

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	2003/04
Last year	2002/03
This year ended	31 March 2004
Last year ended	31 March 2003
This year beginning	1 April 2003

FOREWORD TO THE ACCOUNTS

SHERWOOD FOREST HOSPITALS NHS TRUST

These accounts for the year ended 31 March 2004 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 2004**

	NOTE	£000	2002/03 £000
Income from activities:			
Continuing operations	3	110,319	101,221
Other operating income			
Continuing operations	4	14,466	12,986
Operating expenses:			
Continuing operations	5-7	<u>(122,263)</u>	<u>(110,081)</u>
OPERATING SURPLUS (DEFICIT)			
Continuing operations		2,522	4,126
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		2,522	4,126
Interest receivable		171	95
Interest payable	9	0	0
Other finance costs - unwinding of discount		(15)	(46)
Other finance costs - change in discount rate on provisions		<u>55</u>	<u>0</u>
SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR		2,733	4,175
Public Dividend Capital dividends payable		<u>(2,731)</u>	<u>(4,174)</u>
RETAINED SURPLUS (DEFICIT) FOR THE YEAR		<u><u>2</u></u>	<u><u>1</u></u>

"Other finance costs" comprise the following:

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

The "change in the discount rate" line represents the effect of the recalculation of provisions occasioned by the change in discount rate from 6% to 3.5% from 1 April 2003.

**BALANCE SHEET AS AT
31 March 2004**

	NOTE	£000	31 March 2003 £000
FIXED ASSETS			
Intangible assets	10	0	0
Tangible assets	11	92,253	82,258
Investments	14.1	0	0
		<u>92,253</u>	<u>82,258</u>
CURRENT ASSETS			
Stocks and work in progress	12	1,926	1,973
Debtors	13	5,877	3,352
Investments	14.2	0	0
Cash at bank and in hand	18.3	134	134
		<u>7,937</u>	<u>5,459</u>
CREDITORS: Amounts falling due within one year	15	<u>(8,393)</u>	<u>(9,320)</u>
NET CURRENT ASSETS (LIABILITIES)		(456)	(3,861)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>91,797</u>	<u>78,397</u>
CREDITORS: Amounts falling due after more than one year	15	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,230)	(876)
TOTAL ASSETS EMPLOYED		<u><u>89,567</u></u>	<u><u>77,521</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital		74,293	69,511
Revaluation reserve	17	12,695	7,357
Donated Asset reserve	17	3,156	2,601
Government grant reserve	17	0	0
Other reserves	17	0	0
Income and expenditure reserve	17	(577)	(1,948)
TOTAL TAXPAYERS EQUITY		<u><u>89,567</u></u>	<u><u>77,521</u></u>

Signed:(Chief Executive)

Date:

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2004**

	£000	2002/03 £000
Surplus (deficit) for the financial year before dividend payments	2,733	4,175
Fixed asset impairment losses	0	0
Unrealised surplus (deficit) on fixed asset revaluations/indexation	6,854	9,880
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	624	604
Reductions in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated and government grant financed assets	(216)	(162)
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year	9,995	14,497
Prior period adjustment		
- Pre-95 early retirement	0	(515)
- Other	0	(1,367)
Total gains and losses recognised in the financial year	<u><u>9,995</u></u>	<u><u>12,615</u></u>

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2004**

	NOTE	£000	2002/03 £000
OPERATING ACTIVITIES			
Net cash inflow(outflow) from operating activities	18.1	3,097	7,530
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		170	95
Interest paid		0	0
Interest element of finance leases		0	0
		<u>0</u>	<u>0</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		170	95
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(5,942)	(6,577)
Receipts from sale of tangible fixed assets		0	0
(Payments to acquire)/receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
		<u>0</u>	<u>0</u>
Net cash inflow (outflow) from capital expenditure		(5,942)	(6,577)
DIVIDENDS PAID			
		(2,731)	(4,174)
		<u>(2,731)</u>	<u>(4,174)</u>
Net cash inflow/(outflow) before management of liquid resources and financing		(5,406)	(3,126)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments		0	0
Sale of current asset investments		0	0
		<u>0</u>	<u>0</u>
Net cash inflow (outflow) from management of liquid resources		0	0
		<u>0</u>	<u>0</u>
Net cash inflow (outflow) before financing		(5,406)	(3,126)
FINANCING			
Public dividend capital received		4,782	4,425
Public dividend capital repaid (not previously accrued)		0	(1,900)
Public dividend capital repaid (accrued in prior period)		0	0
Loans received		0	0
Loans repaid		0	0
Other capital receipts		624	604
Capital element of finance lease rental payments		0	0
Cash transferred from/to other NHS bodies		0	0
		<u>0</u>	<u>0</u>
Net cash inflow (outflow) from financing		5,406	3,129
		<u>5,406</u>	<u>3,129</u>
Increase (decrease) in cash		0	3
		<u>0</u>	<u>3</u>

