

**BOLTON HOSPITALS NHS TRUST**  
**AUDITED ANNUAL ACCOUNTS**  
**2005/06**

# **BOLTON HOSPITALS NHS TRUST**

## **ANNUAL ACCOUNTS : 2005/06**

### **CONTENTS**

| <b><u>Statements</u></b>                                 | <b><u>Page Number</u></b> |
|--|---------------------------|
| Directors' Statements                                    | i                         |
| Auditors' Report   | ii                        |
| Directors' Responsibility in Respect of Internal Control | vi                        |
| Foreword to the Accounts                                 | xiii                      |
| <br>   |                           |
| <b><u>Accounts</u></b>                                   |                           |
| Income and Expenditure Account                           | xiv                       |
| Note to the Income and Expenditure Account               | xv                        |
| Balance Sheet  | xvi                       |
| Statement of Recognised Gains and Losses                 | xvii                      |
| Cash Flow Statement                                      | xviii                     |
| <br>   |                           |
| <b><u>Notes to the Accounts</u></b>                      |                           |
| 1. Accounting Policies                                   | 1                         |
| 2. Segmental Analysis                                    | 8                         |
| 3. Income from Activities                                | 9                         |
| 4. Other Operating Income                                | 9                         |
| 5. Operating Expenses                                    | 10                        |
| 6. Staff Costs and Numbers                               | 12                        |
| 7. Better Payments Practice Code                         | 14                        |
| 8. Profit (Loss) on Disposal of Fixed Assets             | 14                        |
| 9. Interest Payable                                      | 14                        |
| 10. Intangible Fixed Assets                              | 15                        |
| 11. Tangible Fixed Assets                                | 16                        |
| 12. Stocks and Work in Progress                          | 18                        |
| 13. Debtors  | 18                        |
| 14. Investments  | 19                        |
| 15. Creditors  | 20                        |
| 16. Provisions for Liabilities and Charges               | 22                        |
| 17. Movements on Reserves                                | 23                        |
| 18. Notes to the Cash Flow Statement                     | 24                        |
| 19. Capital Commitments                                  | 26                        |
| 20. Post Balance Sheet Events                            | 26                        |
| 21. Contingencies  | 26                        |
| 22. Movements in Public Dividend Capital                 | 26                        |
| 23. Financial Performance Targets                        | 27                        |
| 24. Related Party Transactions                           | 29                        |
| 25. Private Finance Transactions                         | 30                        |
| 26. Pooled Budgets                                       | 32                        |
| 27. Financial Instruments                                | 33                        |
| 28. Third Party Assets                                   | 36                        |
| 29. Intra-Government and Other Balances                  | 36                        |
| 30. Losses and Special Payments                          | 36                        |

**DIRECTORS' STATEMENTS**

**Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust**

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

03/07/06 Date .....  ..... Chief Executive

**Statement of Directors' Responsibilities in Respect of the Accounts**


The directors are required under the National Health Service Act 1977 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure of the trust for that period. In preparing those accounts, the directors are required to:


- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board:

03/07/06 Date .....  ..... Chief Executive

3/7/06 Date .....  ..... Finance Director

## Independent auditor's report to the Directors of the Board of Bolton Hospitals NHS Trust

### Opinion on the financial statements

I have audited the financial statements of Bolton Hospitals NHS Trust for the year ended 31 March 2006 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

This report is made solely to the Board of Bolton Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### Respective responsibilities of Directors and auditor

The Directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

I review whether the Directors' Statement on Internal Control reflects compliance with the Department of Health's requirements 'The Statement on Internal Control 2003/2004' issued on 15 September 2003 and further guidance issued on 5 April 2005. I report if it does not meet the requirements specified by the Department of Health or if the Statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Directors' Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

My opinion relates only to historic financial information. It does not extend to the prospective information reported in 'anticipated year of financial recovery' in Note 23.1 on page 26. I did not undertake any procedures in respect of this entry, other than considering the implications for my opinion if the disclosure is misleading or inconsistent with other information I am aware of from the audit of the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2006 and of its income and expenditure for the year then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Name: Jackie Bellard *Jackie Bellard* Date: *6/7/06*

Title: District Auditor

Address: Aspinall House  
Aspinall Close  
Middlebrook  
Bolton  
BL6 6QQ

## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

### Director's responsibilities

The Directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for NHS bodies specified by the Audit Commission and published in July 2005, in all significant respects, Bolton Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

### Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Name: Jackie Bellard *Jackie Bellard* Date:.....*6/7/06*.....  
Title: District Auditor  
Address: Aspinall House  
Aspinall Close  
Bolton  
BL6 6QQ

## STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL

### 1. Scope of Responsibility

The Board is accountable for internal control. As accountable officer, and Chief Executive of this Board, I have responsibility for monitoring a sound system of internal control that supports the achievement of the organisations policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisations assets for which I am personally responsible as set out in the Accountable Officer memorandum.

Early in 2005/6 the Board established the following sub committees:-

- Finance,
- Governance,
- Information Management and Technology,
- Human Resources.

These sub committees have provided additional assurance to the Board, having explored relevant issues in greater depth. They are in addition to the existing sub committees for:-

- Audit
- Remuneration.

In particular the Governance sub-committee, which includes three Non-Executive Directors and three Executive Directors, is responsible for continuously reviewing and developing the Assurance Framework. The minutes of this committee (as with the other board sub-committees) are discussed at the full Trust Board.

During 2005/6 the Board also consulted on and implemented a new organisational structure introducing four clinical divisions to replace the previous eight clinical directorates. The four clinical divisions plus a facilities division are each managed by a new role of Divisional Manager, accountable for delivery of key objectives in their areas of responsibility. In the clinical divisions each Divisional General Manager is supported by a Divisional Nurse (other than Diagnostics and Therapies) and Associate Medical Director who has specific responsibility for delivering on patient safety, quality and the governance agenda. The four clinical divisions are accountable to the Director of Nursing and Performance Improvement. The Facilities Divisional Manager is accountable to the Director of Corporate Services. The remainder of the Trusts business is managed by the following functional directorates:-

- Finance,
- Human Resources,
- Corporate Services,
- Nursing and Performance Improvement,
- Service Development,
- Medical.

In addition during 2005/6 the Trust consulted on and agreed a new 5 year strategy – “Best Possible Care – now and into the Future”.

Updates are provided to the Board and Governance Committee on a monthly/quarterly/annual basis on arrangements for ensuring effective control through:-

- Performance Monitoring and Finance Reports.
- Board Assurance Framework,
- Clinical negligence scheme for Trust's,
- Clinical Governance Updates,
- Board sub committee minutes,
- Standards for better health steering group,
- Risk management committee.

As Accountable Officer I have overall accountability for Internal Control. To support this role, there are clear systems of accountability within the organisation with each Executive Director having specific areas of responsibility. Performance against the Trusts objectives is reported to the Board on a monthly basis.

Arrangements are in place for the reporting of Serious Untoward Incidents to the Strategic Health Authority and other stakeholders through the Trusts Incident Reporting Policy. The Trust also links to the National Reporting and Learning System (NRLS) of the National Patient Safety Agency.

## **2. Processes in Place by Which we Work with the SHA and Partner Organisations**

Relationships and working arrangements with the SHA are conducted principally through:-

- SHA performance management and reporting arrangements.
- SHA led, Greater Manchester joint planning networks e.g. for Cancer, Women's and Children's Services and IT etc.  
Routine contact between senior officers and their counter parts.  
The Trusts link SHA Non Executive Board member.

The Trusts principal partner organisation is Bolton Primary Care Trust and a series of arrangements are in place relating both to their role as commissioner and a co-provider of services.

- Joint planning and development intentions are embodied in the Local Delivery Plan.
- Contracted commitments between provider and commissioner are regulated via annual service level arrangements.
- Strategic developments are regularly discussed in two joint boards one for scheduled care and one for unscheduled care. Officers from both organisations sit on these boards.
- The Executive teams of both the Trust and PCT meet on a regular basis.
- Non Executives of both organisations meet regularly and there are occasional Board to Board meetings.
- Joint performance review mechanisms are in place, focusing on key LDP deliverables and NHS plan target delivery.
- A complex array of planning forums exist to focus professional advice and managerial action across a range of priority agendas, including services for Older People, Cancer Services, Children's Services, CHD, Diabetes, Emergency Services, Access, Choice and Booking.
- A Clinical Risk Interface Group, Clinical Care Group and Clinical Reference Group are also in place to enable clinicians and managers to work together on a range of clinical issues such as clinical pathways, medicine management and clinical risk management.

Over arching partnership structures, embracing Local authority, NHS, and non statutory sector organisations provide the framework for borough – wide strategic development broadly grouped around Older People, Adults and Children.

## **3. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:-

- Identify and prioritise the risks to the achievement of the organisations policies, aims and objectives.
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

The system of internal control has been in place in Bolton Hospitals NHS Trust for the year ended 31<sup>st</sup> March 2006, and up to the date of the approval of the Annual Report and Accounts.

## **4. Capacity to Handle Risk**

### **4.1. Leadership**

The Chief Executive has overall accountability and responsibility for Risk Management within Bolton Hospitals NHS Trust. The Chief Executive holds each line manager accountable for setting objectives, relevant to the Boards corporate objectives, for their own staff.

The Chief Executive is a member of the Clinical Governance Committee and Finance Committee and is personally involved in the management of complaints against the Trust.

#### Responsibility of the Director of Corporate Services

The Director of Corporate Services has overall responsibility for all aspects of clinical and organisational risk management and has managerial responsibility for clinical governance and clinical effectiveness, audit and research and development with the Medical Director providing the professional lead. The Director of Corporate Services attends the Audit Committee, and is a member of the governance sub committee, clinical governance committee, risk management committee and sits on the finance sub committee. The risk management committee is chaired by a non executive director. The Director of Corporate Services is also responsible for the management of claims and complaints (with effect from November 2005) against the

#### Responsibility of the Director of Nursing and Performance Improvement

The Director of Nursing and Performance Improvement is operationally responsible for all clinical services within the Trust through the clinical divisions. This includes the achievement of key performance indicators on patient access and patient safety. The Director of Nursing and Performance Improvement was also responsible for the management of complaints until November, 2005. The role also incorporates the professional leadership of nurses, midwives and providing advice to the board on nursing issues in addition to representing AHPs and healthcare scientists.

