

ANNUAL ACCOUNTS

2007/08

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

DIRECTORS' STATEMENT

Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust

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

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

P Bentley
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
16 June 2008

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

DIRECTORS' STATEMENT

Statement of Directors' responsibilities in respect of the Accounts

The Directors are required under the National Health Service Act 2006 to prepare Accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these Accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those Accounts, the Directors are required to:

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

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

The Directors confirm to the best of their knowledge and belief that they have complied with the above requirements in preparing the Accounts.

By order of the Board

P Bentley
Chief Executive
Director of Finance
Ashford and St. Peter's Hospitals NHS Trust
Hospitals NHS Trust
16 June 2008

K Mansfield

Ashford and St. Peter's
16 June 2008

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST
DIRECTORS' STATEMENT ON INTERNAL CONTROL 2007/08

Statement of Directors' responsibility in respect of internal control

1. Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am responsible as set out in the Accountable Officer Memorandum. I am accountable to the Trust Chairman and to the Trust Board for reporting on internal control.

The Trust's Standing Orders and Scheme of Delegated Authority outlines the accountability arrangements and scope of responsibility of the Board and the Trust Executive Members and the organisations officers. The Executive Team and Board have been fully involved in agreeing the strategic priorities for the Trust, with the most critical priorities being those set out in the Trust's Business Plan 2007/08.

Scrutiny by the Non Executive Directors and Auditors in the Audit Committee and by the Non Executive Directors in the Remuneration Committee provides assurance of internal control including probity in the application of public funds and in the conduct of the organisation's responsibilities. Minutes and reports from these Committees are reviewed in the Board meetings in public. The terms of reference for Trust committees were also fully reviewed and updated in conjunction to ensure that governance arrangements continue to be fit for purpose.

The Governance Advisory Committee together with the Clinical Governance (and Non Clinical Risk) Committee provide evidence of continuing work to ensure that the overall governance system, risk management system, clinical governance system, education and training needs and the information management and technological requirements that enable the organisation to work, are actively addressed.

The Trust's risk management system supports staff in continuously improving their assessments of the risks inherent in their work and workplace, to identify and implement appropriate risk treatments, and monitor their outcome.

The Trust's Assurance Framework has been in place for the year. In line with national guidance it is structured around the high level risks which were deemed to be the most significant risks to prevent delivery of the corporate objectives in 2007/08. It is reviewed by the senior management team on a regular basis. The Assurance Framework has been reviewed by the Board and the Audit Committee throughout the year and it has been cross referenced to the Healthcare Commission Core Standards.

All risks are reported to the Clinical Governance & Non Clinical Risk Committees and to the Senior Management Team. High-level risks are reported to the Integrated Governance Advisory Committee and the Board.

The processes in place by which the accountability arrangements surrounding my role include the following:

- National CEO Conference
- Monthly SHA CEO meeting
- Monthly SHA Director of Commissioning and Delivery meeting

- Annual SHA CEO & Chair to CEO & Chair meeting
- Monthly Performance Monitoring meeting with SHA/PCT
- Joint meetings with the PCT's
- Regular Chief Executive to Chief Executive meetings with the PCT
- Regular meetings with the Ashford & St Peter's Patients' Panel

2. 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 organisation's policies, aims and objectives;
- 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 Ashford and St. Peter's Hospitals NHS Trust for the year ended 31 March 2008 and up to the date of the approval of the annual report and accounts.

3. Capacity to handle risk

Risk Management is a corporate responsibility and, accordingly, the Trust Board has ultimate responsibility for ensuring that effective processes are in place. The Board is committed to the continuous development of a framework to manage risks in a structured and focused way in order to protect the Trust from losses, damage to its reputation or harm to its patients, staff, public and other stakeholders.

In terms of the handling of specific risk issues, the corporate risk register is the tool used to describe the risk profile of the Trust. However, whilst this tool sits with the Risk Management Team, it is the relevant senior managers throughout the Trust who handle the specific risk issues contained within the register.

The Trust is committed to supporting its staff in exercising their roles and responsibilities with regard to health and safety risks and all other forms of risk. This implementation requires varying levels of training across the Trust.

The strategy delegates the responsibility for risk management to the following:

Director of Finance

The Director of Finance is responsible for the adoption and operation of the Trust's Standing Financial Instructions and is the Trust lead for Counter Fraud. The Director of Finance liaises with Internal and External Audit to propose programmes of audit, prioritised by a risk based approach, to be put forward for approval by the Audit Committee.

Director of Nursing and Operations

The Director of Nursing and Operations is responsible for managing the strategic development and implementation of risk management and clinical governance, and is responsible for ensuring there is a robust Clinical Governance Action Plan and Trust wide Clinical Risk Assessment.

The Head of Quality and Integrated Governance co-ordinates the various risk strands including:

- Clinical Risk
- Clinical Audit and effectiveness
- Clinical Governance Development Plan
- Links with the non-clinical Risk Manager and her team
- Operational risks which are still managed using the Controls Assurance Standards
- Standards for Better Health
- Risk Management Standards

Medical Director

The Medical Director is responsible for the Trust Clinical Governance arrangements, managed jointly with the Director of Nursing and Operations.

Director of Performance Information and Facilities

The Director of Performance Information and Facilities leads the process of sourcing the Trust's income via the contracts negotiated with Primary Care Trusts and other bodies. The postholder also manages the performance framework within the organisation ensuring that delivery of the Annual Health Check is achieved. As the lead director for IM&T, is responsible for the security of patient records and IT disaster recovery arrangements.

Risk Manager

The role and responsibility of the Risk Manager is to promote risk management activity throughout the Trust with a key function of providing central support and advice in progressing risk management issues and introducing programmes to reduce risk. The Risk Manager has an overarching responsibility for the incident reporting process and for managing all risk data and information. This includes managing and updating the Trust Risk Register, which is reviewed quarterly by the Integrated Governance Advisory Committee (IGAC) and approved by the Board of Directors.

4. The risk and control framework

The Trust Risk Management Strategy endorsed by the Board of Directors is reviewed annually setting out the organisation's approach to risk management and future objectives. These processes are evidenced within the Healthcare Commission Core Standards declaration.

