

## FOREWORD TO THE ACCOUNTS

### SALFORD ROYAL NHS FOUNDATION TRUST

These accounts for the period ended 31 March 2007 have been prepared by the Salford Royal NHS Foundation Trust under schedule 1 sections 24 and 25 of the Health and Social Care (Community Health and Standards) Act 2003 which has now been consolidated into the National Health Service Act 2006.

Signed:



**David Dalton (Chief Executive)**

Date : 4th June 2007

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

	NOTE	8 Months to 31 March 2007 £000
<b>Income from activities</b>	2	135,893
<b>Other operating income</b>	3	26,001
<b>Operating expenses</b>	4	<u>(156,185)</u>
<b>OPERATING SURPLUS</b>		5,709
Profit on disposal of fixed assets	7	<u>0</u>
<b>SURPLUS BEFORE INTEREST</b>		5,709
Interest receivable		753
Other finance costs - unwinding of discount	14	<u>(19)</u>
<b>SURPLUS BEFORE TAXATION</b>		6,443
Taxation		<u>0</u>
<b>SURPLUS AFTER TAXATION</b>		6,443
Public Dividend Capital dividends payable		<u>(3,379)</u>
<b>RETAINED SURPLUS FOR THE PERIOD</b>		<u><u>3,064</u></u>

The notes on pages 5 to 33 form part of these accounts.  
All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT  
31 March 2007**

	NOTE	31 March 2007 £000	1 August 2006 Opening Balances (restated) £000
<b>FIXED ASSETS</b>			
Intangible assets	8	2,177	53
Tangible assets	9	153,436	153,025
<b>TOTAL FIXED ASSETS</b>		<u>155,613</u>	<u>153,078</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	10	2,115	2,312
Debtors	11	10,779	12,524 *
Current asset investments	12	29,000	7,500
Cash at bank and in hand	18.0	1,085	4,344
<b>TOTAL CURRENT ASSETS</b>		<u>42,979</u>	<u>26,680</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	<u>(29,402)</u>	<u>(26,774)</u>
<b>NET CURRENT ASSETS</b>		<b>13,577</b>	<b>(94)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>169,190</u>	<u>152,984</u>
<b>CREDITORS: Amounts falling due after more than one year</b>		<b>0</b>	<b>0</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	<b>(5,104)</b>	<b>(1,572)</b>
<b>TOTAL ASSETS EMPLOYED</b>		<u>164,086</u>	<u>151,412</u>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public dividend capital	23	89,605	79,474
Revaluation reserve	16	56,649	58,247 *
Donated asset reserve	16	6,764	6,912
Income and expenditure reserve	16	11,068	6,779 *
<b>TOTAL TAXPAYERS EQUITY</b>		<u>164,086</u>	<u>151,412</u>

\* Debtors, the Revaluation Reserve and the Income and Expenditure Reserve as at 1 August 2006 previously reported as £11.383million, £51.321million and £12.563million respectively have been restated to reflect the changes in accounting policies described in note 16.

The financial statements on pages 1 to 33 were approved by the Audit Committee under delegated authority on behalf of the Board of Directors on 4th June 2007 and signed by:



Signed: .....

Date: 4th June 2007

**David Dalton**  
Chief Executive

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD  
ENDED  
31 March 2007**

	<b>8 Months to 31 March 2007 £000</b>
Surplus for the period before dividend payments	<b>6,443</b>
Fixed asset impairment losses (see note 16)	<b>(874)</b>
Unrealised surplus on fixed asset and current asset revaluations (see note 16)	<b>508</b>
Increases in the donated asset reserve due to receipt of donated assets	<b>50</b>
Reduction in the donated asset reserve due to depreciation, impairment and disposal of donated assets	<u><b>(205)</b></u>
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>	<u><u><b>5,922</b></u></u>

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

	NOTE	8 Months to 31 March 2007 £000
<b>OPERATING ACTIVITIES</b>		
Net cash inflow from operating activities	17	20,037
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>		
Interest received		753
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>753</b>
Taxation paid/ received		0
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets		(5,485)
Payments to acquire intangible assets		(2,127)
<b>Net cash outflow from capital expenditure</b>		<b>(7,612)</b>
<b>DIVIDENDS PAID</b>		
<b>Net cash inflow before management of liquid resources and financing</b>		<b>8,110</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>		
Purchase of current asset investments		(274,750)
Sale of current asset investments		253,250
<b>Net cash outflow from management of liquid resources</b>		<b>(21,500)</b>
<b>Net cash outflow before financing</b>		<b>(13,390)</b>
<b>FINANCING</b>		
Public dividend capital received		10,131
<b>Net cash inflow from financing</b>		<b>10,131</b>
<b>REDUCTION IN CASH</b>		<b>(3,259)</b>

## NOTES TO THE ACCOUNTS

### 1 Accounting policies and other information

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

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'discontinued' where they meet all of the following conditions:

- a. the sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- b. if a termination, the former activities have ceased permanently;
- c. the sale or termination has a material effect on the nature and focus of the reporting NHS foundation trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS foundation trust's continuing operations; and
- d. the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

Activities are considered to be 'acquired' whether or not they are acquired from outside the public sector.