#### Responsibility of the Medical Director

The Medical Director provides professional leadership for clinical governance within the Trust. The Medical Director chairs the clinical governance committee and is a member of the governance sub committee. The Medical Director also provides medical advice to the board and is professionally responsible for clinical effectiveness, Audit and Research and development.

#### Responsibility of the Director of Finance

The Director of Finance is designated as the accountable and responsible officer for managing financial risk in the Trust and is also responsible for performance reporting and information. The Director of Finance attends the Audit Committee, and is a member of the governance sub committee, finance sub committee.

### **4.2. Training**

To ensure the successful implementation and maintenance of the risk management strategy staff at all levels are appropriately trained and skilled in carrying out risk assessment and the reporting of incidents. Risk management, incident reporting, risk assessment training, risk register training, managing safety, child protection training and conflict resolution training all form part of an ongoing programme of training as detailed in the Trust Training Prospectus.

Medicines management training is delivered at doctors' induction programmes and during educational and development sessions. Medication error reports are brought to the clinical governance committee and disseminated to the divisions through the Divisional Quality Managers. Ad hoc support and advice on medicines management is also provided at ward and departmental level.

Risks and safety in respect of clinical equipment and devices is discussed and disseminated in the medical devices and equipment management committee.

General awareness raising for risk management issues is achieved through staff briefings, team brief, safety bulletins, induction and the intranet.

The Trust has replaced its learning forum with a patient experience group which is led by the Head of Governance and Patient Experience and includes the Customer Relations Officer, PALS Officer, Clinical Risk assistant, Divisional Quality Managers, Patient & Public Involvement Forum member and the Equality & Diversity Manager.

The purpose of the group is to identify themes from complaints and PALS issues on a monthly basis and to agree lessons to be learnt and actions to be taken to improve the patient experience and ensure this information is shared across the organisation.

## **5. The Risk and Control Framework**

The Risk Management Strategy identifies the responsibilities of the following executives:

- Chief Executive
- Director of Corporate Services
- Director of Finance

In addition the responsibilities of the Risk Manager and Clinical Risk Manager (vacant with effect from October, 2005 to be replaced by a Corporate Quality Manager) are identified. The new role of Head of Governance and Patient Experience plays a key role in advising and co-ordinating governance and risk

Responsibility for Risk Management for all levels of staff is fully outlined in the Trust's policy on Risk Management responsibilities.

A board endorsed Risk Management Strategy is in place which describes the following:

- Statement of Policy.
- Aims.
- Strategic objectives.
- Philosophy of risk management.
- Total risk control.
- Risk Management structure.
- Risk Management responsibilities.
- Process of evaluating and prioritising risk.
- Risk Register.
- Performance Management.
- Monitoring and review.
- Risk Management training and support.
- Fair blame culture.
- Stakeholder involvement.

The Risk Management Strategy also links to other Trust policies e.g. Accident/Incident reporting and investigation, root cause analysis, whistle blowing and clinical governance strategy.

The strategy is available to staff in all wards and departments and on the Trust intranet.

The Risk Management Strategy is currently being reviewed to reflect the new organisational structure.

### **5.1. Risk Management is embedded in the Trust**

Risk Management is embedded within the Trust through key committees:

- Governance Sub Committee.
- Risk Management Committee.
- Audit Committee.

- Clinical Governance Committee (merged with the Clinical Risk Management Committee with effect from January, 2006).

The PCT are represented on the clinical governance committee.

Minutes of these groups are exchanged and made available to staff through the intranet, meetings and

Other risk groups include:

- Health & Safety Committee.
- Risk Assessment Group.
- Radiation Protection Committee.
- Medical Devices and Equipment Management Committee.
- Laser Protection Committee.
- Divisional Quality Boards/Risk Management Committees.
- Infection Control Committee.
- Manual Handling Co-ordinators Group.
- Winning Ways Steering Group.
- Local Security Management Committee.

The implementation of Trust's policies and procedures are the responsibility of functional directors, divisional managers and departmental managers.

## 5.2. Board Assurance Framework

A board approved Assurance Framework was in place during 2005/06. The framework:

- Covers all of the Trust's main activities.
- Identifies the objectives and targets the Trust is striving to achieve.
- Identifies risk to achievement of objectives and targets.
- Identifies the system of internal control in place to manage the risks.
- Identifies review and assurance mechanisms which relate to the effectiveness of the system of internal control.
- Covers the core standards on which the Trust has been required to declare its compliance during 2005/06.

The board receives updates on high/significant risks and risks are documented in the corporate risk register. The Risk Management Committee considers high and significant risks and recommends those to be forwarded to the board for consideration.

The Risk Assessment Group considers newly submitted high/significant risks on a monthly basis and recommends those to be forwarded to the Risk Management Committee.

Risk prioritisation and action planning is informed by incident reports, litigation claims, audit information, complaints, individual issues from directorates and national requirements/guidance.

Action plans are developed for unresolved risks and the rating of risks is adapted from the Australian Risk Management Process.

Lead managers and directors are identified to deal with the gaps in control and assurance and are responsible for developing actions plans to address the gaps.

## 5.3. Standards for Better Health

The Trust's Assurance Framework and objectives were linked to the core standards. The Trust established a Standards for Better Health Steering Group with PPI Forum representation. Each of the seven domains was led by an executive director or senior manager linked with a non executive director.

The Trust undertook a self assessment against the standards and made an interim declaration in October,

2005.

The Trust further assessed itself and submitted a final declaration of full compliance against all 24 core standards in April, 2006.

#### **5.4. Public Involvement**

Board meetings are held in public at which the Assurance Framework, Risk Management Strategy, Governance Sub Committee minutes and Annual Health Check are discussed. The Trust's declaration is available on the Trust website. The Chair and members of the PPI Forum sit at the board table and are fully involved in board meetings.

The PPI Forum meets regularly with senior officers of the Trust and undertakes regular visits.

A new Patient and Public Involvement Strategy developed in conjunction with the PPI Forum was recently approved by the Board.

There is public representation on the Clinical Governance Committee, Research and Development Committee, Patient & Public Involvement Steering Group, Best Possible Care through Lean Steering Group, National Standards of Cleanliness Steering Group and various committees at Divisional level.

During 2005/06 the profile of the PALS service was raised and the PALS office upgraded.

#### **6. Review of Effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways:

1. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work.
2. Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.
3. The Board Assurance Framework itself provides me with evidence that the effectiveness of controls that manage risks to the organisation achieving its principal objectives, have been reviewed.
4. The annual health check also provides me with additional assurance.

#### **Significant Control Issues**

1. Whilst the process of admitting emergency patients was greatly improved during much of 2005/06, performance slipped in the first quarter of the year and slipped again during the last quarter. The Trust did not therefore meet the 98% target for the whole of 2005/06. A detailed action plan is being prepared in conjunction with the PCT to ensure performance improves during 2006/07.
2. The Trust experienced 3 maternal deaths during 2005/06. In addition to internal Trust investigations (SUIs) the Trust also commissioned an external review. Families of the patients and the Board were fully informed at all stages of the investigations and the final report was shared with relatives, the public, the Healthcare Commission, other stakeholders and the Board in April 2006. An action plan has been drawn up and will be monitored over the forthcoming months.
3. The Trust identified recurrent savings of £7.5m in 2005/06 and achieved savings of £5.2m in year. In addition, in conjunction with the SHA and PCT we made significant inroads in eradicating the Trust's historic debt. The Trust will however, enter 2006/07 with a remaining debt of £2.4m which consists of £1.9m remaining historic debt and a small operating deficit of £500k in 2005/06. The Trust intends eradicating this debt completely during 2006/07.

### Significant Achievements

The Trust was successful in achieving CNST Level II for maternity services in December 2005. This means the Trust now has Level II for the whole organisation. The Trust has been selected to pilot the new NHSLA standards during 2006/07.

Other significant achievements during 2005/06 were:

- Reductions in outpatient and inpatient and day case waiting times – with the Trust achieving its target of no-one waiting over 13 weeks for an outpatients appointment or 6 months for an inpatient/day case admission, ahead of the national target.
- Improvement in the speed with which cancer patients are treated.
- In radiology a combination of investment and redesign has cut waiting times by as much as 75% in CT, MR scan and ultrasound.
- New approaches to service improvement have been introduced using 'lean thinking'. The Trauma Stabilisation Unit in particular is already having a positive effect on the Trust's mortality rates.
- Hospital at Night is being introduced across the Trust.
- The Trust achieved a Silver Clean Air Award for its No Smoking Policy.
- A team from the Microbiology department won the first prize in the Staff Engagement and Involvement Award section of the Greater Manchester Awards.
- A new role of Head of Governance and Patient Experience was introduced.
- The Trust achieved Improving Working Lives practice plus status.

Action plans are in place through the Board Assurance Framework and I have been advised on the implications of the result of my review of the effectiveness of the system of internal control through Board reports, Governance sub-committee Audit Committee, Risk Management Committee, Clinical Governance Committee and the Risk Register.

The Audit Committee maintains an overview and scrutiny of Finance, Governance and Risk Management. Internal Audit and External Audit also provide additional assurance.

Internal Audit are represented on the Governance Sub Committee, and previously the Risk Management Group, and have been involved in controls assurance, and audited the assurance framework and standards for better health process.

A risk management team advises and guides staff at all levels in the Trust and on all aspects of risk management. Divisional and departmental risk registers that feed into the corporate risk register continue to be developed. The electronic system 'Safeguard' has now been introduced into the Trust for complaints, litigation, risk register and standards for better health.

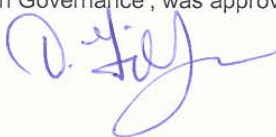
The Clinical Governance and Clinical Effectiveness Committees ensure the implementation of quality imperatives, e.g., National Institute for Clinical Excellence (NICE) guidance and National Service Frameworks (NSFs).

The Trust undertook a self-assessment of the Board Assurance Framework as required by the SHA and achieved status A which states that an Assurance Framework has been established to meet the requirements of the 2005/06 SIC and provides reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation. Some areas for development which were identified, will be taken forward in 2006/07.