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 2003/04 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 NHS 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 Tangible fixed assets

Capitalisation

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

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

From 2003/04, the method of accounting for second hand assets, on acquisition, has been changed from disclosing gross cost and accumulated depreciation, to disclosing net acquisition cost. This change will have no effect on the balance sheet figures and comparative figures have not been amended.

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 1999 as at the prospective valuation date of 1 April 2000.

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

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

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 interest 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 Trusts estate.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement costs 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 and dwellings 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 using the following lives:

	Years
Medical equipment and engineering plant and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft furnishings	7
Office and information technology equipment	5
Set-up costs in new buildings	10

Vehicles are depreciated over 7 years.

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.

1.5 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.

1.6 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.

1.7 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.

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 payments 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.

1.8 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.

1.9 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.

1.10 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 significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 3.5% in real terms.

This is a change from the rate of 6% applied in 2002/03 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 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 2003/04 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.

1.11 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the 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 total employer contribution payable in 2003/04 was £4,285,311 (£3,960,151 for 2002/03).

The notional surplus of the scheme is £1.1 billion as per the last scheme valuation by the Government Actuary for the period 1 April 1994 to 31 March 1999. The conclusion of the valuation was that the scheme continues to operate on a sound financial basis. 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. These contributions will need to be reviewed at the next investigation date, due at 31 March 2004.

The Scheme is subject to a full valuation every four years (previously every five years). The last valuation took place as at 31 March 2003. 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 annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

NHS bodies are directed by the Secretary of State to charge employers pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation (31 March 1999) on which contribution rates were based employer contribution rates for 2002/03 were set at 14% of pensionable pay (2002/03 - 7%). 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 has been retained as a Central Budget by the Department of Health and has been paid direct to the NHS Pensions Agency and the employers' contribution has remained at 7%. From 2004/05 this funding will be devolved in full to NHS Pension Scheme employers and the employers' contribution rate will rise to 14%. 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 three 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 payments of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and up to five times their annual pension for death 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 Trust can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Additional pension liabilities arising from early retirements 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 Trust commits itself to the retirement, regardless of the method of payment.

FRS 17 has been fully adopted from 2003/04.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 Dividend

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 assets in the course of construction, donated assets and cash with the Office of the Paymaster General. 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.

2 SEGMENTAL ANALYSIS

Segmental reporting is not applicable to the Trust's activities in 2003/04.

3. Income from Activities

	£000	2002/03 £000
Strategic Health Authorities	0	0
NHS Trusts	729	690
Primary Care Trusts	108,534	99,718
Local Authorities	0	0
Department of Health	0	0
Non NHS:		
- Private Patients	250	198
- Overseas patients (non-reciprocal)	0	0
- Road Traffic Act	729	539
- Other	77	76
	<u>110,319</u>	<u>101,221</u>

4. Other Operating Income

	£000	2002/03 £000
Patient transport services	0	0
Education, training and research	4,769	3,909
Charitable and other contributions to expenditure	362	250
Transfers from donated asset reserve	216	162
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	3,537	3,644
Other income	5,582	5,021
	<u>14,466</u>	<u>12,986</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	£000	2002/03 £000
Services from other NHS Trusts	1,737	1,781
Services from other NHS bodies	5,439	5,053
Purchase of healthcare from non NHS bodies	143	181
Directors' costs	402	370
Staff costs	84,744	75,210
Supplies and services		
- clinical	12,936	11,415
- general	2,535	2,748
Establishment	2,504	2,378
Transport	433	475
Premises	4,550	3,973
Bad debts	128	(43)
Depreciation and amortisation	3,801	3,210
Fixed asset impairments and reversals	0	0
Audit fees	201	184
Other auditor's remuneration	0	0
Clinical negligence	1,052	871
Pre-95 early retirements	0	0
Other	1,658	2,275
	<u>122,263</u>	<u>110,081</u>

