

Annual report and accounts



Annual accounts and financial statements April 2006 to March 2007

Chesterfield Royal Hospital 
NHS Foundation Trust

Statement of the Chief Executive's responsibilities as Accounting Officer of Chesterfield Royal Hospital NHS Foundation Trust

The Health and Social Care (Community and Health Standards) Act 2003 states that the Chief Executive is the Accounting Officer of the NHS Foundation Trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for keeping proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the Health and Social Care (Community and Health Standards) Act 2003, Monitor has directed the Chesterfield Royal Hospital NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Chesterfield Royal Hospital NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Financial Reporting Manual and in particular to:

- * observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- * make judgements and estimates on a reasonable basis;
- * state whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- * prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's *NHS Foundation Trust Accounting Officer Memorandum*.

Signed 

Date: 6 June 2007

Eric Morton
Chief Executive

STATEMENT ON INTERNAL CONTROL
For the year ending 31 March 2007

1 Scope of responsibility

1.1 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officers Memorandum.

1.2 There are external arrangements in place for working with partner organisations. Those operating at chief executive level are as follows:

- East Midlands chief executives' forum;
- East Midlands acute trust chief executives' partnership;
- NORCOM;
- South Yorkshire partnership of acute chief executives;
- Derbyshire chief executives' group.
- Foundation Trust Network group for communication leads finance directors, HR directors, company secretaries and clinical leaders.

There are similar arrangements in place for working with partner organisations that operate at director level for finance, business and service planning, clinical governance and risk management.

1.3 Risk Management

The board of directors is responsible for the management of key risks. The key areas of those risks are:

Strategic business risk management

Integration of risk management

Board assurance framework

Clinical and non-clinical risk registers

Financial risk management

Compliance with targets

The board receives details of key risks through regular board reports. The monthly finance and activity report records all key financial risks. The performance report records all key operational risks and the quality and clinical governance report records all the key clinical risks.

The board also addresses the risks when the quarterly self-assessment document is completed for Monitor. This arrangement ensures the board of directors understands the strategic business risks to the corporation in the context of the corporation's strategic direction.

The executive team of the organisation considers the high level registers and is responsible for the ongoing development of the corporate risk register.

- 1.4 The board is supported by two committees (each chaired by a non-executive director) that ensure effective monitoring and accountability arrangements for the system of internal control. These, and their key responsibilities, are set out below:

Audit committee

- financial risk management
- soundness of overall system of internal control

Clinical governance committee

- Clinical risk management
- Clinical governance

- 1.5 The minutes and other key documents of these committees are submitted to the board, and the two committees ensure effective communication between them through sharing of minutes and papers. The chairmen of the audit and clinical governance committees are members of the board of directors, and membership of the two committees is shared among the non-executive directors.

2 The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the policies, aims and objectives of the Chesterfield Royal Hospital NHS Foundation Trust, and
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Chesterfield Royal Hospital NHS Foundation Trust for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

3 Capacity to handle risk

- 3.1 The Chief Executive has overall responsibility for the management of risk by the corporation. The other members of the executive team exercise lead responsibility for the specific types of risk as follows:

- | | |
|-----------------------------|---|
| ▪ <i>Clinical risk</i> | Director of Nursing and Medical Director |
| ▪ <i>Environmental risk</i> | Director of Allied Clinical and Facilities Services |
| ▪ <i>Business risk</i> | Director of Planning and Performance |
| ▪ <i>Financial risk</i> | Director of Finance and Contracting |

3.2 The role of the executive director is to ensure that appropriate arrangements and

- identification and assessment of risks or hazards;
- elimination or reduction of risk to an acceptable level;
- compliance with internal policies and procedures, and statutory and external requirements;
- integration of functional risk management systems and development of the assurance framework.

These responsibilities are managed operationally through corporate managers supporting the executive directors working with designated lead managers in directorates.

3.3 The corporation has a risk management strategy in place, which is reviewed annually and endorsed by the Board. The strategy is regularly reviewed during the year to ensure that it is fully embedded in the day to day management of the organisation and conforms to best practice. The strategy defines risk and identifies individual and collective responsibility for risk management within the organisation. It also sets out the corporation's approach to the identification, assessment, scoring, treatment and monitoring of risk.

3.4 Staff are equipped to manage risk in a variety of ways and at different levels of strategic and operational functioning. These include:

- formal in-house training for staff as a whole in dealing with specific everyday risks, e.g. fire safety, health and safety, moving and handling, infection control, security;
- training and induction in incident investigation, including documentation, root cause analysis, steps to prevent or minimise recurrence and reporting requirements;
- developing shared understanding of broader business, financial, environmental and clinical risks through collegiate clinical, professional and managerial groups (such as business managers, professional advisory group, clinical risk group and risk integration and assurance committee).

4 The risk and control framework

4.1 The risk management strategy

- defines the objectives of risk management and the process and structure by which it is undertaken;
- sets out the lead responsibilities and the organisational arrangements as to how these are discharged;
- sets out the key policies, procedures and protocols governing risk management;

- identifies the link between directorate and corporate risk management.

4.2 The risk evaluation and treatment model is based on a grading matrix of likelihood and consequence. This produces a risk score to enable the risk to be prioritised against other risks. The score, in turn, is linked to a matrix of the cost and responsibility of risk treatment so that either the risk is addressed locally by the directorate within its resources or it feeds into the corporate risk register. The risks are also mapped to the strategic themes and objectives identified within the corporation's planning process along with the various other initiatives to confirm the score given to a risk.

4.3 The corporation has an assurance framework. This identifies the most serious risks facing the Corporation in the achievement of its principal objectives, the sources of assurance currently available both internally and externally, the classification of principal risk which identifies the lead responsibility within the corporation, how the risks are being managed or treated, any gaps in sources of assurance and the actions and timescale for addressing the gaps.

4.4 During 2006/07, the board has received assurances on the effectiveness of the system of internal control as indicated in section 5. The assurance framework has been updated.

4.5 The corporation has a fully updated corporate risk register.

The patient safety risks (clinical register) are identified by the directorates and entered on the centrally operated risk system called Datix. The directorates discuss their patient safety risks on a regular basis at their clinical governance meetings.

The non-clinical risks are considered and reviewed by the directorates on a monthly basis and submitted to a central point where they are recorded on a central database system. A monthly principal register is developed using the information in the central database. This principal register captures all the risks with a residual risk scoring of 12 or above received from the directorates and the register is discussed and reviewed by the Health and Safety Management Committee.

The managers with responsibility for clinical and environmental risk management:

- ensure the effective identification and treatment of risks in relation to NHSLA standards and
- develop whole system solutions to clinical and non-clinical operational risks that have the greatest potential to disrupt patient care.

4.6 A number of forums exist that allow communication with stakeholders, the forums provide a mechanism for risk identified by stakeholders that affect the corporation which can be discussed and where appropriate action plans can be developed to resolve any issues.

Examples of the forums and methods of communication with stakeholders are as follows:

Council of Governors

The council has a formal role as a stakeholder body for the wider community in the governance of the corporation.

- Agenda
- Minutes of the council of governors meetings including joint meetings with the board of directors.

