

1998/99 Trust Accounts pro-forma

Introduction

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

This workbook is not password-protected, and it is expected that trusts will wish to amend suit individual needs: they are intended to provide a starting-point for the preparation of a trust's responsibility. It is not the intention of the NHS Executive that this file should provide a version of the accounts, and trusts are free to use other systems to prepare final accounts.

Data entered below will be used throughout the workbook:

Trust name:	Sherwood Forest Hospitals NHS Trust
This year	2004/05
Last year	2003/04
This year ended	31 March 2005
Last year ended	31 March 2004
This year beginning	1 April 2004

FOREWORD TO THE ACCOUNTS

SHERWOOD FOREST HOSPITALS NHS TRUST

These accounts for the year ended 31 March 2005 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 2005**

	NOTE	£000	2003/04 £000
Income from activities	3	128,172	110,319
Other operating income	4	17,977	14,466
Operating expenses	5-7	<u>(143,044)</u>	<u>(122,263)</u>
OPERATING SURPLUS (DEFICIT)		3,105	2,522
Cost of fundamental reorganisation/restructuring		0	0
Profit (loss) on disposal of fixed assets	8	<u>0</u>	<u>0</u>
SURPLUS (DEFICIT) BEFORE INTEREST		3,105	2,522
Interest receivable		220	171
Interest payable	9	0	0
Other finance costs - unwinding of discount	16	(48)	(15)
Other finance costs - change in discount rate on provisions		<u>55</u>	<u>55</u>
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR		3,277	2,733
Public Dividend Capital dividends payable		<u>(3,269)</u>	<u>(2,731)</u>
RETAINED SURPLUS (DEFICIT) FOR THE YEAR		<u><u>8</u></u>	<u><u>2</u></u>

The notes on pages 1-38 form part of these accounts
All income and expenditure is derived from continuous 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 2005**

	£000
Retained surplus/(deficit) for the year	8
Financial support included in retained surplus/(deficit) for the year - NHS Bank	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	0
Retained surplus/(deficit) for the year excluding financial support	<u>8</u>

**BALANCE SHEET AS AT
31 March 2005**

	NOTE	£000	31 March 2004 £000
FIXED ASSETS			
Intangible assets	10	0	0
Tangible assets	11	100,616	92,253
Investments	14	0	0
		<u>100,616</u>	<u>92,253</u>
CURRENT ASSETS			
Stocks and work in progress	12	2,149	1,926
Debtors	13	5,643	5,877
Investments	14	0	0
Cash at bank and in hand	18.3	135	134
		<u>7,927</u>	<u>7,937</u>
CREDITORS: Amounts falling due within one year	15	<u>(5,911)</u>	<u>(8,393)</u>
NET CURRENT ASSETS (LIABILITIES)		2,016	(456)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>102,632</u>	<u>91,797</u>
CREDITORS: Amounts falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,375)	(2,230)
TOTAL ASSETS EMPLOYED		<u><u>100,257</u></u>	<u><u>89,567</u></u>
FINANCED BY:			
TAXPAYERS EQUITY			
Public Dividend Capital	22	79,522	74,293
Revaluation reserve	17	25,533	12,695
Donated asset reserve	17	3,118	3,156
Government grant reserve	17	0	0
Other reserves	17	0	0
Income and expenditure reserve	17	(7,916)	(577)
TOTAL TAXPAYERS EQUITY		<u><u>100,257</u></u>	<u><u>89,567</u></u>

Signed:(Chief Executive)

Date:

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2005**

	£000	2003/04 £000
Surplus (deficit) for the financial year before dividend payments	3,277	2,733
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	5,702	6,854
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	29	624
Reductions in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated and government grant financed assets	(278)	(216)
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year	8,730	9,995
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	<u><u>8,730</u></u>	<u><u>9,995</u></u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2005**

