

FOREWORD TO THE ACCOUNTS

SALFORD ROYAL HOSPITALS NHS TRUST

These accounts for the period ended 31 July 2006 have been prepared by the Salford Royal NHS Foundation Trust as successor body to Salford Royal Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

**INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED
31 July 2006**

	NOTE	July 2006 £000	2005/06 £000
Income from activities	2	64,754	183,434
Other operating income	3	10,590	31,226
Operating expenses	4 - 6	(72,955)	(209,466)
OPERATING SURPLUS		2,389	5,194
Cost of fundamental reorganisation/restructuring		0	0
Profit (loss) on disposal of fixed assets		0	0
SURPLUS BEFORE INTEREST		2,389	5,194
Interest receivable		190	386
Interest payable		0	0
Other finance costs - unwinding of discount	13	(62)	(3)
Other finance costs - change in discount rate on provisions	13	0	(209)
SURPLUS FOR THE FINANCIAL PERIOD		2,517	5,368
Public Dividend Capital dividends payable		(1,689)	(4,919)
RETAINED SURPLUS FOR THE PERIOD		828	449

In 2006/07 the provision of financial support has been replaced by a regime of loans and deposits with the Department of Health. The Trust did not receive any loans and did not place any deposits with the Department of Health during the period.

The notes on pages 5 to 34 form part of these accounts.
All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 July 2006**

	NOTE	31 July 2006 £000	31 March 2006 £000
FIXED ASSETS			
Intangible assets	7	53	27
Tangible assets	8	<u>153,025</u>	<u>148,811</u>
		153,078	148,838
CURRENT ASSETS			
Stocks and work in progress	9	2,312	2,500
Debtors	10	11,383	9,995
Investments	11	7,500	0
Cash at bank and in hand	15.3	<u>4,344</u>	<u>619</u>
		25,539	13,114
CREDITORS: Amounts falling due within one year	12	<u>(26,774)</u>	<u>(14,508)</u>
NET CURRENT ASSETS (LIABILITIES)		(1,235)	(1,394)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>151,843</u>	<u>147,444</u>
CREDITORS: Amounts falling due after more than one year		0	0
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(1,572)</u>	<u>(1,568)</u>
TOTAL ASSETS EMPLOYED		<u><u>150,271</u></u>	<u><u>145,876</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	19	79,474	79,474
Revaluation reserve	14	51,321	48,422
Donated asset reserve	14	6,912	6,765
Income and expenditure reserve	14	12,564	11,215
TOTAL TAXPAYERS EQUITY		<u><u>150,271</u></u>	<u><u>145,876</u></u>

The financial statements on pages 1 to 4 were approved by the Board on 29th January 2007 and signed by:

Signed:



David Dalton
Chief Executive

Date: 2nd February 2007

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED
31 July 2006**

	July 2006	2005/06
	£000	£000
Surplus for the period before dividend payments	2,517	5,368
Fixed asset impairment losses	0	0
Unrealised surplus on fixed asset revaluations/indexation	3,596	2,756
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	74	38
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	0	0
Total recognised gains and losses for the period	6,187	8,162
Prior period adjustment	0	0
Total gains and losses recognised in the period	6,187	8,162

**CASH FLOW STATEMENT FOR THE PERIOD ENDED
31 July 2006**

	NOTE	July 2006 £000	2005/06 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	15	13,926	10,873
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		190	386
Interest paid		0	0
Interest element of finance leases		0	0
Net cash inflow from returns on investments and servicing of finance		190	386
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(2,891)	(4,778)
Receipts from sale of tangible fixed assets		0	0
(Payments) to acquire intangible assets		0	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
Net cash outflow from capital expenditure		(2,891)	(4,778)
DIVIDENDS PAID			
		0	(4,919)
Net cash inflow before management of liquid resources and financing		11,225	1,562
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments		(51,500)	0
Sale of current asset investments		44,000	0
Net cash inflow from management of liquid resources		(7,500)	0
Net cash inflow before financing		3,725	1,562
FINANCING			
Public dividend capital repaid		0	(1,378)
Net cash inflow from financing		0	(1,378)
Increase in cash		3,725	184

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. Consequently, the following financial statements have been prepared in accordance with the 2005/06 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Resource Accounting Manual to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

Income is accounted for by 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 period, 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.

Valuation

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

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

Professional valuations are carried out by the District Valuers of the Inland Revenue Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied 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 once they have been taken out of operational use and subsequently disposed of.

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

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

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual 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 definitive 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.

1.10 Research and development

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

- 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.