Staff

- payslip bulletin;
- electronic newsletter;
- staff meetings and team briefings;
- annual statement on the 'fair blame' policy on incident reporting.

Public and service users

- patient surveys;
- PALS service;
- patient forum;
- meetings with voluntary and self-help groups.

Partner organisations

- listed at 1.2 above;
- other health and social care community groups (e.g. clinical leaders' group, whole systems capacity group);
- clinical and professional networks in the East Midlands and South Yorkshire.

Compliance with NHS pension scheme regulations

As an employer with staff entitled to membership of the NHS pension scheme, control measures are in place to ensure all employer obligations contained within the scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the scheme are in accordance with the scheme rules, and that member pension scheme records are accurately updated in accordance with the timescales detailed in the regulations.

5 Review of economy, efficiency and effectiveness of the use of resources

- 5.1** During the year the board of directors have received regular reports providing information on the economy, efficiency and effectiveness of the use of resources. The reports provide detail on the financial, clinical and performance of the corporation during the previous period and highlight any areas through benchmarking or traffic light system where there are concerns about the economy, efficiency and effectiveness of the use of resources. The executive managers of the corporation supply these reports.

Internal audit have reviewed the systems and processes in place during the year and published reports detailing the required actions within specific areas to ensure economy, efficiency and effectiveness of the use of resources is maintained, the outcome of these reports are graded according to the level of outstanding risks within the area.

Acute Hospital Portfolio is a further benchmarking system that belongs to the Healthcare Commission and is used by external audit to review the systems and processes informing the corporation.

The board of directors has also received assurances on the use of resources from agencies outside the corporation including Monitor. Monitor requires the board of directors to self assess on a quarterly basis. Monitor scores the assessment on a traffic light system.

The corporation further obtains assurance of its systems and processes and tests its benchmarking by membership of the foundation trust network where other foundation trusts share good practice.

6 Review of effectiveness

6.1 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

6.2 My review is also informed by:

- Maintained accreditation of the corporation granted in June 2004 for CNST at level three on the general standards;
- Maintained accreditation granted in June 2004 at level three of the CNST maternity standards;
- Achieving Practice Plus accreditation for IWL (March 2006);
- Healthcare Commission performance rating (May 2007);
- External Audit annual letter;
- Continuing improvements and internal review following action taken as a result of the Health and Safety Executive audit in November 2004. In December 2005 the Health and Safety Executive visited the corporation and advised they now considered the action plan complete;
- Confirmation by Monitor through quarterly monitoring that the corporation is compliant with Monitor's regime with a financial risk scoring of at least 4 throughout the year and a mandatory services scoring of green. The governance score was green for quarter 1 and 2 and amber for quarter 3 and 4.

The two reasons for the corporation receiving an amber rating in quarters 3 and 4 are as follows:

MRSA year on year reduction

The corporation's outturn position is 14 bloodstream infections for the year, a 33% reduction of cases compared to last year. Whilst this is an extremely low rate of bloodstream infections, it is 2 infections more than our annual target. Throughout the year measures have been implemented to reduce infections, and in the last 5 months of the year only 3 infections occurred.

People suffering heart attack to receive thrombolysis within 60 minutes of call

The outturn position for this shared target is 57.6%. Whilst this is a 10% improvement on the position for 2005/6, it is still below the 2005/6 national average of 68%. The reason why the target is not achieved is because East Midlands Ambulance Service have not delivered the majority of patients to the hospital within 30 minutes of the call, nor do they have sufficient paramedics suitably trained and competent to deliver the thrombolysis pre-hospital, in the area.

The actions being taken to address the MRSA year on year reduction are:

On 24 April 2007 the board of directors reviewed the corporation's position with regard to infection control, including MRSA, and agreed investment in the forthcoming year of £500,000. In addition the measures implemented during 2006/7 will be continued throughout 2007/8.

The actions being taken to address the target for administering thrombolysis within 60 minutes of call are:

This has been an ongoing issue over several years. The corporation continues to meet its contribution to the overall target, giving thrombolysis to eligible patients within 30 minutes of arrival in A&E. The matter has been pursued with EMAS and the commissioners, and it is likely that as an alternative approach to pre hospital thrombolysis by EMAS whereby patients who live within a defined (emergency response) travelling time of the hospital will be brought straight in to allow thrombolysis to be given on arrival where the ambulance personal feel uncomfortable about administering the thrombolysis outside the hospital.

- Confirmation that the corporation has declared full compliance with the Healthcare Commission standards for better health declaration for 2006/07.

6.3 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the committees identified at 1.3 above, by the board's monitoring of corporate and directorate performance, by the publication of audit reports in line with their work programme by internal audit during the year, and by the evidence of the assessment of the corporation and the capacity and capability of the board by Monitor in relation to its financial management, governance arrangements and risk management systems, the board's self-certification to Monitor.

6.4 During 2006/07 work has continued on a number of developments to strengthen the internal control framework.

- Further enhancements have been made to the risk register system to ensure that the registers are embedded into a robust risk management system. Close links to the clinical registers and organisational objectives that feed into the corporate risk register and assurance framework are being reviewed and strengthened.
- Work has been carried out to develop the internal approach to risk, governance and control which links and supports the corporation's capacity to meet both Monitor's compliance framework and the Healthcare Commission's Assessment for improvement framework.



Eric J Morton
Chief Executive
6 June 2007

Independent Auditor's Report to the Council of Governors of Chesterfield Royal Hospital NHS Foundation Trust

I have audited the financial statements of Chesterfield Royal Hospital NHS Foundation Trust for the year ended 31 March 2007 under the Health and Social Care (Community Health and Standards) Act 2006, which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Foundation Trust as a body in accordance with paragraph 24(5) of Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003. My work was undertaken so that I might state to the Council of Governors those matters I am required to state to it in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for the audit report or for the opinions I form.

Respective responsibilities of Directors, the Accounting Officer and auditor

The Accounting Officer's responsibilities for preparing the financial statements in accordance with directions made by Monitor, the Independent Regulator of NHS Foundation Trusts, are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with statute, the Audit Code for NHS Foundation Trusts and International Standards on Auditing (UK and Ireland). I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Independent Regulator as being relevant to NHS Foundation Trusts.

I review whether the Accounting Officer's statement on internal control reflects compliance with the requirements of the Independent Regulator contained in the NHS Foundation Trust Financial Reporting Manual 2006/07. I report if it does not meet the requirements specified by the Independent Regulator or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Statement, Background Information, Operating and Financial Review, the sections on the council of governors, the board of directors, membership and public interest disclosures and the un-audited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Chesterfield Royal Hospital NHS Foundation Trust as at 31 March 2007 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Trust.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Health and Social Care (Community Health and Standards) Act 2006 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator.



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J G Prentice FCCA

Officer of the Audit Commission
Littlemoor House, Littlemoor,
Eckington,
Sheffield S21 4EF
8 June 2007

FOREWORD TO THE ACCOUNTS

Chesterfield Royal Hospital NHS Foundation Trust

The accounts for the year ended 31 March 2007 are set out on the following pages and comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cashflow Statement and the Notes to the Accounts.