	NOTE	£000	2003/04 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	18.1	5,833	3,097
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		220	170
Interest paid		0	0
Interest element of finance leases		0	0
		<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance		220	170
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(8,041)	(5,942)
Receipts from sale of tangible fixed assets		0	0
(Payments) to acquire intangible assets		0	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
		<hr/>	<hr/>
Net cash inflow/(outflow) from capital expenditure		(8,041)	(5,942)
DIVIDENDS PAID			
		(3,269)	(2,731)
		<hr/>	<hr/>
Net cash inflow/(outflow) before management of liquid resources and financing		(5,257)	(5,406)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of current asset investments		0	0
Sale of current asset investments		0	0
		<hr/>	<hr/>
Net cash Inflow/(outflow) from management of liquid resources		0	0
		<hr/>	<hr/>
Net cash inflow/(outflow) before financing		(5,257)	(5,406)
FINANCING			
Public dividend capital received		5,229	4,782
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		29	624
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies		0	0
		<hr/>	<hr/>
Net cash inflow/(outflow) from financing		5,258	5,406
		<hr/>	<hr/>
Increase/(decrease) in cash		1	0
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS trusts Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2004/05 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 Trust 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 the 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.

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 and were applied on the 31 March 2005.

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

Additional alternative Open Market Value figures have only been supplied for operational assets 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.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and 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.

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 FRS 5 Amendment and the guidance 'Land and Buildings in PFI schemes Version 2.

PFI schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator

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 criteria:

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. 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 3.5% in real terms.

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 16.

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 Strategic Health Authority 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 total employer contribution payable in 2004-05 was £9,173,637 (2003-04 £4,285,311). The increase over 2003/04 is due to a change in the rate of contribution which is explained below and on page 6.

The Scheme is subject to a full valuation by the Government Actuary every four years which is followed by a review of the employer contribution rates. The last valuation took place as at 31 March 2003 and has yet to be finalised. The last published valuation covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. 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 remain at 7% of pensionable pay until 31 March 2003 and then be increased to 14% of pensionable pay with effect 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.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Until 2002-03 HM Treasury paid the Retail Price Indexation costs of the NHS Pension scheme direct but as part of the Spending Review Settlement, these costs have been devolved in full. For 2003-04 the additional funding was retained as a Central Budget by the Department of Health and was paid direct to the NHS Pensions Agency and the employers' contribution remained at 7%. From 2004-05 this funding was devolved in full to NHS Pension Scheme employers and the employers' contribution rate rose to 14%.

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. 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 Operating Cost Statement account at the time the Authority commits itself to the retirement, regardless of the method of payment.

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.

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. For 2004-05 the average carrying amount of assets is calculated before the national revaluation figures are applied on 31 March 2005. 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 charged to the relevant functional headings on a cash 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)

2 SEGMENTAL ANALYSIS

Segmental reporting is not applicable to the Trust's activities in 2004/05.

3. Income from Activities

	£000	2003/04 £000
Strategic Health Authorities	0	0
NHS Trusts	760	729
Primary Care Trusts	126,403	108,534
Foundation Trusts	0	0
Local Authorities	0	0
Department of Health	0	0
NHS Other	0	0
Non NHS:	0	0
- Private Patients	240	250
- Overseas patients (non-reciprocal)	0	0
- Road Traffic Act	685	729
- Other	84	77
	<u>128,172</u>	<u>110,319</u>

[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

	£000	2003/04 £000
Patient transport services	170	0
Education, training and research	5,455	4,769
Charitable and other contributions to expenditure	418	362
Transfers from donated asset reserve	278	216
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	2,817	3,537
Other income	8,839	5,582
	<u>17,977</u>	<u>14,466</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	£000	2003/04 £000
Services from other NHS Trusts	2,377	1,737
Services from other NHS bodies	4,723	5,439
Services from Foundation Trusts	0	0
Purchase of healthcare from non NHS bodies	215	143
Directors' costs *	450	402
Staff costs	99,599	84,744
Supplies and services - clinical	13,978	12,936
Supplies and services - general	3,087	2,535
Establishment	2,987	2,504
Transport	489	433
Premises	5,584	4,550
Bad debts	(11)	128
Depreciation and amortisation	4,701	3,801
Fixed asset impairments and reversals	0	0
Audit fees	163	201
Other auditor's remuneration	0	0
Clinical negligence	2,304	1,052
Other	2,398	1,658
	<u><u>143,044</u></u>	<u><u>122,263</u></u>

*

The increase in Directors costs reflects the annual pay award, and the additional costs associated with the increase from 7% -14% in respect of pension contributions.

