

Chesterfield Royal Hospital



NHS Foundation Trust



**Annual accounts and financial statements
April 2005 to March 2006**

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: 14 June 2006

Eric Morton
Chief Executive

a public benefit corporation

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| <p>STATEMENT ON INTERNAL CONTROL For the year ending 31 March 2006</p> |
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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 personally 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:

- Trent SHA chief executives' forum;
- Trent acute trust chief executives' partnership;
- NORCOM;
- South Yorkshire partnership of acute chief executives;
- North 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, and HR.

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

The Board receives details of key risks on a monthly basis through 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 is responsible for the operational assessment of risk and maintenance of risk registers.

- 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 allocated 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 ending 31 March 2006 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 Clinical Development |
| ▪ <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 systems are in place to achieve:

- 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 updated annually and endorsed by the Board. This 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 2005/06, 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 now has a fully updated corporate risk register, which has been restructured and revised during 2005/06 to take account of the directorate risk registers. There is also a central operational risk register based on the Datix system. These support the corporate managers with responsibility for clinical and environmental risk management:
- in ensuring the effective identification and treatment of risks in relation to NHSLA Standards.
 - in developing whole system solutions to clinical and non-clinical operational risks that have the greatest potential to disrupt patient care, and
 - in filtering major risks to the corporate risk register.
- 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 (e.g. clinical leaders' group, whole systems capacity group);
- clinical and professional networks in Trent and South Yorkshire.

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 informing of 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 used by External Audit to review the systems and processes and inform 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)
- Performance rating by the Healthcare Commission of three stars (July 2005);
- External Audit annual letter.
- Continuing improvements 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 governance and mandatory services scoring of green.
- Confirmation that the corporation has declared full compliance with the Healthcare Commission standards for better health declaration for 2005/06

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 2005/06 a number of developments have been undertaken to strengthen the internal control framework.

- The risk register system has been developed during the year to ensure that it embeds the directorate risk registers and demonstrates close links to the organisational objectives and feeds the corporate risk register and assurance framework.
- Despite the approval by the Health and Safety Executive on the work conducted by the corporation has continued to develop and improve the systems in health and safety to ensure they are robust and appropriate systems.
- 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 framework.



Eric J Morton
Chief Executive
AP/ 14 June 2006

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 2006 under the Health and Social Care (Community Health and Standards) Act 2003, 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 2005/06. 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.

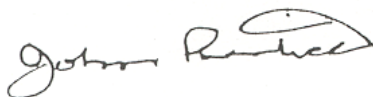
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2006 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 2003 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator.



J G Prentice FCCA

Officer of the Audit Commission
Littlemoor House, Littlemoor,
Eckington,
Sheffield S21 4EF
15 June 2006

FOREWORD TO THE ACCOUNTS

Chesterfield Royal Hospital NHS Foundation Trust

The accounts for the year ended 31 March 2006 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: 14 June 2006

Eric Morton (Chief Executive)

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

| | NOTE | 01/04/05 -31/03/06 £000 | 01/01/05 -31/03/05 £000 |
|---|------|-------------------------------|-------------------------------|
| Income from activities | 3 | 120,626 | 28,210 |
| Other operating income | 4 | 14,063 | 3,445 |
| Operating expenses | 5-8 | <u>(128,475)</u> | <u>(30,747)</u> |
| OPERATING SURPLUS | | 6,214 | 908 |
| Exceptional Loss on revaluation of estate* | | <u>0</u> | <u>(339)</u> |
| SURPLUS BEFORE INTEREST | | 6,214 | 569 |
| Interest receivable | | 621 | 73 |
| Interest payable | 9 | 0 | 0 |
| Other finance costs - unwinding of discount | | (31) | (11) |
| Other finance costs - change in discount rate on provisions | | <u>(185)</u> | <u>0</u> |
| SURPLUS FOR THE FINANCIAL PERIOD | | 6,619 | 631 |
| Public Dividend Capital dividends payable | | <u>(2,742)</u> | <u>(616)</u> |
| RETAINED SURPLUS FOR THE PERIOD | | <u><u>3,877</u></u> | <u><u>15</u></u> |

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

All income and expenditure are derived from continuing operations.

*The prior period exceptional loss related to a change in accounting policy interpretation that no longer allows temporary debit balances to be charged to the revaluation reserve.

**BALANCE SHEET AS AT
31 March 2006**

| | NOTE | 31/03/06 £000 | 31/03/05 (as restated) £000 |
|--|------|------------------|-----------------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 245 | 358 |
| Tangible assets | 11 | 84,040 | 81,959 |
| Investments | 12 | 0 | 0 |
| | | 84,285 | 82,317 |
| CURRENT ASSETS | | | |
| Stocks and work in progress | 13 | 928 | 834 |
| Debtors | 14 | 4,185 | 4,514 |
| Investments | 15 | 21 | 0 |
| Cash at bank and in hand | 19 | 11,793 | 6,137 |
| | | 16,927 | 11,485 |
| CREDITORS: Amounts falling due within one year | 16 | (13,145) | (8,862) |
| NET CURRENT ASSETS | | 3,782 | 2,623 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 88,067 | 84,940 |
| CREDITORS: Amounts falling due after more than one year | 16 | (982) | (1,005) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 17 | (2,025) | (2,640) |
| TOTAL ASSETS EMPLOYED | | 85,060 | 81,295 |
| FINANCED BY: | | | |
| TAXPAYERS' EQUITY | | | |
| Public dividend capital | 18 | 47,691 | 45,918 |
| Revaluation reserve | 18 | 30,641 | 30,993 |
| Donated asset reserve | 18 | 2,277 | 2,621 |
| Income and expenditure reserve | 18 | 4,451 | 1,763 |
| TOTAL TAXPAYERS EQUITY | | 85,060 | 81,295 |