The accounts have been prepared by Chesterfield Royal Hospital NHS Foundation Trust in accordance with Schedule 1, Paragraph 24 and 25 of the Health and Social Care (Community Health Standards) Act 2003 in the form in which Monitor, the Independent Regulator of NHS Foundation Trusts, has, with the approval of HM Treasury, directed.

Signed 

Date: 6 June 2007

Eric Morton (Chief Executive)

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2007**

	NOTE	2006/07 £000	2005/06 £000
Income from activities	3	126,925	120,626
Other operating income	4	13,298	14,063
Operating expenses	5-8	<u>(133,959)</u>	<u>(128,475)</u>
OPERATING SURPLUS		6,264	6,214
Profit on disposal of fixed assets		10	0
Exceptional Income *		<u>1,077</u>	<u>0</u>
SURPLUS BEFORE INTEREST		7,351	6,214
Interest receivable		906	621
Interest payable	9	0	0
Other finance costs - unwinding of discount		(34)	(31)
Other finance costs - change in discount rate on provisions		<u>0</u>	<u>(185)</u>
SURPLUS FOR THE FINANCIAL PERIOD		8,223	6,619
Public Dividend Capital dividends payable		<u>(2,782)</u>	<u>(2,742)</u>
RETAINED SURPLUS FOR THE PERIOD		<u><u>5,441</u></u>	<u><u>3,877</u></u>

The notes on pages 5 to 33 form part of these accounts.

All income and expenditure are derived from continuing operations.

*The exceptional income relates to incomplete patient spell income that was not accrued at 31 March 2006. The in year movement on incomplete spells is shown as part of Income from activities.

**BALANCE SHEET AS AT
31 March 2007**

	NOTE	31 March 2007 £000	31 March 2006 £000
FIXED ASSETS			
Intangible assets	10	155	245
Tangible assets	11	85,256	84,040
Investments	12	<u>0</u>	<u>0</u>
		85,411	84,285
CURRENT ASSETS			
Stocks and work in progress	13	802	928
Debtors	14	5,131	4,185
Investments	15	40	21
Cash at bank and in hand	19	<u>16,003</u>	<u>11,793</u>
		21,976	16,927
CREDITORS: Amounts falling due within one year	16	<u>(13,640)</u>	<u>(13,145)</u>
NET CURRENT ASSETS		8,336	3,782
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>93,747</u>	<u>88,067</u>
CREDITORS: Amounts falling due after more than one year	16	(760)	(982)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(1,787)	(2,025)
TOTAL ASSETS EMPLOYED		<u><u>91,200</u></u>	<u><u>85,060</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	18	48,244	47,691
Revaluation reserve	18	30,992	30,641
Donated asset reserve	18	1,963	2,277
Income and expenditure reserve	18	10,001	4,451
TOTAL TAXPAYERS EQUITY		<u><u>91,200</u></u>	<u><u>85,060</u></u>

Signed:  Eric Morton Chief Executive

Date: 6 June 2007

	2006/07	2005/06
	£000	£000
Surplus for the financial period before dividend payments	8,223	6,619
Unrealised surplus / deficit on fixed asset revaluations	292	(1,541)
Increases in donated assets due to receipt of donated assets	61	36
Reductions in donated assets due to the depreciation, impairment and disposal of donated assets	(368)	(380)
Other recognised gains and losses	161	0
Total gains recognised for the financial period	8,369	4,734
Prior period adjustments (as explained in note 28)	0	(1,005)
Total gains recognised in the financial period	8,369	3,729

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2007**

		2006/07	2005/06
	NOTE	£000	£000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	19.1	11,599	12,690
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		<u>906</u>	<u>621</u>
Net cash inflow from returns on investments and servicing of finance		906	621
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(6,091)	(6,891)
Receipts from sale of tangible fixed assets		10	0
Payments to acquire intangible assets		(27)	(10)
Net cash outflow from capital expenditure		<u>(6,108)</u>	<u>(6,901)</u>
DIVIDENDS PAID			
		<u>(2,782)</u>	<u>(2,742)</u>
Net cash inflow before management of liquid resources and financing		3,615	3,668
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments		(80,225)	(53,786)
Sale of current asset investments		80,206	53,765
Net cash outflow from management of liquid resources		<u>(19)</u>	<u>(21)</u>
Net cash inflow before financing		<u>3,596</u>	<u>3,647</u>
FINANCING			
Public dividend capital received		553	1,773
Other capital receipts (Donated assets / Government grants)		61	236
Net cash inflow from financing		<u>614</u>	<u>2,009</u>
Increase in cash		<u><u>4,210</u></u>	<u><u>5,656</u></u>

NOTES TO THE ACCOUNTS

1 Accounting policies and other information

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the *NHS Foundation Trust Financial Reporting Manual* which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the *2006/07 NHS Foundation Trust Financial Reporting Manual* issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's *Financial Reporting Manual* to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets at their value to the business by reference to their current costs. NHS Foundation Trusts, in compliance with HM Treasury's *Financial Reporting Manual*, are not required to comply with the FRS 3 requirements to report "earnings per share" or historical profits and losses.

1.2 Acquisitions and discontinued operations

The NHS Foundation Trust had no acquisitions or discontinued operations in the periods of account.

1.3 Income recognition

Income is accounted for applying the accruals convention and is shown gross except where an administrative arrangement exists, whereby the associated income is netted off with the corresponding expenditure in accordance with the NHS Foundation Trust Financial Reporting Manual (FT FReM). The main source of income for the trust is under contracts from commissioners in respect of healthcare services. 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. Where income has not been received prior to the year end but the provision of a healthcare service has commenced i.e. partially completed patient spells, then income relating to the patient activity, is accrued. The closing accrued income is estimated based on the number of days of incomplete spells at an average daily tariff adjusted to reflect the case-mix.

The NHS Foundation Trust has accrued income from incomplete patient spells as it is considered to be material, in accordance with FRS 5 and UITF 40. The incomplete patient spells income that was not accrued at 31 March 2006 is included as an exceptional item in the income & expenditure account. The in year movement of £495,000 is shown as part of income from activities.

The NHS Foundation Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results (PbR) methodology from 2004/05. To manage the financial impact of this change on the NHS Foundation Trust and its commissioners, in 2006/07 the NHS Foundation Trust was only able to retain 75% of the gain under PbR. The remaining £1,867,000 was paid back to the Department of Health as part of national clawback rules in monthly instalments.

1.4 Expenditure

Expenditure is accounted for applying the accruals convention and is shown gross except where an administrative arrangement exists, whereby the associated income is netted off with the corresponding expenditure in accordance with the NHS Foundation Trust Financial Reporting Manual (FT FReM).

1.5 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
- form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

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. 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. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) *Appraisal and Valuation Manual*. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005. The revaluation undertaken at that date was accounted for on 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 scheduled for imminent closure and subsequent disposal.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

The Trust has no residual interests in off-balance sheet private finance initiative (PFI) properties.

Operational equipment is valued at net current replacement cost. 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 are not depreciated until the asset is brought into use.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS Foundation Trust's professional valuers.