5.2 Operating leases

5.2/1 Operating expenses include:

	£000	2002/03 £000
Hire of plant and machinery	497	441
Other operating lease rentals	290	344
	<u>787</u>	<u>785</u>

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

	Land and buildings		Other leases	
	£000	2002/03 £000	£000	2002/03 £000
Operating leases which expire:				
Within 1 year	0	0	171	76
Between 1 and 5 years	0	0	586	585
After 5 years	0	0	0	78
	<u>0</u>	<u>0</u>	<u>757</u>	<u>739</u>

5.3 Salary and Pension entitlements of senior managers

Name and Title	Age	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Golden hello/compensation for loss of office £000	Real increase in pension at age 60 (bands of £2500) £000	Total accrued pension at age 60 at 31 March (bands of £5000) £000	Benefits in kind £000
2003/04							
<u>Chairman:</u>							
Mr B.Meakin	64	15 - 20	0	0	n/a	n/a	0
<u>Chief Executive:</u>							
Mr J.Worrall	47	95 - 100	0	0	0 - 2.5	30 - 35	5
<u>Executive Directors:</u>							
Mr W.Gregory Executive Director of Finance (From 1st November 2003)	39	30 - 35	0	0	0 - 2.5	5 - 10	1
Mr A.Leary Executive Director of Finance (To 7th September 2003)	44	35 - 40	0	0	0 - 2.5	20 - 25	2
Mrs E.Konieczny Executive Director of Finance (From 1 September 2003 To 31 October 2003)	41	5 - 10	0	0	0 - 2.5	0 - 5	0
Mrs T.Allen Executive Director of Strategy & Services Development	36	65 - 70	0	0	0 - 2.5	5 - 10	0
Dr M.Mowbray Executive Medical Director	46	20 - 25	85 - 90	0	0 - 2.5	20 - 25	5
Mrs C.White Executive Director of Nursing	43	60 - 65	0	0	0 - 2.5	15 - 20	
<u>Non-Executive Directors:</u>							
Mrs L.Carter Non-Executive Director	57	5 - 10	0	0	n/a	n/a	0
Mrs D.George Non-Executive Director	62	5 - 10	0	0	n/a	n/a	0
Mr P.Harris Non-Executive Director	49	5 - 10	0	0	n/a	n/a	0
Mr J.Lonergan, MBE Non-Executive Director	70	5 - 10	0	0	n/a	n/a	0
Mrs S.Andrews Non-Executive Director	61	5 - 10	0	0	n/a	n/a	0

(note: page 12a - 2003/04 figures)

2002/03**Chairman:**

Mr B.Meakin	63	15 - 20	0	0	n/a	n/a	0
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Chief Executive:

Mr J.Worrall	46	95 - 100	0	0	2.5 - 5	25 - 30	4
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Executive Directors:

Mr J.Barber Executive Director of Finance (To 1st December 2002)	46	45 - 50	0	0	n/a	n/a	2
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Mr A.Leary Executive Director of Finance (From 1st December 2002)	43	25 - 30	0	0	2.5 - 5	20 - 25	1
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Mr A.Samuel Executive Director of Corporate Development (To 18th October 2002)	53	35 - 40	0	61	n/a	n/a	0
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Mrs T.Allen Executive Director of Strategy & Services Development (From 9th September 2002)	35	35 - 40	0	0	0 - 2.5	5 - 10	0
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Dr M.Ward Executive Medical Director (To 31st May 2002)	51	0 - 5	15 - 20	0	0 - 2.5	25 - 30	1
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Dr M.Mowbray Executive Medical Director (From 11th June 2002)	45	20 - 25	65 - 70	0	0 - 2.5	20 - 25	4
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Mrs C.White Executive Director of Nursing	42	55 - 60	0	0	(0 - 2.5)	10 - 15	0
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Non-Executive Directors:

