

1998/99 Trust Accounts pro-forma

Introduction

This workbook should be copied into the same directory as "TAC.XLW". It will then import figures from the TAC forms to facilitate the presentation of the accounts data in the format for publication.

This workbook is not password-protected, and it is expected that trusts will wish to amend worksheets to suit individual needs: they are intended to provide a starting-point for the process which remain the trust's responsibility. It is not the intention of the NHS Executive that this be the finished and definitive version of the accounts, and trusts are free to use other systems

Data entered below will be used throughout the workbook:

Trust name:	Sherwood Forest Hospitals NHS Trust
This year	2005/06
Last year	2004/05
This year ended	31 March 2006
Last year ended	31 March 2005
This year beginning	1 April 2005

FOREWORD TO THE ACCOUNTS

SHERWOOD FOREST HOSPITALS NHS TRUST

These accounts for the year ended 31 March 2006 have been prepared by the Sherwood Forest Hospitals 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.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2006**

	NOTE	2005/06 £000	2004/05 £000
Income from activities	3	143,419	128,172
Other operating income	4	20,818	17,977
Operating expenses	5-7	(160,920)	(143,044)
OPERATING SURPLUS (DEFICIT)		3,317	3,105
Cost of fundamental reorganisation/restructuring		0	0
Profit (loss) on disposal of fixed assets	8	0	0
SURPLUS (DEFICIT) BEFORE INTEREST		3,317	3,105
Interest receivable		269	220
Interest payable	9	(10)	0
Other finance costs - unwinding of discount	16	0	(48)
Other finance costs - change in discount rate on provisions	16	(79)	0
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR		3,497	3,277
Public Dividend Capital dividends payable		(3,496)	(3,269)
RETAINED SURPLUS (DEFICIT) FOR THE YEAR		1	8

The notes on pages 1 to 38 form part of these accounts.
All income and expenditure is derived from continuing operations.

The "Unwinding of discount" figure is the charge which arises over time as a discounted provision approaches its time of settlement.

**NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2006**

	31 March 2006 £000	31 March 2005 £000
Retained surplus/(deficit) for the year	1	8
Financial support included in retained surplus/(deficit) for the year - NHS Bank	0	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	0	0
Retained surplus/(deficit) for the year excluding financial support	1	8

**BALANCE SHEET AS AT
31 March 2006**

	NOTE	31 March 2006 £000	31 March 2005 £000
FIXED ASSETS			
Intangible assets	10	836	0
Tangible assets	11	69,057	100,776
Investments	14.1	0	0
		69,893	100,776
CURRENT ASSETS			
Stocks and work in progress	12	2,023	2,149
Debtors	13	50,573	5,643
Investments	14.2	0	0
Cash at bank and in hand	18.3	96	135
		52,692	7,927
CREDITORS: Amounts falling due within one year	15	(20,667)	(5,955)
NET CURRENT ASSETS (LIABILITIES)		32,025	1,972
TOTAL ASSETS LESS CURRENT LIABILITIES		101,918	102,748
CREDITORS: Amounts falling due after more than one year	15	(73)	(116)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(925)	(2,375)
TOTAL ASSETS EMPLOYED		100,920	100,257
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	76,342	79,522
Revaluation reserve	17	21,519	25,533
Donated asset reserve	17	1,582	3,118
Government grant reserve	17	0	0
Other reserves	17	0	0
Income and expenditure reserve	17	1,477	(7,916)
TOTAL TAXPAYERS EQUITY		100,920	100,257

Signed:(Chief Executive)

Date:

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2006**

	2005/06	2004/05
	£000	£000
Surplus (deficit) for the financial year before dividend payments	3,497	3,277
Fixed asset impairment losses	2,148	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	2,314	5,702
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	56	29
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	0	0
Total recognised gains and losses for the financial year	8,015	9,008
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	<u>8,015</u>	<u>9,008</u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2006**

