

Data entered below will be used throughout the workbook:

Trust name:	Sherwood Forest Hospitals NHS Foundation Trust
This year	2008/09
Last year	
This year ended	31 March 2009
Last year ended	31 March 2008
This year beginning	1 April 2008
HEADERS	31 MARCH 2009

FOREWORD TO THE ACCOUNTS FOR THE 12 MONTH PERIOD ENDING 31 MARCH 2009

SHERWOOD FOREST HOSPITALS NHS FOUNDATION TRUST

Sherwood Forest Hospital NHS Foundation Trust is required to “keep accounts in such form as Monitor (The Independent Regulator for NHS Foundation Trusts) may with the approval of Treasury direct” (paragraph 25(1), Schedule 7 to the National Health Service Act 2006 (‘the 2006 Act’). The Trust is required to “prepare in respect of each financial year annual accounts in such form as Monitor may with the approval of the Treasury direct” (paragraphs 24 and 25, Schedule 7 to the 2006 Act). In preparing their annual accounts, the Trust must comply with any directions given by Monitor, with the approval of the Treasury, as to the methods and principles according to which the accounts are to be prepared and the information to be given in the accounts.

The previous accounts were for the twelve months to 31st March 2008

Signed:(Chief Executive)

Name: Jeffrey Worrall

Date: 5th June 2009

**INCOME AND EXPENDITURE ACCOUNT FOR THE 12 MONTH PERIOD ENDING
31 MARCH 2009**

		2008/09	2007/08
	NOTE	£000	£000
Income from activities	3	167,966	149,587
Other operating income	4	50,933	41,114
Operating expenses	5-7	<u>(207,576)</u>	<u>(184,668)</u>
OPERATING SURPLUS		11,323	6,033
(Loss) on disposal of fixed assets	8	<u>(414)</u>	<u>(100)</u>
SURPLUS BEFORE INTEREST		10,909	5,933
Finance Income		1,329	1,351
Finance Costs - Interest Expenses	9	<u>(7)</u>	<u>(10)</u>
SURPLUS FOR THE YEAR		12,231	7,274
Public Dividend Capital dividends payable		<u>(3,790)</u>	<u>(3,645)</u>
RETAINED SURPLUS FOR THE YEAR		<u><u>8,441</u></u>	<u><u>3,629</u></u>

The notes on pages 5 to 29 form part of these accounts.

**BALANCE SHEET AS AT
31 MARCH 2009**

		31 March 2009	31 March 2008
	NOTE	£000	£000
FIXED ASSETS			
Intangible fixed assets	10	3,203	3,453
Tangible fixed assets	11	58,153	71,880
		61,356	75,333
CURRENT ASSETS			
Stocks	12	2,318	2,341
Debtors	13	63,539	43,896
Cash at bank and in hand		36,580	39,898
		102,437	86,135
CREDITORS: Amounts falling due within one year	14	(27,179)	(33,114)
NET CURRENT ASSETS / (LIABILITIES)		75,258	53,021
TOTAL ASSETS LESS CURRENT LIABILITIES		136,614	128,354
CREDITORS: Amounts falling due after more than one year	14	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	15	(3,136)	(3,031)
TOTAL ASSETS EMPLOYED		133,478	125,323
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital		84,303	84,303
Revaluation reserve	16	16,110	26,252
Donated asset reserve	16	2,109	2,395
Income and expenditure reserve	16	30,956	12,373
TOTAL TAXPAYERS' EQUITY		133,478	125,323

Signed:(Chief Executive)
 Name: Jeffrey Worrall
 Date: 5th June 2009

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE
12 MONTHS ENDED 31 MARCH 2009**

	31 March 2009	31 March 2008
	£000	£000
Surplus for the financial year before dividend payments	12,231	7,274
Fixed asset impairment (losses) / gains	0	0
Surplus on fixed and current asset investment revaluations	0	5,009
Increase in the donated asset reserve due to receipt of donated assets	103	1,442
Reductions in the donated asset reserve due to depreciation, impairment, and / or disposal of donated assets	(360)	(361)
TOTAL RECOGNISED GAINS FOR THE YEAR	11,974	13,364

