

# Accounts for Year Ended 31 March 2007



## **DIRECTORS' STATEMENTS**

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

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

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

Date: 26th June 2007



Chief Executive

### **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 judgments 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 the requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

Date: 26th June 2007



Chief Executive

Date: 26th June 2007



Interim Director of Finance

## **STATEMENT ON 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 personally responsible as set out in the Accountable Officers' Memorandum.

Accountability for the performance of the Trust ultimately lies with myself, supported by the Trust Board. We have responsibility for the delivery of a Local Delivery Plan for Patient Services, which puts into place at a local level the measures and standards required in the context of four major government policy statements and planning framework documents:-

- The NHS Plan
- Delivering the NHS Plan: Next Steps on Investment, Next Steps on Reform
- Improvement, Expansion and Reform: The Next 3 Years Priorities and Planning Framework 2003 – 2006
- Standards for Better Health

My responsibility is to ensure that the Trust contributes fully to delivering the wider NHS Plan objectives for North East London. The Trust routinely works in collaboration with the London Strategic Health Authority, local NHS commissioning and providing bodies, the Department of Health, and local authorities to continually improve the delivery of healthcare.

My responsibility is to ensure that the way the Trust conducts its affairs meets appropriate standards of good governance to assure the best standards of patient care. I rely on adequate standards of good management processes throughout the organisation to ensure that these standards can be continually met, by a measurable standard. These processes are explained in more detail below.

### **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 Barking, Havering and Redbridge Hospitals NHS Trust for the whole of the financial year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

### **3. Capacity to handle risk**

The overall strategy of the Trust is to maintain systematic and effective arrangements for managing risks throughout the organisation, whether clinical or non-clinical, financial or organisational, so as to ensure that they are reduced to a minimum practicable level. A Risk Management Strategy and Policy was implemented in 2004, against which the Trust reviews progress annually, and updates the strategy accordingly.

I, as Accountable Officer, hold overall responsibility for all areas of risk management within the Trust. I am supported by:-

- The Medical Director, who holds executive responsibility for all areas of risk management with the exception of financial risks.
- The Director of Finance, who holds executive responsibility for financial risk management.
- The Clinical Governance Director, who holds day to day responsibility for guiding and facilitating the implementation of risk management procedures, providing risk management advice and maintaining the Trust's register of risks.

I rely on Associate Medical Directors, Clinical Directors, General Managers, Heads of Nursing, Matrons and ward/service managers to be alert to risk assessment, management and reporting within their own areas, and in turn they to ensure that their staff are alert to identify and report risks related to Health and Safety, patient care or the hospital environment. The Department of Health, professional bodies and various regulatory bodies, such as the Health and Safety Executive all offer guidance on good practice; this is reinforced by workplace-based assessments and training given at a local level.

#### **4. The risk and control framework**

The risk and control framework is the Trust's overall system for identifying, measuring and controlling those threats to the organisation's objectives. It relies on the following:-

- The reporting of all incidents and serious untoward incidents.
- The identification of all complaints, legal claims and inquests.
- The identification of risks from patient morbidity, mortality and patient outcome benchmarking.
- The identification of risks by means of the Trust's programme of self-assessment, audit and external assessment of compliance with relevant quality standards.
- The maintenance of a comprehensive risk assessment programme, which includes grading risks, the maintenance of a register of risks, review of the risk, and a clear definition of the management level at which responsibility lies for either the acceptance of the risk or the implementation of control procedures.
- The oversight of the above by a Clinical Governance Committee, and by an Audit Committee for financial risks.
- The formal submission of an annual risk management report to the Board summarising the operation of the risk management policy during the year.

The risk and control framework involves all staff. From wards and departments upwards, each Clinical Director, Matron and General Manager will ensure that the Trust risk assessment programme is implemented. They are supported by a specialist team of Clinical Governance facilitators who collect, review and plan actions (in conjunction with clinical staff within their directorate) in response to:

- Adverse incidents/clinical risk issues (including CNST (Clinical Negligence Scheme for Trusts) and Standards for Better Health).
- Clinical audit issues.
- Continual quality improvement including the operational audit cycle.
- Customer care.
- Development of action plans (jointly with the complaints team) following a complaint to prevent recurrence.
- Service and external reviews.

The Assurance Framework provides for regular review of organisational risk controls. These reviews provide me with evidence to support this Statement on Internal Control, coming from the following sources:-

- From inside the Trust - Regular performance monitoring reporting on the progress of the Trust's service, financial and governance objectives, is now linked to the standards and domains within "Standards for Better Health". The Trust has completed the self-assessment exercise against the criterion in "Standards for Better Health" completing the final declaration fully in line with guidance. An action plan is in place to ensure full compliance with the one unmet criterion identified relating to the internal management of the complaint process. This is documented in the Trust's Risk Register.
- From outside the Trust - Reports from external assessment organisations, including External Audit, CNST, CPA (Clinical Pathology Accreditation), NICE (National Institute for Clinical Excellence), HSE (Health and Safety Executive) and the HCC (Healthcare Commission) are all noted. Where appropriate, action is taken to address weaknesses and work towards improved standards.

During 2006/07 the Governance Committee structure within Barking, Havering and Redbridge Hospitals NHS Trust has been embedded to the extent that there are now tight controls in place to allow the Trust to be more pro-active and responsive in risk awareness. This has occurred through the use of internal and external information allowing the Trust to benchmark the clinical care provided. Policies and guidelines have been developed following reviews of serious untoward outcomes of care and identification of system failures, to improve patient safety.

The Trust is working hard to gain compliance with all areas of external guidance including NICE, NCEPOD (National Confidential Enquiry into Patient Outcome and Death), CISH (National Confidential Enquiry into Suicide and Homicide), SABS (Safety Alert Broadcast System) and through recommendations made by the HCC, the Health Commission Ombudsman, the HSE and Fire Brigade. Exceptions in these areas are reported to the Board through the committee structure.