	NOTE	2005/06 £000	2004/05 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	18.1	7,736	5,833
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		269	220
Interest paid		0	0
Interest element of finance leases		(10)	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		259	220
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(7,824)	(8,041)
Receipts from sale of tangible fixed assets		0	0
(Payments) to acquire intangible assets		(750)	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
Net cash inflow/(outflow) from capital expenditure		(8,574)	(8,041)
DIVIDENDS PAID			
Net cash inflow/(outflow) before management of liquid resources and financing		(3,496)	(3,269)
Net cash inflow/(outflow) before management of liquid resources and financing		(4,075)	(5,257)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of current asset investments		0	0
Sale of current asset investments		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		(4,075)	(5,257)
FINANCING			
Public dividend capital received		4,023	5,229
Public dividend capital repaid (not previously accrued)		0	0
Public dividend capital repaid (accrued in prior period)		0	0
Loans received		0	0
Loans repaid		0	0
Other capital receipts		56	29
Capital element of finance lease rental payments		(43)	0
Cash transferred (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		4,036	5,258
Increase/(decrease) in cash		(39)	1

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 Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual 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. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Pooled Budgets

The Trust has no pooled budget arrangements.

1.5 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

1.6 Tangible fixed assets

Capitalisation

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

- individually have a cost of at least £5,000; or
- collectively 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
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current 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.

Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets once they have been taken out of operational use and subsequently disposed of.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Total Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.7 Donated fixed assets

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

1.8 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also 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 the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.9 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI schemes Version 2'.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.10 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.11 Research and development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.12 Provisions

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. This is a change from the rate of 3.5% in 2004/05 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

Clinical negligence costs

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

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2004/05 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

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.

1.13 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. 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. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

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 years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

1.14 Liquid resources

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

1.15 Value Added Tax

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

1.16 Foreign Exchange

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

1.17 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 28 to the accounts.



1.18 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.19 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash 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. 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.

1.20 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the income and expenditure account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

3. Income from Activities

	2005/06	2004/05
	£000	£000
Strategic Health Authorities	0	0
NHS Trusts	799	799
Primary Care Trusts*	141,445	126,403
Foundation Trusts	0	0
Local Authorities	0	0
Department of Health	253	0
NHS Other	0	0
Non NHS:		
- Private Patients	202	240
- Overseas patients (non-reciprocal)	0	0
- Road Traffic Act**	634	685
- Other	86	84
	<u>143,419</u>	<u>128,211</u>

Notes:

*Includes £7,200,000 to offset Fixed Asset impairments and accelerated depreciation charged to operating expenses.

** Road Traffic Act income is subject to a provision for doubtful debts of 8.7% to reflect expected rates of collection

4. Other Operating Income

	2005/06	2004/05
	£000	£000
Patient transport services	176	170
Education, training and research	6,988	5,455
Charitable and other contributions to expenditure	452	418
Transfers from donated asset reserve	676	278
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	3,475	2,817
Income Generation	2,072	2,360
Other income	6,979	6,479
	<u>20,818</u>	<u>17,977</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	2005/06	2004/05
	£000	£000
Services from other NHS Trusts	1,414	2,377
Services from other NHS bodies	5,339	4,723
Services from Foundation Trusts	132	0
Purchase of healthcare from non NHS bodies	864	215
Directors' costs	487	450
Staff costs	107,765	99,599
Supplies and services - clinical	15,741	13,978
Supplies and services - general	1,827	3,087
Establishment	2,593	2,987
Transport	345	489
Premises	5,540	5,584
Bad debts	9	(11)
Depreciation and amortisation*	9,128	4,701
Fixed asset impairments and reversals	2,100	0
Audit fees	173	163
Other auditor's remuneration	2	0
Clinical negligence	2,125	2,304
Other	5,336	2,398
	<u>160,920</u>	<u>143,044</u>

*Depreciation for 2005/06 includes impairments and accelerated depreciation as part of the handover of assets to our PFI provider.