5.2 Operating leases

5.2/1 Operating expenses include:

	£000	2003/04 £000
Hire of plant and machinery	489	497
Other operating lease rentals	384	290
	<u>873</u>	<u>787</u>

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

	Land and buildings		Other leases	
	£000	2003/04 £000	£000	2003/04 £000
Operating leases which expire:				
Within 1 year	0	0	114	171
Between 1 and 5 years	0	0	646	586
After 5 years	0	0	0	0
	<u>0</u>	<u>0</u>	<u>760</u>	<u>757</u>

5.3 Salary and Pension entitlements of senior managers

A) Remuneration

Name and Title	2004-05			2003-04		
	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind Rounded to the nearest £000	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Benefits in Kind Rounded to the nearest £000
Mr B.Meakin - Chairman	15-20		0	15-20		0
Mr J.Worrall -Chief Executive	100-105		3	95-100		5
Mr W.Gregory - Executive Director of Finance	75-80		4	30-35		1
Mr A.Leary - Executive Director of Finance	n/a			35-40		2
Mrs E.Konieczny - Acting Executive Director of Finance	n/a			5-10		0
Mrs T.Allen -Executive Director, Strategy and Service Improvement	70-75		0	65-70		0
Dr M.Mowbray - Executive Medical Director*	20-25	130-135	0	20-25	85-90	5
Mrs C.White - Executive Director of Nursing	65-70		1	60-65		0
Mrs L.Carter - Non-Executive Director	5-10		0	5-10		0
Mrs D.George - Non -Executive Director	5-10		0	5-10		0
Mr J.Lonergan - Non-Executive Director	5-10		0	5-10		0
Mrs S.Andrews -Non Executive Director	5-10		0	5-10		0
Mr P.Harris -Non -Executive Director	5-10		0	5-10		0

Benefits in Kind

The amounts shown for benefits in kind relate to the provision of lease cars.

The manual for accounts states that benefits in kind should be shown to the nearest £100. For consistency with the salary disclosures above, all figures have been shown to the nearest £000.

*The other remuneration relates to the Medical Directors Clinical duties.

5.3 Salary and Pension entitlements of senior managers

B) Pension Benefits

Name and title	Real increase in pension and related lump sum at age 60 (bands of £2500) £000	Total accrued pension and related lump sum at age 60 at 31 March 2005 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2005 £000	Cash Equivalent Transfer Value at 31 March 2004 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Pension To nearest £100
Mr J.Worrall -Chief Executive	0-2.5	130-140	494	448	47	14,300
Mr W.Gregory - Executive Director of Finance	2.5-5	45-50	138	99	39	10,900
Mrs T.Allen -Executive Director, Strategy and Service Improvement	0-2.5	45-50	126	108	15	10,000
Dr M.Mowbray - Executive Medical Director	2.5-5	120-125	403	328	75	13,200
Mrs C.White - Executive Director of Nursing	0-2.5	70-72.5	231	204	22	9,400

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

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.

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. Staff costs and numbers

6.1 Staff costs

	Total	Permanently Employed	Other	2003/04
	£000	£000	£000	£000
Salaries and wages	84,766	80,889	3,877	71,914
Social Security Costs	6,041	6,041	0	5,219
Employer contributions to NHSPA	9,190	9,190	0	4,191
Other pension costs	52	52	0	55
	<u>100,049</u>	<u>96,172</u>	<u>3,877</u>	<u>81,379</u>

* The change in contribution rate relating to the increase in pension costs, is detailed within the notes on pages 5 and 6.