All Executive/Clinical Directors and Business Centre Managers have a responsibility to lead with a strong risk management approach in all aspects of the Trust's activities. Business priorities and decisions made by the Hospital Executive Board and Board of Directors reflect risk management assessments and consideration of high risk factors.

Managers at all levels of the organisation have a responsibility where possible to manage risks at a local level and to develop an environment where staff are encouraged to identify and report risk issues proactively. All managers are expected to ensure that all staff report any near miss incidents, adverse incidents and serious incidents immediately using the Trust Incident Reporting Procedure.

Managers are also responsible for ensuring that staff receive appropriate feedback regarding specific incidents reported, and for ensuring that any recommendations following investigation of an incident are implemented and audited at a later date to ensure they have been effective in reducing the likelihood of the incident happening again.

All members of staff have an important role to play in identifying and minimising risks and hazards as part of their every day work within the Trust. Each individual has a responsibility for their own personal safety and for the safety of their colleagues, patients and all visitors to the Trust. All staff are expected to have an understanding of the Incident Reporting Procedure and knowledge of the corporate categories of incident, which must be reported.

A Trust training needs analysis for risk management has been undertaken and a range of training programmes have been integrated into the Corporate Training Plan. All staff receive mandatory annual updates in risk management and attendance is monitored through the quarterly training statistics.

Internal audit have also been involved as observers on the Non-Clinical Risk Committee and have advised the Trust on 'best practice risk models' including those associated with the ongoing development of the Assurance Framework.

All staff are obliged to attend Induction training, which covers risk management, incident reporting and complaints. There is ongoing training for risk management, annual fire updates etc. Specific further training is given to appropriate staff for manual handling, and there is ongoing support from the Clinical Risk Team and the Risk Manager, Health and Safety, Security and Fire Managers. We have a grading system of 1-4 for incident reporting. Incidents of level 3 and 4 have a specific investigation and action plan, which includes learning points and a dissemination strategy.

The Trust was required to submit a final declaration, by 30 April 2008, as to its compliance with the core standards self-assessment for the year ended 31 March 2008. The Trust involved all Trust directors and a cross section of senior managers to undertake the final assessment. The Trust Board reached agreement on these recommendations and the final declaration identifying compliance with all but one of the standards.

Gap	Action
<p>Not Compliant with Standard C8b</p> <p><i>Healthcare organisations support their staff through organisational and personal development programmes which recognise the contribution and value of staff, and address, where appropriate, under-representation of minority groups.</i></p> <p>Whilst the Trust can assure itself that we are compliant with Element 1, progress on element 2 has been slow and we have not delivered our mentorship scheme as planned. Specifically the Trust has not actively reviewed black and minority group ethnic data with regard to career progression, or take up of training opportunities. Our ability to access this information was compromised by the transfer to electronic staff record (ESR) from our legacy system and a delay in implementation of the learner management module. The relevant data for the year did not transfer.</p>	<p>We are now able to access this information for 2008/09 and we are currently reviewing the information which will be reported to the May 2008 Trust Board and action will be taken appropriately through the Equality steering group.</p> <p>At the 31 March 2008 the Trust did not have an active mentorship scheme to support BME staff, although work has been progressing since then and draft proposals on how this is taken forward have been produced, and discussed with our BME staff group.</p> <p>We are planning to have this in place by October 2008 having identified and trained appropriate mentors.</p>

Since the adoption of the Assurance Framework, the Executive Team has proactively promoted the embedding of risk management and assurance related activities throughout the activities of the organisation. Directors and managers have been required to identify risks within their areas of responsibility and to establish, in conjunction with the relevant managers, effective control measures and/or systems. The Risk Register managed by a dedicated Risk Manager has been in place for the whole of the year and has involved Board members and staff in its development to ensure it represents an accurate assessment of the risks facing the organisation.

The following actions have been taken to address gaps in control identified in the Assurance Framework:

Gap	Action
<p>Need to strengthen processes for co-ordinating healthcare governance and for prioritising and managing risk.</p>	<p>The Trust continues to develop its corporate risk register and prioritise. Local Risk Registers are maintained and feed into the corporate register. Review risk management at Directorate performance meetings as part of the balanced scorecard.</p> <p>Continuously provide and update evidence for annual Standards for Better Health submission and other external assessments. NHSLA performance by directorates monitored through performance meetings till March 2008 - to be transferred to new CGC in April.</p>
<p>Failure to meet standards required by external agencies - requires more consistent embedding within Clinical Directorates. Not all Directorates have clinical governance support posts.</p>	<p>Ensure effective and managerial clinical leadership and effective clinical governance structure/processes within Directorates to improve compliance.</p>
<p>Ability to address infrastructure and equipment vulnerability.</p> <p>A wide range of different issues need to be addressed including:</p> <p>New Mortuary. Air quality. Air conditioning. Asbestos register. Schematic drawings for medical gas pipeline system</p>	<p>The new mortuary is under construction and will be opened during quarter 4 this year.</p> <p>Air conditioning and quality are constantly under review.</p> <p>Asbestos studies have been undertaken and commissioned on both sites.</p> <p>Specialists have been commissioned to map all services on both sites. In addition a six facet survey of both sites has been commissioned.</p> <p>The capital programme is steadily increasing the equipment covered by replacement cycles.</p>
<p>Non Compliance with External Assessments, i.e. Standards for Better Health, CNST and HSE.</p>	<p>Action plans are monitored at IGAC.</p>
<p>Poor performance against many indicators in the Annual Patient Survey results.</p>	<p>Plan to increase local accountability and responsibility at ward/department level in place.</p> <p>Specific work on Communication, Privacy and Dignity and Nutrition ongoing.</p> <p>Demonstrating to PALS what has changed as a result of incidents and complaints.</p>

