. A compliant declaration with all 43 standards was made.

### 2010-11

From 1 April 2010, the Care Quality Commission, as the regulator of health and adult social care in England, implemented a new registration system to ensure that trusts provide services that meet the essential standards of quality and safety. All trusts have a statutory duty to register their provider types, locations and regulated activities with the CQC. Without registration, hospitals and community services are not allowed to operate. The Trust successfully completed its registration application and was advised that it had been registered unconditionally by the CQC; that is, the Trust met new essential standards for quality and safety.

The Trust must also declare its compliance with the requirements the Health and Social Care Act 2008 (Regulated Activities) Regulations 2009 and the Care Quality Commission (Registration) Regulations 2009. This is measured as compliance against 16 essential standards of quality and safety, which are assessed against the outcomes and experiences of patients as well as the effectiveness of the systems and processes in place. Compliance with the essential standards is monitored continuously by the CQC.

The Trust has declared compliance with all of the essential standards of quality and safety. The CQC will assess compliance through a series of planned reviews and unannounced inspections and visits where a risk of compliance has been identified.

In March 2011, the Care Quality Commission undertook a planned review at North Devon District Hospital. Once the final report was subsequently published, the Trust reviewed the findings and implemented an action plan to improve practice as required.

The CQC also carries out a programme of national surveys and special reviews on specific areas and services. In December 2010, the results of the CQC's maternity survey were published. Overall, compared with other trusts, the Trust was rated as average or above in 52 out of 82 areas of the survey.

Under the national Transforming Community Services exercise, the Trust was due to take on responsibility for Integrated Audit Community Services for eastern Devon

and specialist services across Devon from 1 April 2011. Therefore in January 2011, the Trust submitted the applications to vary the registration of the Trust to include these locations.

## 7. Economic, efficient and effective use of resources – quality of financial management

### To 2009-10

In addition to the financial performance criteria outlined in section 8, a more rigorous assessment of the financial management of the Trust has been made through the Auditors Local Evaluation (ALE) process that provided a consistent approach developed by the Audit Commission in agreement with the Department of Health to objectively measure the performance of NHS organisations in their use of financial resources.

Performance informs part of the overall annual CQC rating the Trust receives.

Trust performance against the Key Lines of Enquiry (KLOE's) and the overall Trust rating are shown below together with the expected future rating the Trust is planning to achieve:

	2006-2007	2007-2008	2008-2009	2009-2010
MODULE	Actual	Actual	Actual	Actual
Financial Reporting	2	3	2	2
Financial Management	1	3	3	3
Financial Standing	1	2	3	3
Internal Control	2	2	3	3
Value for Money	2	3	3	3
<b>Overall score</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>

These ratings indicate the Trust is maintaining its strong financial governance within and beyond the Finance department. The Trust will expect to maintain a 'Good' rating from the CQC for the Quality of Financial Management.

The ALE scores are translated as follows:

- 1 - below minimum requirements – inadequate performance
- 2 - only at minimum requirements – adequate performance

- 3 - consistently above minimum requirements – performing well
- 4 - well above minimum requirements – performing strongly

The financial management processes in place across the Trust have improved demonstrably and the requirements of the Foundation Trust framework will continue to drive improvements in this area.

The Trust has continued to systematically embed its Governance arrangements. For example:

- It has reviewed its strategic and operational objectives
- All Board papers demonstrate the relevant strategic objectives and Standard for Better Health that is being met
- All investment decisions are required to demonstrate the relevant strategic objectives and the Standard for Better Health that is being met
- Performance is monitored and scrutinised against strategic objectives, standards and targets
- The quality of its published performance information is monitored
- There is continuous development of a sound system of internal control
- The systematic approach to the management of significant business risks has been enhanced
- Medium-term financial planning and strategy, budgets and a capital programme that are soundly based and designed to deliver the strategic priorities, have been embedded
- The system to manage financial performance against budgets has been enhanced

## 2010-11

The Audit Commission announced in October 2009 that it would be reviewing its approach to auditors' work on whether trusts had proper arrangements in place for securing economy, efficiency and effectiveness in their use of resources. The aim was to ensure that it was more targeted and gave better value.

It was determined that after five years, the ALE framework was unlikely to secure further Improvement and that 2009-10 was therefore the last year of ALE.

The Audit Committee has assumed responsibility for evidencing that the standard of financial management within the Trust remains of high quality.

The Audit Commission's work programme includes a value for money opinion on the Trust and is reported through the Annual Management Letter as part of the annual audit. This is reported through the Audit and Assurance Committee.

## 8. How our financial performance is assessed

There are a number of targets set by the Department of Health. Our 2010-11 performance against these targets is shown below:

Target	Actual Performance
To break even on income and expenditure taking one year with another.	In year surplus of £252k before impairments; achieved the statutory duty.
To achieve a capital cost absorption rate of 3.5%	Rate of 3.5% achieved.
To operate within a Capital Resource Limit.	Achieved.
To pay 95% of non-NHS invoices within 30 days.	96% of bills paid within target (volume). 98% of bills paid within target (value).

## 9. 2010-11 Financial position and recovery actions

### Activity

Before the start of each financial year, the Trust agrees with Devon Primary Care Trust the assumptions regarding the number of patients we are expected to treat. During 2010-11, we experienced a 4.1% decrease in the number of patients that were referred to us against that plan.

Attendances at A&E were 3.2% higher than the Trust had planned with Devon Primary Care Trust.

Total emergency admissions were 2.0% lower than the Trust had planned with Devon Primary Care Trust.

This meant that the number of patients we treated was significantly lower than planned.

Section 5 highlights the Trust performance and highlights that we treated all of these patients with the minimum delay, to high standards and in a clean environment.

### Financial performance

2010-11 was the second year for which the Trust has had to prepare its accounts and report financial performance under International Financial Reporting Standards (IFRS). Whilst this has not materially affected the Trust's underlying financial position, there is one fundamental change that continues to require clarification.

From the main accounts, it would appear that the Trust has moved from having a financial surplus in 2008-09 to a financial deficit in 2009-10 and 2010-11. The table below is an extract from the Statement of Comprehensive Income contained in page 3 of the accounts:

	2008/09 £'000	2009/10 £'000	2010/11 £'000
<b>Retained surplus/ (deficit) for the year</b>	7,902	(5,086)	(93)

Under IFRS, the Trust is required to include a technical accounting adjustment for impairments within the Statement of Comprehensive Income.

Impairments relate to the IFRS requirement to revalue assets to Modern Equivalent Asset Valuation.

Impairments are elements of capital expenditure that are incurred but do not add to the value of the asset.

Where an insufficient revaluation reserve balance exists for that asset, the remainder is charged to the Statement of Comprehensive Income.

The impairment charge for the year is £345,000. This has no impact on the Trust's liquidity as it is a non-cash item.

The Trust has a statutory financial duty to break even. The table below is an extract from the Financial Performance Targets contained in note 39.1 on page 44 of the accounts:

Note 39.1	2008/09 £'000	2009/10 £'000	2010/11 £'000
<b>Retained surplus/ (deficit) for the year</b>	7,902	(5,086)	(93)
<b>Adjustment for Impairments</b>	0	5,086	345
<b>Break Even in-year Position</b>	7,902	0	252

The Trust is able to report breakeven at an operational level and achievement of its Statutory Breakeven Duty.

## Staff sickness

The Trust had an overall sickness rate of 3.56% (at 28 February 2011).

The Trust continues to access benchmarking data that is utilised to make further improvements in sickness rates.

## Savings and efficiency

The Trust had a financial savings target for the year of £5.2 million. The Trust achieved £4.7 million through cost-reduction and efficiency improvements, with the balance attributable to income generated from additional activity relating to 2009-10.

The ability of the Trust to deliver the full value of the above Continuous Improvement Programme has been severely affected by the following factors:

- Activity decreases as a consequence of decreased referrals to the Trust
- Reduced emergency admissions

This variability in demand below the initial agreed contract activity plan affected the ability of the Trust to realise the productivity and efficiency opportunities in a planned way.

Overall, resilience and control resulted in the Trust's achieving its financial objectives for the year.

The performance against savings and efficiency plans achieved during the year continued to be reported regularly to the Trust Board, Finance & Performance Committee and Clinical Services Executive Committee.

## Trust accounts

The Trust's accounts are audited annually by the Audit Commission, Unit 5-6 Blenheim Court, Matford Business Park, Lustleigh Close, Exeter, Devon, EX2 8PW. The fee for this work is detailed on page 23 of the accounts.

A copy of the accounts is available from Kate Winter, PA to the Director of Finance, Suite 2, Munro House, North Devon District Hospital, Raleigh Park, Barnstaple, Devon, EX31 4JB.

Alternatively they are available for download from our website at: [www.northdevonhealth.nhs.uk](http://www.northdevonhealth.nhs.uk)

## 10. Where our money comes from

The majority of the Trust's funding comes from contracts with Primary Care Trusts (PCTs), which purchase healthcare on behalf of their residents.

Taking one year with another, total income received by the Trust in 2010-11 was £134.7 million (£128.5m 2009-10), a 4.80% increase on the previous year, predominantly as a result of the increase in the number of patients treated by the Trust above 2009-10 levels.

The source of each pound the Trust received, together with the monetary equivalent of total income, is summarised below:

Source:	Monetary Equivalent £m		Monetary Equivalent £m	
	2009/10	2009/10	2010/11	2010/11
Primary Care Trusts	£0.92	£118.6	£0.93	£125.6
Other Income	£0.04	£5.4	£0.04	£5.3
Education, Training & Research	£0.03	£3.5	£0.02	£2.9
Other Patient Income	£0.01	£1.0	£0.01	£0.9
<b>Total</b>	<b>£1.00</b>	<b>£128.5</b>	<b>£1.00</b>	<b>£134.7</b>

## 11. What we spend the money on

The largest component of our expenditure is salaries and wages. The Trust employed an average of 2,285 whole-time equivalent staff (2,254 in 2009-10) at an overall cost of £91.5million (£87 million in 2009-10).

Average staff numbers included 281 doctors (251 in 2009-10), 715 nursing staff (730), 506 healthcare assistants and support staff (446), 491 administration and estates staff (563) and 292 scientific and technical and other staff (264).

A further £18.9 million (£17.5 million in 2009-10) was spent on clinical supplies such as drugs and consumables used in providing healthcare to patients.

The cost of running the premises and equipment amounted to £6.4 million (£6.1 million in 2009-10), and general supplies and services which support the Trust's infrastructure cost £6.1 million (£5.5 million 2009-10).

The consumption of each pound the Trust spent, together with the monetary equivalent of total expenditure, is summarised below:

Applications:	Monetary Equivalent £m		Monetary Equivalent £m	
	2009/10	2009/10	2010/11	2010/11
Staff Pay (inc. Management)	£0.67	£87.5	£0.69	£91.5
Drugs & Clinical Supplies	£0.13	£17.5	£0.14	£18.9
Premises & Equipment	£0.05	£6.1	£0.05	£6.4
General Supplies & Services	£0.04	£5.5	£0.04	£6.1
Depreciation	£0.04	£5.1	£0.04	£5.0
Services from Other NHS Bodies	£0.01	£0.9	£0.01	£0.9
Other Expenses	£0.06	£8.3	£0.03	£3.6
<b>Total</b>	<b>£1.00</b>	<b>£130.9</b>	<b>£1.00</b>	<b>£132.4</b>

## 12. Better Payment Practice Code

Section 8 (page 31) identifies a statutory requirement to pay 95% of non-NHS invoices within 30 days and details the Trust's performance against this.

The Confederation of British Industry (CBI) 'Better Payments Practice Code' is a four-point code that organisations should adopt to ensure prompt payment to suppliers. The points are:

1. Agree payment terms at the outset
2. Explain payment procedures to suppliers
3. Pay bills in accordance with the contract or legislation
4. Prompt communication of disputed invoices

Under the Late Payment of Commercial Debts (Interest) Act, all businesses are entitled to claim statutory interest and debt recovery compensation for the late payment of commercial debts.

Further details, as provided on page 79 of the accounts, are set out below:

### Note 13.1 Better Payment Practice Code - measure of compliance

	2010/11	
	Number	£000
Total Non-NHS trade invoices paid in the year	37,418	40,934
Total Non NHS trade invoices paid within target	35,768	40,049
Percentage of Non-NHS trade invoices paid within target	96%	98%

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

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

	2009/10	2010/11
	£000	£000
Amounts included within Interest Payable (Note 13) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

There were no payments in respect of late payments on commercial debts.

Actions taken by the Trust to improve the time taken to pay suppliers includes:

- Review of processes to minimise delays
- Implementation of electronic scanning and authorisation solution
- Improvement to the process for receipting goods
- Review of the frequency of payment runs

## 13. Capital investment

In 2010-11 capital expenditure totalled £5.3 million. This included:

- £2.9m on estate developments
- £1.1m on operational medical equipment
- £0.5m on operational IT
- £0.7m on backlog maintenance

The Trust received £70,000 in donations towards capital spend and is grateful to the Leagues of Friends, volunteers and contributors to Charitable Funds for their invaluable contribution to the Trust.

## 14. International Financial Reporting Standards (IFRS)

The Accounts for 2010-11 have been prepared in accordance with International Financial Reporting Standards.

## 15. Breakeven duty and 2011/12 financial outlook

NHS trusts are required to break even, taking one year with another. In practice this must be delivered over a three-year period and can be extended to five years with the permission of the Department of Health, starting with first year the deficit arises.

The Trust achieved its financial targets for both financial years. The table below illustrates the impact on the Trusts cumulative deficit.