The Head of Internal Audit opinion provides significant assurance that there is a generally sound system of internal control designed to meet the organisations objectives.

The Board has reviewed its clinical governance framework during the latter part of 2005/06 and a new framework, 'Best Possible Care through Governance', was approved by the Board in April 2006.

**David Fillingham, Chief Executive**  
5 May 2006



## **FOREWORD TO THE ACCOUNTS**

### **BOLTON HOSPITALS NHS TRUST**

These accounts for the year ended 31 March 2006 have been prepared by the Bolton 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 YEAR ENDED  
31 March 2006**

|   | NOTE | 2005/06<br>£000            | 2004/05<br>£000              |
|---|------|----------------------------|------------------------------|
| <b>Income from activities</b>                               | 3    | <b>145,574</b>             | 128,691                      |
| <b>Other operating income</b>                               | 4    | <b>14,930</b>              | 14,572                       |
| <b>Operating expenses</b>                                   | 5-7  | <b><u>(151,408)</u></b>    | <b><u>(141,327)</u></b>      |
| <b>OPERATING SURPLUS (DEFICIT)</b>                          |      | <b>9,096</b>               | 1,936                        |
| Cost of fundamental reorganisation/restructuring            |      | <b>0</b>                   | 0                            |
| Profit (loss) on disposal of fixed assets                   | 8    | <b><u>(46)</u></b>         | <u>73</u>                    |
| <b>SURPLUS (DEFICIT) BEFORE INTEREST</b>                    |      | <b>9,050</b>               | 2,009                        |
| Interest receivable   |      | <b>346</b>                 | 240                          |
| Interest payable  | 9    | <b>0</b>                   | 0                            |
| Other finance costs - unwinding of discount                 | 16   | <b>(5)</b>                 | (9)                          |
| Other finance costs - change in discount rate on provisions | 16   | <b><u>(6)</u></b>          | <u>          </u>            |
| <b>SURPLUS (DEFICIT) FOR THE FINANCIAL YEAR</b>             |      | <b>9,385</b>               | 2,240                        |
| Public Dividend Capital dividends payable                   |      | <b><u>(6,107)</u></b>      | <u>(4,946)</u>               |
| <b>RETAINED SURPLUS (DEFICIT) FOR THE YEAR</b>              |      | <b><u><u>3,278</u></u></b> | <b><u><u>(2,706)</u></u></b> |

The notes on pages 1 to 36 form part of these accounts.

All income and expenditure is derived from continuing operations.

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

|  | <b>31 March<br/>2006<br/>£000</b> | 31 March<br>2005<br>£000 |
|--|-----------------------------------|--------------------------|
| Retained surplus/(deficit) for the year  | <b>3,278</b>                      | <b>(2,706)</b>           |
| Financial support included in retained surplus/(deficit) for the year - NHS Bank             | <b>0</b>                          | 0                        |
| Financial support included in retained surplus/(deficit) for the year - Internally Generated | <b>2,070</b>                      | 0                        |
| Retained surplus/(deficit) for the year excluding financial support                          | <u><b>1,208</b></u>               | <u><b>(2,706)</b></u>    |

During 2005/06 the Trust received £2,070,000 from the Greater Manchester Health Economy as additional planned non-recurrent financial support. In addition, a proposal to address historic debt within the Health Economy by the Strategic Health Authority has meant that the Trust has received exceptional income of £3,847,000.

Financial support is income provided wholly to assist in managing the NHS Trust's financial position. Internally generated financial support is financial support received from within the local health economy, consisting of the area of responsibility of Greater Manchester Strategic Health Authority.

**BALANCE SHEET AS AT  
31 March 2006**

|  | NOTE | 31 March<br>2006<br>£000 | 31 March<br>2005<br>£000 |
|--|------|--------------------------|--------------------------|
| <b>FIXED ASSETS</b>  |      |                          |                          |
| Intangible assets  | 10   | 11                       | 0                        |
| Tangible assets  | 11   | 172,925                  | 173,430                  |
| Investments  | 14.1 | 0                        | 0                        |
|  |      | <u>172,936</u>           | <u>173,430</u>           |
| <b>CURRENT ASSETS</b>  |      |                          |                          |
| Stocks and work in progress                                    | 12   | 873                      | 799                      |
| Debtors  | 13   | 13,578                   | 8,858                    |
| Investments  | 14.2 | 0                        | 0                        |
| Cash at bank and in hand                                       | 18.3 | 447                      | 423                      |
|  |      | <u>14,898</u>            | <u>10,080</u>            |
| <b>CREDITORS: Amounts falling due within one year</b>          | 15   | <u>(11,677)</u>          | <u>(6,408)</u>           |
| <b>NET CURRENT ASSETS (LIABILITIES)</b>                        |      | <u>3,221</u>             | <u>3,672</u>             |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>176,157</u>           | <u>177,102</u>           |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 15   | 0                        | 0                        |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  | 16   | <u>(1,447)</u>           | <u>(2,219)</u>           |
| <b>TOTAL ASSETS EMPLOYED</b>                                   |      | <u><u>174,710</u></u>    | <u><u>174,883</u></u>    |
| <b>FINANCED BY:</b>  |      |                          |                          |
| <b>TAXPAYERS' EQUITY</b>                                       |      |                          |                          |
| Public dividend capital  | 22   | 86,200                   | 94,285                   |
| Revaluation reserve  | 17   | 72,187                   | 73,541                   |
| Donated asset reserve  | 17   | 1,161                    | 1,317                    |
| Government grant reserve                                       | 17   | 0                        | 0                        |
| Other reserves   | 17   | 0                        | 0                        |
| Income and expenditure reserve                                 | 17   | 15,162                   | 5,740                    |
| <b>TOTAL TAXPAYERS EQUITY</b>                                  |      | <u><u>174,710</u></u>    | <u><u>174,883</u></u>    |

Signed:  (Chief Executive)

Date: 03/07/06

The financial statements on pages xiv to xviii were approved by the Board on 29 June 2006.

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

|  | <b>2005/06</b> | 2004/05       |
|--|----------------|---------------|
|  | <b>£000</b>    | £000          |
| Surplus (deficit) for the financial year before dividend payments  | <b>9,385</b>   | 2,240         |
| Fixed asset impairment losses  | <b>0</b>       | 0             |
| Unrealised surplus/(deficit) on fixed asset revaluations/indexation  | <b>4,815</b>   | 34,772        |
| Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets | <b>44</b>      | 107           |
| Defined benefit scheme actuarial gains/(losses)  | <b>0</b>       |               |
| Additions/(reductions) in "other reserves"   | <b>0</b>       | 0             |
| <b>Total recognised gains and losses for the financial year</b>  | <b>14,244</b>  | 37,119        |
| Prior period adjustment  | <b>0</b>       | 0             |
| <b>Total gains and losses recognised in the financial year</b>   | <b>14,244</b>  | <b>37,119</b> |

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

|   | NOTE | 2005/06<br>£000 | 2004/05<br>£000 |
|---|------|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>   |      |                 |                 |
| <b>Net cash inflow/(outflow) from operating activities</b>                            | 18.1 | <b>14,685</b>   | 4,610           |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>                               |      |                 |                 |
| Interest received   |      | 332             | 260             |
| Interest paid   |      | 0               | 0               |
| Interest element of finance leases  |      | 0               | 0               |
| <b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b> |      | <b>332</b>      | 260             |
| <b>CAPITAL EXPENDITURE</b>  |      |                 |                 |
| (Payments) to acquire tangible fixed assets   |      | (5,412)         | (5,318)         |
| Receipts from sale of tangible fixed assets   |      | 807             | 704             |
| (Payments) to acquire intangible assets   |      | (11)            | 0               |
| Receipts from sale of intangible assets   |      | 0               | 0               |
| (Payments to acquire)/receipts from sale of fixed asset investments                   |      | 0               | 0               |
| <b>Net cash inflow/(outflow) from capital expenditure</b>                             |      | <b>(4,616)</b>  | (4,614)         |
| <b>DIVIDENDS PAID</b>   |      |                 |                 |
|   |      | <b>(6,107)</b>  | (4,946)         |
| <b>Net cash inflow/(outflow) before management of liquid resources and financing</b>  |      | <b>4,294</b>    | (4,690)         |
| <b>MANAGEMENT OF LIQUID RESOURCES</b>   |      |                 |                 |
| (Purchase) of current asset investments   |      | 0               | 0               |
| Sale of current asset investments   |      | 0               | 0               |
| <b>Net cash inflow/(outflow) from management of liquid resources</b>                  |      | <b>0</b>        | 0               |
| <b>Net cash inflow/(outflow) before financing</b>                                     |      | <b>4,294</b>    | (4,690)         |
| <b>FINANCING</b>  |      |                 |                 |
| Public dividend capital received  |      | 0               | 6,717           |
| Public dividend capital repaid (not previously accrued)                               |      | (4,270)         | (2,000)         |
| Public dividend capital repaid (accrued in prior period)                              |      | 0               | 0               |
| Loans received  |      | 0               | 0               |
| Loans repaid  |      | 0               | 0               |
| Other capital receipts  |      | 0               | 0               |
| Capital element of finance lease rental payments                                      |      | 0               | 0               |
| Cash transferred (to)/from other NHS bodies   |      | 0               | 0               |
| <b>Net cash inflow/(outflow) from financing</b>                                       |      | <b>(4,270)</b>  | 4,717           |
| <b>Increase/(decrease) in cash</b>  |      | <b>24</b>       | 27              |

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

#### 1.4 Intangible fixed assets

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

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

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

#### 1.5 Tangible Fixed Assets

##### Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £5,000; or

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

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

### **Valuation**

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

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

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

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

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

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'.

PFI schemes are schemes under which the PFI operator receives an annual payment from the Trust for the services provided by the PFI operator.

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 criteria:

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

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

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

### **1.11 Provisions**

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. This is a change from the rate of 3.5% in 2004/05 and earlier. The effect of the change is to increase the carrying value of the provision and this is shown in the Income and Expenditure Account and at Note 16.