Signed:  Eric Morton Chief Executive

Date: 14 June 2006

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

| | 01/04/05 -31/03/06 | 01/01/05 -31/03/05 |
|---|-------------------------------|-----------------------|
| | £000 | £000 |
| Surplus for the financial period before dividend payments | 6,619 | 631 |
| Unrealised (deficit) / surplus on fixed asset revaluations | (1,541) | 3,137 |
| Increases in donated assets due to receipt of donated assets | 36 | 56 |
| Reductions in donated assets due to the depreciation, impairment and disposal of donated assets | (380) | (96) |
| Other recognised gains and losses | 0 | 1,000 |
| Total gains recognised for the financial period | 4,734 | 4,728 |
| Prior period adjustments (as explained in note 28) | (1,005) | 0 |
| Total gains recognised in the financial period | 3,729 | 4,728 |

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

| | NOTE | 01/04/05 -31/03/06 £000 | 01/01/05 -31/03/05 (as restated) £000 |
|--|------|-------------------------------|--|
| OPERATING ACTIVITIES | | | |
| Net cash inflow from operating activities | 19.1 | 12,690 | 3,774 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE: | | | |
| Interest received | | <u>621</u> | <u>73</u> |
| Net cash inflow from returns on investments and servicing of finance | | 621 | 73 |
| CAPITAL EXPENDITURE | | | |
| Payments to acquire tangible fixed assets | | (6,891) | (1,713) |
| Payments to acquire intangible assets | | (10) | (44) |
| Net cash outflow from capital expenditure | | <u>(6,901)</u> | <u>(1,757)</u> |
| DIVIDENDS PAID | | | |
| | | (2,742) | (1,231) |
| Net cash inflow before management of liquid resources and financing | | 3,668 | 859 |
| MANAGEMENT OF LIQUID RESOURCES | | | |
| Purchase of current asset investments | | (53,786) | 0 |
| Sale of current asset investments | | 53,765 | 0 |
| Net cash outflow from management of liquid resources | | <u>(21)</u> | <u>0</u> |
| Net cash inflow before financing | | <u>3,647</u> | <u>859</u> |
| FINANCING | | | |
| Public dividend capital received | | 1,773 | 832 |
| Other capital receipts (Donated assets / Government grants) | | 236 | 1,056 |
| Net cash inflow from financing | | <u>2,009</u> | <u>1,888</u> |
| Increase in cash | | <u><u>5,656</u></u> | <u><u>2,747</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 *2005/06 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. Since the Trust became a Foundation Trust on 1 January 2005 the prior year comparators in these accounts are for a three month period only ie from 1 January 2005 to 31 March 2005.

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, if material, is accrued. The accrued income is calculated 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 not accrued income from incomplete patient spells as it is not considered to be material, in accordance with FRS 5 and UITF 40.

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 in 2005/06. To manage the financial impact of this change on the NHS Foundation Trust and its commissioners, the NHS Foundation Trust was only able to retain 50% of the gain under PbR. The remaining £3,616,000 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.

Residual interests in off-balance sheet private finance initiative (PFI) properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

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

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

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 value of the sale proceeds 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 a 7-day bank deposit account held and the amount stated relates to the actual cash held within this deposit account at the year end. This is treated as a liquid resource in the cashflow statement.

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.

In 05/06 Government grants were held as deferred income, this was a change in accounting treatment from 04/05 where these were included in the balance sheet as a Government grant reserve comparable to the donation reserve.

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 January 2005 to 31 March 2006.

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.

1.2 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.

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 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.

1.21 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.

1.22 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation 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.

1.23 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.

1.24 Financial instruments

The Trust has the following financial assets and liabilities:

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

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

| | 01/04/05 | 01/01/05 |
|---------------------------------|-----------------------|---------------|
| | - 31/03/06 | -31/03/05 |
| | £000 | £000 |
| Elective income | 27,929 | 6,007 |
| Non elective income | 48,439 | 9,916 |
| Outpatient income | 20,559 | 5,493 |
| Other types of activity income* | 22,842 | 5,401 |
| A&E income | 4,351 | 1,352 |
| PBR clawback | (3,616) | 0 |
| Private patient income | 122 | 41 |
| | <u>120,626</u> | <u>28,210</u> |

Road Traffic Act income is subject to a provision for doubtful debts of 12% (2004/05: 7.13%) to reflect expected rates of collection.

The Terms of Authorisation set out the mandatory goods and services that the Trust is required to provide (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 £2,884,000 and radiology £1,011,000, critical care services £6,983,000, child health services £5,150,000, community midwifery £2,025,000, screening services £1,137,000, and RTA income £608,000.