	2009/10	2010/11
	Actual	Actual
	£'000	£'000
<b>Post 1997 Cumulative Surplus/(Deficit) b/fwd</b>	<b>(5,086)</b>	<b>(93)</b>
Adjustments for Impairments	5,086	345
<b>Breakeven Surplus/(Deficit)</b>	<b>0</b>	<b>252</b>

<b>Break Even Duty Year</b>	<b>1</b>	<b>2</b>
<b>Breakeven Duty Achieved?</b>	<b>Yes</b>	<b>Yes</b>

The current economic climate will prove challenging to public sector bodies as the level of investment reduces. In particular, the Devon health economy faces a significant financial challenge in 2011-12; we will be a proactive contributor in the process.

Transforming Community Services affords the Trust critical mass and opportunity to impact positively on patient care across a wider geographic area.

However, the corrective actions required place a risk on the Trust that has resulted in a savings target of £9.0 million being incorporated in financial plans for 2011-12.

## 16. Transforming Community Services

From 1 April 2011, the number of services the Trust provides and the population the Trust serves increased. These services include:

### 12 community hospitals:

- Axminster
- Budleigh Salterton
- Crediton
- Exmouth\*
- Honiton\*
- Moretonhampstead\*
- Okehampton\*
- Ottery St. Mary\*
- Seaton
- Sidmouth\*
- Tiverton\*
- Whipton, Exeter

\* includes minor injuries unit (MIU)

### Nine complex care teams

### A range of specialist community services including:

- Bladder and bowel care
- Community nursing
- Physiotherapy
- Occupational therapy
- Radiology
- Speech and language therapy
- Continuing healthcare
- Sexual health services including family planning
- Podiatry



Trust bases as of April 2011

### Trust at a glance

Staff working in acute services



2,111

Staff working in community



2,480

Acute beds



341 at North Devon District Hospital

Community beds



303 across 17 community hospitals



96 CH beds in North



207 CH beds in East

17 complex care teams

We now provide services to over half of Devon

Population served: 484,000 (Devon total: 740,000)

Square miles covered: 1,300 (Devon total: 2,500)

## 17. Foundation Trust status

NHS foundation trusts remain part of the NHS but are free from central government control. Within clearly defined guidelines, an NHS foundation trust can raise capital funding and external borrowing and determine the services they wish to provide.

The Trust is in the process of agreeing a timetable with South West Strategic Health Authority that will commence a Foundation Trust application during the 2011-12 financial year.

## 18. Sustainability statement

### Background

Northern Devon Healthcare NHS Trust is the largest employer and a major user of resources in northern Devon. The Trust intends to lead by example and take positive action to achieve sustainability and minimise the harmful effects of its work.

It has long been recognised that carbon dioxide is a major component in green house gas emissions. The NHS as one of the world's largest organisations, using 25% of the UK resources. The UK government has acknowledged this and placed a clear mandate on the Department of Health (DH) in respect to its commitment to reducing emissions.

### Present achievements

The existing environment strategy targets seven areas, all of which are Facilities-based. The Facilities team has completed benchmarking exercises against other organisations which confirm good practice, the meeting of legislation, peer clarification/comparison within the areas and the introduction of key performance indicators as targets. Confirmation feedback is provided through the DH Estates national performance database ERIC. The areas targeted were:

1. **Energy** - The Trust is on track to meet targets set for 2012 by the DH
2. **Water** - Monitoring and targeting has enabled the Trust to reduce consumption
3. **Waste** - The instigation of segregation and recycling has reduced waste produced with the development of a new recycling pavilion
4. **Procurement** - Contracts and tenders reference the Trust's sustainability approach
5. **Transport** - There are ongoing discussions with local bus companies to provide extra services to NDDH, plus a review of car parking policy and procedures, and good take-up of the 'cycle share' scheme by staff;

6. **Sustainable development in new buildings** - New projects/upgrades are subject to a sustainability assessment using bespoke electronic software BREEM. In addition, the design teams are tasked to meet a 5% energy reduction on all projects.
7. **Biodiversity** – Through its close links with environmental groups, the Trust ensures that any biodiversity impact within a development is kept to a minimum.

### Department of Health requirements

To address the Government's mandate, strategic health authorities require local NHS trusts to put in place a sustainability strategy that is a key part of their operating processes and policies. The Trust's Sustainability Strategy document consists of ten key areas and identifies that the DH sustainability agenda with carbon saving can only be successful if treated as a Trust-wide issue. The areas are:

1. Energy and carbon management;
2. Procurement and food - local sourcing and low carbon purchasing
3. Low carbon travel and transport
4. Water consumption – reduction and management
5. Waste reduction – streaming and recycling
6. Designing a better and more energy-conscious built environment
7. Organisational and workforce development
8. The role of partnerships and networks
9. Assurance
10. Finance and risk

### Approach

To support energy users, the Sustainable Development Commission produced a Good Corporate Citizenship (GCC) Model which contains a self-assessment scoring process covering six areas. This assessment supports the Trust's approach to the ten key areas listed within its Sustainability Strategy.

A recent application of the GCC model scored the Trust as above the South West regional average. This is attributed to past efforts made by the Trust, although this is not a cause for complacency as the focus on sustainability within all NHS Trusts remains high.

## Penalties and rewards

Reducing the NHS carbon footprint/production and emissions has never been more focused. The Department of Health, through penalisation or reward, has targeted all areas of the sustainability agenda. This is through:

- ❑ Landfill taxes to penalise those who do not recycle and reduce their waste production
- ❑ Emission taxes on vehicles that reward those who drive low-emission cars
- ❑ Carbon levies on electricity, gas and oil
- ❑ Performance validation on energy usage within buildings
- ❑ Refrigeration performance and validation, with removal of damaging refrigerants by 2012
- ❑ The Carbon Reduction Commitment, which penalises all large consumers of electricity and fossil fuels, based on carbon produced.

## Future aims

The practicalities to meet all the ten key areas will be difficult, especially in departments where there is no awareness or preparation. Departments will need time to understand the impact of the agenda, to network with other trusts and colleagues, and in some cases to receive training. During 2010-11, the Trust concentrated on all building-related sustainability issues, which has built on previous success. During 2011-12 the Trust will target the remaining areas, identifying leads to champion the area they are responsible for.

To ensure that building-related carbon management is addressed, the Trust will:

- ❑ Consider carbon production in all developments and refurbishments
- ❑ Reduce energy use, allow it to limit financial carbon levies on fossil fuels
- ❑ Apply electrical saving initiatives to reduce consumption
- ❑ Improve controls to reduce energy consumption in providing heating/hot water
- ❑ Monitor water consumption to reduce water usage and sewerage return
- ❑ Continue to remove ozone-damaging refrigerants
- ❑ Separate waste streams to reduce/recycle waste
- ❑ Address travel pollution through its vehicle purchases
- ❑ Report regularly to the executive team on carbon reduction/growth
- ❑ Bring the sustainability agenda to the attention of all staff.

The Department of Health has a clear mandate on NHS Trusts to achieve carbon reduction, financial savings, and improved health of the nation with a carbon-free, sustainable future for the NHS. This will be achieved by engaging staff at all levels within the Trust, who will understand where and how the sustainability agenda applies.

## 19. Emergency planning

### Major Incident Plan

The Trust reviews and updates its Major Incident Plan and publishes it on its intranet on an annual basis. The plan fully complies with national guidance for emergency preparedness. This ensures that, should a major incident occur that required a response from healthcare organisations in northern Devon, the Trust has the necessary systems and processes in place for staff to take appropriate action.

The Civil Contingencies Act 1995 ensures that the United Kingdom is prepared to deal with major disruptive challenges however they might occur. Under the Act, the Trust was classed as a Category One responder with responsibilities including:

- ❑ Assessment of the risks of an emergency occurring and using this to inform contingency planning
- ❑ Putting emergency plans in place
- ❑ Having business-continuity arrangements in place
- ❑ Putting in place arrangements to make information available to the public and maintaining arrangements to warn, inform and advise the public in the event of an emergency
- ❑ Sharing information with other local responders to enhance co-ordination
- ❑ Co-operating with other local responders to enhance co-ordination and efficiency.

Working closely with our partners is fundamental to the Trust's ability to respond to a major incident and the organisation has continued to work with individual external agencies throughout the year to ensure all emergency plans are linked and support a Devon-wide response.

### Flu pandemic preparedness

The plan was reviewed in 2010.

## Mass casualties

The Trust is currently working, under the guidance of NHS South West and with other South West acute providers, to develop a Mass Casualties Plan, which would be invoked in the event of a mass casualty incident.

## Exercise and testing

The Trust has tested:

- Cascade call-out in conjunction with South Western Ambulance Service on a six-monthly basis
- The setting up of the incident control room

The Internal Incident Plan was activated this year during adverse weather. The plan went well and minor changes were made to the individual action plans. The Trust plans a further internal exercise and an EMERGO exercise this year.

## 20. Glossary

Where not specifically detailed, the following glossary of terminology may be useful to aid your interpretation of the information contained in this report.

A&E	Accident and Emergency Department	MIU	Minor Injuries Unit (in Community Hospitals)
ALE	Auditors Local Evaluation	MRSA	Methicillin Resistant Staphylococcus Aureus
CDiff	Clostridium Difficile	NDDH	North Devon District Hospital
CHs	Community Hospitals	NDHT	Northern Devon Healthcare NHS Trust
CQC	Care Quality Commission	NICE	National Institute for Clinical Excellence
CT	Computed Tomography	OFR	Operating and Financial Review
CTN	Call to Needle	OP	Out-Patient
CUM	Cumulative	OPS	Operations
DC	Day Case	PAS	Patient Administration System
EM	Emergency	RD&E	Royal Devon & Exeter NHS Foundation Trust
ENT	Ear, Nose and Throat	RTT	Referral To Treatment
eSAP	Electronic Single Assessment Process	SWAST	South West Ambulance Services Trust
FST Attends	First (Outpatient Attendances)	VI	Vertical Integration (of staff transferred from ND PCT in Oct 2006)
FUP	Follow Up (Outpatient Attendances)	WAMD	Wet Aged-related Macular Degeneration
G&A	General and Acute specialties only (excludes Obstetrics & Midwifery)	WL	Waiting List
GCC	Good Corporate Citizen	WTE	Whole Time Equivalent (number of staff)
GP	General Practitioner	YTD	Year To Date
GU	Genito-Urinary		
GUM	Genito-Urinary Medicine		
HR	Hour		
IFRS	International Financial Reporting Standards		
IP	In-Patient		

# Statement of Internal Control



## 1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

With regard to the accountability arrangements for the Trust, the following routine meetings are attended by the Chief Executive and/or Executive Directors:

### Internal Reporting –

- Weekly Executive Directors Group meetings
- Monthly performance meetings with the Director of Finance and Performance and the Director of Operations with General Managers
- Monthly Finance & Performance Committee
- Monthly Capital Committee
- Monthly Clinical Services Executive Committee meetings
- Routine Board meetings, at least seven times a year

During 2010/11, the Trust Board reviewed the organisation's committee structure. In November 2010, it was agreed to dis-establish the Finance and Performance Committee and the Capital Committee and re-focus the Board meetings to ensure that the detailed discussion takes place at the open session of the Trust Board rather than in private.

### External reporting -

- Monthly meetings held with the South West Strategic Health Authority and all Strategic Health Authority Chief Executives
- Regular meetings held with the Director of Finance at the South West Strategic Health Authority attended by the Director of Finance and Performance
- Monthly meetings held between Chief Executive and the senior team from the Trust and the Chief Executive and the senior team from the NHS Devon

### Stakeholder Reporting -

- Membership of the North Devon Way Forward Group
- Membership of the North Devon and the Torridge Local Strategic Partnerships
- Attendance at the LINks meetings and the Overview and Scrutiny Committee when required
- Additionally, the Trust Executive Team have attended Devon Health Community meetings when they have been convened

## 2. The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- 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 Northern Devon Healthcare NHS Trust for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

In making this statement, reference must also be made to the Head of Internal Audit opinion on the effectiveness of the organisation's internal control systems and financial governance.

## 3. Capacity to handle risk

The Board and Senior Management are committed to risk management, as this is an integral part of achieving the Trust's objectives and of being accountable to the public.

The Chief Executive has overall responsibility for risk management within the Trust. The Director of Finance and Performance has been nominated as the lead Director for risk management. Each Director has responsibility for leading and reporting on the risk management plans for risks identified within their directorates. The Directors are accountable to the Chief Executive in this role.

The line management and professional structures within the Trust ensure that responsibility for the implementation of risk management procedures and control of risks are in line with the scheme of delegation for their areas of responsibility. Support is provided by members of the Corporate Governance Team to enable staff to identify and assess risks and to develop action plans to manage them. The Trust's risk management arrangements have been embedded throughout the organisation, resulting in shared good practice.

Statutory Health and Safety training is provided to all staff. Generic risk assessment training is provided to the relevant staff. Further risk management training, such as managing the corporate risk register and the Principal Risk and Assurance Register, is targeted to the appropriate staff. This has enabled staff to manage risk in a way appropriate to their authority and duties. Training will continue to be provided over the next year.

The Risk Management Strategy was reviewed in order to reflect the developments in risk management throughout the year. The Risk Management Strategy was presented to the Trust Board in January 2010 and was approved. The Strategy is due to be presented to the Trust Board in May 2011, as part of the annual review and to reflect the impact of the incorporated community services as part of Transforming Community Services.

