Peterborough and Stamford Hospitals
NHS Foundation Trust

ANNUAL ACCOUNTS

FOR THE

FINANCIAL YEAR

ENDED 31 MARCH 2006

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER FOR PETERBOROUGH & STAMFORD HOSPITALS NHS FOUNDATION TRUST

The Health and Social Care (Community Health and Standards) Act 2003 designates the Chief Executive of an NHS Foundation Trust as the Accounting Officer of Peterborough & Stamford Hospitals NHS Foundation Trust.

The relevant responsibilities of the Accounting Officer, including their responsibility for the propriety and regularity of the public finances for which they are answerable, the keeping of proper accounts and compliance with the NHS Foundation Trust's terms of authorisation, are set out in the NHS Foundation Trust Accounting Officer Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the Health and Social Care (Community Health Standards) Act 2003, Monitor has directed Peterborough & Stamford Hospitals NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of Peterborough & Stamford Hospitals NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cashflows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the NHS Foundation Trust Financial Reporting Manual and in particular to:
- observe the Accounts Direction issued by Monitor, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the NHS Foundation Trust Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

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

C J Banks, Chief Executive

Date: 14 June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the Health and Social Care (Community Health and Standards) Act 2003, and as directed by Monitor, the Independent Regulator for NHS Foundation Trusts, to prepare Accounts for each financial year.

Monitor, with the approval of HM Treasury, directs that these Accounts shall show, and give a true and fair view of the NHS Foundation Trust's gains and losses, cash flow and financial state at the end of the financial year. Monitor further directs that the Accounts shall meet the accounting requirements of the NHS Foundation Trusts' Manual For Accounts and the Capital Accounting Manual that are in force for the relevant financial year, which shall be agreed with HM Treasury.

In preparing these Accounts, the directors are required to:

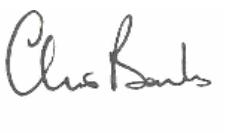
- apply on a consistent basis, for all items considered material in relation to the Accounts, accounting policies contained in the NHS Foundation Trusts' Financial Reporting Manual issued by Monitor.
- make judgements and estimates which are reasonable and prudent.
- ensure the application of all relevant accounting standards, and adherence to UK generally accepted accounting practice for companies, to the extent that they are meaningful and appropriate to the NHS, subject to any material departures being disclosed and explained in the Accounts.

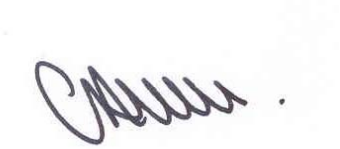
The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the Trust. This is to ensure proper financial procedures are followed, and that accounting records are maintained in a form suited to the requirements of effective management, as well as in the form prescribed for the published accounts.

The directors are also responsible for safeguarding all the assets of the Trust, including 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 requirement in preparing the Accounts.

By Order Of The Board Of Directors





C J Banks, Chief Executive

C A Hall, Finance Director

Date: 14 June 2006

Date: 14 June 2006

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

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; and
- 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 Peterborough and Stamford Hospitals NHS Foundation Trust for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Medical Director is operationally responsible for leading the Risk Management process supported by the Governance and Risk Management Department. Three key posts are identified regarding the management of risk. These are the Assistant Director - Clinical Standards, the Assistant Director - Risk and Occupational Health, and the Litigation Services Manager. They are supported by the Patient Services Department and Patient Advice and Liaison Service (PALS) which provide information from formal and informal complaints. Together these posts are responsible for:

- communicating and co-ordinating the process of risk management throughout the Trust;
- supporting the development of Directorate Risk/Governance Groups to identify and manage risks at local level;
- acting as a central reference point for all risk management issues;
- co-ordinating the management of all risk activities throughout the Trust;
- educating and stimulating Trust staff to take an active role in the identification and reduction of risk, and in particular training and supporting Risk Representatives and Risk Officers;
- co-ordinating the Trust's implementation of controls assurance;
- ensuring full and prompt reporting of all actual and near miss incidents and ensuring that the necessary action is taken;
- investigating incidents where appropriate and facilitating or undertaking root cause analysis for more serious incidents to ensure lessons are learnt and changes implemented;
- liaising with statutory and other official bodies, for example the Health and Safety Executive and the NHS Litigation Authority and the Coroner;
- managing claims (clinical negligence, employers and public liability, property losses) quickly, economically and effectively so as to minimise the financial and other potential negative consequences e.g. distress to the claimant, negative publicity etc.
- ensuring that the Trust has appropriate and adequate insurance arrangements with the CNST in respect of clinical negligence and the RPST in respect of third party and professional liability and where appropriate commercial insurers;
- acting as a central source of information on risk issues and distributing this information as necessary; and
- ensuring that the Trust has policies, procedures and plans in place to manage risk that reflect the latest guidance, comply with legal and statutory requirements and are formally audited where reasonably practicable.

Guidance and training is provided to staff through induction, annual refresher, specific risk management training, wider management training, MHRA & NHS Estates Hazard/Safety Notices, the 'Risky Times' bulletin, policies and procedures, information on the Trust's Intranet, feedback from audits, inspections and incidents. Included within all of this is sharing of good practice and learning from incidents.

The Trust continued to support additional investment in this broad area of risk management, appointing a medical devices co-ordinator in April 2005 - with a main focus on ensuring staff are fully trained in the use of medical equipment, with appropriate records maintained. In addition, the Trust appointed a Clinical Negligence Scheme for Trusts (CNST) project officer in May 2005 with a particular remit to improve clinical governance arrangements so that the Trust will be able to achieve a higher level of accreditation when re-assessed by the CNST auditors in 2006/2007. The risk register has been completely updated and integrated, and now exists on the Trust's intranet as a web-enabled system. This ensures that a comprehensive and dynamic risk register and risk management tool is in place.

4. The risk and control framework

The Trust has in place a committee of the Board known as the Healthcare Governance Committee to oversee all aspects of risk and clinical governance. The inaugural meeting of this Committee was on the 27 January 2004 and it met every two months in the course of 2005/2006. This Committee is chaired by a non-executive director with appropriate membership from executive directors and senior clinical staff. The committee has responsibility for:

- ensuring the adequacy of systems for quality assurance, managing risk and the control environment in all areas not covered by the Audit Committee, to enable the Board to complete an annual Statement on Internal Control;
- providing a committee structure that supports the risk management accountability arrangements within the organisation and ensures that all significant risks are properly considered and communicated to the Board;
- taking steps to ensure that the Trust meets all relevant statutory and regulatory obligations including the duty of quality set out in the Health Act 1999;
- approving development plans for improving the Trust's Clinical Governance and Risk Management capability;
- encouraging continuous improvement in clinical quality and effectiveness;
- advising the Trust Board regarding quality and risk considerations relevant to the agreement of strategic objectives and investment priorities;
- ensuring that integrated performance reports to the Trust Board include an adequate range of risk indicators and that these form a part of the Trust's systems for performance management;
- monitoring the Board Assurance Framework and escalating significant issues arising from it to the Trust Board where not covered by the Audit Committee;
- receiving regular high level reports from appropriate groups in order to form an overview of all dimensions of clinical service quality;
- addressing any serious and sustained failure to meet minimum clinical standards where this cannot be resolved through line management or professional self-regulation;
- ensuring the adequacy of arrangements for professional self-regulation, in so far as they are locally determined;
- reviewing guidance from NICE and the Healthcare Commission and the response of the Trust to the same; and
- promoting effective liaison between the Trust and providers of clinical education and research.

