

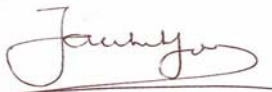
## FOREWORD TO THE ACCOUNTS

### SALFORD ROYAL NHS FOUNDATION TRUST

These accounts for the year ended 31 March 2008 have been prepared by the Salford Royal NHS Foundation Trust under schedule 7 sections 24 and 25 of the National Health Service Act 2006.

The comparative figures included in these accounts are for the eight month period from 1st August 2006 to 31st March 2007. The Trust obtained a licence to operate as a foundation trust on 31st July 2006. The accounts for the period 2007/08 show the first full year results as a foundation trust.

Signed:



A handwritten signature in black ink, appearing to read 'T.A. Whitfield', is written over a horizontal line. The signature is enclosed in a thin black rectangular border.

**T.A. Whitfield**

**Director of Finance and Deputy Chief Executive**

Dated : 12th June 2008

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

	NOTE	Year to 31 March 2008 £000	8 Months to 31 March 2007 £000
<b>Income from activities</b>	2	<b>229,050</b>	135,893
<b>Other operating income</b>	3	<b>41,274</b>	26,001
<b>Operating expenses</b>	4	<b>(278,990)</b>	<b>(156,185)</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(8,666)</b>	5,709
Profit on disposal of fixed assets	7	<b>0</b>	0
<b>SURPLUS / (DEFICIT) BEFORE INTEREST</b>		<b>(8,666)</b>	5,709
Interest Receivable		<b>1,876</b>	753
Interest Payable		<b>0</b>	0
Other net gains/losses on financial instruments		<b>0</b>	0
Other finance costs - unwinding of discount	14	<b>(31)</b>	<b>(19)</b>
<b>SURPLUS / (DEFICIT) BEFORE TAXATION</b>		<b>(6,821)</b>	6,443
Taxation		<b>0</b>	0
<b>SURPLUS / (DEFICIT) AFTER TAXATION</b>		<b>(6,821)</b>	6,443
Public Dividend Capital dividends payable		<b>(5,474)</b>	<b>(3,379)</b>
<b>RETAINED SURPLUS / (DEFICIT) FOR THE PERIOD</b>		<b>(12,295)</b>	3,064

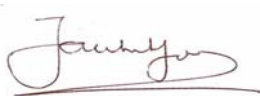
During the year the Trust charged £19.9 million for impairments of Fixed Assets. This is shown in Operating Expenses (note 4.1).

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 2008**

	NOTE	31 March 2008 £000	31 March 2007 £000
<b>FIXED ASSETS</b>			
Intangible assets	8	1,886	2,177
Tangible assets	9	164,820	153,436
<b>TOTAL FIXED ASSETS</b>		<b>166,706</b>	<b>155,613</b>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	10	2,367	2,115
Debtors	11	23,001	10,779
Investments	12	25,000	29,000
Cash at bank and in hand	18	5,006	1,085
<b>TOTAL CURRENT ASSETS</b>		<b>55,374</b>	<b>42,979</b>
<b>CREDITORS: Amounts falling due within one year</b>	13	<b>(31,740)</b>	<b>(29,402)</b>
<b>NET CURRENT ASSETS</b>		<b>23,634</b>	<b>13,577</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>190,340</b>	<b>169,190</b>
<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>(6,182)</b>	<b>(5,104)</b>
<b>TOTAL ASSETS EMPLOYED</b>		<b>184,158</b>	<b>164,086</b>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public dividend capital	23	111,312	89,605
Revaluation reserve	16	66,646	56,649
Donated asset reserve	16	7,533	6,764
Available for sale investment reserve		0	0
Income and expenditure reserve	16	(1,333)	11,068
<b>TOTAL TAXPAYERS EQUITY</b>		<b>184,158</b>	<b>164,086</b>

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 12th June 2008 and signed by:



Signed: .....