## 4. The risk and control framework

The Risk Management Strategy includes the following:

- Details of the aims and objectives for Risk Management in the organisation
- A description of the relationships between various Committees with a role in risk management
- Descriptions of the responsibilities of all levels of management and their levels of authority in respect of managing risk and operating a suitable system of internal control
- Summaries of the role of key individuals with responsibility for advising on and co-ordinating risk management activities
- A description of the tools that the organisation uses to review risk management performance and for gaining assurance about the management of risk
- The definitions of risk management, risk and other key terms
- Guidance on what is an acceptable risk to the organisation

It also includes a description of the whole risk management process and requires all risks to be recorded, when identified, in a standard format risk register and prioritised using a standard scoring methodology. Risk registers, both local and corporate, are in place throughout the organisation.

The Risk Management Strategy clearly states that it is the responsibility of all staff to identify risks and communicate those risks to the most appropriate person and/or committee. The Trust's risk management arrangements ensure that all identified risks are assessed and validated and that actions are agreed to mitigate, minimise or accept the risk. Risks are performance monitored and reviewed at regular intervals and the management of the risk may be challenged at any stage.

The Risk Management Committee was established in December 2006 to monitor and manage both clinical and non-clinical risks. Minutes of the Risk Management Committee meetings are presented to the Audit and Assurance Committee and the Clinical Governance Committee for information and challenge.

The role of the Audit and Assurance Committee has been expanded to monitor the management of high-scoring risks and to approve the management of the Principal Risk and Assurance Register. High-level clinical risks are monitored by the Clinical Governance Committee. The Terms of Reference of the two committees reflect these functions.

All identified risks, including risks to data security, and the organisational and structural changes emerging in the light of the White Paper "Equity and excellence: Liberating the NHS", are entered onto the Corporate Risk Register, with supporting action plans to mitigate the risk. A robust system for validating the risk assessments and their scores and for performance monitoring the progress of the action plans has been put in place, supported by the Risk Manager. Routine reports of new risks, exception reports and those risks that have been accepted are presented to the Risk Management Committee on a monthly basis for discussion and challenge.

The reporting schedule of risks has been reviewed to ensure the appropriate level of detail is presented to the relevant committees.

The Assurance Framework is monitored by the Audit and Assurance Committee. Key elements of the Assurance Framework are:

- Principal objectives
- Principal risks
- Key Controls
- Assurances on Controls
- Gaps in Assurance
- Gaps in Control
- Principal Risk Action Plan

In formulating the Assurance Framework, the Board has reviewed its strategic objectives. The Trust's aim, vision and reviewed strategic objectives were approved by the Board in July 2009. The strategic objectives are used to confirm the Board agenda. The purpose of the Assurance Framework is to document the above and is used to examine the level of assurance on the effective operation of controls.

High scoring risks, with scores of 15 or more, recorded on the Corporate Risk Register, are discussed at the Risk Management Committee to assess if they represent an example of a principal organisation-wide risk. These risks are recorded on the Principal Risk and Assurance Register, together with a description of existing controls and related assurances and any gaps. Where gaps have been identified, action is agreed to manage the gaps and the information is set out in the Principal Risk Action Plan. This is presented to the Executive Directors Group, the Audit and Assurance Committee and the Trust Board for information. The Principal Risk and Assurance Register is monitored by the Audit and Assurance Committee and presented to the Trust Board for approval twice a year.

During 2010-11, the Trust Board completed a comprehensive exercise to review the Corporate Risk Register to identify the strategic risks to the organisation which represent the risks identified at executive director and non-executive director level. The strategic risks have been recorded on the Corporate Risk Register, together with supporting action plans, and will be performance-monitored and reported through the Trust's risk management arrangements.

In order to support the Trust Board's role in identifying strategic risks, the agenda for the Board meeting has been revised to include a standing agenda item for both executive directors and non-executive directors to raise emerging issues which may represent a risk to the organisation. This ensures that the Trust Board is made aware of emerging issues at an early stage and has an opportunity to discuss the potential impact on the Trust. In addition, key issues raised during the meetings of the sub-committees of the Trust Board are routinely highlighted and reported at the Board meeting by the sub-committees' chairs.

The reporting schedule of the Principal Risk and Assurance Register has been reviewed to ensure the appropriate level of detail is presented to the relevant committees.

The Assurance Framework clearly states that the context for risk management should incorporate consideration of the organisation's stakeholders, including:

- Patients
- Public interests
- Service user interests
- Commissioners
- Ministers and the Department of Health
- Wider societal interests
- Risk aspects of relationships inside and outside of the NHS, including key suppliers of goods and services to incorporate:
  - Ways in which the behaviour of 'partners' affects the Trust
  - Ways in which the behaviour of the Trust affects the partners
  - The risk priorities of partners

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. For example, as part of the Trust's ongoing work on the development and management of procedural documents, Screening Equality Impact Assessments are undertaken for all policy documents. The Executive Summary sheets presented with Trust Board reports, as well as those of the Board's sub-committees, include a section on equality and diversity implications. Where a significant adverse impact is identified, a Full Equality Diversity Assessment form is completed together with an action plan and consultation plan.

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

The Trust has undertaken a climate change risk assessment and developed an Adaptation Plan, to support its emergency preparedness and civil contingency requirements, as based on the UK Climate Projections 2009 (UKCP09), to ensure that this organisation's obligations under the Climate Change Act are met.

The Trust registered its locations, service types, regulated activities and a named manager for each location with the Care Quality Commission. The Trust received confirmation that it had been successfully registered without any location or service-specific conditions. The Trust is fully compliant with the Care Quality Commission's essential standards of quality and safety.

With regard to risks to information, the Trust recognises the need for an appropriate balance between openness and confidentiality in the management and use of information. Information is a vital asset, in terms of both the clinical management of individual patients and the effective control of services and resources. It plays a major part in clinical governance, service planning and performance management. Control measures have been put in place to ensure information is appropriately managed, and policies, clear procedures and accountability provide a robust governance framework for information management. These include controls to ensure confidentiality and appropriate security arrangements to safeguard personal information about patients, staff and commercially sensitive information. Other control measures ensure adherence to the requirements of the Freedom of Information Act and Information Governance toolkit and controlled sharing of information with other agencies and health organisations through appropriate information-sharing protocols.

During 2010-11, three serious untoward data security incidents were reported. In each case, the Trust will complete a comprehensive formal investigation and the final report will be presented to the Trust Board. Actions will be implemented to reduce the risk of a recurrence.

There was a significant increase in incidents requiring infection-control measures in the northern Devon health community during Quarter 4. As a consequence, the number of closed beds was high over an extended period, which resulted in pressure on bed availability. The Trust therefore opened the winter pressure beds in accordance with the Winter Pressure Plans. However, there were frequent occasions when the lack of beds could not be off-set, resulting in cancelled elective operations and delayed admissions from A&E.

The Trust continues to maintain the highest number of patient safety incidents reported to the National Patient Safety Agency compared with similar small acute trusts. This indicates that the organisation has robust incident reporting processes embedded throughout the organisation. During 2010-11, the process was further strengthened for escalating reported incidents for a decision on whether they should be designated as a serious untoward incident and formally investigated.

Incidents may be escalated if the outcome actually or potentially had a severe or catastrophic level of harm or if the incident represents a significant risk to the organisation. Escalated incidents are subjected to an initial Significant Event Audit investigation and the report is presented to the executive team for a decision on whether it should be designated as a serious untoward incident. The final decision is agreed by the Executive Directors Group.

On completion of the comprehensive formal investigation of serious untoward incidents, the reports are reviewed by the executive team and presented to the Clinical Governance Committee and the Trust Board. Actions highlighted in both the Significant Event Audit report and the serious untoward incident report are recorded on the Corporate Risk Register, and performance monitored and reported via the Trust's risk management systems.

Following receipt of an Internal Audit Report on the Trust's Workforce Planning arrangements where the overall assurance opinion was rated as 'red', discussions were undertaken between Internal Audit and members of the Executive Team. The overall assurance opinion was subsequently rated as 'amber'.

The Trust's local analysis indicates potential under-achievement for the following indicators:

- ❑ Cancelled operations – adverse weather conditions in December 2010 and January 2011 and associated high emergency demand resulted in a high number of cancelled operations. In addition, throughout the winter period, there were significant bed closures due to infection control measures, particularly in Quarter 4. This had a knock-on effect on A&E waiting times.
- ❑ MRSA standard – the Trust had more MRSA cases than its limits.
- ❑ A&E waiting times – in 2010-11, levels of emergency demand have been higher than forecast throughout much of the year.

Achievement of the indicators has been monitored by the Trust throughout the year via:

- ❑ Monthly Directorate Performance meetings
- ❑ Monthly Finance & Performance Committee meetings
- ❑ Routine reports to the Trust Board

Where potential under-achievement has been identified, action plans have been developed, implemented and monitored as part of the monthly monitoring arrangements to reduce the impact.

The other key indicators are currently expected to be achieved. The Trust continues to undertake robust internal performance monitoring in accordance with the organisation's Performance Management Framework.

There is uncertainty around the implications of the QIPP programme and the resulting impact on the Trust's workforce plans. This issue is being monitored by the Director of Personnel and Development.

## 5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the Internal Audit's work. The overall level of the Head of Internal Audit Opinion is significant assurance. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed and are effective.

My review has also been informed by:

- Audit Commission reports
- Internal Audit reports
- Assessments by external agencies; for example, Information Commission consensual visit
- Care Quality Commission planned and responsive reviews
- Internal management 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 Risk Management Committee, the Clinical Governance Committee, the Audit and Assurance Committee, the Clinical Services Executive Committee, the Finance and Performance Committee and the Trust Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The main mechanism for this is the Assurance Framework and the agreed supporting committee and reporting structures that have been in place from August 2006. The Terms of Reference for the key committees are reviewed on an annual basis to reflect any changes in organisational structure.

- The Board receives the following reports that provide it with assurance on how the controls within the organisation are working:
  - Reports from other committees of the organisation
  - Reports from executive directors and key managers
  - Reports from external reviewers, when received

- The Audit and Assurance Committee receives reports from Internal and External Audit on the work conducted by them during the year.
- Minutes from the relevant committees, such as the Audit and Assurance Committee, are presented to the Board to note.
- Executive directors and key managers may present reports to the Board to note or to approve.
- The Director of Internal Audit has provided a Head of Internal Audit Opinion commenting on the current status of the Assurance Framework and the effectiveness of the Systems of Internal Control reviewed by Internal Audit. This has been used to aid in the preparation of this Statement.
- The reporting structure described in the Assurance Framework is used to monitor the systems of internal control and make reports to the Board.
- The Assurance Framework is independently reviewed by Internal Audit on an annual basis.
- The Trust registered its locations, service types, regulated activities and a named manager for each location with the Care Quality Commission. The Trust received confirmation that the Trust had been successfully registered without any location or service-specific conditions.

Issues of Significant Internal Control identified by the Executive Directors will be reported immediately to the Chief Executive. Reports will also be made to the next Executive Group meeting, to the next Board meeting and to the next Risk Management Committee meeting. If required, the issue will be escalated to the relevant group; for example, the Audit and Assurance Committee or Clinical Governance Committee.

Disclosure of a significant internal control issue may contain a description of the weakness and its impact to provide context for the actions taken to manage it. In such cases, the Trust may exercise discretion when disclosing a significant internal control issue in order to avoid further adverse impacts or exploitation of the weakness.

## 5. Financial recovery

The financial plan for 2010-11 was to achieve a surplus of £250,000 before the application of impairments.

During 2010-11, the Trust has reported a surplus of £252,000 before the application of impairments and continues to achieve its statutory breakeven financial duty as detailed in note 39.1 of the accounts.

The following controls remained in place regarding reporting of financial and operational performance:

- ❑ Monthly reports to the Finance & Performance Committee
- ❑ Routine reports to the Trust Board as part of the Performance Report
- ❑ Monthly reports to the Clinical Services Executive Committee
- ❑ Monthly directorate performance reviews held with the Director of Finance and Director of Operations

The Trust has detailed plans in place to deliver its financial objectives in 2011-12 and will continue to monitor delivery to the same methodology and control as detailed above which ensures the directors, the Board and the Strategic Health Authority are assured that recovery remains on track, or that remedial action is taken immediately, to ensure that the planned financial position is achieved.

All risks to delivery are reported and recorded on the Corporate Risk Register.

Details of financial performance in 2010-11 and the 2011-12 financial plans are included in the Operating and Financial review that forms part of the Trust's Annual Report.

## 6. Conclusion

My review confirms that Northern Devon Healthcare NHS Trust has a generally sound system of internal control and supports the achievement of its policies, aims and objectives.



Jac Kelly

Chief Executive

# Remuneration report



## Introduction

Section 234B and Schedule 7A of the Companies Act, as interpreted for the public sector, requires NHS bodies to prepare a remuneration report containing information about directors' remuneration. In the NHS, the report will be in respect of the senior managers of the NHS body. The definition of a senior manager is:

"Those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments."

For the purposes of this report, this covers the Trust's non-executive directors, executive directors and associate directors.

## Remuneration report

Details of senior managers' remuneration and pensions follow.