3.2 Private Patient Income

| | Total | Total 05/05 |
|-----------------------------------|---------------------|--------------|
| | £'000 | £'000 |
| Private patient income | 122 | 41 |
| Total patient related income | 120,626 | 28,210 |
| Proportion (as percentage) | <u>0.10%</u> | <u>0.15%</u> |

| 3.3 Income from Activities | 01/04/05 | 01/01/05 |
|--------------------------------------|-------------------|---------------|
| | - 31/03/06 | - 31/03/05 |
| | £000 | £000 |
| NHS Foundation Trusts | 0 | 0 |
| NHS Trusts | 0 | 0 |
| Strategic Health Authorities | 0 | 0 |
| Primary Care Trusts | 122,396 | 27,943 |
| Local Authorities | 0 | 0 |
| Department of Health | (2,524) | 0 |
| NHS Other | 0 | 0 |
| Non NHS: | | |
| - Private Patients | 122 | 41 |
| - Overseas patients (non-reciprocal) | 24 | 18 |
| - Road Traffic Act | 608 | 208 |
| - Other | 0 | 0 |
| | <u>120,626</u> | <u>28,210</u> |

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

| | | |
|------------------------------|----------------|----------|
| - PbR clawback | (3,616) | 0 |
| - Market Forces Factor (MFF) | 1,092 | 0 |
| | <u>(2,524)</u> | <u>0</u> |

| 4. Other Operating Income | 01/04/05 | 01/01/05 |
|---|-------------------|--------------|
| | - 31/03/06 | - 31/03/05 |
| | £000 | £000 |
| Research and development | 0 | 0 |
| Education and training | 5,680 | 1,608 |
| Charitable and other contributions to expenditure | 34 | 8 |
| Transfers from donated asset reserve | 380 | 96 |
| Non-patient care services to other bodies | 6,174 | 1,196 |
| Other income | 1,795 | 537 |
| | <u>14,063</u> | <u>3,445</u> |

The breakdown of other income for the period 1st April 2005 to 31st March 2006 is as follows:

| | |
|---|--------------|
| | £000 |
| Accommodation, royalties, & utility charges to external contractors | 413 |
| Car Parking Income | 390 |
| Staff Residences Income | 271 |
| Other | 721 |
| | <u>1,795</u> |

5. Operating Expenses

5.1 Operating expenses comprise:

| | 01/04/05 | 01/01/05 |
|--|-----------------------|----------------------|
| | - 31/03/06 | - 31/03/05 |
| | £000 | £000 |
| Services from other NHS Trusts | 995 | 236 |
| Services from other NHS bodies | 972 | 223 |
| Services from NHS Foundation Trusts | 769 | 181 |
| Purchase of healthcare from non NHS bodies | 0 | 0 |
| Executive directors' costs | 544 | 161 |
| Non-executive directors costs | 93 | 10 |
| Staff costs | 85,478 | 20,450 |
| Drug costs | 6,531 | 1,417 |
| Supplies and services - clinical | 13,021 | 3,093 |
| Supplies and services - general | 3,431 | 813 |
| Establishment | 2,131 | 533 |
| Transport | 119 | 27 |
| Premises | 5,860 | 1,177 |
| Bad debts | 377 | 93 |
| Depreciation and amortisation | 4,073 | 1,355 |
| Fixed asset impairments and reversals | 63 | 0 |
| Audit fees | 80 | 34 |
| Other auditor's remuneration | 0 | 0 |
| Clinical negligence | 1,665 | 405 |
| Exceptional Items | 0 | 0 |
| Other expenditure | 2,273 | 539 |
| | <u>128,475</u> | <u>30,747</u> |

The breakdown of other operating expenses is:

| | £000 |
|--|---------------------|
| Consultancy, Legal & Professional Services | 762 |
| Training costs | 542 |
| Security services | 259 |
| Other | 710 |
| | <u>2,273</u> |

The above directors and staff costs include £8,815,000 pension contributions (£2,008,000 for January to March 2005).

5.2 Operating leases

5.2/1 Operating expenses include:

| | 01/04/05 - 31/03/06 £000 | 01/01/05 - 31/03/05 £000 |
|-------------------------------|---|--------------------------------|
| Hire of plant and machinery | 65 | 15 |
| Other operating lease rentals | 199 | 62 |
| | <u>264</u> | <u>77</u> |

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

| | Other leases | |
|--------------------------------|---|--------------------------------|
| | 01/04/05 - 31/03/06 £000 | 01/01/05 - 31/03/05 £000 |
| Operating leases which expire: | | |
| Within 1 year | 118 | 46 |
| Between 1 and 5 years | 119 | 241 |
| After 5 years | 0 | 0 |
| | <u>237</u> | <u>287</u> |