The Trust has a well documented and widely available Risk Management Strategy and Policy.

The Trust also has in place a committee of the Board known as the Conformance Committee to oversee all aspects of conformance and performance. This Committee is chaired by a non-executive director with appropriate membership from executive directors and senior managerial staff. This committee has responsibility for:

- reviewing the Trust's annual and longer term business plans and confirming that the Trust Executive has produced them in line with the Trust's strategic objectives and has identified the resources required, and the source of them, to deliver the plan;
- receiving the income and expenditure, capital expenditure, cash flow, activity, waiting list and other performance reports on a monthly basis and ensuring that the Trust is conforming with its terms of authorisation and other regulatory requirements;
- receiving human resource and health and safety information on a quarterly basis to ensure that the Trust is conforming with national targets and its statutory duties;
- reviewing and considering for approval by the Trust Board business cases for services or capital schemes with a value in excess of £100,000 (i.e. where the value exceeds the limit of authority delegated to the Trust Chief Executive);
- reviewing all proposed new major contracts (in excess of £100,000) and making recommendations to the Trust Board about their approval or otherwise;
- considering all matters of a corporate governance nature that could have an impact on the Trust and making recommendations to the Trust Board and/or the Trust Audit Committee; and
- ensuring the Trust fulfils all the internal and external conformance requirements (does what it has to do) to enable it to focus on what it wants to do to meet local priorities.

The Trust Board itself sets the strategic direction of the Trust and monitors progress towards it. During the year ended 31 March 2006 the Board has maintained a Board Assurance Framework which provides a high level assessment of the strategic risks that could prevent the Trust achieving its objectives together with a management action plan to deal with them.

The Trust works with its local partners within the Greater Peterborough health system through a Modernisation Board, comprising the Chief Executives and other officers of the relevant partner organisations. This provides officer level support to the Greater Peterborough Health Partnership Board which is one of several sub-committees of the Greater Peterborough Partnership Board, which is the local strategic partnership (LSP) board for the community. Officer support comprises advice and executive action to instigate policies and strategies of the LSP, and to inform it of issues, risks and plans of the partner organisations.

The Trust engages with Monitor, the Independent Regulator for NHS Foundation Trust, and other local organisations including the Norfolk, Suffolk and Cambridgeshire Strategic Health Authority and local Overview and Scrutiny Committees through regular planned meetings and performance reviews, and ad hoc meetings as necessary.

Sound working relationships with these other key organisations enables information to be shared, and provides opportunities for joint working to identify, understand and resolve issues that might impact on the services we provide. In particular the Trust has continued to work closely with Monitor on its annual plan and financial projections, to review and understand financial performance and to test and confirm progress on achieving the short-term financial targets, maintaining liquidity and securing longer-term financial stability.

The Trust's strategy for managing its risk is to:

- adopt an integrated approach to risk management, whether the risk relates to clinical, organisational, health and safety or financial risk, through the processes and structures detailed in the Trust's risk management policy;
- manage risk as part of normal line management responsibilities and provide funding to address 'risk' issues (based on a moderated risk assessment) as part of the normal business planning process;
- undertake risk assessments on both existing, new and proposed activities to ensure that:
- significant risks are identified;
- assessments are made of their potential frequency and severity;
- control measures are implemented;
- risks are always minimised;
- risks are recorded on the Trust's risk registers;

- use the risk registers to inform the Trust's business planning and investment decision-making process so that informed decisions are made in the full knowledge of the level of risk, i.e. risks are addressed according to the level of risk posed. The Trust has established a Capital Group which pays particular regard to risk assessments in assessing cases for capital investment;
- record the results of risk assessments on the Trust's risk registers and use them to ensure that any decision to accept risk is taken at an appropriate level in the Trust;

- utilise internal and external audit, controls assurance returns and other independent regulatory and assessment bodies to provide assurance that risk is being managed appropriately; and
- the Trust is working to integrate the risk registers into one combined document.

Within each clinical service unit there is a governance group, and in the non-clinical units, a risk group, whose role is to ensure that:

- risks within the unit are identified through a process of risk assessment, prioritised, minimised and where possible eliminated;
- the importance of managing risk is communicated to all staff within the unit;
- the Healthcare Governance Committee is made aware of any unacceptable risks that cannot be managed within the service unit; and
- data from incidents, claims and complaints etc. is reviewed to identify any trends or areas for retrospective action.

Managers are responsible for ensuring effective risk management within their own area. A large number of staff have been trained across the Trust to undertake risk assessment in their areas of work and to report these to their managers.

All staff are expected to: provide safe clinical practice in diagnosis and treatment; report incidents and near misses; be familiar with the Trust's Risk Management Strategy and departmental risk issues; comply with all Trust policies and procedures and take reasonable care of their own safety and the safety of others.

The overall framework for obtaining assurance on the management of risk at Peterborough and Stamford Hospitals NHS Foundation Trust includes:

- identifying and managing risks, in particular those that affect the achievement of the Trust's principle objectives, or following assessment and implementation of all practical control measures remain as significant risks;
- the use of the risk register to prioritise and manage risk so that appropriate investment decisions can be made;
- commissioning specific Internal and External Audit reports and opinions;
- compliance with Healthcare Commission requirements and inspection visits;
- accreditation levels achieved with the Clinical Negligence Scheme for Trusts and the Risk Pooling Scheme for Trusts;
- progress towards and achievement of risk related targets;
- completion of annual Risk Audits; and
- compliance with the requirements of Monitor, the HSE and other independent regulatory bodies.

On major projects such as the Greater Peterborough Health Investment Plan for the redevelopment of health buildings, the public have been directly involved in the evaluation criteria for the project and in the development of a project risk register.

The Trust's senior managers also meet regularly with the Trust's Public and Patient Involvement Committee to discuss issues of service and risk, in order to inform the prioritisation process.

Members of the public are reminded about managing their own risks through warning signs and notices as appropriate throughout the Trust's premises and through their participation as patients in the consent process.

