

Bradford Teaching Hospitals NHS Foundation Trust

Annual Accounts

For the year ended 31st March 2007

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

Contents	Page
Foreword to the Accounts	3
Directors' Statement	4
Statement of Directors' Responsibility in respect of Internal Financial Control	5 - 10
Independent Auditor's Report to the Board	11 - 12
Income and Expenditure Account	13
Balance Sheet	14
Statement of Total Recognised Gains and Losses	15
Cash Flow Statement	16
Notes to the Accounts	17 - 40

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

HEALTH AND SOCIAL CARE (COMMUNITY HEALTH AND STANDARDS) ACT 2003

DIRECTIONS BY MONITOR IN RESPECT OF NATIONAL HEALTH SERVICE FOUNDATION TRUSTS' ANNUAL ACCOUNTS

Monitor, the Independent Regulator of NHS Foundation Trusts, with the approval of HM Treasury, in exercise of powers conferred on it by paragraph 25(1) of Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003, hereby gives the following Directions:

1. Application and interpretation

(1) These Directions apply to NHS Foundation Trusts in England.

(2) In these Directions "The Accounts" means:

for an NHS Foundation Trust in its first operating period since authorisation, the accounts of an NHS Foundation Trust for the period from authorisation until 31st March; or

for an NHS Foundation Trust in its second or subsequent operating period following authorisation, the accounts of an NHS Foundation Trust for the period from 1st April until 31st March.

The NHS Foundation Trust means the NHS Foundation Trust in question.

2. Form of accounts

(1) The Annual Accounts submitted under paragraph 25 of Schedule 1 of the 2003 Act shall show, and give a true and fair view of, the NHS Foundation Trust's gains and losses, cash flows and financial state at the end of the financial period.

(2) The Annual Accounts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual, (FT FReM) as agreed with HM Treasury, in force for the relevant financial year.

(3) The Balance Sheet shall be signed and dated by the chief executive of the NHS Foundation Trust.

(4) The Statement on Internal Control shall be signed and dated by the chief executive of the NHS Foundation Trust.

3. Statement of accounting officer's responsibilities

(1) The statement of accounting officer's responsibilities in respect of the accounts shall be signed and dated by the chief executive of the NHS Foundation Trust.

4. Approval on behalf of HM Treasury

(1) These directions have been approved on behalf of HM Treasury.

Signed by the authority of Monitor, the Independent Regulator of NHS Foundation Trusts

Signed:



Name: Dr. William Moyes (Chairman)

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

Dated: 22 December 2006

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

DIRECTORS' STATEMENTS

**Statement of the chief executive's responsibilities as the accounting officer of
Bradford Teaching Hospitals NHS Foundation Trust**

The Health and Social Care (Community Health and Standards) Act 2003 ("2003 Act") states that the Chief Executive is the accounting officer of the NHS Foundation Trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

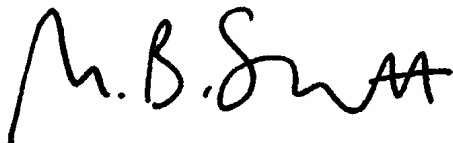
Under the 2003 Act, Monitor has directed the Bradford Teaching Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Bradford Teaching Hospitals NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS foundation trust Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS foundation trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS Foundation Trust and to enable him to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS Foundation Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.



Signed.....

Chief Executive Date: 7th June 2007

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL

Scope of responsibility

As accounting officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trusts policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

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 policies, aims and objectives of Bradford Teaching Hospitals NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bradford Teaching Hospitals NHS Foundation Trust for the year ended March 31 2007 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

As the chief executive of a large acute teaching hospitals foundation trust, I recognise that committed leadership in the area of risk management is essential to maintaining the sound system of internal control, required to manage the risks associated with the corporate objectives, compliance with our terms of authorisation as an NHS foundation trust and the assessment from the Healthcare Commission.

To this end I also recognise that diligence and objectivity are personal attributes required to ensure that appropriate structures are in place to gain assurance about the management of risk, from both internal and external sources.

In order to demonstrate this commitment, the medical director and head of corporate affairs are personally accountable to me for the maintenance and development of the governance framework for the organisation. The medical director is responsible for clinical risk and the head of corporate affairs is responsible for corporate governance.

The governance committee of the Board of Directors, chaired by David Richardson, foundation trust chairman, is charged with coordinating, monitoring and overseeing risk management of both clinical and non clinical governance agendas. I am a member of this committee, together with executive directors and representative non-executive directors. The governance committee of the Board of Directors complements the audit committee of the Board of Directors.

In addition to this I recognise that effective training is essential in the management of risk and this is demonstrable at all levels within the organisation.

At an operational level, the foundation trust has in place well developed programmes of generic and specific risk management training. These programmes, including those at induction, are aimed at minimising common risks at ward and development level.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL
(Continued)**

The Clinical Negligence Scheme for Trusts (CNST), administered by the NHS Litigation Authority, and offers trusts a discount on its contributions by achieving defined risk management standards.

During this financial year, the organisation has attained CNST level III for maternity services, which is a high recognition for the safety and risk management of these services. Much work has taken place throughout the latter part of the financial year in preparation for the application for CNST level III in general services, with the assessment taking place in the autumn of 2007.

At the clinical directorate level, designated risk coordinators have been trained and assessed by the National Examination Board in Occupational Safety and Health (NEBOSH) to coordinate devolved risk management arrangements. Local policies are in place at this level, as are directorate risk registers. Specialist advisors are available to provide input to these arrangements and generic advice and support is provided by the risk management team.

At the senior management level the system of control for business, financial and service delivery risk use encompassed within the Operational Management Framework, as described in the risk management strategy.

The use of the risk assessment tool and the processes of control and assurance attendant to risk minimisation has been shared and disseminated at senior management level through regular risk management meetings. It is working practice that all Board of Directors papers and reports include a summary of risk assessment.

Learning from good practice and from untoward incidents, is seen as a primary mechanism for continuously improving risk management systems. In the foundation trust these lessons are derived from external guidance, from site visits and from incidents reported through the hospital's risk incident reporting system. All Serious Untoward Incidents (SUIs) are reported formally to the Board of Directors.

The risk and control framework

The foundation trust's risk management strategy is founded on a holistic approach to risk management that embraces business, financial, service delivery, clinical and non-clinical risks. The latest revision of the strategy describes how the risk management reporting lines have been rationalised in 2006/07 in a considered move towards an integrated governance framework. The Assurance Framework updated the Board of Directors on the progress implemented by the risk management strategy and was approved by the Board of Directors at their meeting at the end of March.