5.3 Salary and Pension entitlements of senior managers

A) Remuneration

| Name and Title | 01/04/05 - 31/03/06 | | | 01/01/05 - 31/03/05 | | |
|---|-----------------------|----------------------------------|------------------|-----------------------|----------------------------------|------------------|
| | 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 | 115-120 | 0 | 91 | 25-30 | 0 | 21 |
| Mr. P. Briddock - Director of Finance & Contracting | 95-100 | 0 | 8 | 20-25 | 0 | 0 |
| Mr. T. Alty - Corporate Secretary | 90-95 | 0 | 0 | 20-25 | 0 | 9 |
| Mr. R. Clarke - Director of Nursing & Clinical Development | 85-90 | 0 | 56 | 15-20 | 0 | 19 |
| Mr. W. Lambert - Medical Director | 30-35 | 135-140 | 0 | 5-10 | 35-40 | 0 |
| Non - Executive Directors | | | | | | |
| Mr. M. Wall - Chairman (1 April - 20 October) | 20-25 | 0 | 0 | 0-5 | 0 | 0 |
| Mr. J. Raine - Non-Executive Director (1 April - 21 October) | 5-10 | 0 | 0 | 0-5 | 0 | 0 |
| Acting Chairman (21 October - 31 March) | 15-20 | 0 | 0 | | | |
| Dr. Y. Taktak - Non-Executive Director | 10-15 | 0 | 0 | 0-5 | 0 | 0 |
| Mr. W. Webber - Non-Executive Director (1 April - 25 January) | 5-10 | 0 | 0 | 0-5 | 0 | 0 |
| Mr. M. Hall - Non-Executive Director (5 July - 31 March) | 10-15 | 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 (bands of £2500) £000 | Real increase in lump sum at age 60 (bands of £2500) £000 | Total accrued pension at age 60 at 31 March 2006 (bands of £5000) £000 | Lump sum at age 60 related to accrued pension at 31 March 2006 (bands of £5000) £000 | Cash Equivalent Transfer Value at 31 March 2006 £000 | Cash Equivalent Transfer Value at 31 March 2005 £000 | Real Increase in Cash Equivalent Transfer Value £000 |
|--|---|--|---|---|---|---|---|
| Mr. E. Morton - Chief Executive | 5-7.5 | 15-17.5 | 50-55 | 160-165 | 856 | 741 | 67 |
| Mr. P. Briddock - Director of Finance & Contracting | 2.5-5 | 7.5-10 | 10-15 | 40-45 | 159 | 121 | 25 |
| Mr. T. Alty - Corporate Secretary | 2.5-5 | 12.5-15 | 25-30 | 80-85 | 385 | 298 | 55 |
| Mr R Clarke - Director of Nursing & Clinical Development | 2.5-5 | 12.5-15 | 35-40 | 110-115 | 576 | 479 | 59 |
| Mr. W. Lambert - Medical Director | 10-12.5 | 15-17.5 | 55-60 | 170-175 | 1,062 | 839 | 142 |

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

| | 01/04/05 - 31/03/06 | | | 01/01/05 - 31/03/05 | | |
|---------------------------------|---------------------|----------------------|--------------|---------------------|----------------------|------------|
| | Total | Permanently Employed | Other | Total | Permanently Employed | Other |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Salaries and wages | 69,744 | 69,250 | 494 | 16,903 | 16,854 | 49 |
| Social Security Costs | 5,267 | 5,267 | 0 | 1,187 | 1,187 | 0 |
| Employer contributions to NHSPA | 8,815 | 8,815 | 0 | 2,008 | 2,008 | 0 |
| Agency/contract staff | 2,197 | 0 | 2,197 | 511 | 0 | 511 |
| Seconded Staff | 0 | 0 | 0 | 7 | 0 | 7 |
| | 86,023 | 83,332 | 2,691 | 20,616 | 20,049 | 567 |

6.2 Average number of persons employed

| | 01/04/05 - 31/03/06 | | | 01/01/05 - 31/03/05 | | |
|---|---------------------|----------------------|-----------|---------------------|----------------------|-----------|
| | Total | Permanently Employed | Other | Total | Permanently Employed | Other |
| | WTE | WTE | WTE | WTE | WTE | WTE |
| Medical and dental | 281 | 273 | 8 | 266 | 260 | 6 |
| Administration and estates | 507 | 507 | 0 | 514 | 514 | 0 |
| Healthcare assistants & other support staff | 7 | 7 | 0 | 0 | 0 | 0 |
| Nursing, midwifery & health visiting staff | 1,141 | 1,141 | 0 | 1,138 | 1,138 | 0 |
| Scientific, therapeutic and technical staff | 411 | 411 | 0 | 401 | 401 | 0 |
| Social care staff | 13 | 13 | 0 | 7 | 7 | 0 |
| Bank & Agency | 40 | 0 | 40 | 32 | 0 | 32 |
| Other | 246 | 246 | 0 | 235 | 234 | 1 |
| Total | 2,646 | 2,598 | 48 | 2,593 | 2,554 | 39 |

There are 24 specialist registrars and 3 senior house officers recharged from lead units 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 period of account.

6.4 Retirements due to ill-health

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

There were no ill-health retirements in the period 1st January 2005 to 31st March 2005.

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

| | 01/04/05 - 31/03/06 | | 01/01/05 - 31/03/05 | |
|--|---------------------|--------|---------------------|--------|
| | Number | £000 | Number | £000 |
| Total | | | | |
| Total bills paid in the period | 52,558 | 48,006 | 13,324 | 11,518 |
| Total bills paid within target | 50,814 | 46,708 | 12,878 | 10,862 |
| Percentage of bills paid within target | 96.7% | 97.3% | 96.7% | 94.3% |
| Non NHS | | | | |
| Total bills paid in the period | 50,469 | 36,064 | 12,789 | 9,489 |
| Total bills paid within target | 48,884 | 35,342 | 12,390 | 9,216 |
| Percentage of bills paid within target | 96.9% | 98.0% | 96.9% | 97.1% |
| NHS | | | | |
| Total bills paid in the period | 2,089 | 11,942 | 535 | 2,029 |
| Total bills paid within target | 1,930 | 11,366 | 488 | 1,646 |
| Percentage of bills paid within target | 92.4% | 95.2% | 91.2% | 81.1% |

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 no profit/(loss) on the disposal of fixed assets in the periods of account.