The work carried out to assess the Trust against Standards for Better Health in preparation for the final declaration in May 2007 has proved invaluable in measuring progress against the criterion, particularly after the move to Queen's Hospital and the reconfiguration of clinical services. Through this process it has been confirmed that for part of the year the Trust was not wholly compliant with criterion C14C relating to complaint management. An action plan has been developed, and since January 2007 it is clear that the Trust has strengthened the systems required to achieve compliance for the whole of the next year. Because of the lapse the Trust has declared 'not met' in this criterion and the Clinical Governance Committee will monitor progress.

The Trust has participated in the pilot scheme of the new standards for CNST Level 1. This preparation will stand the Trust in good stead for the re-assessment due in February 2008. In addition we participate in the ISO (International Standards Organisation) accreditation process to ensure quality systems are at the heart of service delivery. The number of accredited areas has risen from 11 to 15, examples of which include theatres, sterile supplies, the laundry and transport.

The Trust has increased the processes controlling infection including the establishment of an isolation ward and increased educational input, which has resulted in the lowering of the numbers of reported infections. The existing processes for managing infection control were reviewed as part of the Department of Health (DoH) national assessment programme in December 2006. The report was positive and provided further recommendations for tighter controls to be implemented to ensure the Trust stayed on trajectory to meet the DoH reduced infection control incidence targets.

The Trust has identified a risk to its control of fixed assets from inadequate asset descriptions and physical asset verification. This risk has been addressed by a sample asset verification check and will be wholly addressed in 2007/08 by a full review of assets in the register and a full verification exercise.

The Assurance Framework is populated through the inclusion of the corporate objective, the extreme and high risk register and weaknesses identified through the above-mentioned processes. It is a live document and the basis of the integrated governance framework.

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 within the timescales detailed in the Regulations.

## 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 head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. External auditors and other review bodies such as CNST and the Healthcare Commission also inform my review.

I have been advised of the implications of the result of my review on the effectiveness of the system of internal control by the relevant internal mechanisms, the Board, Audit Committee, and the Clinical Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place. A process is also in place to maintain and review the effectiveness of internal control and risk management. Executive managers manage the Assurance Framework surrounding their own areas. Internal Auditors review the effectiveness of the controls in place and report back to the Board through the Audit Committee, whose role is to review the maintenance of an effective system of internal control and risk management. The Clinical Governance Committee oversees and leads on all areas of risk management apart from financial risk, and shares information with the Audit Committee to facilitate its review. Both are sub-committees of the Board, chaired by non-executive directors, and attended by members of the Board. I am a member of the Clinical Governance Committee, and the Director of Finance attends the Audit Committee. There are a number of other committees that record the debates and decisions taken in specific areas of governance such as infection control, education, patient and public involvement, health and safety and clinical audit. These committees are the operational groups that report to the Trust Board, sometimes directly, and sometimes through the Clinical Governance Committee. They can be assisted in turn by specialist sub-groups responsible for providing technical input to the business of clinical governance.

The Board approved a financial recovery plan in June 2006 after agreement with the London Strategic Health Authority (SHA) and the approved deficit for 2006/07 was £9.3m. The Board was informed throughout 2006/07 of problems arising from central income reductions and changes to national agreements on redundancies and contract arbitrations. The reported deficit rose to £15.7m and was reported to the Board and SHA. The final deficit on closure of the accounts is a reported £16.8m.

Signed



(on behalf of the Board)

Chief Executive

Date: 26th June 2007

## **INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF THE BOARD OF BARKING, HAVERING AND REDBRIDGE HOSPITALS NHS TRUST**

### **Opinion on the financial statements**

We have audited the financial statements of Barking, Havering and Redbridge Hospitals NHS Trust for the year ended 31 March 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Gains and Losses and the related notes (excluding the anticipated financial year of recovery in Note 22.1). These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

This report is made solely to the Board of Barking, Havering and Redbridge 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 Barking, Havering and Redbridge Hospitals NHS Trust those matters which 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 Barking, Havering and Redbridge Hospitals NHS Trust and the Board of Barking, Havering and Redbridge 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 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 1.

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 managers' 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 on internal control reflects compliance with the Department of Health's requirements 'The Statement on Internal Control 2003/04' issued on 15 September 2003 and further guidance issued on 5 April 2005, 7 April 2006 and 2 April 2007. 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 unaudited part of the Remuneration Report and consider whether it is consistent with the audited financial statements. 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 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.

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 2007 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.

Signed

Date: 29th June 2007

*KPMG LLP*

KPMG LLP  
Chartered Accountants, London

## **FOREWORD TO THE ACCOUNTS**

### **Barking, Havering and Redbridge Hospitals NHS Trust**

These accounts for the year ended 31 March 2007 have been prepared by the Barking, Havering and Redbridge Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

**INCOME AND EXPENDITURE ACCOUNT FOR THE  
YEAR ENDED 31 MARCH 2007**

		<b>2006/07</b>	<b>2005/06</b>
	NOTE	£000	£000
Income from activities	2	323,377	302,668
Other operating income	3	28,403	32,147
Operating expenses	4-6	<u>(380,462)</u>	<u>(340,674)</u>
OPERATING DEFICIT		(28,682)	(5,859)
Profit on disposal of fixed assets	7	<u>19,660</u>	<u>0</u>
DEFICIT BEFORE INTEREST		(9,022)	(5,859)
Interest receivable		577	422
Interest payable	8	(51)	(6)
Other finance costs - unwinding of discount	15	(72)	(71)
Other finance costs - change in discount rate on provisions		<u>0</u>	<u>(371)</u>
DEFICIT FOR THE FINANCIAL YEAR		(8,568)	(5,885)
Public Dividend Capital dividends payable		<u>(8,276)</u>	<u>(10,124)</u>
RETAINED DEFICIT FOR THE YEAR		<u>(16,844)</u>	<u>(16,009)</u>

The notes on pages 14 to 41 form part of these accounts.  
All income and expenditure is derived from continuing operations.

**NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

	<b>31 March 2007</b>	<b>31 March 2006</b>
	£000	£000
Retained deficit for the year	(16,844)	(16,009)
Financial support included in retained deficit for the year - Internally Generated	0	7,171
Retained deficit for the year excluding financial support	<u>(16,844)</u>	<u>(23,180)</u>

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

In 2006/07 the provision of financial support has been replaced by a regime of loans and deposits with the Department of Health. Trusts deemed to be in financial difficulties are issued with temporary public dividend capital (PDC). At 31st March 2007 Barking Havering and Redbridge Hospitals NHS Trust had £46m of temporary PDC support.

**BALANCE SHEET AS AT 31 MARCH 2007**

		<b>31 March 2007</b>	<b>31 March 2006</b>
	NOTE	£000	£000
<b>FIXED ASSETS</b>			
Intangible assets	9	204	214
Tangible assets	10	249,664	321,893
		<u>249,868</u>	<u>322,107</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	11	6,655	6,131
Debtors	12	101,577	17,217
Investments	13	0	0
Cash at bank and in hand	17.3	948	948
		<u>109,180</u>	<u>24,296</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<b>(43,992)</b>	<b>(43,554)</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>65,188</u>	<u>(19,258)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>315,056</u>	<u>302,849</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<b>(7,046)</b>	<b>(3,881)</b>
<b>TOTAL ASSETS EMPLOYED</b>		<u>308,010</u>	<u>298,968</u>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public dividend capital	21	266,794	226,331
Revaluation reserve	16	59,948	85,865
Donated asset reserve	16	1,348	1,483
Income and expenditure reserve	16	(20,080)	(14,711)
<b>TOTAL TAXPAYERS' EQUITY</b>		<u>308,010</u>	<u>298,968</u>

The financial statements on pages 9 to 13 were approved by the Board on 26th June 2007 and signed on its behalf by:

Signed



(Chief Executive)

Date: 26 June 2007

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

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Deficit for the financial year before dividend payments	(8,568)	(5,885)
Unrealised (deficit)/surplus on fixed asset revaluations/indexation	(14,356)	9,944
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	52	107
	<hr/>	<hr/>
Total losses and gains recognised in the financial year	(22,872)	4,166
	<hr/>	<hr/>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

		<b>2006/07</b>	<b>2005/06</b>
	NOTE	£000	£000
<b>OPERATING ACTIVITIES</b>			
Net cash (outflow)/inflow from operating activities	17.1	(15,297)	13,264
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>			
Interest received		563	427
Interest paid		(51)	(6)
Net cash inflow from returns on investments and servicing of finance		<u>512</u>	<u>421</u>
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets		(28,580)	(11,428)
Receipts from sale of tangible fixed assets		11,239	88
Payments to acquire intangible assets		(61)	(48)
Net cash outflow from capital expenditure		<u>(17,402)</u>	<u>(11,388)</u>
<b>DIVIDENDS PAID</b>			
Net cash outflow before financing		<u>(40,463)</u>	<u>(7,827)</u>
<b>FINANCING</b>			
Public dividend capital received		99,500	7,860
Public dividend capital repaid (not previously accrued)		(59,037)	0
Net cash inflow from financing		<u>40,463</u>	<u>7,860</u>
(Decrease)/increase in cash		<u>0</u>	<u>33</u>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2006/07 NHS Trusts Manual for Accounts issued by the Department of Health. 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 that they are meaningful and appropriate to the NHS, as determined by HM Treasury. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income recognition

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

#### 1.4 Intangible fixed assets

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

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

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

#### 1.5 Tangible fixed assets

##### *Capitalisation*

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

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

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

### **Valuation**

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

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

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on 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. 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 interest plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

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

### ***Depreciation, amortisation and impairments***

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

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

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

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

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

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

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

### **1.6 Donated fixed assets**

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure Account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On 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. The Government Grants Reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also taken to the Government Grant Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government Grant Reserve to the Income and Expenditure Account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve

### **1.8 Private Finance Initiative (PFI) transactions**

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of the Application Note F to FRS 5, and the guidance "Land and Buildings in PFI Schemes Version 2".

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 a charge to the Income and Expenditure Account. Where, at the end of the PFI contract, a property reverts to the Trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

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

### **1.9 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

### **1.10 Research and Development**

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

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

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

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

### **1.11 Provisions**

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

### ***Clinical negligence costs***

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at Note 15.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2006/07 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

### ***Non-clinical risk pooling***

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

## **1.12 Pension costs**

Past and present employees are covered by the provisions of the NHS Pension 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 NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Business Services Authority - Pensions Division website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

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 up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay, less their retirement lump sum, for those who die after retirement is payable.

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

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

### **1.13 Liquid resources**

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

### **1.14 Value Added Tax**

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

### **1.15 Foreign Exchange**

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

### **1.16 Third Party Assets**

Assets belonging to third parties (such as money held on behalf of Patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 26 to the accounts.

### **1.17 Leases**

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

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

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

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the

Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

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

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

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). Note 28 is compiled directly from the losses and compensation register which is prepared on a cash basis.

### **1.20 EU Emissions Trading Scheme**

EU Emissions Trading Scheme allowances are accounted for as government granted current asset investments, valued at open market value. As the Trust makes emissions a provision is recognised, with an offsetting transfer from the Government Grant Reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and Government Grant Reserve are valued at current market value at the balance sheet date.

**2. INCOME FROM ACTIVITIES**

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
NHS Trusts	193	211
Primary Care Trusts	287,196	295,030
Local Authorities	871	1,005
Department of Health	31,715	2,829
Non NHS:		
- Private patients	784	1,495
- Overseas patients (non-reciprocal)	743	530
- Road Traffic Act	1,387	1,352
- Injury cost recovery	245	0
- Other	243	216
<b>Total</b>	<u>323,377</u>	<u>302,668</u>

The income receivable from Primary Care Trusts above includes £2,547,000 to offset a fixed asset impairment charged to operating expenses in Note 4.1. The impairment arose from the write down in value of equipment which is explained in Note 10.1.