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 the period 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. 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. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The 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 Business Services Authority - Pensions Division website at www.nhs.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.

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 years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS 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.

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 24 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.

1.21 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). However, Note 26 is compiled directly from the losses and compensations register which is prepared on a cash basis.

2. Income from Activities

	July 2006	2005/06
	£000	£000
Strategic Health Authorities	0	0
NHS Trusts	0	0
Primary Care Trusts	54,871	164,281
Foundation Trusts	0	0
Local Authorities	0	0
Department of Health	8,915	16,007
NHS Other	0	0
Non NHS:		
- Private Patients	251	644
- Overseas patients (non-reciprocal)	0	0
- Road Traffic Act	259	1,121
- Other	458	1,381
	<u><u>64,754</u></u>	<u><u>183,434</u></u>

Road Traffic Act income is subject to a provision for doubtful debts of 8.7% to reflect expected rates of collection.

3. Other Operating Income

	July 2006	2005/06
	£000	£000
Patient transport services	0	0
Education, training and research	6,639	18,924
Charitable and other contributions to expenditure	0	0
Transfers from donated asset reserve	103	295
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	2,012	5,268
Income Generation	900	2,628
Other income	936	4,111
	<u><u>10,590</u></u>	<u><u>31,226</u></u>

4. Operating Expenses

4.1 Operating expenses comprise:

	July 2006	2005/06
	£000	£000
Directors' costs	260	786
Staff costs	46,036	134,649
Supplies and services - clinical	13,227	36,313
Supplies and services - general	1,777	5,678
Establishment	710	2,233
Transport	470	608
Premises	2,115	6,513
Bad debts	(80)	(128)
Depreciation and amortisation	2,276	7,038
Fixed asset impairments and reversals	0	0
Audit fees	82	175
Other auditor's remuneration	0	0
Clinical negligence	973	2,380
Other	5,109	13,221
	<u><u>72,955</u></u>	<u><u>209,466</u></u>

4.2 Operating leases

4.2/1 Operating expenses include:

	July 2006	2005/06
	£000	£000
Hire of plant and machinery	0	0
Other operating lease rentals	276	1,075
	<u>276</u>	<u>1,075</u>

4.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	31 July	31 March	31 July	31 March
	2006	2006	2006	2006
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	65	316
Between 1 and 5 years	0	0	354	705
After 5 years	310	305	65	398
	<u>310</u>	<u>305</u>	<u>484</u>	<u>1,419</u>

5. Staff costs and numbers

5.1 Staff costs

	July 2006 Total £000	Permanently Employed £000	Other £000	2005/06 £000
Salaries and wages	39,273	38,759	514	111,959
Social Security Costs	2,806	2,806	0	8,030
Employer contributions to NHSPA	4,202	4,202	0	11,920
Other pension costs	0	0	0	0
	46,281	45,767	514	131,909

5.2 Average number of persons employed

	July 2006 Total Number	Permanently Employed Number	Other Number	2005/06 Number
Medical and dental	463	450	13	450
Ambulance staff	0	0	0	0
Administration and estates	836	823	13	843
Healthcare assistants and other support staff	906	906	0	684
Nursing, midwifery and health visiting staff	1,410	1,305	105	1,504
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	421	415	6	419
Social care staff	0	0	0	0
Other	0	0	0	4
Total	4,036	3,899	137	3,904

5.3 Employee benefits

The Trust made no group benefit payments during the period.

5.4 Management costs

	July 2006	2005/06
	£000	£000
Management costs	1,977	6,075
Income	75,634	214,600

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

5.5 Retirements due to ill-health

During the period there were no early retirements from the Trust agreed on ill-health grounds.

6. Better Payment Practice Code

6.1 Better Payment Practice Code - measure of compliance

	July 2006 Number	July 2006 £000
Total Non-NHS trade invoices paid in the period	20,485	21,370
Total Non NHS trade invoices paid within target	19,802	20,636
Percentage of Non-NHS trade invoices paid within target	97%	97%
Total NHS trade invoices paid in the period	914	8,843
Total NHS trade invoices paid within target	904	8,446
Percentage of NHS trade invoices paid within target	99%	96%