Equipment is depreciated on current cost evenly over the estimated life. Asset lives fall into the following ranges

Plant & Machinery	5 to 15 years
Transport Equipment	7 years
Information Technology	5 to 8 years
Furniture & Fittings	7 to 10 years

Fixed asset impairments resulting from losses of economic benefits are charged to the income and expenditure account. All other impairments are taken to the revaluation reserve and reported in the statement of total recognised gains and losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset.

1.6 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

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 net book value of the donated asset is transferred from the donated asset reserve to the income and expenditure reserve.

1.8 Investments

The NHS Foundation Trust had no fixed asset investments during the accounting periods. Current asset investments relate to notice period deposits and the amount stated is the actual cash held in these accounts at the end of the year. Throughout the year there are significantly higher deposits in place.

1.9 Government grants

Government grants are grants from Government bodies other than income from Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as Government grants. Where the Government grant is used to fund revenue expenditure it is taken to the income and expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.10 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 application note F to FRS 5.

The NHS Foundation Trust has no Private Finance transactions in the period 1 April 2006 to 31 March 2007 or the prior year.

1.11 Stocks and work-in-progress

Stocks are valued at the lower of cost and net realisable value. The NHS Foundation Trust has no work in progress.

1.12 Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS Foundation Trust's cash book. These balances exclude monies held in the NHS Foundation Trust's bank account belonging to patients (see "third party assets" below). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, "interest receivable" and "interest payable" in the period to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

1.13 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 and its resulting in a product or services that will eventually be brought into use; and
- 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. Expenditure, which does not meet the criteria for capitalisation, is treated as an operating cost in the year in which it is incurred. Where possible, NHS Foundation Trusts disclose the total amount of research and development expenditure charged in the income and expenditure account separately.

However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.14 Provisions

The NHS Foundation 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 HM Treasury's discount rate of 2.2% in real terms.

1.15 Contingencies

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 22 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

The NHS Foundation Trust had no contingent assets.

1.16 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Foundation Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation Trust is disclosed at note 17.

1.17 Non-clinical risk pooling

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

1.18 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

Employers' pension cost contributions are charged to operating expenses as and when they become due.

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

The NHS pension scheme is subject to a full valuation every four years by the Government Actuary. However, the last published valuation relates to the period 1 April 1994 to 31 March 1999. At this last valuation on which contribution rates were rebased, employer contribution rates from 2003-04 were set at 14% of pensionable pay. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The valuation as at 31 March 2003 has not yet been published and it is not expected that it will be published before the 2006/07 NHS foundation trust accounts are prepared. Between valuations, the Government Actuary provides an update of the scheme liabilities which 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.nhs.gov.uk.

1.19 Value Added Tax

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

1.20 Corporation Tax

The NHS Foundation Trust has carried out a review of corporation tax liability of its non-healthcare activities. At present all activities are either ancillary to the corporation's patient care activity or are below the de minimus level at which corporation tax is due.

1.21 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.

1.22 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS Foundation Trust has no beneficial interest in them. However, they are disclosed in note 26 to the accounts, in accordance with the requirements of the HM Treasury Financial Reporting Manual.

1.23 Leases

After applying the accounting principles of SSAP 21, & FRS 5, all leases held 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. The NHS Foundation Trust has no leases where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation Trust.

1.24 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities i.e. the net assets of a public benefit corporation.

A charge, reflecting the forecast cost of capital utilised by the NHS Foundation 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 average relevant net assets of the NHS Foundation Trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.25 Financial instruments

The Trust has the following financial assets and liabilities:

Assets: long-term debtors, cash, short-term investments, short-term debtors and accrued income;

Liabilities: loans and overdrafts, long-term creditors, long-term provisions arising from contractual arrangements, short-term creditors, short-term provisions arising from contractual arrangements and Public Dividend Capital.

For the common financial instruments listed above the policies are already covered in the accounting policies above. For disclosure purposes FRS13 has been followed and the NHS Foundation Trust has opted not to disclose short-term debtors & creditors. See also note 25.

2 Segmental Analysis

Chesterfield Royal Hospital NHS Foundation Trust does not act as a leading body for a consortium. All its activity is healthcare and there is therefore no need to report performance segmentally.

3.1. Income from Activities

	2006/07	2005/06
	£000	£000
Elective income	29,467	27,929
Non elective income	48,049	48,439
Outpatient income	22,947	20,559
Other types of activity income*	23,451	22,842
A&E income	4,753	4,351
PBR clawback	(1,867)	(3,616)
Private patient income	125	122
	<u>126,925</u>	<u>120,626</u>

Road Traffic Act income is subject to a provision for doubtful debts of 12% (2005/06: 12%) to reflect expected rates of collection.

The Terms of Authorisation set out the mandatory goods and services that the Trust is required to provide as protected services. All of the income from activities shown above is derived from the provision of protected services.

*Other income includes direct access services such as pathology £3,277,000, radiology £1,145,000 and audiology £937,000, critical care services £6,950,000, child health services £5,434,000, community midwifery £1,206,000, screening services £1,329,000, excluded high cost drugs £1,986,000 and RTA income £561,000.

3.2 Private Patient Income

	Total 06/07	Total 05/06
	£'000	£'000
Private patient income	125	122
Total patient related income	126,925	120,626
Proportion (as percentage)	<u>0.10%</u>	<u>0.10%</u>

3.3 Income from Activities

	2006/07 £000	2005/06 £000
NHS Foundation Trusts	0	0
NHS Trusts	0	0
Strategic Health Authorities	0	0
Primary Care Trusts	124,615	122,396
Local Authorities	0	0
Department of Health	1,571	(2,524)
NHS Other	0	0
Non NHS:		
- Private Patients	125	122
- Overseas patients (non-reciprocal)	9	24
- Road Traffic Act	561	608
- Other	44	0
	<u>126,925</u>	<u>120,626</u>

The Department of Health balance above is made up as follows:

- PbR clawback	(1,867)	(3,616)
- Market Forces Factor (MFF)	3,438	1,092
	<u>1,571</u>	<u>(2,524)</u>

NB The market forces factor excludes the amount associated with the opening incomplete spells value included as exceptional income (£35,000).

4. Other Operating Income

	2006/07 £000	2005/06 £000
Research and development	35	0
Education and training	4,878	5,680
Charitable and other contributions to expenditure	33	34
Transfers from donated asset reserve	368	380
Non-patient care services to other bodies	5,850	6,174
Other income	2,134	1,795
	<u>13,298</u>	<u>14,063</u>

The breakdown of other income for the year ended 31st March 2007 is as follows:

	£000	£000
Car Parking Income	382	390
Accommodation, royalties, & utility charges to external contractors	314	413
Staff Residences Income	280	271
Income released to offset government granted asset depreciation	222	
Other	936	721
	<u>2,134</u>	<u>1,795</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	2006/07	2005/06
	£000	£000
Services from other NHS Trusts	942	995
Services from other NHS bodies	1,011	972
Services from NHS Foundation Trusts	944	769
Purchase of healthcare from non NHS bodies	0	0
Executive directors' costs	592	544
Non-executive directors costs	110	93
Staff costs	89,389	85,478
Drug costs	6,453	6,531
Supplies and services - clinical	14,679	13,021
Supplies and services - general	3,509	3,431
Establishment	1,925	2,131
Transport	124	119
Premises	6,802	5,860
Bad debts	(11)	377
Depreciation and amortisation	4,315	4,073
Fixed asset impairments and reversals	3	63
Audit fees	62	80
Other auditor's remuneration	5	0
Clinical negligence	1,641	1,665
Exceptional Items	0	0
Other expenditure	1,464	2,273
	<u><u>133,959</u></u>	<u><u>128,475</u></u>

The other auditor's remuneration is for completing the annual audit letter and associated followup work.