#### 1.3 Income recognition

Income is accounted for by applying the accruals convention. 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.

The Trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2005/06. To manage the financial impact of this change on the Trust and its commissioners, the Trust received transitional relief income equal to 50% of the difference between its local costs and the national tariff during 2006/07.

#### 1.4 Expenditure

Expenditure is accounted for by applying the accruals convention.

## 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. The next valuation will take place on 31 March 2008.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute 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 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 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 cost.

### **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 of the asset using the following lives:

	Years
Equipment	5 - 10
Transport	7
Fixtures & fittings	10

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.

#### **1.6 Intangible fixed assets**

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

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

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

#### **1.7 Donated fixed assets**

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the income and expenditure account. Similarly, any impairment on donated assets charged to the income and expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the Income and Expenditure Reserve.

#### **1.8 Current assets**

Current assets are valued at cost and reviewed on a regular basis.



## **1.9 Current asset investments**

Current asset investments are short term deposits that are readily convertible into known amounts of cash at or close to their carrying amounts. They are treated as liquid resources in the cashflow statement.

## **1.10 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 as are grants from the Big Lottery Fund. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset.

## **1.11 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.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed land and buildings, 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.

## **1.12 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods and services in intermediate stages of production.

## **1.13 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 periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

## **1.14 Research and development**

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

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

- Y 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
- Y 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.

### **1.15 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.

### **1.16 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 21 where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 21 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.

### **1.17 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 14.

### **1.18 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.

### **1.19 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.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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.

### **1.20 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.

### **1.21 Corporation Tax**

Under s519A ICTA 1988 Salford Royal NHS Foundation Trust is regarded as a Health Service body and is, therefore, exempt from taxation on its income and capital gains. The 2004 Finance Act provided the Treasury with powers to disapply this exemption. Accordingly the Trust is potentially within the scope of Corporation Tax in respect of activities which are not related to, or ancillary to, the provision of healthcare and where the profits therefrom exceed £50,000 pa. Any tax liability will be accounted for within the relevant tax year.

### **1.22 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.

### **1.23 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 a separate note to the accounts in accordance with the requirements of the HM Treasury Financial Reporting Manual.

#### **1.24 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.

#### **1.25 Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance.

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. The actual rate achieved is shown in note 24.

#### **1.26 Losses and special payments**

Losses and special payments are charged to the income and expenditure account as part of operating expenses.

	8 Months to 31 March 2007 £000
<b>2a. Income from activities</b>	
Elective income	26,666
Non elective income	45,516
Outpatients income	24,319
Other type of activity income	35,108
A & E income	3,238
PBR (clawback) / relief	543
Private patients income	503
<b>Total</b>	<b>135,893</b>

	8 Months to 31 March 2007 £000
<b>2b. Income from activities</b>	
Primary Care Trusts	116,012
Department of Health	17,309
NHS Other	1,731
Non NHS:	
- Private Patients	503
- Overseas patients (non-reciprocal)	73
- Road Traffic Act	588
- Other	(323)
<b>Total</b>	<b>135,893</b>

Road Traffic Act income is subject to a provision for doubtful debts of 15.8% to reflect expected rates of collection, based on the Foundation Trust's rates of collection for the past 20 months.

The negative value shown against other income from activities arises from a reclassification of other income during the period.

### 2c. Private patient income

Section 15 of the Health and Social Care Act 2003 requires that the proportion of private patient income to the total patient related income of Foundation Trusts should not exceed its proportion whilst the body was an NHS Trust in 2002/03 (the base year).

	Base year 2002/2003 £000	8 Months to 31 March 2007 £000
Private patient income	574	503
Total patient related income	129,876	135,893
Proportion (as a percentage) not to exceed the base year cap	0.44%	0.37%

	8 Months to 31 March 2007 £000
<b>3. Other Operating Income</b>	
Research and development	2,214
Education and training	13,980
Charitable and other contributions to expenditure	124
Transfers from donated asset reserve	205
Non-patient care services to other bodies	4,055
Other income	5,423
<b>Total</b>	<b><u><u>26,001</u></u></b>

Other income includes income from sales to staff, patients and the public for provision of services such as the restaurant (£0.7 million), car parking (£0.8 million) and accommodation (£0.3 million). Other material items within this total includes income received via Salford PCT for project cost support for the PFI scheme and information technology investments (£1.3 million). In addition, there were many other smaller value transactions during the period.