CASH FLOW STATEMENT FOR THE 12 MONTHS ENDED 31 MARCH 2009

		31 March 2009	31 March 2008
	NOTE	£000	£000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	17.1	8,666	30,168
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,329	1,351
Interest element of finance leases		(7)	(10)
		<u>1,322</u>	<u>1,341</u>
Net cash inflow from returns on investments and servicing of finance		1,322	1,341
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(8,835)	(5,677)
Payments to acquire intangible assets		(681)	(629)
		<u>(9,516)</u>	<u>(6,306)</u>
Net cash outflow from capital expenditure		(9,516)	(6,306)
DIVIDENDS PAID			
		(3,790)	(3,645)
		<u>(3,790)</u>	<u>(3,645)</u>
Net cash inflow / (outflow) before financing		(3,318)	21,558
FINANCING			
Public dividend capital received		0	2,500
Public dividend capital repaid (not previously accrued)		0	(1,456)
Capital element of finance leases		0	(43)
		<u>0</u>	<u>1,001</u>
Net cash inflow from financing		0	1,001
Increase/(Decrease) in cash	17.2	<u><u>(3,318)</u></u>	<u><u>22,559</u></u>

Sherwood Forest Hospital NHS Foundation Trust - Notes to the Accounts

1 Accounting policies and other information

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the *NHS Foundation Trust Financial Reporting Manual* which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the *2008/9 NHS Foundation Trust Financial Reporting Manual* issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's *Financial Reporting Manual* to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Income recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is under contracts from commissioners in respect of healthcare services. Income is recognised in the period in which services are provided. Where income is received for a specific activity, which is to be delivered in the following financial year, that income is deferred. Where income has not been received prior to the year end but the provision of a healthcare service has commenced i.e. partially completed patient spells, then income relating to the patient activity is accrued.

The NHS foundation trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results methodology in 2004/5. To manage the financial impact of this change on the NHS foundation trust and its commissioners, the Trust received £432,000 per month in 2008/9 from the Department of Health relating to Market Forces Factor and Transition Relief.

1.3 Expenditure

Expenditure is accounted for applying the accruals convention.

1.4 Tangible fixed assets

Capitalisation

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

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

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs, such as installation, directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are revalued to current value using professional valuations in accordance with FRS 15 every five years. A three year interim valuation is also carried out. The next full valuation is due in 2010/11.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) *Appraisal and Valuation Manual*.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Residual interests in off-balance sheet Private Finance Initiative properties are included in assets under construction within tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual with an adjustment. The adjustment is the net present value of the change in the fair value of the residual as estimated at the start of the contract and at the balance sheet date.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount. The next full valuation is due in 2010/11.

Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the Trust's professional valuers. Leaseholds are depreciated over the primary lease term.

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

Plant and Machinery	5-15 years
Transport	7 years
I.T.	5 years
Furniture and Fittings	7-10 years

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

1.5 Intangible fixed assets

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

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

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

1.6 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 income from Primary Care Trusts or NHS Trusts for the provision of services. Grants from the Department of Health, including those for achieving three star status, are accounted for as Government grants. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure Account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the Income and Expenditure Account over the life of the asset on a basis consistent with the depreciation charge for that asset.

1.8 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 application note F to FRS 5.

Where the balance of the risks and rewards of ownership are borne by the PFI operator, the PFI payments are recorded as an operating expense. The Trust has two Private Finance Schemes currently in this category. For more information please see note 27.

Where the trust has contributed land and buildings, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the income and expenditure account. Where, at the end of the PFI contract, a property reverts to the trust, the difference between the expected fair value of the residual, on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

1.9 Stocks

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.

1.10 Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS Foundation Trust's cash book. These balances exclude monies held in the NHS foundation trust's bank account belonging to patients (see "third party assets" below). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, "interest receivable" and "interest payable" in the periods to which they relate. Bank charges are recorded as operating expenditure in the period to which they relate.

1.11 Research and development

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

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure, which does not meet the criteria for capitalisation, is treated as an operating cost in the year in which it is incurred. Where possible, NHS Foundation Trusts disclose the total amount of research and development expenditure charged in the Income and Expenditure account separately.

However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.12 Provisions

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

1.13 Contingencies

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 20 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- * Possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- * Present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets (that is assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 20 where an inflow of economic benefits is probable.