High bed occupancy rates, use of escalation capacity and mismatch of workload to staffing have an adverse impact on the experience of individual patients.	Turnaround efficiency work - Length of stay (LoS)/discharge in place. Worked with host PCT on demand management schemes throughout the period.
MRSA rates above target. High bed occupancy and throughput. Variable compliance with hand cleaning. Impact on LoS & cost of treatment Trust's reputation.	MRSA rates now below target and the lowest in Surrey. C Dif work plan (with prioritised actions) is in place.
Repeated poor results from annual Patient surveys. Recurring trends in surveys and complaints, e.g. communication and attitude.	Directorate performance management - balanced scorecard in place. Monthly themed improvement programme based on S4P&C. Re-launched Communication Group led by a consultant.
Over-reliant on escalation capacity. Bed occupancy rates very high Impact of demand management schemes uncertain. Social Services resource not always evident. Adverse impact on patient experience (e.g. mixed sex bays).	Turnaround work including LoS and reducing discharge delays. Work programmes in partnership with wider health community (including SHA SWP). Directorate performance management now in place. DH HAI action plan in place. Trust Board scrutiny and challenge.
Theatre Productivity. Surgiserver reports not adequate. Inadequate controls over resource utilisation.	Turnaround work reviewed scheduling, staffing, utilisation, costs. Improvements made and continuing. A new theatre system is being reviewed.
Patients perceive problems with OP booking/appointments. Cancellation of planned admissions.	Reviewing systems against required/expected standards.
Business Continuity. Some local speciality specific plans still outstanding. Plans need testing (so far as practicable).	Local speciality specific plans are in the process of being updated.
Trust marketing needs to be further developed and rolled out.	Working to establish the Trust as the centre of preference for GPs and patients. Improve the experience and perception of patients. Tightening the link between commissioning intentions and business planning. Settings of care to be finalised to reduce competition between acute Trusts on providing the same services.
Impact of loss of Senior House Officer's on Consultant, teams and service delivery.	Review of Consultant job plans in place. Considering the development of alternative roles, e.g. Physician's Assistant.
Not always able to match staff (numbers and/or skill mix) to demand. Retention of staff - poor performance against some indicators in staff survey.	Turnaround work (e.g. LoS) to reduce capacity requirements. Recruitment & retention strategies and skill mix reviews in place. Health-Rostering systems implementation.

<p>Impact on patient and public confidence and Patient Choice. Impact on recruitment and retention. Implementation of Payment by Results – impact of practice based commissioning</p>	<p>Chief Executive’s meetings with local newspaper editors are in place. Board members have regular meetings with MP’s/Borough Councils/Pressure Groups.</p> <p>Patient’s Choice: work to establish the Trust as the centre of preference. Improve the experience and perception of patients.</p> <p>Tightening the link of commissioning intentions to service developments (needs earlier notification by PCT).</p>
<p>Purchaser’s changing priorities</p>	<p>Close working with the host PCT and second largest PCT will enable smooth change of services where agreed.</p>
<p>New national IT systems may not have all required functionality. Lack of clinical and other key staff engagement/time.</p>	<p>Implementation of NPfIT projects such as CRS and EDM. Delays in the national programme require the Trust to look at interim options on some key systems. IM&T Board.</p>

The Assurance Framework linked the main elements and aims of the Trust’s internal control and governance policies. The Framework consists of the following key elements:

- Principal Risks: the risk management policies sought to identify the main risks which might impede the Trust in achieving its objectives and to keep these under review by the Trust Board.
- Key Controls / Treatments: these were the mechanisms for controlling the risks that have been identified.
- Board Assurance: the Board gained assurance that the Trust’s objectives were being achieved and the risks controlled through a variety of assurance processes, including performance reports with high level KPIs, audit (internal and external), assessments by regulatory and monitoring agencies (e.g. Healthcare Commission, RPST, CNST, Health and Safety) and reports from its assurance sub committees.

As 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 regulations are complied with. This includes ensuring that deductions from salary, employer’s contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

We have in place appointment, monitoring and control systems that ensure compliance with the relevant employment equalities legislation. We have declared previously our non-compliance with Health Care Standard C8b above and the action plans that have been put in place to manage this situation going forward.

There is an established Information Governance framework within the Trust with the role of Caldicott Guardian being fulfilled by the Director of Performance, Information and Facilities. The Trust has an active Information Governance Steering Group which meets on a quarterly basis. The group is responsible for reviewing all breaches of patient confidentiality and information security incidents recommending appropriate action where necessary. Information Governance policy is overseen ensuring relevant legislation is adhered to, safeguarding patient information at all times.

The Trust also has in place defined and documented information sharing protocols covering other NHS bodies and multi-agencies.

Following recent concerns regarding public sector data protection and in particular the security of information being transferred between locations and organisations, the Trust was required to undertake a series of actions to:

- secure person identifiable data, relating to both patients and staff
- confirm that the methods used for transfer of data are secure and
- take immediate remedial action where this was not the case

As part of this work, an information flow mapping exercise was undertaken reviewing how patient information is handled within the Trust. A means of collating this information was provided through the Information Governance Toolkit with this facility assisting the Information Governance team in identifying any risk areas.

The annual Information Governance toolkit submission was completed in March 2008. The 2008/09 work programme will be defined utilising the scores from this return, identifying key areas for improvement. There were no items or areas of concern that need highlighting in this report.

5. Review of effectiveness

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

- The Board have agreed objectives and key indicators
- Targets are defined in the business plan
- Endorsed risk management processes are in place
- Internal audit are involved as observers on our key non-clinical risk review committee
- The Annual review of the business plan
- The use of the Risk Register as an operational management tool
- Considering the outcomes of the Integrated Governance Advisory Committee

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the controls reviewed as part of the internal audit work and I can report that they have offered a 'Significant Assurance' opinion for the year ended 31 March 2008.

Executive Directors within the organisation, who have responsibility for the development and maintenance of the system of internal control, provide me with assurance. Management review processes adopted by the various sub-committees concerned with risk management throughout the Trust provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by:

- External Audit Interim Audit report
- Internal Audit reports
- Clinical Audit reports
- CNST
- RPSI

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, Audit Committee, Finance Committee, Integrated Governance Advisory Board, Clinical Governance Committee, Governance Advisory Committee. Control weaknesses that are identified continue to be assessed and addressed to ensure continuous improvement of the system is in place.

6. Significant Control Issues

No Significant Control Issues have been identified during the 2007/08 accounting period.

I was appointed as Accountable Officer after the 2007/08 financial year end but before the signing of this statement.