The strategy clearly defines how the broad spectrum of risks managed by the foundation trust is identified, assessed, managed and controlled. Business, financial and services delivery risks are derived from organisational objectives through the business planning process of the foundation trust. Clinical and non-clinical risks are identified through well-defined processes of assessment and reporting.

Evaluation of all these risks, independent of source, is performed using a risk assessment tool that may be applied in a structured and uniform way. Residual organisational risk is ranked and prioritised on the foundation trust's risk register.

The strategy describes how risk management is embedded in the organisation using three interacting and complementary management systems intrinsic to operational practice.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

interacting and complementary management systems intrinsic to operational practice.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL
(Continued)**

These are:

- the corporate plan
- the governance framework
- the strategic management framework

Internal assurances, as to the effectiveness of this system of internal control, are provided under the auspices of one of these systems.

The corporate objectives incorporate the primary system of risk minimisation. These control mechanisms are initiated by the setting of personal objectives at senior management level that are derived from the principle organisational objectives defined by the corporate objectives and the Annual Plan submission to Monitor, the independent regulator of NHS foundation Trusts.

The performance management, progress monitoring and control processes embedded in this structure ensure that the corrective actions required to deliver objectives are consistently applied. Within the same framework, the consequences of partial or non-achievement of objectives are regularly monitored and assessed. In this way, the risks associated with the business, financial and service objectives are actively minimised.

The role of the governance framework in respect of the management of risk is twofold:

- to oversee and monitor the process of internal control in the foundation trust to assure itself, from both internal and external sources, that the risks run by the organisation are properly identified and appropriately managed
- to identify, evaluate and prioritise clinical and non-clinical risks and gain assurance that these are appropriately controlled and treated within the corporate risk management framework

The inter-relationship of these systems is described in the risk management strategy.

The assurances the Board of Directors and I require to endorse and approve the statement of internal control are derived from internal and external sources of evidence. The governance framework has a key role in monitoring, evaluating, reporting and collating this evidence. This evidence is to a great extent derived from the schedule of reports and reviews that are generated by:

- the operational management and governance systems
- internal audit
- external audit and external reviews

These reviews and reports have taken the form of:

- monthly reports to the Board of Directors, for on-going monitoring
- annual, or more frequent, internal reports to the Board of Directors, and other key meetings, required by guidance or statute resulting from monitoring processes within the operational management frameworks
- external reports from inspecting bodies
- specific reports on particular focussed key risk issues

These reports and reviews are generally associated with action plans whose achievement priority is reflected in the risk register and in organisational and personal objectives.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL
(Continued)**

Key internal assurances can be derived from the following reviews by the Board of Directors:

- self assessment against the requirements of Monitor's Compliance Framework
- self assessment against the requirements of the Standards for Better Health
- routine monitoring returns to Monitor
- performance management monitoring
- financial monitoring
- claims and complaints
- clinical governance
- clinical and non-clinical risk management, including health and safety
- human resources and service equity
- estates infrastructure

These areas have been covered in statutory, mandatory or advisory reports to the Board of Directors or to the governance committee during the last 12 to 15 months, or incrementally on a month-by-month basis.

The responsibility for reporting is a personal requirement of the senior managers with delegated responsibility in these areas. The report highlights the current status of compliance and residual risk in respect of relevant statute, guidance, targets or good practice in the areas covered, and act as primary internal assurances to the Board of Directors. They also highlight areas where corrective action must be undertaken. In addition, the groups within the governance framework and Board sub committees have specific delegated responsibilities in monitoring the effectiveness of risk minimisation in the foundation trust to support the Board of Directors in endorsing the statement of internal control.

Overlaid on this framework, there are a series of external reports that reinforce the assurance required by the Board of Directors in endorsing the Statement of Internal Control. In particular, the foundation trust has achieved compliance with CNST level III for maternity services and level II for general services.

In 2006/07 the foundation Trust pro-actively involved the public stakeholders in the management of risks that impacted on them by jointly reviewing the compliance assessment for the Standards for Better Health with the Board of Governors, patient forum, and members of the Overview and Scrutiny Committee of Bradford and Metropolitan District Council. In addition, specific high profile risk issues, such as the management and control of MRSA were discussed and reviewed with the same groups.

The foundation trust is an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with the Scheme rules, and that the members pension scheme records are accurately updated in accordance with the time scales detailed in the Regulations. This is confirmed by Personnel Services and Aire Valley Payroll.

Review of economy, efficiency and effectiveness of the use of the resources

The foundation Trust identified a PIP target which was delivered this in full during the financial year. In addition to this we over achieved the predicted surplus. This year we have built upon the rationalisation of St Luke's hospital site by completing the first phase of the withdrawal from designated area known local as area A. The Board of Directors receive monthly within the finance report an update on the progress of the PIP. This process is supported by the Internal and External Audit arrangements and the reporting regime to Monitor, relating to the use of resources by the organisation.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL
(Continued)**

Review of effectiveness

As accounting officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee (and risk committee, if appropriate) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

My review is also informed by the following reports:

- report on the attainment of CNST level III for maternity services in January 2007
- self assessment against compliance with the Standards for Better Health
- Self assessment against Monitors Compliance Framework
- The assurance framework review
- External and internal audits reports and risk management arrangements
- Internal audit reports on corporate governance
- Report on annual clinical governance reviews
- Regular structured reports on finance and performance management
- Patient and staff satisfaction surveys
- Governance self assessment by both Board of Directors and Board of Governors

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by:

- The Board of Directors
- The audit committee
- The governance committee
- The clinical governance committee

The process of internal control has been maintained and reviewed within the following framework, particularly in respect of:

The Board of Directors receives monthly performance and financial management reports as the primary mechanism for assessing compliance with national and local targets, and the identification of existing and potential risks. Along side this the Board of Directors receives a quarterly report on the delivery of the corporate objectives. The Board of Directors also receives and endorses key internal and external reports that specifically demonstrate the adequacy of the internal control function in designated risk areas, alongside generic reviews of the assurance framework.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

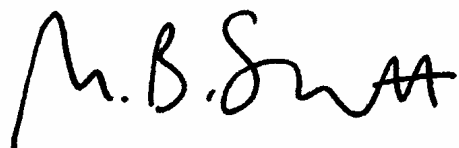
**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL
(Continued)**

The Board of Directors approved a revision to the Standing Orders, Standing Financial Instructions and Scheme of Delegation at the March 2007 meeting. Within these documents the terms of reference for the sub committees of the Board of Directors were also reviewed.