#### 4. Operating Expenses

##### 4.1 Operating expenses comprise:

	8 Months to 31 March 2007 £000
Services from NHS Foundation Trusts	28
Services from NHS Trusts	1,662
Services from other NHS Bodies	3,601
Purchase of healthcare from non-NHS bodies	246
Executive directors costs	593
Non-executive directors costs	65
Staff costs	98,046
Drugs costs	15,216
Supplies and services - clinical	16,748
Supplies and services - general	1,508
Establishment	1,330
Transport	233
Premises	6,381
Bad debts	176
Depreciation and amortisation	4,445
Fixed asset impairments	1,187
Audit fees - statutory audit	70
Clinical negligence	1,570
Other	3,080
<b>Total</b>	<b><u><u>156,185</u></u></b>

**4.2 Operating Expenses (Continued)**

During the period, the Trust demolished a number of building assets. Prior to demolition, these assets had a book value (reported as part of the Trust's overall tangible fixed assets). To recognise this loss in economic value, owing to the requirement to demolish these assets in preparation for hospital redevelopment activities, the net book value of the assets were written off during the period and the cost of the write off charged to the income and expenditure statement as fixed asset impairments as shown in note 4.1.

During the period, the Trust also recognised some reductions in value of its fixed assets as assessed by the District Valuer. These downward valuations were accounted for in a different way to the demolitions described above and were charged to the Trust's Revaluation Reserve. The reduction in value is also called an impairment and can be seen in note 16 to these accounts.

**4.3 Operating leases**

**4.3/1 Operating expenses include:**

	8 Months to 31 March 2007 £000
Hire of plant and machinery	0
Other operating lease rentals	800
<b>Total</b>	<b>800</b>

**4.3/2 Annual commitments under non - cancellable operating leases are:**

	Land and buildings £000	Other leases £000
Operating leases which expire:		
Within 1 year	0	60
Between 1 and 5 years	0	451
After 5 years	334	15
<b>Total</b>	<b>334</b>	<b>526</b>

## 5. Staff costs and numbers

### 5.1 Staff costs

	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries and wages	<b>81,580</b>	81,580	0
Social Security Costs	<b>5,738</b>	5,738	0
Employer contributions to NHSPA	<b>8,655</b>	8,655	0
Agency / contract staff	<b>2,666</b>	0	2,666
<b>Total</b>	<b><u>98,639</u></b>	<b><u>95,973</u></b>	<b><u>2,666</u></b>

The salaries costs exclude those for Non Executive Directors remuneration.

### 5.2 Average number of persons employed

	<b>Total</b>	<b>Permanently Employed</b>	<b>Other</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>
Medical and dental	<b>477</b>	466	11
Administration and estates	<b>825</b>	825	0
Healthcare assistants and other support staff	<b>846</b>	846	0
Nursing, midwifery and health visiting staff	<b>1,424</b>	1,424	0
Scientific, therapeutic and technical staff	<b>417</b>	417	0
Bank and agency staff	<b>166</b>	0	166
Other	<b>1</b>	1	0
<b>Total</b>	<b><u>4,156</u></b>	<b><u>3,979</u></b>	<b><u>177</u></b>

The numbers shown above are Full Time Equivalent values.

### 5.3 Retirements due to ill-health

During the period there were 7 early retirements from the Trust agreed on ill-health grounds. The estimated additional pensions liability of these ill-health retirements will be £624,484.



#### 5.4 Salary and Pension entitlements of senior managers

##### A) Remuneration for the 8 months period to 31 March 2007

Name and Title	Salary bands of £5000 £000	Other Remuneration bands of £5000 £000	Benefits in Kind Rounded to nearest £100 £
S Waldek - Medical Director	110 - 115	10 - 15	0
D N Dalton - Chief Executive	120 - 125	0	6,400
T A Whitfield - Director of Finance	80 - 85	0	3,300
E Inglesby - Executive Nurse	70 - 75	0	0
H J Mullen - Director of Operations	70 - 75	0	0
M A Morris - Chair	25 - 30	0	0
J Potter - Non Executive Member	5 - 10	0	0
K Perrera - Non Executive Member	5 - 10	0	0
D G Thompson - Non Executive Member	5 - 10	0	0
M Monaghan - Non Executive Member	5 - 10	0	0
S H G Neville - Director of Strategy & Developmen	70 - 75	0	5,500
R K Jain - Director of Human Resources	70 - 75	0	4,400

S Waldek was appointed as Medical Director from 1 August 2006.