Date: 12 June 2008

**T.A. Whitfield**  
**Director of Finance and Deputy Chief Executive**

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

	Year to 31 March 2008 £000	8 Months to 31 March 2007 £000
Surplus for the financial year before dividend payments	<b>(6,821)</b>	6,443
Fixed asset impairment losses (see note 16)	<b>(560)</b>	<b>(874)</b>
Unrealised surplus/deficit on fixed asset and current asset revaluations (see note 16)	<b>11,418</b>	508
Increases in the donated asset reserve due to receipt of donated assets	<b>114</b>	50
Reduction in the donated asset reserve due to depreciation, impairment and disposal of donated assets	<b>(312)</b>	<b>(205)</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES</b>	<b><u>3,839</u></b>	<b><u>5,922</u></b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED**  
**31 March 2008**

	NOTE	Year to 31 March 2008 £000	8 Months to 31 March 2007 £000
<b>OPERATING ACTIVITIES</b>			
Net cash inflow from operating activities	17	9,024	20,037
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>			
Interest received		1,876	753
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>1,876</b>	<b>753</b>
Taxation paid/ received		0	0
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(27,057)	(5,485)
Payments to acquire intangible assets		(155)	(2,127)
<b>Net cash outflow from capital expenditure</b>		<b>(27,212)</b>	<b>(7,612)</b>
<b>DIVIDENDS PAID</b>			
		(5,474)	(5,068)
<b>Net cash inflow / (outflow) before management of liquid resources and financing</b>		<b>(21,786)</b>	8,110
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Purchase of current asset investments		(485,523)	(274,750)
Sale of current asset investments		489,523	253,250
<b>Net cash inflow / (outflow) from management of liquid resources</b>		<b>4,000</b>	<b>(21,500)</b>
<b>Net cash outflow before financing</b>		<b>(17,786)</b>	<b>(13,390)</b>
<b>FINANCING</b>			
Public dividend capital received		23,663	10,131
public dividend capital repaid		(1,956)	0
<b>Net cash inflow from financing</b>		<b>21,707</b>	<b>10,131</b>
<b>INCREASE/(REDUCTION) IN CASH</b>		<b>3,921</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 2007/08 NHS Foundation Trust Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

The Trust has not made any acquisitions or discontinued any operations during the financial year and it is not anticipated that it will do so in the next financial year.

#### 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 25% of the difference between its local costs and the national tariff during 2007/08.

#### 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 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, service 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 three yearly valuation took place on 31 March 2008 by Mr. R Yardley, MRICS, working for the Valuation Office Agency. This valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, insofar as these terms are consistent with the agreed requirements of the National Health Service, the Department of Health and HM Treasury.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. An interim valuation was undertaken during the year with a prospective valuation date of 1 April 2008.

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.

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 DHS 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 Trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Unless there is a clear operational reason why the following criteria should not be applied Equipment is depreciated on current cost evenly over the estimated life of the asset using the following lives:

	Years
Equipment, Fixtures & Fittings	5 - 15
Transport	3 - 7

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

### **1.6 Intangible fixed assets**

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

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

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

### **1.7 Donated fixed assets**

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

### **1.8 Current assets**

Current assets are valued in line with FRS26.



### **1.9 Current asset investments**

Current asset investments are short term deposits that are readily convertible into known amounts of cash at their carrying value with the interest accrued to the Income and Expenditure Account. They are treated as liquid resources in the cash flow 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, 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.

During the year, the Trust received income from the Department of Health via Salford PCT which was used to fund a capital grant to Salford City Council (through one of its trading organisations, the Urban Vision Partnership) to undertake works necessary to widen the highway on Eccles Old Road, required to support the provision of a new main entrance for the hospital redevelopment. This payment has been recorded as revenue expenditure and is shown as a separate value in note 4 to the accounts, Operating Expenses

### **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**

Stocks are valued at the lower of cost and net realisable value.

### **1.13 Cash, bank and overdrafts**

Cash, bank and overdraft balances are recorded at the current values of these balances in the Trust's cash book. These balances exclude monies held in the 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 Income & Expenditure Account. Bank charges are recorded as operating expenditure in the Income & Expenditure Account.

### **1.14 Research and development**

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its resulting in a product or services that will eventually be brought into use; and
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, the Trust discloses 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 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 Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 14.

### **1.18 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 when the liability arises.

For buildings and contents, the Trust also has "top-up" insurance provided through a commercial insurer that insures from the NHSLA limit of cover of £1m to total reinstatement value (as assessed by the Valuation Office). The annual premium is charged to operating expenses when the liability arises.

Other commercial insurance held by the Trust includes (building) contract works, motor vehicle, personal accident and group travel (for specified groups of clinical staff required to work off-site e.g. for specialist retrieval of patients) and overseas travel. The annual premiums and any excesses payable 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 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 actuarial investigation every 4 years. The last investigation had an effective date of 31.3.04 and covered the period from 01.04.99 to this date. The main purpose is to assess the level of liability in respect of benefits due under the scheme and to recommend the contribution rates to be paid by employees and employers. Between full valuations, the Government Actuary publishes an annual update, which forms part of the NHS Pensions Scheme (England and Wales) Resource Account. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from The Stationery Office.