Mrs L.Carter Non-Executive Director	56	5 - 10	0	0	n/a	n/a	0
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Mrs A.Donen Non-Executive Director (To 31st October 2002)	48	0 - 5	0	0	n/a	n/a	0
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Mrs D.George Non-Executive Director	61	5 - 10	0	0	n/a	n/a	0
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Mr P.Harris Non-Executive Director	48	5 - 10	0	0	n/a	n/a	0
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Mr J.Lonergan, MBE Non-Executive Director	69	5 - 10	0	0	n/a	n/a	0
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Mrs S.Andrews Non-Executive Director (From 4th November 2002)	60	0 - 5	0	0	n/a	n/a	0
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Benefits in kind:

The amounts shown for benefits in kind relate to the provision of lease cars. The Manual for Accounts suggests that these benefits should be reported to the nearest £100. However, for consistency with the other accounting statements these are shown in £'000 above.

(note: page 12b - 2002/03 figures)

6. Staff costs and numbers

6.1 Staff costs

	£000	2002/03 £000
Salaries and wages	72,632	66,148
Social Security Costs	5,655	4,287
Employer contributions to NHSPA	4,285	3,960
Other pension costs	55	55
Agency and contract staff	2,444	1,248
Seconded-in staff	25	0
	<u>85,096</u>	<u>75,698</u>

£220,000 of staff costs were capitalised during the year.

6.2 Average number of persons employed

	Total	Senior Managers	Others	Staff on inward secondment	Agency, temporary and contract staff	2002/03
	Number	Number	Number	Number	Number	Number
Medical and dental	289	0	245	0	44	259
Ambulance staff	1	0	0	0	1	0
Administration and estates	636	21	615	0	0	619
Healthcare assistants & other support staff	335	0	324	0	11	345
Nursing, midwifery & health visiting staff	1,200	17	1,181	2	0	1,166
Nursing, midwifery & health visiting learners	7	0	4	0	3	7
Scientific, therapeutic and technical staff	395	14	378	0	3	396
Social care staff	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	<u>2,863</u>	<u>52</u>	<u>2,747</u>	<u>2</u>	<u>62</u>	<u>2,792</u>

6.3 Employee benefits

No other employee benefits were paid during 2003/04.

6.4 Management costs

	£000	2002/03 £000
Management costs	4,044	4,262
Income	124,395	113,551

Management costs are as defined in the document 'NHS Management Costs 2002/03' which can be found on the internet at <http://www.doh.gov.uk/managementcosts>.

6.5 Retirements due to ill-health

During 2003/04 (prior year 2002/03) there were 9 (15) early retirements from the trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £359,000 (£550,000). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

7. Public Sector Payment Policy

7.1 Better Payment Practice Code - measure of compliance

	Number	£000
Total bills paid in the year	50,344	31,887
Total bills paid within target	49,625	31,215
Percentage of bills paid within target	98.57%	97.89%

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	2002/03 £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	2002/03 £000
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>
	<u>0</u>	<u>0</u>

9. Interest Payable

	£000	2002/03 £000
Finance leases	0	0
Other	0	0
	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