9. Interest Payable

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

10.1 Intangible Fixed Assets

| | Software Licences | Total 01/04/05 - 31/03/06 | Total 01/01/05 - 31/03/05 |
|--------------------------------------|------------------------------|--|--|
| | £000 | £000 | £000 |
| Gross cost at 1 April 2005 | 586 | 586 | 536 |
| Additions purchased | 10 | 10 | 44 |
| Additions donated | 0 | 0 | 6 |
| Gross cost at 31 March 2006 | 596 | 596 | 586 |
| Amortisation at 1 April 2005 | 228 | 228 | 201 |
| Provided during the period | 123 | 123 | 27 |
| Amortisation at 31 March 2006 | 351 | 351 | 228 |
| Net book value | | | |
| - Purchased at 1 April 2005 | 352 | 352 | 335 |
| - Donated at April 2005 | 6 | 6 | 0 |
| - Total at 1 April 2005 | 358 | 358 | 335 |
| - Purchased at 31 March 2006 | 240 | 240 | 352 |
| - Donated at 31 March 2006 | 5 | 5 | 6 |
| - Total at 31 March 2006 | 245 | 245 | 358 |

| | Software Licences | Total 01/04/05 - 31/03/06 | Total 01/01/05 - 31/03/05 |
|---|------------------------------|--|--|
| | £000 | £000 | £000 |
| 10.2 Analysis of intangible fixed assets | | | |
| Net book value | | | |
| - Protected Assets as at 31 March 2006 | 0 | 0 | 0 |
| - Unprotected Assets as at 31 March 2006 | 245 | 245 | 358 |
| - Total at 31 March 2006 | 245 | 245 | 358 |

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 |
|--------------------------------------|---------------|-------------------------------------|--------------|---|----------------------|------------------------|---------------------------|-------------------------|------------------------|------------------------|
| | | | | | | | | | 01/04/05 - 31/03/06 | 01/01/05 - 31/03/05 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation at 1 April 2005 | 18,645 | 48,781 | 5,024 | 1,332 | 17,057 | 16 | 4,248 | 402 | 95,505 | 94,757 |
| Additions purchased | 0 | 2,439 | 1,174 | 1,243 | 2,032 | 0 | 620 | 91 | 7,599 | 1,717 |
| Additions donated | 0 | 0 | 0 | 0 | 16 | 0 | 20 | 0 | 36 | 50 |
| Impairments | 0 | (33) | 0 | 0 | 0 | 0 | 0 | 0 | (33) | 0 |
| Reclassifications | 0 | 1,064 | 0 | (1,332) | 277 | 0 | (9) | 0 | 0 | 0 |
| Other Revaluations | 0 | (1,369) | (654) | 0 | 0 | 0 | 0 | 0 | (2,023) | (3,281) |
| Disposals | 0 | 0 | 0 | 0 | (832) | 0 | (92) | (371) | (1,295) | (536) |
| National Reval Exercise | | | | | | | | | | 2,798 |
| At 31 March 2006 | 18,645 | 50,882 | 5,544 | 1,243 | 18,550 | 16 | 4,787 | 122 | 99,789 | 95,505 |
| Depreciation at 1 April 2005 | 0 | 21 | 0 | 0 | 10,203 | 16 | 2,910 | 396 | 13,546 | 16,035 |
| Provided during the period | 0 | 1,778 | 218 | 0 | 1,545 | 0 | 405 | 4 | 3,950 | 1,328 |
| Impairments | 0 | 0 | 0 | 0 | 30 | 0 | 0 | 0 | 30 | 0 |
| Reclassifications | 0 | 0 | 0 | 0 | (3) | 0 | 3 | 0 | 0 | 0 |
| Other Revaluations | 0 | (264) | (218) | 0 | 0 | 0 | 0 | 0 | (482) | (3,281) |
| Disposals | 0 | 0 | 0 | 0 | (832) | 0 | (92) | (371) | (1,295) | (536) |
| Depreciation at 31 March 2006 | 0 | 1,535 | 0 | 0 | 10,943 | 16 | 3,226 | 29 | 15,749 | 13,546 |
| Net book value | | | | | | | | | | |
| - Purchased at 1 April 2005 | 18,645 | 47,909 | 5,024 | 1,332 | 5,113 | 0 | 1,313 | 6 | 79,342 | |
| - Donated at 1 April 2005 | 0 | 851 | 0 | 0 | 1,741 | 0 | 25 | 0 | 2,617 | |
| Total at 1 April 2005 | 18,645 | 48,760 | 5,024 | 1,332 | 6,854 | 0 | 1,338 | 6 | 81,959 | |
| - Purchased at 31 March 2006 | 18,645 | 48,531 | 5,544 | 1,243 | 6,177 | 0 | 1,532 | 93 | 81,765 | |
| - Donated at 31 March 2006 | 0 | 816 | 0 | 0 | 1,430 | 0 | 29 | 0 | 2,275 | |
| Total at 31 March 2006 | 18,645 | 49,347 | 5,544 | 1,243 | 7,607 | 0 | 1,561 | 93 | 84,040 | |

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 |
|--|---------------|-------------------------------------|--------------|---|----------------------|------------------------|---------------------------|-------------------------|------------------------|------------------------|
| | | | | | | | | | 01/04/05 - 31/03/06 | 01/01/05 - 31/03/05 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Net book value | | | | | | | | | | |
| - Protected Assets as at 31 March 2006 | 14,901 | 43,677 | 0 | 0 | 0 | 0 | 0 | 0 | 58,578 | 57,843 |
| - Unprotected Assets as at 31 March 2006 | 3,744 | 5,670 | 5,544 | 1,243 | 7,607 | 0 | 1,561 | 93 | 25,462 | 24,116 |
| - Total at 31 March 2006 | 18,645 | 49,347 | 5,544 | 1,243 | 7,607 | 0 | 1,561 | 93 | 84,040 | 81,959 |