### **Clinical negligence costs**

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

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2005/06 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 NHS Pensions Agency website at [www.nhs.gov.uk](http://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.

NHS bodies are directed by the Secretary of State to charge employer's pension cost contributions to operating expenses as and when they become due.

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 28 to the accounts.

### **1.17 Leases**

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

### **1.18 Public Dividend Capital (PDC) and PDC Dividend**

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

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

### **1.19 Losses and Special Payments**

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

Losses and Special Payments are charged to the relevant functional headings in the income and expenditure account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

## **2 SEGMENTAL ANALYSIS**

The Trust is not required to report on segmental basis.

**3. Income from Activities**

|                                      | <b>2005/06</b>        | 2004/05               |
|--------------------------------------|-----------------------|-----------------------|
|                                      | <b>£000</b>           | £000                  |
| Strategic Health Authorities         | <b>0</b>              | 0                     |
| NHS Trusts                           | <b>227</b>            | 205                   |
| Primary Care Trusts*                 | <b>142,540</b>        | 127,058               |
| Foundation Trusts                    | <b>29</b>             | 0                     |
| Local Authorities                    | <b>0</b>              | 0                     |
| Department of Health                 | <b>1,421</b>          | 0                     |
| NHS Other                            | <b>0</b>              | 0                     |
| Non NHS:                             |                       |                       |
| - Private Patients                   | <b>180</b>            | 240                   |
| - Overseas patients (non-reciprocal) | <b>35</b>             | 68                    |
| - Road Traffic Act                   | <b>1,058</b>          | 1,030                 |
| - Other                              | <b>84</b>             | 90                    |
|                                      | <b><u>145,574</u></b> | <b><u>128,691</u></b> |

\*Includes £3,815,000 to offset fixed asset impairments charged to operating expenses.

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

**4. Other Operating Income**

|   | <b>2005/06</b>       | 2004/05              |
|---|----------------------|----------------------|
|   | <b>£000</b>          | £000                 |
| Patient transport services                        | <b>0</b>             | 0                    |
| Education, training and research                  | <b>5,537</b>         | 5,776                |
| Charitable and other contributions to expenditure | <b>128</b>           | 263                  |
| Transfers from donated asset reserve              | <b>225</b>           | 265                  |
| Transfers from government grant reserve           | <b>0</b>             | 0                    |
| Non-patient care services to other bodies         | <b>5,457</b>         | 4,232                |
| Income Generation                                 | <b>1,615</b>         | 1,602                |
| Other income                                      | <b>1,968</b>         | 2,434                |
|   | <b><u>14,930</u></b> | <b><u>14,572</u></b> |

## 5. Operating Expenses

### 5.1 Operating expenses comprise:

|  | <b>2005/06</b>        | 2004/05               |
|--|-----------------------|-----------------------|
|  | <b>£000</b>           | £000                  |
| Services from other NHS Trusts             | <b>1,262</b>          | 1,504                 |
| Services from other NHS bodies             | <b>173</b>            | 241                   |
| Services from Foundation Trusts            | <b>122</b>            | 16                    |
| Purchase of healthcare from non NHS bodies | <b>1,005</b>          | 611                   |
| Directors' costs                           | <b>569</b>            | 653                   |
| Staff costs                                | <b>103,980</b>        | 99,887                |
| Supplies and services - clinical           | <b>16,729</b>         | 16,929                |
| Supplies and services - general            | <b>4,915</b>          | 4,815                 |
| Establishment                              | <b>1,274</b>          | 1,148                 |
| Transport                                  | <b>660</b>            | 982                   |
| Premises                                   | <b>6,479</b>          | 4,975                 |
| Bad debts                                  | <b>11</b>             | 131                   |
| Depreciation and amortisation              | <b>5,337</b>          | 5,343                 |
| Fixed asset impairments and reversals      | <b>4,769</b>          | 0                     |
| Audit fees                                 | <b>168</b>            | 164                   |
| Other auditor's remuneration               | <b>0</b>              | 0                     |
| Clinical negligence                        | <b>2,715</b>          | 2,254                 |
| Other                                      | <b>1,240</b>          | 1,674                 |
|  | <b><u>151,408</u></b> | <b><u>141,327</u></b> |

Other includes expenses for Training (£370,433), Grounds Maintenance and Clinical Waste Management (£251,795), and Legal Charges and Litigation Costs (£166,690).

## 5.2 Operating leases

### 5.2/1 Operating expenses include:

|                               | <b>2005/06</b><br><b>£000</b> | 2004/05<br>£000 |
|-------------------------------|-------------------------------|-----------------|
| Hire of plant and machinery   | <b>0</b>                      | 0               |
| Other operating lease rentals | <b>941</b>                    | 965             |
|                               | <b><u>941</u></b>             | <u>965</u>      |

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

|                                | <b>Land and buildings</b>     |                 | <b>Other leases</b>           |                 |
|--------------------------------|-------------------------------|-----------------|-------------------------------|-----------------|
|                                | <b>2005/06</b><br><b>£000</b> | 2004/05<br>£000 | <b>2005/06</b><br><b>£000</b> | 2004/05<br>£000 |
| Operating leases which expire: |                               |                 |                               |                 |
| Within 1 year                  | <b>0</b>                      | 0               | <b>740</b>                    | 95              |
| Between 1 and 5 years          | <b>0</b>                      | 0               | <b>172</b>                    | 806             |
| After 5 years                  | <b>0</b>                      | 0               | <b>0</b>                      | 20              |
|                                | <b><u>0</u></b>               | <u>0</u>        | <b><u>912</u></b>             | <u>921</u>      |

**6. Staff costs and numbers****6.1 Staff costs**

|                                 | <b>2005/06</b>        |                                 |                     | 2004/05               |
|---------------------------------|-----------------------|---------------------------------|---------------------|-----------------------|
|                                 | <b>Total</b>          | <b>Permanently<br/>Employed</b> | <b>Other</b>        |                       |
|                                 | <b>£000</b>           | <b>£000</b>                     | <b>£000</b>         | <b>£000</b>           |
| Salaries and wages              | <b>88,191</b>         | 81,291                          | 6,900               | 85,179                |
| Social Security Costs           | <b>6,370</b>          | 6,370                           | 0                   | 6,034                 |
| Employer contributions to NHSPA | <b>9,935</b>          | 9,935                           | 0                   | 9,278                 |
| Other pension costs             | <b>4</b>              | 4                               | 0                   | 4                     |
|                                 | <b><u>104,500</u></b> | <b><u>97,600</u></b>            | <b><u>6,900</u></b> | <b><u>100,495</u></b> |

**6.2 Average number of persons employed**

|   | <b>2005/06</b>      |                                 |                   | 2004/05             |
|---|---------------------|---------------------------------|-------------------|---------------------|
|   | <b>Total</b>        | <b>Permanently<br/>Employed</b> | <b>Other</b>      |                     |
|   | <b>Number</b>       | <b>Number</b>                   | <b>Number</b>     | <b>Number</b>       |
| Medical and dental                              | <b>333</b>          | 264                             | 69                | 362                 |
| Ambulance staff                                 | <b>0</b>            | 0                               | 0                 | 0                   |
| Administration and estates                      | <b>656</b>          | 616                             | 40                | 726                 |
| Healthcare assistants and other support staff   | <b>243</b>          | 207                             | 36                | 180                 |
| Nursing, midwifery and health visiting staff    | <b>1,248</b>        | 1,122                           | 126               | 1,591               |
| Nursing, midwifery and health visiting learners | <b>1</b>            | 1                               | 0                 | 10                  |
| Scientific, therapeutic and technical staff     | <b>852</b>          | 847                             | 5                 | 486                 |
| Social care staff                               | <b>0</b>            | 0                               | 0                 | 0                   |
| Other   | <b>0</b>            | 0                               | 0                 | 0                   |
| Total   | <b><u>3,333</u></b> | <b><u>3,057</u></b>             | <b><u>276</u></b> | <b><u>3,355</u></b> |

**6.3 Employee benefits**

|                                 | <b>2005/06</b>  | 2004/05  |
|---------------------------------|-----------------|----------|
|                                 | <b>£000</b>     | £000     |
| There were no employee benefits | <b>0</b>        | 0        |
|                                 | <u><b>0</b></u> | <u>0</u> |

**6.4 Management costs**

|                  | <b>2005/06</b> | 2004/05 |
|------------------|----------------|---------|
|                  | <b>£000</b>    | £000    |
| Management costs | <b>5,450</b>   | 5,130   |
| Income           | <b>160,504</b> | 143,263 |

Management costs are defined as those on the management costs website at:  
[www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en..](http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en..)

**6.5 Retirements due to ill-health**

During 2005/06 (prior year 2004/05) there were 5 (8) early retirements from the trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £235,388 (£335,850). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

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

|   | <b>2005/06<br/>Number</b> | <b>2005/06<br/>£000</b> |
|---|---------------------------|-------------------------|
| Total Non-NHS trade invoices paid in the year           | 37,355                    | 33,712                  |
| Total Non NHS trade invoices paid within target         | 34,226                    | 31,156                  |
| Percentage of Non-NHS trade invoices paid within target | 91.62%                    | 92.42%                  |
| <br>  |                           |                         |
| Total NHS trade invoices paid in the year               | 1,995                     | 15,900                  |
| Total NHS trade invoices paid within target             | 1,702                     | 15,209                  |
| Percentage of NHS trade invoices paid within target     | 85.31%                    | 95.65%                  |

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

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

|   | <b>2005/06<br/>£000</b> | <b>2004/05<br/>£000</b> |
|---|-------------------------|-------------------------|
| Amounts included within Interest Payable (Note 9) arising from claims made under this legislation | 0                       | 0                       |
| Compensation paid to cover debt recovery costs under this legislation                             | 0                       | 0                       |

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

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

|   | <b>2005/06<br/>£000</b> | <b>2004/05<br/>£000</b> |
|---|-------------------------|-------------------------|
| Profit on disposal of fixed asset investments | 0                       | 0                       |
| Loss on disposal of fixed asset investments   | 0                       | 0                       |
| Profit on disposal of intangible fixed assets | 0                       | 0                       |
| Loss on disposal of intangible fixed assets   | 0                       | 0                       |
| Profit on disposal of land and buildings      | 0                       | 75                      |
| Loss on disposal of land and buildings        | (21)                    | 0                       |
| Profits on disposal of plant and equipment    | 0                       | 2                       |
| Loss on disposal of plant and equipment       | (25)                    | (4)                     |
|   | <u>(46)</u>             | <u>73</u>               |