By order of the Board.

P Bentley
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
16 June 2008

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD

We have audited the financial statements of Ashford and St. Peter's Hospitals NHS Trust for the year ended 31 March 2008 under the Audit Commission Act 1998. These 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 relevant to the National Health Service set out therein.

This report is made solely to the Board of Ashford and St. Peter's Hospitals NHS Trust, as a body, in accordance with Section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Board of Ashford and St. Peter's Hospitals NHS Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ashford and St. Peter's Hospitals NHS Trust and the Board of Ashford and St. Peter's Hospitals NHS Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and the Auditors

The Directors responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited (details of senior manager's remuneration and pensions) has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

We review whether the directors' statement of internal control reflects compliance with the Department of Health's requirements 'The Statement on Internal Control 2003/2004' issued on 15 September 2003 and further guidance issued on 7 April 2008. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises only the unaudited part of the Remuneration Report and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the

significant estimates and judgements 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.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2008 and of its income and expenditure for the year then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

KPMG LLP
Chartered Accountants
London
20 June 2008

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

**INDEPENDENT AUDITORS' REPORT
TO DIRECTORS OF THE BOARD**

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

Directors' responsibilities

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

Auditor's responsibilities

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

Qualified Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. In doing so, we were unable to obtain sufficient appropriate evidence that the Fixed Asset Register had been kept up to date through verification, and that a Board approved Estates Strategy was in place.

Having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that in all significant respects, Ashford & St Peter's Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 except that it did not put in place adequate arrangements for the management of its asset base.

Certificate

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

KPMG LLP
Chartered Accountants
London
20 June 2008

FOREWORD TO THE ACCOUNTS

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

These Accounts for the year ended 31 March 2008 have been prepared by the Ashford and St. Peter's Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), Schedule 2 of the National Health Service and Community Care Act 1990), in the form which the Secretary of State has, with the approval of the Treasury, directed.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED
31 MARCH 2008

	Note	2007/08 £'000	2006/07 £'000
Income from activities	2	173,376	163,317
Other operating income	3	18,274	16,205
Operating expenses	4,5,6	(182,883)	(178,269)
OPERATING SURPLUS		<u>8,767</u>	<u>1,253</u>
Profit on disposal of fixed assets	7	(80)	5,530
SURPLUS BEFORE INTEREST		<u>8,687</u>	<u>6,783</u>
Interest receivable		290	268
Interest payable	8	(789)	(30)
SURPLUS FOR THE FINANCIAL YEAR		<u>8,188</u>	<u>7,021</u>
Public dividend capital dividends payable		(5,738)	(5,953)
RETAINED SURPLUS FOR THE YEAR	21. 1	<u>2,450</u>	<u>1,068</u>

The notes on pages 19 to 41 form part of these accounts.

All income and expenditure is derived from continuing operations.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

**BALANCE SHEET
AS AT
31 MARCH 2008**

	Note	31/3/08 £'000	31/3/07 £'000
FIXED ASSETS			
Intangible assets	9	2,499	2,652
Tangible assets	10	184,269	172,763
TOTAL FIXED ASSETS		<u>186,768</u>	<u>175,415</u>
CURRENT ASSETS			
Stocks and work-in-progress	11	2,176	2,307
Debtors	12	25,043	35,100
Cash at bank and in hand		450	534
TOTAL CURRENT ASSETS		<u>27,669</u>	<u>37,941</u>
CREDITORS: Amounts falling due within one year	13	(27,517)	(25,822)
NET CURRENT ASSETS/(LIABILITIES)		<u>152</u>	<u>12,119</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		186,920	187,534
CREDITORS : Amounts falling due after more than one year	13	(9,800)	(12,250)
PROVISION FOR LIABILITIES AND CHARGES	14	(883)	(753)
TOTAL ASSETS EMPLOYED		<u>176,237</u>	<u>174,531</u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital		85,571	99,028
Revaluation reserve	15	94,068	82,499
Donated asset reserve	15	842	966
Income and expenditure reserve	15	(4,244)	(7,962)
TOTAL TAXPAYERS' EQUITY		<u>176,237</u>	<u>174,531</u>

The financial statements on pages 15 to 41 were approved by the Board on 16 June 2008 and signed on its behalf by:

P Bentley
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
16 June 2008

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED
31 MARCH 2008

	2007/08 £'000	2006/07 £'000
Surplus/(deficit) for the financial year before dividend payments	8,188	7,021
Unrealised surplus on fixed asset revaluations / indexation	12,875	12,530
Increases in the donated asset reserve due to receipt of donated assets	48	325
Total recognised gains and losses for the financial year	<u>21,111</u>	<u>19,876</u>
Prior period adjustment	-	-
Total gains and losses recognised in the financial year	<u>21,111</u>	<u>19,876</u>

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

CASH FLOW STATEMENT
FOR THE YEAR ENDED
31 MARCH 2008

	Note	2007/08		2006/07
		£'000	£'000	£'000
OPERATING ACTIVITIES				
<u>Net cash inflow/(outflow) from operating activities</u>	16.1		29,452	10,750
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		286		257
Interest paid		<u>(780)</u>		<u>(10)</u>
<u>Net cash inflow/(outflow) from returns on investments and servicing of finance</u>			(494)	247
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(7,343)		(3,316)
Payments to acquire intangible assets		<u>(54)</u>		<u>(1,032)</u>
<u>Net cash (outflow) from capital expenditure</u>			(7,397)	(4,348)
DIVIDENDS PAID				
			(5,738)	(5,953)
<u>Net cash (outflow) before management of liquid resources and financing</u>			15,823	696
MANAGEMENT OF LIQUID RESOURCES				
Purchase/sale of investments		=		-
<u>Net cash inflow / (outflow) from management of liquid resources</u>			-	-
<u>Net cash (outflow) before financing</u>			15,823	696
FINANCING				
Public dividend capital received		5,000		-
Public dividend capital repaid (not previously accrued)		(18,457)		(15,262)
Loans received from Department of Health		-		14,700
Loan principal repaid to Department of Health		<u>(2,450)</u>		-
<u>Net cash inflow from financing</u>			(15,907)	(562)

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

**NOTES TO THE ACCOUNTS
31 MARCH 2008**

1. Accounting policies

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with the items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

Capitalisation

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

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

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

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

Valuation

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

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

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

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

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

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

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

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value, at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trusts estate.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

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

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

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

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

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure account, offsetting income may be paid by the Trust's main Commissioner using funding provided by the NHS Bank.