6.2 Average number of persons employed

	Total	Permanently Employed	Other	2003/04
	Number	Number	Number	Number
Medical and dental	327	292	35	289
Ambulance staff	0	0	0	1
Administration and estates	691	688	3	636
Healthcare assistants and other support staff	333	332	1	335
Nursing, midwifery and health visiting staff	1,305	1,257	48	1,200
Nursing, midwifery and health visiting learners	7	7	0	7
Scientific, therapeutic and technical staff	434	423	11	395
Social care staff	0	0	0	0
Other	0	0	0	0
Total	<u>3,097</u>	<u>2,999</u>	<u>98</u>	<u>2,863</u>

6.3 Employee benefits

No other employee benefits were paid during 2004/05.

6.4 Management costs

	£000	2003/04 £000
Management costs	4,617	4,044
Income	145,833	124,395

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 2004/05 (prior year 2003/04) there were 8 (9) early retirements from the trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £141,525 (£359,133). 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

	Number	£000
Total bills paid in the year	54,896	40,511
Total bills paid within target	53,304	39,106
Percentage of bills paid within target	97%	97%

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

	£000	2003/04 £000
7.2 The Late Payment of Commercial Debts (Interest) Act 1998		
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

Profit/loss on the disposal of fixed assets is made up as follows:

	£000	2003/04 £000
Profit on disposal of fixed asset investments	0	0
Loss on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	0
Loss on disposal of land and buildings	0	0
Profits on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	0	0
	<u>0</u>	<u>0</u>

9. Interest Payable

	£000	2003/04 £000
Finance leases	0	0
Other	0	0
	<u>0</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 2004	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Additions purchased	0	0	0	0	0
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 2005	0	0	0	0	0
Amortisation at 1 April 2004	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Provided during the year	0	0	0	0	0
Disposals	0	0	0	0	0
Amortisation at 31 March 2004	0	0	0	0	0
Net book value					
- Purchased at 1 April 2004	0	0	0	0	0
- Donated at 1 April 2004	0	0	0	0	0
- Government granted at 1 April 2004	0	0	0	0	0
- Total at 1 April 2004	0	0	0	0	0
- Purchased at 31 March 2005	0	0	0	0	0
- Donated at 31 March 2005	0	0	0	0	0
- Government granted at 31 March 2005	0	0	0	0	0
- Total at 31 March 2005	0	0	0	0	0

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 2004	12,767	66,549	0	730	21,772	63	6,158	1,724	109,763
Additions purchased	10	808	0	2,462	3,217	0	815	19	7,331
Additions donated	0	0	0	0	31	0	0	0	31
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,169	0	(1,167)	(1,783)	6	(301)	400	(1,676)
Indexation	951	5,254	0	48	431	1	0	46	6,731
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	(1,870)	0	0	0	0	0	0	(1,870)
National Revaluation Exercise	3,410	(4,173)	0	0	0	0	0	0	(763)
At 31 March 2005	17,138	67,737	0	2,073	23,668	70	6,672	2,189	119,547
Depreciation at 1 April 2004	0	0	0	0	12,388	31	3,835	1,256	17,510
Provided during the year	0	2,621	0	0	1,316	7	658	99	4,701
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	(1,786)	5	(297)	402	(1,676)
Indexation	0	0	0	0	229	1	0	36	266
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	(1,870)	0	0	0	0	0	0	(1,870)
Depreciation at 31 March 2005	0	751	0	0	12,147	44	4,196	1,793	18,931
Net book value									
- Purchased at 1 April 2004	12,767	65,246	0	730	7,545	28	2,316	467	89,099
- Donated at 1 April 2004	0	1,303	0	0	1,839	4	7	1	3,154
- Government Granted at 1 April 2004	0	0	0	0	0	0	0	0	0
Total at 31 March 2004	12,767	66,549	0	730	9,384	32	2,323	468	92,253
- Purchased at 31 March 2005	17,138	65,562	0	2,073	9,834	23	2,473	395	97,498
- Donated at 31 March 2005	0	1,424	0	0	1,687	3	3	1	3,118
- Government Granted at 31 March 2005	0	0	0	0	0	0	0	0	0
Total at 31 March 2005	17,138	66,986	0	2,073	11,521	26	2,476	396	100,616

11.1 Tangible Fixed Assets (contd)

Of the totals at 31 March 2005, £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.