M Monaghan served as a Non Executive Director from 27 July 2006 to 1 March 2007.

H J Mullen, Director of Operations is currently on secondment to Department of Health and Social Services and Public Safety for Northern Ireland. However, the total cost of Mr Mullen's salary is shown in the note above. The Trust receives income to match the employment costs incurred which is reported as other operating income in the Trust's accounts.

All benefits in kind were for lease car benefits.

## 5.4 Salary and Pension entitlements of senior managers

## B) Pension Benefits for the 8 months period to 31 March 2007

Name and title	Real increase in pension at age 60	Real increase in pension lump sum at age 60	Total accrued pension at age 60 at 31 March 2007	Lump Sum at age 60 related to pension as at 31 March 2007	Cash Equivalent Transfer Value at 31 March 2007	Cash Equivalent Transfer Value at 31 July 2006	Real Increase in Cash Equivalent Transfer Value	Employers Contribution to Stakeholder Pension
	(bands of £2500) £000	(bands of £2500) £000	(bands of £5000) £000	(bands of £5000) £000	£000	£000	£000	To nearest £100
S Waldek - Medical Director	2.5 - 5.0	12.5 - 15.0	60.0 - 65.0	185.0 - 190.0	N/A	N/A	N/A	N/A
D N Dalton - Chief Executive	5.0 - 7.5	20.0 - 22.5	55.0 - 60.0	165.0 - 170.0	759	629	84	0
T A Whitfield - Director of Finance	5.0 - 7.5	17.5 - 20.0	35.0 - 40.0	115.0 - 120.0	587	483	68	0
E Inglesby - Executive Nurse	2.5 - 5.0	10.0 - 12.5	35.0 - 40.0	105.0 - 110.0	503	434	43	0
H J Mullen - Director of Operations	2.5 - 5.0	7.5 - 10.0	25.0 - 30.0	85.0 - 90.0	396	351	28	0
S HG Neville - Director of Strategy & Dev	2.5 - 5.0	7.5 - 10.0	25.0 - 30.0	85.0 - 90.0	379	324	24	0
R K Jain - Director of Human Resources	0.0 - 2.5	5.0 - 7.5	15.0 - 20.0	45.0 - 50.0	210	175	23	0

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures and other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## 6. Better Payment Practice Code

### 6.1 Better Payment Practice Code - measure of compliance

	<b>Number</b>	<b>£000</b>
Total Non-NHS trade invoices paid in the period	<b>42,531</b>	<b>50,275</b>
Total Non NHS trade invoices paid within target	<b>41,506</b>	<b>49,035</b>
Percentage of Non-NHS trade invoices paid within target	<b>98%</b>	<b>98%</b>
Total NHS trade invoices paid in the period	<b>2,113</b>	<b>23,662</b>
Total NHS trade invoices paid within target	<b>2,076</b>	<b>22,472</b>
Percentage of NHS trade invoices paid within target	<b>98%</b>	<b>95%</b>

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.

### 6.2 The Late Payment of Commercial Debts (Interest) Act 1998

During the period there were no claims for interest, made against the Trust, under the above Legislation.

## 7. Disposal of Fixed Assets

The Trust disposed of a number of fixed assets during the period which made a profit of £350.

**8. Intangible Fixed Assets**

	<b>Software Licences £000</b>	<b>Licenses and trademarks £000</b>	<b>Total £000</b>
Gross Cost at 1 August 2006	1,174	0	1,174
Impairments	0	0	0
Reclassifications	0	0	0
Other revaluation	0	0	0
Additions purchased	2,127	4	2,131
Additions donated	0	0	0
Disposals	0	0	0
<b>Gross Cost at 31 March 2007</b>	<b>3,301</b>	<b>4</b>	<b>3,305</b>
Amortisation at 1 August 2006	1,121	0	1,121
Provided during the year	7	0	7
Impairments	0	0	0
Reversal of impairments	0	0	0
Reclassifications	0	0	0
Other revaluation	0	0	0
Disposals	0	0	0
<b>Amortisation at 31 March 2007</b>	<b>1,128</b>	<b>0</b>	<b>1,128</b>
<b>Net book value</b>			
- Purchased at 1 August 2006	13	0	13
- Donated at 1 August 2006	40	0	40
<b>- Total at 1 August 2006</b>	<b>53</b>	<b>0</b>	<b>53</b>
- Purchased at 31 March 2007	2,139	4	2,143
- Donated at 31 March 2007	34	0	34
<b>- Total at 31 March 2007</b>	<b>2,173</b>	<b>4</b>	<b>2,177</b>