1.6 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets.

Gains and losses on revaluation 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 the sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.7 Government grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Gains and losses on revaluation are also taken to the Government Grant Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government Grant Reserve to the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure account is matched by a transfer from the Reserve.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

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 practical guidance for the application of the Application Note F to FRS 5 and the guidance 'Land and Buildings in PFI Schemes' Version 2.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI obligations are recorded as an operating expense. Where the Trust has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Income and Expenditure account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the Trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.9 Stocks and work-in progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.10 Research and development

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

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

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

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

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

1.11 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA, which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at Note 14.

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 NHSLA and in return receives assistance with the costs of claims arising. The annual membership contributions, and

any 'excesses' payable in respect of particular claims, are charged to operating expenses as and when they become due.

1.12 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. 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 Scheme is 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.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

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 2008

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final 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.

1.13 Liquid resources

Deposits and other investments which are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.14 Valued 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 costs of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Foreign Exchange

Transactions that are denominated in foreign currency are translated into sterling at the exchange rate ruling on the date of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure account.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 24 to the accounts.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure account over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.18 Public Dividend Capital (PDC) and PDC Dividend

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

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

1.19 Losses and Special Payments

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure account on an accruals basis, including losses which would have been made good through insurance cover had the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

2. Income from Activities

	2007/08	2006/07
	£'000	£'000
Primary Care Trusts	151,153	148,048
Local Authorities	428	361
Department of Health	19,973	13,312
Non- NHS		
- private patients	715	619
- Overseas patients (non reciprocal)	97	69
- Road Traffic Act	724	692
- other	286	216
	<u>173,376</u>	<u>163,317</u>

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

Income from Primary Care Trusts in 2006/07 includes £5,897,000 in respect of funding for fixed asset impairments.

Road Traffic Act income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

3. Other operating income

	2007/08	2006/07
	£'000	£'000
Education, training and research	6,866	5,866
Transfer from the donated asset reserve	210	199
Non-patient care services to other bodies	5,231	4,505
Income generation	4,889	4,751
Other income	1,078	884
	<u>18,274</u>	<u>16,205</u>

4. Operating expenses

4.1 Operating expenses comprise:

	2007/08	2006/07
	£'000	£'000
Services from other NHS Trusts	682	1,783
Services from other NHS bodies	1,947	1,139
Services from Foundation Trusts	564	188
Purchase of healthcare from non NHS bodies	2,198	1,776
Directors' costs	911	1,016
Staff costs	116,185	113,305
Supplies and services - clinical	32,203	28,303
Supplies and services - general	3,742	3,865
Consultancy services	1,210	595
Establishment	1,781	1,731
Transport	365	365
Premises	7,912	6,415
Bad debts	175	(22)
Depreciation	8,112	7,515
Amortisation	528	439
Fixed asset impairments and reversals	-	5,912
Audit fees	109	91
Other auditors remuneration	58	77
Clinical negligence	2,414	2,339
Redundancy	372	670
Other	1,415	767
	<u>182,883</u>	<u>178,269</u>

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS (Continued) 31 MARCH 2008

4.2 Operating Leases

4.2.1 Operating expenses include:

2007/08	2006/07
---------	---------

	£'000	£'000
Hire of plant and machinery	-	-
Other operating lease rentals	693	600
	<u>693</u>	<u>600</u>

4.2.2 Annual commitments under non-cancellable operating leases are:

	Land and buildings		Other leases	
	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000
Operating leases which expire:				
Within 1 year	-	-	37	290
Between 1 and 5 years	-	-	296	273
After 5 years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>333</u>	<u>563</u>

5. Staff costs and numbers

5.1 Staff costs

	Permanently Employed		2007/08 £'000	2006/07 £'000
	£'000	Other £'000		
Salaries and wages	92,323	7,015	99,338	96,051
Social security costs	6,460	883	7,343	7,398
Employer contributions to NHS Business Services Authority - Pensions Division	9,245	595	9,840	9,560
Other pension costs	521	-	521	1,259
	<u>108,549</u>	<u>8,493</u>	<u>117,042</u>	<u>114,268</u>

5.2 Average number of persons employed:

	Permanently Employed		2007/08 Number	2006/07 Number
	Number	Other Number		
Medical and dental	418	18	436	407
Administration and estates	880	35	915	919
Healthcare assistants and other support staff	27	1	28	29
Nursing, midwifery and health visiting staff	1,077	146	1,223	1,233
Nursing, midwifery and health visiting learners	23	-	23	28
Scientific, therapeutic and technical staff	362	57	419	442
	<u>2,787</u>	<u>257</u>	<u>3,044</u>	<u>3,058</u>

5.3 Employee benefits

There were no staff benefit schemes in the year which require separate disclosure.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

**NOTES TO THE ACCOUNTS
(Continued)**

5.4 Management costs

	2007/08 £'000	2006/07 £'000
Management costs	8,234	7,810
Income	190,097	176,847

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

5.5 Retirements due to ill-health

During 2007/08 there were 4 (2006/07 - 5) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £131,000 (2006/07 - £275,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

6. Better Payment Practice Code**6.1 Better Payment Practice Code - measure of compliance**

	Number	£'000
Total non-NHS trade invoices paid in the year	50,905	53,938
Total non-NHS trade invoices paid within target	26,404	30,466
Percentage of non-NHS trade invoices paid within target	51.9%	56.5%
Total NHS trade invoices paid in the year	2,487	25,855
Total NHS trade invoices paid within target	234	2,251
Percentage of NHS trade invoices paid within target	9.4%	8.7%

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

6.2 The Late Payment of Commercial Debts (Interest) Act 1998

An amount of £19,000 (2006/07 - £9,000) is included within Interest Payable (Note 8) arising from claims made under this legislation. No compensation was paid to cover debt recovery costs under this legislation.