10. Intangible Fixed Assets

	Software Licences £000	Licenses & trademarks £000	Patents £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2003	0	0	0	0	0
Indexation				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/government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2004	0	0	0	0	0
Accumulated amortisation at 1 April 2003	0	0	0	0	0
Indexation				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
Accumulated amortisation at 31 March 2004	0	0	0	0	0
Net book value					
- Purchased at 1 April 2003	0	0	0	0	0
- Donated at 1 April 2003	0	0	0	0	0
- Government granted at 1 April 2003	0	0	0	0	0
- Total at 1 April 2003	0	0	0	0	0
- Purchased at 31 March 2004	0	0	0	0	0
- Donated at 31 March 2004	0	0	0	0	0
- Government granted at 31 March 2004	0	0	0	0	0
- Total at 31 March 2004	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 & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2003	12,077	59,823	0	1,579	17,952	62	5,036	1,567	98,096
Additions - purchased	0	1,512	0	730	2,839	0	1,122	114	6,317
Additions - donated/government granted	0	0	0	0	624	0	0	0	624
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,733	0	(1,733)	0	0	0	0	0
Indexation	690	5,852	0	154	357	1	0	43	7,097
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2004	12,767	68,920	0	730	21,772	63	6,158	1,724	112,134
Accumulated depreciation at 1 April 2003	0	0	0	0	11,269	24	3,433	1,112	15,838
Provided during the year	0	2,371	0	0	910	7	402	111	3,801
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	0	0	0
Indexation	0	0	0	0	209	0	0	33	242
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Accumulated depreciation at 31 March 2004	0	2,371	0	0	12,388	31	3,835	1,256	19,881
Net book value									
- Purchased at 1 April 2003	12,077	58,590	0	1,579	5,333	33	1,592	454	79,658
- Donated at 1 April 2003	0	1,233	0	0	1,350	5	11	1	2,600
- Government Granted at 1 April 2003	0	0	0	0	0	0	0	0	0
Total at 31 March 2003	12,077	59,823	0	1,579	6,683	38	1,603	455	82,258
- Purchased at 31 March 2004	12,767	65,246	0	730	7,545	28	2,316	467	89,099
- Donated at 31 March 2004	0	1,303	0	0	1,839	4	7	1	3,154
- Government Granted at 31 March 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

11.1 Tangible Fixed Assets (contd)

Of the totals at 31 March 2004, £4,000 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 use value which is materially different to its open market value.

During the period no assets have had a material change in the estimate of useful economic life/residual value.

Net book value of assets held under finance leases and hire purchase contracts at the balance sheet date

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2004	0	0	0	0	0	0	0	0	0
At 31 March 2003	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 & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2004	0	0	0	0	0	0	0	0	0
Depreciation 31 March 2003	0	0	0	0	0	0	0	0	0

11.2 The net book value of land, buildings and dwellings at 31 March 2003 comprises:

	£000	31 March 2003 £000
Freehold	79,316	71,900
Long leasehold	0	0
Short leasehold	0	0
TOTAL	79,316	71,900

12. Stocks and Work in Progress

	£000	31 March 2003 £000
Raw materials and consumables	1,926	1,973
Work-in-progress	0	0
Finished goods	0	0
	1,926	1,973

13. Debtors

	£000	31 March 2003 £000
Amounts falling due within one year:		
NHS debtors	3,271	1,374
Provision for irrecoverable debts	(155)	(39)
Other prepayments and accrued income	438	294
Other debtors	2,150	1,560
	5,703	3,189

Amounts falling due after more than one year:

NHS debtors	129	112
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	2	2
Other debtors	43	49
	174	163
	5,877	3,352

14. Investments

The Trust had no fixed or current asset investments in either accounting period.

15. Creditors

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

	£000	31 March 2003 £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	1,018	6,473
Non - NHS trade creditors - revenue - other	1,029	197
Non - NHS trade creditors - capital	1,496	498
Tax and social security costs	1,961	(1)
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	123	96
Accruals and deferred income	2,766	2,057
	<u>8,393</u>	<u>9,320</u>
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
	<u>0</u>	<u>0</u>
	<u>8,393</u>	<u>9,320</u>

NHS creditors include £674,770 outstanding pension contributions at 31 March 2004 (31 March 2003 £NIL). These were paid over to the NHS Pensions Agency in accordance with the specified timescales.

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 had no Finance Lease obligations in either accounting period.

15.4 Finance Lease Commitments

The Trust had 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 - Injury benefits	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2003 as previously stated	0	629	247	0	0	876
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2003, as restated	0	629	247	0	0	876
Change in the discount rate	0	(55)	0	0	0	(55)
Arising during the year - Other	0	0	115	1,404	98	1,617
Utilised during the year	0	(45)	(119)	0	0	(164)
Reversed unused	0	0	(59)	0	0	(59)
Unwinding of discount	0	15	0	0	0	15
At 31 March 2004	<u>0</u>	<u>544</u>	<u>184</u>	<u>1,404</u>	<u>98</u>	<u>2,230</u>

Expected timing of cashflows:

Within 1 year	0	47	184	1,404	6	1,641
1 - 5 years	0	187	0	0	25	212
Over 5 years	0	310	0	0	67	377

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.