The 2004 review showed an accumulated deficit of £3.3bn. Taking into account the changes in benefit and contribution structure effective from 01.04.08, employers pension cost contributions will continue at 14% of pensionable pay. These are charged to operating expenses as and when they become due. From 01.04.08, employees will pay contributions on a tiered scale from 5% up to 8.5% of their pensionable pay.

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 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 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 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 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 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.

## **1.27 Financial instruments and financial liabilities**

### **Recognition**

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

The Trust does not have any Finance Leases.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

### **De-recognition**

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the Trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

### **Classification and Measurement**

Financial assets are categorised as 'Fair Value through Income and Expenditure', Loans and receivables or Available for Sale financial assets.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other Financial liabilities'.

### **Financial assets and financial liabilities at 'Fair Value through Income and Expenditure'**

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. The Trust does not hold any of this particular class.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Trust's loans and receivables comprise: current investments, cash at bank and in hand, NHS debtors, accrued income and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

### **Available-for-sale financial assets**

The Trust does not hold any of this class of assets.

### **Other financial liabilities**

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

### **Determination of fair value**

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from any of quoted market prices, independent appraisals or discounted cash flow analysis.

### **Impairment of financial assets**

At the balance sheet date, the Trust assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account and the carrying amount of the asset is reduced directly.

	Year to 31 March 2008	8 Months to 31 March 2007
	£000	£000
<b>2a. Income from activities- by point of delivery</b>		
Elective income	40,981	26,666
Non elective income	59,703	45,516
Outpatients income	39,730	24,319
A & E income	5,562	3,238
Other type of activity income	80,931	35,108
PBR (clawback) / relief	428	543
Private patients income	550	503
Other non-protected clinical income	1,165	0
<b>Total</b>	<b>229,050</b>	<b>135,893</b>

	Year to 31 March 2008	8 Months to 31 March 2007
	£000	£000
<b>2b. Income from activities - by source</b>		
Primary Care Trusts	190,301	116,012
Department of Health	11,465	17,309
NHS Other	25,471	1,731
Non NHS:		
- Private Patients	550	503
- Overseas patients (non-reciprocal)	97	73
- Injury cost recovery scheme	1,029	588
- Other	137	(323)
<b>Total</b>	<b>229,050</b>	<b>135,893</b>

NHS Injury Costs Recovery Scheme income is subject to a provision for doubtful debts of 15.8% to reflect expected rates of collection, based on the Foundation Trust's previous rates of collection.

## 2c. Private patient income

The NHS Act Act 2006 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	Year to 31 March 2008	8 Months to 31 March 2007
	£000	£000	£000
Private patient income	574	550	503
Total patient related income	129,876	229,050	135,893
Proportion (as a percentage) not to exceed the base year cap	0.44%	0.24%	0.37%

3. Other Operating Income	Year to 31	8 Months to 31
	March 2008	March 2007
	£000	£000
Research and development	2,943	2,214
Education and training	21,788	13,980
Charitable and other contributions to expenditure	0	124
Transfers from donated asset reserve	312	205
Non-patient care services to other bodies	6,744	4,055
Other income	9,487	5,423
<b>Total</b>	<b>41,274</b>	<b>26,001</b>

Other income includes a number of items. The material items include income to fund the costs of widening Eccles Old Road by Salford City Council (£1,956,000 - see note 4.2), income from Salford PCT towards the local information management strategy (£780,000) and income from sales to staff, patients and the public for provision of services such as the restaurant (£1,027,000), car parking (£975,000) and accommodation (£307,000).

#### 4. Operating Expenses

##### 4.1 Operating expenses comprise:

	Year to 31	8 Months to 31
	March 2008	March 2007
	£000	£000
Services from NHS Foundation Trusts	119	28
Services from NHS Trusts	3,605	1,662
Services from other NHS Bodies	6,704	3,601
Purchase of healthcare from non-NHS bodies	1,121	246
Executive directors costs	1,110	593
Non-executive directors costs	118	65
Staff costs	156,435	98,046
Drugs costs	31,524	15,216
Supplies and services - clinical	24,185	16,748
Supplies and services - general	3,697	1,508
Establishment	3,169	1,330
Research and Development	0	0
Transport	256	233
Premises	11,495	6,381
Bad debts	91	176
Depreciation and amortisation	8,313	4,445
Fixed asset impairments	19,225	1,187
Audit fees - statutory audit	56	70
Clinical negligence - annual premium	2,351	1,570
Capital grants to local authority	1,956	0
Other	3,460	3,080
<b>Total</b>	<b>278,990</b>	<b>156,185</b>

During 2007/08 the Department of Health made a payment in respect of injury benefit arrears on behalf of the Trust amounting to £6,182.93. This was a one off payment to clear an administrative error. This payment has not been included in the accounts of the Trust and forms part of the Department of Health's accounts.