1.14 Clinical negligence costs

The NHS Litigation Authority (NHS LA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHS LA, which, in return, settles all clinical negligence claims. Although the NHS LA 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 NHS LA on behalf of the Trust is disclosed at note 15.

1.15 Non-clinical risk pooling

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

1.16 Pension costs

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

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

a) Full actuarial (funding) valuation

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

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

b) FRS17 Accounting valuation

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

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

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

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

Scheme provisions as at 31 March 2009

The Schemes are “final salary” schemes. Annual pensions are normally based on 1/80th and 1/60th for the scheme introduced as of 1st April 2008, respectively of the best of the last 3 years pensionable pay for each year of service. 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.

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

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

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

Scheme provisions from 1 April 2008

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

1.17 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.

1.18 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. However, they are disclosed in note 25 in accordance with the requirements of the HM Treasury *Financial Reporting Manual*.

1.19 Leases

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

1.20 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities i.e. the net assets of a public benefit corporation.

A charge, reflecting the forecast cost of capital utilised by the Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the Trust. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

2. Segmental analysis

Sherwood Forest Hospital NHS Foundation Trust acts as a lead body for East Midlands Procurement Hub and the Nottinghamshire Health Informatics Service. Income and expenditure for these functions is not material to the overall accounts and has not therefore been separately disclosed. Expenditure is broadly in line with income for both of these bodies.

3. Income from activities

	31 March 2009	31 March 2008
	£000	£000
3.1 Income from activities comprises		
NHS Trusts	1,402	1,224
Primary Care Trusts	160,102	143,121
Department of Health	5,183	4,228
NHS Other	34	0
Non NHS:		
- Private Patients	161	127
- NHS Injury Scheme (Previously RTA income)*	1,084	887
	<u>167,966</u>	<u>149,587</u>

* Road Traffic Act income is subject to a provision for bad debts of 7.8% to reflect expected rates of non recoverable income.

3.2 Analysis of income from activities

	£000	£000
Inpatient - elective	37,529	32,918
Inpatient - non elective	58,815	58,834
Outpatient income	32,774	29,138
A & E income	8,124	8,198
Other NHS Clinical Income	22,894	15,324
Private Patient Income	161	127
Other Non Protected clinical income	2,486	887
Total income	<u>162,783</u>	<u>145,426</u>
PBR Clawback / Relief	<u>5,183</u>	<u>4,161</u>
Income from activities	<u>167,966</u>	<u>149,587</u>

3.3 Private patient income

	Reporting Period £000	Reporting Period £000
Private patient income	161	127
Total patient related income	167,966	149,587
Proportion (as a percentage) *	0.096%	0.085%

* Under its terms of authorisation the Trust must ensure that the proportion of patient related income derived from private patients does not exceed the proportion received as an NHS Trust in 2002/3 (the base year). The Trust received 0.097% of its patient related income from private patients during the year ended 31 March 2009, which is within the limit which Monitor has set at 0.20%.

4. Other Operating Income

	31 March	31 March
	2009	2008
	£000	£000
Research and Development	152	41
Education and Training	10,170	8,398
Charitable and other contributions to expenditure	344	384
Transfers from donated asset reserve	360	361
Non-patient care services to other bodies	15,111	14,654
Other income	24,796	17,276
	<u>50,933</u>	<u>41,114</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	31 March 2009	31 March 2008
	£000	£000
Services from Foundation Trusts	0	0
Services from other NHS Trusts	927	1,253
Services from other NHS bodies	919	863
Purchase of healthcare from non NHS bodies	810	35
Executive Directors' costs	879	715
Non Executive Directors' costs	122	131
Staff costs	130,454	122,081
Drugs	8,846	8,145
Supplies and services - clinical	16,474	15,439
Supplies and services - general	1,315	940
Establishment	2,676	2,273
Transport	145	176
Premises	10,067	7,113
Increase in Bad debt provision	106	47
Depreciation and amortisation	6,942	8,104
Audit fees	48	61
Other auditor's remuneration	9	4
Clinical negligence	2,371	2,188
Other *	24,466	15,100
	<u>207,576</u>	<u>184,668</u>

*Other includes £17.2m relating to PFI scheme.