The breakdown of other operating expenses for the year ended 31st March 2007 is as follows:

	£000	£000
Training costs	411	542
Consultancy, Legal & Professional Services	310	762
Security services	225	259
Insurance Costs	187	144
Other	317	566
	<u><u>1,450</u></u>	<u><u>2,273</u></u>

The above directors and staff costs include £9,004,000 pension contributions (2005/06: £8,815,000).

5.2 Operating leases

5.2/1 Operating expenses include:

	2006/07	2005/06
	£000	£000
Hire of plant and machinery	63	65
Other operating lease rentals	138	199
	<u>201</u>	<u>264</u>
	<u>201</u>	<u>264</u>

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

	Other leases	
	2006/07	2005/06
	£000	£000
Operating leases which expire:		
Within 1 year	46	118
Between 1 and 5 years	154	119
After 5 years	23	0
	<u>223</u>	<u>237</u>
	<u>223</u>	<u>237</u>

5.3 Salary and Pension entitlements of senior managers

A) Remuneration

Name and Title	2006-2007			2005-2006		
	Director Salary	Remuneration for Clinical duties	Benefits in kind	Director Salary	Remuneration for Clinical duties	Benefits in kind
	(bands of £5000) £000	(bands of £5000) £000	£00	(bands of £5000) £000	(bands of £5000) £000	£00
Executive Directors						
Mr. E. Morton - Chief Executive	130-135	0	42	115-120	0	91
Mr. P. Briddock - Director of Finance & Contracting	110-115	0	9	95-100	0	8
Mr. T. Alty - Corporate Secretary	95-100	0	0	90-95	0	0
Mr. R. Clarke - Director of Nursing & Clinical Development	95-100	0	0	85-90	0	56
Mr. W. Lambert - Medical Director	35-40	140-145	0	30-35	135-140	0
Non - Executive Directors						
Mr. R. Gregory - Chairman (12 April 06 - 31 March 07)	40-45	0	0	0	0	0
Mr. M. Wall Chairman (1 April 05 - 20 October 05)	0	0	0	20-25	0	0
Mr. J. Raine - Acting Chairman (21 October 05 - 31 March 06) (1 April 06 - 11 April 06)	0-5	0	0	15-20	0	0
Non-Executive Director (1 April 05 - 21 October 05) (12 April 06 - 30 September 06)	5-10	0	0	5-10	0	0
Dr. Y. Taktak - Non-Executive Director (1 April 06 - 31 August 06)	5-10	0	0	10-15	0	0
Mr. M. Hall - Non-Executive Director	10-15	0	0	10-15	0	0
Mrs. P. Liversidge Non-Executive Director (6 July 06 - 31 March 07)	5-10	0	0	0	0	0
Mr. D Whitney Non-Executive Director (1 August 06 - 31 March 07)	5-10	0	0	0	0	0
Miss. D Fern Non-Executive Director (1 September 06 - 31 March 07)	5-10	0	0	0	0	0
Mr. J. Birkin Non-Executive Director (2 November 06 - 31 March 07)	0-5	0	0	0	0	0
Mr. W. Webber Non-Executive Director (1 April 2005 - 25 January 2006)	0	0	0	5-10	0	0

All the Benefits in Kind shown relate to lease car and the P11d benefits attained therein or taxable expense allowances, & are shown in £hundreds

B) Pensions

Name and title	Real increase in pension sum at age 60	Real increase in lump sum at age 60	Total accrued pension at age 60 at 31 March 2007	Lump sum at age 60 related to accrued pension at 31 March 2007	Cash Equivalent Transfer Value at 31 March 2007	Cash Equivalent Transfer Value at 31 March 2006	Real Increase in Cash Equivalent Transfer Value
	(bands of £2500) £000	(bands of £2500) £000	(bands of £2500) £000	(bands of £2500) £000	£000	£000	£000
Mr. E. Morton - Chief Executive	5-7.5	15-17.5	60-62.5	182.5-185	986	856	76
Mr. P. Briddock - Director of Finance & Contracting	0-2.5	5-7.5	15-17.5	50-52.5	194	159	22
Mr. T. Alty - Corporate Secretary	0-2.5	5-7.5	27.5-30	87.5-90	430	385	25
Mr R Clarke - Director of Nursing & Clinical Development	2.5-5	10-12.5	42.5-45	127.5-130	670	576	56
Mr. W. Lambert Medical Director	10-12.5	30-32.5	70-72.5	207.5-210	1,299	1,062	147

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 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 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

	2006/07			2005/06		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	72,379	71,775	604	69,744	69,250	494
Social Security Costs	5,336	5,336	0	5,267	5,267	0
Employer contributions to NHSPA	9,004	9,004	0	8,815	8,815	0
Other pension costs	317	317	0	0	0	0
Agency/contract staff	2,944	0	2,944	2,197	0	2,197
	<u>89,980</u>	<u>86,432</u>	<u>3,548</u>	<u>86,023</u>	<u>83,332</u>	<u>2,691</u>

6.2 Average number of persons employed

	2006-2007			2005/06		
	Total	Permanently Employed	Other	Total	Permanently Employed	Other
	WTE	WTE	WTE	WTE	WTE	WTE
Medical and dental	297	288	9	281	273	8
Administration and estates	477	477	0	507	507	0
Healthcare assistants & other support staff	13	13	0	7	7	0
Nursing, midwifery & health visiting staff	1,110	1,110	0	1,141	1,141	0
Scientific, therapeutic and technical staff	407	407	0	411	411	0
Social care staff	13	13	0	13	13	0
Bank & Agency	52	0	52	40	0	40
Other	264	264	0	246	246	0
Total	<u>2,633</u>	<u>2,572</u>	<u>61</u>	<u>2,646</u>	<u>2,598</u>	<u>48</u>

There are 19 specialist registrars recharged from lead units in 2006/07 included within permanently employed staff group

6.3 Employee benefits

There are no schemes which provide an employee benefit. No facilities, amenities/events were provided/held in the periods of account.

6.4 Retirements due to ill-health

During the period 1st April 2006 to 31st March 2007 there were 8 early retirements from the trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £769,000. There were 6 ill-health retirements in the period 1st April 2005 to 31st March 2006, with estimated liabilities of £344,000.