## 4.2 Operating Expenses (Continued)

### Fixed asset impairments

In September 2007, the Trust reached financial close with its PFI contract to redevelop the hospital site. At this point, agreement was reached on a schedule of assets to be transferred to the contractor for subsequent demolition. These assets were revalued to recognise a revised useful economic life and value. The net impact was a downward valuation of £16,995,360 which has been charged to operating expenses.

The remaining impairment costs relate to downward valuations of other Trust fixed assets.

### Depreciation and amortisation

This figure includes £701,307 for accelerated depreciation related to assets that will be transferred to the Trust's PFI partner to an agreed timetable for demolition as part of the hospital redevelopment.

### Capital grant to local authority

The grant of £1,956,000 was made to Salford City Council for the widening of Eccles Old Road as part of the hospital redevelopment project. This is a revenue expense as it relates to work undertaken on property that does not belong to the Trust.

## 4.3 Operating leases

### 4.3/1 Operating expenses include:

	Year to 31 March 2008 £000	8 Months to 31 March 2007 £000
Hire of plant and machinery	0	0
Other operating lease rentals	973	800
<b>Total</b>	<b>973</b>	<b>800</b>

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

As at 31 March 2008	Land and buildings £000	Other leases £000
Operating leases which expire:		
Within 1 year	0	199
Between 1 and 5 years	0	393
After 5 years	326	101
<b>Total</b>	<b>326</b>	<b>693</b>
As at 31 March 2007	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

	Permanently Employed	Other	Total	8 Months to 31 March 2007
	£000	£000	£000	£000
Salaries and wages	128,869	0	<b>128,869</b>	81,580
Social Security Costs	9,319	0	<b>9,319</b>	5,738
Employer contributions to NHSPA	13,775	0	<b>13,775</b>	8,655
Agency / contract staff	0	5,582	<b>5,582</b>	2,666
<b>Total</b>	<b><u>151,963</u></b>	<b><u>5,582</u></b>	<b><u>157,545</u></b>	<b><u>98,639</u></b>

The salaries and wages costs exclude those for Non Executive Directors' remuneration.

In 2007/8, the Trust paid £13,775,103 in contributions to employees pension costs. For the 8 months from 1st August 2006 to 31st March 2007 the sum paid was £8,654,622

### 5.2 Average number of persons employed

	Permanently Employed	Other	Total	8 Months to 31 March 2007
	Number	Number	Number	Number
Medical and dental	493	10	503	477
Administration and estates	858	0	858	825
Healthcare assistants and other support staff	801	0	801	846
Nursing, midwifery and health visiting staff	1,397	0	1,397	1,424
Nursing, midwifery and health visiting learners	12	0	12	417
Scientific, therapeutic and technical staff	423	0	423	166
Bank and agency staff	0	165	165	1
<b>Total</b>	<b><u>3,984</u></b>	<b><u>175</u></b>	<b><u>4,159</u></b>	<b><u>4,156</u></b>

The numbers shown above are Full Time Equivalent values.

### 5.3 Retirements due to ill-health

During the period there were 4 (2007 - 7) early retirements from the Trust which were agreed on the grounds of ill-health. The estimated additional pensions liability of these ill-health retirements will be £423,930 (2007 - £624,484).

## 6. Better Payment Practice Code

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

	Number	£000
Total Non-NHS trade invoices paid in the period	66,367	114,895
Total Non NHS trade invoices paid within target	60,612	109,704
Percentage of Non-NHS trade invoices paid within target	91%	95%
Total NHS trade invoices paid in the period	3,084	36,371
Total NHS trade invoices paid within target	3,017	34,144
Percentage of NHS trade invoices paid within target	98%	94%

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.