### A) Remuneration

Name and Title	2010-11			2009-10		
	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind Rounded to the nearest £100	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind Rounded to the nearest £100
J Kelly - Interim Chief Executive	125-130			150-155		
C Mills - Director of Nursing	85-90			75-80		
A Robinson - Director of Finance and IMT	120-125			110-115		
K Lyons - Director of Operations (1)	80-85					
A Diamond - Medical Director	100-105			20-25		
I Roy - Director of Facilities	80-85			75-80		
M Bignell - Associate Director of Organisational Development	70-75			70-75		
B Sherwin - Chairperson (2)	15-20			20-25		
R French - Chairperson (3)	0-5					
J Lake - Non-executive Director	5-10			5-10		
A Tucker Jones - Non-executive Director	5-10			5-10		
S Jones - Non-executive Director (4)	0-5			5-10		
J Reynolds - Non-executive Director	5-10			5-10		
R Dennis - Non-executive Director (5)	5-10			5-10		
P Geen - Non-executive Director (6)	0			0		

(1) The Director of Operations commenced on 1st June 2010

(2) The Chair's term of office ceased on 31st January 2011

(3) The Chair's term of office commenced on 1st February 2011

(4) The Non-executive Director's term of office ceased on 30 September 2010

(5) The Non-executive Director resigned on 31 March 2011

(6) The Non-executive Director was appointed on 3 March 2011

## B) Pension Benefits

Name and title	2010-11						2009-10							
	Real increase in pension at age 60 (bands of £2500) £000	Real increase in lump sum at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2011 (bands of £5000) £000	Lump sum at age 60 related to accrued pension at 31 March 2011 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2011 £000	Cash Equivalent Transfer Value at 31 March 2010 £000	Real increase in pension at age 60 (bands of £2500) £000	Real increase in lump sum at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March 2010 (bands of £5000) £000	Lump sum at age 60 related to accrued pension at 31 March 2010 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2010 £000	Cash Equivalent Transfer Value at 31 March 2009 £000	Real increase in Cash Equivalent Transfer Value	Employers Contribution to Stakeholder Pension To nearest £100
C Mills - Director of Nursing	2.5-5	5-7.5	25-30	70-75	372	383	(6)							
A Robinson - Director of Finance and IMT	2.5-5	7.5-10	25-30	75-80	526	512	1							
K Lyons - Director of Operations			25-30	85-90	343									
A Diamond - Medical Director	0-2.5	2.5-5	40-45	120-125	634	695	(24)							
I Roy - Director of Facilities	0-2.5	5-7.5	25-30	85-90	502	507	(5)							
M Bignell - Associate Director of Organisational Development	0-2.5	2.5-5	10-15	30-35	234	223	2							

### Notes

- (1) The Chief Executive does not receive pensionable remuneration.
- (2) As non-executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for non-executive members.
- (3) For directors employed during the year, there is no corresponding data for the previous year to reflect movements.
- (4) A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
- (5) Real increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.
- (6) The Trust pension values are recorded using Consumer Price Index (CPI) rather than Retail Price Index (RPI) in previous years.

## Remuneration terms of services committee

The Trust's Remuneration Committee is a non-executive committee. The membership is the Chairman plus the five non-executive directors. Executive directors may be present, as and when required.

## The remuneration of senior managers

The remuneration of senior managers is set out in the Terms and Conditions of Service. The performance of senior managers is assessed through the formal appraisal process, based on organisational and individual objectives. No element of the remuneration of senior managers is subject to performance conditions. All contracts contain a three-month notice period and no contracts contain a provision for termination payments other than those agreed nationally and under statutory requirements for redundancy payments.

## Non-executive directors

The dates of contracts and unexpired terms of office for the non-executive directors (NEDs) are as follows:

Name	Appointment start date	Appointment end date
Roger French (Chairman)	01/02/11	31/01/15
June Lake (NED)	01/07/07	30/06/11
Amelia Tucker-Jones (NED)	11/12/10	10/12/14
Jane Reynolds (NED)	01/06/07	31/05/15
Pauline Geen (NED)	03/12/11	02/02/15

Non-executive directors are paid an allowance for their work on the Board and do not hold a contract of employment with the Trust. There is no period of notice required for non-executive directors and their appointment is organised by the NHS Appointments Commission.

## Executive directors and associate directors

Name	Position	Contract Type	Start Date	Employment status
Jac Kelly	Chief Executive	Fixed Term	16.10.06	Contract was renewed on 15.04.08
Andy Robinson	Director of Finance and Performance	Permanent	15.11.06	
Carolyn Mills	Director of Nursing	Permanent	08.08.05	
Alison Diamond	Medical Director	Permanent	01.10.06	
Kate Lyons	Director of Operations	Permanent	01.06.10	
Ian Roy	Director of Facilities	Permanent	19.04.99	
Maureen Bignell	Associate Director of Organisational Development	Permanent	01.10.06	

# Head of Internal Audit opinion



**Head of Internal Audit opinion on the effectiveness  
of the system of Internal Control at Northern Devon  
Healthcare NHS Trust for the year ended 31 March 2011**

## Roles and Responsibilities

The whole Board of Directors is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Statement on Internal Control (SIC) is an annual statement by the Accountable Officer, on behalf of the Board of Directors, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process; and
- the conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's Assurance Framework should bring together all of the evidence required to support the SIC requirements.

In accordance with NHS Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit and Assurance Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Assurance Framework. As such, it is one component that the Board of Directors takes into account in making its Statement on Internal Control.

## The Head of Internal Audit Opinion

The purpose of my annual HoIA Opinion is to contribute to the assurances available to the Accountable Officer and the Board of Directors which underpin the Board of Directors' own assessment of the effectiveness of the organisation's system of internal control. This Opinion will in turn assist the Board of Directors in the completion of its Statement on Internal Control.

My opinion is set out as follows:

- Overall opinion;
- Basis for the opinion;
- Commentary.

My **overall opinion** is that

**Significant assurance** can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk.

The **basis** for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning Assurance Framework and supporting processes;
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses;
- Any reliance that is being placed upon third party assurances.

The **commentary** below provides the context for my opinion and together with the opinion should be read in its entirety.

Internal Audit's work has been taken forward in three broad categories. The following summarises the opinions and assurances from the reviews undertaken in these areas.

## Assurance Framework - Corporate governance and risk management

Internal Audit completed reviews on the following Assurance Framework areas of the Trust:

Audit	Assurance Rating	Impact Assessment
Principal Risk and Assurance Register	WIP	WIP
Risk Management	Draft	Draft
Performance Management	**	**
Clinical Governance – Incident Reporting	Green	Low
Clinical Governance – SUIs	Green	Low
Care Quality Commission – Process	Green	Low
Care Quality Commission – Evidence	Green	Low

\*\* This review has been delayed at the request of the Director of Finance and Performance

In relation to the reviews notes above the following comments are made.

### Principal Risk and Assurance Register:

The Trust's Principal Risk and Assurance Register has been developed in line with the Department of Health guidelines as prescribed in 'Building the Assurance Framework: A practical guide for NHS Boards'. We can confirm that the Assurance Framework has been appropriately reported to both the Board and the Audit and Assurance Committee during the year.

### Risk management:

We have reviewed the risk management processes in place within the Trust. This year has seen a change to the management of risks with those scoring between one and ten being the responsibility of the risk owners to monitor. Risks scoring over ten have been managed through the previous process. While the processes in place appear to be operating robustly, the new process is yet to be formalised in the Trust's Risk Management Policy. Furthermore, we have identified that some risks were not entered onto Datix in a timely manner (including one scoring 15) and responses are not consistently being received from risk owners in respect of risks scoring less than ten. While the significant risks are being appropriately managed, there is a potential risk to the Trust that risks are not monitored at a lower level and that these escalate over time,

### Care Quality Commission (CQC) compliance:

We have completed a series of reviews of Care Quality Commission compliance during 2010-11. Our initial review considered the Trust's preparedness for the new Care Quality Commission regime, and concluded that there were robust arrangements in place to manage the CQC regulatory process.

We then completed individual reviews of six outcomes to assess the evidence available for each of the Trust's locations to support compliance with the regulatory requirements. These reviews found that there was adequate evidence in place to provide assurance to management that the required processes were in operation within the organisation.

## Financial Assurance

Internal Audit completed reviews on the following financial areas of the Trust:

Audit	Assurance Rating	Impact Assessment
Ledger to Board Reporting	Green	Low
Financial Planning – Phase one	Green	Medium
Financial Planning – Phase two	Green	Medium
Budgetary Control	Green	Low
Debtors	Green	Low
Creditors	Green	Low
Payroll	Green	Low
Sodexo Controls	Green	Low
Cash and Bank	Green	Low
Capital Accounting	Green	Low
Charitable Funds	Green	Low
Private Patients Income	Draft	Draft

Audit work has been undertaken during the year on the core financial systems of the Trust to meet the requirements of the Trust's external auditors, the Audit Commission. Although not all these audits had been finalised at the date of this statement, these reviews have concluded, overall, that the current systems in place represent a low risk to the Trust and that **positive assurance** can be provided that the systems in place are operating satisfactorily. We make comment below on the one area which represents a medium risk to the organisation following our review.

## Financial planning

The overall process for identifying and monitoring the 2010-11 Cash Releasing Efficiency Saving (CRES) programme was considered to be appropriate. The CRES programme has been delivered through a combination of efficiency projects and a 'business as usual' approach. This has been a development on the previous year which focused wholly on delivering CRES through tighter business management and cost savings.

As part of the funding to deliver the capacity plan growth for 2010-11, the Trust negotiated additional income of £2.56m that represents a 50% marginal rate on national tariff value. A corresponding reserve was created to allow for these additional costs and the directorates were tasked with identifying efficient ways of working to minimise the level of additional work that is required to be delivered out of hours, therefore avoiding cost.

As in previous years, the Trust has achieved its budgeted position through capacity plan growth outside core operational times which incurs additional cost under the current model. As such, the additional income that this delivers compensates for the slippage in the targeted CRES plan. It has been noted in Trust Board minutes that NHS Devon is resistant to the ongoing payment for extra activity. For future years the Trust must ensure that it plans for the possible non-payment of extra activity. In addition to this, the reshaping of the NHS may see widespread changes to payment tariffs resulting in more emphasis on the need for cost reductions.

### SAS 70 Third Party Assurance report in respect of IT General Controls in respect of the Electronic Staff Record (ESR)

In common with all NHS bodies, the Trust utilises the Electronic Staff Record (ESR) for its HR functions. An established routine is in place whereby third party assurance is provided annually within an Independent Service Auditor's SAS 70 third party assurance report, which helps to inform the Trust's Statement on Internal Control. This covers the IT general controls operated by McKesson UK in relation to the ESR.

We are satisfied that the 2010-11 Independent Service Auditor's report provided by Ernst & Young, dated 21 April 2011, provides reasonable assurance in respect of the IT general controls operated by McKesson UK in relation to the national Electronic Staff Record. This supports the Trust's Statement on Internal Control.

Key messages in its overall audit opinion were as follows:

- The report was unqualified as tests provided "reasonable, but not absolute, assurance" that Control Objectives were achieved during the period. No relevant exceptions were noted within any of the tests performed.

- Tests were undertaken for controls between 1.4.10 and 31.3.11, with results shown in Section 3 of the report for review by client organisations.
- The description of information technology general controls presents "fairly, in all material respects, the relevant aspects of ESR's and McKesson's controls that had been placed in operation as of 31 March 2011".
- The report states: "The controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and NHS organisations applied the controls contemplated in the design of ESR's and McKesson UK's controls."
- Limitation of scope - Section 4 of the report provides information on the Disaster Recovery arrangements and the ESR Data Warehouse. This section of the report was not 'audited' and as such it is made clear that Ernst & Young "express no opinion on it."

## Corporate assurance

Internal Audit completed reviews on the following corporate areas of the Trust:

Audit	Assurance Rating	Impact Assessment
Information Governance	Red	Medium
Freedom of Information	Amber	Medium
Emergency Preparedness	Amber	Medium
Clinical Audit Arrangements	Amber	Low
Patient and Public Involvement	Green	Low
Central Sterile Services	Green	Low
Estates Productivity	Draft Report	Draft Report
Patient Nutrition	Green	Low
Induction and Training	Amber	Medium
Waste Management	Green	Low
Workforce Planning	Red	Medium
Category II Payments	**	**
Unit Review – Drugs Management	Amber	Medium
Unit Review – Patient Property	Amber	Low
Unit Review – Human Resources	Draft Report	Draft Report

\*\* This review has been delayed at the request of the Director of Finance and Performance

We have conducted a number of reviews in relation to the corporate systems of internal control of the Trust. These reviews concluded that the current systems in place represent an 'amber' or 'green' assurance rating to the Trust. No audit reviews have been assessed as having a high impact on the ability of the Trust to meet its objectives.

We make the following specific comments:

### Information governance

The Trust has completed a self-assessment of compliance against version 8 of the Information Governance Toolkit. We have audited the self-assessment in line with the mandated audit framework as set out in 'A Question of Balance'. This has included:

- a review of the approach to delivering information governance within the corporate governance framework;
- an evidence-based review of the Trust's toolkit self-assessment and improvement planning;
- a risk-based review of the operational processes that support the toolkit requirements; and
- the completion of a staff survey to assess staff understanding of information governance.

At the time of our review, we were able to provide positive assurance surrounding the implementation of a Information Governance Framework, and a clear allocation of Information Governance roles within the organisation. At the time of the review, we were only able to find evidence to support compliance with 16 of the 22 key requirements. The Trust submitted a final position showing compliance with 18 of the 22 key requirements as at 31 March 2011.

Significant work will need to be completed during the early part of 2011-12 to ensure that the Trust is in a position to provide an updated position for the July 2011 return.