## 9. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 August 2006	28,890	112,596	3,290	3,080	24,400	55	2,412	238	174,961
Additions purchased	0	2,134	0	2,134	970	8	1,032	79	6,357
Additions donated	0	0	0	0	50	0	0	0	50
Impairments	0	(2,455)	0	0	0	0	0	0	(2,455)
Reclassifications	0	886	0	(1,126)	224	0	16	0	0
Other in period revaluation	0	289	0	55	458	1	0	4	807
Disposals	0	0	0	0	(575)	0	(63)	0	(638)
<b>Cost or Valuation at 31 March 2007</b>	<b>28,890</b>	<b>113,450</b>	<b>3,290</b>	<b>4,143</b>	<b>25,527</b>	<b>64</b>	<b>3,397</b>	<b>321</b>	<b>179,082</b>
Depreciation at 1 August 2006	0	4,808	131	0	15,563	9	1,404	26	21,941
Provided during the year	0	2,425	65	0	1,655	6	267	20	4,438
Impairments	0	(394)	0	0	0	0	0	0	(394)
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Other in period revaluation	0	0	0	0	299	0	0	0	299
Disposals	0	0	0	0	(575)	0	(63)	0	(638)
<b>Depreciation at 31 March 2007</b>	<b>0</b>	<b>6,839</b>	<b>196</b>	<b>0</b>	<b>16,942</b>	<b>15</b>	<b>1,608</b>	<b>46</b>	<b>25,646</b>
<b>Net book value</b>									
- Purchased at 1 August 2006	28,890	101,287	3,159	3,081	8,512	43	999	182	146,153
- Donated at 1 August 2006	0	6,505	0	0	324	4	9	30	6,872
<b>- Total at 1 August 2006</b>	<b>28,890</b>	<b>107,792</b>	<b>3,159</b>	<b>3,081</b>	<b>8,836</b>	<b>47</b>	<b>1,008</b>	<b>212</b>	<b>153,025</b>
- Purchased at 31 March 2007	28,890	100,221	3,094	4,143	8,285	46	1,781	247	146,707
- Donated at 31 March 2007	0	6,390	0	0	300	3	8	28	6,729
<b>- Total at 31 March 2007</b>	<b>28,890</b>	<b>106,611</b>	<b>3,094</b>	<b>4,143</b>	<b>8,585</b>	<b>49</b>	<b>1,789</b>	<b>275</b>	<b>153,436</b>

**9.1 Tangible Fixed Assets (cont'd)**

As at 31 March 2007 the Trust had no land, buildings or dwellings valued at open market values.

**9.2 Net book value of land, buildings and dwellings.**

	<b>31 March 2007 £000</b>	<b>1 August 2006 £000</b>
Freehold	<u><b>138,595</b></u>	<u>139,841</u>

**9.3 Protected and unprotected tangible fixed assets**

	Land £000	Buildings £000	Assets under Construction £000	Equipment £000	<b>Total £000</b>
Protected tangible assets - as at 1 August 2006	28,890	100,116	0	0	<b>129,006</b>
Unprotected tangible assets - as at 1 August 2006	<u>0</u>	<u>10,835</u>	<u>3,081</u>	<u>10,103</u>	<u><b>24,019</b></u>
	<u><b>28,890</b></u>	<u><b>110,951</b></u>	<u><b>3,081</b></u>	<u><b>10,103</b></u>	<u><b>153,025</b></u>
Protected tangible assets - as at 31 March 2007	28,890	99,339	0	0	<b>128,229</b>
Unprotected tangible assets - as at 31 March 2007	<u>0</u>	<u>10,366</u>	<u>4,143</u>	<u>10,698</u>	<u><b>25,207</b></u>
<b>Total</b>	<u><b>28,890</b></u>	<u><b>109,705</b></u>	<u><b>4,143</b></u>	<u><b>10,698</b></u>	<u><b>153,436</b></u>

**10. Stocks and Work in Progress**

	<b>31 March 2007 £000</b>	<b>1 August 2006 £000</b>
Raw materials and consumables	<u><b>2,115</b></u>	<u>2,312</u>

**11. Debtors**

	<b>31 March 2007 £000</b>	<b>1 August 2006 (restated) £000</b>
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**Amounts falling due within one year:**

NHS debtors	<b>6,607</b>	8,147 *
Provision for irrecoverable debts	<b>(431)</b>	<b>(249)</b>
Prepayments and accrued income	<b>777</b>	1,676
Other debtors	<u><b>2,924</b></u>	<u>2,080</u>
<b>Sub Total</b>	<u><b>9,877</b></u>	<u>11,654</u>

**Amounts falling due after more than one year:**

Other debtors	<u><b>902</b></u>	<u>870</u>
<b>Sub Total</b>	<u><b>902</b></u>	<u>870</u>

<b>Total</b>	<u><u><b>10,779</b></u></u>	<u><u>12,524</u></u>
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\* NHS debtors previously reported as £7.006million has been restated as described in note 16 to these accounts.