5.2 Operating leases

5.2/1 Operating expenses include:

	2005/06	2004/05
	£000	£000
Hire of plant and machinery	411	489
Other operating lease rentals	291	384
	<u>702</u>	<u>873</u>

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2005/06	2004/05	2005/06	2004/05
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	74	114
Between 1 and 5 years	0	0	241	646
After 5 years	0	0	177	0
	<u>0</u>	<u>0</u>	<u>492</u>	<u>760</u>

6. Staff costs and numbers

6.1 Staff costs

	2005/06			2004/05
	Total	Permanently Employed	Other	
	£000	£000	£000	£000
Salaries and wages	91,043	89,134	1,909	84,766
Social Security Costs	6,805	6,805	0	6,041
Employer contributions to NHSPA	10,299	10,299	0	9,190
Other pension costs	55	55	0	52
	<u>108,202</u>	<u>106,293</u>	<u>1,909</u>	<u>100,049</u>

6.2 Average number of persons employed

	2005/06			2004/05
	Total	Permanently Employed	Other	
	Number	Number	Number	Number
Medical and dental	341	315	26	327
Ambulance staff	0	0	0	0
Administration and estates	700	697	3	691
Healthcare assistants and other support staff	206	193	13	333
Nursing, midwifery and health visiting staff	1,329	1,327	2	1,305
Nursing, midwifery and health visiting learners	7	7	0	7
Scientific, therapeutic and technical staff	465	459	6	434
Social care staff	0	0	0	0
Other	0	0	0	0
Total	<u>3,048</u>	<u>2,998</u>	<u>50</u>	<u>3,097</u>

6.3 Employee benefits

No other employee benefits were paid during 2005/06.

6.4 Management costs

	2005/06	2004/05
	£000	£000
Management costs	5,467	4,856
Income	157,132	145,833

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

6.5 Retirements due to ill-health

During 2005/06 (prior year 2004/05, 8) there were 6 early retirements from the trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £130,824 (2004/05 £141,525). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2005/06 Number	2005/06 £000
Total Non-NHS trade invoices paid in the year	50,774	45,586
Total Non NHS trade invoices paid within target	49,122	44,030
Percentage of Non-NHS trade invoices paid within target	97%	97%
Total NHS trade invoices paid in the year	1,585	14,479
Total NHS trade invoices paid within target	1,346	13,462
Percentage of NHS trade invoices paid within target	85%	93%

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

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

	2005/06 £000	2004/05 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

8. Profit/(Loss) on Disposal of Fixed Assets

No profit or loss on the disposal of assets has been recognised in either the current or previous financial year.

9. Interest Payable

	2005/06 £000	2004/05 £000
Finance leases	10	0
Other	0	0
	<u>10</u>	<u>0</u>

10. Intangible Fixed Assets

	Software Licences £000	Licenses and trademarks £000	Patents £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2005	0	0	0	0	0
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	207	0	0	0	207
Other revaluation	0	0	0	0	0
Additions purchased	750	0	0	0	750
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2006	957	0	0	0	957
Amortisation at 1 April 2005	0	0	0	0	0
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	69	0	0	0	69
Other revaluation	0	0	0	0	0
Charged during the year	52	0	0	0	52
Disposals	0	0	0	0	0
Amortisation at 31 March 2006	121	0	0	0	121
Net book value					
- Purchased at 1 April 2005	0	0	0	0	0
- Donated at 1 April 2005	0	0	0	0	0
- Government Granted at 1 April 2005	0	0	0	0	0
- Total at 1 April 2005	0	0	0	0	0
- Purchased at 31 March 2006	836	0	0	0	836
- Donated at 31 March 2006	0	0	0	0	0
- Government Granted at 31 March 2006	0	0	0	0	0
- Total at 31 March 2006	836	0 0	0	0	836

