

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2008**


	NOTE	2007/08 £000	2006/07 £000
Income from activities	3	156,465	142,557
Other operating income	4	19,789	15,644
Operating expenses	5	<u>(168,415)</u>	<u>(152,558)</u>
OPERATING SURPLUS/(DEFICIT)		7,839	5,643
Profit/(loss) on disposal of fixed assets	8	<u>(11)</u>	<u>(34)</u>
SURPLUS/(DEFICIT) BEFORE INTEREST		7,828	5,609
Interest receivable		461	580
Interest payable	9	(223)	(6)
Other finance costs - unwinding of discount	16	<u>(6)</u>	<u>(4)</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		8,060	6,179
Public Dividend Capital dividends payable		<u>(6,325)</u>	<u>(6,134)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>1,735</u></u>	<u><u>45</u></u>

The notes on pages 1 to 40 form part of these accounts.
All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 March 2008**

	NOTE	31 March 2008 £000	31 March 2007 £000
FIXED ASSETS			
Intangible assets	10	1,139	193
Tangible assets	11	<u>201,768</u>	<u>186,143</u>
		202,907	186,336
CURRENT ASSETS			
Stocks and work in progress	12	1,045	891
Debtors	13	8,011	8,112
Investments	14.1	0	34
Cash at bank and in hand	18.3	<u>2,252</u>	<u>468</u>
		11,308	9,505
CREDITORS: Amounts falling due within one year	15	<u>(9,857)</u>	<u>(7,927)</u>
NET CURRENT ASSETS/(LIABILITIES)		1,451	1,578
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>204,358</u>	<u>187,914</u>
CREDITORS: Amounts falling due after more than one year	15	(1,500)	(3,000)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(1,125)	(2,207)
TOTAL ASSETS EMPLOYED		<u><u>201,733</u></u>	<u><u>182,707</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	84,791	81,345
Revaluation reserve	17	95,227	83,106
Donated asset reserve	17	1,013	1,134
Income and expenditure reserve	17	20,702	17,122
TOTAL TAXPAYERS' EQUITY		<u><u>201,733</u></u>	<u><u>182,707</u></u>

The financial statements on pages 1 to 4 were approved by the Audit Committee on behalf on the Board on the 17th June 2008 and signed on its behalf by:

Signed:  (Chief Executive)

Date: 17/6/08

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2008**

	2007/08	2006/07
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	8,060	6,179
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	14,038	12,503
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	56	130
Defined benefit scheme actuarial gains/(losses)		
Additions/(reductions) in "other reserves"	<u>0</u>	<u>0</u>
Total recognised gains and losses for the financial year	22,154	18,812
Prior period adjustment	0	400
Total gains and losses recognised in the financial year	<u>22,154</u>	<u>19,212</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2008

	NOTE	2007/08 £000	2006/07 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	18.1	14,920	16,043
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		461	569
Interest paid		(223)	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		238	569
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(8,054)	(6,249)
Receipts from sale of tangible fixed assets		0	153
(Payments) to acquire intangible assets		(941)	(191)
Net cash inflow/(outflow) from capital expenditure		(8,995)	(6,287)
DIVIDENDS PAID			
		(6,325)	(6,134)
Net cash inflow/(outflow) before management of liquid resources and financing		(162)	4,191
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of investments with DH		0	0
(Purchase) of other current asset investments		0	0
Sale of investments with DH		0	0
Sale of other current asset investments		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		(162)	4,191
FINANCING			
Public dividend capital received		3,446	0
Public dividend capital repaid (not previously accrued)		0	(8,670)
Loans received from DH		0	4,500
Loans repaid to DH		(1,500)	0
Net cash inflow/(outflow) from financing		1,946	(4,170)
Increase/(decrease) in cash		1,784	21

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

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

1.4 Intangible fixed assets

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

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

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

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

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. The withdrawal of the Capital Accounting Manual during 2007-08 has changed the treatment. Accordingly in 2007-08 both in-year expenditure and the balance previously capitalised have been charged to revenue. The financial impact, for previously capitalised digital hearing aids, was £603k.

Valuation

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

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

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

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

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

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

1.5 Tangible fixed assets – Valuation continued

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

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

Depreciation, amortisation and impairments

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

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

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

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

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

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

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.6 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.