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

	2006/07		2005/06	
	Number	£000	Number	£000
Total				
Total bills paid in the period	56,505	54,899	52,558	48,006
Total bills paid within target	54,812	51,895	50,814	46,708
Percentage of bills paid within target	97.0%	94.5%	96.7%	97.3%
Non NHS				
Total bills paid in the period	53,971	41,465	50,469	36,064
Total bills paid within target	52,489	40,196	48,884	35,342
Percentage of bills paid within target	97.3%	96.9%	96.9%	98.0%
NHS				
Total bills paid in the period	2,534	13,434	2,089	11,942
Total bills paid within target	2,323	11,699	1,930	11,366
Percentage of bills paid within target	91.7%	87.1%	92.4%	95.2%

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

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

No payments were made in respect of the Late Payment of Commercial Debt (Interest) Act 1998 in either period of account

8. Profit (Loss) on Disposal of Fixed Assets

There was a £10,000 profit on the disposal of fixed assets in the 2006/07 period of account (2005/06: £nil).

9. Interest Payable

The trust had no interest payable in the periods of account.

10.1 Intangible Fixed Assets

	Software Licences	Total 2006/07	Total 2005/06
	£000	£000	£000
Gross cost at 1 April 2006	596	596	586
Additions purchased	27	27	10
Additions donated	0	0	0
Gross cost at 31 March 2007	623	623	596
Amortisation at 1 April 2006	351	351	228
Provided during the period	117	117	123
Amortisation at 31 March 2007	468	468	351
Net book value			
- Purchased at 1 April 2006	240	240	352
- Donated at April 2006	5	5	6
- Total at 1 April 2006	245	245	358
- Purchased at 31 March 2007	152	152	240
- Donated at 31 March 2007	3	3	5
- Total at 31 March 2007	155	155	245

	Software Licences	Total 2006/07	Total 2005/06
	£000	£000	£000
10.2 Analysis of intangible fixed assets			
Net book value			
- Protected Assets as at 31 March 2007	0	0	0
- Unprotected Assets as at 31 March 2007	155	155	245
- Total at 31 March 2007	155	155	245

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	Total
									2006/07	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2006	18,645	50,882	5,544	1,243	18,550	16	4,787	122	99,789	95,505
Additions purchased	0	1,180	90	2,294	1,330	0	211	0	5,105	7,599
Additions donated	0	0	0	0	61	0	0	0	61	36
Impairments	0	0	0	0	0	0	0	0	0	(33)
Reclassifications	0	692	0	(692)	(53)	0	53	0	0	0
Other Revaluations	0	(516)	0	0	0	0	0	0	(516)	(2,023)
Disposals	0	0	0	(5)	(1,663)	0	(134)	0	(1,802)	(1,295)
At 31 March 2007	18,645	52,238	5,634	2,840	18,225	16	4,917	122	102,637	99,789
Depreciation at 1 April 2006	0	1,535	0	0	10,943	16	3,226	29	15,749	13,546
Provided during the period	0	1,978	120	0	1,650	0	438	12	4,198	3,950
Impairments	0	0	0	0	17	0	0	0	17	30
Reversal of Impairments	0	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	(16)	0	16	0	0	0
Other Revaluations	0	(808)	0	0	0	0	0	0	(808)	(482)
Disposals	0	0	0	0	(1,641)	0	(134)	0	(1,775)	(1,295)
Depreciation at 31 March 2007	0	2,705	120	0	10,953	16	3,546	41	17,381	15,749
Net book value										
- Purchased at 1 April 2006	18,645	48,531	5,544	1,243	6,177	0	1,532	93	81,765	
- Donated at 1 April 2006	0	816	0	0	1,430	0	29	0	2,275	
Total at 1 April 2006	18,645	49,347	5,544	1,243	7,607	0	1,561	93	84,040	
- Purchased at 31 March 2007	18,645	48,752	5,514	2,840	6,113	0	1,351	81	83,296	
- Donated at 31 March 2007	0	781	0	0	1,159	0	20	0	1,960	
Total at 31 March 2007	18,645	49,533	5,514	2,840	7,272	0	1,371	81	85,256	

There were no residual interests in off balance sheet PFI schemes during the period of account

11.2 Analysis of tangible fixed assets

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total	Total
									2006/07	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value										
- Protected Assets as at 31 March 2007	14,901	44,048	0	0	0	0	0	0	58,949	58,578
- Unprotected Assets as at 31 March 2007	3,744	5,485	5,514	2,840	7,272	0	1,371	81	26,307	25,462
- Total at 31 March 2007	18,645	49,533	5,514	2,840	7,272	0	1,371	81	85,256	84,040

11.3 Assets held at open market value

Of the totals at 31 March 2007, £1,310,000 (2006: £1,310,000) related to land valued at open market value and £5,623,000 (2006: £5,659,000) related to buildings and dwellings valued at open market value.

11.4 Assets held under finance leases and hire purchase contracts

Chesterfield Royal Hospital NHS Foundation Trust held no assets under finance leases or hire purchase contracts.

11.5 The net book value of land, buildings and dwellings at 31 March 2007 comprises:

	31 Mar 2007 Protected £000	31 Mar 2007 Unprotected £000	31 Mar 2006 Protected £000	31 Mar 2006 Unprotected £000
Freehold	58,949	14,743	58,578	14,958
TOTAL	<u>58,949</u>	<u>14,743</u>	<u>58,578</u>	<u>14,958</u>

12. Fixed asset investments

There are no fixed asset investments at 31 March 2007 or 31 March 2006.

13. Stocks

	31 Mar 2007 £000	31 Mar 2006 £000
Raw materials and consumables	<u>802</u>	<u>928</u>

14. Debtors

	31 Mar 2007 £000	31 Mar 2006 £000
Amounts falling due within one year:		
NHS debtors	2,611	1,592
Provision for irrecoverable debts	(81)	(361)
Other prepayments and accrued income	1,008	1,039
Other debtors	<u>1,204</u>	<u>920</u>
Sub Total	<u>4,742</u>	<u>3,190</u>
Amounts falling due after more than one year:		
NHS debtors	0	555
Provision for irrecoverable debts	(51)	(59)
Other debtors	<u>440</u>	<u>499</u>
Sub Total	<u>389</u>	<u>995</u>
TOTAL	<u>5,131</u>	<u>4,185</u>

There were no prepaid pension contributions as at 31 March 2007 or 31 March 2006.

15 Current Asset Investments

	Fixed term bank accounts	Total 2006/07	Total 2005/06
	£000	£000	£000
Cost at 1 April 2006	21	21	0
Additions	80,225	80,225	53,786
Disposals	(80,206)	(80,206)	(53,765)
Cost at 31 March 2007	<u>40</u>	<u>40</u>	<u>21</u>

The current asset investments relate to monies held during the period with Bank of Scotland and Yorkshire Bank in 7 day deposit and 2 month money market accounts.

16. Creditors

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

	2006/07	2005/06
	£000	£000
Amounts falling due within one year:		
NHS creditors	4,142	4,119
Tax and social security costs	1,937	1,996
Other creditors	1,669	2,241
Accruals and deferred income	5,892	4,789
Sub Total	<u>13,640</u>	<u>13,145</u>
 Amounts falling due after more than one year:		
Deferred income	760	982
Sub Total	<u>760</u>	<u>982</u>
 TOTAL	<u><u>14,400</u></u>	<u><u>14,127</u></u>

- There are no payments due in future years under arrangements to buy out the liability for early retirements over 5 years.
- There was £1,105,000 outstanding pensions contributions at 31 March 2007 included in NHS creditors (2006: £1,092,000)
- The creditor falling due after more than one year relates to government grant deferred income to be released in line with depreciation on the assets to which the grants relate.