7. Profit/(loss) on disposal of fixed assets

	2007/08 £'000	2006/07 £'000
Profit on disposal of land and buildings	-	5,530
Loss on disposal of land and buildings	(80)	-
	<u>(80)</u>	<u>5,530</u>

(Continued)
31 MARCH 2008

8. Interest payable

	2007/08 £'000	2006/07 £'000
Late payment of commercial debt	19	9
Loans	755	20
Other	15	1
	<u>789</u>	<u>30</u>

9. Intangible fixed assets

	Software Licences £'000	Total £'000
Gross cost at 1 April 2007	3,192	3,192
Indexation	-	-
Reclassifications	321	321
Additions purchased	54	54
Gross cost at 31 March 2008	<u>3,567</u>	<u>3,567</u>
Amortisation at 1 April 2007	540	540
Indexation	-	-
Charged during the year	528	528
Amortisation at 31 March 2008	<u>1,068</u>	<u>1,068</u>
Net book value		
- Purchased at 1 April 2007	2,652	2,652
- Donated at 1 April 2007	-	-
Total at 1 April 2007	<u>2,652</u>	<u>2,652</u>
- Purchased at 31 March 2008	2,499	2,499
- Donated at 31 March 2008	-	-
Total at 31 March 2008	<u>2,499</u>	<u>2,499</u>

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST
NOTES TO THE ACCOUNTS
(Continued)
31 MARCH 2008

10. Tangible fixed assets
10.1 Tangible fixed assets :

	Land	Buildings excluding dwellings	Assets under constructi on and payments on account	Plant & machinery	Transport equipment	Informatio n technology	Furniture & fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2007	35,120	128,531	887	23,420	24	4,627	2,769	195,378
Additions								
- purchased	-	1,169	4,581	770	6	166	404	7,096
- donated	-	-	-	34	-	14	-	48
Reclassifications	-	2,059	(3,030)	53	-	561	36	(321)
Indexation	1,898	10,711	74	629	1	-	74	13,387
Disposals	-	(83)	-	-	-	-	-	(83)
At 31 March 2008	<u>37,018</u>	<u>142,387</u>	<u>2,512</u>	<u>24,906</u>	<u>31</u>	<u>5,368</u>	<u>3,283</u>	<u>215,505</u>
Depreciation at 1 April 2007	-	-	-	17,223	24	3,529	1,839	22,615
Charged during the year	-	5,603	-	1,849	1	462	197	8,112
Impairments	-	-	-	-	-	-	-	-
Indexation	-	-	-	462	1	-	49	512
Disposals	-	(3)	-	-	-	-	-	(3)
Depreciation at 31 March 2008	<u>-</u>	<u>5,600</u>	<u>-</u>	<u>19,534</u>	<u>26</u>	<u>3,991</u>	<u>2,085</u>	<u>31,236</u>
Net book value								
- Purchased at 1 April 2007	35,120	128,321	887	5,486	-	1,096	887	171,797
- Donated at 1 April 2007	-	210	-	711	-	2	43	966
Total at 1 April 2007	<u>35,120</u>	<u>128,531</u>	<u>887</u>	<u>6,197</u>	<u>-</u>	<u>1,098</u>	<u>930</u>	<u>172,763</u>
- Purchased at 31 March 2008	37,018	136,567	2,512	4,803	5	1,363	1,159	183,427
- Donated at 31 March 2008	-	220	-	569	-	14	39	842
Total at 31 March 2008	<u>37,018</u>	<u>136,787</u>	<u>2,512</u>	<u>5,372</u>	<u>5</u>	<u>1,377</u>	<u>1,198</u>	<u>184,269</u>

Of the totals at 31 March 2008 £2,509,000 related to land valued at open market value and £nil related to buildings and dwellings valued at open market value.

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

	31/3/08	31/3/07
	£'000	£'000
Information technology	—	—

The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts was £nil (2006/07 - £nil).

10.3 The net book value of land, buildings and dwellings at the balance sheet date comprises:

	31/3/08	31/3/07
	£'000	£'000
Freehold	173,267	163,130
Long leasehold	538	521
Short leasehold	-	-
	<u>173,805</u>	<u>163,651</u>

11. Stocks and work-in-progress

	31/3/08	31/3/07
	£'000	£'000
Raw materials and consumables	1,453	1,466
Finished goods	723	841
	<u>2,176</u>	<u>2,307</u>

12. Debtors

	31/3/08	31/3/07
	£'000	£'000
Amounts falling due within one year:		
NHS debtors	12,394	21,735
Provision for irrecoverable debts	(202)	(125)
Other prepayments and accrued income	4,689	4,346
Other debtors	8,162	9,144
	<u>25,043</u>	<u>35,100</u>
Amounts falling due after more than one year:		
NHS debtors	-	-
	<u>25,043</u>	<u>35,100</u>

There are no prepaid pension contributions or prepayments from the buyout of early retirements at 31 March 2008 (31 March 2007 - £nil).

Included in debtors at 31 March 2007 is £5,897,000 for fixed asset impairment funding and also £3,000,000 in respect of ISTC transitional funding. Both of these were paid in 2007/08.

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13. Creditors

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

	31/3/08	31/3/07
	£'000	£'000
Amounts falling due within one year:		
Current instalments due on loans	2,450	2,450
Interest Payable	29	20
NHS creditors	5,600	8,870
Non-NHS trade creditors - revenue	3,895	3,463
Non-NHS trade creditors - capital	1,075	1,322
Tax and social security costs	2,528	2,419
Other creditors	1,473	1,511
Accruals and deferred income	10,467	5,767
	<u>27,517</u>	<u>25,822</u>

Amounts falling due after more than one year:

Long term loans	9,800	12,250
	<u>9,800</u>	<u>12,250</u>
Total creditors	<u>37,317</u>	<u>38,072</u>

Other creditors include £nil for payments due in future years under arrangements to buy out liabilities for early retirements over five years and £1,260,000 for outstanding pensions contributions at 31 March 2008 (31 March 2007 - £1,192,000).