5.2 Operating leases

5.2/1 Operating expenses include:

	31 March 2009	31 March 2008
	£000	£000
Hire of plant and machinery	357	372
Other operating lease rentals	289	183
	<u>646</u>	<u>555</u>

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

	£000	£000
Operating leases which expire:		
Within 1 year	170	121
Between 1 and 5 years	269	359
After 5 years	53	0
	<u>492</u>	<u>480</u>

Please also refer to Note 27.1 PFI schemes deemed to be off-balance sheet for details relating to the PFI operating lease.

6. Staff costs and numbers

6.1 Staff costs

	31 March 2009	31 March 2008
	Total	Total
	£000	£000
Salaries and wages	106,642	100,846
Social security costs	7,748	7,359
Employer contributions to NHSPA	12,522	11,904
Other pension costs	52	50
Agency/Contract Staff	4,369	2,637
	<u>131,333</u>	<u>122,796</u>

6.2 Average number of persons employed

	31 March 2009	31 March 2008
	Total	Total
	Number	Number
Medical and dental	406	386
Administration and estates	845	808
Healthcare assistants and other support staff	528	463
Nursing, midwifery and health visiting staff	1,004	970
Scientific, therapeutic and technical staff	401	444
Total	<u>3,184</u>	<u>3,071</u>

The above WTE number of staff employed, exclude those staff employed by Medirest under ROE arrangements.

6.3 Employee benefits

There were no benefits paid to employees during the period.

6.4 Retirements due to ill-health

During 2008/09 there were 4 (2007/8, 5) early retirements from the NHS Foundation Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £273,814 (2007/8 £533,356). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

	31 March 2009 £000	31 March 2008 £000
7. The Late Payment of Commercial Debts (Interest) Act 1998		
Amounts included within Finance Costs (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 in the disposal of fixed assets is made up as follows:

	31 March 2009 £000	31 March 2008 £000
Loss on disposal of fixed asset investments	(49)	0
Profit on disposal of intangible fixed assets	9	0
Profit on disposal of plant and equipment	0	0
Loss on disposal of tangible fixed assets	(374)	(100)
	<u>(414)</u>	<u>(100)</u>

9. Finance Costs - Interest Expenses

The Trust paid £7,357 in the 12 months ended 31 March 2009 (£9,809 2007/8) relating to a finance lease.

10. Intangible Fixed Assets

	31 March 2009	31 March 2008
	Software Licences £000	Software Licences £000
Gross cost at 1 April 2008	4,646	4,018
Reclassifications	5	0
Additions purchased	661	629
Additions donated	17	3
Disposals	(177)	(4)
Gross cost at 31 March 2009	<u>5,152</u>	<u>4,646</u>
Amortisation at 1 April 2008	1,193	511
Provided during the year	865	686
Reclassifications	18	0
Disposals	(127)	(4)
Amortisation at 31 March 2009	<u>1,949</u>	<u>1,193</u>
Net book value		
- Purchased at 31 March 2009	3,181	3,443
- Donated at 31 March 2009	22	10
- Total at 31 March 2009	<u>3,203</u>	<u>3,453</u>

11. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Assets under construction and payments on account	Plant and Machinery	Information Technology	Furniture & fittings	31 March 2009 Total	31 March 2008 Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	18,584	43,937	6,962	23,440	6,945	682	100,550	83,685
Additions purchased	0	1,240	4,984	4,161	665	61	11,111	5,186
Additions donated	0	0	0	79	7	0	86	539
Impairments	0	0	0	0	0	0	0	0
Reclassifications	0	79,422	(848)	13	13	8	78,608	0
Other revaluations	0	0	0	0	0	0	0	12,343
Disposals	0	(58,470)	0	(2,906)	(2,802)	(554)	(64,732)	(1,203)
At 31 March 2009	18,584	66,129	11,098	24,787	4,828	197	125,623	100,550
Depreciation at 1 April 2008	0	11,434	0	11,854	4,841	541	28,670	14,963
Provided during the year	0	2,686	0	2,562	798	31	6,077	7,418
Impairments	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0
Reclassifications	0	78,577	0	11	2	5	78,595	0
Other revaluations	0	0	0	0	0	0	0	7,334
Disposals	0	(40,012)	0	(2,609)	(2,751)	(500)	(45,872)	(1,045)
Depreciation at 31 March 2009	0	52,685	0	11,818	2,890	77	67,470	28,670
Net book value								
- Purchased at 31 March 2009	18,584	13,397	11,098	10,957	1,916	120	56,072	69,495
- Donated at 31 March 2009	0	47	0	2,012	22	0	2,081	2,385
Total at 31 March 2009	18,584	13,444	11,098	12,969	1,938	120	58,153	71,880
Analysis of tangible fixed assets, net book value								
- Protected assets at 31 March 2009	18,584	13,444	0	0	0	0	32,028	51,087
- Unprotected assets at 31 March 2009	0	0	11,098	12,969	1,938	120	26,125	20,793
- Total at 31 March 2009	18,584	13,444	11,098	12,969	1,938	120	58,153	71,880