Income from Local Authorities, namely the London Boroughs of Barking and Dagenham, Havering and Redbridge, is for Sure Start projects relating to the development of ante-natal services in deprived areas and for patients whose transfer of care from hospital was delayed.

Department of Health income is a 'top-up' to compensate for regional variations in service delivery costs under the payment by results financial funding system which is based on a standard national price tariff. The increase in income in 2006/07 is due to a review of the methodology used.

Road Traffic Act income is subject to a provision for doubtful debts of 7.7% to reflect expected rates of collection. From the end of January 2007 the Road Traffic Act was replaced by the NHS Injury Costs Recovery scheme. Income from this scheme is also subject to a provision for doubtful debts of 7.7%.

Other non NHS income includes £164,000 from Health Boards in Scotland, Wales and Northern Ireland for patient care services.

**3. OTHER OPERATING INCOME**

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Education, training and research	12,735	14,576
Charitable and other contributions to expenditure	384	486
Transfers from donated asset reserve	273	333
Non-patient care services to other bodies	8,926	9,024
Income Generation	3,298	5,059
Other income	2,787	2,669
	<hr/>	<hr/>
Total	28,403	32,147

Income from non-patient care services includes income from laundry, pathology, clinical supplies, pharmacy and other site related services to both NHS and non-NHS organisations.

Income Generation includes income from staff accommodation and property rents, dining room and vending machine sales, the provision of crèche facilities, occupational health and car parking schemes.

**4. OPERATING EXPENSES**

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
<b>4.1 Operating expenses comprise:</b>		
Services from other NHS Trusts	2,023	1,856
Services from other NHS bodies	1,482	1,412
Services from Foundation Trusts	152	219
Purchase of healthcare from non NHS bodies	3,957	4,066
Directors' costs	1,500	1,177
Staff costs	244,446	235,496
Supplies and services - clinical	51,304	47,258
- general	1,761	2,953
Establishment	3,254	3,178
Transport	576	689
Premises	34,316	18,320
Bad debts	610	577
Depreciation	11,335	11,762
Amortisation	71	73
Fixed asset impairments and reversals	4,347	0
Audit fees	288	298
Other auditor's remuneration	0	9
Clinical negligence	5,980	6,763
Redundancy costs	4,476	0
Other	8,584	4,568
	<hr/>	<hr/>
Total	380,462	340,674

Other operating expenses above includes consultancy and professional service fees, recruitment, insurance and waste disposal costs, training equipment, course fees and books. Also included is a contribution to the local health economy Risk Pool, the penalty charge relating to the deficit incurred in 2005/06 and repayment to the Department of Health of excess Market Forces Factor income.

## 4.2 Operating leases

### 4.2/1 Operating expenses include:

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Hire of plant and machinery	12	5
Other operating lease rentals	2,037	2,021
<b>Total</b>	<u>2,049</u>	<u>2,026</u>

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

	Land & buildings		Other leases	
	<b>2006/07</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2005/06</b>
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	344	1,017
Between 1 and 5 years	0	0	1,484	987
After 5 years	0	0	185	237
<b>Total</b>	<u>0</u>	<u>0</u>	<u>2,013</u>	<u>2,241</u>

## 5. STAFF COSTS AND NUMBERS

### 5.1 Staff costs

	<b>2006/07</b>	<b>Permanently</b>	<b>Other</b>	<b>2005/06</b>
	<b>Total</b>	<b>Employed</b>		<b>Total</b>
	£000	£000	£000	£000
Salaries and wages	211,092	201,426	9,666	202,901
Social Security costs	15,530	15,474	56	14,941
Employer contributions to NHS Pension Scheme	19,270	19,149	121	18,779
Other pension costs	505	505	0	227
<b>Total</b>	<u>246,397</u>	<u>236,554</u>	<u>9,843</u>	<u>236,848</u>

Other pension costs relate to payments made to the NHS Business Services Authority - Pensions Division for early retirements.

## 5.2 Average number of persons employed

	<b>2006/07</b>	<b>Permanently</b>	<b>Other</b>	<b>2005/06</b>
	<b>Total</b>	<b>Employed</b>		<b>Total</b>
	Number	Number	Number	Number
Medical and dental	773	735	38	756
Administration and estates	1,222	1,194	28	1,314
Healthcare assistants & other support staff	475	154	321	1,066
Nursing, midwifery & health visiting staff	2,744	2,717	27	2,365
Nursing, midwifery & health visiting learners	20	20	0	20
Scientific, therapeutic and technical staff	961	880	81	1,006
<b>Total</b>	<b>6,195</b>	<b>5,700</b>	<b>495</b>	<b>6,527</b>

## 5.3 Employee benefits

Employee benefits relate to non-pay benefits which are attributable to individual employees, for example group membership of a club. In 2006/07 the value of such benefits was nil. (2005/06: Nil.)

## 5.4 Management costs

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Management costs	16,433	13,041
Income	351,780	334,815
Management costs as a % of income	4.7%	3.9%

Management costs broadly reflect the manpower costs of managing NHS resources and maintaining corporate services, irrespective of whether services are contracted out. A full definition is available via the Department of Health's management costs website at:-

[www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en](http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en).

## 5.5 Retirements due to ill-health

During 2006/07 there were 15 (9 in 2005/06) early retirements from the Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £779,000 (£203,000 in 2005/06). 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

	<b>2006/07</b>	
	Number	£000
Total Non-NHS trade invoices paid in the year	78,831	206,245
Total Non-NHS trade invoices paid within target	69,315	185,674
Percentage of Non-NHS trade invoices paid within target	87.93%	90.03%
Total NHS trade invoices paid in the year	3,438	129,942
Total NHS trade invoices paid within target	2,429	108,805
Percentage of NHS trade invoices paid within target	70.65%	83.73%

The Better Payment Practice Code requires the Trust to aim to pay all valid non-NHS and NHS invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. The Trust's target for 2006/07 was to pay 95% of such invoices.