**9. Interest Payable**

|                | <b>2005/06<br/>£000</b> | <b>2004/05<br/>£000</b> |
|----------------|-------------------------|-------------------------|
| Finance leases | 0                       | 0                       |
| Other          | 0                       | 0                       |
|                | <u>0</u>                | <u>0</u>                |

**10. Intangible Fixed Assets**

|                                       | <b>Software<br/>Licences<br/>£000</b> | <b>Licenses and<br/>trademarks<br/>£000</b> | <b>Patents<br/>£000</b> | <b>Development<br/>Expenditure<br/>£000</b> | <b>Total<br/>£000</b> |
|---------------------------------------|---------------------------------------|---|-------------------------|---|-----------------------|
| Gross cost at 1 April 2005            | 5                                     | 0   | 0                       | 0   | 5                     |
| Indexation                            |                                       |   |                         | 0   | 0                     |
| Impairments                           | 0                                     | 0   | 0                       | 0   | 0                     |
| Reclassifications                     | 0                                     | 0   | 0                       | 0   | 0                     |
| Other revaluation                     | 0                                     | 0   | 0                       | 0   | 0                     |
| Additions purchased                   | 11                                    | 0   | 0                       | 0   | 11                    |
| Additions donated                     | 0                                     | 0   | 0                       | 0   | 0                     |
| Additions government granted          | 0                                     | 0   | 0                       | 0   | 0                     |
| Disposals                             | 0                                     | 0   | 0                       | 0   | 0                     |
| <b>Gross cost at 31 March 2006</b>    | <b>16</b>                             | <b>0</b>                                    | <b>0</b>                | <b>0</b>                                    | <b>16</b>             |
| Amortisation at 1 April 2005          | 5                                     | 0   | 0                       | 0   | 5                     |
| Indexation                            |                                       |   |                         | 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 year               | 0                                     | 0   | 0                       | 0   | 0                     |
| Disposals                             | 0                                     | 0   | 0                       | 0   | 0                     |
| <b>Amortisation at 31 March 2006</b>  | <b>5</b>                              | <b>0</b>                                    | <b>0</b>                | <b>0</b>                                    | <b>5</b>              |
| <b>Net book value</b>                 |                                       |   |                         |   |                       |
| - Purchased at 1 April 2005           | 0                                     | 0   | 0                       | 0   | 0                     |
| - Donated at 1 April 2005             | 0                                     | 0   | 0                       | 0   | 0                     |
| - Government Granted at 1 April 2005  | 0                                     | 0   | 0                       | 0   | 0                     |
| <b>- Total at 1 April 2005</b>        | <b>0</b>                              | <b>0</b>                                    | <b>0</b>                | <b>0</b>                                    | <b>0</b>              |
| - Purchased at 31 March 2006          | 11                                    | 0   | 0                       | 0   | 11                    |
| - Donated at 31 March 2006            | 0                                     | 0   | 0                       | 0   | 0                     |
| - Government Granted at 31 March 2006 | 0                                     | 0   | 0                       | 0   | 0                     |
| <b>- Total at 31 March 2006</b>       | <b>11</b>                             | <b>0</b>                                    | <b>0</b>                | <b>0</b>                                    | <b>11</b>             |

## 11. Tangible Fixed Assets

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

|   | Land          | Buildings<br>excluding<br>dwellings | Dwellings    | Assets under<br>construction<br>and payments<br>on account* | Plant and<br>Machinery | Transport<br>Equipment | Information<br>Technology | Furniture &<br>fittings | Total          |
|---|---------------|-------------------------------------|--------------|---|------------------------|------------------------|---------------------------|-------------------------|----------------|
|   | £000          | £000                                | £000         | £000  | £000                   | £000                   | £000                      | £000                    | £000           |
| Cost or valuation at 1 April 2005         | 51,515        | 114,508                             | 2,262        | 702   | 14,109                 | 157                    | 1,969                     | 85                      | 185,307        |
| Additions purchased                       | 0             | 2,404                               | 0            | 796   | 1,934                  | 0                      | 136                       | 0                       | 5,270          |
| Additions donated                         | 0             | 0                                   | 0            | 0   | 44                     | 0                      | 0                         | 0                       | 44             |
| Additions government granted              | 0             | 0                                   | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 0              |
| Impairments                               | 0             | 0                                   | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 0              |
| Reclassifications                         | 0             | 65                                  | (19)         | (46)  | 0                      | 0                      | 0                         | 0                       | 0              |
| Indexation                                | 2,576         | 2,101                               | 41           | 13  | 298                    | 3                      |                           | 2                       | 5,034          |
| Other in year revaluation                 | 0             | 0                                   | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 0              |
| Disposals                                 | (131)         | (8)                                 | (364)        | 0   | (721)                  | 0                      | (20)                      | 0                       | (1,244)        |
| <b>Cost or Valuation at 31 March 2006</b> | <b>53,960</b> | <b>119,070</b>                      | <b>1,920</b> | <b>1,465</b>  | <b>15,664</b>          | <b>160</b>             | <b>2,085</b>              | <b>87</b>               | <b>194,411</b> |
| Depreciation at 1 April 2005              |               |                                     |              |   | 10,205                 | 136                    | 1,516                     | 20                      | 11,877         |
| Charged during the year                   | 0             | 3,794                               | 80           |   | 1,305                  | 6                      | 143                       | 9                       | 5,337          |
| Impairments                               | 2,613         | 2,156                               | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 4,769          |
| Reversal of Impairments                   | 0             | 0                                   | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 0              |
| Reclassifications                         | 0             | 0                                   | 0            |   | 0                      | 0                      | 0                         | 0                       | 0              |
| Indexation                                | 0             | 0                                   | 0            |   | 216                    | 3                      |                           | 0                       | 219            |
| Other in year revaluation                 |               |                                     |              |   | 0                      | 0                      | 0                         | 0                       | 0              |
| Disposals                                 | 0             | 0                                   | 0            |   | (696)                  | 0                      | (20)                      | 0                       | (716)          |
| <b>Depreciation at 31 March 2006</b>      | <b>2,613</b>  | <b>5,950</b>                        | <b>80</b>    | <b>0</b>  | <b>11,030</b>          | <b>145</b>             | <b>1,639</b>              | <b>29</b>               | <b>21,486</b>  |
| <b>Net book value</b>                     |               |                                     |              |   |                        |                        |                           |                         |                |
| - Purchased at 1 April 2005               | 51,515        | 113,798                             | 2,262        | 702   | 3,304                  | 21                     | 453                       | 61                      | 172,116        |
| - Donated at 1 April 2005                 | 0             | 710                                 | 0            | 0   | 600                    | 0                      | 0                         | 4                       | 1,314          |
| - Government Granted at 1 April 2005      | 0             | 0                                   | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 0              |
| <b>- Total at 1 April 2005</b>            | <b>51,515</b> | <b>114,508</b>                      | <b>2,262</b> | <b>702</b>  | <b>3,904</b>           | <b>21</b>              | <b>453</b>                | <b>65</b>               | <b>173,430</b> |
| - Purchased at 31 March 2006              | 51,347        | 112,420                             | 1,840        | 1,465   | 4,176                  | 15                     | 446                       | 55                      | 171,764        |
| - Donated at 31 March 2006                | 0             | 700                                 | 0            | 0   | 458                    | 0                      | 0                         | 3                       | 1,161          |
| - Government Granted at 31 March 2006     | 0             | 0                                   | 0            | 0   | 0                      | 0                      | 0                         | 0                       | 0              |
| <b>- Total at 31 March 2006</b>           | <b>51,347</b> | <b>113,120</b>                      | <b>1,840</b> | <b>1,465</b>  | <b>4,634</b>           | <b>15</b>              | <b>446</b>                | <b>58</b>               | <b>172,925</b> |

**11.1 Tangible Fixed Assets (contd)**

Of the totals at 31 March 2006, £2,843,000 related to land valued at open market value and £0 related to buildings valued at open market value and £0 related to dwellings valued at open market value.

There were no reversal of impairments during the year.

During the period Fall Birch Hospital has had a material change in the estimate of it's economic value. The financial effect of this change in estimate was £4,769,000.

**The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:**

|                  | Land | Buildings,<br>excluding<br>dwellings | Dwellings | Assets under<br>construction<br>and payments<br>on account | Plant and<br>Machinery | Transport<br>Equipment | Information<br>Technology | Furniture &<br>fittings | Total |
|------------------|------|--------------------------------------|-----------|--|------------------------|------------------------|---------------------------|-------------------------|-------|
|                  | £000 | £000                                 | £000      | £000   | £000                   | £000                   | £000                      | £000                    | £000  |
| At 31 March 2006 | 0    | 0                                    | 0         | 0  | 0                      | 0                      | 0                         | 0                       | 0     |
| At 31 March 2005 | 0    | 0                                    | 0         | 0  | 0                      | 0                      | 0                         | 0                       | 0     |

**The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:**

|                            | Land | Buildings<br>excluding<br>dwellings | Dwellings | Assets under<br>construction<br>and payments<br>on account | Plant and<br>Machinery | Transport<br>Equipment | Information<br>Technology | Furniture &<br>fittings | Total |
|----------------------------|------|-------------------------------------|-----------|--|------------------------|------------------------|---------------------------|-------------------------|-------|
|                            | £000 | £000                                | £000      | £000   | £000                   | £000                   | £000                      | £000                    | £000  |
| Depreciation 31 March 2006 | 0    | 0                                   | 0         | 0  | 0                      | 0                      | 0                         | 0                       | 0     |
| Depreciation 31 March 2005 | 0    | 0                                   | 0         | 0  | 0                      | 0                      | 0                         | 0                       | 0     |