### Workforce planning

The aim of this review was to provide feedback on the Trust's workforce planning arrangements and whether they aligned with available national guidance and the Trust's strategic plans. The Trust has made good progress in workforce planning during 2010-11. While recognising the progress that has been made, it should be noted that Trust-wide directorate workforce plans have not yet been completed, and that these should form an integral part of business planning. The process and timelines for workforce planning, and how plans will link into the business planning process, is understood by the Head of Workforce Development but not documented and disseminated throughout the Trust. Furthermore, to accommodate timelines and introduce

new processes, there has been compromise in the manner in which the workforce planning model has been introduced, particularly in the level of predictive workforce detail included, and identification of potential gaps or surplus.

### Emergency preparedness

Since the previous review, carried out in 2008-09, the Trust has made progress with embedding emergency planning and business continuity into its culture. The underpinning documents for the Business Continuity Plan have been completed by each directorate. These were tested during the snow and strike incidents and proved effective. The strategic Business Continuity Plan/Strategy is scheduled to be developed during 2011.

This review identified a number of areas that could be strengthened to ensure that the Trust has effective and efficient major incident and business continuity arrangements in place:

- Whilst there is a Workforce and Development Training programme in development that includes emergency planning and chemical, biological, radiological and nuclear (CBRN) training, the Trust should consider providing the CBRN training as soon as possible;
- Resources for emergency preparedness should be identified as early as possible to ensure the Trust is able to provide funding as required; and
- The Trust could consider the benefits of the role of a dedicated Emergency Preparedness Lead to ensure plans, training and exercises are completed and up to date within a suitable timeframe.

### Induction and training

Overall, the Trust demonstrated that the system in place for the management of induction is well-designed with appropriate controls in place. The Education, Training and Development Strategy currently in place is supported by comprehensive, well-structured policies. The Trust, however, needs to ensure that training records are up to date for staff (only an average of 27.8% was updated in our sample). Results of testing found that an average of 52.9% of employees were either out-of-date with essential training, or no details were held for them on the system. Further issues were identified with the completion and recording of both corporate and departmental induction training amongst staff. It was identified that managers are not providing Workforce Development with the latest information surrounding the completion of training and/or local induction processes.

## Freedom of information

The Trust has a comprehensive policy and procedure which includes details for handling requests for information, and manages requests for information appropriately. In the majority of cases, information is provided within the 20-day timescale set by the Information Commissioner. However, 22% of requests have breached this limit since April 2010 (25% for 2009-10). In some cases, the delay may have resulted from a complex request; however, the requestor was not notified of the need for additional time in any of the breaches reviewed. This could result in the issuance of a Decision Notice from the Information Commissioner.

## Transforming Community Services

The Trust has completed the Transforming Community Services process, relocating adult community services in East Devon, Mid Devon and Exeter from NHS Devon from 1 April 2011. We have been involved in overseeing and supporting this process, and can confirm that a robust due diligence process has been completed.

We have completed a number of audits in support of the process, covering the due diligence process and the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) transfer arrangements. While these have consistently shown a 'high impact' assessment, this reflects the nature of the transfer and not the processes in place. Each review has concluded that the controls and processes in place are operating effectively. This has been reflected in a 'green' assurance opinion for each review completed.

We have also undertaken a review of core governance arrangements at community hospitals, based upon a self-assessment questionnaire completed by leads at each location, followed up by targeted audit testing and visits to a number of establishments. This review concluded that while there are some issues of consistency of application of processes across locations there are no significant matters. An overall low impact assessment was reported to the Trust.

In addition to the above work we have been commissioned by the Trust to undertake three additional audit reviews on specific aspects of governance of the services transferring to Northern Devon Healthcare NHS Trust. These areas were selected by the Trust Executive.

These reviews cover the following areas:

- sickness absence processes;
- emergency planning and business continuity; and
- service level agreements.

These reviews are currently at draft report status.

## Other work

In respect of the remaining reviews noted in the Corporate Assurance section, recommendations have been agreed with management to address gaps in controls and assurance. Internal audit has monitored the status of these recommendations over the year working proactively with the Audit and Assurance Committee to identify and follow up any outstanding matters. No fundamental matters have been brought to the Trust's attention in respect of these areas.

Closure of these audits requires management action to agreed recommendations, but the issues raised are not considered to be significant and have been taken into account in the formulation of this opinion.

In addition to the reviews noted above, at the date of this opinion a number of audits are at draft report stage:

Audits at draft report stage:

- Unit Review – human resources;
- Risk management;
- Estates productivity;
- Private patients income;
- Transforming Community Services;
  - sickness absence processes;
  - emergency planning and business continuity; and
  - service level agreements.

Whilst a small number of control issues and recommendations may be reported as a result of these reviews we do not envisage any fundamental matters that may impact upon this opinion statement at this time.

Jenny McCall  
Interim Director of Audit  
Audit South West  
June 2011

# Accounts

Data entered below will be used throughout the workbook:

Trust name: Northern Devon Healthcare Trust

This year 2010-11

Last year 2009-10

This year ended 31 March 2011

Last year ended 31 March 2010

This year commencing: 1 April 2010

## Foreword to the accounts

The accounts for the year ended 31 March 2011 have been prepared by the Northern Devon Healthcare NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

## Independent Auditor's report to the directors of Northern Devon Healthcare NHS Trust

I have audited the financial statements of Northern Devon Healthcare NHS Trust for the year ended 31 March 2011 under the Audit Commission Act 1998.

The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes.

These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

I have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes; and
- the table of pension benefits of senior managers and related narrative notes.

This report is made solely to the Board of Directors of Northern Devon Healthcare NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### Respective responsibilities of directors and auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements.

I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of Northern Devon Healthcare NHS Trust's affairs as at 31 March 2011, and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

## Opinion on other matters

In my opinion:

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

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

### Trust's responsibilities

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

### Auditor's responsibilities

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

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

### Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Trust has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

## Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Northern Devon Healthcare NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

### Delay in certification of completion of the audit

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

Wayne Rickard  
District Auditor  
Units 3-4, Blenheim Court,  
Matford Business Park,  
Lustleigh Close,  
Exeter EX2 8PW

9 June 2011

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

	NOTE	2010-11 £000	2009-10 £000
<b>Revenue</b>			
Revenue from patient care activities	5	126,491	119,606
Other operating revenue	6	8,219	8,903
Operating expenses	8	(132,351)	(130,922)
<b>Operating surplus/(deficit)</b>		<b>2,359</b>	<b>(2,413)</b>
<b>Finance costs:</b>			
Investment revenue	14	12	16
Other gains and losses	15	4	(39)
Finance costs	16	(32)	(6)
<b>Surplus/(deficit) for the financial year</b>		<b>2,343</b>	<b>(2,442)</b>
Public dividend capital dividends payable		(2,436)	(2,644)
<b>Retained surplus/(deficit) for the year</b>		<b>(93)</b>	<b>(5,086)</b>
<b>Other comprehensive income</b>			
Impairments and reversals		(1,395)	(16,010)
Gains on revaluations		5,235	9,136
Receipt of donated/government granted assets		70	130
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		0	0
Net gains/(losses) on available for sale financial assets		0	0
Reclassification adjustments:			
- Transfers from donated and government grant reserves		(152)	(163)
- On disposal of available for sale financial assets		0	0
<b>Total comprehensive income for the year</b>		<b>3,665</b>	<b>(11,993)</b>

The notes on pages 64 to 70 form part of these accounts.

### Reported NHS financial performance position

<b>Retained surplus/(deficit) for the year</b>	<b>(93)</b>
IFRIC 12 adjustment	0
Impairments	345
<b>Reported NHS financial performance position [Adjusted retained surplus/(deficit)]</b>	<b>252</b>

A Trust's Reported NHS financial performance position is derived from its Retained surplus/(Deficit), but adjusted for the following:-

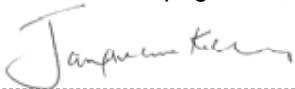
a) Impairments to Fixed Assets 2009/10 was the final year for organisations to revalue their assets to a Modern Equivalent Asset (MEA) basis of valuation. An impairment charge is not considered part of the organisation's operating position.

b) The revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) - NHS Trusts' financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation's operating position.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	NOTE	31 March 2011 £000	31 March 2010 £000
<b>Non-current assets</b>			
Property, plant and equipment	17	75,001	71,496
Intangible assets	18	629	583
Other financial assets	23	0	0
Trade and other receivables	22	683	575
<b>Total non-current assets</b>		<b>76,313</b>	<b>72,654</b>
<b>Current assets</b>			
Inventories	21	2,705	2,519
Trade and other receivables	22	4,481	6,062
Other financial assets	23	0	0
Other current assets	24	0	0
Cash and cash equivalents	25	950	419
		<b>8,136</b>	<b>9,000</b>
Non-current assets held for sale	26	302	0
<b>Total current assets</b>		<b>8,438</b>	<b>9,000</b>
<b>Total assets</b>		<b>84,751</b>	<b>81,654</b>
<b>Current liabilities</b>			
Trade and other payables	27	(9,060)	(9,072)
Other liabilities	29	0	0
Borrowings	28	(516)	(519)
Other financial liabilities	34	0	0
Provisions	35	(16)	(46)
<b>Net current assets/(liabilities)</b>		<b>(1,154)</b>	<b>(637)</b>
<b>Total assets less current liabilities</b>		<b>75,159</b>	<b>72,017</b>
<b>Non-current liabilities</b>			
Borrowings	28	(1,033)	(1,546)
Trade and other payables	27	0	0
Other financial liabilities	34	0	0
Provisions	35	0	(10)
Other liabilities	29	0	0
<b>Total assets employed</b>		<b>74,126</b>	<b>70,461</b>
<b>Financed by taxpayers' equity:</b>			
Public dividend capital		57,717	57,717
Retained earnings		563	656
Revaluation reserve		14,675	10,871
Donated asset reserve		1,171	1,137
Government grant reserve		0	80
Other reserves		0	0
<b>Total taxpayers' equity</b>		<b>74,126</b>	<b>70,461</b>

The financial statements on pages 1 to 47 were approved by the Board on [date] and signed on its behalf by:

Signed:  (Chief Executive) Date: .....

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

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2009</b>							
As previously stated	57,717	5,742	17,643	1,256	96	0	82,454
Prior period adjustment							0
<b>Restated balance</b>	57,717	5,742	17,643	1,256	96	0	82,454
<b>Changes in taxpayers' equity for 2009-10</b>							
Total comprehensive income for the year:		(5,086)					(5,086)
Retained surplus/(deficit) for the year		0		0	0	0	0
Transfers between reserves				(102)			(16,010)
Impairments and reversals							
Net gain on revaluation of property, plant, equipment			9,136	0	0		9,136
Net gain on revaluation of intangible assets			0	0	0		0
Net gain on revaluation of financial assets			0				0
Receipt of donated/government granted assets				130	0		130
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
– transfers from donated asset/government grant reserve				(147)	(16)		(163)
– on disposal of available for sale financial assets			0				0
Reserves eliminated on dissolution		0	0	0	0	0	0
Originating capital for trust establishment in year	0						0
New Public dividend Capital (PDC) received	0						0
PDC repaid in year	0						0
PDC written off	0						0
Other movements in PDC in year	0	0					0
<b>Balance at 31 March 2010</b>	57,717	656	10,871	1,137	80	0	70,461

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

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Government grant reserve £000	Other reserves £000	Total £000
<b>Changes in taxpayers' equity for 2010-11</b>							
<b>Balance at 1 April 2010</b>	57,717	656	10,871	1,137	80	0	70,461
Total comprehensive income for the year		(93)					(93)
Retained surplus/(deficit) for the year		0					0
Transfers between reserves							
Impairments and reversals			(1,431)	107	(71)		(1,395)
Net gain on revaluation of property, plant, equipment			5,235	0	0		5,235
Net gain on revaluation of intangible assets			0	0	0		0
Net gain on revaluation of financial assets			0				0
Receipt of donated/government granted assets				70	0		70
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
– transfers from donated asset/government grant reserve					(9)		(9)
– on disposal of available for sale financial assets			0				0
Reserves eliminated on dissolution		0	0	0	0	0	0
Originating capital for trust establishment in year	0						0
New PDC received	0						0
PDC repaid in year	0						0
PDC written off	0						0
Other movements in PDC in year	0						0
<b>Balance at 31 March 2011</b>	<b>57,717</b>	<b>563</b>	<b>14,675</b>	<b>1,314</b>	<b>0</b>	<b>0</b>	<b>74,269</b>

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

	NOTE	2010-11 £000	2009-10 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)		2,359	(2,413)
Depreciation and amortisation		5,013	5,119
Impairments and reversals		345	5,086
Net foreign exchange gains/(losses)		0	0
Transfer from donated asset reserve		(143)	(147)
Transfer from government grant reserve		(9)	(16)
Interest paid		(32)	(6)
Dividends paid		(2,375)	(2,644)
(Increase)/decrease in inventories		(186)	(400)
(Increase)/decrease in trade and other receivables		1,412	1,295
(Increase)/decrease in other current assets		0	0
Increase/(decrease) in trade and other payables		698	160
Increase/(decrease) in other current liabilities		0	(44)
Increase/(decrease) in provisions		(40)	12
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7,042</b>	<b>6,002</b>
<b>Cash flows from investing activities</b>			
Interest received		12	16
(Payments) for property, plant and equipment		(5,852)	(7,705)
Proceeds from disposal of plant, property and equipment		17	0
(Payments) for intangible assets		(242)	(470)
Proceeds from disposal of intangible assets		0	0
(Payments) for investments with Department of Health (DH)		0	0
(Payments) for other investments		0	0
Proceeds from disposal of investments with DH		0	0
Proceeds from disposal of other financial assets		0	0
Revenue rental income		0	0
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(6,065)</b>	<b>(8,159)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>977</b>	<b>(2,157)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		0	0
Public dividend capital repaid		0	0
Loans received from the DH		0	2,000
Other loans received		0	0
Loans repaid to the DH		(500)	0
Other loans repaid		0	0
Other capital receipts		70	130
Capital element of finance leases and Private Finance Initiative (PFI)		(16)	(18)
<b>Net cash inflow/(outflow) from financing</b>		<b>(446)</b>	<b>2,112</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>531</b>	<b>(45)</b>
<b>Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year</b>		<b>419</b>	<b>464</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0
<b>Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year</b>	25	<b>950</b>	<b>419</b>

# NOTES TO THE ACCOUNTS

## 1. Accounting policies

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

### 1.1 Accounting convention

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

### 1.2 Acquisitions and discontinued operations

The Trust has neither acquired or discontinued operations during the year.