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

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Amounts included within Interest Payable (Note 8) arising from claims made under this legislation	50	5
Compensation paid to cover debt recovery costs under this legislation	0	0

## 7. PROFIT ON DISPOSAL OF FIXED ASSETS

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Profit on the disposal of fixed assets is made up as follows:		
Profit on disposal of land and buildings	19,660	0
Total	<u>19,660</u>	<u>0</u>

The Trust completed the sale of 4.14 hectares of land at Oldchurch Hospital in Romford and the sale of 12.063 hectares of land at Harold Wood Hospital in 2006/07. Profit on the sales were £4,250,000 and £15,410,000 respectively.

## 8. INTEREST PAYABLE

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Late payment of commercial debt	50	5
Other	1	6
Total	<u>51</u>	<u>11</u>

In addition to the interest payment referred to in Note 6.2 above, interest payable also includes the interest element of the fifth instalment of the charge for a voluntary early retirement.

## 9. INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise software and other licences which are being amortised over 5 years. The additions in 2006/07 comprised licences for software to enable :-

- standard computers to be used for test charts for Ophthalmologists and other eye care specialists.
- the IT Department to manage and control different system interfaces.
- the accurate calculation of absorbed doses of radiation in Radiotherapy treatment.

	<b>Software Licences</b>	<b>Licences and Trademarks</b>	<b>Total</b>
	£000	£000	£000
Gross cost at 1 April 2006	467	6	473
Additions - purchased	61	0	61
Gross cost at 31 March 2007	<u>528</u>	<u>6</u>	<u>534</u>
Amortisation at 1 April 2006	257	2	259
Charged during the year	69	2	71
Amortisation at 31 March 2007	<u>326</u>	<u>4</u>	<u>330</u>
<b>Net book value</b>			
<b>Total at 1 April 2006</b>	<u>210</u>	<u>4</u>	<u>214</u>
<b>Total at 31 March 2007</b>	<u>202</u>	<u>2</u>	<u>204</u>

## 10. TANGIBLE FIXED ASSETS

### 10.1 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
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2006	109,109	140,143	5,448	40,092	42,778	56	7,633	856	346,115
Additions purchased	0	87	0	18,943	2,522	0	933	2,369	24,854
Additions donated	0	0	0	0	52	0	0	0	52
Reclassifications	34,924	6,867	0	(46,897)	4,922	0	67	117	0
Indexation	6,235	11,356	442	2,146	1,196	1	0	23	21,399
Other in year revaluation	(2,159)	(27,348)	(5,090)	0	(532)	0	(3)	(26)	(35,158)
Disposals	(63,600)	0	0	0	(4,630)	0	0	0	(68,230)
Cost or Valuation at 31 March 2007	84,509	131,105	800	14,284	46,308	57	8,630	3,339	289,032
Depreciation at 1 April 2006	0	0	0	0	20,800	25	3,037	360	24,222
Charged during the year	0	6,758	256	0	3,071	2	1,196	52	11,335
Impairments	0	1,800	0	0	1,942	0	387	218	4,347
Indexation	0	0	0	0	587	1	0	9	597
Disposals	0	0	0	0	(1,133)	0	0	0	(1,133)
Depreciation at 31 March 2007	0	8,558	256	0	25,267	28	4,620	639	39,368
Net book value									
- Purchased at 1 April 2006	109,109	139,295	5,448	40,092	21,355	31	4,584	496	320,410
- Donated at 1 April 2006	0	848	0	0	623	0	12	0	1,483
Total at 1 April 2006	109,109	140,143	5,448	40,092	21,978	31	4,596	496	321,893
- Purchased at 31 March 2007	84,509	121,686	544	14,284	20,563	29	4,001	2,700	248,316
- Donated at 31 March 2007	0	861	0	0	478	0	9	0	1,348
Total at 31 March 2007	84,509	122,547	544	14,284	21,041	29	4,010	2,700	249,664

### 10.1 Tangible fixed assets (cont'd)

There were no assets held under finance leases and hire purchase contracts at 31 March 2007 (31 March 2006: Nil) and accordingly no depreciation charged to the Income and Expenditure Account in respect of such assets.

Prior to the disposal of land and buildings the assets were revalued by the District Valuer and the resultant valuation was lower than net book value. The land impairment of £14,300,000 was fully absorbed by adjusting the Revaluation Reserve accumulated on the asset. The impairment on the buildings was £29,000,000 of which £27,200,000 was absorbed.

The impairments on the remaining categories of assets shown above arose from the write down in value of medical and other equipment prior to the relocation of services to the new PFI hospital at Romford. The total value of the impairments will be financed by funding provided by the NHS Bank via the Trust's main commissioner.

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

	31 March 2007	31 March 2006
	£000	£000
Freehold	207,600	254,700
Total	<u>207,600</u>	<u>254,700</u>

### 11. STOCKS AND WORK IN PROGRESS

	31 March 2007	31 March 2006
	£000	£000
Raw materials and consumables	6,655	6,131
Total	<u>6,655</u>	<u>6,131</u>

<b>12. DEBTORS</b>	<b>31 March 2007</b>	<b>31 March 2006</b>
	£000	£000
<b>Amounts falling due within one year:</b>		
NHS debtors	13,628	9,873
Provision for irrecoverable debts	(1,939)	(1,911)
Other prepayments and accrued income	2,456	786
Other debtors	<u>33,619</u>	<u>5,359</u>
Sub-total	47,764	14,107
<b>Amounts falling due after more than one year:</b>		
NHS debtors	1,689	1,644
Provision for irrecoverable debts	(118)	(141)
Other prepayments and accrued income	2,202	0
Other debtors	<u>50,040</u>	<u>1,607</u>
Sub-total	53,813	3,110
Total	<u>101,577</u>	<u>17,217</u>

NHS debtors do not include any prepaid pension contributions at 31 March 2007 (31 March 2006: Nil).