For the 8 Months Period to 31 March 2007

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

### 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 year none of which produced either a profit or loss.

**8. Intangible Fixed Assets**

	<b>Software Licences £000</b>	<b>Licenses and trademarks £000</b>	<b>Total £000</b>
Gross Cost at 1 April 2007	3,301	4	3,305
Impairments	0	0	0
Reclassifications	0	0	0
Other revaluation	0	0	0
Additions purchased	155	0	155
Additions donated	0	0	0
Disposals	0	0	0
<b>Gross Cost at 31 March 2008</b>	<b>3,456</b>	<b>4</b>	<b>3,460</b>
Amortisation at 1 April 2007	1,128	0	1,128
Provided during the year	446	0	446
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 2008</b>	<b>1,574</b>	<b>0</b>	<b>1,574</b>
<b>Net book value</b>			
- Purchased at 1 April 2007	2,139	4	2,143
- Donated at 1 April 2007	34	0	34
<b>- Total at 1 April 2007</b>	<b>2,173</b>	<b>4</b>	<b>2,177</b>
- Purchased at 31 March 2008	1,859	4	1,863
- Donated at 31 March 2008	23	0	23
<b>- Total at 31 March 2008</b>	<b>1,882</b>	<b>4</b>	<b>1,886</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 April 2007	28,890	113,450	3,290	4,143	25,527	64	3,397	321	179,082
Additions purchased	10	8,909	55	11,614	6,579	22	274	84	27,547
Additions donated	0	0	0	0	112	0	0	2	114
Impairments	0	(560)	0	0	0	0	0	0	(560)
Reclassifications	0	3,526	0	(3,930)	356	0	48	0	0
Other in period revaluation	3,481	7,698	0	0	231	0	0	8	11,418
Disposals	0	(43)	0	0	(193)	0	0	0	(236)
<b>Cost or Valuation at 31 March 2008</b>	<b>32,381</b>	<b>132,980</b>	<b>3,345</b>	<b>11,827</b>	<b>32,612</b>	<b>86</b>	<b>3,719</b>	<b>415</b>	<b>217,365</b>
Depreciation at 1 April 2007	0	6,839	196	0	16,942	15	1,608	46	25,646
Provided during the year	0	4,527	101	0	2,628	10	567	34	7,867
Impairments	0	16,667	2,558	0	0	0	0	0	19,225
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	0	0	0	0	0
Disposals	0	0	0	0	(193)	0	0	0	(193)
<b>Depreciation at 31 March 2008</b>	<b>0</b>	<b>28,033</b>	<b>2,855</b>	<b>0</b>	<b>19,377</b>	<b>25</b>	<b>2,175</b>	<b>80</b>	<b>52,545</b>
<b>Net book value</b>									
- Purchased at 1 April 2007	28,890	100,221	3,094	4,143	8,285	46	1,781	247	146,707
- Donated at 1 April 2007	0	6,390	0	0	300	3	8	28	6,729
<b>- Total at 1 April 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>
- Purchased at 31 March 2008	32,381	97,774	490	11,827	12,932	61	1,538	307	157,310
- Donated at 31 March 2008	0	7,173	0	0	303	0	6	28	7,510
<b>- Total at 31 March 2008</b>	<b>32,381</b>	<b>104,947</b>	<b>490</b>	<b>11,827</b>	<b>13,235</b>	<b>61</b>	<b>1,544</b>	<b>335</b>	<b>164,820</b>

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

As at 31 March 2008 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 2008 £000</b>	31 March 2007 £000
Freehold	<u><b>137,818</b></u>	<u>138,595</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 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>
	<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>
Protected tangible assets - as at 31 March 2008	32,381	95,389	0	0	<b>127,770</b>
Unprotected tangible assets - as at 31 March 2008	<u>0</u>	<u>10,048</u>	<u>11,827</u>	<u>15,175</u>	<u><b>37,050</b></u>
<b>Total</b>	<u><b>32,381</b></u>	<u><b>105,437</b></u>	<u><b>11,827</b></u>	<u><b>15,175</b></u>	<u><b>164,820</b></u>

**10. Stocks and Work in Progress**

	<b>31 March 2008 £000</b>	31 March 2007 £000
Raw materials and consumables	<u><b>2,367</b></u>	<u>2,115</u>

**11. Debtors**

	<b>31 March 2008 £000</b>	31 March 2007 £000
<b>Amounts falling due within one year:</b>		
NHS debtors	<b>13,197</b>	6,607
Provision for irrecoverable debts	<b>(1,179)</b>	<b>(431)</b>
Prepayments and accrued income	<b>4,854</b>	777
Other debtors	<u><b>5,091</b></u>	<u>2,924</u>
<b>Sub Total</b>	<u><b>21,963</b></u>	<u>9,877</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	<u><b>1,038</b></u>	<u>902</u>
<b>Sub Total</b>	<u><b>1,038</b></u>	<u>902</u>
<b>Total</b>	<u><b>23,001</b></u>	<u>10,779</u>

Prepayments include an amount of £4,181,273 in respect of an advance payment for the construction of a new multi-storey car park.