£3,874,069 is included in the provisions of the NHS Litigation Authority at 31/3/2004 in respect of clinical negligence liabilities of the trust (31/3/2003 £3,874,960).

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve	Donated Asset reserve	Government Grant reserve	Other reserves	Income and Expenditure reserve	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2003 as previously stated	7,357	2,601	0	0	(1,948)	8,010
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2003, as restated	<u>7,357</u>	<u>2,601</u>	<u>0</u>	<u>0</u>	<u>(1,948)</u>	<u>8,010</u>
Transfer from the income and expenditure account					2	2
Fixed asset impairments	0	0	0	0	0	0
Surplus on other revaluations/indexation of fixed assets	6,707	147	0	0	0	6,854
Transfer of realised profits (losses) to the Income and Expenditure reserve	0	0	0	0	0	0
Receipt of donated/government granted assets	0	624	0	0	0	624
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets	0	(216)	0	0	0	(216)
Other transfers between reserves	(1,369)	0	0	0	1,369	0
Other reserve movements [specify]	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2004	<u><u>12,695</u></u>	<u><u>3,156</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(577)</u></u>	<u><u>15,274</u></u>

18. Notes to the cash flow Statement

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

	£000	2002/03 £000
Total operating surplus (deficit)	2,522	4,126
Depreciation and amortisation charge	3,801	3,210
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(216)	(162)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	47	(163)
(Increase)/decrease in debtors	(2,525)	(407)
Increase/(decrease) in creditors	(1,886)	50
Increase/(decrease) in provisions	1,354	876
	<u>3,097</u>	<u>7,530</u>
Net cash inflow/(outflow) from operating activities before restructuring costs	3,097	7,530
Payments in respect of fundamental reorganisation/restructuring	0	0
	<u>3,097</u>	<u>7,530</u>

18.2 Reconciliation of net cash flow to movement in net debt

	£000	2002/03 £000
Increase/(decrease) in cash in the period	0	3
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>0</u>	<u>3</u>
Non - cash changes in debt	(0)	0
Net debt at 1 April 2003	134	131
Net debt at 31 March 2004	<u>134</u>	<u>134</u>

18.3 Analysis of changes in net debt

	At 31 March 2004 £000	Cash changes in year £000	Non-cash changes in year £000	At 1 April 2003 £000
OPG cash at bank	134	0	0	134
Commercial cash at bank and in hand	0	0	0	0
Bank overdrafts	0	0	0	0
Debt due within one year	0	0	(0)	0
Debt due after one year	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	<u>134</u>	<u>0</u>	<u>(0)</u>	<u>134</u>

19. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £447,000 (2002/03 £400,000)

20. Post Balance Sheet Events

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

21. Contingencies

	£000	2002/03 £000
Gross Value	(96)	(125)
Amounts recoverable (if any)	0	25
Net contingent liability	<u>(96)</u>	<u>(100)</u>

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

22. Movements in Government Funds

	£000	2002/03 £000
Surplus (deficit) for the financial year	2,733	4,175
Public dividend capital dividends	(2,731)	(4,174)
	<u>2</u>	<u>1</u>
Gains (losses) from revaluation/indexation of purchased fixed assets	6,707	9,700
New public dividend capital (cash receipt)	4,782	4,425
New public dividend capital (transfer from dissolved NHS trust)	0	0
Public dividend capital repaid	0	(1,900)
Public dividend capital repayable	0	0
Public dividend capital written off	0	0
Transfers from the Donated Asset reserve	0	0
Additions to/transfers from the Government Grant reserve	0	0
Additions (reductions) in other reserves	0	0
	<u>11,491</u>	<u>12,226</u>
Net addition (reduction) in government funds		
Opening government funds	74,920	62,694
	<u>86,411</u>	<u>74,920</u>
Closing government funds		

The Closing Government funds figure reconciles to the Financing section of the Trust's Balance Sheet as follows:

Total Taxpayers Equity as stated on the Balance Sheet	89,567	77,521
less: Donated Asset reserve	(3,156)	(2,601)
	<u>86,411</u>	<u>74,920</u>
Government funds		