**11.2 The net book value of land, buildings and dwellings at 31 March 2006 comprises:**

|                 | <b>31 March 2006</b>  | 31 March 2005  |
|-----------------|-----------------------|----------------|
|                 | <b>£000</b>           | £000           |
| Freehold        | <b>166,223</b>        | 167,700        |
| Long leasehold  | <b>84</b>             | 585            |
| Short leasehold | <b>0</b>              | 0              |
| <b>TOTAL</b>    | <b><u>166,307</u></b> | <u>168,285</u> |

**12. Stocks and Work in Progress**

|                               | <b>31 March 2006</b> | 31 March 2005 |
|-------------------------------|----------------------|---------------|
|                               | <b>£000</b>          | £000          |
| Raw materials and consumables | <b>873</b>           | 799           |
| Work-in-progress              | <b>0</b>             | 0             |
| Finished goods                | <b>0</b>             | 0             |
| <b>TOTAL</b>                  | <b><u>873</u></b>    | <u>799</u>    |

**13. Debtors**

|  | <b>31 March 2006</b> | 31 March 2005 |
|--|----------------------|---------------|
|  | <b>£000</b>          | £000          |

**Amounts falling due within one year:**

|                                      |                      |              |
|--------------------------------------|----------------------|--------------|
| NHS debtors                          | <b>9,892</b>         | 4,675        |
| Provision for irrecoverable debts    | <b>(176)</b>         | <b>(168)</b> |
| Other prepayments and accrued income | <b>593</b>           | 1,237        |
| Other debtors                        | <b>2,365</b>         | 2,209        |
| <b>Sub Total</b>                     | <b><u>12,674</u></b> | <u>7,953</u> |

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

|                                      |                   |            |
|--------------------------------------|-------------------|------------|
| NHS debtors                          | <b>0</b>          | 20         |
| Provision for irrecoverable debts    | <b>0</b>          | 0          |
| Other prepayments and accrued income | <b>0</b>          | 0          |
| Other debtors                        | <b>904</b>        | 885        |
| <b>Sub Total</b>                     | <b><u>904</u></b> | <u>905</u> |

|              |                      |              |
|--------------|----------------------|--------------|
| <b>TOTAL</b> | <b><u>13,578</u></b> | <u>8,858</u> |
|--------------|----------------------|--------------|

Other Debtors include £0 prepaid pension contributions at 31 March 2006 (£0 at 31 March 2005).

## 14. Investments

### 14.1 Fixed Asset Investments

|                          | Description<br>£000 | Description<br>£000 | Other<br>£000 | Total<br>£000 |
|--------------------------|---------------------|---------------------|---------------|---------------|
| Balance at 1 April 2005  | 0                   | 0                   | 0             | 0             |
| Additions                | 0                   | 0                   | 0             | 0             |
| Disposals                | 0                   | 0                   | 0             | 0             |
| Revaluations             | 0                   | 0                   | 0             | 0             |
| Balance at 31 March 2006 | <u>0</u>            | <u>0</u>            | <u>0</u>      | <u>0</u>      |

### 14.2 Current Asset Investments

|                          | Description*<br>£000 | Description*<br>£000 | Other<br>£000 | Total<br>£000 |
|--------------------------|----------------------|----------------------|---------------|---------------|
| Balance at 1 April 2005  | 0                    | 0                    | 0             | 0             |
| Additions                | 0                    | 0                    | 0             | 0             |
| Disposals                | 0                    | 0                    | 0             | 0             |
| Revaluations             | 0                    | 0                    | 0             | 0             |
| Balance at 31 March 2006 | <u>0</u>             | <u>0</u>             | <u>0</u>      | <u>0</u>      |

\*NHS Trusts should insert a title/heading to describe the type of fixed/current asset investment

**15. Creditors**

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

|  | <b>31 March 2006</b> | 31 March 2005 |
|--|----------------------|---------------|
|  | <b>£000</b>          | £000          |
| <b>Amounts falling due within one year:</b>                  |                      |               |
| Bank overdrafts  | 0                    | 0             |
| Current instalments due on loans                             | 0                    | 0             |
| Interest payable   | 0                    | 0             |
| Payments received on account                                 | 139                  | 1             |
| NHS creditors  | 5,132                | 1,444         |
| Non - NHS trade creditors - revenue - other                  | 3,117                | 1,774         |
| Non - NHS trade creditors - capital                          | 77                   | 218           |
| Tax and social security costs                                | 1,220                | 304           |
| Obligations under finance leases and hire purchase contracts | 0                    | 0             |
| Other creditors  | 1,927                | 2,119         |
| Accruals and deferred income                                 | 65                   | 548           |
| <b>Sub Total</b>   | <b>11,677</b>        | <b>6,408</b>  |
| <b>Amounts falling due after more than one year:</b>         |                      |               |
| Long - term loans  | 0                    | 0             |
| Obligations under finance leases and hire purchase contracts | 0                    | 0             |
| NHS creditors  | 0                    | 0             |
| Other  | 0                    | 0             |
| <b>Sub Total</b>   | <b>0</b>             | <b>0</b>      |
| <b>TOTAL</b>   | <b>11,677</b>        | <b>6,408</b>  |

Other creditors include;

- £0 for payments due in future years under arrangements to buy out the liability for no early retirements over 5 years; and
- £1,218,891 outstanding pensions contributions at 31 March 2006 (31 March 2005 £1,117,113).

**15.2 Loans [and other long-term financial liabilities]**

|                            | <b>31 March 2006</b> | 31 March 2005 |
|----------------------------|----------------------|---------------|
|                            | <b>£000</b>          | £000          |
| Amounts falling due:       |                      |               |
| In one year or less        | 0                    | 0             |
| Between one and two years  | 0                    | 0             |
| Between two and five years | 0                    | 0             |
| Over 5 years               | 0                    | 0             |
| <b>TOTAL</b>               | <b>0</b>             | <b>0</b>      |

|  | <b>31 March 2006</b> | 31 March 2005 |
|--|----------------------|---------------|
|  | <b>£000</b>          | £000          |
| Wholly repayable within five years                             | 0                    | 0             |
| Wholly repayable after five years, not by instalments          | 0                    | 0             |
| Wholly or partially repayable after five years, by instalments | 0                    | 0             |
| <b>TOTAL</b>   | <b>0</b>             | <b>0</b>      |

Total repayable after five years by instalments

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

|                  | <b>31 March 2006</b> | 31 March 2005 |
|------------------|----------------------|---------------|
|                  | <b>Value</b>         | Value         |
|                  | <b>outstanding</b>   | outstanding   |
|                  | <b>£000</b>          | £000          |
| Terms of payment | %                    |               |

**15.3 Finance lease obligations**

|  | <b>31 March 2006</b> | 31 March 2005 |
|--|----------------------|---------------|
|  | <b>£000</b>          | £000          |
| Payable:   |                      |               |
| Within one year                                  | 0                    | 0             |
| Between one and five years                       | 0                    | 0             |
| After five years                                 | 0                    | 0             |
|  | <b>0</b>             | <b>0</b>      |
| Less finance charges allocated to future periods | 0                    | 0             |
|  | <b>0</b>             | <b>0</b>      |

**15.4 Finance Lease Commitments**

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

**16. Provisions for liabilities and charges**

|                          | Pensions<br>relating to<br>former<br>directors<br>£000 | Pensions<br>relating to<br>other staff<br>£000 | Legal claims<br>£000 | Restructurings<br>£000 | Other<br>£000 | Total<br>£000 |
|--------------------------|--|--|----------------------|------------------------|---------------|---------------|
| At 1 April 2005          | 290  | 77   | 176                  | 0                      | 1,676         | 2,219         |
| Change in discount rate  | 0  | 1  | 5                    | 0                      | 0             | 6             |
| Arising during the year  | 0  | 51   | 79                   | 0                      | 799           | 929           |
| Utilised during the year | (239)  | (56)   | (64)                 | 0                      | (1,083)       | (1,442)       |
| Reversed unused          | (51)   | 0  | (26)                 | 0                      | (193)         | (270)         |
| Unwinding of discount    | 0  | 2  | 3                    | 0                      | 0             | 5             |
| At 31 March 2006         | <b>0</b>   | <b>75</b>                                      | <b>173</b>           | <b>0</b>               | <b>1,199</b>  | <b>1,447</b>  |

**Expected timing of cashflows:**

|                            |   |    |     |   |       |       |
|----------------------------|---|----|-----|---|-------|-------|
| Within one year            | 0 | 5  | 148 | 0 | 1,199 | 1,352 |
| Between one and five years | 0 | 19 | 4   | 0 | 0     | 23    |
| After five years           | 0 | 51 | 21  | 0 | 0     | 72    |

Legal claims include £147,014 for Employers and Occupiers Liability cases and £25,783 for Permanent Injury Benefits. The items shown for Employers and Occupiers Liability cases relate to cases that have more than a 25% chance of being settled. Claims that have a remote chance of being settled are classed as contingent liabilities and are disclosed in Note 21.

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

£12,727,512 is included in the provisions of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the trust (31 March 2005 £11,477,669).