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

As Accounting Officer, I have responsibility for reviewing the economy, efficiency and effective use of resources. This is done in a number of ways:

- Regular review of financial performance by the Board of Directors, Audit Committee and Conformance Committee.
- Reports by Internal Audit and External Audit on the use of the Trust's resources.
- Participation in benchmarking studies undertaken by the Audit Commission, Healthcare Commission and other external bodies.
- Use of benchmarking data and comparative work to provide assurance and inform and guide improvement in financial and clinical performance.
- The Trust's Service Improvement Team supports a number of key projects, agreed by the Board of Directors, which are designed to reduce cost whilst improving clinical and operational efficiency.
- Listening and responding to matters raised by our members, Governors and patients.

6. Review of effectiveness

As Accounting 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 Board 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.

My review is also informed by:

- The regular 2 yearly accreditation visits from the Clinical Negligence Scheme for Trusts and the Risk Pooling Scheme for Trusts. In both cases Level 1 accreditation was retained.
- The annual report of the Trust’s external auditors and the regular reports from the Trust’s internal auditors.

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, and Healthcare Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control has been supported by the following:

- The Board, which has responsibility for setting the overall direction, agreeing the Trust's principal objectives, assessing and managing strategic risks to the delivery of those objectives and monitoring progress through quarterly performance monitoring reports;
- Regular Board review of, and action on, its Board Assurance Framework;
- The Audit Committee which works to a well-developed audit plan and provides assurance to the Trust Board;
- The Healthcare Governance Committee which is the Trust Board committee charged with ensuring governance and risk is managed. The committee has met at least quarterly and reviewed the Trust's principal and significant risks;
- The Conformance Committee, which is the Trust Board committee charged with ensuring the Trust is conforming with and performing to key targets, statutory and other external requirements;
- Executive directors and general managers;
- Internal Audit, which has reviewed the Trust's Governance and Assurance Framework arrangements in 2005/06. Their reports were favourable and recommendations made are being implemented; and
- External Audit.

Given the financial deficit reported in 2004/2005, and the movement to a risk rating of '2' by Monitor, there has been a continued focus on improving the financial position, as evidenced by:
- The formulation of an annual plan and forward projections beyond 2005/2006
- Delivery on cost control objectives and savings plans implemented in the second half of the previous financial year
- Identification of further savings plans, and action taken to reduce capacity and staff numbers and costs in the summer of 2005
- Appointment of external advisors - Alvarez and Marsal - to review Board processes and arrangements, identify further income generation and cost savings potential, and assess, challenge and validate plans and future financial projections
- Establishment of a revised and validated financial plan for 2005/2006, which was more than delivered on, and a robust financial projection for 2006/2007
- Close monitoring of financial performance and delivery on savings plans through the Trust Executive Team, Conformance Committee and Board of Directors
- Maintaining cash flow and liquidity, and agreeing a new working capital facility with our bankers, and approved by Monitor, to provide sufficient headroom going forward

The Healthcare Commission identified in the summer of 2005, as part of the "star ratings" assessment, two areas where the Trust fell short of achieving a "three star" assessment:

- Financial management - because the income and expenditure deficit recorded for 2004/2005 meant Monitor awarded the Trust a financial risk rating of '2' compared with the normal or average rating of '3'.

- Accident and emergency waiting times - because in the last quarter of the year, the Trust assessed, treated, admitted or discharged 97.3% of patients within 4 hours, compared with the requirement of 98%.

Action has been taken by the Board of Directors to achieve significant cost reductions, without compromising patient services, and to make progress on the Trust's financial strategy in 2005/2006.

This is covered elsewhere in this statement, and is reflected in the results for the year.

Action was similarly taken in the course of the year to ensure that, despite an increase in the number of people coming to the accident and emergency department, 98.8% of patients were treated then admitted or discharged within 4 hours

No significant internal control issues (i.e. issues where the risk could not be effectively controlled) have been identified in respect of 2005/06. The Board has recognised the need to review its arrangements for business continuity, especially in respect of IT systems and services, in 2005/06. The assurance framework has been in place for the whole year, and will be maintained and developed. The Internal Audit Department has specific comments on the Trust's systems of internal control as follows:

- PFI - significant assurance;
- Financial Governance - significant assurance;
- Risk Management, Corporate Governance and the Board Assurance Framework - significant assurance;
- Clinical Governance - significant assurance;

- Information Governance – significant assurance; and
- Research Governance – significant assurance.

C J Banks, Chief Executive

Date: 14 June 2006

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE PETERBOROUGH AND STAMFORD HOSPITALS NHS FOUNDATION TRUST

We have audited the financial statements of Peterborough and Stamford NHS Foundation Trust for the year ended 31 March 2006. These comprise the Income and Expenditure Account, Balance Sheet, Statement of Total recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under accordance with directions issued by Monitor through the NHS Foundation Trust Financial Reporting Manual 2005/06.

This report is made solely to the Board of Governors of Peterborough and Stamford Hospitals NHS Foundation Trust, as a body, in accordance with paragraph 24(5) of Schedule 1 of the Health and Social Care (Community Health and Standards) 2003. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's governors' 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 accounts in accordance with applicable law, direction from Monitor, the Independent Regulator for NHS Foundation Trusts and United Kingdom Accounting Standards are set out in the Statement of Directors Responsibilities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from the legislation in other jurisdictions.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, the Audit Code for NHS Foundation Trusts issued by Monitor and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with Schedule 1 of the Health and Social Care (Community Health and Standards) 2003, and in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts.

We review the directors' statement on internal control. We report 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. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read other information contained in the Annual Report, and consider whether it is consistent with 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 paragraph 24(5) of Schedule 1 of the Health and Social Care (Community Health and Standards) 2003 and the Audit Code for NHS Foundation Trusts issued by Monitor, which requires compliance with International Standards on Auditing (United Kingdom 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. 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 are free from material misstatements, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of Peterborough and Stamford Hospitals NHS Foundation Trust as at 31 March 2006 and of its income and expenditure for the year then ended and have been properly prepared in accordance with Schedule 1 of the Health and Social Care (Community Health and Standards) 2003 and the NHS Foundation Trust Manual for Accounts 2005/06 issued by Monitor.

Conclusion on arrangements for security economy, efficiency and effectiveness on the use of resources

Trust's Responsibilities

The Trust is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources

Auditor's Responsibilities

We are required by the Health and Social Care (Community Health and Standards) 2003 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Audit Code for NHS Foundation Trusts issued by Monitor, the Independent Regulator for Foundation Trusts, requires us to report to you our conclusion in relation to proper arrangements. 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 security economy, efficiency and effectiveness in its use or resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Audit Code for NHS Foundation Trusts and we are satisfied that in all significant respects, Peterborough and Stamford Hospitals NHS Foundation Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Certificate

We certify that we have completed the audit of the accounts in accordance with requirements of paragraph 24(5) of Schedule 1 of the Health and Social Care (Community Health and Standards) 2003 and the Audit Code for NHS Foundation Trusts issued by Monitor.