Residual interest for Assets under the PFI scheme is included in Assets under construction.

11.1 Tangible Fixed Assets (contd)

As part of the transfer of assets to our PFI partner, accelerated depreciation is being charged on assets that will be handed over, to write them down to a "shell" value at transfer. Once the value of these assets has been adjusted they have been disposed of as fixed assets and reclassified as long term current assets within debtors on the balance sheet.

No properties have an existing value which is materially different to its open market value.

11.2 The net book value of land, buildings and dwellings comprises

	Protected £000	Unprotected £000	31 March 2009 Total £000	31 March 2008 Total £000
Freehold	32,028	0	32,028	51,087
Total	32,028	0	32,028	51,087

12. Stocks

	31 March 2009 £000	31 March 2008 £000
Raw materials and consumables	2,318	2,341
TOTAL	2,318	2,341

13. Debtors

	31 March 2009 £000	31 March 2008 £000
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Amounts falling due within one year:

NHS debtors *	6,682	3,976
Provision for impaired debts	(272)	(177)
Other prepayments and accrued income	1,258	443
Other debtors	1,488	3,097
Sub Total	9,156	7,339

Amounts falling due after more than one year:

NHS debtors	1,058	794
Provision for impaired debts	0	0
Other prepayments and accrued income **	53,325	35,763
Other debtors**	0	0
Sub Total	54,383	36,557

TOTAL	63,539	43,896
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*NHS Debtors includes monies accrued in respect of Partially Completed Inpatient Spells £817,000 (£732,000, 2007/8).

**Other prepayments falling due after more than one year relates to the deferred asset created as part of the transfer of Fixed Assets to our PFI partner.

14. Creditors

14.1 Creditors at the balance sheet date are made up of:

	31 March	31 March
	2009	2008
	£000	£000
Amounts falling due within one year:		
Payments received on account	992	12,333
NHS creditors	1,576	1,889
Tax and social security costs	2,685	2,594
Obligations under finance leases and hire purchase contracts	0	32
Other creditors	7,203	4,511
Accruals and deferred income	14,723	11,755
TOTAL	<u>27,179</u>	<u>33,114</u>

15. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Other*	31 March 2009 Total	31 March 2008 Total
	£000	£000	£000	£000	£000
At 1 April 2008	574	183	2,274	3,031	1,372
Arising during the period	55	142	2,343	2,540	2,355
Utilised during the period	(53)	(142)	(2,150)	(2,345)	(594)
Reversed during the period	(60)	(30)	0	(90)	(102)
Unwinding of discount	0	0	0	0	0
At 31st March 2009	516	153	2,467	3,136	3,031

Expected timing of cashflows:

Within one year	48	153	2,348	2,549	2,391
Between one and five years	191	0	30	221	231
After five years	277	0	89	366	409
	516	153	2,467	3,136	3,031

The Legal Claims provision relates to claims made under the Liabilities to Third Parties Scheme (Personal Injury) element of the Trust's insurance policy. In addition to the provisions shown, contingent liabilities are given in note 21.

*This relates to the excess pension amounts payable by the Trust in respect of retirement due to Injury Benefits for employees who retired pre 1995, Redundancy and provisions for contractual disputes.