**17. Movements on Reserves**

Movements on reserves in the year comprised the following:

|   | Revaluation<br>Reserve<br>£000 | Donated<br>Asset<br>Reserve<br>£000 | Government<br>Grant<br>Reserve<br>£000 | Other<br>Reserves<br>£000 | Income and<br>Expenditure<br>Reserve<br>£000 | <b>Total<br/>£000</b> |
|---|--------------------------------|-------------------------------------|--|---------------------------|--|-----------------------|
| At 1 April 2005 as previously stated  | 73,541                         | 1,317                               | 0                                      | 0                         | 5,740  | <b>80,598</b>         |
| Prior Period Adjustments  | 0                              | 0                                   | 0                                      | 0                         | 0  | <b>0</b>              |
| At 1 April 2005 as restated   | <u>73,541</u>                  | <u>1,317</u>                        | <u>0</u>                               | <u>0</u>                  | <u>5,740</u>                                 | <b><u>80,598</u></b>  |
| Transfer from the income and expenditure account  |                                |                                     |  |                           | 3,278  | <b>3,278</b>          |
| Fixed asset impairments   | 0                              | 0                                   | 0                                      |                           |  | <b>0</b>              |
| Surplus on other revaluations/indexation of fixed assets  | 4,790                          | 25                                  | 0                                      |                           |  | <b>4,815</b>          |
| Transfer of realised profits (losses) to the Income and Expenditure   | (279)                          | 0                                   | 0                                      |                           | 279  | <b>0</b>              |
| Receipt of donated/government granted assets  |                                | 44                                  | 0                                      |                           |  | <b>44</b>             |
| Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets |                                | (225)                               | 0                                      |                           |  | <b>(225)</b>          |
| Other transfers between reserves  | (5,865)                        | 0                                   | 0                                      | 0                         | 5,865  | <b>0</b>              |
| Other movements on reserves [specify]   |                                |                                     |  | 0                         |  | <b>0</b>              |
| Reserves eliminated on dissolution  | 0                              | 0                                   | 0                                      | 0                         | 0  | <b>0</b>              |
| At 31 March 2006  | <u><b>72,187</b></u>           | <u><b>1,161</b></u>                 | <u><b>0</b></u>                        | <u><b>0</b></u>           | <u><b>15,162</b></u>                         | <b><u>88,510</u></b>  |

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

|  | <b>2005/06</b> | 2004/05        |
|--|----------------|----------------|
|  | <b>£000</b>    | £000           |
| Total operating surplus (deficit)  | <b>9,096</b>   | 1,936          |
| Depreciation and amortisation charge   | <b>5,337</b>   | 5,343          |
| Fixed asset impairments and reversals  | <b>4,769</b>   | 0              |
| Transfer from donated asset reserve  | <b>(225)</b>   | <b>(265)</b>   |
| Transfer from the government grant reserve                                     | <b>0</b>       | 0              |
| (Increase)/decrease in stocks  | <b>(74)</b>    | <b>(36)</b>    |
| (Increase)/decrease in debtors   | <b>(4,727)</b> | <b>(2,926)</b> |
| Increase/(decrease) in creditors   | <b>1,292</b>   | <b>(307)</b>   |
| Increase/(decrease) in provisions  | <b>(783)</b>   | 865            |
|  | <b>14,685</b>  | 4,610          |
| Net cash inflow/(outflow) from operating activities before restructuring costs | <b>14,685</b>  | 4,610          |
| Payments in respect of fundamental reorganisation/restructuring                | <b>0</b>       | 0              |
| Net cash inflow from operating activities                                      | <b>14,685</b>  | 4,610          |

**18.2 Reconciliation of net cash flow to movement in net debt**

|  | <b>2005/06</b> | 2004/05 |
|--|----------------|---------|
|  | <b>£000</b>    | £000    |
| Increase/(decrease) in cash in the period                          | <b>24</b>      | 27      |
| Cash inflow from new debt  | <b>0</b>       | 0       |
| Cash outflow from debt repaid and finance lease capital payments   | <b>0</b>       | 0       |
| Cash (inflow)/outflow from (decrease)/increase in liquid resources | <b>0</b>       | 0       |
| Change in net debt resulting from cashflows                        | <b>24</b>      | 27      |
| Non - cash changes in debt   | <b>0</b>       | 0       |
| Net debt at 1 April 2005   | <b>423</b>     | 396     |
| Net debt at 31 March 2005  | <b>447</b>     | 423     |

**18.3 Analysis of changes in net debt**

|                                     | At 1 April 2005 | Cash Transferred<br>(to)/from other NHS<br>bodies | Other cash<br>changes in year | Non-cash<br>changes in year | At 31 March 2006 |
|-------------------------------------|-----------------|---|-------------------------------|-----------------------------|------------------|
|                                     | £000            | £000  | £000                          | £000                        | £000             |
| OPG cash at bank                    | 423             | 0   | 24                            |                             | 447              |
| Commercial cash at bank and in hanc | 0               | 0   | 0                             |                             | 0                |
| Bank overdraft                      | 0               | 0   | 0                             |                             | 0                |
| Debt due within one year            | 0               | 0   | 0                             | 0                           | 0                |
| Debt due after one year             | 0               | 0   | 0                             | 0                           | 0                |
| Finance leases                      | 0               | 0   | 0                             | 0                           | 0                |
| Current asset investments           | 0               | 0   | 0                             |                             | 0                |
|                                     | <b>423</b>      | <b>0</b>  | <b>24</b>                     | <b>0</b>                    | <b>447</b>       |

**19. Capital Commitments**

Commitments under capital expenditure contracts at 31 March 2006 were £2,265,000 (31 March 2005 £324,000).

The main commitment relates to the upgrading of 2 wards at a cost of £1,598,000. The scheme is being funded from internally generated resources (depreciation) and is anticipated to be completed by December 2006.

**20. Post Balance Sheet Events**

There are no material post balance sheet events.

**21. Contingencies**

|  | <b>2005/06</b> | 2004/05     |
|--|----------------|-------------|
|  | <b>£000</b>    | £000        |
| Contingent liabilities (gross value)               | <b>(49)</b>    | <b>(68)</b> |
| Amounts recoverable against contingent liabilities | <b>0</b>       | <b>0</b>    |
| Net value of contingent liabilities                | <b>(49)</b>    | <b>(68)</b> |
| <br>   |                |             |
| Contingent Assets                                  | <b>0</b>       | <b>0</b>    |

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

**22. Movement in Public Dividend Capital**

|  | <b>2005/06</b> | 2004/05        |
|--|----------------|----------------|
|  | <b>£000</b>    | £000           |
| Public Dividend Capital as at 1 April 2005   | <b>94,285</b>  | 89,568         |
| New Public Dividend Capital received (including transfers from dissolved NHS Trusts) | <b>0</b>       | 6,717          |
| Public Dividend Capital repaid in year   | <b>(4,270)</b> | <b>(2,000)</b> |
| Public Dividend Capital repayable (creditor)   | <b>(3,815)</b> | 0              |
| Public Dividend Capital written off  | <b>0</b>       | 0              |
| Public Dividend Capital transferred to Foundation Trust                              | <b>0</b>       | 0              |
| Other movements in Public Dividend Capital in year                                   | <b>0</b>       | 0              |
| Public Dividend Capital as at 31 March 2006  | <b>86,200</b>  | <b>94,285</b>  |

**23. Financial Performance Targets****23.1 Breakeven Performance**

The trust's breakeven performance for 2005/06 is as follows:

|   | 1997/98 | 1998/99 | 1999/2000 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|---|---------|---------|-----------|---------|---------|---------|---------|---------|---------|
|   | £000    | £000    | £000      | £000    | £000    | £000    | £000    | £000    | £000    |
| Turnover  | 89,799  | 96,211  | 108,019   | 116,212 | 137,653 | 130,041 | 134,637 | 143,263 | 160,504 |
| Retained surplus/(deficit) for the year   | (472)   | 1       | 2         | 0       | 0       | 0       | 3       | (2,706) | 3,278   |
| Adjustment for:   |         |         |           |         |         |         |         |         |         |
| - Timing/non-cash impacting distortions   |         |         |           |         |         |         |         |         |         |
| - Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]  | 0       | 0       | 0         | 0       | 0       | 0       | 0       | 0       | 0       |
| - 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)   | 0       | 0       |           |         |         |         |         |         |         |
| - 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)  | 0       | 0       | 618       |         |         |         |         |         |         |
| - 2001/02 Prior Period Adjustment (relating to 1997/98 to 2000/01)  | 0       | 0       | 0         | 0       |         |         |         |         |         |
| - 2002/03 Prior Period adjustment (relating to 1997/98 to 2001/02)  | 0       | 0       | 0         | 0       | 0       |         |         |         |         |
| - 2003/04 Prior Period Adjustment (relating to 1997/98 to 2002/03)  | 0       | 0       | 0         | 0       | 0       | 0       |         |         |         |
| - 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)  | 0       | 0       | 0         | 0       | 0       | 0       | 0       |         |         |
| - 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)  | 0       | 0       | 0         | 0       | 0       | 0       | 0       | 0       |         |
| Break-even in-year position   | (472)   | 1       | 620       | 0       | 0       | 0       | 3       | (2,706) | 3,278   |
| Break-even cumulative position  | (472)   | (471)   | 149       | 149     | 149     | 149     | 152     | (2,554) | 724     |
| The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2008/09, however as a result of the additional income to support historic debts received in 2005/06 it is now anticipated, with anticipated profit on the sale of Fall Birch, that break even will be achieved in 2006/07. |         |         |           |         |         |         |         |         |         |
| This should be the date of the financial year end e.g. 2008.  |         |         |           |         |         |         |         |         |         |
| If anticipated financial year of recovery is more than two years state the period agreed with SHA   |         |         |           |         |         |         |         |         |         |
| 2007  |         |         |           |         |         |         |         |         |         |
| 3   |         |         |           |         |         |         |         |         |         |
| Materiality test (I.e. is it equal to or less than 0.5%):   |         |         |           |         |         |         |         |         |         |
| - Break-even in-year position as a percentage of turnover   | (0.53%) | 0.00%   | 0.57%     | 0.00%   | 0.00%   | 0.00%   | 0.00%   | (1.89%) | 2.04%   |
| - Break-even cumulative position as a percentage of turnover  | (0.53%) | (0.49%) | 0.14%     | 0.13%   | 0.11%   | 0.11%   | 0.11%   | (1.78%) | 0.45%   |

### 23.2 Capital cost absorption rate

The trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £6,107,000, bears to the average relevant net assets of £173,122,252, that is 3.53%.