1.7 Government Grants

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

1.8 Private Finance Initiative (PFI) transactions

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

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

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

1.9 Stocks and work-in-progress

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

There has been a change to accounting practice in relation to pharmacy stock. Previously drugs held in the dispensary were not treated as stock and whereas the introduction of new systems' within the department treats these as stock items. The financial effect of this change was to increase stock by £140k.

1.10 Research and development

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

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

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

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

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

1.11 Provisions

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 16.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2007/08 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

Non-clinical risk pooling

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

1.12 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

1.12 Pension costs - continued

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.13 Liquid resources

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

1.14 Value Added Tax

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

1.15 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.

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 28 to the accounts.

1.17 Leases

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

1.18 Public Dividend Capital (PDC) and PDC Dividend

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

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.19 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.20 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government granted current asset investments, valued at open market value. As the Trust makes emissions a provision is recognised, with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and government grant reserve are valued at current market value at the balance sheet date.

2 SEGMENTAL ANALYSIS

The Trust is not required to report on segmental analysis

3. Income from Activities

	2007/08	2006/07
	£000	£000
Strategic Health Authorities	0	105
NHS Trusts	271	224
Primary Care Trusts*	145,120	130,849
Foundation Trusts	68	56
Department of Health	9,587	9,784
Non NHS:		
- Private patients	120	124
- Overseas patients (non-reciprocal)	16	38
- Road Traffic Act	-	1,303
- Injury cost recovery	1,218	0
- Other	65	74
	<u>156,465</u>	<u>142,557</u>

Injury cost recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection

4. Other Operating Income

	2007/08	2006/07
	£000	£000
Education, training and research	6,133	5,453
Charitable and other contributions to expenditure	13	6
Transfers from donated asset reserve	249	226
Non-patient care services to other bodies	9,919	6,980
Income Generation	2,175	1,751
Other income	1,300	1,228
	<u>19,789</u>	<u>15,644</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	2007/08	2006/07
	£000	£000
Services from other NHS Trusts	1,066	1,258
Services from PCTs	1,050	
Services from other NHS bodies	487	255
Services from Foundation Trusts	367	359
Purchase of healthcare from non NHS bodies	521	548
Directors' costs	796	616
Staff costs	116,854	108,887
Supplies and services - clinical	20,674	17,939
Supplies and services - general	5,831	4,999
Consultancy services	269	105
Establishment	1,332	1,203
Transport	467	525
Premises	7,297	5,947
Bad debts	13	3
Depreciation	7,118	5,591
Amortisation	88	8
Audit fees	203	164
Other auditor's remuneration	0	19
Clinical negligence	2,523	2,567
Other	1,459	1,565
	<u>168,415</u>	<u>152,558</u>

5.2 Operating leases

5.2/1 Operating expenses include:

	2007/08 £000	2006/07 £000
Other operating lease rentals	748	919
	<u>748</u>	<u>919</u>

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

	Land and buildings		Other leases	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Operating leases which expire:				
Within 1 year	0	0	626	589
Between 1 and 5 years	0	0	98	225
After 5 years	0	0	0	0
	<u>0</u>	<u>0</u>	<u>724</u>	<u>814</u>

6. Staff costs and numbers

6.1 Staff costs

	Total	2007/08 Permanently Employed	Other	2006/07
	£000	£000	£000	£000
Salaries and wages	99,345	92,017	7,328	92,570
Social Security Costs	7,213	7,213	0	6,599
Employer contributions to NHS Pension Scheme	11,038	11,038	0	10,282
Other pension costs	4	4	0	4
	<u>117,600</u>	<u>110,272</u>	<u>7,328</u>	<u>109,455</u>

6.2 Average number of persons employed

	Total	2007/08 Permanently Employed	Other	2006/07
	Number	Number	Number	Number
Medical and dental	358	302	56	336
Administration and estates	735	691	44	677
Healthcare assistants and other support staff	648	614	34	253
Nursing, midwifery and health visiting staff	1,208	1,126	82	1,179
Nursing, midwifery and health visiting learners	9	9	0	10
Scientific, therapeutic and technical staff	361	354	7	794
Other	6	6	0	0
Total	<u>3,325</u>	<u>3,102</u>	<u>223</u>	<u>3,249</u>

6.3 Employee benefits

	2007/08	2006/07
	£000	£000
There are no employee benefits	0	0
	<u>0</u>	<u>0</u>

6.4 Management costs

	2007/08	2006/07
	£000	£000
Management costs	5,797	5,357
Income	176,254	158,201

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

6.5 Retirements due to ill-health

During 2007/08 there were 5 (2006/07, 9) early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £157,406 (£478,220). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