Included in 'Other debtors' shown above are the following amounts in respect of the sale of land and buildings at both Oldchurch Hospital in Romford and Harold Wood Hospital: -

- £24,745,000 - amounts falling due within one year
- £48,502,000 - amounts falling due after more than one year.

### **13. INVESTMENTS**

There were no fixed or current asset investments held by Barking, Havering and Redbridge Hospitals NHS Trust at 31 March 2007. ( 31 March 2006 : Nil)

## 14. CREDITORS

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

	31 March 2007	31 March 2006
	£000	£000
<b>Amounts falling due within one year:</b>		
NHS creditors	14,917	8,248
Non - NHS trade creditors - revenue	8,749	8,468
Non - NHS trade creditors - capital	2,177	5,904
Tax	2,737	5,586
Social security costs	2,075	4,318
Other creditors	4,759	2,418
Accruals and deferred income	8,578	8,612
Total	43,992	43,554

Other creditors include:

- £2,210,000 outstanding pensions contributions at 31 March 2007 (31 March 2006: £2,310,000).

### 14.2 Loans

The Trust had no private sector loans outstanding at 31 March 2007. (31 March 2006: Nil)

The Trust had £46m of temporary Public Dividend Capital outstanding at 31 March 2007. No formal arrangement exists with the London Strategic Health Authority over the repayment period.

### 14.3 Finance Lease Obligations

The Trust has not entered into any contracts during 2006/07 to lease assets under a finance lease.

### 14.4 Finance lease commitments

The Trust has not entered into any contracts to lease assets under a finance lease, whereby the asset will be made available for use and rental payments commence in a future period.

## 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions relating to other staff	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2006	2,752	997	132	3,881
Arising during the year	3,227	338	565	4,130
Utilised during the year	(505)	(305)	(132)	(942)
Reversed unused	(43)	(52)	0	(95)
Unwinding of discount	56	16	0	72
At 31 March 2007	<u>5,487</u>	<u>994</u>	<u>565</u>	<u>7,046</u>

### Expected timing of cashflows:

Within one year	849	358	565	1,772
Between one and five years	3,092	211	0	3,303
After five years	1,546	425	0	1,971

Legal claims include provisions for employer's liability, public liability, injury benefits and employment tribunal cases.

Employer's liability and public liability provisions are the product of the best estimates of the NHS Litigation Authority's (NHSLA) claim managers. It is assumed that the cases will complete in the timescale and costs forecast. However cases do change in value and timing depending on the litigation process and the complexity of the case. In addition to these provisions, contingent liabilities for employer's liability, public liability and employment tribunal cases are given in Note 20.

Other includes provisions for Agenda for Change and redundancy. The Agenda for Change provision was for outstanding staff costs arising from the transition of staff to the new national pay system which commenced in October 2004. The balance of this provision has now been transferred to Creditors and is included in 'Other creditors' in Note 14.1.

The redundancy provision is for the expected costs of staff whose posts have been identified as being 'at risk' without the likelihood of re-deployment, but who have yet to receive formal notification of redundancy.

The expected reimbursement from commissioners (Primary Care Trusts) for provisions covered by back to back arrangements is £1,966,000. This amount is included within NHS debtors shown in Note 12.

£35,271,047 is included in the provisions of the NHSLA at 31 March 2007 in respect of the clinical negligence liabilities of the Trust (31 March 2006: £31,739,738). This is analysed as follows:-

Clinical Negligence Scheme for Trusts provisions	£ 31,985,091
Existing Liabilities Scheme provisions	3,285,956
	<u>35,271,047</u>

## 16. MOVEMENTS ON RESERVES

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Income and Expenditure Reserve	Total
	£000	£000	£000	£000
At 1 April 2006	85,865	1,483	(14,711)	72,637
Transfer from the Income and Expenditure Account	0	0	(16,844)	(16,844)
(Deficit)/surplus on other revaluations/indexation of fixed assets	(14,442)	86	0	(14,356)
Transfer of realised profits to the Income and Expenditure Reserve	(10,940)	0	10,940	0
Receipt of donated/government granted assets	0	52	0	52
Transfers to the Income and Expenditure Account for depreciation, impairment and disposal of donated/government granted assets	0	(273)	0	(273)
Other transfers between reserves	(535)	0	535	0
At 31 March 2007	<u>59,948</u>	<u>1,348</u>	<u>(20,080)</u>	<u>41,216</u>

The transfer of £535,000 from the Revaluation Reserve to the Income and Expenditure Reserve, shown under 'Other transfers between reserves' above, relates to excess depreciation charged to the Income and Expenditure Account. Excess depreciation occurs because fixed assets are depreciated after having been indexed or revalued upwards in an accounting period and the resultant charge is over what would otherwise be incurred if historic cost convention was applied. The adjustment is necessary to avoid balances remaining in the Revaluation Reserve after an asset has been fully depreciated.

## 17. NOTES TO THE CASH FLOW STATEMENT

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

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Total operating deficit	(28,682)	(5,859)
Depreciation and amortisation charge	11,406	11,835
Fixed asset impairments and reversals	4,347	0
Transfer from donated asset reserve	(273)	(333)
Increase in stocks	(524)	(506)
(Increase)/decrease in debtors	(8,829)	2,514
Increase in creditors	4,165	9,753
increase/(decrease) in provisions	3,093	(4,140)
Net cash (outflow)/inflow from operating activities	<u>(15,297)</u>	<u>13,264</u>

### 17.2 Reconciliation of net cash flow to movement in net debt

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
(Decrease)/increase in cash in the period	0	33
Change in net debt resulting from cash flows	<u>0</u>	<u>33</u>
Net debt at 1 April 2006	948	915
Net debt at 31 March 2007	<u>948</u>	<u>948</u>

### 17.3 Analysis of changes in net debt

	<b>At 1 April 2006</b>	<b>Cash changes in year</b>	<b>At 31 March 2007</b>
	£000	£000	£000
OPG cash at bank*	925	44	969
Commercial cash at bank and in hand	23	(44)	(21)
Total	<u>948</u>	<u>0</u>	<u>948</u>

\* This relates to cash held in an account with The Office of HM Paymaster General.  
Commercial cash at bank and in hand includes £21,000 in balances in petty cash imprest accounts and franking machines. The cash books for the commercial bank accounts showed a net overdrawn position of £36,000.