There were no reversals of impairments during the year.

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

During the period no asset has had a material change in the estimate of useful economic life/residual 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 2005	0	0	0	0	0	0	0	0	0
At 31 March 2004	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 2005	0	0	0	0	0	0	0	0	0
Depreciation 31 March 2004	0	0	0	0	0	0	0	0	0

11.2 The net book value of land, buildings and dwellings at 31 March 2005 comprises:

	£000	31 March 2004 £000
Freehold	84,124	79,316
Long leasehold	0	0
Short leasehold	0	0
TOTAL	84,124	79,316

12. Stocks and Work in Progress

	£000	31 March 2004 £000
Raw materials and consumables	2,149	1,926
Work-in-progress	0	0
Finished goods	0	0
TOTAL	2,149	1,926

13. Debtors

	£000	31 March 2004 £000
Amounts falling due within one year:		
NHS debtors	2,649	3,271
Provision for irrecoverable debts	(140)	(155)
Other prepayments and accrued income	735	438
Other debtors	2,185	2,150
Sub Total	5,429	5,704
Amounts falling due after more than one year:		
NHS debtors	208	128
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	0	2
Other debtors	6	43
Sub Total	214	173
TOTAL	5,643	5,877

NHS Debtors include £nil prepaid pension contributions at 31 March 2005 (£nil at 31 March 2004)

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:

	£000	31 March 2004 £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	552	1,018
Non - NHS trade creditors - revenue - other	800	1,029
Non - NHS trade creditors - capital	817	1,496
Tax and social security costs	112	1,961
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	161	123
Accruals and deferred income	3,469	2,766
Sub Total	5,911	8,393
Amounts falling due after more than one year:		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Other	0	0
Sub Total	0	0
TOTAL	5,911	8,393

NHS creditors include £25,844 outstanding pension contributions at 31st March 2005 (31 March 2004 £674,770) These were paid over to the NHS Pensions Agency in accordance with the specified timetable.

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

The Trust has no Finance Lease obligations in either accounting period.

15.4 Finance Lease Commitments

The Trust has no Finance Lease commitments in either accounting period.

16. Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Amounts payable in respect of arrears on the new Consultants' contract	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2004	0	544	184	1,404	98	2,230
Arising during the year	0	32	110	1,550	0	1,692
Utilised during the year	0	(47)	(65)	(1,404)	(6)	(1,522)
Reversed unused	0	(24)	(49)	0	0	(73)
Unwinding of discount	0	41	0	0	7	48
At 31 March 2005	0	546	180	1,550	99	2,375

Expected timing of cashflows:

Within one year	0	48	180	0	6	234
Between one and five years	0	188	0	0	26	214
After five years	0	310	0	1,550	67	1,927

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.

£3,564,333 is included in the provisions of the NHS Litigation Authority at 31/3/2005 in respect of clinical negligence liabilities of the trust (31/3/2004 £3,874,069).

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 2004 as previously stated	12,695	3,156	0	0	(577)	15,274
Prior Period Adjustments	8,317	0	0	0	(8,317)	0
At 1 April 2004 as restated	<u>21,012</u>	<u>3,156</u>	<u>0</u>	<u>0</u>	<u>(8,894)</u>	15,274
Transfer from the income and expenditure account					8	8
Fixed asset impairments	0	0	0	0	0	0
Surplus on other revaluations/indexation of fixed assets	5,491	211	0	0	0	5,702
Transfer of realised profits (losses) to the Income and Expenditure reserve	0	0	0	0	0	0
Receipt of donated/government granted assets	0	29	0	0	0	29
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets	0	(278)	0	0	0	(278)
Other transfers between reserves	(970)	0	0	0	970	0
Other movements on reserves	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2005	<u><u>25,533</u></u>	<u><u>3,118</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(7,916)</u></u>	<u><u>20,735</u></u>

During 2004/05 the Trust has undertaken and completed a review of the Revaluation and I and E Reserves. This was undertaken in response to previous recommendations