11. Tangible Fixed Assets
11.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	17,138	66,986	0	2,073	23,668	70	6,882	2,189	119,006
Additions purchased	(2)	4,446	0	1,250	2,738	0	489	64	8,985
Additions donated	0	0	0	0	53	0	3	0	56
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	2,148	0	0	0	0	0	0	2,148
Reclassifications	(1,685)	4,230	0	(2,545)	0	0	(207)	0	(207)
Indexation	777	1,257	0	31	495	1		46	2,607
Other in year revaluation	0	0	0	0	0	0	3	0	3
Disposals	0	(34,787)	0	0	(1,176)	(55)	(649)	(368)	(37,035)
Cost or Valuation at 31 March 2006	16,228	44,280	0	809	25,778	16	6,521	1,931	95,563
Depreciation at 1 April 2005					12,147	44	4,246	1,793	18,230
Charged during the year	0	8,290	0	0	1,978	26	792	90	11,176
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	(69)	0	(69)
Indexation	0	0	0	0	257	1		38	296
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	(879)	0	0	(1,176)	(55)	(649)	(368)	(3,127)
Depreciation at 31 March 2006	0	7,411	0	0	13,206	16	4,320	1,553	26,506
Net book value									
- Purchased at 1 April 2005	17,138	65,562	0	2,073	9,834	23	2,633	395	97,658
- Donated at 1 April 2005	0	1,424	0	0	1,687	3	3	1	3,118
- Government Granted at 1 April 2005	0	0	0	0	0	0	0	0	0
- Total at 1 April 2005	17,138	66,986	0	2,073	11,521	26	2,636	396	100,776
- Purchased at 31 March 2006	16,228	36,819	0	809	11,043	0	2,198	378	67,475
- Donated at 31 March 2006	0	50	0	0	1,529	0	3	0	1,582
- Government Granted at 31 March 2006	0	0	0	0	0	0	0	0	0
- Total at 31 March 2006	16,228	36,869	0	809	12,572	0	2,201	378	69,057

£804k relating to the build up of the residual interest for Assets under the PFI scheme, are Included in Assets under construction.

11.1 Tangible Fixed Assets (contd)

Of the totals at 31 March 2006, £nil related to land valued at open market value and £nil related to buildings valued at open market value and £nil related to dwellings valued at open market value.

As part of the transfer of assets to our PFI partner, impairments and accelerated depreciation have been charged during the year. Where these impact on the income and expenditure statement funding has been received from the NHS Bank to offset the cost. Once the value of these assets has been adjusted they have been disposed of as Fixed Assets and reclassified as long term current Assets within Debtors on the Balance Sheet.

No properties have an existing value which is materially different to its open market value.

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2006	0	0	0	0	0	0	117	0	117
At 31 March 2005	0	0	0	0	0	0	0	0	0

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2006	0	0	0	0	0	0	43	0	43
Depreciation 31 March 2005	0	0	0	0	0	0	0	0	0

11.2 The net book value of land, buildings and dwellings at 31 March 2006 comprises:

	31 March 2006	31 March 2005
	£000	£000
Freehold	53,097	84,124
Long leasehold	0	0
Short leasehold	0	0
TOTAL	<u>53,097</u>	<u>84,124</u>

12. Stocks and Work in Progress

	31 March 2006	31 March 2005
	£000	£000
Raw materials and consumables	2,023	2,149
Work-in-progress	0	0
Finished goods	0	0
TOTAL	<u>2,023</u>	<u>2,149</u>

13. Debtors

	31 March 2006	31 March 2005
	£000	£000

Amounts falling due within one year:

NHS debtors*	11,315	2,649
Provision for irrecoverable debts	(103)	(140)
Other prepayments and accrued income	426	735
Other debtors**	5,129	2,185
Sub Total	<u>16,767</u>	<u>5,429</u>

Amounts falling due after more than one year:

NHS debtors	100	208
Provision for irrecoverable debts	0	0
Other prepayments and accrued income***	33,706	0
Other debtors****	0	6
Sub Total	<u>33,806</u>	<u>214</u>
TOTAL	<u>50,573</u>	<u>5,643</u>

Other Debtors include £nil prepaid pension contributions at 31 March 2006 (£nil at 31 March 2005)

Debtors falling due within one year include:

* NHS debtors includes £7.2m of funding for impairments and accelerated depreciation and an agreed year end balance of £2.1m relating to our PCT Contracts.

** Other Debtors includes £3.3m due from our PFI partners at the year end.

*** Prepayments include the capital payment made by the Trust as part of the PFI Scheme.

**** Other Debtors falling due after more than one relates to the deferred asset created as part of the transfer of Fixed Assets to our PFI partner.

14. Investments

The Trust has no fixed or current asset investment in either accounting period.