11.3 Assets held at open market value

Of the totals at 31 March 2006, (31 March 2005) £1,310,000 (£1,310,000) related to land valued at open market value and £5,659,000 (£5,144,000) 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 2006 comprises:

| | 31 Mar 2006 Protected £000 | 31 Mar 2006 Unprotected £000 | 31 Mar 2005 Protected £000 | 31 Mar 2005 Unprotected £000 |
|--------------|---|---|----------------------------------|------------------------------------|
| Freehold | 58,578 | 14,958 | 57,843 | 14,586 |
| TOTAL | <u>58,578</u> | <u>14,958</u> | <u>57,843</u> | <u>14,586</u> |

12. Fixed asset investments

There are no fixed asset investments at 31 March 2006 and 31 March 2005.

13. Stocks

| | 31 Mar 2006 £000 | 31 Mar 2005 £000 |
|-------------------------------|-----------------------------|---------------------|
| Raw materials and consumables | <u>928</u> | <u>834</u> |

14. Debtors

| | 31 Mar 2006 £000 | 31 Mar 2005 £000 |
|--|-----------------------------|---------------------|
| Amounts falling due within one year: | | |
| NHS debtors | 1,592 | 1,681 |
| Provision for irrecoverable debts | (361) | (140) |
| Other prepayments and accrued income | 1,039 | 846 |
| Other debtors | 920 | 994 |
| Sub Total | <u>3,190</u> | <u>3,381</u> |
| Amounts falling due after more than one year: | | |
| NHS debtors | 555 | 620 |
| Provision for irrecoverable debts | (59) | (39) |
| Other debtors | 499 | 552 |
| Sub Total | <u>995</u> | <u>1,133</u> |
| TOTAL | <u>4,185</u> | <u>4,514</u> |

There were no prepaid pension contributions as at 31 March 2006 and 31 March 2005.

15 Current Asset Investments

| | 7-day bank deposit account | Total 01/04/05 - 31/03/06 | Total 01/01/05 - 31/03/05 |
|------------------------------|---------------------------------------|--|--|
| | £000 | £000 | £000 |
| Cost at 1 April 2005 | 0 | 0 | 0 |
| Additions | 53,786 | 53,786 | 0 |
| Disposals | (53,765) | (53,765) | 0 |
| Cost at 31 March 2006 | <u>21</u> | <u>21</u> | <u>0</u> |

16. Creditors

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

| | 01/04/05 - 31/03/06 | 01/01/05 - 31/03/05 (as restated) |
|--|--------------------------------|--|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| NHS creditors | 4,119 | 3,201 |
| Tax and social security costs | 1,996 | 1,697 |
| Other creditors | 2,241 | 709 |
| Accruals and deferred income | 4,789 | 3,255 |
| Sub Total | <u>13,145</u> | <u>8,862</u> |
| Amounts falling due after more than one year: | | |
| Deferred income | 982 | 1,005 |
| Sub Total | <u>982</u> | <u>1,005</u> |
| TOTAL | <u><u>14,127</u></u> | <u><u>9,867</u></u> |

- There are no payments due in future years under arrangements to buy out the liability for early retirements over 5 years.
- NHS creditors include £1,092,000 outstanding pensions contributions at 31 March 2006 (2005: £1,004,000).
- 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 the period 1st April 2005 to 31st March 2006.

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.
- 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 £28.2 million in 2005/06 (£9m 2004/05) . No borrowing has been undertaken in the period.

The Trust has a £10 million (£4 million to 31 March 2005) approved working capital facility. This is in place but has not been used during the periods of account.

The financial ratios for 2005/06(2004/05) 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 2005/06 | Approved PBL ratio 2005/06 | Actual Ratio 2004/05 | Approved PBL ratio 2004/05 |
|---------------------------------|---------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
| Minimum Dividend Cover | 3.77 | >1 | 3.79 | >1 |
| Minimum Interest Cover | - | >3 | - | >3 |
| Minimum Debt Service Cover | - | >2 | - | >2 |
| Maximum Debt to Capital ratio | - | 25% | - | 15% |
| 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 former directors | Pensions relating to other staff | Legal claims | Restructurings | Other | Total | Total |
|-----------------------------|--|--|-----------------|----------------|-------|---|--------------------------------|
| | £000 | £000 | £000 | £000 | £000 | 01/04/05 - 31/03/06 £000 | 01/01/05 - 31/03/05 £000 |
| At 1 April 2005 | 0 | 978 | 57 | 0 | 1,605 | 2,640 | 2,177 |
| Change in the discount rate | 0 | 125 | 0 | 0 | 60 | 185 | |
| Arising during the period | 0 | 0 | 387 | 0 | 200 | 587 | 702 |
| Utilised during the period | 0 | (122) | (46) | 0 | (747) | (915) | (202) |
| Reversed unused | 0 | 0 | (5) | 0 | (498) | (503) | (48) |
| Unwinding of discount | 0 | 22 | 0 | 0 | 9 | 31 | 11 |
| At 31 March 2006 | 0 | 1,003 | 393 | 0 | 629 | 2,025 | 2,640 |

Expected timing of cashflows:

| | | | | | | | |
|----------------------------|---|-----|-----|---|-----|------------|-------|
| Within one year | 0 | 110 | 393 | 0 | 23 | 526 | 1,431 |
| Between one and five years | 0 | 470 | 0 | 0 | 297 | 767 | 575 |
| After five years | 0 | 423 | 0 | 0 | 309 | 732 | 634 |

Within other provisions the Agenda for Change provision from last year has now been discharged, in part reversed unused but mainly paid or accrued at the amount due to the employees.