Signature: RSM Robson Rhodes LLP Date: 16 June 2006

RSM Robson Rhodes LLP
Daedalus House
Station Road
Cambridge
CB1 2RE

FOREWORD TO THE ACCOUNTS

PETERBOROUGH AND STAMFORD HOSPITALS NHS FOUNDATION TRUST

These accounts, for the year ended 31 March 2006, have been prepared by the Board of Directors of the Peterborough and Stamford Hospitals NHS Foundation Trust in accordance with paragraphs 24 and 25 of Schedule 1 to the *Health and Social Care (Community Care and Standards) Act 2003,* and in accordance with directions made by Monitor, the Independent Regulator of NHS Foundation Trusts.

C J Banks, Chief Executive

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 March 2006

	NOTE	2005/06 £000	2004/05 £000
Income from activities:	2	**135,027**	124,644
Other operating income	3	**18,296**	17,237
Operating expenses	4-5	**(150,221)**	(145,967)
OPERATING SURPLUS/(DEFICIT) (CONTINUING ACTIVITIES)		**3,102**	(4,086)
Profit/(Loss) on disposal of fixed assets	6	**30**	(261)
SURPLUS/(DEFICIT) BEFORE INTEREST		**3,132**	(4,347)
Interest receivable		**192**	177
Interest payable	7	**(169)**	(3)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		**3,155**	(4,173)
Public Dividend Capital dividends payable	8	**(4,106)**	(3,573)
RETAINED (DEFICIT) FOR THE YEAR		**(951)**	(7,746)

Please note: all operations are continuing activities.

BALANCE SHEET AS AT 31 March 2006

	NOTE	31 March 2006 £000	31 March 2005 £000
FIXED ASSETS			
Tangible assets	9	**131,434**	129,811
		131,434	129,811
CURRENT ASSETS			
Stocks and work in progress	10	**2,575**	2,467
Debtors	11	**11,498**	7,988
Cash at bank and in hand	16.3	**464**	425
		14,537	10,880
CREDITORS: Amounts falling due within one year	12	**(18,942)**	(16,250)
NET CURRENT LIABILITIES		**(4,405)**	(5,370)
TOTAL ASSETS LESS CURRENT LIABILITIES		**127,029**	124,441
CREDITORS: Amounts falling due after more than one year	12	**(86)**	(95)
PROVISIONS FOR LIABILITIES AND CHARGES	14	**(1,811)**	(2,396)
TOTAL ASSETS EMPLOYED		**125,132**	121,950
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		**69,634**	69,608
Revaluation reserve	15	**59,041**	55,881
Donated Asset reserve	15	**3,636**	2,903
Income and expenditure reserve	15	**(7,179)**	(6,442)
TOTAL TAXPAYERS' EQUITY		**125,132**	121,950

Signed: ……  ……C J Banks, Chief Executive

Date: ……14 June 2006

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

	2005/06	2004/05
	£000	£000
Surplus/(Deficit) for the financial year before dividend payments	**3,155**	(4,173)
Unrealised surplus on fixed asset revaluations	**3,430**	28,670
Increases in the donated asset reserve due to receipt of donated assets	**906**	179
Reductions in the donated asset reserve due to the depreciation, impairment and disposal of donated assets	**(229)**	(230)
Total recognised gains for the financial year	**7,262**	24,446

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2006

	NOTE	2005/06 £000	2004/05 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	16.1	**10,600**	2,887
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**196**	172
Interest paid		**(173)**	0
Net cash inflow from returns on investments and servicing of finance		**23**	172
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		**(4,140)**	(4,248)
Receipts from the sale of fixed assets		**636**	0
Net cash outflow from capital expenditure		**(3,504)**	(4,248)
DIVIDENDS PAID		**(4,106)**	(3,573)
Net cash inflow/(outflow) before financing		**3,013**	(4,762)
FINANCING			
Public Dividend Capital received		**26**	1,800
Public dividend capital repaid		**0**	0
Drawdown of working capital facility		**3,000**	3,000
Repayment of working capital facility		**(6,000)**	0
Net cash (outflow)/inflow from financing		**(2,974)**	4,800
Increase in cash		**39**	38

1 ACCOUNTING POLICIES

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trusts Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2005/(NHS Foundation Trusts Financial Reporting Manual issued by Monitor. The accounting policies contained in tl manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

Acquisitions and discontinued operations

Activities are considered to be ‘discontinued’ where they meet all of the following conditions:

a. The sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved.

b. If a termination, the former activities have ceased permanently.

Income earned through providing services to commissioners (Primary Care Trusts) is recorded at full price under the Department of Health's "Payment By Results" system. This income included £13,690,000 (£11,184,000 for 2004/05) of additional income, being the difference between local costs/funding and national average costs/funding. Under the rules set down in 2005/06 by the Department of Health, 50% (75% for 2004/05) of this income benefit had to be paid back to the Department of Health. The adjustment is known in the NHS as the "Payment By Results Clawback" and represents an explicit element of underfunding of the Trust. The Trust has not included partially completed contracts for patient services within it's income for 2005/06.

c. The sale or termination has a material effect on the nature and focus of the reporting NHS Foundation Trus operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS Foundation Trust’s continuing operations.

d. The assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing. Activities are considered to be ‘acquired’ whether or not they are acquired from outside the public sector.

Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is under contracts from commissioners in respect of healthcare services. Income is recognised in the period in which services are provided. Consistent with the terms and conditions of the Trust's legally-binding contracts for the provision of healthcare services, income is recognised on the basis of completed items of service, including spells of inpatient care, in the period. The Trust has not included partially completed spells because this would be inconsistent with the way contracts work and not material to determining a fair and reasonable income figure. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income earned through providing services to commissioners (Primary Care Trusts) is recorded at full price unc the Department of Health's "Payment By Results" system. This income included £13,690,000 (£11,184,000 for 2004/05) of additional income, being the difference between local costs/funding and national average costs/funding. Under the rules set down in 2005/06 by the Department of Health, 50% (75% for 2004/05) of this income benefit had to be paid back to the Department of Health. The adjustment is known in the NHS as the "Payment By Results Clawback" and represents an explicit element of underfunding of the Trust.

Expenditure

Expenditure is accounted for applying the accruals convention.

Tangible fixed assets

Capitalisation

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

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

• form a group of assets which individually have a cost of more than £250, collectively have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

• form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. 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 FRS 15 every five years. A three yearly interim valuation is also carried out.

Professional valuations are carried out by the District Valuers of the Inland Revenue 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. The last asset valuations were undertaken in 2004 as at the prospective valuation da of 1 April 2005. The only exception to this is in respect of the day Surgery Unit based at Edith Cavell Hospital where an independant valuation was sought following disagreement with the District Valuer's valuation. Tl value included within the accounts reflects gross replacement cost (after indexation) for this asset. In the directors' view this is the most appropriate method of valuation for this asset.