15. Creditors

15.1 Creditors at the balance sheet date are made up of:

	31 March 2006 £000	31 March 2005 £000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors*	8,217	552
Non - NHS trade creditors - revenue - other	827	800
Non - NHS trade creditors - capital	1,230	817
Tax and social security costs	2,054	112
Obligations under finance leases and hire purchase contracts	44	44
Other creditors	104	161
Accruals and deferred income**	8,191	3,469
Sub Total	20,667	5,955
Amounts falling due after more than one year:		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	73	116
MHZ creditors	0	0
Other	0	0
Sub Total	73	116
TOTAL	20,740	6,071

* Includes the liability to reduce Public Dividend Capital by £7.2m matching the funding received to cover impairments and accelerated depreciation.

Other creditors include;

- £42,277 outstanding pensions contributions at 31 March 2006 (31 March 2005 £25,844). These were paid over to the NHS Pension Agency in accordance with the specified timetable

** Accruals and Deferred Income includes £4.018m of deferred income.

15.2 Loans [and other long-term financial liabilities]

The Trust's only debt, for both accounting periods, is Public Dividend Capital, which is shown under Capital and reserves.

15.3 Finance lease obligations

	31 March 2006	31 March 2005
	£000	£000
Payable:		
Within one year	44	0
Between one and five years	73	0
After five years	0	0
	<hr/> 117	<hr/> 0
Less finance charges allocated to future periods	0	0
	<hr/> 117 <hr/>	<hr/> 0 <hr/>

15.4 Finance Lease Commitments

The Trust has no Finance Lease commitment in either accounting period, other than the Finance lease for I.T. Equipment disclosed in note 15.3.

16. Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Agenda for Change £000	Other £000	Total £000
At 1 April 2005	0	546	180	1,550	99	2,375
Change in discount rate	0	57	0	0	22	79
Arising during the year	0	45	136	0	6	187
Utilised during the year	0	(48)	(77)	(1,550)	(6)	(1,681)
Reversed unused	0	0	(35)	0	0	(35)
Unwinding of discount	0	0	0	0	0	0
At 31 March 2006	0	600	204	0	121	925

Expected timing of cashflows:

Within one year	0	48	204	0	6	258
Between one and five years	0	194	0	0	26	220
After five years	0	358	0	0	89	447

The Legal Claims provision relates to claims made under the Liabilities to Third Parties Scheme element of the Trust's insurance policy. In addition to the provisions shown, contingent liabilities are given in note 21.

The other provision relates to allowances payable by the Trust in respect of Injury benefits.

£2,167,759 is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the trust. the trust (31 March 2005 £3,564,333).

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2005 as previously stated	25,533	3,118	0	0	(7,916)	20,735
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2005 as restated	<u>25,533</u>	<u>3,118</u>	<u>0</u>	<u>0</u>	<u>(7,916)</u>	<u>20,735</u>
Transfer from the income and expenditure account					1	1
Fixed asset impairments	2,148	0	0	0	0	2,148
Surplus on other revaluations/indexation of fixed assets	2,253	61	0	0	0	2,314
Transfer of realised profits (losses) to the Income and Expenditure	0	0	0	0	0	0
Receipt of donated/government granted assets	0	56	0	0	0	56
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets	0	(676)	0	0	0	(676)
Other transfers between reserves	(8,415)	(977)	0	0	9,392	0
Other movements on reserves [specify]	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2006	<u><u>21,519</u></u>	<u><u>1,582</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,477</u></u>	<u><u>24,578</u></u>

The transfer between reserves has been made to ensure the current carrying value of Fixed Assets is accurately reflected, in the revaluation, reserve. following the adjustments that have been made to reflect the transfer of assets made to the PFI provider, and the annual transfer between reserves due to the difference between current and Historical cost depreciation.

18. Notes to the cash flow Statement

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

	2005/06	2004/05
	£000	£000
Total operating surplus (deficit)	3,317	3,105
Depreciation and amortisation charge*	9,128	4,701
Fixed asset impairments and reversals	2,100	0
Transfer from donated asset reserve	(676)	(278)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	126	(223)
(Increase)/decrease in debtors*	(18,986)	234
Increase/(decrease) in creditors *	14,256	(1,803)
Increase/(decrease) in provisions	(1,529)	97
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	7,736	5,833
Payments in respect of fundamental reorganisation/restructuring	0	0
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>7,736</u>	<u>5,833</u>

*The significant movement in year within Debtors, Creditors and Depreciation are due to the funding and charge impairments and accelerated depreciation.