13.2 Loans

	31/3/08	31/3/07
	£'000	£'000
Department of Health Loan		
Amounts falling due:		
In one year or less	2,450	2,450
Between one and two years	2,450	2,450
Between two and five years	7,350	7,350
Over five years	-	2,450
	<u>12,250</u>	<u>14,700</u>
Total	<u>12,250</u>	<u>14,700</u>

	31/3/08	31/3/07
	£'000	£'000
Wholly or partially repayable after five years, by instalments	<u>12,250</u>	<u>14,700</u>
Of which total repayable after five years	<u>-</u>	<u>2,450</u>

The loan was taken out in March 2007 for a period of six years. Repayments of principal and interest are made in September and March each year and the last repayment is due in March 2013.

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13.3 Finance lease obligations

The Trust has no finance lease obligations at 31 March 2008 (31 March 2007 - £nil).

13.4 Finance lease commitments

The Trust has not entered into any finance lease whereby the asset will be made available for use and rental payments commence in 2007/08.

14. Provisions for liabilities and charges

	<u>Pensions relating to other staff</u> £'000	<u>Legal claims</u> £'000	<u>Other</u> £'000	<u>Total 31/3/08</u> £'000	<u>Total 31/3/07</u> £'000
At 1 April 2007	553	29	171	753	1,228
Arising during the year	352	16	18	386	58
Utilised during the year	(53)	(5)	(13)	(71)	(490)
Reversed unused	(174)	(11)	-	(185)	(43)
Unwinding of discount	-	-	-	-	-
At 31 March 2008	<u>678</u>	<u>29</u>	<u>176</u>	<u>883</u>	<u>753</u>

Expected timing of cashflows:

Within 1 year	198	29	12	239	93
Between 1-5 years	197	-	47	244	252
After 5 years	283	-	117	400	408

Of the provisions a total of £171,000 (31 March 2007 - £173,000) is recoverable from PCT's under back to back arrangements.

Clinical negligence provisions

Included in the provisions of the NHS Litigation Authority at 31 March 2008 is £12,956,000 in respect of clinical negligence liabilities of the Trust (31 March 2007 - £8,844,000).

Legal claim provisions

These provisions relate to claims under the Liabilities to Third Parties Scheme and Property Expenses Scheme, and are calculated based on information provided by the NHS Litigation Authority. The amounts involved and the timing of the payments represents their best estimate of the outcome of each claim against the Trust.

In addition to these provisions, contingent liabilities in respect of the claims are given in note 19.

Other provisions

Other provisions at 31 March 2008 include a provision for two injury benefit cases of £176,000 as notified to the Trust by the NHS Business Services Authority - Pensions Division.

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15. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluatio n reserve	Donated asset reserve	Income and expenditur e reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2007	82,499	966	(7,962)	75,503
Transfer from the income and expenditure account	-	-	2,450	2,450
Surplus on other revaluations/ indexation of fixed assets	12,837	38	-	12,875
Transfer of realised profits to the income and expenditure reserve	(107)	-	107	-
Receipt of donated assets	-	48	-	48
Transfers to the income and expenditure account for depreciation of donated assets	-	(210)	-	(210)
Other transfers between reserves	(1,161)	-	1,161	-
At 31 March 2008	<u>94,068</u>	<u>842</u>	<u>(4,244)</u>	<u>90,666</u>

16. Notes to the cash flow statement

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

	2007/08 £'000	2006/07 £'000
Total operating surplus/(deficit)	8,767	1,253
Depreciation and amortisation charge	8,640	7,954
Fixed Asset impairments and reversals	-	5,912
Transfer from donated asset reserve	(210)	(199)
(Increase)/decrease in stocks	131	(14)
(Increase)/decrease in debtors	10,061	(8,188)
Increase/(decrease) in creditors	1,933	4,507
Increase/(decrease) in provisions	130	(475)
Net cash inflow/(outflow) from operating activities	<u>29,452</u>	<u>10,750</u>

16.2 Reconciliation of net cash flow to movement in net debt

	31/3/08 £'000	31/3/07 £'000
Increase/(decrease) in cash in the period	(84)	134
Cash inflow from new debt	-	(14,700)

Cash outflow from debt repaid	<u>2,450</u>	
Change in net debt resulting from cash flows	2,366	(14,566)
Net debt at 1 April 2007	(14,166)	<u>400</u>

Net debt at 31 March 2008 (11800) (14,166)

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16.3 Analysis of changes in net debt:

	31/3/08	Cash Transferred (to)/from Other NHS Bodies	Cash Changes in year	1/4/07
	£'000	£'000	£'000	£'000
OPG cash at bank	434	-	296	138
Commercial cash at bank and in hand	16	-	(380)	396
Loan from Department of Health due within one year	(2,450)	-	-	(2,450)
Loan from Department of Health due after one year	(9,800)	-	2,450	(12,250)
	<u>(11,800)</u>	<u>-</u>	<u>2,366</u>	<u>(14,166)</u>

17. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £3,324,000 (2006/07 - £556,000).

18. Post balance sheet events

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

19. Contingent assets/(liabilities)

Other

Other Contingent Liabilities for non-clinical negligence incidents total £(7,000) (2006/07- £(16,000)).

20. Movements in Public Dividend Capital

	2007/08	2006/07
	£'000	£'000
Public Dividend Capital as at 1 April 2007	99,028	114,290
New public dividend capital (cash receipt)	5,000	-
Public dividend capital repaid in year	(18,457)	(15,262)
Public Dividend Capital as at 31 March 2008	<u>85,571</u>	<u>99,028</u>

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21. Financial performance targets

21.1 Breakeven performance

The Trust's breakeven performance for 2007/08 is as follows:

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Turnover	111,223	125,647	139,664	151,095	163,630	179,522	191,650	
Retained surplus/(deficit) for the year	(4,846)	(1,409)	(1,328)	5	61	(7,560)	2,450	
Other agreed adjustment - reversal of RAB deduction	-	-	-	3,250	-	-	-	
Breakeven in year position	(4,846)	(1,409)	(1,328)	3,255	61	(7,560)	2,450	
Breakeven cumulative position	(4,734)	(6,143)	(7,471)	(4,216)	(4,155)	(11,715)	(8,197)	
Anticipated financial year of recovery							2009/10	
Period of financial recovery agreed with SHA							2	
Materiality test:								
Breakeven in-year position	(4.36%)	(1.12%)	(0.95%)	2.15%	0.04%	(4.47%)	0.59%	1.28%
Breakeven cumulative position	(4.26%)	(4.89%)	(5.35%)	(2.79%)	(2.54%)	(6.93%)	(5.93%)	(4.28%)

The Trust was granted an extension from three to five years to achieve its cumulative breakeven duty. This was due to be met by 31 March 2005 however was not and the Trust failed this duty. The Trusts external auditor reported this event to the Department of Health at that time.