16.2 Loans and other long-term financial liabilities

The Trust had no loans or other long-term liabilities in either of the periods of account.

16.3 Prudential borrowing limit.

The NHS Foundation Trust is required to comply with, and remain within, a prudential borrowing limit. This is made up of two elements.

- the maximum cumulative amount of long term borrowing. This is set by reference to the five ratios set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit.
- the amount of any working capital facility approved by Monitor.

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

The Trust had a prudential borrowing limit of £29.5 million in 2006/07 (£28.2m 2005/06) . No borrowing has been undertaken in the period.

The Trust has a £10 million (£10 million to 31 March 2006) approved working capital facility. This is in place but has not been used during the periods of account.

The financial ratios for 2006/07 (2005/06) as published in the Prudential Borrowing Code are shown below with the actual level of achievement for the period.

As the NHS Foundation Trust did not require any loans, only the minimum dividend cover ratio is applicable.

Financial Ratio	Actual Ratio 2006-2007	Approved PBL ratio 2006-2007	Actual Ratio 2005-2006	Approved PBL ratio 2005-2006
Minimum Dividend Cover	4.12	>1	3.92	>1
Minimum Interest Cover	-	>3	-	>3
Minimum Debt Service Cover	-	>2	-	>2
Maximum Debt to Capital ratio	-	25%	-	25%
Maximum Debt Service to Revenue	-	<3%	-	<3%

16.4 Finance lease obligations/commitments

The NHS Foundation Trust has not entered into any contracts to lease any assets under a finance lease in the periods of account, and there are no future obligations in either period.

17. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Other	Total	Total
	£000	£000	£000	2006/07 £000	2005/06 £000
At 1 April 2006	1,003	393	629	2,025	2,640
Change in the discount rate	0	0	0	0	185
Arising during the period	137	92	189	418	587
Utilised during the period	(105)	(37)	(25)	(167)	(915)
Reversed unused	(16)	(307)	(200)	(523)	(503)
Unwinding of discount	23	0	11	34	31
At 31 March 2007	<u>1,042</u>	<u>141</u>	<u>604</u>	<u>1,787</u>	<u>2,025</u>

Expected timing of cashflows:

Within one year	97	141	121	359	526
Between one and five years	285	0	140	425	767
After five years	660	0	343	1,003	732

With respect to legal claims, probability and amounts where possible are based on the latest information from the NHSLA, else they are based upon guidelines for the assessment of general damages in personal injury claims.

The closing other provisions are permanent injury benefit provision £519k and provision for underpaid tax and national insurance on student nurse salaries £85k.

As at 31 March 2007 £15,922,000 (2006: £11,370,000) is included in the provisions of the NHS Litigation Authority in respect of clinical negligence and liabilities of the Trust.

	2006/07	2005/06
18.1 Movement in taxpayers' equity	£000	£000
Taxpayers' equity at start of period	85,060	82,300
Prior period adjustments	0	(1,005)
Taxpayers' equity restated	<u>85,060</u>	<u>81,295</u>
Surplus/(deficit) for the financial year	8,223	6,619
Public dividend capital dividends	(2,782)	(2,742)
Fixed asset impairment	0	0
Surplus/(deficit) from revaluation of fixed assets and current asset investments	292	(1,541)
New public dividend capital received	553	1,773
Additions/(reductions) in donated asset reserve	(307)	(344)
Other movements in reserves	<u>161</u>	<u>0</u>
Taxpayers' equity at 31 March 2007	<u>91,200</u>	<u>85,060</u>

	2006/07	2005/06
	£000	£000
18.2 Movements in public dividend capital:		
Public dividend capital at start of period	47,691	45,918
New public dividend capital received	<u>553</u>	<u>1,773</u>
Public dividend capital at 31 March 2007	<u>48,244</u>	<u>47,691</u>

18.3 Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated Asset reserve £000	Other reserves £000	Income and Expenditure reserve £000	Total 2006/07 £000
At 1 April 2006 as previously stated	30,641	2,277	0	4,451	37,369
Prior Period Adjustments (as explained in note 28)	0	0	0	0	0
At 1 April 2006 as restated	<u>30,641</u>	<u>2,277</u>	<u>0</u>	<u>4,451</u>	<u>37,369</u>
Transfer from the income and expenditure account	0	0	0	5,441	5,441
Surplus on revaluations/indexation of fixed assets	292	0	0	0	292
Transfer of realised profits (losses) to the income and expenditure reserve	(102)	(7)	0	109	0
Receipt of donated assets	0	61	0	0	61
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated assets	0	(368)	0	0	(368)
Other movements in reserves	161	0	0	0	161
At 31 March 2007	<u>30,992</u>	<u>1,963</u>	<u>0</u>	<u>10,001</u>	<u>42,956</u>

19. Notes to the cash flow statement

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

	2006/07	2005/06
	£000	£000
Total operating surplus	6,264	6,214
Depreciation and amortisation charge	4,315	4,073
Fixed asset impairments	17	63
Fixed asset reversal of impairments	(14)	0
Other movements	19	0
Transfer from donated asset reserve	(368)	(380)
(Increase)/decrease in stocks	126	(94)
Decrease in debtors	131	329
Increase in creditors	1,381	3,315
Decrease in provisions	(272)	(830)
Net cash inflow from operating activities	<u>11,599</u>	<u>12,690</u>

19.2 Reconciliation of net cash flow to movement in net funds

	£000	£000
Increase in cash in the period	4,210	5,656
Cash inflow from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash inflow from increase in liquid resources	19	21
Change in net funds resulting from cashflows	<u>4,229</u>	<u>5,677</u>
Non - cash changes in debt	0	0
Net funds at 1 April 2006	<u>11,814</u>	<u>6,137</u>
Net funds at 31 March 2007	<u>16,043</u>	<u>11,814</u>

19.3 Analysis of changes in net funds

	At 1 April 2006	Cash changes in year	Non-cash changes in year	At 31 March 2007
	£000	£000	£000	£000
Commercial cash at bank and in hand	107	24	0	131
OPG cash at bank	11,686	4,186	0	15,872
Current asset investments	21	19	0	40
	<u>11,814</u>	<u>4,229</u>	<u>0</u>	<u>16,043</u>

20. Contractual Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,181,000 (2006: £295,000)

The breakdown by project is:

	£000
Children's new build development	355
Ward upgrades	229
Water circulation	204
Medical gases	80
Boiler improvements	173
Car park barriers scheme	45
Security access control	27
Robinson lift and service area	16
Medical equipment and IT	52
	1,181

21. Post Balance Sheet Events

There are no post balance sheet events having a material effect on the accounts in 2006/07.

22. Contingencies

	2006/07	2005/06
	£000	£000
Gross Value	(612)	(84)
Amounts recoverable (if any)	0	0
Net contingent liability	(612)	(84)

These relate to :

Financial penalty for not agreeing to sign up to the electronic staff records payroll system £482,000.