## 12. Investments

### 12.1 Current Asset Investments

	National Loans Fund £000	Short Term Money Market £000	Total £000
Balance as at 1 April 2007	5,500	23,500	29,000
Additions	129,500	356,023	485,523
Disposals	(135,000)	(354,523)	(489,523)
<b>Balance as at 31 March 2008</b>	<b>0</b>	<b>25,000</b>	<b>25,000</b>

Investments referred to in this note relate to short term deposits of cash in A+ rated financial institutions. The Trust does not have any investments in a portfolio of stocks and shares.

## 13. Creditors

	31 March 2008 £000	31 March 2007 £000
<b>Amounts falling due within one year:</b>		
Payments received on account	498	633
NHS creditors	5,978	3,837
Tax and social security costs	3,244	2,941
Capital	1,503	1,013
Other creditors	16,034	16,901
Accruals and deferred income	4,483	4,077
<b>Total</b>	<b>31,740</b>	<b>29,402</b>

### Other creditors include:

£1,669,798 pensions contributions as at 31 March 2008 ( 2007 - £1,591,335).

**14. Provisions for liabilities and charges**

	Legal claims £000	Other £000	Total £000
At 1 April 2007	225	4,879	5,104
Arising during the period	26	1,524	1,550
Utilised during the period	0	(97)	(97)
Reversed unused	0	(406)	(406)
Unwinding of discount	0	31	31
<b>At 31 March 2008</b>	<b>251</b>	<b>5,931</b>	<b>6,182</b>

**Expected timing of cashflows:**

	£000	£000	£000
Within one year	251	98	349
Between one and five years		3,215	3,215
After five years		2,618	2,618
<b>Total</b>	<b>251</b>	<b>5,931</b>	<b>6,182</b>

**Analysis:**

	£000	£000
Employers / Public Liability	251	
Injury Benefit		3,106
Non clinical claims		2,825

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.

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 a contingent liability where the transfer of economic benefit is probable (see note 21)

£18,668,077 (2007 - £14,538,033) is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the trust.



## 15. Prudential borrowing limit

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 (Maximum Debt / Capital Ratio) and therefore can impact on the level of allowed long term borrowing.
- b. the amount of any working capital facility approved by Monitor.

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

The Trust has a prudential borrowing limit of £49,000,000. The Trust has not yet borrowed against this limit.

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

<b>Prudential Borrowing Code Financial Ratios</b>	<b>Actual ratios 2007/08</b>	<b>Approved ratios 2007/08</b>
Maximum Debt/ Capital Ratio	n/a	< 25%
Minimum Dividend Cover	3.8	> 1x
Minimum Interest Cover	n/a	> 3x
Minimum Debt Service Cover	n/a	> 2x
Maximum Debt Service to Revenue	n/a	< 3%

### For the 8 Months Period to 31 March 2007

	Actual ratios 2006/07	Approved ratios 2006/07
Maximum Debt/ Capital Ratio	n/a	< 15%
Minimum Dividend Cover	3.2	> 1x
Minimum Interest Cover	n/a	> 3x
Minimum Debt Service Cover	n/a	> 2x
Maximum Debt Service to Revenue	n/a	< 3%

**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 April 2007	56,649	6,764	11,068	<b>74,481</b>
Transfer from the income and expenditure account	0	0	(12,295)	<b>(12,295)</b>
Fixed asset impairments (a)	(560)	0	0	<b>(560)</b>
Surplus on revaluations of fixed assets (b)	10,451	967	0	<b>11,418</b>
Transfer of realised profits/(losses) to the Income and Expenditure Reserve	0	0	0	<b>0</b>
Receipt of donated assets	0	114	0	<b>114</b>
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	0	(312)	0	<b>(312)</b>
Other transfers between reserves	106	0	(106)	<b>0</b>
<b>At 31 March 2008</b>	<b>66,646</b>	<b>7,533</b>	<b>(1,333)</b>	<b>72,846</b>

For notes see page 26

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

During 2007/08 an interim valuation was undertaken by the District Valuer in line with FRS 15.

**(a)** Downward valuations of fixed assets where the asset has an existing revaluation reserve balance are charged against the revaluation reserve until the reserve is used. Any remaining balance of the downward valuation is then charged to operating expenditure.