18. Notes to the cash flow Statement

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

	£000	2003/04 £000
Total operating surplus (deficit)	3,105	2,522
Depreciation and amortisation charge	4,701	3,801
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(278)	(216)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(223)	47
(Increase)/decrease in debtors	234	(2,525)
Increase/(decrease) in creditors	(1,803)	(1,886)
Increase/(decrease) in provisions	97	1,354
	<u>5,833</u>	<u>3,097</u>
Net cash inflow/(outflow) from operating activities before restructuring costs	5,833	3,097
Payments in respect of fundamental reorganisation/restructuring	0	0
	<u>5,833</u>	<u>3,097</u>

18.2 Reconciliation of net cash flow to movement in net debt

	£000	2003/04 £000
Increase/(decrease) in cash in the period	1	0
Cash inflow from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cashflows	<u>1</u>	<u>0</u>
Non - cash changes in debt	0	0
Net debt at 1 April 2004	<u>134</u>	134
Net debt at 31 March 2005	<u>135</u>	<u>134</u>

18.3 Analysis of changes in net debt

	At 1 April 2004	Cash Transferred (to)/from other NHS bodies	Cash changes in year	Non-cash changes in year	At 31 March 2005
	£000	£000	£000	£000	£000
OPG cash at bank	134	0	1	0	135
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	0	0	0	0	0
Current asset investments	0	0	0	0	0
	134	0	1	0	135

19. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £324,000 (31 March 2004 £447,000)

20. Post Balance Sheet Events

From 1 April 2005 HM Treasury changed the discount rate used in calculating provisions from 3.5% to 2.2%. This change will result in an increase in our provisions of £73,485 which will be charged to the Income and Expenditure account in 2005-06. National funding of NHS commissioners will be increased by the total estimated effect to offset this charge.

There are no other post balance sheet events having a material effect on the accounts.

21. Contingencies

	£000	2003/04 £000
Gross value	(83)	(96)
Amounts recoverable (if any)	<u>0</u>	<u>0</u>
Net contingent liability	<u><u>(83)</u></u>	<u><u>(96)</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

	£000	2003/04 £000
Public Dividend Capital as at 1 April 2004	74,293	69,511
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	5,229	4,782
Public Dividend Capital repaid in year	0	0
Public Dividend Capital repayable (creditor)	0	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 2005	<u><u>79,522</u></u>	<u><u>74,293</u></u>

23. Financial Performance Targets

23.1 Breakeven Performance

The trust's breakeven performance for 2004/2005 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	£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
Retained surplus/(deficit) for the year	90	43	80	88	2	1	2	8
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
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	0	0						
- 2000/01 Prior Period Adjustment (relating to 1997/98, 1998/99 and 1999/2000)	0	0	0					
- 2001/02 Prior Period Adjustment (relating to 1997/98, 1998/99, 1999/2000 and 2000/01)	0	0	0	0				
- 2002/03 Prior Period adjustment (relating to 1997/98, 1998/99, 1999/2000, 2000/01 and 2001/02)	0	0	0	0	0			
- 2003/04 Prior Period Adjustment (relating to 1997/98, 1998/99, 1999/2000, 2000/01, 2001/02 and 2002/03)	0	0	0	0	0	0		
- 2004/05 Prior Period Adjustment (relating to 1997/98, 1998/99, 1999/2000, 2000/01, 2001/02, 2002/03 and 2004/05)	0	0	0	0	0	0	0	
Break-even in-year position	90	43	80	88	2	1	2	8
Break-even cumulative position	90	133	213	301	303	304	306	314
Materiality test:								
- Break-even in-year position	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
- Break-even cumulative position	0.1%	0.2%	0.3%	0.4%	0.3%	0.3%	0.2%	0.2%

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 £3,269,000, bears to the average relevant net assets of £91,667,000, that is 3.57%.

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.