The revaluation undertaken at that date was accounted for 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.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the 5 or 3-yearly valuation or when they are brought into use.

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

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued 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. The estimated life of equipment assets is between 3 to 15 years.

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

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 equ to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods in intermediate stages of production.

Cash, bank and overdrafts

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

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. Should the effect of the time value of money be judged to be so significant that it would materially mistate the accounts, the estimated risk-adjusted cash flows would be 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 Foundation Trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS Foundation Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS Foundation 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 NHS Litigation Authority and in return receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Foundation Trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS17.

Employers pension cost contributions are charged to operating expenses as and when they become due. Employer contribution rates are reviewed every four years following the scheme valuation, on advice from the actuary. At the last valuation on which contribution rates were rebased (31 March 1999) employer contribution rates from 2003-04 were set at 14% of pensionable pay. The total employer contribution payable in 2005/06 was £9,273,000 (2004/05, £8,955,000).

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 ea 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 pensionable pay for death in service, and up to five times their annual pension for death after retirement, is payable.

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 employees can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

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

Value Added Tax

Most of the activities of the NHS Foundation 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.

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.

Third Party Assets

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

Leases

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

Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance. It has its origins in the assessment of the excess of assets over liabilities - net assets - at the point when an NHS Trust was first established. This Trust took on, at its inception as an NHS Foundation Trust or public benefit corporation on 1 April 2004, the public dividend capital vested in the preceding NHS Trust at 31 March 2003.

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

Contingent assets and liabilities

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

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are also disclosed in note 19 unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as: possible obligations arising from past events whose existence will be confirmed only by the occurence of one or more uncertain future events not wholly within the Trust's control; or present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability

2. INCOME FROM ACTIVITIES

2.1 Income from activities comprise

	2005/06	2004/05
	£000	£000
Elective Care	**32,526**	29,392
Non elective Care	**54,895**	56,129
Outpatient Care	**28,426**	24,244
Other types of activity and services	**19,648**	17,162
Accident and Emergency department services	**5,403**	4,600
	140,898	131,527
Funding Withdrawn By Department of Health #	**(6,845)**	(8,388)
	134,053	123,139
Private Patients	**427**	808
Overseas Patients (non-reciprocal)	**55**	48
Compensation Recovery Unit (Road Traffic Act)**	**492**	649
	135,027	124,644

The funding withdrawn from the Trust by the Department of Health in 2005/06 was £6,845,000 (£8,388,000 in 2004/05) being half of the full additional funding received by the Trust as result of moving from local, historic costs to full funding under the national standard average price tariff. Income earned through providing services to PCTs is recorded at full price under the new "Payment By Results" system. This income included £13,690,000 (£11,184,000 for 2004/05) of additional income, being the difference between local costs/funding and national average costs/funding.

Under the rules set down in 2005/06 by the Department of Health, 50% (75% for 2004/05) of this income benefit had to be paid back to the Department of Health. The adjustment is known in the NHS as the "Payment By Results Clawback" and represents an explicit element of underfunding of the Trust.

** Income assessed as due from the Compensation Recovery Unit is subject to a provision for doubtful debts of 8.7% to reflect expected rates of actual collection.

2.3 Private Patient Income Cap	**2005/06**	Base Year
	£000	£000
Private patient income	**427**	573
Total patient related income	**135,027**	97,779
Proportion (as percentage)	**0.32 %**	0.59 **%**

The Trust's Terms of Authorisation contain a private patient income cap (limit) of 0.6% of income earned from activities. This cap was based on the actual results of 2002/03 where the Trust earned £573,000 from private patient income as a percentage of a total patient related activities income of £97,779,000. The private patient income cap has not been breached.

3. OTHER OPERATING INCOME

	2005/06	2004/05
	£000	£000
Patient transport services	**45**	42
Research and development	**46**	68
Education, training and research	**6,155**	6,311
Charitable and other contributions to expenditure	**678**	623
Transfers from donated asset reserve	**229**	230
Non-patient care services to other bodies	**191**	50
Service Level Agreement with Cambridgeshire and Peterborough Mental Health Trust	**2,183**	2,049
Other income	**8,769**	7,864
	18,296	17,237

4. OPERATING EXPENSES

4.1 Operating expenses comprise:

	2005/06	2004/05
	£000	£000
Directors' costs	**835**	618
Staff costs	**99,072**	98,023
Drug costs	**7,645**	6,312
Supplies and services		
- clinical	**17,073**	15,870
- general	**4,761**	4,789
Establishment	**3,557**	4,258
Research & development	**0**	0
Transport	**327**	342
Premises	**5,667**	5,484
Increase in provision for credit notes and bad debts#	**2,032**	1,386
Depreciation and amortisation	**5,599**	5,980
Fixed asset impairments and reversals	**0**	0
Audit services:		
Statutory audit and on-going*	**53**	89
Audit related regulatory reporting	**0**	41
Clinical negligence	**2,566**	2,159
Other	**1,034**	616
	150,221	145,967

The increased provision mainly relates to the need to make some provision for possible credit notes that may have to be issued for invoices for healthcare activities in dispute.

* During 2005/06 a credit of £41,000 was received and taken from external audit in respect of work undertaken for and on behalf of the Healthcare Commission which was actually actioned during 2004/05, and forms part of the audit fee as disclosed above.

4.2 Operating leases

4.2/1 Operating expenses include:

	2005/06	2004/05
	£000	£000
Hire of plant and machinery	**320**	352

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

		Other leases
	2005/06	2004/05
	£000	£000
Operating leases which expire:		
Within 1 year	**0**	174
Between 1 and 5 years	**111**	130
After 5 years	**139**	139
	250	443

4.3 Salary and pension entitlements of the Board of Directors

Name and Title		Remuneration		Pension Rights as at Age 60		Increase Arising in 2005/06		Cash Equivalent Transfer Value as at 31/03/05	Cash Equivalent Transfer Value as at 31/03/06	Real Increase in CETV as funded by employer
		Salary £000	Other £000	Accrued £	Lump Sum £	Accrued £	Lump Sum £	£	£	£
#REF!		(bands of £5,000)								
St Clair Armitage	Project Director	100-105	## Nil	2,754	8,261	1,651	4,953	16,782	44,226	18,917
Christopher Banks	Chief Executive Officer	120-125	Nil	13,200	39,600	1,111	3,332	172,971	199,544	15,574
Geoffrey Clubbe	Non-executive Director	10-15	Nil	Non executive directors do not have a pensionable position						
Susan Grey	Non-executive Director	10-15	Nil	Non executive directors do not have a pensionable position						
Christopher Hall	Finance Director	80-85	Nil	22,154	66,462	4,548	13,644	202,544	268,531	42,646
Martin Hindle	Non-executive Director	10-15	Nil	Non executive directors do not have a pensionable position						
Clive Morton	Chairman	35-40	Nil	Non executive directors do not have a pensionable position						
Jonathan Radway	Non-executive Director (started 30/08/05)	5-10	Nil	Non executive directors do not have a pensionable position						
Raza Rahim	Non-executive Director	10-15	Nil	Non executive directors do not have a pensionable position						
John Randall	Medical Director (started 01/10/05)	10-15	40-45	Authority to disclose withheld						
Sarah Raper	Non-executive Director (left 31/03/06)	5-10	Nil	Non executive directors do not have a pensionable position						
William Stevenson	Director of Organisational Development and Acting Operations Director (retired 31/03/06)			Authority to disclose withheld						
Christine Tolond	Director of Human Resources	75-80	Nil	Authority to disclose withheld						
Alan Turner	Medical Director (retired 12/10/05)	30-35	25-30	Authority to disclose withheld						
Christine Wilkinson	Director of Nursing	75-80	Nil	20,859	62,576	2,248	6,745	241,278	286,811	27,650

St Clair Armitage has been allowed the use of a maisonette owned by the Trust at no charge.