- The audit committee examines and monitors the financial reporting and controls, ensures compliance with relevant regulatory legal and conduct requirements, adherence to both internal and external policies and guidance.
- The governance committee monitors the corporate governance of the Foundation Trust and its supporting risk management framework that monitors the performance of the internal control functions and reviews the assurance framework
- The executive directors and senior managers, who have delegated responsibility for the achievement of organisational objectives and risk minimisation, and for the management of risks generated within the clinical and non-clinical areas
- Internal audit, who undertake a series of audits based on a risk based audit plan that incorporates agreed elements of the assurance framework
- Other explicit reviews / assurance mechanisms, such as reports from CNST and Risk Pooling Scheme for Trust (RPST) reports etc

The foundation trust and its officers are alert to their responsibilities and accountabilities in respect of internal control, and has in place organisational arrangements to identify and manage risk. The foundation trust has not identified any significant internal control issues.



Miles Scott
Chief Executive 7 June 2007

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF
BRADFORD TEACHING HOSPITALS NHS FOUNDATION TRUST**

I have audited the financial statements of Bradford Teaching Hospitals NHS Foundation Trust for the year ended 31st March 2007 under the National Health Service Act 2006, which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Board of Governors of Bradford Teaching Hospitals NHS Foundation Trust as a body in accordance with paragraph 24(5) of Schedule 7 of the National Health Services Act 2006. My work was undertaken so that I might state to the Board of Governors those matters I am required to state to it in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Foundation Trust as a body, for my audit work, for the audit report or for the opinions I form.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer's responsibilities for preparing the financial statements in accordance with directions made by the Independent Regulator are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with statute, the Audit Code for NHS Foundation Trusts 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 in accordance with the accounting policies directed by the Independent Regulator as being relevant to NHS Foundation Trusts.

I review whether the Accounting Officer's statement on internal control reflects compliance with the requirements of the Independent Regulator contained in the NHS Foundation Trust Financial Reporting Manual 2006/07. I report if it does not meet the requirements specified by the Independent Regulator 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 Accounting Officer's statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chair's Statement, the Chief Executive's Statement, Operating and Financial Review, the sections on the Board of Governors, the Board of Directors, membership and public interest disclosures and the un-audited part of the Remuneration Report. 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 National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF
BRADFORD TEACHING HOSPITALS NHS FOUNDATION TRUST**

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 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

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of Bradford Teaching Hospitals NHS Foundation Trust as at 31st March 2007 and of its income and expenditure for the year then ended in accordance with the accounting policies adopted by the Trust.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts issued by the Independent Regulator.

.....

John Prentice – Officer of the Audit Commission Date

Audit Commission, Kernel House, Killingbeck Drive, Killingbeck Leeds, LS14 6UF

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31st March 2007**

	NOTE	2006/07 £ 000s	2005/06 £ 000s
Income	3	237,977	220,233
Operating expenses	4	<u>(233,170)</u>	<u>(217,825)</u>
OPERATING SURPLUS		4,807	2,408
Profit / (loss) on disposal of fixed assets	6	<u>7</u>	<u>(39)</u>
SURPLUS BEFORE INTEREST		4,814	2,369
Interest receivable		1,074	650
Interest payable	7	0	(5)
Other finance costs - unwinding of discount		(40)	(25)
Other finance costs - change in discount rate on provisions		<u>0</u>	<u>(110)</u>
SURPLUS FOR THE FINANCIAL YEAR		5,848	2,879
Public dividend capital dividends payable	5.4	<u>(5,167)</u>	<u>(5,771)</u>
RETAINED SURPLUS / (DEFICIT) FOR THE YEAR		<u>681</u>	<u>(2,892)</u>

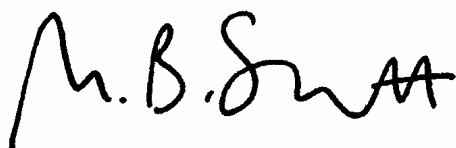
All income and expenses shown relate to continuing operations.
The notes on pages 16 to 40 form part of these accounts.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

BALANCE SHEET

	NOTE	31st March 2006/07 £ 000s	31st March 2005/06 £ 000s
FIXED ASSETS			
Intangible assets	8	0	0
Tangible assets	9	159,091	158,285
CURRENT ASSETS			
Stocks and work in progress	10	4,009	3,883
Debtors	11	9,001	7,303
Investments		0	0
Cash at bank and in hand	16.3	<u>21,637</u>	<u>16,433</u>
		34,647	27,619
CREDITORS: Amounts falling due within one year	12	<u>(33,198)</u>	<u>(25,553)</u>
NET CURRENT ASSETS / (LIABILITIES)		1,449	2,066
DEBTORS: Amounts falling due after more than one year	11	1,938	1,286
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>162,478</u>	<u>161,637</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(1,914)</u>	<u>(2,182)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(3,965)</u>	<u>(3,577)</u>
TOTAL ASSETS EMPLOYED		<u><u>156,599</u></u>	<u><u>155,878</u></u>
FINANCED BY:			
Public dividend capital	20	110,937	106,523
Revaluation reserve	15	67,233	72,665
Income and expenditure reserve	15	(22,517)	(24,441)
Donated Asset reserve	15	946	1,131
TOTAL FUNDS		<u><u>156,599</u></u>	<u><u>155,878</u></u>

The Financial Statements on pages 12 to 40 were approved by the Board on 30th May 2007.



Signed:Chief Executive

Date: 7th June 2007

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

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

	2006/07 £ 000s	2005/06 £ 000s
Surplus for the financial year before dividend payments	5,848	2,879
Fixed Asset Impairment	0	0
Unrealised surplus / (deficit) on fixed asset revaluations / indexation	(4,189)	245
Receipt of donated assets	69	328
Reductions in the donated asset reserve due to depreciation	(254)	(298)
Additions / (reductions) in "other reserves"	0	0
Total gains and losses relating to the financial year	1,474	3,154
Prior year adjustment	0	587
Total gains and losses recognised since last annual report	1,474	3,741

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st March 2007**

	NOTE	2006/07 £ 000s	2005/06 £ 000s
OPERATING ACTIVITIES			
Net cash inflow / (outflow) from operating activities	16.1	13,478	15,971
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,074	651
Interest paid		0	(5)
Interest element of finance leases		<u>0</u>	<u>0</u>
Net cash inflow / (outflow) from returns on investments and servicing of finance		1,074	646
Taxation paid / received		0	0
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(9,454)	(2,887)
Receipts from sale of tangible fixed assets		859	1
Payments to acquire intangible fixed assets		0	0
Receipts from sale of intangible fixed assets		<u>0</u>	<u>0</u>
Net cash inflow / (outflow) from capital expenditure		(8,595)	(2,886)
DIVIDENDS PAID		(5,167)	(5,771)
Net cash inflow / (outflow) before management of liquid resources and financing		<u>790</u>	<u>7,960</u>
MANAGEMENT OF LIQUID RESOURCES			
Movement in short-term deposits		0	0
Net cash inflow / (outflow) before financing		<u>790</u>	<u>7,960</u>
FINANCING			
Public Dividend Capital received		<u>4,414</u>	<u>0</u>
Net cash inflow / (outflow) from financing		4,414	0
Increase / (decrease) in cash		<u><u>5,204</u></u>	<u><u>7,960</u></u>

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

NOTES TO THE ACCOUNTS

1. Accounting Policies and Other Information

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

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.