18.2 Reconciliation of net cash flow to movement in net debt

	2005/06	2004/05
	£000	£000
Increase/(decrease) in cash in the period	(39)	1
Cash inflow from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	43	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
	<hr/>	<hr/>
Change in net debt resulting from cashflows	4	1
Non - cash changes in debt	0	0
Net debt at 1 April 2005	(25)	(26)
	<hr/>	<hr/>
Net debt at 31 March 2005	<u>(21)</u>	<u>(25)</u>

18.3 Analysis of changes in net debt

	At 1 April 2005	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2006
	£000	£000	£000	£000	£000
OPG cash at bank	135	0	(39)	0	96
Commercial cash at bank and in hand	0	0	0	0	0
Bank overdraft	0	0	0	0	0
Debt due within one year	0	0	0	0	0
Debt due after one year	0	0	0	0	0
Finance leases	(160)	0	43	0	(117)
Current asset investments	0	0	0	0	0
	(25)	0	4	0	(21)

19. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2006 were £936,000 (31 March 2005 £324,000)

20. Post Balance Sheet Events

Sherwood Forest Hospitals NHS Trust has formally applied for Foundation Trust status, and if successful expect to be licensed on or after 1 August 2006.

21. Contingencies

	2005/06 £000	2004/05 £000
Contingent liabilities (gross value)	(133)	(83)
Amounts recoverable against contingent liabilities	<u>0</u>	<u>0</u>
Net value of contingent liabilities	<u><u>(133)</u></u>	<u><u>(83)</u></u>
Contingent Assets*	<u><u>0</u></u>	<u><u>0</u></u>

The contingent liability relates to claims made under the Liability to Third Parties Scheme element of the Trust's insurance policy. Provision relating to these claims are shown in note 16.

22. Movement in Public Dividend Capital

	2005/06 £000	2004/05 £000
Public Dividend Capital as at 1 April 2005	79,522	74,293
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	4,023	5,229
Public Dividend Capital repaid in year	0	0
Public Dividend Capital repayable (creditor)	(7,203)	0
Public Dividend Capital written off	0	0
Public Dividend Capital transferred to Foundation Trust	0	0
Other movements in Public Dividend Capital in year	<u>0</u>	<u>0</u>
Public Dividend Capital as at 31 March 2006	<u><u>76,342</u></u>	<u><u>79,522</u></u>

23. Financial Performance Targets

23.1 Breakeven Performance

The trust's breakeven performance for 2005/06 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	60,153	63,304	69,606	74,933	102,773	114,207	124,785	146,149	164,237
Retained surplus/(deficit) for the year	90	43	80	88	2	1	2	8	1
Adjustment for:									
- Timing/non-cash impacting distortions									
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0	0
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	0	0							
- 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)	0	0	0						
- 2001/02 Prior Period Adjustment (relating to 1997/98 to 2000/01)	0	0	0	0					
- 2002/03 Prior Period adjustment (relating to 1997/98 to 2001/02)	0	0	0	0	0				
- 2003/04 Prior Period Adjustment (relating to 1997/98 to 2002/03)	0	0	0	0	0	0			
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0	0	0		
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0	0	0	0	0	0	0	
Break-even in-year position	90	43	80	88	2	1	2	8	1
Break-even cumulative position	90	133	213	301	303	304	306	314	315
Materiality test (I.e. is it equal to or less than 0.5%):									
- Break-even in-year position as a percentage of turnover	0.15%	0.07%	0.11%	0.12%	0.00%	0.00%	0.00%	0.01%	0.00%
- Break-even cumulative position as a percentage of turnover	0.15%	0.21%	0.31%	0.40%	0.29%	0.27%	0.25%	0.21%	0.19%

23.2 Capital cost absorption rate

The trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £3,496,000 bears to the average relevant net assets of £98,122,000, that is 3.6%.