£17,997,542 is included in the provisions of the NHS Litigation Authority in respect of clinical negligence liabilities of the NHS Trust (£8,056,632 2007/8)

16. Movements on Reserves

Movements on reserves in the period comprised the following

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	31 March 2009	31 March 2008
	£000	£000	£000	£000	£000
At 1 April 2008	26,252	2,395	12,373	41,020	31,378
Prior Period Adjustment					(277)
Transfer from the income and expenditure account	0	0	8,441	8,441	3,629
Surplus on other revaluations	0	0	0	0	5,009
Transfer of realised profits to the Income and Expenditure reserve	0	(29)	0	(29)	200
Receipt of donated assets	0	103	0	103	1,442
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated assets	0	(360)	0	(360)	(361)
Other transfers between reserves	(10,142)	0	10,142	0	0
At 31st March 2009	<u>16,110</u>	<u>2,109</u>	<u>30,956</u>	<u>49,175</u>	<u>41,020</u>

17. Notes to the cash flow statement

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

	31 March	31 March
	2009	2008
	£000	£000
Total operating surplus	11,323	6,033
Depreciation and amortisation charge	6,942	8,104
Transfer from donated asset reserve	(360)	(361)
Amortisation of government grant	0	0
Other movements	842	1,277
(Increase) / decrease in stocks	23	(110)
(Increase) / decrease in debtors	(2,015)	5
(Decrease) / increase in creditors	(8,194)	13,561
Increase in provisions	105	1,659
Net cash inflow from operating activities	8,666	30,168

17.2 Reconciliation of net cash flow to movement in net funds

	£000	£000
(Decrease) / increase in cash in the period	(3,318)	22,559
Cash outflow from debt repaid and finance lease capital payments	32	43
Change in net funds resulting from cashflows	(3,286)	22,602
Net funds at 1 April 2008	39,866	17,264
Net funds at 31 March 2009	36,580	39,866

18. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2009 were £1,000,276 (£2,032,670, 2007/8)

19. Post Balance Sheet Events

There have been no post balance sheet events.

20. Contingent Liabilities

	31 March 2009 £000	31 March 2008 £000
Gross value	105	111
Amounts recoverable	<u>0</u>	<u>0</u>
Net contingent liability	<u><u>105</u></u>	<u><u>111</u></u>

This relates to Clinical negligence un-provided liabilities.

21 Prudential Borrowing Limit

The Trust has a maximum cumulative long term borrowing limit of £39.1 million.

As the Trust did not require any loans in 2008/09, only the minimum dividend forecast ratio is applicable.

Monitor has authorised a working capital facility of £15 million which has not been utilised.

	Actual	Approved
Maximum Debt/Capital ratio	0.00	<25%
Minimum Dividend Cover - times	5.2x	>1x
Minimum Interest Cover - times	2799.4x	>3x
Minimum Debt Service Cover - times	376.8x	>2x
Maximum Debt Service to Revenue %	0%	<3%

22. Related Party Transactions

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

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

The Department of Health is regarded as a related party. During the year Sherwood Forest Hospitals NHS Foundation Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

These significant entities are listed below:

	Income	Expenditure
	£000	£000
Bassetlaw Primary Care Trust	833	0
Department of Health	5,192	0
Derby City PCT	180	3
Derby County PCT	17,091	10
Derby Hospitals NHS Foundation Trust	307	45
Doncaster and Bassetlaw Hospitals NHS Foundation Trust	0	72
East Midlands Ambulance Services NHS Trust	0	897
East Midlands Strategic Health Authority	10,324	2
Imperial College Trust	0	17
Kettering Foundation Trust	67	0
Leicester County and Rutland PCT	2,429	33
Leicester City PCT	167	0
Leicester Partnership Trust	65	141
University Hospitals Leicester Trust	683	52
Lincolnshire Primary Care Trust	2,968	0
Moor field's Eye Hospital NHS Foundation Trust	0	25
NHS Blood and Transplant	0	1,006
NHS Business Services Authority	0	264
NHS Litigation Authority	0	2,371
Northampton Teaching PCT	194	0
Northampton Trust	160	0
Nottingham University Hospitals NHS Trust	2,819	1,399
Nottingham City PCT	3,605	137
Nottinghamshire County Primary Care Trust	156,252	2,442
Nottinghamshire Healthcare NHS Trust	1,209	266
NHS Purchasing and Supply Agency	3	4,088
Oxfordshire and Buckinghamshire Mental Health NHS Foundation Trust	0	154
Sheffield Children's NHS Foundation Trust	0	51
Sheffield Teaching Hospitals NHS Foundation Trust	0	25
United Lincolnshire Hospitals NHS Trust	187	1

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 Department of Health for Education and Skills in respect of University Hospitals.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the NHS Trust Board. The Sherwood Forest Hospitals Charitable Fund purchased goods and services for the Trust during the financial year, and also provided purchases for patients and staff at the Sherwood Forest Hospitals. The administration of the Charity is carried out by the Trust, and during the financial year the Trust charged the Charity for this service.