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

The amounts to be reimbursed from local PCTs are:

Early Retirement provision £413,500
 Personal Injury provisions £17,200
 Injury Benefit provision £210,700

£11,370,000 (£9,522,000) is included in the provisions of the NHS Litigation Authority at 31/03/06 (31/03/05) in respect of clinical negligence and liabilities of the Trust.

| | 01/04/05 - 31/03/06 | 01/01/05 - 31/03/05 (as restated) |
|--|------------------------|---|
| | £000 | £000 |
| 18.1 Movement in taxpayers' equity | | |
| Taxpayers' equity at start of period | 82,300 | 77,356 |
| Prior period adjustments | (1,005) | 0 |
| Taxpayers' equity restated | <u>81,295</u> | <u>77,356</u> |
| Surplus/(deficit) for the financial year | 6,619 | 631 |
| Public dividend capital dividends | (2,742) | (616) |
| Fixed asset impairment | 0 | 0 |
| Surplus/(deficit) from revaluation of fixed assets and current asset investments | (1,541) | 2,811 |
| New public dividend capital received | 1,773 | 832 |
| Additions/(reductions) in donated asset reserve | (344) | 286 |
| Additions in government grant reserve | <u>0</u> | <u>(5)</u> |
| Taxpayers' equity at 31 March 2006 | <u><u>85,060</u></u> | <u><u>81,295</u></u> |
| | 01/04/05 - 31/03/06 | 01/01/05 - 31/03/05 |
| | £000 | £000 |
| 18.2 Movements in public dividend capital: | | |
| Public dividend capital at start of period | 45,918 | 45,086 |
| New public dividend capital received | <u>1,773</u> | <u>832</u> |
| Public dividend capital at 31 March 2006 | <u><u>47,691</u></u> | <u><u>45,918</u></u> |

18.3 Movements on Reserves

Movements on reserves in the year comprised the following:

| | Revaluation reserve | Donated Asset reserve | Government Grant reserve | Income and Expenditure reserve | Total 01/04/05 - 31/03/06 £000 |
|--|------------------------|--------------------------|-----------------------------|--------------------------------------|---|
| | £000 | £000 | £000 | £000 | |
| At 1 April 2005 as previously stated | 30,993 | 2,621 | 1,005 | 1,763 | 36,382 |
| Prior Period Adjustments (as explained in note 28) | 0 | 0 | (1,005) | 0 | (1,005) |
| At 1 April 2005 as restated | <u>30,993</u> | <u>2,621</u> | <u>0</u> | <u>1,763</u> | <u>35,377</u> |
| Transfer from the income and expenditure account | 0 | 0 | 0 | 3,877 | 3,877 |
| Surplus/(deficit) on revaluations/indexation of fixed assets | (1,541) | 0 | 0 | 0 | (1,541) |
| Transfer of realised profits (losses) to the income and expenditure reserve | 1,189 | 0 | 0 | (1,189) | 0 |
| Receipt of donated assets | 0 | 36 | 0 | 0 | 36 |
| Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated assets | 0 | (380) | 0 | 0 | (380) |
| At 31 March 2006 | <u><u>30,641</u></u> | <u><u>2,277</u></u> | <u><u>0</u></u> | <u><u>4,451</u></u> | <u><u>37,369</u></u> |

The transfer of realised losses from the revaluation reserve to the income and expenditure reserve consists of :

£1,314,000 elimination of opening negative revaluation reserve balances.

£125,000 elimination of positive revaluation balances on disposal of fixed assets.

19. Notes to the cash flow statement

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

| | 01/04/05 - 31/03/06 | 01/01/05 - 31/03/05 (as restated) |
|---|--------------------------------|---|
| | £000 | £000 |
| Total operating surplus | 6,214 | 569 |
| Depreciation and amortisation charge | 4,073 | 1,355 |
| Fixed asset impairments | 63 | 0 |
| Transfer from donated asset reserve | (380) | (96) |
| (Increase)/decrease in stocks | (94) | 86 |
| Decrease in debtors | 329 | 1,055 |
| Increase in creditors | 3,315 | 354 |
| Increase/(decrease) in provisions | (830) | 451 |
| Net cash inflow from operating activities | <u>12,690</u> | <u>3,774</u> |

19.2 Reconciliation of net cash flow to movement in net funds

| | £000 | £000 |
|--|----------------------|---------------------|
| Increase in cash in the period | 5,656 | 2,747 |
| 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 | 21 | 0 |
| Change in net funds resulting from cashflows | <u>5,677</u> | <u>2,747</u> |
| Non - cash changes in debt | 0 | 339 |
| Net funds at 1 April 2005 | <u>6,137</u> | <u>3,051</u> |
| Net funds at 31 March 2006 | <u>11,814</u> | <u>6,137</u> |

19.3 Analysis of changes in net funds

| | At 1 April 2005 | Cash changes in year | Non-cash changes in year | At 31 March 2006 |
|-------------------------------------|-----------------|-------------------------|-----------------------------|------------------|
| | £000 | £000 | £000 | £000 |
| Commercial cash at bank and in hand | 191 | (84) | 0 | 107 |
| OPG cash at bank | 5,946 | 5,740 | 0 | 11,686 |
| Current asset investments | 0 | 21 | 0 | 21 |
| | <u>6,137</u> | <u>5,677</u> | <u>0</u> | <u>11,814</u> |

20. Contractual Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £295,000 (2005: £108,000)

The breakdown by project is:

| | £000 |
|---|-------------|
| Office accomodation | 157 |
| Boiler improvements | 77 |
| IT development | 25 |
| Onsite reprovision of children's services | 24 |
| Children's ward enabling works | 12 |
| | <u>295</u> |

21. Post Balance Sheet Events

There are no post balance sheet events having a material effect on the accounts in 2005/06.