**12. Investments**

**12.1 Current Asset Investments**

	<b>National Loans Fund £000</b>	<b>Short Term Money Market £000</b>	<b>Total £000</b>
<b>Balance as at 1 August 2006</b>	7,500	0	7,500
Additions	125,000	149,750	274,750
Disposals	(127,000)	(126,250)	(253,250)
<b>Balance as at 31 March 2007</b>	<u>5,500</u>	<u>23,500</u>	<u>29,000</u>

Investments referred to in this note relate to short term deposits of cash in A+ rated financial institutions. They do not represent any investments in a portfolio of stocks and shares.

**13. Creditors**

	<b>31 March 2007 £000</b>	<b>1 August 2006 £000</b>
<b>Amounts falling due within one year:</b>		
Payments received on account	633	238
NHS creditors	3,837	4,822
Tax and social security costs	2,941	2,969
Other creditors	17,914	12,764
Accruals and deferred income	4,077	5,981
<b>Total</b>	<u>29,402</u>	<u>26,774</u>

**Other creditors include:**

£1,591,335 pensions contributions as at 31 March 2007.

**14. Provisions for liabilities and charges**

	Legal claims £000	Other £000	Total £000
At 1 August 2006	171	1,401	<b>1,572</b>
Arising during the period	54	3,521	<b>3,575</b>
Utilised during the period	0	(62)	<b>(62)</b>
Reversed unused	0	0	<b>0</b>
Unwinding of discount	0	19	<b>19</b>
<b>At 31 March 2007</b>	<b>225</b>	<b>4,879</b>	<b>5,104</b>

**Expected timing of cashflows:**

	£000	£000	£000
Within one year	107	95	<b>202</b>
Between one and five years	118	2,613	<b>2,731</b>
After five years	0	2,171	<b>2,171</b>
<b>Total</b>	<b>225</b>	<b>4,879</b>	<b>5,104</b>

**Analysis:**

	£000	£000
Employers / Public Liability	225	
Injury Benefit		2,741
Non clinical claims		2,138

Provisions are liabilities that are of uncertain timing or amounts which the Trust expects to be settled by a transfer of economic benefits. Provisions for legal claims are based on information supplied by the NHS Litigation Authority. The Trust has made a provision for other claims based on information provided by professional advisers.

Where the Trust has estimated the impact of the full value of claims made relating to past events but only included a provision for that part that it considers to be most likely to be settled, the Trust has included the balance of the estimate in the contingent liabilities note (see note 21)

£14,538,033 is included in the provisions of the NHS Litigation Authority at 31 March 2007 in respect of clinical negligence liabilities of the trust.



**15. Prudential borrowing limit**

The Trust has a prudential borrowing limit of £32,300,000. The Trust has not yet borrowed against this limit.

<b>Financial Ratios</b>	<b>Actual ratios 2006/07</b>	<b>Approved ratios 2006/07</b>	<b>Prudential borrowing limit ratio test thresholds</b>
Maximum Debt/ Capital Ratio	n/a	n/a	< 15%
Minimum Dividend Cover	3.2	2.6	> 1x
Minimum Interest Cover	n/a	n/a	> 3x
Minimum Debt Service Cover	n/a	n/a	> 2x
Maximum Debt Service to Revenue	n/a	n/a	< 3%

The Trust has £17,000,000 of approved working capital facility. The Trust has not drawn down any of this facility during the period.

The Trust is required to comply and remain within a prudential borrowing limit. This is made up of two elements:-

- a. the maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio test 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 long term borrowing.
  
- b. the amount of any working capital facility approved by Monitor.