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. Intangible Fixed Assets

	Software Licences £000	Licenses and trademarks £000	Patents £000	Development Expenditure £000	Total £000
Gross cost at 1 April 2006	1,144	0	0	0	1,144
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Additions purchased	0	0	0	0	0
Additions donated	29	0	0	0	29
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 July 2006	1,173	0	0	0	1,173
Amortisation at 1 April 2006	1,117	0	0	0	1,117
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Charged during the period	3	0	0	0	3
Disposals	0	0	0	0	0
Amortisation at 31 July 2006	1,120	0	0	0	1,120
Net book value					
- Purchased at 1 April 2006	14	0	0	0	14
- Donated at 1 April 2006	13	0	0	0	13
- Government Granted at 1 April 2006	0	0	0	0	0
- Total at 1 April 2006	27	0	0	0	27
- Purchased at 31 July 2006	13	0	0	0	13
- Donated at 31 July 2006	40	0	0	0	40
- Government Granted at 31 July 2006	0	0	0	0	0
- Total at 31 July 2006	53	0	0	0	53

8. Tangible Fixed Assets**8.1 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 2006	28,350	106,246	3,110	1,218	24,803	32	2,325	236	166,320
Additions purchased	0	0	0	1,827	918	22	79	0	2,846
Additions donated	0	0	0	0	36	0	9	0	45
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	(3)	0	3	0	0	0	0	0
Indexation	540	2,872	84	33	230	0	0	2	3,761
Other in period revaluation	0	(14)	0	0	0	0	0	0	(14)
Disposals	0	0	0	0	(1,597)	0	0	0	(1,597)
Cost or Valuation at 31 July 2006	28,890	109,101	3,194	3,081	24,390	54	2,413	238	171,361
Depreciation at 1 April 2006	0	0	0	0	16,201	5	1,285	18	17,509
Charged during the period	0	1,309	35	0	799	2	120	8	2,273
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	0	0	0	151	0	0	0	151
Other in period revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(1,597)	0	0	0	(1,597)
Depreciation at 31 July 2006	0	1,309	35	0	15,554	7	1,405	26	18,336
Net book value									
- Purchased at 1 April 2006	28,350	99,852	3,110	1,218	8,280	22	1,040	187	142,059
- Donated at 1 April 2006	0	6,394	0	0	322	5	0	31	6,752
- Government Granted at 1 April 2006	0	0	0	0	0	0	0	0	0
- Total at 1 April 2006	28,350	106,246	3,110	1,218	8,602	27	1,040	218	148,811
- Purchased at 31 July 2006	28,890	101,287	3,159	3,081	8,512	43	999	182	146,153
- Donated at 31 July 2006	0	6,505	0	0	324	4	9	30	6,872
- Government Granted at 31 July 2006	0	0	0	0	0	0	0	0	0
- Total at 31 July 2006	28,890	107,792	3,159	3,081	8,836	47	1,008	212	153,025

8.1 Tangible Fixed Assets (cont'd)

As at 31 July 2006 no land, buildings or dwellings were valued at open market values.

8.2 The net book value of land, buildings and dwellings at 31 July 2006 comprises:

	31 July 2006 £000	31 March 2006 £000
Freehold	<u>139,841</u>	<u>137,706</u>

9. Stocks and Work in Progress

	31 July 2006 £000	31 March 2006 £000
Raw materials and consumables	<u>2,312</u>	<u>2,500</u>

10. Debtors

	31 July 2006 £000	31 March 2006 £000
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Amounts falling due within one year:

NHS debtors	7,006	6,132
Provision for irrecoverable debts	(249)	(335)
Other prepayments and accrued income	1,676	797
Other debtors	2,080	2,449
Sub Total	<u>10,513</u>	<u>9,043</u>

Amounts falling due after more than one year:

NHS debtors	0	0
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	0	0
Other debtors	870	952
Sub Total	<u>870</u>	<u>952</u>

TOTAL	<u><u>11,383</u></u>	<u><u>9,995</u></u>
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11. Investments

11.1 Current Asset Investments

	National Loans Fund £000
Balance as at 1 April 2006	0
Additions	82,500
Disposals	75,000
Balance as at 31 July 2006	<u>7,500</u>

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

12. Creditors

	31 July 2006 £000	31 March 2006 £000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	0	0
Interest payable	0	0
Payments received on account	238	245
NHS creditors	4,822	1,391
Non - NHS trade creditors - revenue - other	8,142	5,963
Non - NHS trade creditors - capital	141	186
Tax and social security costs	2,969	1
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	4,481	2,619
Accruals and deferred income	5,981	4,103
Sub Total	<u>26,774</u>	<u>14,508</u>

Other creditors include:

£1,587,000 pensions contributions as at 31 July 2006 (31 March 2006 Nil)

13. Provisions for liabilities and charges

	Legal claims £000	Other £000	Total £000
At 1 April 2006	223	1,345	1,568
Arising during the period	0	25	25
Utilised during the period	(52)	(31)	(83)
Reversed unused	0	0	0
Unwinding of discount	0	62	62
At 31 July 2006	171	1,401	1,572