### 23.3 External financing

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

|                                      | £000     | 2005/06<br>£000 | 2004/05<br>£000  |
|--------------------------------------|----------|-----------------|------------------|
| External financing limit             |          | (4,289)         | 4,702            |
| Cash flow financing                  | (4,294)  |                 | 4,690            |
| Finance leases taken out in the year | 0        |                 | 0                |
| Other capital receipts               | 0        |                 | 0                |
| External financing requirement       | <u>0</u> | <u>(4,294)</u>  | <u>4,690</u>     |
| Undershoot                           |          | <u><u>5</u></u> | <u><u>12</u></u> |

### 23.4 Capital Resource Limit

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

|   | 2005/06<br>£000  | 2004/05<br>£000  |
|---|------------------|------------------|
| Gross capital expenditure                               | 5,325            | 4,989            |
| Less: book value of assets disposed of                  | (528)            | (965)            |
| Plus: loss on disposal of donated assets                | 0                | 0                |
| Less: capital grants                                    | 0                | 0                |
| Less: donations towards the acquisition of fixed assets | (44)             | (107)            |
| Charge against the CRL                                  | <u>4,753</u>     | <u>3,917</u>     |
| Capital resource limit                                  | 4,765            | 3,928            |
| Underspend against the CRL                              | <u><u>12</u></u> | <u><u>11</u></u> |

## 24. Related Party Transactions

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

During the year three of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Bolton Hospitals NHS Trust. Details of the transactions are below.

|   | Payments to<br>Related Party | Receipts from<br>Related Party | Amounts<br>owed to<br>Related Party | Amounts due<br>from Related<br>Party |
|---|------------------------------|--------------------------------|-------------------------------------|--------------------------------------|
|   | £                            | £                              | £                                   | £                                    |
| Chairman & Non-Exec. Director - Bolton<br>MBC | 1,099,027                    | 191,047                        | 0                                   | 37,506                               |
| Chief Executive - Lean Healthcare Network     | 3,547                        | 0                              | 0                                   | 0                                    |

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

Bolton Primary Care Trust;  
Ashton, Leigh and Wigan Primary Care Trust;  
Salford Primary Care Trust;  
Bolton, Salford & Trafford Mental Health Trust;  
Bury Primary Care Trust;  
Greater Manchester Strategic Health Authority;  
Inland Revenue;  
National Blood Authority;  
NHS Blood and Transplant;  
NHS Litigation Authority;  
NHS Pensions Agency;  
NHS Logistics Authority;  
other Primary Care Trusts and NHS Trusts.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the PCSPS in respect of employers contributions to the Pensions Scheme.

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

|  | <b>2005/06</b> | 2004/05    |
|--|----------------|------------|
|  | <b>£000</b>    | £000       |
| Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross | <b>719</b>     | 612        |
| Amortisation of PFI deferred asset   | <b>0</b>       | 0          |
| Net charge to operating expenses   | <b>719</b>     | <b>612</b> |

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

|   |             |       |
|---|-------------|-------|
| PFI scheme which expires;                 |             |       |
| Within one year*                          | <b>719</b>  | 0     |
| 2nd to 5th years (inclusive)*             | <b>0</b>    | 612   |
| 6th to 10th years (inclusive)*            | <b>0</b>    | 0     |
| 11th to 15th years (inclusive)*           | <b>0</b>    | 0     |
| 16th to 20th years (inclusive)*           | <b>0</b>    | 0     |
| 21st to 25th years (inclusive)*           | <b>0</b>    | 0     |
| 26th to 30th years (inclusive)*           | <b>0</b>    | 0     |
| 31st to 35th years (inclusive)*           | <b>0</b>    | 0     |
| Etc*                                      |             |       |
|   | <b>£000</b> | £000  |
| Estimated capital value of the PFI scheme | 3,027       | 3,027 |
| Contract Start date:                      | 22/05/2000  |       |
| Contract End date:                        | 21/05/2007  |       |

The Integrated Patient Care Information Support System (IPCISS) project is a seven year PFI information technology contract. It includes devices required to run the following services and software to support:

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

The Trust has been required to enter into a payment agreement with the partner organisation iSOFT but is able to terminate from any contract default with a notice period of 217 days.

Payment to the PFI partner is made quarterly.

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

|   | <b>2005/06</b>  | 2004/05  |
|---|-----------------|----------|
|   | <b>£000</b>     | £000     |
| Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on-balance sheet | <b>0</b>        | 0        |
| Amortisation of PFI deferred asset  | <b>0</b>        | 0        |
| Net charge to operating expenses  | <u><b>0</b></u> | <u>0</u> |

**26 Pooled Budget**

The Trust is not involved in any pooled budget projects.

## **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 Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

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

### **Liquidity risk**

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

### **Interest-Rate Risk**

99.9% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Bolton Hospitals NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

## 27.1 Financial Assets

| Currency                      | Total<br>£000 | Floating<br>rate<br>£000 | Fixed rate<br>£000 | Non-<br>interest<br>bearing<br>£000 | Fixed rate                                |  | Non-interest<br>bearing<br>Weighted<br>average term<br>Years |
|-------------------------------|---------------|--------------------------|--------------------|-------------------------------------|---|--|--|
|                               |               |                          |                    |                                     | Weighted<br>average<br>interest rate<br>% | Weighted<br>average period<br>for which fixed<br>Years |  |
| At 31 March 2006              |               |                          |                    |                                     |   |  |  |
| Sterling                      | 447           | 447                      | 0                  | 0                                   | 3.90%                                     | 1  | 0  |
| Other                         | 0             | 0                        | 0                  | 0                                   | 0.00%                                     | 0  | 0  |
| <b>Gross financial assets</b> | <b>447</b>    | <b>447</b>               | <b>0</b>           | <b>0</b>                            |   |  |  |
| At 31 March 2005 (prior year) |               |                          |                    |                                     |   |  |  |
| Sterling                      | 443           | 423                      | 20                 | 0                                   | 3.50%                                     | 1  | 0  |
| Other                         | 0             | 0                        | 0                  | 0                                   | 0.00%                                     | 1  | 0  |
| <b>Gross financial assets</b> | <b>443</b>    | <b>423</b>               | <b>20</b>          | <b>0</b>                            |   |  |  |

## 27.2 Financial Liabilities

| Currency                           | Total<br>£000 | Floating<br>rate<br>£000 | Fixed rate<br>£000 | Non-<br>interest<br>bearing<br>£000 | Fixed rate                                |  | Non-interest<br>bearing<br>Weighted<br>average term<br>Years |
|------------------------------------|---------------|--------------------------|--------------------|-------------------------------------|---|--|--|
|                                    |               |                          |                    |                                     | Weighted<br>average<br>interest rate<br>% | Weighted<br>average period<br>for which fixed<br>Years |  |
| At 31 March 2006                   |               |                          |                    |                                     |   |  |  |
| Sterling                           | 87,647        | 0                        | 1,447              | 86,200                              | 0.06%                                     | 1  | 0  |
| Other                              | 0             | 0                        | 0                  | 0                                   | 0.00%                                     | 0  | 0  |
| <b>Gross financial liabilities</b> | <b>87,647</b> | <b>0</b>                 | <b>1,447</b>       | <b>86,200</b>                       |   |  |  |
| At 31 March 2005 (prior year)      |               |                          |                    |                                     |   |  |  |
| Sterling                           | 96,178        | 0                        | 1,893              | 94,285                              | 0.70%                                     | 0  | 0  |
| Other                              | 0             | 0                        | 0                  | 0                                   | 0.00%                                     | 1  | 0  |
| <b>Gross financial liabilities</b> | <b>96,178</b> | <b>0</b>                 | <b>1,893</b>       | <b>94,285</b>                       |   |  |  |

Note: The public dividend capital is of unlimited term.

**Foreign Currency Risk**

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

**27.3 Fair Values**

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2006.

|   | Book Value      | Fair Value      | Basis of fair valuation |
|---|-----------------|-----------------|-------------------------|
|   | £000            | £000            |                         |
| <b>Financial assets</b>                                       |                 |                 |                         |
| Cash  | 447             | 447             |                         |
| Debtors over 1 year:  |                 |                 |                         |
| - Agreements with commissioners to cover creditors and provis | 0               | 0               | Note a                  |
| Investments   | 0               | 0               |                         |
| <b>Total</b>  | <u>447</u>      | <u>447</u>      |                         |
| <b>Financial liabilities</b>                                  |                 |                 |                         |
| Overdraft   | 0               | 0               |                         |
| Creditors over 1 year:  |                 |                 |                         |
| - Early retirements   | (15)            | (15)            | Note b                  |
| - Finance leases  | 0               | 0               | Note c                  |
| Provisions under contract                                     | (1,432)         | (1,432)         | Note d                  |
| Loans   | 0               | 0               |                         |
| Public dividend capital*                                      | (86,200)        | (86,200)        | Note e                  |
| <b>Total</b>  | <u>(87,647)</u> | <u>(87,647)</u> |                         |

## Notes

a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.

b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.

c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.

d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.

e The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

\* This figure includes £0 which relates to short-term repayable (within a set period) PDC held by the Trust.

**28 Third Party Assets**

The Trust held £11,440 cash at bank and in hand at 31 March 2006 (£13,177 - at 31 March 2005) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

**29 Intra-Government and Other Balances**

|   | Debtors:<br>amounts<br>falling due<br>within one<br>year | Debtors:<br>amounts<br>falling due<br>after more<br>than one<br>year | Creditors:<br>amounts<br>falling due<br>within one<br>year | Creditors:<br>amounts<br>falling due<br>after more<br>than one<br>year |
|---|--|--|--|--|
|   | £000   | £000   | £000   | £000   |
| Balances with other Central Government Bodies       | 8,623  | 0  | 5,280  | 0  |
| Balances with Local Authorities                     | 0  | 0  | 0  | 0  |
| Balances with NHS Trusts and Foundation Trusts      | 1,253  | 0  | 788  | 0  |
| Balances with Public Corporations and Trading Funds | 16   | 0  | 283  | 0  |
| Balances with bodies external to government         | 2,782  | 904  | 5,326  | 0  |
| At 31 March 2006                                    | <u>12,674</u>  | <u>904</u>   | <u>11,677</u>  | <u>0</u>   |
| Balances with other Central Government Bodies       | 3,737  | 20   | 1,611  | 0  |
| Balances with Local Authorities                     | 0  | 0  | 0  | 0  |
| Balances with NHS Trusts and Foundation Trusts      | 935  | 0  | 840  | 0  |
| Balances with Public Corporations and Trading Funds | 7  | 0  | 414  | 0  |
| Balances with bodies external to government         | 3,274  | 885  | 3,543  | 0  |
| At 31 March 2005 (prior year)                       | <u>7,953</u>   | <u>905</u>   | <u>6,408</u>   | <u>0</u>   |

**30 Losses and Special Payments**

There were 118 cases of losses and special payments (2004/05: 420 cases) totalling £170,089 (2004/05: £218,035) paid during 2005/06.

There were no cases exceeding £250,000.

Note: The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.