22. Contingencies

| | 01/04/05 | 01/01/05 |
|------------------------------|-------------------|-------------|
| | - 31/03/06 | - 31/03/05 |
| | £000 | £000 |
| Gross Value | (84) | (39) |
| Amounts recoverable (if any) | <u>0</u> | <u>0</u> |
| Net contingent liability | <u>(84)</u> | <u>(39)</u> |

These relate to Personal Injury legal claims.

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:

| | 01/04/05 | 01/01/05 |
|--|-------------------|------------------|
| | - 31/03/06 | - 31/03/05 |
| | £000 | £000 |
| Income received in respect of contributions to cover expenditure | 34 | 8 |
| Income received in respect of contributions to capital expenditure | <u>36</u> | <u>56</u> |
| | <u><u>70</u></u> | <u><u>64</u></u> |

As at 31 March 2006, the Trust was owed £3,434 from the charity (2005: £37,706).

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.

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 from Government, in the form of additional Public Dividend Capital. 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

4% (2005: 9%) of the Trust's financial assets and 100% (2005: 100%) of its financial liabilities carry nil or fixed rates of interest. The remainder 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

| | Total | Floating rate | Fixed rate | Non-interest bearing | Fixed Rate | | Non-interest bearing |
|-------------------------------|---------------|---------------|------------|----------------------|--------------------------------|-------------------------|-----------------------|
| | | | | | Weighted average interest rate | Weighted average period | Weighted average term |
| Currency | £000 | £000 | £000 | £000 | % | Years | Years |
| At 31 March 2006 | | | | | | | |
| Sterling | 12,369 | 11,814 | 555 | 0 | 2.2% | n/a | n/a |
| Other | 0 | 0 | 0 | 0 | 0.0% | n/a | n/a |
| Gross financial assets | 12,369 | 11,814 | 555 | 0 | | | |
| At 31 March 2005 | | | | | | | |
| Sterling | 6,757 | 6,137 | 620 | 0 | 3.5% | n/a | n/a |
| Other | 0 | 0 | 0 | 0 | 0.0% | n/a | n/a |
| Gross financial assets | 6,757 | 6,137 | 620 | 0 | | | |

25.2 Financial Liabilities

| | Total | Floating rate | Fixed rate | Non-interest bearing | Fixed Rate | | Non-interest bearing |
|------------------------------------|-----------------|---------------|----------------|----------------------|--------------------------------|-------------------------|-----------------------|
| | | | | | Weighted average interest rate | Weighted average period | Weighted average term |
| Currency | £000 | £000 | £000 | £000 | % | Years | Years |
| 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% | n/a | n/a |
| Gross financial liabilities | (49,190) | 0 | (1,499) | (47,691) | | | |
| At 31 March 2005 | | | | | | | |
| Sterling | (47,127) | 0 | (1,209) | (45,918) | 3.5% | n/a | n/a |
| Other | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 |
| Gross financial liabilities | (47,127) | 0 | (1,209) | (45,918) | | | |

Note: 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 2005/06 is 2.2% (2005: 3.5%). Future rate changes beyond 2006/07 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 2006.

| | Book Value | Fair Value | Book Value | Fair Value | Basis of fair valuation |
|---|-------------------|-------------------|-----------------|-----------------|--------------------------------|
| | 2005/06 | 2005/06 | 2004/05 | 2004/05 | |
| | £000s | £000s | £000s | £000s | |
| Financial assets | | | | | |
| Cash | 11,814 | 11,814 | 6,137 | 6,137 | |
| Debtors over 1 year: | | | | | |
| - Agreements with commissioners to cover creditors and provisions | 555 | 555 | 620 | 620 | Note a |
| Total | 12,369 | 12,369 | 6,757 | 6,757 | |
| Financial liabilities | | | | | |
| Provisions under contract | (1,499) | (1,499) | (1,209) | (1,209) | Note b |
| Public dividend capital | (47,691) | (47,691) | (45,918) | (45,918) | Note c |
| Total | (49,190) | (49,190) | (47,127) | (47,127) | |

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 **£5,745.14** cash at bank and in hand at 31/03/06 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 31/3/05 there was **£1,581.53**.

27 Losses and Special Payments

There were **150** cases of losses and special payments totalling **£86,882** approved during the year 1st April 2005 to 31st March 2006. There were **39** cases totalling **£21,647** during the period 1st January 2005 to 31st March 2005.

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

The prior period adjustment of **£1,005,000** relates 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.

As a consequence of this change in accounting policy, the prior year balance sheet, cashflow statement, statement of total recognised gains and losses and certain notes to the accounts have been restated.



Chesterfield Royal Hospital 
NHS Foundation Trust

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