Income Recognition

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

The Foundation Trust contracts with NHS commissioners following the Department of Health's Payment by Results methodology. Such income is shown net of annual transitional relief adjustments which are calculated by the Department of Health. Foundation Trusts may either receive or pay back transitional relief.

Expenditure

Expenditure is accounted for applying the accruals convention.

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 assets

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

1. Accounting Policies and Other Information (continued)

All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1st April 2005. The revaluation undertaken at that date was accounted for on 31st March 2005.

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

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

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

Operational equipment is valued at net current replacement cost.

Depreciation, amortisation and impairments

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

Assets in the course of construction are not depreciated until the asset is brought into use.

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

Equipment is depreciated on current cost evenly over their estimated lives, which are as follows:

Engineering plant and equipment	5-15 years
Vehicles	7 years
Office equipment, furniture and soft furnishings	5-10 years
Medical and other equipment	5-15 years
IT equipment	5-8 years
Buildings	15-80 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.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

1. Accounting Policies and Other Information (continued)

Protected and unprotected assets

Assets that are required for the provision of mandatory goods and services are protected. Assets which are not required for mandatory goods and services are not protected and may be disposed of by the Foundation Trust without the approval of the Government Regulator (Monitor). The Foundation Trust's unprotected assets include land, car parking, residential accommodation, administrative offices and unused wards.

Donated fixed assets

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

Investments

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. These assets, and other current assets, are valued at cost less any amounts written off to represent any impairments in value, and are reviewed annually for impairments.

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.

Stocks and work-in-progress

Pharmacy stocks are valued at weighted average historical cost. Other stocks and work-in-progress are valued at the lower of cost and net realisable value.

Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the Foundation Trust's cash book. These balances exclude monies held in the Foundation Trust's bank account belonging to patients (see "third party assets" below). Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, "interest receivable" and "interest payable" in the periods to which

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

1. Accounting Policies and Other Information (continued)

Research and development

Expenditure on research is not capitalised.

Expenditure on development is capitalised if it meets the following criteria:

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, the Foundation Trust discloses the total amount of research and development expenditure charged in the Income and Expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

Provisions

The Foundation Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 2.2% (2.2% in 2005/06) in real terms.

Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 19 where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed in note 19 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.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Foundation Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims.

Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Foundation Trust is disclosed at note 19.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

remains with the Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Foundation Trust is disclosed at note 13.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

1. Accounting Policies and Other Information (continued)

Non-clinical risk pooling

The Foundation Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Foundation 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.

Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

Employers pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Foundation Trust commits itself to the retirement, regardless of the method of payment.

Taxation

The Foundation Trust is a Health Service body within the meaning of s519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the Treasury to disapply the exemption in relation to the specified activities of a Foundation Trust (s519A (3) to (8) ICTA 1988). Accordingly, the Foundation Trust is potentially within the scope of Corporation Tax in respect of activities which are not related to, or ancillary to, the provision of healthcare, and where the profits therefrom exceed £50,000pa. There is no tax liability arising in respect of the current financial year.

Most of the activities of the Foundation Trust are outside the scope of Value Added Tax (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.

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.

To meet the requirements of some research projects, the Foundation Trust operates a Euro account. The balance of this account is translated into sterling at the exchange rate ruling at the time of receipt of the monies and at the end of the accounting period. Any resulting exchange gains and losses are taken to the income and expenditure account.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

1. Accounting Policies and Other Information (continued)

Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Foundation Trust has no beneficial interest in them. However, they are disclosed in note 16.3 to the accounts, in accordance with the requirements of the HM Treasury Financial Reporting Manual.

Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Foundation Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of any 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.

Public Dividend Capital

Public Dividend Capital (PDC) is a type of public sector equity finance.

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

Financial instruments

The Foundation Trust may hold any of the following financial assets and liabilities:

- assets: investments, long-term debtors and accrued income, short-term debtors and accrued income (not disclosed in note 25.1 under exemptions permitted by FRS 13); and
- liabilities: loans and overdrafts, long-term creditors, long-term provisions arising from contractual arrangements, short-term creditors (not disclosed in note 26.1 under exemptions permitted by FRS 13), short-term provisions arising from contractual arrangements (not disclosed in note 26.1 under exemptions permitted by FRS 13).

The Foundation Trust can borrow within the limits set by Monitor's Prudential Borrowing Code. The Foundation Trust's position against its Prudential Borrowing Limit is disclosed in note 14. The Foundation Trust does not currently have any borrowings.

All other financial instruments are held for the sole purpose of managing the cash flow of the Foundation Trust on a day to day basis or arise from the operating activities of the Foundation Trust. The management of risks around these financial instruments therefore relates primarily to the Foundation Trust's overall arrangements for managing risks to their financial position.

Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007

2. Segmental Analysis

The Foundation Trust considers that all of its activities fall within the single category of the provision of health services.

3. Income

3.1 Income comprises:

	2006/07 £ 000s	2005/06 £ 000s
Elective income	49,007	46,712
Non-elective income	72,652	72,644
Outpatient income	35,295	32,160
Other types of activity income	47,146	39,805
A&E income	10,217	9,789
Total income at full tariff	<u>214,317</u>	<u>201,110</u>
PBR clawback	(2,669)	(7,054)
Income from Activities	<u>211,648</u>	<u>194,056</u>
Private patients	1,779	1,887
Other Operating Income (see note 3.3)	<u>24,550</u>	<u>24,290</u>
	<u><u>237,977</u></u>	<u><u>220,233</u></u>

The figures quoted are based upon income received in respect of actual activity undertaken within each category.

The Terms of Authorisation set out the mandatory goods and services that the Foundation Trust is required to provide (protected services). All of the income from activities shown above is derived from the provision of protected services.

3.2 Income from activities comprises:

	2006/07 £ 000s	2005/06 £ 000s
Private patient income	1,779	1,887
Total patient related income	213,427	195,943
Proportion as a percentage	<u><u>0.83%</u></u>	<u><u>0.96%</u></u>

Section 15 of the Health and Social Care (Community Health and Standards) Act 2003 requires that the proportion of private patient income to the total patient related income of NHS Foundation Trusts should not exceed its proportion whilst the body was an NHS Trust in 2002/03. The proportion in 2002/03 was 1.09%. The above note shows that the Trust was compliant for 2006/07 and 2005/06.