7. Better Payment Practice Code**7.1 Better Payment Practice Code - measure of compliance**

	2007/08	
	Number	£000
Total Non-NHS trade invoices paid in the year	42,372	47,064
Total Non NHS trade invoices paid within target	37,940	42,950
Percentage of Non-NHS trade invoices paid within target	90%	91%
Total NHS trade invoices paid in the year	1,875	14,071
Total NHS trade invoices paid within target	1,595	13,042
Percentage of NHS trade invoices paid within target	85%	93%

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

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

	2007/08	2006/07
	£000	£000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

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

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

	2007/08	2006/07
	£000	£000
Profit on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	54
(Loss) on disposal of land and buildings	0	(79)
Profits on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	(11)	(9)
	<u>(11)</u>	<u>(34)</u>

9. Interest Payable

	2007/08	2006/07
	£000	£000
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	223	6
Other	0	0
	<u>223</u>	<u>6</u>

10. Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	206	0	0	0	206
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluation	0	0	0	0	0
Additions purchased	1,034	0	0	0	1,034
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2008	1,240	0	0	0	1,240
Amortisation at 1 April 2007	13	0	0	0	13
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluation	0	0	0	0	0
Charged during the year	88	0	0	0	88
Disposals	0	0	0	0	0
Amortisation at 31 March 2008	101	0	0	0	101
Net book value					
- Purchased at 1 April 2007	193	0	0	0	193
- Donated at 1 April 2007	0	0	0	0	0
- Government granted at 1 April 2007	0	0	0	0	0
- Total at 1 April 2007	193	0	0	0	193
- Purchased at 31 March 2008	1,139	0	0	0	1,139
- Donated at 31 March 2008	0	0	0	0	0
- Government granted at 31 March 2008	0	0	0	0	0
- Total at 31 March 2008	1,139	0	0	0	1,139

11. Tangible Fixed Assets

11.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2007	54,259	123,480	1,782	274	17,412	164	2,340	397	200,108
Additions purchased	0	5,002	0	107	1,275	9	2,266	0	8,659
Additions donated	0	0	0	0	56	0	0	0	56
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	297	0	(297)	0	0	0	0	0
Indexation	2,933	10,290	148	23	467	4	0	11	13,876
Revaluation	489	0	0	0	0	0	0	0	489
Disposals	0	0	0	0	(2,763)	(65)	(10)	0	(2,838)
Cost or Valuation at 31 March 2008	57,681	139,069	1,930	107	16,447	112	4,596	408	220,350
Depreciation at 1 April 2007					12,015	154	1,757	39	13,965
Charged during the year	0	4,624	65		2,131	4	253	41	7,118
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0		2	(1)	(1)	0	0
Indexation	0	0	0		322	4		1	327
Revaluation					0	0	0	0	0
Disposals	0	0	0		(2,754)	(64)	(10)	0	(2,828)
Depreciation at 31 March 2008	0	4,624	65	0	11,716	97	1,999	81	18,582
Net book value									
- Purchased at 1 April 2007	54,259	122,749	1,782	274	4,996	10	583	356	185,009
- Donated at 1 April 2007	0	731	0	0	401	0	0	2	1,134
- Government granted at 1 April 2007	0	0	0	0	0	0	0	0	0
- Total at 1 April 2007	54,259	123,480	1,782	274	5,397	10	583	358	186,143
- Purchased at 31 March 2008	57,681	133,681	1,865	107	4,483	15	2,597	326	200,755
- Donated at 31 March 2008	0	764	0	0	248	0	0	1	1,013
- Government granted at 31 March 2008	0	0	0	0	0	0	0	0	0
- Total at 31 March 2008	57,681	134,445	1,865	107	4,731	15	2,597	327	201,768

**11.1 Tangible Fixed Assets
(contd)**

Of the totals at 31 March 2008, £3,370,000 related to land valued at open market value and £0 related to buildings valued at open market value and £0 related to dwellings valued at open market value.