23. Financial Performance Targets

23.1 Breakeven performance

The trust's breakeven performance for 2003/2004 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
	£000	£000	£000	£000	£000	£000	£000
Turnover	60,153	63,304	69,606	74,933	102,773	114,207	124,785
Retained surplus/(deficit) for the year	90	43	80	88	2	1	2
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
- 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	
Break-even in-year position	90	43	80	88	2	1	2
Break-even cumulative position	90	133	213	301	303	304	306
Materiality test:							
- Break-even in-year position	0.15%	0.07%	0.11%	0.12%	0.00%	0.00%	0.00%
- Break-even cumulative position	0.15%	0.21%	0.31%	0.40%	0.29%	0.27%	0.25%

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 £2,731,000, bears to the average relevant net assets* of £79,377,000 that is 3.4%.

The variance is within the Department of Health's materiality range of 3% to 4%.

Prior to 2003/04, the cost of capital rate was 6% of average relevant net assets. However, funding of NHS commissioners was changed at the time of change of the rate in such a way that the ability to meet the target was unaffected.

* The average relevant net assets calculation differs from 02/03 as no adjustment is made to the net relevant assets and associated creditors for government granted assets and loans and overdrafts.

23.3 External financing

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

	£000	£000	2002/03 £000
External financing limit set by the Department of Health		4,782	2,525
Cash flow financing	5,406		3,126
Finance leases taken out in the year	0		0
Other capital receipts	(624)		(604)
External financing requirement		<u>4,782</u>	<u>2,522</u>
Undershoot (overshoot)*		<u><u>0</u></u>	<u><u>3</u></u>

23.4 Capital Resource Limit

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

	£000	2002/03 £000
Gross capital expenditure	6,903	6,355
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	(602)	(604)
Charge against the CRL	<u>6,301</u>	<u>5,751</u>
Capital resource limit	6,323	5,766
(Over)/Underspend against the CRL	<u><u>22</u></u>	<u><u>15</u></u>

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 Services
Broxtowe and Hucknall Primary Care Trust
Central Manchester Healthcare NHS Trust
Department of Health
Doncaster and Bassetlaw Hospitals NHS Trust
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
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 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	2002/03 £000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	158	162
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	<u>158</u>	<u>162</u>

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

PFI scheme which expires;		
Within one year	0	0
2nd to 5th years (inclusive)	0	0
6th to 10th years (inclusive)	0	0
11th to 15th years (inclusive)	0	0
16th to 20th years (inclusive)	0	0
21st to 25th years (inclusive)	0	0
26th to 30th years (inclusive)	0	0
31st to 35th years (inclusive)	180	180

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.

	£000
Estimated capital value of the PFI scheme	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.

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 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 2004							
Sterling	134	0	0	134	0%	0	0
Other	129	0	129	0	3.5%	0	0
Gross financial assets	263	0	129	134			
At 31 March 2003 (prior year)							
Sterling	246	0	112	134	6.0%	0	0
Other	0	0	0	0	0%	0	0
Gross financial assets	246	0	112	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 2004							
Sterling	0	0	0	0	0%	0	0
Other	(74,882)	0	(589)	(74,293)	9.0%	0	0
Gross financial liabilities	(74,882)	0	(589)	(74,293)			
At 31 March 2003 (prior year)							
Sterling	(582)	0	(582)	0	9.0%	0	0
Other	0	0	0	0	0%	0	0
Gross financial liabilities	(582)	0	(582)	0			

Note: The public dividend capital is of unlimited term.

Foreign Currency Risk

The Trust has 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 2004.

	Book Value	Fair Value	Basis of fair valuation
	£000s	£000s	
Financial assets			
Cash	134	134	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	0	0	Note a
Investments	0	0	
Total	<u>134</u>	<u>134</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	(2,230)	(2,230)	Note d
Loans	0	0	
Public dividend capital*	(74,293)	(74,293)	Note e
Total	<u>(76,523)</u>	<u>(76,523)</u>	

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 £591.25 cash at bank and in hand at 31/03/04 (£2,701.53 - Prior Year) 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 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 commenced and the Trust anticipate the nomination of a preferred bidder in August 2004. 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. This will have a major impact on the future accounting statements of the Sherwood Forest Hospitals NHS Trust.