The variance from 3.5% is within the Department of Health's materiality range of 3.0% to 4.0%

23.3 External financing

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

	2005/06 £000	2004/05 £000
External financing limit	4,023	5,229
Cash flow financing	4,075	5,257
Finance leases taken out in the year	0	0
Other capital receipts	<u>(56)</u>	<u>(29)</u>
External financing requirement	<u>4,019</u>	<u>5,228</u>
Undershoot (overshoot)*	<u><u>4</u></u>	<u><u>1</u></u>

23.4 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to overspend

	2005/06 £000	2004/05 £000
Gross capital expenditure	9,791	7,331
Less: book value of assets disposed of	(33,908)	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	<u>(56)</u>	<u>0</u>
Charge against the CRL	(24,173)	7,331
Capital resource limit	(18,788)	7,728
(Over)/Underspend* against the CRL	<u><u>5,385</u></u>	<u><u>397</u></u>

The underspend is due to the accounting treatment required for the Capital Payment made by the Trust as part of the PFI scheme where it is classified as a Debtor prepayment rather than Capital expenditure. The underlying underspend without this adjustment would have been £1.5m.

24. Related Party Transactions

Sherwood Forest Hospitals 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 Sherwood Forest Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year Sherwood Forest Hospitals 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 listed below:

Amber Valley Primary Care Trust
Ashfield Primary Care Trust
Bassetlaw Primary Care Trust
Blood Transfusion Service
Broxtowe and Hucknall Primary Care Service
Central Manchester Healthcare NHS Trust
Department of Health
Doncaster and Bassetlaw Ho
East Midlands Ambulance Services NHS Trust
Leicestershire and Rutland Healthcare NHS Trust
Lincolnshire South West Primary Care Trust
Mansfield District Primary Care Trust
Newark and Sherwood Primary Care Trust
NHS Supplies Authority
NHS Litigation Authority;
North Eastern Derbyshire Primary Care Trust
North West Leicestershire and Charnwood Primary Care Trust
Nottingham City Hospital NHS Trust
Nottinghamshire Healthcare NHS Trust
Queens Medical Centre University Nottingham NHS Trust
Solihull Healthcare NHS Trust
Southern Derbyshire Acute Hospitals NHS Trust
Trent Strategic Health 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 the Department of Health for Education and Skills in respect of University Hospitals.

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. The Sherwood Forest Hospitals Charitable Fund purchased goods and services for the Trust during the financial year, and also provided purchases for patients and staff at the Sherwood Forest Hospitals. The administration of the Charity is carried out by the Trust, and during the financial year the Trust charged the Charity for this service.

The audited accounts / the Summary Financial Statements of the Funds Held on Trust are available separately.

25. Private Finance Transactions

25.1 PFI schemes deemed to be off-balance sheet

The Trust is currently committed to two off balance sheet PFI schemes.

Expenditure recognised within the expenditure for the Trust for 2005/06 is as follows:

	2005/06	2004/05
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	292	172
Amortisation of PFI deferred asset	201	0
Net charge to operating expenses	<u>493</u>	<u>172</u>

A credit of £804k was also recognised within operating expenses relating to the Unitary charge offset to recreate the Fixed Assets of the Trust over the life of the PFI contract. However in line with the DOH guidance this has been excluded in the above Net charge calculation.

The Trust is committed to make the following annual payment to Central Nottinghamshire Hospitals PLC on completion of the PFI redevelopment.

	£000	
PFI scheme which expires;		
36 years and over	30,098	
Estimated capital value of the PFI scheme	£000	
Contract Start date:	315,696	November 2005
Contract End date:		March 2043

This project involves a major redevelopment of the King's Mill Hospital Site which is funded through the Private Finance Initiative with Central Nottinghamshire PLC being our Private Sector partner. Commercial close was reached in November 2005 and since this date circa £30m of assets have transferred to the PFI provider, along with the transfer of responsibility for facilities management to an external provider as part of the PFI service provision contract. The annual payment referred to above is the full annual payment once the scheme is complete in 5yrs time. During the construction phase the Trust has contracted with Central Nottinghamshire PLC for facilities management services (Circa £6.5m, 2006/07) and will pay a reduced unitary charge payment as phases of the scheme are completed.