### 1.3 Care Trust designation

Northern Devon Healthcare NHS Trust is not designated as a Care Trust

### 1.4 Pooled budgets

The Trust has entered into a pooled budget with NHS Devon and Devon County Council. Under the arrangement, funds are pooled under S75 of the NHS Act 2006 for a store of equipment for home based care. Note 2.1 to the accounts provides details of the income and expenditure.

The pool is hosted by Devon County Council. Payments for services provided by the Trust are accounted for as income from Health Service bodies. The Trust accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget identified in accordance with the pooled budget agreement.

## 1.5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The Trust has not made any specific critical judgements, apart from those involving estimations based on historical factors and other relevant information.

### Key sources of estimation uncertainty

The Trust does not have any areas of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 1.6 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay/costs incurred to date compared to total expected costs.

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

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

## 1.7 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 leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### Retirement benefit costs

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

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

## 1.8 Other expenses

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

## 1.9 Property, plant and equipment Recognition

Property, plant and equipment is capitalised if:

- ❑ it is held for use in delivering services or for administrative purposes;
- ❑ it is probable that future economic benefits will flow to, or service potential will be supplied to, the Trust;
- ❑ it is expected to be used for more than one financial year;
- ❑ the cost of the item can be measured reliably; and
- ❑ the item has cost of at least £5,000; or
- ❑ Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

- ❑ Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

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

### Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- ❑ Land and non-specialised buildings – market value for existing use
- ❑ Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

### Subsequent expenditure

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

## 1.10 Intangible assets

### Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset

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

### Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

### 1.11 Depreciation, amortisation and impairments

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

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

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

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

### 1.12 Donated assets

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

### 1.13 Government grants

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

### 1.14 Non-current assets held for sale

The Trust is holding Lynton Hospital as an asset held for sale pending the sale which is currently being processed.

### 1.15 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

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

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

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases. This is a change in accounting policy from previous years where leased land was always treated as an operating lease.

### 1.16 Private Finance Initiative (PFI) transactions

Northern Devon Healthcare NHS Trust does not have any PFI transactions.

### 1.17 Inventories

Inventories are valued at the lower of cost and net realisable value using the first in/first out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

### 1.18 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

### 1.19 Provisions

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

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

### 1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 35, page 93.

### 1.21 Non-clinical risk pooling

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

### 1.22 EU Emissions Trading Scheme

The Trust is not required to register for the EU Emissions Trading Scheme due to the low level of emissions

### 1.23 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

### 1.24 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Financial assets at fair value through profit and loss

The Trust has no material contracts that contain embedded derivatives.

#### Held to maturity investments

The Trust has no held to maturity investments.

#### Available for sale financial assets

The Trust has no available for sale financial assets.

#### Loans and receivables

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

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

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

For financial assets carried at amortised cost, the amount of 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 expenditure and the carrying amount of the asset is reduced directly.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### 1.25 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

#### Financial guarantee contract liabilities

The Trust has no financial guarantee contract liabilities

#### Financial liabilities at fair value through profit and loss

The Trust has no material contract liabilities that contain embedded derivatives

#### Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

### 1.26 Value Added Tax (VAT)

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### 1.27 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Trust's surplus/deficit in the period in which they arise.

### 1.28 Third party assets

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

### 1.29 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

### 1.30 Losses and Special Payments

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

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

### 1.31 Subsidiaries

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

### 1.32 Associates

The Trust has no associates

### 1.33 Joint ventures

The Trust has no joint ventures

### 1.34 Joint operations

The Trust has no joint operations

### 1.35 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

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

IFRIC19 'Extinguishing financial liabilities with equity instruments' become effective from 1 July 2010. Neither the Treasury FReM nor the Department of Health's Manual for Accounts require this standard to be applied in 2010-11. The application of the IFRIC would not have a material impact on the Trust accounts in 2010-11, had it applied in that year.

## 2 Community Equipment Store Pooled Budget

Northern Devon Healthcare Trust is a partner in a pooled budget arrangement with NHS Devon and Devon County Council set up under S75 of the National Health Service Act 2006. This arrangement established a store of equipment for home-based care. The memorandum account of costs for the year ending 31 March 2011 amounted to £3,209,243 (£2,567,780 2009/10) which represented an overspend of £295,004 (£375,541 overspend 2009/10). Northern Devon Healthcare NHS Trust's share of this overspend was £32,509 (£41,385, 2009/10).

There are no balances in the balance sheet which relate to the pooled budget.

The memorandum account is disclosed in note 2.1.

**2.1 COMMUNITY EQUIPMENT SERVICES POOLED FUND MEMORANDUM ACCOUNT**

For the period 1st April 2010 to 31st March 2011

<b>Gross Funding</b>	<b>Cash £</b>	<b>s.256 Winter Pressures agreement £</b>	<b>Total £</b>
Devon County Council	1115267		1,115,267
NHS Devon (less ILC) *	831,167	722,000	1,553,167
Northern Devon Healthcare NHS Trust	245,805		245,805
<b>TOTAL FUNDING</b>	<b>2,192,239</b>	<b>722,000</b>	<b>2,914,239</b>

\* ILC - Independent Living Centre, £38,295 contribution funded directly

NB: The funding and expenditure does not include £0.300m capital funding contributed by Devon County Council and NHS Devon for specific assets (these are excluded from the stock valuation).

<b>Expenditure</b>	<b>Cash £</b>	<b>s.256 Winter Pressures agreement £</b>	<b>Total £</b>
New equipment	771,330	722,000	1,493,330
Deliveries/collections and associated costs	980,993		980,993
Infrastructure	538,755		538,755
<i>Decrease in stock value</i>	140,107		140,107
<i>Provision for unused stock</i>	56,058		56,058
<b>TOTAL EXPENDITURE</b>	<b>2,487,243</b>	<b>722,000</b>	<b>3,209,243</b>
<b>NET OVER/(UNDER) SPEND</b>			<b>295,004</b>

NB: The overspend will be split based on the basic cash contributions to the Pool, adjusted for ILC contributions, as follows:

DCC	-147,502
NDHCT	-32,509
Devon PCT	-114,993
	<u>-295,004</u>

Minor adaptations are not included in this statement as it refers to a DCC element of the service only.

**Assets and liabilities - as at 31 March 2011**

The value of surplus equipment held in the CES store and of hoists on loan to clients.

The payments still to be made at year end.

	<b>Stock value £</b>	<b>Liabilities</b>
Devon County Council	825,744	139,030
NDHCT	181,994	30,642
Devon PCT	643,750	108,388
<b>Total stock as 31 March 2011</b>	<b>1,651,487</b>	<b>278,060</b>

**CERTIFICATE OF COUNTY TREASURER**

I certify that the above pooled fund memorandum account accurately discloses the income received and expenditure incurred in accordance with the partnership agreement, as amended by any subsequent agreed variations, entered into under section 75 of the National Health Services Act 2006.

Signed: M. C. Davis (County Treasurer)Date: 13 April 2011

### 3. Operating segments

The Trust has determined only one segment to be reported, that being healthcare activities.

	Healthcare		Total	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Income	<u>134,726</u>	<u>128,525</u>	<u>134,726</u>	<u>128,525</u>
Surplus/(Deficit)				
Segment surplus/(deficit)			0	0
Common costs	<u>(134,819)</u>	<u>(133,611)</u>	<u>(134,819)</u>	<u>(133,611)</u>
Surplus/(deficit) before interest	<u>(93)</u>	<u>(5,086)</u>	<u>(93)</u>	<u>(5,086)</u>
Net Assets:				
Segment net assets	<u>74,126</u>	<u>70,461</u>	<u>74,126</u>	<u>70,461</u>

### 4. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1million or was otherwise material.

The Trust does not undertake any activities where the full costs exceed £1m.

### 5. Revenue from patient care activities

	2010-11 £000	2009-10 £000
Strategic Health Authorities	0	0
NHS Trusts	0	0
Primary Care Trusts	125,648	118,643
Foundation Trusts	0	0
Local Authorities	0	0
Department of Health	0	0
NHS other	0	0
Non-NHS:		
Private patients	463	533
Overseas patients (non-reciprocal)	0	0
Injury costs recovery	333	386
Other	47	44
	<u>126,491</u>	<u>119,606</u>

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection.

## 6. Other operating revenue

	2010-11	2009-10
	£000	£000
Patient transport services	0	0
Education, training and research	2,527	3,099
Charitable and other contributions to expenditure	38	47
Transfers from donated asset reserve	143	147
Transfers from government grant reserve	9	16
Non-patient care services to other bodies	2,441	2,459
Income generation	879	898
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue	2,182	2,237
	<b>8,219</b>	<b>8,903</b>

## 7. Revenue

	2010-11	2009-10
	£000	£000
From rendering of services	133,831	127,611
From sale of goods	879	898

## 8. Operating expenses

	2010-11	2009-10
	£000	£000
Services from other NHS Trusts	437	278
Services from PCTs	95	89
Services from other NHS bodies	0	0
Services from Foundation Trusts	322	322
Purchase of healthcare from non NHS bodies	0	0
Trust chair and non executive directors	50	50
Employee benefits	91,431	87,401
Supplies and services - clinical	18,887	17,757
Supplies and services - general	6,097	5,463
Consultancy services	53	117
Establishment	1,909	1,854
Transport	648	584
Premises	3,815	3,712
Provision for impairment of receivables	6	4
Inventories write down	0	0
Depreciation	4,817	4,876
Amortisation	196	243
Impairments and reversals of property, plant and equipment	240	4,766
Impairments and reversals of intangible assets	0	320
Impairments and reversals of financial assets [by class]	0	0
Impairments and reversals of non current assets held for sale	105	0
Audit fees	123	159
Other auditor's remuneration [detail]	0	0
Clinical negligence	2,198	1,906
Research and development	15	14
Education and Training	361	383
Other	546	624
	<b>132,351</b>	<b>130,922</b>

## 9. Operating leases

### 9.1 As lessee

#### Payments recognised as an expense

	2010-11 £000	2009-10 £000
Minimum lease payments	191	205
Contingent rents	0	0
Sub-lease payments	0	0
	<u>191</u>	<u>205</u>

#### Total future minimum lease payments

	2010-11				2009-10
	Buildings £000	Land £000	Other £000	Total £000	Total £000
Payable:					
Not later than one year	0	0	158	158	185
Between one and five years	0	0	118	118	260
After five years	0	0	0	0	0
Total	<u>0</u>	<u>0</u>	<u>276</u>	<u>276</u>	<u>445</u>

### 9.2 As lessor

The Trust has no lessor agreements.

## 10. Employee costs and numbers

### 10.1 Employee costs

	Total	2010-11 Permanently employed	Other	Total	2009-10 Permanently employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	77,796	72,367	5,429	75,387	70,403	4,984
Social security costs	5,234	5,096	138	5,068	4,917	151
Employer contributions to NHS Pension scheme	8,759	8,528	231	7,624	7,396	228
Other pension costs	25	25	0	17	17	0
Other post-employment benefits	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	96	96	0	0	0	0
<b>Employee benefits expense</b>	<b>91,910</b>	<b>86,112</b>	<b>5,798</b>	<b>88,096</b>	<b>82,733</b>	<b>5,363</b>
<b>Of the total above:</b>						
Charged to capital	479			645		
Employee benefits charged to revenue	91,431			87,451		
	<b>91,910</b>			<b>88,096</b>		

### 10.2 Average number of people employed

	Total	2010-11 Permanently employed	Other	Total	2009-10 Permanently employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental	281	231	50	251	216	35
Ambulance staff	0	0	0	0	0	0
Administration and estates	491	484	7	563	544	19
Healthcare assistants and other support staff	506	506	0	446	446	0
Nursing, midwifery and health visiting staff	715	660	55	730	686	44
Nursing, midwifery and health visiting learners	0	0	0	0	0	0
Scientific, therapeutic and technical staff	292	290	2	264	263	1
Social care staff	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>2,285</b>	<b>2,171</b>	<b>114</b>	<b>2,254</b>	<b>2,155</b>	<b>99</b>
<b>Of the above:</b>						
Number of whole time equivalent staff engaged on capital projects	15			17		

**10.3 Staff sickness absence**

	<b>2010-11</b>	2009-10
	<b>Number</b>	Number
Days lost (long term)	<b>0</b>	0
Days lost (short term)	<b>27,452</b>	26,148
<b>Total days lost</b>	<b>27,452</b>	26,148
<b>Total staff years</b>	<b>2,171</b>	2,155
Average working days lost	<b>13</b>	12

**10.4 Management Costs**

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Management costs	<b>6,178</b>	6,261
Income	<b>134,710</b>	128,509

**10.5 Exit Packages for staff leaving in 2010-11**

	<b>2010-11</b>			<b>2009-10</b>		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
<£10,000	5	0	<b>5</b>	1	0	<b>1</b>
£10,000 - £25,000	1	0	<b>1</b>	0	0	<b>0</b>
£25,000 - £50,000	1	0	<b>1</b>	0	0	<b>0</b>
£100,000- £150,000	0	0	<b>0</b>	0	0	<b>0</b>
£150,000- £200,000	0	0	<b>0</b>	0	0	<b>0</b>
>£200,000	0	0	<b>0</b>	0	0	<b>0</b>
<b>Total number of exit packages by type</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Total resource cost (£000s)</b>	96	0	<b>96</b>	17	0	17

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Scheme. Exit costs in this note are accounted for in full in the year of departure. Where the NHS Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages taken by staff leaving in the year.

Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

## 11. Pension costs

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

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

### a) Full actuarial (funding) valuation

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

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

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

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### b) Accounting valuation

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

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

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

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

### c) Scheme provisions

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

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

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

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

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

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

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

## **12. Retirements due to ill-health**

This disclosure is not required for the year ended 31 March 2011.

## 13. Better Payment Practice Code

### 13.1 Better Payment Practice Code - measure of compliance

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

	2010-11		2009-10	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	<b>37,418</b>	<b>40,934</b>	38,331	40,556
Total Non NHS trade invoices paid within target	<b>35,768</b>	<b>40,049</b>	31,990	33,468
Percentage of Non-NHS trade invoices paid within target	<b>96%</b>	<b>98%</b>	83%	83%
Total NHS trade invoices paid in the year	<b>1,189</b>	<b>46,431</b>	1,000	9,205
Total NHS trade invoices paid within target	<b>1,151</b>	<b>46,224</b>	742	8,041
Percentage of NHS trade invoices paid within target	<b>97%</b>	<b>100%</b>	74%	87%

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

	2010-11 £000	2009-10 £000
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 14. Investment revenue

	2010-11 £000	2009-10 £000
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	12	16
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
<b>Total</b>	<b>12</b>	<b>16</b>

## 15. Other gains and losses

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	4	(39)
Gain/(loss) on disposal of intangible assets	0	0
Gain/(loss) on disposal of financial assets	0	0
Gain/(loss) on foreign exchange	0	0
"Change in fair value of financial assets carried at fair value through profit and loss"	0	0
"Change in fair value of financial liabilities carried at fair value through profit and loss"	0	0
<b>Total</b>	<b>4</b>	<b>(39)</b>

## 16. Finance costs

	<b>2010-11</b>	2009-10
	<b>£000</b>	£000
Interest on loans and overdrafts	30	0
Interest on obligations under finance leases	2	6
Interest on obligations under PFI contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
<b>Total interest expense</b>	<b>32</b>	<b>6</b>
Other finance costs	0	0
<b>Total</b>	<b>32</b>	<b>6</b>

## 17. Property, plant and equipment

2010-11	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construct and poc £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	12,906	48,321	1,322	0	17,012	12	4,316	295	84,184
Additions purchased	0	1,222	0	1,090	2,222	0	535	3	5,072
Additions donated	0	2	0	0	68	0	0	0	70
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	(10)	4	0	6	0	0
Reclassified as held for sale	(130)	(275)	0	(2)	(523)	0	0	0	(930)
Disposals other than by sale	0	0	0	0	(828)	0	(985)	(1)	(1,814)
Revaluation/indexation gains	0	5,186	42	7	0	0	0	0	5,235
Impairments	0	(991)	0	(1,155)	0	0	0	(3)	(2,149)
Reversal of impairments	0	715	39	0	0	0	0	0	754
<b>At 31 March 2011</b>	<b>12,776</b>	<b>54,180</b>	<b>1,403</b>	<b>(70)</b>	<b>17,955</b>	<b>12</b>	<b>3,872</b>	<b>294</b>	<b>90,422</b>
Depreciation at 1 April 2010	0	0	0	0	9,815	7	2,793	73	12,688
Reclassifications	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	(523)	0	0	0	(523)
Disposals other than by sale	0	0	0	0	(816)	0	(985)	0	(1,801)
Revaluation/indexation gains	0	0	0	0	0	0	0	0	0
Impairments	0	788	0	43	0	0	0	0	831
Reversal of impairments	0	(478)	0	(113)	0	0	0	0	(591)
Charged during the year	0	2,291	73	0	1,815	1	607	30	4,817
<b>Depreciation at 31 March 2011</b>	<b>0</b>	<b>2,601</b>	<b>73</b>	<b>(70)</b>	<b>10,291</b>	<b>8</b>	<b>2,415</b>	<b>103</b>	<b>15,421</b>
<b>Net book value</b>									
Purchased	12,776	50,695	1,330	0	7,396	4	1,446	183	73,830
Donated	0	884	0	0	268	0	11	8	1,171
Government granted	0	0	0	0	0	0	0	0	0
<b>Total at 31 March 2011</b>	<b>12,776</b>	<b>51,579</b>	<b>1,330</b>	<b>0</b>	<b>7,664</b>	<b>4</b>	<b>1,457</b>	<b>191</b>	<b>75,001</b>
<b>Asset financing</b>									
Owned	12,776	51,579	1,330	0	7,619	4	1,457	191	74,956
Finance leased	0	0	0	0	45	0	0	0	45
Private finance initiative	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2011</b>	<b>12,776</b>	<b>51,579</b>	<b>1,330</b>	<b>0</b>	<b>7,664</b>	<b>4</b>	<b>1,457</b>	<b>191</b>	<b>75,001</b>

## 17.1 Revaluation reserve balance for property, plant &amp; equipment

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
At 1 April 2010	2,911	6,038	657	1,251	0	0	14	10,871
Movements (specify)	0	3,762	45	0	0	0	(3)	3,804
<b>At 31 March 2011</b>	<b>2,911</b>	<b>9,800</b>	<b>702</b>	<b>1,251</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>14,675</b>

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2009-10</b>									
Cost or valuation at 1 April 2009	12,482	51,351	1,865	6,237	17,942	12	3,959	204	94,052
Additions purchased	0	3,619	0	691	1,568	0	354	56	6,288
Additions donated	0	0	0	1	100	0	20	9	130
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	(137)	42	0	67	28	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	(2,640)	0	(84)	(2)	(2,726)
Revaluation/indexation gains	424	8,712	0	0	0	0	0	0	9,136
Impairments	0	(9,218)	0	(6,792)	0	0	0	0	(16,010)
Reversal of impairments	0	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>12,906</b>	<b>54,464</b>	<b>1,865</b>	<b>0</b>	<b>17,012</b>	<b>12</b>	<b>4,316</b>	<b>295</b>	<b>90,870</b>
Depreciation at 1 April 2009					10,814	4	1,548	53	12,419
Reclassifications		0	0	0	0	0	0	0	0
Reclassified as held for sale		0	0	0	0	0	0	0	0
Disposals other than by sale		0	0	0	(2,601)	0	(84)	(2)	(2,687)
Revaluation/indexation gains		0	0	0	0	0	0	0	0
Impairments		3,784	493	0	0	0	489	0	4,766
Reversal of impairments		0	0	0	0	0	0	0	0
Charged during the year		2,359	50	0	1,602	3	840	22	4,876
<b>Depreciation at 31 March 2010</b>	<b>0</b>	<b>6,143</b>	<b>543</b>	<b>0</b>	<b>9,815</b>	<b>7</b>	<b>2,793</b>	<b>73</b>	<b>19,374</b>
<b>Net book value</b>									
Purchased	12,906	47,441	1,322	0	6,887	5	1,505	213	70,279
Donated	0	800	0	0	310	0	18	9	1,137
Government granted	0	80	0	0	0	0	0	0	80
<b>Total at 31 March 2010</b>	<b>12,906</b>	<b>48,321</b>	<b>1,322</b>	<b>0</b>	<b>7,197</b>	<b>5</b>	<b>1,523</b>	<b>222</b>	<b>71,496</b>
<b>Asset financing</b>									
Owned	12,906	48,321	1,322	0	7,133	5	1,523	222	71,432
Finance leased	0	0	0	0	64	0	0	0	64
Private finance initiative	0	0	0	0	0	0	0	0	0
<b>Total 31 March 2010</b>	<b>12,906</b>	<b>48,321</b>	<b>1,322</b>	<b>0</b>	<b>7,197</b>	<b>5</b>	<b>1,523</b>	<b>222</b>	<b>71,496</b>

Various donors have funded assets during the year.

All land and buildings are restated to current modern equivalent asset value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office. A professional valuation from the District Valuer has been undertaken at the end of the year and the revaluation has been applied to all land and buildings.

Of the land value £1.106m relates to land associated with dwellings.

#### **Economic lives of fixed assets**

	<b>Min life Years</b>	<b>Max life Years</b>
Software Licences	5	5
Licences and trademarks	5	5
Buildings exc dwellings	12	62
Dwellings	10	57
Plant & Machinery	5	15
Transport Equipment	7	7
Information Technology	5	5
Furniture and Fittings	10	10

## 18. Intangible assets

### 2010-11

	Computer software - purchased £000	Computer software - internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2010	1,378	0	0	0	0	1,378
Additions purchased	242	0	0	0	0	242
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation/indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2011</b>	<b>1,620</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,620</b>
Amortisation at 1 April 2010	795	0	0	0	0	795
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	196	0	0	0	0	196
<b>Amortisation at 31 March 2011</b>	<b>991</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>991</b>
<b>Net book value</b>						
Purchased	629	0	0	0	0	629
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2011</b>	<b>629</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>629</b>

**2009-10**

	Computer software - purchased £000	Computer software - internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2009	935	0	0	0	0	935
Additions purchased	443	0	0	0	0	443
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
<b>Gross cost at 31 March 2010</b>	<b>1,378</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,378</b>

Amortisation at 1 April 2009	232	0	0	0	0	232
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Impairments	320	0	0	0	0	320
Reversal of impairments	0	0	0	0	0	0
Charged during the year	243	0	0	0	0	243
<b>Amortisation at 31 March 2010</b>	<b>795</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>795</b>

**Net book value**

Purchased	583	0	0	0	0	583
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
<b>Total at 31 March 2010</b>	<b>583</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>583</b>

Intangible assets are not revalued.

Intangible assets are assigned a 5 year life.

## 18.2 Revaluation reserve balance for intangible assets

There is no balance on the revaluation reserve relating to intangible assets.

## 19. Impairments

### 19.1 Property, Plant & Equipment impairments and reversals charged to Statement of Comprehensive Income

	31 March 2011 £000	31 March 2010 £000
Loss or damage resulting from normal operations	0	0
Over specification of assets	0	0
Abandonment of assets in the course of construction	0	0
Unforeseen obsolescence	0	0
Loss as a result of a catastrophe	0	0
Other	0	0
Changes in market price	240	4,766
<b>Total</b>	<b>240</b>	<b>4,766</b>

### 19.2 Property, Plant & Equipment impairments and reversals charged to Revaluation Reserve, Donated Asset Reserve or Govt Grant Reserve

	31 March 2011 £000	31 March 2010 £000
Loss or damage resulting from normal operations	0	0
Over specification of assets	0	8,595
Abandonment of assets in the course of construction	0	0
Unforeseen obsolescence	0	0
Loss as a result of a catastrophe	0	0
Other	0	0
Changes in market price	1,395	7,415
<b>Total</b>	<b>1,395</b>	<b>16,010</b>

### 19.3 Intangible Assets impairments and reversals charged to Statement of Comprehensive Income

	31 March 2011 £000	31 March 2010 £000
Loss or damage resulting from normal operations	0	0
Over specification of assets	0	320
Abandonment of assets in the course of construction	0	0
Unforeseen obsolescence	0	0
Loss as a result of a catastrophe	0	0
Other	0	0
Changes in market price	0	0
<b>Total</b>	<b>0</b>	<b>320</b>

### 19.4 Non Current Assets held for sale - impairments and reversals charged to Income & Expenditure

	31 March 2011 £000	31 March 2010 £000
Loss or damage resulting from normal operations	0	0
Over specification of assets	0	0
Abandonment of assets in the course of construction	0	0
Unforeseen obsolescence	0	0
Loss as a result of a catastrophe	0	0
Other	0	0
Changes in market price	105	0
<b>Total</b>	<b>105</b>	<b>0</b>

## 20. Commitments

### 20.1 Capital commitments

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

The Trust has no major capital projects currently ongoing

### 20.2 Other financial commitments

The Trust has no other financial commitments.

## 21. Inventories

### 21.1 Inventories

	31 March 2011 £000	31 March 2010 £000
Drugs	754	727
Work in progress	0	0
Consumables	1,749	1,644
Energy	202	148
Other	0	0
<b>Total</b>	<b>2,705</b>	<b>2,519</b>
Of which held at net realisable value:	<b>0</b>	<b>0</b>

### 21.2 Inventories recognised in expenses

	31 March 2011 £000	31 March 2010 £000
Inventories recognised as an expense in the period	(18,986)	(15,384)
Write-down of inventories (including losses)	0	0
Reversal of write-downs that reduced the expense	0	0

## 22. Trade and other receivables

### 22.1 Trade and other receivables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
NHS receivables-revenue	3,092	0	4,443	0
NHS receivables-capital	0	0	0	0
Non-NHS receivables-revenue	433	740	966	0
Non-NHS receivables-capital	0	0	0	0
Provision for the impairment of receivables	(4)	(57)	(8)	(47)
Prepayments and accrued income	674	0	398	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
VAT	225	0	236	0
Other receivables	61	0	27	622
<b>Total</b>	<b>4,481</b>	<b>683</b>	<b>6,062</b>	<b>575</b>

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

**22.2 Receivables past their due date but not impaired**

	31 March 2011 £000	31 March 2010 £000
By up to three months	54	19
By three to six months	14	10
By more than six months	86	62
<b>Total</b>	<u>154</u>	<u>91</u>

**22.3 Provision for impairment of receivables**

	31 March 2011 £000	31 March 2010 £000
<b>Balance at 1 April</b>	(55)	(51)
Amount written off during the year	0	0
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(6)	(4)
<b>Balance at 31 March</b>	<u>(61)</u>	<u>(55)</u>

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection.