	£000	£000	2003/04 £000
External financing limit		5,229	4,782
Cash flow financing	5,257		5,406
Finance leases taken out in the year	0		0
Other capital receipts	(29)		(624)
External financing requirement	<u> </u>	<u>5,228</u>	<u>4,782</u>
Undershoot (overshoot)		<u> 1</u>	<u> 0</u>

23.4 Capital Resource Limit

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

	£000	2003/04 £000
Gross capital expenditure	7,331	6,903
Less: book value of assets disposed of	0	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations	0	(602)
Charge against the CRL	<u>7,331</u>	<u>6,301</u>
Capital resource limit	<u>7,728</u>	<u>6,323</u>
(Over)/Underspend against the CRL	<u> 397</u>	<u> 22</u>

The underspend identified above is within the 5% tolerance normally applied by the Department of Health. It is assumed that this resource will be available for the 2005/06 Financial year Capital Programme.

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

	£000	2003/04 £000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	172	158
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	<u>172</u>	<u>158</u>

The Trust is committed to make the following payments during the next year.

PFI scheme which expires; 26th to 30th years (inclusive)	180	180
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The estimated annual payments in future years are not expected to be materially different from those which the trust is committed to make during the next year.

Estimated capital value of the PFI scheme	£000 2,300
Contract Start date:	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 is currently in the process of agreeing an extension in respect of this PFI arrangement with Leicester Housing Association. This is for the reprovision of some of the existing accommodation and the provision of additional accommodation. Agreement is expected to be reached on this arrangement early in 2005/06, but no commitments or liabilities relating to this extension exist at the balance sheet date.

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

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

26 Pooled Budget Project

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.

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 risks.

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 liabilities:

27.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2005							
Sterling	342	0	208	134	3.5%	0	0
Other	0	0	0	0	3.5%	0	0
Gross financial assets	342	0	208	134			
At 31 March 2004 (prior year)							
Sterling	134	0	0	134	0%	0	0
Other	129	0	129	0	3.5%	0	0
Gross financial assets	263	0	129	134			

27.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2005							
Sterling	(80,113)	0	(591)	(79,522)	9%	0	0
Other	0	0	0	0	9%	0	0
Gross financial liabilities	(80,113)	0	(591)	(79,522)			
At 31 March 2004 (prior year)							
Sterling	0	0	0	0	0%	0	0
Other	(74,882)	0	(589)	(74,293)	9%	0	0
Gross financial liabilities	(74,882)	0	(589)	(74,293)			

Note: The public dividend capital is of unlimited term.

Foreign Currency Risk

The Trust has no/negligible 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 2005.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	135	135	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	0	0	Note a
Investments	0	0	
Total	<u>135</u>	<u>135</u>	
Financial liabilities			
Overdraft	0	0	
Creditors over 1 year:			
- Early retirements	0	0	Note b
- Finance leases	0	0	Note c
Provisions under contract	(825)	(825)	Note d
Loans	0	0	
Public dividend capital	(79,522)	(79,522)	Note e
Total	<u>(80,347)</u>	<u>(80,347)</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 £143.73 cash at bank and in hand at 31/03/05 (£591.25 - at 31/03/04) 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	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
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	2,731	6	5,559	0
At 31 March 2005	<u>5,429</u>	<u>214</u>	<u>5,911</u>	<u>0</u>
Balances with other Central Government Bodies	2,963	129	751	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	434	0	267	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	2,307	44	7,375	0
At 31 March 2004	<u>5,704</u>	<u>173</u>	<u>8,393</u>	<u>0</u>

30 Losses and Special Payments

There were 476 cases of losses and special payments (prior year: 429 cases) totalling £16,580 (prior year: £14,969) approved during 2004-2005.

31 Modernisation of Acute Services

In April 2003 Trent Strategic Health Authority formally approved the outline business case for the Modernisation of Acute Services (MAS) Project. Since then, the procurement process has progressed and in August 2004 the Trust appointed Skanska Innisfree as the preferred bidder. This project involves a major redevelopment of the King's Mill Hospital Site and is likely to be funded through the Private Finance Initiative option. At the 31 March 2005 the Trust had signed an advance works agreement with the preferred bidder with a maximum future cost to the Trust of circa £3m should the main PFI not reach financial close.

Financial close for the project is anticipated for the summer of 2005, at which point there will be a significant impact on the future accounting statements of Sherwood Forest Hospitals NHS Trust as most buildings will be transferred to the operator.