3.3 Other Operating Income

	2006/07 £ 000s	2005/06 £ 000s
Research and Development	774	616
Education and Training	7,701	6,928
Charitable and other contributions to expenditure	68	195
Transfers from the donated asset reserve in respect of depreciation of donated assets	254	298
Provider to provider income	5,835	5,146
Car Parking income	1,142	1,150
Catering income	1,136	1,152
Other	7,640	8,805
	<u>24,550</u>	<u>24,290</u>

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

Healthcare

Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007

4. Operating Expenses

4.1 Operating expenses comprise:

	2006/07	2005/06
	£ 000s	£ 000s
Services from NHS Foundation Trusts	0	0
Services from other NHS Trusts	953	917
Services from other NHS bodies	0	312
Purchase of healthcare from non NHS bodies	0	0
Directors' costs	537	460
Staff costs	153,162	142,756
Drugs costs	15,968	14,090
Supplies and services - clinical	26,386	22,975
Supplies and services - general	3,348	3,281
Establishment	4,089	4,004
Transport	668	471
Premises	13,584	11,871
Bad debts	202	616
Depreciation and amortisation	6,625	7,065
Fixed asset impairments	615	319
Audit services - statutory audit	70	73
Audit services - audit-related regulatory reporting	0	0
Other auditor's remuneration	2	0
Clinical negligence	3,561	3,896
Other	3,400	4,719
	233,170	217,825

4.2 Operating leases

4.2/1 Operating expenses include:

	2006/07	2005/06
	£ 000s	£ 000s
Hire of plant and machinery	73	36
Other operating lease rentals	325	305
	398	341

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

	Land and buildings		Other leases	
	2006/07	2005/06	2006/07	2005/06
	£ 000s	£ 000s	£ 000s	£ 000s
Operating leases which expire:				
Within 1 year	0	0	142	96
Between 1 and 5 years	0	0	357	84
After 5 years	0	0	0	0

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

<u>0</u>	<u>0</u>	<u>499</u>	<u>180</u>
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**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

4.3 Salary and pension entitlements of senior managers

Note: It is the view of the Board that the authority and responsibility for controlling major activities is retained by the Board and is not exercised below this level.

Name and title	Salary (Bands of £5,000) £ 000s	Other remuneration (Bands of £5,000) £ 000s	Golden hello £ 000s	Compensation for loss of office £ 000s	Benefits in kind (Rounded to the nearest £100) £
2006/07					
David Richardson (Chairman)	35 - 40	0	0	0	0
Miles Scott (Chief Executive) *	155 - 160	0	0	0	0
Bryan Millar (Director of Finance) *	125 - 130	0	0	0	0
Dr Clive Kay (Medical Director since 1st November 2006) *	20 - 25	70 - 75	0	0	0
Dr Duncan Newton (Medical Director until 31st October 2006)	0	50 - 55	0	0	0
Dr Dean Johnson (Director of Planning & Performance) *	115 - 120	0	0	0	0
Rose Stephens (Chief Nurse & Deputy Chief Executive) *	135 - 140	0	0	0	0
Nadira Mirza (Non Executive Director and Senior Non Executive Director)	10 - 15	0	0	0	0
Peter Noble (Non Executive Director)	10 - 15	0	0	0	0
Balbir Singh (Non Executive Director)	10 - 15	0	0	0	0
John Bussey (Non Executive Director)	5 - 10	0	0	0	0
Chris Jelley (Non Executive Director)	10 - 15	0	0	0	0
Richard Bell (Non Executive Director)	10 - 15	0	0	0	0

Note: For those Directors marked *, the salary figure includes a bonus payment of 7.5% of basic salary.
Payment of this bonus is based on the Remuneration Committee's assessment of performance against specific objectives.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

4.3 Salary and pension entitlements of senior managers (continued)

Pension entitlements of senior managers

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

Name and Title	Total accrued pension at age 60 at 31st March 2007 (Bands of £2,500) £ 000s	Value of automatic lump sums at 31st March 2007 (Bands of £2,500) £ 000s	Real increase in pension during the year (Bands of £2,500) £ 000s	Real increase in automatic lump sum during the year (Bands of £2,500) £ 000s	CETV at 31st March 2007 (Bands of £1,000) £ 000s	CETV at 31st March 2006 (Bands of £1,000) £ 000s	Real increase in CETV during the year (Bands of £1,000) £ 000s
2006/07							
Miles Scott (Chief Executive)	30.0 - 32.5	95.0 - 97.5	2.5 - 5.0	12.5 - 15.0	374 - 375	303 - 304	44 - 45
Bryan Millar (Director of Finance)	40.0 - 42.5	125.0 - 127.5	2.5 - 5.0	7.5 - 10.0	615 - 616	551 - 552	35 - 36
Dr Duncan Newton (Former Medical Director)	Note (1)	Note (1)	Note (1)	Note (1)	Note (1)	Note (1)	Note (1)
Dr Clive Kay (Medical Director)	42.5 - 45.0	132.5 - 135.0	0 - 2.5	2.5 - 5.0	563 - 564	499 - 500	14 - 15
Dr Dean Johnson (Director of Planning & Performance)	17.5 - 20.0	55.0 - 57.5	2.5 - 5.0	12.5 - 15.0	204 - 205	149 - 150	36 - 37
Rose Stephens (Chief Nurse & Deputy Chief Executive)	55.0 - 57.5	167.5 - 170.0	(5) - (7.5)	(20.0) - (22.5)	987 - 988	1,068 - 1,069	(74) - (75)

Note:

(1) The NHS Pensions Agency are not able to provide these figures.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

5. Staff Costs and Numbers

5.1 Staff costs

	2006/07 £ 000s	2005/06 £ 000s
Salaries and wages	124,217	116,187
Social Security costs	10,197	9,329
Employer contributions to NHSPA	14,029	13,060
Agency and contract staff	5,005	4,846
	<u>153,448</u>	<u>143,422</u>

All employer pension contributions in 2006/07 and 2005/06 were paid to the NHS Pensions Agency.

5.2 Average number of persons employed

	Permanently employed	Agency, temporary and contract staff	2006/07 Total Number	2005/06 Total Number
	Number	Number		
Medical and dental	440	33	473	446
Ambulance staff	0	0	0	0
Administration and estates	894	32	926	915
Healthcare assistants & other support staff	792	0	792	745
Nursing, midwifery & health visiting staff	1,330	66	1,396	1,398
Nursing, midwifery & health visiting learners	182	0	182	209
Scientific, therapeutic and technical staff	562	14	576	560
Social care staff	0	0	0	0
Other	0	1	1	0
Total	<u>4,200</u>	<u>146</u>	<u>4,346</u>	<u>4,273</u>

5.3 Retirements due to ill-health

During 2006/07 there were 11 (2005/06: 13) early retirements from the Foundation Trust agreed on the grounds of ill health. The estimated additional pension liabilities of these ill-health retirements will be £416,323 (2005/06: £619,320). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

5.4 Public Dividend Capital dividend

The Foundation Trust is required to pay a dividend to the Department of Health at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on Public Dividend Capital, totalling £5,167,000 (2005/06: £5,771,000) bears to the average relevant assets of £143,176,000 (2005/06: £150,150,000) that is 3.6% (2005/06: 3.8%).