**23. Other financial assets**

	Current 31 March 2011 £000	Non- current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Embedded derivatives carried at fair value through profit and loss	0	0	0	0
Financial assets carried at fair value through profit and loss	0	0	0	0
Held to maturity investments at amortised cost	0	0	0	0
Available for sale financial assets carried at fair value	0	0	0	0
Loans carried at amortised cost	0	0	0	0
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**24. Other current assets**

	31 March 2011 £000	31 March 2010 £000
EU Emissions trading scheme allowances	0	0
Other assets [specify]	0	0
<b>Total</b>	<u>0</u>	<u>0</u>

## 25. Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April		
Net change in year	419	464
<b>Balance at 31 March</b>	<b>531</b>	<b>(45)</b>
	<b>950</b>	<b>419</b>
<b>Made up of</b>		
Cash with Government banking services	944	414
Commercial banks and cash in hand	6	5
Current investments	0	0
<b>Cash and cash equivalents as in statement of financial position</b>	<b>950</b>	<b>419</b>
Bank overdraft - Government banking services	0	0
Bank overdraft - Commercial banks	0	0
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>950</b>	<b>419</b>

## 26. Non-current assets held for sale

Balance at 1 April 2010	0	0	0	0	0	0
Plus assets classified as held for sale in the year	130	277	0	0	0	407
Less assets sold in the year	0	0	0	0	0	0
Less impairments of assets held for sale	0	(105)	0	0	0	(105)
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance at 31 March 2011	<b>130</b>	<b>172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>302</b>
Balance at 1 April 2009	0	0	0	0	0	0
Plus assets classified as held for sale in the year	0	0	0	0	0	0
Less assets sold in the year	0	0	0	0	0	0
Less impairments of assets held for sale	0	0	0	0	0	0
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance at 31 March 2010	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Lynton Hospital has been reclassified as an asset held for sale pending the completion of the sale to the local GP practice.

## 27. Trade and other payables

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Interest payable	0		0	
NHS payables-revenue	1,010	0	731	0
NHS payables-capital	0	0	0	0
Non NHS trade payables - revenue	2,325	0	1,891	0
Non NHS trade payables - capital	924	0	1,634	0
Accruals and deferred income	818	0	940	0
Social security costs	855		794	
VAT	0	0	0	0
Tax	991		919	
Other	2,137	0	2,163	0
<b>Total</b>	<b>9,060</b>	<b>0</b>	<b>9,072</b>	<b>0</b>

Other payables include:

There are no payments due in future years under arrangements to buy out the liability for early retirements over instalments; and £1,130,967 outstanding pensions contributions at 31 March 2011 (prior year £1,066,182).

## 28. Borrowings

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Bank overdraft - Government banking services	0		0	
Bank overdraft - Commercial banks	0		0	
Loans from:				
Department of Health	500	1,000	500	1,500
Other entities	0	0	0	0
PFI liabilities	0	0	0	0
LIFT	0	0	0	0
Finance lease liabilities	16	33	19	46
Other (describe)	0	0	0	0
<b>Total</b>	<b>516</b>	<b>1,033</b>	<b>519</b>	<b>1,546</b>

The Trust has a four year loan from the Department of Health in respect of support for its capital programme in 2009-10. This is repayable in equal instalments of £250,000 plus interest every half year.

## 29. Other liabilities

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
PFI asset – deferred credit	0	0	0	0
Lease incentives	0	0	0	0
Other [specify]	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 30. Finance lease obligations

#### Amounts payable under finance leases:

Other	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	31 March 2011 £000	31 March 2011 £000	31 March 2010 £000	31 March 2010 £000
Within one year	18	16	17	19
Between one and five years	34	33	50	46
After five years	0	0	0	0
Less future finance charges	(3)		(2)	
Present value of minimum lease payments	<u>49</u>	<u>49</u>	<u>65</u>	<u>65</u>
Included in:				
Current borrowings		16		19
Non-current borrowings		33		46
		<u>49</u>		<u>65</u>

### 31. Finance lease receivables

The Trust has no finance lease receivables.

### 32. Finance lease commitments

The Trust has not entered into any new commitments during the year.

### 33. Private Finance Initiative contracts

The Trust has no private finance initiative contracts.

### 34. Other financial liabilities

The Trust has no other financial liabilities to report.

### 35. Provisions

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	0	0	0	0
Legal claims	16	0	46	10
Restructurings	0	0	0	0
Redundancy	0	0	-	-
Other (specify)	0	0	0	0
<b>Total</b>	<b>16</b>	<b>0</b>	<b>46</b>	<b>10</b>

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Redundancy £000	Other £000	Total £000
At 1 April 2010	0	0	56	0	0	0	56
Arising during the year	0	0	9	0	0	0	9
Used during the year	0	0	(41)	0	0	0	(41)
Reversed unused	0	0	(8)	0	0	0	(8)
Unwinding of discount	0	0	0	0	0	0	0
At 31 March 2011	0	0	16	0	0	0	16

	Expected timing of cash flows:
Within one year	0
Between one and five years	0
After five years	0

Legal Claims - relates to provisions for the member's excess due in Employer Liability cases as notified by the NHS Litigation Authority. The provision reflects the excess due by the Trust since the NHS Litigation Authority make the majority of payments and recharge the Trust in due course. An associated contingent liability of £17,000 is shown in note 36 (2009/10 £15,000).

£18,711,000 is included in the provisions of the NHS Litigation Authority at 31/3/2010 in respect of clinical negligence liabilities of the trust (31/03/09 £15,768,000). A further £37,500 of claims have been lodged with the NHS Litigation Authority after the year end, relating to cases for the current year ended (2009/10 £1,372,000).

## 36. Contingencies

### 36.1 Contingent liabilities

	2010-11 £000	2009-10 £000
Equal pay cases	0	0
Other (specify)	(17)	(15)
Amounts recoverable against contingent liabilities	0	0
<b>Total</b>	<b>(17)</b>	<b>(15)</b>

£17,000 (2009/10 £15,000) contingency reflects the potential liability relating to Employer's liability cases as notified by the NHS Litigation Authority. An associated provision is shown in note 35.

### 36.2 Contingent assets

The Trust has no contingent assets.

## 37. Financial instruments

### 37.1 Financial assets

	At fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0			0
Receivables		4324		4324
Cash at bank and in hand		950		950
Other financial assets	0	0	302	302
<b>Total at 31 March 2011</b>	<b>0</b>	<b>5274</b>	<b>302</b>	<b>5576</b>
Embedded derivatives	0			0
Receivables		5230		5230
Cash at bank and in hand		419		419
Other financial assets	0	720	0	720
<b>Total at 31 March 2010</b>	<b>0</b>	<b>6369</b>	<b>0</b>	<b>6369</b>

### 37.2 Financial liabilities

	At fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0		0
Payables		5136	5136
PFI and finance lease obligations		49	49
Other borrowings		1500	1500
Other financial liabilities	0	1031	1031
<b>Total at 31 March 2011</b>	<b>0</b>	<b>7716</b>	<b>7716</b>
Embedded derivatives	0		0
Payables		4348	4348
PFI and finance lease obligations		65	65
Other borrowings		2000	2000
Other financial liabilities	0	913	913
<b>Total at 31 March 2010</b>	<b>0</b>	<b>7326</b>	<b>7326</b>

### 37.3 Financial risk management

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

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

#### Currency risk

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

#### Interest rate risk

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

The Trust has taken out a four year capital loan at a rate of 1.6%

#### Credit risk

Because the majority of the Trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2011 are in receivables from customers, as disclosed in the trade and other receivables note.

#### Liquidity risk

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

### 38. Events after the reporting period

From 1 April the number of services the Trust provides and the population the Trust is serving increases.

As a response to national NHS requirements, the Trust has been chosen to provide community health and social care services and specialist services previously provided by NHS Devon

These services include:

12 Community Hospitals, including 7 Minor Injury Units \* (MIU) located at:

- Axminster
- Budleigh Salterton
- Crediton
- Exmouth\*
- Honiton\*
- Moretonhampstead\*
- Okehampton\*
- Ottery St. Mary\*
- Seaton
- Sidmouth\*
- Tiverton\*
- Whipton, Exeter

Nine Complex Care Teams

A range of specialist community services including:

- Bladder and Bowel Care
- Community Nursing
- Physiotherapy
- Occupational Therapy
- Radiology
- Speech and Language Therapy
- Continuing Healthcare
- Sexual Health services including Family Planning
- Podiatry

The total expected income stream for these services is in the region of £71m.

### 39. Financial performance targets

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

#### 39.1 Breakeven performance

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Turnover	77,056	89,547	118,418	128,855	128,509	134,710
Retained surplus/(deficit) for the year	(7,961)	(6,924)	7,602	7,902	(5,086)	(93)
Adjustment for:						
Timing/non-cash impacting distortions:						
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0					
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0				
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0			
Adjustments for impairments				0	5,086	345
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					0	0
Other agreed adjustments	0	0	0	0	0	0
Break-even in-year position	(7,961)	(6,924)	7,602	7,902	0	252
Break-even cumulative position	(8,329)	(15,253)	(7,651)	251	251	503

\* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance

If anticipated financial year of recovery is more than two years state the period agreed with SHA

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Materiality test (i.e. is it equal to or less than 0.5%):						
Break-even in-year position as a percentage of turnover	-10.33%	-7.73%	6.42%	6.13%	0.00%	0.19%
Break-even cumulative position as a percentage of turnover	-10.81%	-17.03%	-6.46%	0.19%	0.20%	0.37%

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

### 39.2 Capital cost absorption rate

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

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

### 39.3 External financing

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

	2010-11	2009-10
£000	£000	£000
External financing limit	(767)	2,000
Cash flow financing	(977)	2,157
Finance leases taken out in the year	0	0
Other capital receipts	(70)	(130)
External financing requirement	<u>(1,047)</u>	<u>2,027</u>
<b>Undershoot/(overshoot)</b>	<b><u>280</u></b>	<b><u>(27)</u></b>

### 39.4 Capital resource limit

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

	2010-11	2009-10
	£000	£000
Gross capital expenditure	5,384	6,861
Less: book value of assets disposed of	(13)	(39)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(70)	(130)
Charge against the capital resource limit	<u>5,301</u>	6,692
Capital resource limit	<u>5,304</u>	6,692
<b>(Over)/underspend against the capital resource limit</b>	<b><u>3</u></b>	<b><u>0</u></b>

## 40. Related party transactions

Northern Devon Healthcare NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Northern Devon Healthcare NHS Trust.

The Department of Health is regarded as a related party. During the year Northern Devon Healthcare NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are:

NHS Devon	Royal Devon & Exeter Foundation NHS Trust
NHS South West	South Devon Healthcare Foundation Trust
NHS Cornwall & Isles of Scilly	South West Ambulance Service NHS Trust
NHS Plymouth	North Bristol NHS Trust
Portsmouth Hospitals NHS Trust	Devon Partnership Trust
NHS Litigation Authority	NHS Torbay
NHS Supplies Authority	NHS Professionals
NHS Pensions Agency	National Blood Authority

In addition, the trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with:

- North Devon District Council in respect of business rates;
- Inland Revenue in respect of tax and national insurance;
- Customs and Excise in respect of VAT payable/recoverable;
- Devon County Council in respect of the provision of a joint community equipment store.

The trust has also received revenue and capital payments from a number of charitable funds, certain of the trustees for which are also members of the NHS trust board.

#### 41. Third party assets

The Trust held £1,883 cash and cash equivalents at 31 March 2011 (£1,784 - at 31 March 2010) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

#### 42. Intra-Government and other balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other central government bodies	2,895	0	3,576	0
Balances with local authorities	15	0	0	0
Balances with NHS trusts and foundation trusts	422	0	412	0
Balances with public corporations and trading funds	0	0	0	0
<b>Intra government balances</b>	<b>3,332</b>	<b>0</b>	<b>3,988</b>	<b>0</b>
Balances with bodies external to government	1,149	683	5,072	0
<b>At 31 March 2011</b>	<b>4,481</b>	<b>683</b>	<b>9,060</b>	<b>0</b>
Balances with other central government bodies	236	0	2,779	0
Balances with local authorities	17	0	0	0
Balances with NHS trusts and foundation trusts	4,443	0	731	0
Balances with public corporations and trading funds	0	0	0	0
<b>Intra government balances</b>	<b>4,696</b>	<b>0</b>	<b>3,510</b>	<b>0</b>
Balances with bodies external to government	1,366	575	5,562	0
<b>At 31 March 2010</b>	<b>6,062</b>	<b>575</b>	<b>9,072</b>	<b>0</b>

#### 43. Loss and special payments

There were 47 cases of losses and special payments (2009-10: 155 cases) totalling £61,886 (2009-10: £56,374) accrued during 2010-11.