* Alan Turner's remuneration included £22,000 in respect of a distinction award which is centrally funded by the Department of Health.

4.3 Salary and pension entitlements of senior managers continued

Senior employees are defined as "those persons in senior positions having authority or responsibility for directing or controlling the major activities of the Trust". The people listed overleaf make up the Trust's Board. of Directors.

Disclosure in this note can only be made with the prior consent of the individuals concerned. Where consent has been withheld, this has been duly noted. None of the individuals detailed have received any other payments in respect of attraction/severance or any other benefits-in-kind.

5. STAFF COSTS AND NUMBERS

5.1 Staff costs

	2005/06	2004/05
	£000	£000
Salaries and wages	**81,940**	80,444
Social Security Costs	**6,318**	6,399
Employer contributions to NHSPA	**9,273**	8,955
Other pension costs	**71**	66
Agency, contract and seconded-in staff	**931**	2,137
	98,533	98,001

5.2 Average number of persons employed

	Total	Permanently Employed Staff	Agency and Contract Staff	2004/05
	Number	Number	Number	Number
Medical and dental	**306**	306	0	288
Clinical administration staff	**377**	377	0	388
Administration and estates	**210**	210	0	215
Healthcare assistants & other support staff	**523**	523	0	574
Nursing, midwifery & health visiting staff	**851**	851	0	854
Nursing, midwifery & health visiting learners	**10**	10	0	12
Scientific, therapeutic and technical staff	**417**	417	0	409
Bank and agency staff	**104**	0	104	138
Other	**126**	126	0	119
Total	**2,924**	**2,820**	**104**	2,997

5.3 Employee benefits

The Trust had no expenditure in relation to employee benefits.

5.4 Retirements due to ill-health

During 2005/06 there were 6 early retirements from the Trust agreed on the grounds of ill-health (6 in 2004/05). The estimated additional pension liabilities of these ill-health retirements will be £117,346 (£469,621 for 2004/05). These retirements represented 1.35 per 1,000 active scheme members (1.66 per 1,000 for 2004/05). This information has been supplied by, and the cost of these ill-health retirements will be borne by, the NHS Pensions Agency.

6. PROFIT/(LOSS) ON DISPOSAL OF FIXED ASSETS

Loss on the disposal of fixed assets is made up as follows:

	2005/06	Protected	Unprotected	2004/05
	£000	£000	£000	£000
Profit/(Loss) on disposal of land and buildings	**55**	0	55	(157)
(Loss) on disposal of plant and equipment	**(25)**	0	(25)	(104)
	30	0	30	(261)

Under its Terms of Authorisation, the Trust is not permitted to sell any protected fixed asset as such assets are required for the provision of main healthcare activities (known as protected services). The Trust conformed with this requirement.

7. INTEREST PAYABLE

During 2005/06, a total of £169,000 was payable in interest (£3,000 for 2004/05) and facility set-up charges. This was in respect of the authorised revolving working capital facility. No other interest was payable, and no interest had to be paid under the *Late Payment of Commercial Debts (Interest) Act 1998* .

8. PUBLIC DIVIDEND CAPITAL DIVIDEND

The dividend paid to the Government in 2005/06 was £4,106,000 (£3,573,000 for 2004/05). This was based on a forecast rate of 3.5% on estimated average relevant net assets in 2005/06. The actual dividend rate is the dividend paid, £4,106,000, expressed as a percentage of the simple mean of the opening and closing net assets for the year. The actual dividend rate worked out at 3.43%. The very small difference between the actual rate and the forecast rate is not material.

9. TANGIBLE FIXED ASSETS

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

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total	2004/05
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2005	32,653	101,853	6,010	4,375	22,457	110	4,125	1,611	**173,194**	142,899
Additions - purchased	0	854	0	1,984	617	0	36	0	**3,491**	3,624
Additions - donated	0	0	0	0	906	0	0	0	**906**	179
Reclassification	0	650	0	(3,139)	2,184	0	297	8	**0**	21,446
Revaluation	1,641	1,835	107	85	462	2	0	44	**4,176**	9,128
Disposals	(205)	(16)	(436)	(20)	(169)	0	(438)	0	**(1,284)**	(4,082)
At 31 March 2006	**34,089**	**105,176**	**5,681**	**3,285**	**26,457**	**112**	**4,020**	**1,663**	**180,483**	173,194
Accumulated depreciation at 1 April 2005	0	26,180	855		13,175	92	2,743	338	**43,383**	39,319
Provided during the year	0	2,799	139		2,063	13	455	130	**5,599**	5,980
Revaluation	0	439	27		255	2	0	23	**746**	1,904
Disposals	0	(5)	(79)		(164)	0	(431)	0	**(679)**	(3,820)
Accumulated depreciation at 31 March 2006	**0**	**29,413**	**942**		**15,329**	**107**	**2,767**	**491**	**49,049**	43,383
Net book value										
- Purchased at 1 April 2005	32,653	73,602	5,155	4,375	8,447	18	1,382	1,273	**126,905**	101,016
- Donated at 1 April 2005	0	2,071	0	0	835	0	0	0	**2,906**	2,564
Total at 1 April 2005	**32,653**	**75,673**	**5,155**	**4,375**	**9,282**	**18**	**1,382**	**1,273**	**129,811**	103,580
- Purchased at 31 March 2006	34,089	73,710	4,739	3,285	9,546	5	1,253	1,172	**127,799**	126,905
- Donated at 31 March 2006	0	2,053	0	0	1,582	0	0	0	**3,635**	2,906
Total at 31 March 2006	**34,089**	**75,763**	**4,739**	**3,285**	**11,128**	**5**	**1,253**	**1,172**	**131,434**	129,811