The variance is within the Department's materiality target of +/- 0.5%.

5.5 Losses and special payments

NHS Foundation Trusts are required to record cash and other adjustments that arise as a result of losses and special payments. In the year the Foundation Trust had 459 (2005/06: 407) separate losses and special payments, totalling £126,168 (2005/06: £80,922). The bulk of these were in relation to

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

bad debts and damage / loss of hospital property.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

6. Profit / (Loss) on Disposal of Fixed Assets

	2006/07 £ 000s	2005/06 £ 000s
Profit on disposal of other unprotected tangible fixed assets	9	1
(Loss) on disposal of other unprotected tangible fixed assets	(2)	(40)
	<u>7</u>	<u>(39)</u>

7. Interest Payable

	2006/07 £ 000s	2005/06 £ 000s
Overdrafts	0	(5)
Other	0	0
	<u>0</u>	<u>(5)</u>

No interest or compensation has been paid under the Late Payment of Commercial Debts (Interest) Act 1998 during 2006/07 or 2005/06.

8. Intangible Fixed Assets

	Software Licences £ 000s
Gross cost at 1st April 2006	1,041
Impairments	0
Reclassifications	0
Other revaluation	0
Additions - purchased	0
Additions - donated	0
Disposals	(68)
Gross cost at 31st March 2007	<u>973</u>
Accumulated amortisation at 1st April 2006	1,041
Provided during the year	0
Impairments	0
Reversal of impairments	0
Reclassifications	0
Other revaluation	0
Disposals	(68)
Accumulated amortisation at 31st March 2007	<u>973</u>
Net book value	
- Purchased at 1st April 2006	0
- Donated at 1st April 2006	0
Total at 1st April 2006	<u>0</u>
- Purchased at 31st March 2007	0
- Donated at 31st March 2007	0
Total at 31st March 2007	<u>0</u>

Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007

9. Tangible Fixed Assets

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Cost or valuation at 1st April 2006	28,643	121,095	2,439	0	31,556	323	4,961	464	189,481
Additions – purchased	1,406	2,846	0	1,730	4,619	11	2,403	2	13,017
Additions – donated	0	0	0	0	69	0	0	0	69
Impairment	(615)	0	0	0	0	0	0	0	(615)
Other in year revaluation	(391)	(3,694)	(77)	0	(27)	0	0	0	(4,189)
Disposals	(850)	0	0	0	(2,737)	0	(285)	(76)	(3,948)
At 31st March 2007	28,193	120,247	2,362	1,730	33,480	334	7,079	390	193,815
Accumulated depreciation at 1st April 2006	0	4,384	55	0	22,625	239	3,587	306	31,196
Provided during the year	0	3,819	55	0	2,331	32	355	33	6,625
Reclassifications	0	(210)	0	0	210	0	0	0	0
Disposals	0	0	0	0	(2,736)	0	(285)	(76)	(3,097)
Accumulated depreciation at 31st March 2007	0	7,993	110	0	22,430	271	3,657	263	34,724
Net book value									
- Purchased at 1st April 2006	28,643	116,454	2,384	0	8,210	29	1,305	101	157,126
- Donated at 1st April 2006	0	257	0	0	721	55	69	57	1,159
Total at 1st April 2006	28,643	116,711	2,384	0	8,931	84	1,374	158	158,285
- Purchased at 31st March 2007	28,193	112,004	2,252	1,730	10,465	40	3,360	73	158,117
- Donated at 31st March 2007	0	250	0	0	585	23	62	54	974
Total at 31st March 2007	28,193	112,254	2,252	1,730	11,050	63	3,422	127	159,091

Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007

9.1 Tangible fixed assets (cont'd)

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s	£ 000s
Net book value									
- Protected assets at 1st April 2006	18,525	93,135	0	n/a	n/a	n/a	n/a	n/a	111,660
- Unprotected assets at 1st April 2006	10,118	23,576	2,384	0	8,931	84	1,374	158	46,625
Total at 1st April 2006	28,643	116,711	2,384	0	8,931	84	1,374	158	158,285
- Protected assets at 31st March 2007	18,010	86,233	0	n/a	n/a	n/a	n/a	n/a	104,243
- Unprotected assets at 31st March 2007	10,183	26,021	2,252	1,730	11,050	63	3,422	127	54,848
Total at 31st March 2007	28,193	112,254	2,252	1,730	11,050	63	3,422	127	159,091

Of the totals at 31st March 2007, £512,500 (31st March 2006: £ nil) related to land valued at open market value and £825,000 (31st March 2006: £ nil) related to buildings valued at open market value and £385,000 (31st March 2006: £ nil) related to dwellings valued at open market value.

No assets were held under finance leases and hire purchase contracts at the balance sheet date (31st March 2006: £ nil).

No depreciation was charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts (31st March 2006: £ nil).

9.2 The net book value of land, buildings and dwellings at 31st March 2007 comprises:

	31st March 2007 £ 000s	31st March 2007 £ 000s Protected	31st March 2007 £ 000s Unprotected
Freehold	<u>142,699</u>	<u>104,243</u>	<u>38,456</u>

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

10. Stocks and Work in Progress

	31st March 2007 £ 000s	31st March 2006 £ 000s
Raw materials and consumables	<u>4,009</u>	<u>3,883</u>

11. Debtors

	31st March 2007 £ 000s	31st March 2006 £ 000s
Amounts falling due within one year:		
NHS debtors	7,127	4,464
Provision for irrecoverable debts	(1,564)	(1,206)
Other prepayments and accrued income	1,096	1,119
Other debtors	2,342	2,926
	<u>9,001</u>	<u>7,303</u>

NHS Debtors includes £nil prepaid pension contributions at 31st March 2007 (£nil at 31st March 2006).