There were no reversal of impairments during the year

11.2 The net book value of land, buildings and dwellings at 31 March 2008 comprises:

	31 March 2008	31 March 2007
	£000	£000
Freehold	193,991	179,521
Long leasehold	0	0
Short leasehold	0	0
TOTAL	<u>193,991</u>	<u>179,521</u>

11.3 Economic Lives of Fixed Assets

	Minimum Life (Years)	Maximum Life (Years)
Software Licences	5	5
Buildings exc dwellings	4	89
Dwellings	11	53
Plant & Machinery	4	15
Transport Equipment	7	7
Information Technology	5	15
Furniture and Fittings	10	10

12. Stocks and Work in Progress

	31 March 2008	31 March 2007
	£000	£000
Raw materials and consumables	1,045	891
TOTAL	<u>1,045</u>	<u>891</u>

13. Debtors

	31 March 2008	31 March 2007
	£000	£000

Amounts falling due within one year:

NHS debtors	3,459	3,531
Provision for irrecoverable debts	(92)	(87)
Other prepayments and accrued income	1,576	1,516
Other debtors	2,131	2,254
Sub Total	<u>7,074</u>	<u>7,214</u>

Amounts falling due after more than one year:

NHS debtors	0	0
Provision for irrecoverable debts	(79)	(75)
Other prepayments and accrued income	0	0
Other debtors	1,016	973
Sub Total	<u>937</u>	<u>898</u>
TOTAL	<u>8,011</u>	<u>8,112</u>

Other Debtors include £0 prepaid pension contributions at 31 March 2008 (£0 at 31 March 2007)

14. Investments**14.1 Current Asset Investments**

	EU emissions trading scheme £000	Department of Health £000	Other £000	Total £000
Balance at 1 April 2007	34	0	0	34
Additions	0	0	0	0
Disposals	(34)	0	0	(34)
Revaluations	0	0	0	0
Balance at 31 March 2008	0	0	0	0

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

	31 March 2008	31 March 2007
	£000	£000
Amounts falling due within one year:		
Current instalments due on loans	1,500	1,500
Interest payable	6	6
Payments received on account	265	196
NHS creditors	1,221	940
Non - NHS trade creditors - revenue	3,075	1,891
Non - NHS trade creditors - capital	890	191
Tax	2,229	2,381
Other creditors	487	391
Accruals and deferred income	184	431
Sub Total	9,857	7,927
Amounts falling due after more than one year:		
Long - term loans	1,500	3,000
Sub Total	1,500	3,000
TOTAL	11,357	10,927

Other creditors include;

- £0 for payments due in future years under arrangements to buy out the liability for 0 early retirements over 5 years; and
- £263,360 outstanding pensions contributions at 31 March 2008 (31 March 2007 £176,371).

15.2 Loans [and other long-term financial liabilities]

	31 March 2008 £000	31 March 2007 £000
Amounts falling due:		
In one year or less	1,500	1,500
Between one and two years	1,500	1,500
Between two and five years	0	1,500
Over 5 years	0	0
TOTAL	3,000	4,500

	31 March 2008 £000	31 March 2007 £000
Wholly repayable within five years	3,000	4,500
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years, by instalments	0	0
TOTAL	3,000	4,500

Total repayable after five years by instalments

Loans [and long-term financial liabilities] wholly or partially repayable after five years:

	31 March 2008 Value outstanding £000	31 March 2007 Value outstanding £000
Terms of payment	Interest rate %	

There are no loans or long term financial liabilities, wholly or partially repayable after five years

15.3 Finance lease obligations

	31 March 2008 £000	31 March 2007 £000
Payable:		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
	0	0
Less finance charges allocated to future periods	0	0
	0	0

15.4 Finance Lease Commitments

Bolton Hospitals NHS Trust has not entered into a contract to lease assets under a finance lease arrangement.

16. Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2007	0	73	137	0	1,997	2,207
Arising during the year	0	0	121	0	555	676
Utilised during the year	0	(4)	(60)	0	(1,683)	(1,747)
Reversed unused	0	0	(17)	0	0	(17)
Unwinding of discount	0	2	4	0	0	6
At 31 March 2008	0	71	185	0	869	1,125

Expected timing of cashflows:

Within one year	0	2	103	0	869	974
Between one and five years	0	9	21	0	0	30
After five years	0	60	61	0	0	121

Legal Claims include £101,578 for Employers and Occupiers Liability cases and £69,461 for Permanent Injury Benefits. The items shown for Employers and Occupiers Liability cases relate to cases that have more than a 50% chance of being settled. Claims that have a remote chance of being settled are classed as contingent liabilities and disclosed in note 21.

Other relates to anticipated payments to non-medical staff following the revision of service contracts.