Expected timing of cashflows:

Within one year	161	93	254
Between one and five years	10	394	404
After five years	0	914	914
	171	1,401	1,572

Analysis:

Employers / Public Liability	171	
Injury Benefit		1,401

See also Contingencies - Note 18

14. Movements on Reserves

Movements on reserves in the period comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Income and Expenditure Reserve £000	Total £000
At 1 April 2006 as previously stated	48,422	6,765	11,215	66,402
Prior Period Adjustments	0	0	0	0
At 1 April 2006 as restated	48,422	6,765	11,215	66,402
Transfer from the income and expenditure account	0	0	828	828
Fixed asset impairments	0	0	0	0
Surplus on other revaluations/indexation of fixed assets	3,420	176	0	3,596
Receipt of donated/government granted assets	0	74	0	74
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets	0	(103)	0	(103)
Other transfers between reserves	(521)	0	521	0
At 31 July 2006	51,321	6,912	12,564	70,797

15. Notes to the cash flow Statement

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

	July 2006	2005/06
	£000	£000
Total operating surplus	2,389	5,194
Depreciation and amortisation charge	2,276	7,038
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(103)	(295)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	188	(39)
(Increase)/decrease in debtors	(1,388)	748
Increase/(decrease) in creditors	10,622	(1,696)
Increase/(decrease) in provisions	(58)	(77)
	<hr/>	<hr/>
Net cash inflow from operating activities.	13,926	10,873
	<hr/> <hr/>	<hr/> <hr/>

15.2 Reconciliation of net cash flow to movement in net debt

	July 2006	2005/06
	£000	£000
Increase/(decrease) in cash in the period	3,725	184
Cash inflow from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
	<hr/>	<hr/>
Change in net debt resulting from cashflows	3,725	184
Non - cash changes in debt	0	0
Net debt at 1 April 2006	619	435
	<hr/>	<hr/>
Net debt at 31 July 2006	4,344	619
	<hr/> <hr/>	<hr/> <hr/>

15.3 Analysis of changes in net debt

	At 1 April 2006	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 July 2006
	£000	£000	£000	£000	£000
OPG cash at bank	578	0	3,716	0	4,294
Commercial cash at bank and in hand	41	0	9	0	50
Current asset investments	0	0	7,500	0	7,500
	<u>619</u>	<u>0</u>	<u>11,225</u>	<u>0</u>	<u>11,844</u>

16. Capital Commitments

Commitments under capital expenditure contracts at 31 July 2006 were £535,000 (31 March 2006 £2,091,000).

17. Post Balance Sheet Events

Foundation Trust

On 1 August 2006 the Trust obtained a license to operate as a Foundation Trust from Monitor the independent NHS regulator.

18. Contingencies

	July 2006 £000	2005/06 £000
Contingent liabilities (gross value)	(69)	(93)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	<u>(69)</u>	<u>(93)</u>

The Trust has a contingent liability for employee and public liability claims of £69,000 This is the residual probability not included in Note 13.

See also Provisions - Note 13

20. Financial Performance Targets

20.1 Breakeven Performance

The trust's breakeven performance for July 2006 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	July 2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	93,404	102,722	118,699	123,398	143,291	158,147	170,935	194,632	214,660	75,634
Retained surplus/(deficit) for the period	(346)	712	1,638	29	26	230	231	450	449	828
Adjustment for:										
- Timing/non-cash impacting distortions										
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	307	0	0	0	0	0	0	0	0	0
Break-even in-year position	(39)	712	1,638	29	26	230	231	450	449	828
Break-even cumulative position	(39)	673	2,311	2,340	2,366	2,596	2,827	3,277	3,726	4,554
Materiality test (i.e. is it equal to or less than 0.5%):										
- Break-even in-year position as a percentage of turnover	(0.04%)	0.69%	1.38%	0.02%	0.02%	0.15%	0.14%	0.23%	0.21%	1.09%
- Break-even cumulative position as a percentage of turnover	0.04%	0.66%	1.95%	1.90%	1.65%	1.64%	1.65%	1.63%	1.74%	6.02%*

* The 6.02% cumulative position reported would be in the region of 2% on an annualised basis

20.2 External financing

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

	£000	July 2006 £000	2005/06 £000
External financing limit		(11,225)	(1,562)
Cash flow financing	(11,225)		(1,562)
Finance leases taken out in the period	0		0
Other capital receipts	0		0
External financing requirement		<u>(11,225)</u>	<u>(1,562)</u>
Undershoot (overshoot)		<u><u>0</u></u>	<u><u>0</u></u>

Department of Health guidance indicates that, for bodies which obtain a Foundation Trust licence to operate during the financial year, the External Financing Limit will be set equal to cash flow for the part-year period.