**(b)** The result of all upward revaluations are shown here.

This note also shows the impact of applying indexation to the net book value of non-land and building fixed assets.

The impact of downward valuations of land and building assets with no revaluation reserve balance or where the downward revaluation relates to a consumption of economic benefit are charged as operating expenses - see note 4.

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

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

	<b>Year to 31 March 2008</b>	8 Months to 31 March 2007
	£000	£000
Total operating surplus	<b>(8,666)</b>	5,709
Depreciation and amortisation charge	<b>8,313</b>	4,445
Fixed asset impairments	<b>19,225</b>	1,187
Transfer from donated asset reserve	<b>(312)</b>	<b>(205)</b>
Increase in stocks	<b>(252)</b>	197
Increase in debtors	<b>(12,222)</b>	1,745
Increase in creditors	<b>1,848</b>	3,445
Increase in provisions	<b>1,090</b>	3,514
	<hr/>	<hr/>
Net cash inflow from operating activities.	<b>9,024</b>	20,037
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Year to 31 March 2008</b>	8 Months to 31 March 2007
	£000	£000
Increase in cash in the year	<b>3,921</b>	<b>(3,259)</b>
Cash inflow from decrease in liquid resources	<b>(4,000)</b>	21,500
Change in net debt resulting from cashflows	<b>(79)</b>	18,241
Net funds at 1 April 2007	<b>30,085</b>	11,844
Net funds at 31 March 2008	<b>30,006</b>	30,085
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

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

	At 1 April 2007	Cash changes in year	Non-cash changes in year	At 31 March 2008
	£000	£000	£000	£000
OPG cash at bank	527	3,961	0	4,488
Commercial cash at bank and in hand	558	(40)	0	518
Current asset investments	29,000	(4,000)	0	25,000
<b>Total</b>	<u>30,085</u>	<u>(79)</u>	<u>0</u>	<u>30,006</u>

**19. Capital Commitments**

Commitments under capital expenditure contracts at 31 March 2008 were £4,405,000 (2007 - £3,582,625).

**20. Post Balance Sheet Events**

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

**21. Contingencies**

	At 31 March 2008	8 Months to 31 March 2007
	£000	£000
Contingent liabilities (gross value)	1,309	750
Amounts recoverable against contingent liabilities	0	0
<b>Net value of contingent liabilities</b>	<u>1,309</u>	<u>750</u>

**Analysis:**

	£000	£000
Employers and Public Liability claims	97	81
Non clinical claims	1,212	669
<b>Total</b>	<u>1,309</u>	<u>750</u>

See also Provisions - Note 14

**22. Movement in taxpayers equity**

	£000
Taxpayers equity as at 1 April 2007	164,086
Surplus after taxation for the period	(6,821)
Public dividend capital dividends	(5,474)
Fixed asset impairments charged to the Statement of Recognised Gains and Losses	(560)
Surplus on revaluations of fixed assets and current asset investments	10,451
Public dividend capital received	23,663
Public dividend capital repaid	(1,956)
Reductions in donated assets reserve	769
<b>Taxpayers equity as at 31 March 2008</b>	<u>184,158</u>

**23. Movement in Public Dividend Capital**

	£000
Public Dividend Capital as at 1 April 2007	89,605
Public Dividend Capital received in the period	23,663
Public Dividend Capital repaid in the period	(1,956)
<b>Public Dividend Capital as at 31 March 2008</b>	<b>111,312</b>

The Public dividend capital repaid relates to a capital to revenue transfer of funds to provide the Trust with revenue income to fund the capital grant for highways work associated with the hospital redevelopment.

The income was received via Salford PCT and is included in other income in note 3 and the expenditure is shown as a Grant to local authority in note 4.1.

**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 2007 to 31 March 2008) totalling £5,474,000 bears to the average relevant net assets of £164,466,000 that is 3.33%.

**25. Related Party Transactions**

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

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

NHS North West  
 Ashton, Leigh and Wigan PCT  
 Bolton PCT  
 Bury PCT  
 Manchester PCT  
 Cheshire West PCT  
 Heywood, Middleton and Rochdale PCT  
 Oldham PCT  
 Salford PCT  
 Stockport PCT  
 Tameside & Glossop PCT  
 Trafford PCT  
 NHS Litigation Authority  
 NHS Professionals

Certain members of the Board of Directors, key members of staff (or parties related to them) and members of the Council of Governors have connections with organisations which also have material transactions with the Trust.