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

**16. Movements on Reserves**

Movements on reserves in the period comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	<b>Total £000</b>
At 1 August 2006	58,396	6,912	6,630	<b>71,938</b>
Transfer from the income and expenditure account	0	0	3,064	<b>3,064</b>
Fixed asset impairments (a)	(874)	0	0	<b>(874)</b>
Surplus on revaluations of fixed assets (b)	501	7	0	<b>508</b>
Receipt of donated assets	0	50	0	<b>50</b>
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	0	(205)	0	<b>(205)</b>
Other transfers between reserves	(1,374)	0	1,374	<b>0</b>
<b>At 31 March 2007</b>	<b>56,649</b>	<b>6,764</b>	<b>11,068</b>	<b>74,481</b>

For notes see page 26

## **16. Movements on Reserves (Notes)**

### **Income recognition for incomplete spells of patient care**

In previous accounting periods, the Trust was not required to recognise any income due from commissioners relating to patients who were in hospital at the end of the accounting period. Both NHS Trusts and Foundation Trusts are now required to recognise entitlement to income due for the cost of healthcare provided up to the 31 March for patients still in hospital at that date. As a result an adjustment has been made for the income due at 31 March 2006 (£1.132 million) and income was also recognised as at 31 July 2006 (£1.141 million) and again at 31 March 2007 (£1.121 million).

### **Impairments recognised in prior years**

NHS Trusts are permitted to hold a negative Revaluation Reserve relating to revalued assets if the Trust considers the downward valuation to be temporary. NHS Foundation Trusts may not hold negative Revaluation Reserves under these circumstances. To comply with Foundation Trust requirements all negative balances in the Trust's Revaluation Reserve have been transferred to the Income and Expenditure Reserve as at 31 July 2006.

#### **a. Fixed Asset Impairments**

During the period the Trust completed the refurbishment of a number of buildings and obtained a professional valuation on completion. This valuation led to a reduction in the net book value of these assets which was recorded in the Statement of Recognised Gains and Losses and is shown as a reduction to the Revaluation Reserve of £874,000

#### **b. Revaluations**

The Trust has adopted a policy to index equipment assets. Of the total shown in note 16, £163,000 relates to indexation.

**17. Notes to the cash flow statement**

**17.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	8 Months to 31 March 2007 £000
Total operating surplus	5,709
Depreciation and amortisation charge	4,445
Fixed asset impairments	1,187
Transfer from donated asset reserve	(205)
Decrease in stocks	197
Decrease in debtors	1,745
Increase in creditors	3,445
Increase in provisions	<u>3,514</u>
Net cash inflow from operating activities.	<u><u>20,037</u></u>

**17.2 Reconciliation of net cash flow to movement in net funds**

	8 Months to 31 March 2007 £000
Decrease in cash in the period	(3,259)
Cash outflow from increase in liquid resources	<u>21,500</u>
Change in net debt resulting from cashflows	<u>18,241</u>
Net funds at 1 August 2006	<u>11,844</u>
Net funds at 31 March 2007	<u><u>30,085</u></u>

**18. Analysis of changes in net debt**

	At 1 August 2006	Other cash changes in year	Non-cash changes in year	At 31 March 2007
	£000	£000	£000	£000
OPG cash at bank	4,294	(3,767)	0	527
Commercial cash at bank and in hand	50	508	0	558
Current asset investments	7,500	21,500	0	29,000
<b>Total</b>	<b>11,844</b>	<b>18,241</b>	<b>0</b>	<b>30,085</b>

**19. Capital Commitments**

Commitments under capital expenditure contracts at 31 March 2007 were £3,582,625

**20. Post Balance Sheet Events**

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

**21. Contingencies**

	8 Months to 31 March 2007 £000
Contingent liabilities (gross value)	750
Amounts recoverable against contingent liabilities	0
<b>Net value of contingent liabilities</b>	<b>750</b>

**Analysis:**

	£000
Employers and Public Liability claims	81
Non clinical claims	669
<b>Total</b>	<b>750</b>

See also Provisions - Note 14

**22. Movement in taxpayers equity**

	£000
Taxpayers equity as at 1 August 2006	151,412
Surplus after taxation for the period	6,443
Public dividend capital dividends	(3,379)
Fixed asset impairments charged to the Statement of Recognised Gains and Losses	(874)
Surplus on revaluations of fixed assets and current asset investments	501
Public dividend capital received	10,131
Reductions in donated assets reserve	(148)
<b>Taxpayers equity as at 31 March 2007</b>	<b>164,086</b>

**23. Movement in Public Dividend Capital**

	<b>£000</b>
Public Dividend Capital as at 1 August 2006	<b>79,474</b>
Public Dividend Capital received in the period	<b>10,131</b>
<b>Public Dividend Capital as at 31 March 2007</b>	<b>89,605</b>

**24. Public dividend capital**

The Trust is required to pay a dividend to the Department of Health 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, for the period 1 April 2006 to 31 March 2007, totalling £5,068,000 bears to the average relevant net assets of £147,664,000 that is 3.43%.