£12,625,396 is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the NHS Trust (31 March 2007 £13,783,857).

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Other Reserves	Income and Expenditure Reserve	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2007 as previously stated	83,106	1,134	0	0	17,122	101,362
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2007 as restated	<u>83,106</u>	<u>1,134</u>	<u>0</u>	<u>0</u>	<u>17,122</u>	<u>101,362</u>
Transfer from the income and expenditure account					1,735	1,735
Fixed asset impairments	0	0	0			0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	13,966	72	0			14,038
Transfer of realised profits/(losses) to the income and expenditure reserve	(57)	0	0		57	0
Receipt of donated/government granted assets		56	0			56
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets		(249)	0			(249)
Other transfers between reserves	(1,788)	0	0	0	1,788	0
Other movements on reserves [specify]				0		0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2008	<u>95,227</u>	<u>1,013</u>	<u>0</u>	<u>0</u>	<u>20,702</u>	<u>116,942</u>

18. Notes to the cash flow Statement**18.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	2007/08	2006/07
	£000	£000
Total operating surplus/(deficit)	7,839	5,643
Depreciation and amortisation charge	7,206	5,599
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(249)	(226)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(154)	(18)
(Increase)/decrease in debtors	102	5,895
Increase/(decrease) in creditors	1,230	(1,606)
Increase/(decrease) in provisions	(1,054)	756
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	14,920	16,043
Payments in respect of fundamental reorganisation/restructuring	0	0
	<hr/>	<hr/>
Net cash inflow from operating activities	14,920	16,043

18.2 Reconciliation of net cash flow to movement in net debt

	2007/08	2006/07
	£000	£000
Increase/(decrease) in cash in the period	1,784	21
Cash (inflow) from new debt	0	(4,500)
Cash outflow from debt repaid and finance lease capital payments	1,500	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
	<hr/>	<hr/>
Change in net debt resulting from cash flows	3,284	(4,479)
Non - cash changes in debt	0	0
Net debt at 1 April 2007	(4,032)	447
	<hr/>	<hr/>
Net debt at 31 March 2008	(748)	(4,032)

18.3 Analysis of changes in net debt

	At 1 April 2007	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2008
	£000	£000	£000	£000	£000
OPG cash at bank	468	0	1,693		2,161
Commercial cash at bank and in hand	0	0	91		91
Bank overdraft	0	0	0		0
Loan from DH due within one year	(1,500)	0	0	0	(1,500)
Other debt due within one year	0	0	0	0	0
Loan from DH due after one year	(3,000)	0	1,500	0	(1,500)
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0	0	0
	<u>(4,032)</u>	<u>0</u>	<u>3,284</u>	<u>0</u>	<u>(748)</u>

19. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2008 were £284,000 (31 March 2007 £4,559,000)

20. Post Balance Sheet Events

Sale of Fall Birch

The Trust has for some time been trying to sell one of its properties which it no longer uses. Fall Birch was sold in April 2008 for £5,138k

The net book value of Fall Birch on the 1st April 2007 was £2,880k; this was based on independent valuers' valuation plus annual indexation from that date. The previous valuation, by Taylor Weaver Chartered Surveyors, took place in 2005.

To account for the property at fair value at year end the Trust has taken the average of the tenders (excluding the purchasers) plus annual indexation to be the fair value of the property. Using this methodology as at 31st March 2008 the property has been re-valued by £490k to give a net book value at year end of £3,370k.

Allowing for indexation on the 1st April 2008 the profit on disposal of Fall Birch was £1,624k. This is summarised below:-

	£
Fall Birch NBV 01st April 2007	2,880,429
Revaluation of Fall Birch 31st March 2008	489,730
Fall Birch NBV 31st March 2008	3,370,159
Indexation on Fall Birch 01st April 2008	144,024
Fall Birch NBV 1st April 2008	3,514,183
Sale Proceeds	5,138,016
Profit on Disposal of Fall Birch April 2008	1,623,833

Foundation Trust

During 2007/08 the Trust continued with its application to become an NHS Foundation Trust. In summer 2007 the Secretary of State for Health approved our application to go forward for authorisation by the independent regulator, Monitor. Various partners have nominated governors and elections were held for staff and public governors.

In November 2007 The Trust decided to defer its authorisation in order to address changes in funding nationally and to embed its new governance arrangements. We decided, however, to hold Council of Governors meetings in shadow form and the Trust hopes to receive final authorisation from Monitor during 2008. Meanwhile, at the end of the year there were nearly 3000 public Foundation Trust members and over 3800 staff members (including third party employees).