These organisations are listed below

Organisation	Income £000	Expenditure £000	Debtor Balance £000	Creditor Balance £000
University of Manchester	577	2,283	421	134
City of Salford	294	2,598	78	187
University of Salford	56	89	23	4
E C Harris	0	87	0	6
Genzyme UK Ltd	4	3,751	1	128
<b>Total</b>	<b>931</b>	<b>8,808</b>	<b>523</b>	<b>459</b>

The Trust has a related charity (Salford Royal NHS Foundation Trust - Charitable Funds) to which it made an administrative charge of £48,000 during the year. The Trust also makes purchases and pays for research staff on behalf of the charity, these amounted to £384,922 during the year. The amount outstanding at 31 March 2008 was £89,448.

## 26. Private Finance Transactions

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

<b>A. The Maples</b>	<b>Year to 31 March 2008</b>	<b>8 Months to 31 March 2007</b>
	<b>£000</b>	<b>£000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	<b>326</b>	212
Amortisation of PFI deferred asset	<b>0</b>	0
Net charge to operating expenses	<b><u>326</u></b>	<u>212</u>
The Trust is committed to make the following payments during the next year.	<b>£000</b>	£000
16th to 20th years (inclusive)	<b>333</b>	334
	<b>£000</b>	£000
Estimated capital value of the PFI scheme	<b>960</b>	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.

<b>B. Hospital redevelopment</b>	<b>Year to 31 March 2008</b>
	<b>£000</b>
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	<b>0</b>
Amortisation of PFI deferred asset	<b>0</b>
Net charge to operating expenses	<b><u>0</u></b>
	<b>£000</b>
Estimated capital value of the PFI scheme	<b>137,000</b>
Contract Start date: 10/09/2007	
Contract End date: 18/6/2042	

The scheme is for the re-provision of clinical and non-clinical accommodation.

The Trust is not required to make any payments for this scheme in 2008/09.

### 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 financed its capital expenditure from funds made available from Government. 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**

	<b>Total</b>	<b>Loans and receivables</b>	<b>Held to Maturity</b>
<b>Denominated in £ sterling</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 31 March 2008</b>			
NHS debtors net of provision for irrecoverable debt	11,976	11,976	
Other debtors	5,904	5,904	
Current asset investments	25,000		25,000
Cash at bank and in hand	5,006	5,006	
<b>Gross financial assets</b>	<b>47,886</b>	<b>22,886</b>	<b>25,000</b>
<b>At 31 March 2007</b>			
NHS debtors net of provision for irrecoverable debt	6,607	6,607	
Other debtors	2,924	2,924	
Current asset investments	29,000		29,000
Cash at bank and in hand	1,085	1,085	
<b>Gross financial assets</b>	<b>39,616</b>	<b>10,616</b>	<b>29,000</b>

**27.2 Financial Liabilities**

	<b>Other Financial Liabilities</b>
<b>Denominated in £ sterling</b>	<b>£000</b>
<b>At 31 March 2008</b>	
NHS creditors	5,978
Other creditors	24,881
Accruals	5,354
<b>Gross financial liabilities</b>	<b>36,213</b>
<b>At 31 March 2007</b>	
NHS creditors	3,837
Other creditors	24,946
Accruals	4,077
<b>Gross financial liabilities</b>	<b>32,860</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 2008.

	As at 31 March 2008		As at 31 March 2007	
	Book Value	Fair Value	Book Value	Fair Value
	£000	£000	£000	£000
<b>Financial assets</b>				
Cash	5,006	5,006	1,085	1,085
Investments	25,000	25,000	29,000	29,000
<b>Total</b>	<b>30,006</b>	<b>30,006</b>	<b>30,085</b>	<b>30,085</b>

**Financial liabilities**

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

**28. Third Party Assets**

The Trust held £11,396 cash at bank and in hand at 31 March 2008 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	900	0	404	0
English NHS Trusts	1,960	0	1,683	0
Department of Health	0	0	0	0
English Strategic Health Authorities	2,130	0	119	0
English Primary Care Trusts	8,207	0	2,363	0
RAB Special Authorities	0	0	540	0
NHS CGA bodies	0	0	0	0
NHS WGA bodies	0	0	869	0
<b>Total NHS bodies</b>	<b>13,197</b>	<b>0</b>	<b>5,978</b>	<b>0</b>
Other WGA bodies	2,478	0	4,401	0
<b>At 31 March 2008</b>	<b>15,675</b>	<b>0</b>	<b>10,379</b>	<b>0</b>

**30. Losses and Special Payments**

There were 87 cases of losses and special payments totalling £212,188 paid during the year to 31 March 2008.

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