**25. Related Party Transactions**

Salford Royal NHS Foundation Trust is a public interest body authorised by Monitor - the Independent Regulator for NHS Foundation Trusts.

During the period none of the Board Members, members of the key management staff or parties related to them or any member of the Council of Governors has undertaken any material transactions with Salford Royal NHS Foundation Trust.

As NHS Foundation Trusts are independent bodies not controlled by the Secretary of State other Government Departments are not deemed to be related parties.

The Trust has made and received material payments with the University of Manchester which is considered a related party.

The Trust received income from the University for rental of accommodation and staff salary recharges totalling £420,000 for the period.

The Trust also purchased services from the University, which are predominantly salary recharges, totalling £1,050,000 for the period.

As at 31 March 2007 the Trust owed £223,000 to the University and was owed £23,000 by the University.

The Trust has included, in the Accounts for the period, a provision of £4,900 for bad and doubtful debts against the sums owed by the University. No debts have been written off during the period.

The Trust has a related Charity (Salford Royal NHS Foundation Trust - Charitable Funds) to which it makes an annual administrative charge. The charge for the period amounted to £26,700.

The Trust also makes purchases and pays for research staff on behalf of the Charity, these amounted to £208,000 for the period.

The amount outstanding at 31 March 2007 was £8,800 for which no provision has been made for bad and doubtful debts and there have been no amounts written off during the period.

**26. Private Finance Transactions**

**26.1 PFI schemes deemed to be off-balance sheet**

	<b>8 Months to 31 March 2007 £000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	<b>212</b>
Amortisation of PFI deferred asset	<b>0</b>
Net charge to operating expenses	<b><u>212</u></b>
The Trust is committed to make the following payments during the next year.	<b>£000</b>
16th to 20th years (inclusive)	<b>334</b>
	<b>£000</b>
Estimated capital value of the PFI scheme	<b>960</b>
Contract Start date: 20/03/2000	
Contract End date: 20/03/2025	

The scheme is for the provision of clinical accommodation for patients with acute neuro rehabilitation requirements. There are no guarantees, obligations or other rights associated with the scheme.

There are no deferred assets or residual interests associated with the PFI transaction.

**26.2 PFI schemes deemed to be on-balance sheet**

The trust has no PFI schemes deemed to be on-balance sheet.

## **27. Financial Instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Foundation Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Foundation 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 Foundation Trust has a cap on its borrowing limit and has an investment policy to minimise risk relating to the investment of surplus operating cash.

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 are shown gross. Any amount expected in reimbursement against a provision (and included in debtors) is separately disclosed.

The Treasury has concluded that PDC is not a financial instrument.

### **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. Salford Royal NHS Foundation Trust is not, therefore, exposed to significant liquidity risks.

### **Interest-Rate Risk**

All of the Trust's financial assets carry floating or fixed rates of interest. All current asset investments are subject to a fixed rate of interest for the period of investment. Salford Royal 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.

### **Foreign Currency Risk**

The Trust has no foreign currency income or expenditure.



**27.1 Financial Assets**

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing
					Weighted average interest rate %	Weighted average period for which fixed Years	Weighted average term Years
At 31 March 2007							
Sterling	30,085	1,084	29,000	1	5.30%	0	0
<b>Gross financial assets</b>	<b>30,085</b>	<b>1,084</b>	<b>29,000</b>	<b>1</b>			
At 1 August 2006							
Sterling	11,844	4,344	7,500	0	4.46%	0	0
<b>Gross financial assets</b>	<b>11,844</b>	<b>4,344</b>	<b>7,500</b>	<b>0</b>			

## 27.2 Fair Values

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

	<b>Book Value</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
Cash	1,085	1,085
Investments	29,000	29,000
<b>Total</b>	<u>30,085</u>	<u>30,085</u>

### Financial liabilities

The Trust has no financial liabilities that are to be disclosed under this note.

## 28. Third Party Assets

The Trust held £11,172 cash at bank and in hand at 31 March 2007 which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts.

## 29. Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
English NHS Foundation Trusts	210	0	86	0
English NHS Trusts	2,132	0	816	0
Department of Health	16	0	93	0
English Strategic Health Authorities	18	0	0	0
English Primary Care Trusts	4,515	0	2,203	0
NHS WGA bodies	0	0	750	0
Other WGA bodies	362	0	4,532	0
At 31 March 2007	<u>7,253</u>	<u>0</u>	<u>8,480</u>	<u>0</u>

## 30. Losses and Special Payments

There were 100 cases of losses and special payments totalling £79,225 paid during the 8 months period to 31 March 2007.

Losses and Special Payments are actual cash payments made within the year and are not calculated on an accruals basis.