The Department of Health has stated that this penalty will be levied upon East Midlands Strategic Health Authority, and that they should then in turn levy this upon the Corporation, however this has yet been confirmed.

Personal Injury legal claims £74,000. This is the value associated with personal injury provisions, where there is only a small possibility of payment.

Equal Pay Claims £56,000. This represents the potential cost of Agenda For Change equal pay claims based on grievances submitted, where the transfer of economic benefits is relatively unlikely.

For all of the above disclosure, is made in order to be prudent, but does not confer any admission of liability by the Corporation

23. Related Party Transactions

Chesterfield Royal Hospital NHS Foundation Trust is a public benefit corporation authorised by Monitor - the Independent Regulator for NHS Foundation Trusts. All NHS Foundation Trusts are independent bodies which are not controlled by the Secretary of State. The Trust has considered whether or not the working relationships it has with any Government departments and agencies meet the definition of a related party under FRS 8, and has concluded that all working relationships are at arm's length and the disclosure of any transactions under FRS 8 is therefore, not applicable.

The Trust has received revenue and capital payments from Chesterfield Royal Hospital charitable funds (Charity Reg NO. 1052913). Details of the transactions are shown below:

	2006/07	2005/06
	£000	£000
Income received in respect of contributions to cover expenditure	31	34
Income received in respect of contributions to capital expenditure	61	36
	<u>92</u>	<u>70</u>

As at 31 March 2007, the Trust was owed £9,635 from the charity (2006: £3,434).

The Trustees of the charitable organisation are also members of the NHS Foundation Trust Board.

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 Chesterfield Royal Hospital NHS Foundation Trust.

The following declarations were made by Board Members in relation to positions held by them or their partners in organisations which engage in business with the Trust :

David Whitney declared that his wife is engaged by The Audit Commission as a Performance Manager

Eric Morton declared that he is currently Vice Chairman of Chesterfield College

Richard Gregory declared that he is currently Chairman of The Yorkshire Bank

Michael Hall declared that his wife is engaged by The Derbyshire Mental Health Trust as a Non-Executive Director

In the case of the last two declarations Chesterfield Royal Hospitals NHS Foundation Trust do undertake material transactions with the organisations concerned, transactions however, are strictly on commercial terms and neither parties can influence or are party to the arrangements.

24. Private Finance Transactions & Pooled Budgets

24.1 Private Finance Transactions

The Trust had no PFI transactions either on or off balance sheet.

24.2 Pooled Budget Projects

The Trust had no pooled budget projects requiring memorandum trading accounts.

25 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 Trust has with the local Primary Care Trust and the way those PCTs are financed the 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 FRS13 mainly applies. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risk facing the 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 Foundation Trust's net operating costs are incurred under three year service agreement contracts 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 through internally generated resources. In addition the Trust can borrow from the Department of Health financing facility and commercially to finance capital schemes. Financing is drawn down to match the spend profile of the scheme concerned and the Trust is not, therefore, exposed to significant liquidity risks in the area.

Interest-Rate Risk

0% (2006: 4%) of the Trust's financial assets and 100% (2006: 100%) of its financial liabilities carry nil or fixed rates of interest. All of the financial assets carry a relatively stable interest rate. Chesterfield Royal Hospital NHS Foundation 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.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

25.1 Financial Assets

Currency	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed Rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period Years	Weighted average term Years
At 31 March 2007							
Sterling	16,043	16,043	0	0	2.2%	N/A	N/A
Other	0	0	0	0	0.0%	0	0
Gross financial assets	16,043	16,043	0	0			
At 31 March 2006							
Sterling	12,369	11,814	555	0	2.2%	N/A	N/A
Other	0	0	0	0	0.0%	0	0
Gross financial assets	12,369	11,814	555	0			

25.2 Financial Liabilities

Currency	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed Rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period Years	Weighted average term Years
At 31 March 2007							
Sterling	(49,672)	0	(1,428)	(48,244)	2.2%	N/A	N/A
Other	0	0	0	0	0.0%	0	0
Gross financial liabilities	(49,672)	0	(1,428)	(48,244)			
At 31 March 2006							
Sterling	(49,190)	0	(1,499)	(47,691)	2.2%	N/A	N/A
Other	0	0	0	0	0.0%	0	0
Gross financial liabilities	(49,190)	0	(1,499)	(47,691)			

Note: The financial assets are cash in hand and at bank £16m and monies held in a 7 day deposit account £40k. The public dividend capital is of unlimited term.

The interest rate used for determining the book value of fixed rate financial liabilities is dictated by the Financial Reporting Advisory Board for public sector bodies. The rate for 2006/07 is 2.2% (2006: 2.2%). Future rate changes beyond 2007/08 are not known and therefore the period for which the rate is fixed is not determinable.

25.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Foundation Trust's financial assets and liabilities as at 31 March 2007.

	Book Value	Fair Value	Book Value	Fair Value	Basis of fair valuation
	2006/07	2006/07	2005/06	2005/06	
	£000s	£000s	£000s	£000s	
Financial assets					
Cash	16,043	16,043	11,814	11,814	
Debtors over 1 year:					
- Agreements with commissioners to cover creditors and provisions	0	0	555	555	Note a
Investments	0	0	0	0	
Total	16,043	16,043	12,369	12,369	
Financial liabilities					
Overdraft	0	0	0	0	
Working capital facility	0	0	0	0	
Creditors over 1 year:					
- Early retirements	0	0	0	0	
- Finance leases	0	0	0	0	
Provisions under contract	(1,428)	(1,428)	(1,499)	(1,499)	Note b
Loans	0	0	0	0	
Public dividend capital	(48,244)	(48,244)	(47,691)	(47,691)	Note c
Total	(49,672)	(49,672)	(49,190)	(49,190)	

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 b and c, below, fair value is not significantly different from book value.

b 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 2.2% in real terms.

c The figure here is the full value of PDC in the balance sheet and 'book value' equals 'fair value'.

26 Third Party Assets

The Trust held **£5,369** in cash at bank and in hand at 31 March 2007 which relates to monies held on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts. As at 31 March 2006, the corresponding amount was £5,745.

27 Losses and Special Payments

There were **105** cases of losses and special payments totalling **£59,494** approved during the year 1st April 2006 to 31st March 2007. There were 150 cases totalling £86,882 during the year 1st April 2005 to 31st March 2006.

There were no clinical negligence, fraud, personal injury, compensation under legal obligation or fruitless payment cases where the net payment exceeded **£100,000**.

28 Prior period adjustment

There are no prior period adjustments reported in the accounts for the year ended 31 March 2007.

The prior period adjustment of **£1,005,000** reported in 2005/06 related to a change in the accounting treatment of government grants received in respect of tangible fixed assets. Previously, the government grants received were shown as a reserve and included as part of Taxpayers' equity.

Under SSAP 4 "Accounting for government grants", the grants are accounted for as deferred income and are released to the profit and loss account in line with depreciation on the assets to which the grants relate.

Chesterfield Royal Hospital 
NHS Foundation Trust

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