21. Contingencies

	2007/08	2006/07
	£000	£000
Contingent liabilities	(48)	(45)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	<u>(48)</u>	<u>(45)</u>
Contingent Assets	<u>0</u>	<u>0</u>

The items shown relate to the group of Employers and Occupiers legal claims that have a remote chance of being settled. Claims that will probably be settled are accounted for in provisions (Note 16).

22. Movement in Public Dividend Capital

	2007/08	2006/07
	£000	£000
Public Dividend Capital as at 1 April 2007	81,345	86,200
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	3,446	0
Public Dividend Capital repaid in year	0	(4,855)
Public Dividend Capital written off	0	0
Public Dividend Capital issued as originating capital on new establishment	0	0
Public Dividend Capital transferred to Foundation Trust	0	-
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2008	<u>84,791</u>	<u>81,345</u>

23. Financial Performance Targets

23.1 Breakeven Performance

The trust's breakeven performance for 2007/08 is as follows:

	2003/04	2004/05	2005/06	2006/07	2007/08
	£000	£000	£000	£000	£000
Turnover	134,637	143,263	160,504	158,201	176,254
Retained surplus/(deficit) for the year	3	(2,706)	3,278	45	1,735
Adjustment for:					
- Timing/non-cash impacting distortions					
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0				
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0			
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	400		
- 2007/08 Prior Period Adjustment (relating to 197/98 to 2006/07)	0	0	0	0	
- Other agreed adjustments	0	0	0	0	0
Break-even in-year position	3	(2,706)	3,678	45	1,735
Break-even cumulative position	152	(2,554)	1,124	1,169	2,904
Materiality test (I.e. is it equal to or less than 0.5%):					
- Break-even in-year position as a percentage of turnover	0.00%	-1.89%	2.29%	0.03%	0.98%
- Break-even cumulative position as a percentage of turnover	0.11%	(1.78%)	0.70%	0.74%	1.65%

23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £6,325,000, bears to the average relevant net assets of £189,830,775, that is 3.3%.

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

23.3 External financing

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

	2007/08 £000	2006/07 £000
External financing limit	164	(4,180)
Cash flow financing	162	(4,191)
Finance leases taken out in the year	0	0
Other capital receipts	0	0
External financing requirement	<u>162</u>	<u>(4,191)</u>
Undershoot/(overshoot)	<u><u>2</u></u>	<u><u>11</u></u>

23.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to overspend

	2007/08 £000	2006/07 £000
Gross capital expenditure	9,749	6,683
Less: book value of assets disposed of	(10)	(187)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(56)	(130)
Charge against the capital resource limit	<u>9,683</u>	<u>6,366</u>
Capital resource limit	<u>9,684</u>	<u>6,378</u>
(Over)/Underspend against the capital resource limit	<u><u>1</u></u>	<u><u>12</u></u>

24. Related Party Transactions

Bolton Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Bolton NHS Trust.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Chairman - Leader for Bolton MBC	1,096,923	1,835,756	4,141	34,052

The Department of Health is regarded as a related party. During the year Bolton Hospitals NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

Bolton Primary Care Trust;
 Ashton, Leigh & Wigan Primary Care Trust
 Salford Primary Care Trust
 Bolton, Salford & Trafford Mental Health Trust
 Bury Primary Care Trust
 North West Strategic Health Authority
 Inland Revenue
 National Blood Authority
 NHS Blood & Transplant
 NHS Litigation Authority
 NHS Pensions Agency
 NHS Business Services Authority
 Other Primary Care Trusts and NHS Trusts

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the NHS Pension Scheme and the National Insurance Fund in respect of employee contributions.

The Trust has received revenue and capital benefit from purchases made by Bolton Hospitals NHS Trust Charitable Funds. The transactions are summarised below. The separate Trustees Report and Accounts for Bolton Hospitals NHS Trust Charitable Funds are available on request.