Amounts falling due after more than one year:

Other prepayments and accrued income	1,557	1,286
NHS Debtors	381	-
	<u>1,938</u>	<u>1,286</u>

12. Creditors

	31st March 2007 £ 000s	31st March 2006 £ 000s
Amounts falling due within one year:		
Bank overdrafts	0	0
Payments received on account	2	1
NHS creditors	4,938	5,572
Taxation and Social Security	3,340	3,073
Capital creditors	4,465	862
Other creditors	12,257	10,229
Accruals and deferred income	8,196	5,816
	<u>33,198</u>	<u>25,553</u>
Amounts falling due after more than one year:		
NHS creditors	137	179
Deferred income	1,777	1,960
Other	0	43
	<u>1,914</u>	<u>2,182</u>

Included in NHS creditors:

To buy out liability for early retirements over 5 years	137	179
Number of cases involved	1	1
Outstanding pension contributions at 31st March	1,782	1,814

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

13. Provisions for Liabilities and Charges

	Legal claims	Other	Total
	£ 000s	£ 000s	£ 000s
At 1st April 2006	1,732	1,845	3,577
Change in the discount rate	0	0	0
Arising during the year - other	672	1,376	2,048
Utilised during the year	(109)	(1,076)	(1,185)
Reversed unused	(75)	(440)	(515)
Unwinding of discount	40	0	40
At 31st March 2007	2,260	1,705	3,965

Expected timing of cashflows:

Within 1 year	507	1,705	2,212
1 - 5 years	452	0	452
Over 5 years	1,301	0	1,301
	2,260	1,705	3,965

Legal claims consist of amounts due as a result of third party and employee liability claims. The values are based on information provided by the NHS Litigation Authority.

As at 31st March 2007 £44,431,000 is included in the provisions of the NHS Litigation Authority in respect of clinical negligence liabilities of the Foundation Trust (31st March 2006: £11,062,000).

Other provisions principally represent amounts in relation to back pay under Agenda for Change.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

14. Prudential Borrowing Limit

The NHS Foundation Trust is required to comply and remain within a Prudential Borrowing Limit. This is made up of two elements:

- the maximum cumulative amount of long-term borrowing. This is set by reference to the five ratio tests set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit.
- the amount of any working capital facility approved by Monitor.

The Foundation Trust had a maximum long term borrowing limit of £32,200,000 (2005/06: £19,500,000). The Foundation Trust has borrowed £nil in 2006/07 (2005/06: £nil).

	2006/07		2005/06	
	Actual	Approved	Actual	Approved
Financial Ratios				
Maximum debt / capital	n/a	15%	n/a	10%
Minimum dividend cover	2.3	1	1.7	1
Minimum interest cover	n/a	3	n/a	3
Minimum debt service cover	n/a	2	n/a	2
Maximum debt service to revenue	n/a	3%	n/a	3%

Until such time as the Foundation Trust draws down a loan only the minimum dividend cover ratio is relevant.

The actual minimum dividend cover is 2.3 compared to a plan of 2.4. The reason it is lower is because the surplus before interest and depreciation was lower than planned.

The Foundation Trust has £16.5m (2005/06: £16.5m) of approved working capital facility. The Foundation Trust did not draw down any amounts under its working capital facility in either 2006/07 or 2005/06.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

15. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve	Donated asset reserve	Income and expenditure reserve	Total
	£ 000s	£ 000s	£ 000s	£ 000s
At 1st April 2006	72,665	1,131	(24,441)	49,355
Transfer from the income and expenditure account	0	0	681	681
Fixed Asset Impairments	0	0	0	0
Other revaluations / indexation of fixed assets	(4,189)	0	0	(4,189)
Transfer of realised profits / (losses) to the income and expenditure reserve	48	0	(48)	0
Receipt of donated assets	0	69	0	69
Transfers to the income and expenditure account for depreciation, impairment and disposal of donated assets	0	(254)	0	(254)
Other transfers between reserves	(1,291)	0	1,291	0
At 31st March 2007	67,233	946	(22,517)	45,662

Other transfers between reserves represents balances held in the revaluation reserve relating to assets disposed of during the year.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

16. Notes to the Cash Flow Statement

16.1 Reconciliation of operating surplus / (deficit) to net cash flow from operating activities

	2006/07	2005/06
	£ 000s	£ 000s
Total operating surplus	4,807	2,408
Depreciation and amortisation charge	6,625	7,384
Fixed Asset impairments	615	0
Transfer from donated asset reserve	(254)	(298)
Other movements	0	(136)
Increase in stocks	(126)	(821)
Increase/(Decrease) in debtors	(2,350)	4,631
Increase in creditors	3,774	2,712
Increase in provisions	387	91
Net cash inflow from operating activities	<u><u>13,478</u></u>	<u><u>15,971</u></u>

16.2 Reconciliation of net cash flow to movement in net funds/debt

	2006/07	2005/06
	£ 000s	£ 000s
Increase in cash in the period	<u>5,204</u>	7,960
Change in net funds resulting from cashflows	<u>5,204</u>	7,960
Non-cash changes in funds	0	0
Net funds at 1st April 2006	<u>16,433</u>	8,473
Net funds at 31st March 2007	<u><u>21,637</u></u>	<u><u>16,433</u></u>

16.3 Analysis of changes in net funds/debt

	At 31st March 2007 £ 000s	Cash changes in year £ 000s	Non-cash changes in year £ 000s	At 31st March 2006 £ 000s
Cash at bank	21,637	5,204	0	16,433
	<u><u>21,637</u></u>	<u><u>5,204</u></u>	<u><u>0</u></u>	<u><u>16,433</u></u>

Third party assets held by the Foundation Trust were £26,548 (31st March 2006: £20,382).

Cash at bank at 31st March 2007 includes an amount of £21,246,000 (31st March 2006: £7,360,000) held in accounts with the Office of HM Paymaster General.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

17. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £120,000. (31st March 2006: £nil).

18. Post Balance Sheet Events

There were no disclosable post balance sheet events.

19. Contingent Assets and Liabilities

There are no contingent assets or liabilities at 31st March 2007 (none at 31st March 2006).

20. Movements in Total Funds

	2006/07 £ 000s	2005/06 £ 000s
Taxpayers' equity at 1st April 2006	155,878	158,495
Surplus / (deficit) for the financial year	5,848	2,879
Public Dividend Capital dividends	(5,167)	(5,771)
	156,559	155,603
Fixed Asset Impairment gains	0	0
(Losses)/Gains from revaluation/indexation of purchased fixed assets	(4,189)	245
New Public Dividend Capital	4,414	0
(Reductions) / Additions in donated asset reserve	(185)	30
Total Funds at 31st March 2007	156,599	155,878
Opening Public Dividend Capital	106,523	106,523
New Public Dividend Capital drawn down	4,414	0
Closing Public Dividend Capital	110,937	106,523

21. Private Finance Transactions

The Foundation Trust is not party to any Private Finance Initiatives. There are therefore no on-balance sheet or off-balance sheet transactions which require disclosure.