9.2 Analysis of tangible fixed assets:

Net book value										
- Protected assets at 31 March 2006	31,187	75,414	0	0	0	0	0	0	**106,601**	121,289
- Unprotected assets at 31 March 2006	2,902	349	4,739	3,285	11,128	5	1,253	1,172	**24,833**	8,522
Total at 31 March 2006	**34,089**	**75,763**	**4,739**	**3,285**	**11,128**	**5**	**1,253**	**1,172**	**131,434**	129,811

10. STOCKS AND WORK IN PROGRESS

	31 March 2006	31 March 2005
	£000	£000
Raw materials and consumables	**2,575**	2,467

11. DEBTORS

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due within one year:		
Government Department debtors	**10,980**	7,148
Provision for irrecoverable debts	**(2,253)**	(1,774)
Other prepayments and accrued income	**922**	1,060
Other debtors	**1,057**	621
	10,706	7,055
Amounts falling due after more than one year:		
Government Department debtors	**792**	933
Other debtors	**0**	0
	792	933
	11,498	7,988

12. CREDITORS

	31 March 2006	31 March 2005
	£000	£000
Amounts falling due within one year:		
Revolving working capital facility	**0**	3,000
Payments received on account	**135**	57
Government Department creditors	**14,456**	7,649
Non - Government trade creditors	**2,678**	3,611
Accruals and deferred income	**1,673**	1,933
	18,942	16,250
Amounts falling due after more than one year:		
Other	**86**	95
	19,028	16,345

Government Department creditors include;
- £1,136,000 outstanding pensions contributions at (£1,123,000 as at 31 March 2005.)

The Trust did not hold any assets under finance leases or hire purchase contracts at the balance sheet date.

13 PRUDENTIAL BORROWING LIMIT

The Trust has a total Prudential Borrowing Limit, set by Monitor, of £18.6M. This comprises £6.6M for cumulative long term borrowing and £12M for an approved working capital facility. The Trust actually had all of the approved working capital facility remaining at 31 March 2006, having not drawn down anything to support operating costs.

13.1 Debt Cover Ratios

	2005/06		2004/05	
	Actual	**Planned**	Actual	Planned
Minimum dividend cover	**2.10**	**1.80**	0.51	2.92
Minimum interest cover	**0.00**	**0.00**	0.00	0.00
Minimum debt service cover	**0.00**	**0.00**	0.00	0.00
Maximum debt capital cover	**0.00**	**0.00**	0.00	0.00
Maximum debt service to revenue	**0.00**	**0.00**	0.00	0.00

Apart from the minimum dividend cover ratio, all other ratios are nil because the Trust did not plan to take on any interest-bearing debt in 2005/06, and no long-term debt was taken on.

The actual minimum dividend cover was higher than planned because earnings before interest, taxation, depreciation and amortisation were greater than planned.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions relating to other staff	**Legal claims**	**Other**	**Total**	2004/05
	£000	**£000**	**£000**	**£000**	£000
At 1 April 2005	429	621	1,346	**2,396**	2,000
Arising during the year	0	0	851	**851**	1,347
Utilised during the year	0	0	(816)	**(816)**	(768)
Reversed unused	(42)	(48)	(530)	**(620)**	(183)
#REF!	387	573	851	**1,811**	2,396
Expected timing of cashflows:					
Within 1 year	43	29	851	**923**	1,416
1 - 5 years	209	296	0	**505**	544
Over 5 years	135	248	0	**383**	436
	387	573	851	**1,811**	2,396

Aside from the provisions recorded in the Trust's Accounts, £5,153,000 is included as a provision in the Accounts of the NHS Litigation Authority at 31 March 2006 in respect of clinical negligence liabilities of the Trust (£6,065,000 at 31 March 2005).

The 'other' provision of £851,000 as at 31 March 2006 (£1,346,000 as at 31st March 2005), is intended to cover the estimated payments to be made during 2006/2007 for the final groups of staff entitled to arrears of pay under "Agenda for Change". The arrears of pay cover the period 1 October 2004 to 31 March 2006. This provision also comprises £150, 000 for the estimated costs of redundancies associated with the first phase of restructuring announced in our "Fit for the Future" savings programme.

15. MOVEMENTS ON TAXPAYERS' EQUITY AND RESERVES

15.1 Taxpayers' Equity

	31 March 2006	31 March 2005
	£000	£000
Taxpayers' equity at 1 April 2005	**121,950**	99,276
Surplus/(Deficit) for the financial year	**3,155**	(4,173)
Public dividend capital dividends	**(4,106)**	(3,573)
Fixed asset impairment	**0**	0
Gains from revaluation of fixed assets	**3,430**	28,670
New public dividend capital received	**26**	1,800
Transfers from donated asset reserve	**677**	(50)
Taxpayers' equity at 31 March 2006	**125,132**	121,950

15.2 Reserves

	Revaluation reserve	**Donated Asset reserve**	**Income and Expenditure reserve**	**Total**
	£000	**£000**	**£000**	**£000**
At 1 April 2005	**55,881**	**2,903**	**(6,442)**	**52,342**
Transfer from the income and expenditure account	**0**	**0**	**(951)**	**(951)**
Surplus on other revaluations/indexation of fixed assets	**3,374**	**56**	**0**	**3,430**
Transfer of realised profits/(losses) to the Income and Expenditure reserve	**(214)**	**0**	**214**	**0**
Receipt of donated assets	**0**	**906**	**0**	**906**
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	**0**	**(229)**	**0**	**(229)**
#REF!	**59,041**	**3,636**	**(7,179)**	**55,498**

16. NOTES TO THE CASHFLOW STATEMENT

16. 1 Reconciliation of operating surplus to net cash flow from operating activities:

	2005/06	2004/05
	£000	£000
Total operating Surplus/(deficit)	**3,102**	(4,086)
Depreciation and amortisation charge	**5,599**	5,980
Transfer from donated asset reserve	**(229)**	(230)
Decrease in stocks	**(108)**	129
Increase in debtors	**(3,510)**	(530)
Increase in creditors	**6,331**	1,226
Increase in provisions	**(585)**	398
Net cash inflow from operating activities	**10,600**	2,887

16.2 Reconciliation of net cash flow to movement in net funds

	2005/06	2004/05
	£000	£000
Increase in cash in the period	**39**	38
Net funds at 1 April 2005	**425**	387
Net funds at 31 March 2006	**464**	425

16.3 Analysis of changes in net funds

	At 31 March 2006	Cash changes in year	At 1 April 2005
	£000	£000	£000
Cash held at Office of the Paymaster General (OPG)	**445**	43	402
Commercial cash at bank and in hand	**19**	(4)	23
	464	39	425

16.4 Reconciliation of net cashflow to movement in net debt

	2005/06	2004/05
	£000	£000
Increase in cash in the period	**39**	38
Cash inflow from new debt	**(26)**	(1,800)
Change in net debt resulting from cash flows	**13**	(1,762)
Net debt as at 1 April 2005*	**(69,183)**	(67,421)
Net debt as at 31 March 2006 **	**(69,170)**	(69,183)

* Net debt at 1 April 2005 comprises Public Dividend Capital of £69,608, 000 less cash at bank of £425, 000

** Net debt at 1 April 2006 comprises Public Dividend Capital of £69,634, 000 less cash at bank of £464,000

17. CAPITAL COMMITMENTS

Commitments under capital expenditure contracts at the balance sheet date were £1,816,000 (£241,000 in 2004/05).