## 18. CAPITAL COMMITMENTS

Commitments under capital expenditure contracts at 31 March 2007 were £1,575,100 (31 March 2006: £5,293,000).

## 19. POST BALANCE SHEET EVENTS

There are no post balance sheet adjusting events requiring changes to the accounts.

The Trust moved into the new PFI hospital in Romford at the end of the third quarter of 2006/07 and ceased operating on the Oldchurch and Harold Wood sites. The Harold Wood site was sold in 2006/07 as was 4.14 hectares of land at Oldchurch. The final 2.19 hectares of the Oldchurch site has been sold in April 2007.

The Trust is continuing to work with the London Strategic Health Authority to agree a Financial Recovery Plan to enable the Trust to return to recurrent financial balance.

## 20. CONTINGENCIES

When an estimate of the likely financial consequence of a claim against the Trust is made, a provision is made in the accounts. A contingent liability is recognised, in addition to the normal provision within the balance sheet, where the chances of the cost occurring are possible rather than probable. Such contingencies are disclosed to recognise the inherent uncertainties involved in forecasting the eventual claims against the Trust.

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Contingent liabilities - gross value	(157)	(150)
Amounts recoverable against contingent liabilities	114	103
Net value of contingent liabilities	<u>(43)</u>	<u>(47)</u>

The Trust had no contingent assets at 31 March 2007 (31 March 2006: Nil).

The contingent liabilities shown above relate to employer's liability, public liability and employment tribunal claims against the Trust. The amounts recoverable from commissioners are covered by back to back arrangements. In addition to the above contingent liabilities details of provisions are given in Note 15.

## 21. MOVEMENT IN PUBLIC DIVIDEND CAPITAL

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Public Dividend Capital as at 1 April 2006	226,331	218,471
New Public Dividend Capital received	99,500	7,860
Public Dividend Capital repaid in year	(59,037)	0
Public Dividend Capital as at 31 March 2007	<u>266,794</u>	<u>226,331</u>

## 22. FINANCIAL PERFORMANCE TARGETS

### 22.1 Breakeven performance

The Trust's breakeven performance for 2006/07 is as follows:

	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
	£000	£000	£000	£000	£000	£000
Turnover	243,562	311,794	285,454	310,266	334,815	351,780
Retained surplus/(deficit) for the year	6	5	4	5	(16,009)	(16,844)
Break-even in-year position	6	5	4	5	(16,009)	(16,844)
Break-even cumulative position	6	11	15	20	(15,989)	(32,833)

The Trust's recovery plan, approved by the SHA, aims to achieve break-even in 2008/09

2009

#### Materiality test

(ie is it equal to or less than 0.5%):

- Break-even in-year position as a percentage of turnover	0.00%	0.00%	0.00%	0.00%	(4.78%)	(4.79%)
- Break-even cumulative position as a percentage of turnover	0.00%	0.00%	0.01%	0.01%	(4.78%)	(9.33%)

### 22.2 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 £8,276,000, bears to the average relevant net assets of £301,127,000, that is 2.74%.

The variance from 3.5% is outside the NHS Executive's materiality range of 3.0% to 4.0%. This is due to the delayed sale of Phase 1 of the Oldchurch site from 2005/06 to 2006/07 and Phase 2 of the same site from 2006/07 to 2007/08.

## 22.3 External financing

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

		<b>2006/07</b>	<b>2005/06</b>
	£000	£000	£000
External financing limit		40,463	7,827
Cash flow financing	40,463		7,827
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>40,463</u>	<u>7,827</u>
Undershoot/(overshoot)		<u>0</u>	<u>0</u>

## 22.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to overspend.

		<b>2006/07</b>	<b>2005/06</b>
		£000	£000
Gross capital expenditure		24,967	15,090
Less: book value of assets disposed of		(67,097)	0
Less: donations towards the acquisition of fixed assets		(52)	(107)
Charge against the capital resource limit		<u>(42,182)</u>	<u>14,983</u>
Capital resource limit		20,911	14,983
Underspend against the capital resource limit		<u>63,093</u>	<u>0</u>

Gross capital expenditure comprises the "Additions - purchased" and "Additions - donated" entries in Notes 9 and 10.1. Donations towards the acquisition of fixed assets comprises the "Additions - donated" shown in Note 10.1.

The underspend against the capital resource limit has arisen because of the early sale of land and buildings at Harold Wood Hospital.

## 23. RELATED PARTY TRANSACTIONS

Barking, Havering and Redbridge 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 Barking, Havering and Redbridge Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year Barking, Havering and Redbridge 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:

Havering Primary Care Trust  
 Barking and Dagenham Primary Care Trust  
 Redbridge Primary Care Trust  
 South West Essex Primary Care Trust  
 West Essex Primary Care Trust  
 North East London Mental Health NHS Trust  
 London Strategic Health Authority  
 NHS Professionals  
 NHS Litigation Authority  
 NHS Blood and Transplant  
 NHS Business Services Authority  
 Other Primary Care and NHS Trusts

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Such transactions were performed in furtherance of the Trust's normal activities.

The Trust has also received revenue and capital payments from Barking, Havering and Redbridge Hospitals NHS Trust Charity Fund. The members of the Board of Barking, Havering and Redbridge Hospitals NHS Trust are Trustees of the Charity Fund.