Purchases made from Charitable Funds relating to revenue items	Purchases made from Charitable Funds relating to capital assets transferred to the Trust	Revenue Payments to Charitable Funds	Capital Payments to Charitable Funds
£	£	£	£
13,097	56,374	-	-

25. Private Finance Transactions**25.1 PFI schemes deemed to be off-balance sheet**

	2007/08	2006/07
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	495	612
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	495	612

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

PFI scheme which expires;		
Within one year*	44	51
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	0	0
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	0	0
26th to 30th years (inclusive)*	0	0
31st to 35th years (inclusive)*	0	0
Etc*		
	£000	£000
Estimated capital value of the PFI scheme	3,027	3,027
Contract Start date:	22/05/2000	
Contract End date:	21/05/2008	

The Integrated Patient Care Information Support System (IPCISS) project was a seven year PFI information technology contract, with an option to extend for a further 3 years on an annual basis. It includes devices required to run the following services and software to support:

Patient administration
 Accident & Emergency
 Order communications
 Drug management
 Finance
 Patient centred care
 Decision support

The Trust has been required to enter into a payment agreement with the partner organisation iSOFT but is able to terminate from any contract default with a notice period of 271 days.
 Payment to the PFI partner was made quarterly.

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

	2007/08	2006/07
	£000	£000
Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on-balance sheet	0	0
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	0	0

Imputed finance lease obligations comprise;

	2007/08	2006/07
	£000	£000
Rentals due within 1 year	0	0
Rentals due within 2 to 5 years	0	0
Rentals due after 5 years	0	0
Sub total	0	0
Less: interest element	0	0
TOTAL	0	0

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

	£000	£000
PFI scheme which expires;		
Within one year*	0	0
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	0	0
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	0	0
26th to 30th years (inclusive)*	0	0
31st to 35th years (inclusive)*	0	0
Etc*		

*Note: there should only be an entry against one of these lines for each PFI contract i.e. a PFI contract with 30 years to expiry at an annual service payment of £100,000 would require a single entry of 100 against the description '26th to 30th years'.

The estimated annual payments in future years are expected to be materially different from those which the Trust is committed to make during the next year. The likely financial effect of this is +/- £x.

For the scheme detail;

- value of each fixed asset; and
- value and method of valuation of any deferred assets.

26 Financial Instruments

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

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

Liquidity risk

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

Interest-Rate Risk

100% of the Trust's financial assets carry a floating rate of interest. The interest received from these assets during the year was £461k, although the Trust does not significantly rely on interest from these assets. 100% of its financial liabilities carry nil or fixed rates of interest. Bolton Hospitals NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

26.1 Financial Assets

	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	2,252	2,252	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	2,252	2,252	0	0			
At 31 March 2007							
Sterling	502	502	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	502	502	0	0			

26.2 Financial Liabilities

	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing
					Weighted average interest rate	Weighted average period for which fixed	Weighted average term
Currency	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	3,939	0	3,939	0	4.71%	1	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	3,939	0	3,939	0			
At 31 March 2007							
Sterling	87,911	0	6,566	81,345	0.33%	1	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	87,911	0	6,566	81,345			

Note: The public dividend capital is of unlimited term.

Foreign Currency Risk

The Trust has no/negligible foreign currency income or expenditure.

26.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2008.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	2,252	2,252	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	0	0	Note a
Investments	0	0	
Total	<u>2,252</u>	<u>2,252</u>	
Financial liabilities			
Overdraft	0	0	
Creditors over 1 year:			
- Finance leases	0	0	Note b
Provisions under contract	(939)	(939)	Note c
Loans	(3,000)	(3,000)	
Total	<u>(3,939)</u>	<u>(3,939)</u>	

Notes

- a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount.
- b To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- c 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.

27 Third Party Assets

The Trust held £672 cash at bank and in hand at 31 March 2008 (£3,892 - at 31 March 2007) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

28 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	318	0	3,760	1,500
Balances with Local Authorities	56	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,459	0	1,221	0
Balances with Public Corporations and Trading Funds	0	937	0	0
Balances with bodies external to government	3,241	0	4,876	0
At 31 March 2008	<u>7,074</u>	<u>937</u>	<u>9,857</u>	<u>1,500</u>
Balances with other Central Government Bodies	2,456	0	233	3,000
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,040	0	708	0
Balances with Public Corporations and Trading Funds	35	0	0	0
Balances with bodies external to government	3,683	898	6,986	0
At 31 March 2007	<u>7,214</u>	<u>898</u>	<u>7,927</u>	<u>3,000</u>

29 Losses and Special Payments

There were 104 cases of losses and special payments (2006/07: 76 cases) totalling £97,351 (2006/07: £106,791) paid during 2007/08.

There were no cases exceeding £250,000