18. POST BALANCE SHEET EVENTS

The Trust is leading on the "Greater Peterborough Health Investment Plan" which is a major project relating to the development of healthcare services in Peterborough. The major element of this envisages the development of acute hospital services in Peterborough on the Edith Cavell Hospital site through the Government's Private Finance Initiative (PFI). The capital investment cost is estimated at £275M. The Trust appointed a preferred bidder, Progress Health, in March 2005. The scheme is subject to review and approval by Monitor, HM Treasury's Private Finance Unit and the Department of Health and this review is expected to take place in May and June 2006. The Trust plans to achieve Full Business Case approval by August 2006 and financial close on the contract in September 2006. This would enable the new hospital on the Edith Cavell site to be open late in 2009/2010.

The Trust has legally-binding contracts with 28 Primary Care Trusts (PCTs) covering the healthcare services the Trust provides, with the associated terms, conditions and schedules. The PCTs will go through a radical reconfiguration in 2006/2007, and although recommendations have been made to the Secretary of State for Health, the final decision on new arrangements is not yet known. The reconfiguration will require the novation and realignment of the Trust's existing contracts with the new PCTs, and revision and realignment of in-year monitoring, performance management and financial arrangements.

There are no other post balance sheet events.

19. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date.

20. RELATED PARTY TRANSACTIONS

Peterborough and Stamford Hospitals NHS Foundation Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the members of the Board of Directors, members of the senior management staff or parties related to them, has undertaken any material transactions with the Trust with the exception of those transactions set out below:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Catalyst Corby (one of the Trust's non-executive directors is also an executive director of Catalyst so the Trust remuneration is paid direct to Catalyst to cover time released)	11,000	0	0	0
Peterborough Regional College (One of the Trust's non-executive directors is also a part-time lecturer at PRC)	8,882	127	0	0
National Blood Authority (one of the Trust's non-executive directors is also a non-executive director of NBA)	1,437,572	29	439	0
Cable & Wireless (one of the Trust's non-executive directors has a substantial interest in C&W)	157	0	442	0
HMP Whitemoor (one of the Trust's executive directors is also a clinician at HMP Whitemoor)	0	181,641	0	17,751
National Institute of Biological Standards (one of the Trust's non-executive directors is also a non-executive director at the Institute)	123	0	0	0
Royal College of Nursing (one of the Trust's executive directors is married to an officer at the RCN)	4,323	110	0	43

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Ministry of Defence in respect of collaborative working as a Ministry of Defence Hospital Unit (MDHU). The total patient treatment value of this contract for 2005/06 was £4,015,000 (£4,351,000 for 2004/05), with a corresponding cost to the Trust in respect of Ministry of Defence staff of £2,886,000 (£2,114,000 for 2004/05). The net income received by the Trust for the year for hosting this arrangement was therefore £1,130,000 (2,237,000 for 2004/05).

The Trust's Board of Directors are also the Charity Trustees for Peterborough and Stamford Hospitals NHS Foundation Trust Charitable Fund, registered charity number 1050601, which the Trust manages.

21. 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 Foundation Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the Foundation Trust is not exposed to the same degree of financial risk faced by some 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 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 mainly in respect of delivering on legally binding long-term contracts with NHS Primary Care Trusts (PCTs). The PCTs themselves are financed from resources voted annually by Parliament. As noted above, this means the Trust is not exposed to quite the same level of risk as some other business entities. The Trust had in place a guaranteed working capital facility of £12M with its commercial bankers.

Interest-Rate Risk

44% (48% for 2004/05) of the Trust's financial assets and 100% (96% for 2004/05) of its financial liabilities carry nil rate of interest. It 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:

21.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate Weighted average interest rate	Fixed rate Weighted average period for which fixed	Non-Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2006							
Sterling	**831**	464	0	367	0%	0	0
Other	**0**	0	0	0	0%	0	0
Gross financial assets	**831**	**464**	**0**	**367**			
At 31 March 2005					0%	0	0
Sterling	821	425	0	396	0%	0	0
Other	0	0	0	0			
Gross financial assets	**821**	**425**	**0**	**396**			

21.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate Weighted average interest rate	Fixed rate Weighted average period for which fixed	Non-Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2006							
Sterling	**(71,531)**	0	0	(71,531)	0%	0	0
Other	**0**	0	0	0	0%	0	0
Gross financial liabilities	**(71,531)**	**0**	**0**	**(71,531)**			
At 31 March 2005							
Sterling	(75,099)	0	(3,000)	(72,099)	5%	1	0
Other	0	0	0	0	0%	0	0
Gross financial liabilities	**(75,099)**	**0**	**(3,000)**	**(72,099)**			

Note: The Public Dividend Capital is of unlimited term.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

21.3 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 2006.

	2005/06		2004/05	
	Book Value £000s	**Fair Value £000s**	Book Value £000s	Fair Value £000s
Financial assets				
Cash	**464**	**464**	425	425
Debtors over 1 year:				
- Agreements with commissioners to cover creditors and provisions	**367**	**367**	396	396
Total	**831**	**831**	821	821
Financial liabilities				
Overdraft/Working capital facility	**0**	**0**	(3,000)	(3,000)
Creditors over 1 year:				
- Early retirements	**(86)**	**(86)**	(95)	(95)
Provisions under contract	**(1,811)**	**(1,811)**	(2,396)	(2,396)
Public Dividend Capital	**(69,634)**	**(69,634)**	(69,608)	(69,608)
Total	**(71,531)**	**(71,531)**	(75,099)	(75,099)

22. THIRD PARTY ASSETS

The Trust held £2,493.00 cash at bank and in hand as at 31 March 2006 (£1,209.44 as at 31 March 2005) which related to monies held by the Peterborough and Stamford Hospitals NHS Foundation Trust on behalf of patients. This has been excluded from the cash at bank and in hand figure reported in the accounts.

23. LOSSES AND SPECIAL PAYMENTS

Payments under this category are made on a cash rather than an accruals basis.

The Trust made 200 payments under this category during 2005/06, amounting to £47,705 (243 during 2004/05 totalling £61,303). Within this total were 10 personal injury payments totalling £41,969 (9 payments totalling £49,000 for 2004/05) and 13 ex-gratia payments for loss of personal effects by patients which amounted to £1,654 (28 payment totalling £3,000 for 2004/05). Also included in the overall totals were the write-off of 174 debtor accounts which came to £4,898 (201 totalling £9,000 for 2004/05).