Based on past performance, the Trust is normally only able to plan to breakeven on an annual basis however the Trust is planning for a surplus of £5,513,000 in 2008/09. This would leave a cumulative breakeven deficit of £2,684k at 31 March 2009 which the Trust expects to eliminate by the end of 2009/10.

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21.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £5,738,000 bears to the average relevant net assets of £174,194,000 that is 3.3%. This rate falls within the permitted tolerance of +/- 0.5%.

21.3 External financing

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

	2007/08	2006/07
	£'000	£'000
External financing limit set by the Department of Health	(15,823)	(696)
Cash flow financing	(15,823)	(696)
External financing requirement	— (15,823)	(696)
Undershoot / (overshoot)	—	—
	=	=

21.4 Capital resource limit

The Trust is given a Capital Resource Limit (CRL) which it is not permitted to overspend.

	2007/08	2006/07
	£'000	£'000
Gross capital expenditure	7,198	5,055
Less: book value of assets disposed of	(80)	(1,600)
Plus: loss on disposal of donated assets	-	-
Less: donations towards the acquisition of fixed assets	(48)	(325)
Charge against the CRL	<u>7,070</u>	<u>3,130</u>
Capital resource limit	8,251	5,955
Underspend against the CRL	<u>1,181</u>	<u>2,825</u>

22. Related party transactions

Ashford and St. Peter's Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health. 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 Ashford and St Peter's Hospitals NHS Trust.

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

- South East Coast Strategic Health Authority
- Surrey PCT
- Hounslow PCT
- Ealing PCT
- Berkshire East PCT
- Richmond & Twickenham PCT
- Hampshire PCT
- West Kent PCT
- Surrey and Borders NHS Trust
- Royal Surrey County Hospital NHS Trust
- West Middlesex University Hospital NHS Trust
- NHS Business Services Authority
- NHS Blood and Transport
- NHS Professionals
- NHS Litigation Authority
- London Strategic Health Authority

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 H M Revenue and Customs and Surrey County Council.

The Trust has also received revenue and capital payments from the Ashford and St. Peter's Hospitals Charitable Fund. The Board members of the Trust are also Trustees of this charity. The audited annual report and accounts of the Charity are available to the public on request.

23. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the 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 Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

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Interest-rate risk

None of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

23.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate Weighted ave interest rate	Weighted ave period for which fixed	Non-interest bearing Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	450	450	-	-	-	-	-
Other	-	-	-	-	-	-	-
Gross financial assets	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>			
At 31 March 2007 (prior year)							
Sterling	534	534	-	-			
Other	-	-	-	-			
Gross financial assets	<u>534</u>	<u>534</u>	<u>-</u>	<u>-</u>			

23.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate Weighted ave interest rate	Weighted ave period for which fixed	Non-interest bearing Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	12,414	-	12,414	-	5.40	5	-
Other	-	-	-	-	-	-	-
Gross financial liabilities	<u>12,414</u>	<u>-</u>	<u>12,414</u>	<u>-</u>			
At 31 March 2007 (prior year)							
Sterling	114,481	-	15,453	99,028	5.24	6	-

Other	-	-	-	-	-	-	-
Gross financial liabilities	<u>114,481</u>	<u>-</u>	<u>15,453</u>	<u>99,028</u>			

Foreign currency risk

The Trust has negligible foreign currency income and expenditure.

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23.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the Trust's financial assets and liabilities as at 31 March 2008.

	Book Value	Fair Value	Basis of fair valuation
	£000s	£000s	
Financial assets			
Cash	450	450	
Debtors over 1 year:			
Agreements with commissioners to cover creditors and provisions	-	-	a
Total	<u>450</u>	<u>450</u>	
Financial liabilities			
Overdraft	-	-	
Creditors over 1 year:			
- Early retirements	-	-	b
Provisions under contract	(164)	(164)	c
Loans	(12,250)	(12,250)	
Public dividend capital			d
Total	<u>(12,414)</u>	<u>(12,414)</u>	

- 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 note d 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 retirements.
- c Fair value is not significantly different from book value since, in the calculation of book value, the expected cashflows have been discounted by the Treasury discount rate of 2.2% (2005/06 - 3.5%) in real terms.
- d The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

24. Third Party Assets

The Trust held £9,000 cash at bank and in hand at 31 March 2008 (31 March 2007 - £9,000) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

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25. Intra-Government and Other Balances

	Debtors : amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors : amounts falling due within one year £000	Creditors : Amounts falling due after more than one year £000
Balances with other Central Government Bodies	11,267	-	20,529	9,800
Balance with Local Authorities	27	-	35	-
Balances with NHS Trusts	1,613	-	1,109	-
Balances with Public Corporations and Trading Funds	-	-	-	-
Balance with bodies external to government	12,136		5,844	-
At 31 March 2008	<u>25,043</u>	=	<u>27,517</u>	<u>9,800</u>
Balances with other Central Government Bodies	19,992	-	13,399	12,250
Balance with Local Authorities	11	-	-	-
Balances with NHS Trusts and Foundation Trusts	1,846	-	620	-
Balances with Public Corporations and Trading Funds	95	-	912	-
Balance with bodies external to government	13,156	-	10,891	-
At 31 March 2007	<u>35,100</u>	=	<u>25,822</u>	<u>12,250</u>

26. Losses and Special Payments

There were 81 cases of losses and special payments (2006/07 - 28 cases) totalling £116,000 (2006/07 - £39,000) paid during 2007/08.

There were no cases where the net payment exceeded £250,000 (2006/7 - nil)

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