The Trust is committed to make the following payments during the next year with regard to Leicester Housing.

PFI scheme which expires;		
26th to 30th years (inclusive)*	189	
Estimated capital value of the PFI scheme	£000	
Contract Start date:	6,694	June 1999
Contract End date:		June 2034

The Trust entered into a Private Finance Initiative contract with Leicester Housing Association, which included the construction of new residential accommodation and the upgrade of existing accommodation combined with a 35 year contract to manage and operate the accommodation. The capital contract which concluded in August 2000, had a capital value of £2.3m. The Trust has guaranteed to utilise a minimum level of the overall accommodation but the majority of risks associated with operating and letting the properties have been transferred to the Housing Association.

The Trust has recently completed renegotiations of the above contract to include the construction of further accommodation units, on the Kings Mill site.



25.2 'Service' element of PFI schemes deemed to be on-balance sheet

The Trust has no "on-balance sheet" schemes.

26 Pooled Budget

The Trust has no pooled budget projects.

27 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. 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.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

Liquidity risk

The NHS Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. Sherwood Forest Hospitals NHS Trust is not, therefore, exposed to significant liquidity

Interest-Rate Risk

100% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Sherwood Forest Hospitals NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and





27.1 Financial Assets

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 March 2006							
Sterling	196	0	100	96	2.20%	0	0
Other	0	0	0	0	2.20%	0	0
Gross financial assets	196	0	100	96			
At 31 March 2005 (prior year)							
Sterling	342	0	208	134	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	342	0	208	134			

27.2 Financial Liabilities

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 March 2006							
Sterling	75,790	0	(552)	76,342	9.00%	0	0
Other *	(73)	0	(73)	0	23.00%	0	0
Gross financial liabilities	75,717	0	(625)	76,342			
At 31 March 2005 (prior year)							
Sterling	(80,113)	0	(591)	(79,522)	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	(80,113)	0	(591)	(79,522)			

Note: The public dividend capital is of unlimited term.

* other relates to working capital debtors and creditors greater than 1 year.



Foreign Currency Risk

The Trust has no foreign currency income or expenditure.

27.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2006.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	96	96	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provis	100	100	Note a
Investments	0	0	
Total	<u>196</u>	<u>196</u>	
Financial liabilities			
Overdraft	0	0	
Creditors over 1 year:			
- Early retirements	(552)	(552)	Note b
- Finance leases	(73)	(73)	Note c
Provisions under contract	0	0	Note d
Loans	0	0	
Public dividend capital*	(76,342)	(76,342)	Note e
Total	<u>(76,967)</u>	<u>(76,967)</u>	

Notes

- a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.
- b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.
- c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.
- e The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

28 Third Party Assets

The Trust held £912.19 cash at bank and in hand at 31 March 2006 (£143.73 - at 31 March 2005) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

29 Intra-Government and Other Balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other Central Government Bodies	10,625	100	7,948	0
Balances with Local Authorities	26	0	0	0
Balances with NHS Trusts and Foundation Trusts	563	0	340	0
Balances with Public Corporations and Trading Funds	126	0	0	0
Balances with bodies external to government	<u>5,427</u>	<u>33,706</u>	<u>12,379</u>	<u>73</u>
At 31 March 2006	<u><u>16,767</u></u>	<u><u>33,806</u></u>	<u><u>20,667</u></u>	<u><u>73</u></u>
Balances with other Central Government Bodies	2,210	208	99	0
Balances with Local Authorities	72	0	0	0
Balances with NHS Trusts and Foundation Trusts	379	0	253	0
Balances with Public Corporations and Trading Funds	37	0	0	0
Balances with bodies external to government	<u>2,731</u>	<u>6</u>	<u>5,719</u>	<u>0</u>
At 31 March 2005 (prior year)	<u><u>5,429</u></u>	<u><u>214</u></u>	<u><u>6,071</u></u>	<u><u>0</u></u>

30 Losses and Special Payments

There were 513 cases of losses and special payments (2004/05: 476 cases) totalling £19,118 (2004/05: £16,580) approved during 2005/06.