22. Pooled Budget Project

The Foundation Trust is not party to any pooled budget arrangements.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

23. Related Party Transactions

Bradford Teaching Hospitals NHS Foundation Trust is a public interest body authorised by Monitor, the Independent Regulator for NHS Foundation Trusts.

During the year none of the Board Members or members of the key management staff, or parties related to them, has undertaken any material transactions with the Bradford Teaching Hospitals NHS Foundation Trust.

The Register of Interests for the Board of Governors for 2006/07 has been compiled in accordance with the requirements of the Constitution of Bradford Teaching Hospitals NHS Foundation Trust.

The Department of Health is regarded as a related party. During the year the Foundation Trust has had a number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The entities with whom there were material transactions are listed below. This list includes the successor organisations where the entity was involved in the NHS restructurings which took place during the year.

Bradford City Teaching PCT
Bradford South and West PCT
North Bradford PCT
Airedale PCT
Calderdale PCT
Craven, Harrogate and Rural District PCT
North Kirklees PCT
Huddersfield Central PCT
South Huddersfield PCT
Leeds North West PCT
Leeds West PCT
South Leeds PCT
Leeds North East PCT
East Leeds PCT
Barnsley PCT
Burnley, Pendle and Rossendale PCT
Eastern Wakefield PCT
Wakefield West PCT
Yorkshire Wolds and Coast PCT
West Hull PCT
Rochdale PCT
Calderdale and Huddersfield NHS Foundation Trust
Central Manchester and Manchester Children's University Hospitals NHS Trust
West Yorkshire SHA
Bradford District Care Trust
Airedale NHS Trust

Bradford and Airedale Teaching PCT
Calderdale PCT
North Yorkshire and York PCT
Kirklees PCT
Leeds PCT
Barnsley PCT
East Lancashire PCT
Wakefield PCT
East Riding of Yorkshire PCT
Hull Teaching PCT
Rochdale, Heywood and Middleton PCT
Yorkshire and the Humber SHA

The Foundation Trust has also received revenue and capital payments from a number of charitable fund, the Trustees of which are also members of the Foundation Trust Board.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

24. Financial Instruments

FRS13, Accounting for 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. Bradford Teaching Hospitals NHS Foundation Trust actively seeks to minimise its financial risks. In line with this policy, the Foundation Trust neither buys nor sells financial instruments. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Foundation 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.

Liquidity risk

The Foundation Trust's net operating costs are incurred under three year agency purchase contracts with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Foundation Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The Foundation Trust receives cash each month based on an annually agreed level of contract activity and there are quarterly corrections made to adjust for the actual income due under PBR. This means that in periods of significant over-performance against contract there can be a significant cash-flow impact. To alleviate this issue the Foundation Trust has put in place a £16.5m working capital facility, which to date, due to careful cash management, it has yet to draw on. The working capital facility expires on 30th November 2007 by which time a suitable replacement facility will be in place.

The Foundation Trust presently finances its capital expenditure from internally generated funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the Foundation Trust can borrow, both from the Department of Health Financing Facility and commercially, to finance capital schemes. Financing is drawn down to match the spend profile of the scheme concerned and the Foundation Trust is not, therefore, exposed to significant liquidity risks in this area.

Interest rate risk

3% (2005/06: 4%) of the Foundation Trust's financial assets and 100% of the Foundation Trust's financial liabilities carry nil or fixed rates of interest. The remaining 97% (2005/06: 96%) of the Foundation Trust's financial assets are cash held with the PGO and in a high interest call account.

The financial liabilities are Public Dividend Capital and are of unlimited term. However, the Secretary of State can require repayment of PDC at any time. In addition, although not classified as interest, the Foundation Trust must pay a PDC dividend as disclosed in note 21. This dividend is payable, based on relevant net assets, at a rate that is fixed each year in advance. For 2006/07 and 2005/06 the rate was 3.5%.

The Foundation Trust monitors the risk but does not consider it appropriate to purchase protection against it.

Foreign currency risk

The Foundation Trust has negligible foreign currency income, expenditure, assets or liabilities.

Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007

25.1 Financial assets

Currency	Total £ 000s	Floating rate £ 000s	Fixed rate £ 000s	Non-interest bearing £ 000s	Fixed rate	
					Weighted average interest rate %	Weighted average period for which fixed Years
At 31st March 2007						
Sterling	22,224	21,630	594	0	2.20%	30
Other	7	7	0	0		
Gross financial assets	22,231	21,637	594	0		
At 31st March 2006						
Sterling	17,033	16,426	607	0	2.20%	31
Other	7	7	0	0		
Gross financial assets	17,040	16,433	607	0		

25.2 Financial liabilities

Currency	Total £ 000s	Floating rate £ 000s	Fixed rate £ 000s	Non-interest bearing £ 000s	Fixed rate	
					Weighted average interest rate %	Weighted average period for which fixed Years
At 31st March 2007						
Sterling	114,902	0	3,965	110,937	2.20%	Indeterminate
Other	0	0	0	0		
Gross financial assets	114,902	0	3,965	110,937		
At 31st March 2006						
Sterling	110,100	0	3,577	106,523	2.20%	Indeterminate
Other	0	0	0	0		
Gross financial liabilities	110,100	0	3,577	106,523		

Note: The non-interest bearing financial liability represents Public Dividend Capital (PDC) and so is of unlimited term. However, the Secretary of State can require repayment of PDC at any time. In addition, although not classified as interest, the Foundation Trust must pay a PDC dividend as disclosed in note 5.4.

The interest rate used for determining the book value of fixed rate financial assets and liabilities is dictated by the Financial Reporting Advisory Board for public sector bodies. The rate for 2005/06 and 2006/07 is 2.2%. Future rate changes beyond 2006/07 are not known and therefore the period for which the rate is fixed is not determinable.

**Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007**

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2%

Bradford Teaching Hospitals NHS Foundation Trust
Annual Accounts for the Year ended 31st March 2007

25.3 Fair Values

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

	Book value	Fair value	Basis of fair valuation
	£ 000s	£ 000s	
Financial assets			
Cash	21,637	21,637	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions.	594	594	Note (a)
Investments	<u>0</u>	<u>0</u>	
Total	<u><u>22,231</u></u>	<u><u>22,231</u></u>	
Financial liabilities			
Overdraft	0	0	
Working capital facility	0	0	
Creditors over 1 year:			
- Early retirements	137	137	Note (b)
- Finance leases	0	0	
Provisions under contract	2,260	2,260	Note (c)
Loans	0	0	
Public Dividend Capital	<u>110,937</u>	<u>110,937</u>	
Total	<u><u>113,334</u></u>	<u><u>113,334</u></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 b and c, 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) 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 2.2% in real terms.