The audited accounts/the Summary Financial Statements of the Funds Held on Trust are available separately.

23 Financial Instruments and Financial Liabilities

Recognition

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

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Regular way purchases or sales are recognised and de-recognised, as applicable, using the Settlement date.

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

De-recognition

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

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

Classification and Measurement

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

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

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

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the income and expenditure account.

Loans and receivables

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

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless the Trust intends to dispose of them within 12 months of the balance sheet date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised in reserves are included in the income and expenditure account.

Other financial liabilities

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

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

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

Determination of fair value

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from discounted cash flow analysis.

Impairment of financial assets

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

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

24.1 Financial Assets

	31 March 2009	31 March 2008
	£000	£000
NHS Debtors (net of provision for irrecoverable debts)	7,468	4,593
Accrued income	47,420	29,836
Other debtors	1,488	3,097
Current asset investments	0	0
Cash at bank and in hand	36,580	39,898
Total at 31 March	92,956	83,971

24.2 Financial Liabilities

NHS Creditors	1,576	1,889
Other creditors	2,872	2,505
Accruals	11,025	7,033
Capital Creditors	2,777	517
Provisions Under Contract	3,670	3,031
Finance lease obligations	0	32
Total at 31 March	21,920	(33,121)

25 Third Party Assets

The Trust held £1,824.33 (£2,645.03 2007/8) as cash in hand or at bank at 31 March 2009 on behalf of patients.

26 Losses and Special Payments

There were 443 (469, 2007/8) cases of losses and special payments totalling £332,050 (£25,351 2007/8) paid in the period. The rise was due to the abandonment of a linear accelerator business case for £309,000. This was fully recovered from the local PCT.

27 Private Finance Transactions

27.1 PFI schemes deemed to be off-balance sheet

The Trust is currently committed to two off-balance sheet PFI schemes

Expenditure recognised within the expenditure for the Trust for 2008/09 is as follows:

	2008/09
	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	7,369
Amortisation of PFI deferred asset	(842)
Net charge to operating expenses	6,527

A credit was also recognised within operating expenses relating to the unitary charge offset to recreate the fixed assets of the Trust over the life of the PFI contract. However in line with the DOH guidance this has been excluded in the above net charge calculation.

Central Nottinghamshire Hospitals PLC

The Trust is committed to make the following payment during the year with regard to Central Nottinghamshire Hospitals PLC.

	£000
PFI scheme which expires; 30-35 years	11,575
	£000
Estimated capital value of the PFI scheme	366,546
Contract Start date:	November 2005
Contract End date:	March 2043

This project involves a major redevelopment of the King's Mill Hospital Site which is funded through the Private Finance Initiative with Central Nottinghamshire PLC being our Private Sector partner. Commercial close was reached in November 2005 and since this date assets have transferred to the PFI provider, along with the transfer of responsibility for facilities management to an external provider as part of the PFI service provision contract. The estimated annual payment once the scheme is complete in 2yrs time is £30m. During the construction phase the Trust has contracted with Central Nottinghamshire PLC for facilities management services and pays a reduced unitary charge payment relating to phases of the scheme as they are completed.

Leicester Housing Association

The Trust is committed to make the following payments during the next year with regard to Leicester Housing.

	£000
PFI scheme which expires; 26 to 30 years (inclusive)	149
	£000
Estimated capital value of the PFI scheme	7,675
Contract Start date:	June 1999
Contract End date:	June 2034

The Trust entered into a Private Finance Initiative contract with Leicester Housing Association, which included the construction of new residential accommodation and the upgrade of existing accommodation combined with a 35 year contract to manage and operate the accommodation. The Trust has guaranteed to utilise a minimum level of the overall accommodation but the majority of risks associated with operating and letting the properties have been transferred to the Housing Association. The value shown above relates solely to the Trusts committed element of the contract and not the full income received by Leicester Housing Association.

The deferred asset created as part of the Leicester Housing Association contract was fully written off in 2000/01