## 24. PRIVATE FINANCE TRANSACTIONS – Schemes Deemed To Be Off Balance Sheet

	<b>2006/07</b>	<b>2005/06</b>
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	17,113	0
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	<u>17,113</u>	<u>0</u>

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

PFI scheme which expires; 31st to 35th years (inclusive)	42,188	17,370
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The PFI project relates to Queen's Hospital in Romford which was built by Catalyst Healthcare Management Ltd (CHML), completed in October 2006 and fully operational by December 2006. Unitary payment became chargeable from the date of hand-over of the building; 2007/08 being the first full year of operation, explaining the difference in commitment between the two years. The commitment shown against 2005/06 was an estimate made for the previous year's accounts. This differed from the actual amounts included in the 2006/07 operating expenses due to changes in inflation, contract variations and extra payments and deductions made in accordance with the Project Agreement.

	<b>2006/07</b> £000	<b>2005/06</b> £000
Estimated capital value of the PFI scheme	229,777	229,777
Contract Start date:	15 Jan 2004	
Contract End date:	15 Jan 2040	

CHML is a consortium made up of BovisLendlease, the Construction arm, Sodexo, providing a broad range of facilities management services and Siemens Medical who will provide a managed equipment service. The consortium has built and is now maintaining the new 850+ bedded multi-specialty acute hospital in Romford, supported by 16 operating theatres, an Accident and Emergency department, ITU/HDU facilities, and accompanying diagnostic services such as pathology and radiology. There is also a new renal dialysis unit. The commissioning of Queen's Hospital will enable the Trust to deliver modern acute services from two main centres of excellence, the other being King George Hospital in Goodmayes. The new hospital replaces the nearby Oldchurch Hospital in Romford and Harold Wood Hospital.

Although financed and managed by CHML, and technically external to the NHS estate, the new hospital's main purpose is the treatment of NHS patients and clinical services will continue to be run by NHS staff. At the end of the concession period, when unitary payments cease, the facility will revert to ownership of the Trust at nil cost.

From 2006/07 in accordance with Treasury guidance, the Trust accounts for a residual interest which capitalises some of the payments made, to gradually build up a capital asset over the life of the concession. The fair value of the asset to revert to the Trust at the end of the concession, £160,204,664 was determined by the District Valuer based on the likely condition of the building at handover, given a normal programme of maintenance and replacement as determined in the contract. In 2006/07 £639,000 has been capitalised.

## 25. FINANCIAL INSTRUMENTS

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

### Liquidity Risk

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

## Interest-Rate Risk

64.05% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. Barking, Havering and Redbridge Hospitals NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

### 25.1 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 2007							
Sterling	2,637	948	1,689	0	2.2%	18	0
Other	0	0	0	0	0%	0	0
Gross financial assets	<u>2,637</u>	<u>948</u>	<u>1,689</u>	<u>0</u>			
At 31 March 2006							
Sterling	2,592	948	1,644	0	2.2%	19	0
Other	0	0	0	0	0%	0	0
Gross financial assets	<u>2,592</u>	<u>948</u>	<u>1,644</u>	<u>0</u>			

### 25.2 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 2007							
Sterling	(272,106)	0	(5,312)	(266,794)	2.2%	21	0
Other	0	0	0	0	0%	0	0
Gross financial liabilities	<u>(272,106)</u>	<u>0</u>	<u>(5,312)</u>	<u>(266,794)</u>			
At 31 March 2006							
Sterling	(229,467)	0	(3,136)	(226,331)	2.2%	17	0
Other	0	0	0	0	0%	0	0
Gross financial liabilities	<u>(229,467)</u>	<u>0</u>	<u>(3,136)</u>	<u>(226,331)</u>			

Note: The Public Dividend Capital which is shown in the 'Non-interest bearing' column above is of unlimited term.

## Foreign Currency Risk

The Trust has no foreign currency income or expenditure.

## 25.3 Fair Values

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

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
<b>Financial assets</b>			
Cash	948	948	
Debtors over 1 year:			
- Agreements with commissioners to cover provisions	1,689	1,689	Note A
<b>Total</b>	<u>2,637</u>	<u>2,637</u>	
<b>Financial liabilities</b>			
Provisions under contract	(5,312)	(5,312)	Note B
Public dividend capital	(266,794)	(266,794)	Note C
<b>Total</b>	<u>(272,106)</u>	<u>(272,106)</u>	

### Notes

- A These debtors reflect agreements with commissioners to cover provisions under contract, and their related 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, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.
- C The figure here is the full value of Public Dividend Capital (PDC) as shown in the Balance Sheet and 'book value' equals 'fair value'. This figure includes £46,000,000 which relates to short-term repayable PDC held by the Trust.

## 26. THIRD PARTY ASSETS

The Trust held £5,498 cash at bank and in hand at 31 March 2007 (£4,363 - 31 March 2006) which relates to monies held on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts.

**27. INTRA-GOVERNMENT AND OTHER BALANCES**

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year
	£000	£000	£000
Balances with other Central Government Bodies	12,221	1,689	17,697
Balances with Local Authorities	520	0	95
Balances with NHS Trusts and Foundation Trusts	2,113	0	784
Balances with Public Corporations and Trading Funds	23	0	3,534
Balances with bodies external to government	32,887	52,124	21,882
At 31 March 2007	<u>47,764</u>	<u>53,813</u>	<u>43,992</u>
Balances with other Central Government Bodies	7,524	1,644	17,228
Balances with Local Authorities	661	0	89
Balances with NHS Trusts and Foundation Trusts	2,343	0	1,522
Balances with Public Corporations and Trading Funds	6	0	2,058
Balances with bodies external to government	3,573	1,466	22,657
At 31 March 2006	<u>14,107</u>	<u>3,110</u>	<u>43,554</u>

**28. LOSSES AND SPECIAL PAYMENTS**

There were 439 cases of losses and special payments (31 March 2006: 437 cases) totalling £407,303 (31 March 2006: £390,158) approved during 2006/07.

387 cases (£232,238) related to losses which included out of date pharmaceutical stocks, obsolete stocks, bad debts and stolen equipment. 52 cases (£175,065) related to ex-gratia payments, public and employer's liability and employment tribunal settlements.