20.3 Capital Resource Limit

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

	July 2006 £000	2005/06 £000
Gross capital expenditure	2,920	4,969
Less: book value of assets disposed of	0	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(74)	(38)
Charge against the CRL	<u>2,846</u>	<u>4,931</u>
Capital resource limit	2,846	4,931
(Over)/Underspend against the CRL	<u><u>0</u></u>	<u><u>0</u></u>

Department of Health guidance indicates that, for bodies which obtain a Foundation Trust licence to operate during the financial year, the Capital Resources Limit will be set equal to expenditure for the part-year period.

21. Related Party Transactions

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

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

The Department of Health is regarded as a related party. During the year Salford Royal 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:

Greater Manchester SHA
Ashton Wigan & Leigh PCT
Bolton PCT
Bury PCT
Central Manchester PCT
Cheshire West PCT
Heywood & Middleton PCT
North Manchester PCT
Oldham PCT
Rochdale PCT
Salford PCT
South Manchester PCT
Stockport PCT
Tameside & Glossop PCT
Trafford North PCT
Trafford South PCT
NHS Litigation Authority
NHS Purchasing and Supply Agency
NHS Professionals

The Trust has also received revenue and capital payments from Salford Royal Hospitals NHS Trust charitable funds, the Trustees for which are also members of the NHS Trust Board.

22. Private Finance Transactions

22.1 PFI schemes deemed to be off-balance sheet

	July 2006 £000	2005/06 £000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	103	305
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	103	305

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

16th to 20th years (inclusive)	310	305
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Estimated capital value of the PFI scheme	£000 960	£000 960
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.

22.2 PFI schemes deemed to be on-balance sheet

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

23 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. Salford Royal Hospitals NHS Trust is not, therefore, exposed to significant liquidity

Interest-Rate Risk

All of the Trust's financial assets and all of its financial liabilities carry nil or fixed rates of interest. Salford Royal 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:

23.1 Financial Assets

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 July 2006							
Sterling	11,844	4,344	7,500	0	4.46%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	11,844	4,344	7,500	0			
At 31 March 2006							
Sterling	619	0	0	619	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	619	0	0	619			

23.2 Financial Liabilities

Currency	Total £000	Floating rate £000	Fixed rate £000	Non- interest bearing £000	Fixed rate		Non-interest bearing Weighted average term Years
					Weighted average interest rate %	Weighted average period for which fixed Years	
At 31 July 2006							
Sterling	79,474	0	0	79,474	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	79,474	0	0	79,474			
At 31 March 2006							
Sterling	79,474	0	0	79,474	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	79,474	0	0	79,474			

Note: The public dividend capital is of unlimited term.

Foreign Currency Risk

The Trust has no foreign currency income or expenditure.

23.3 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 July 2006.

	Book Value	Fair Value
	£000	£000
Financial assets		
Cash	4,344	11,844
Debtors over 1 year:		
- Agreements with commissioners to cover creditors and provisions	0	0
Investments	7,500	0
Total	<u>11,844</u>	<u>11,844</u>
Financial liabilities		
Overdraft	0	0
Creditors over 1 year:		
- Early retirements	0	0
- Finance leases	0	0
Provisions under contract	0	0
Loans	0	0
Public dividend capital	(79,474)	(79,474)
Total	<u>(79,474)</u>	<u>(79,474)</u>

24 Third Party Assets

The Trust held £13,656 cash at bank and in hand at 31 July 2006 (£19,591 at 31 March 2006) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts.

25 Intra-Government and Other Balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other Central Government Bodies	4,276	0	2,833	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,730	0	1,989	0
Balances with Public Corporations and Trading Funds	0	0	63	0
Balances with bodies external to government	3,507	870	21,889	0
At 31 July 2006	10,513	870	26,774	0
Balances with other Central Government Bodies	4,398	0	324	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,463	0	609	0
Balances with Public Corporations and Trading Funds	0	0	298	0
Balances with bodies external to government	3,182	952	13,277	0
At 31 March 2006	9,043	952	14,508	0

26 Losses and Special Payments

There were 38 cases of losses and special payments (2005/06: 46 cases) totalling £48,300 (2005/06: £90,513) paid during the period to July 2006.