



Annual Accounts
for the
Financial Year
Ended 31 March 2007

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

The *National Health Service Act 2006* designates the Chief Executive of an NHS Foundation Trust as the Accounting Officer.

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 *National Health Service Act 2006*, Monitor has directed Peterborough and 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, balance sheet, 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.



N Patten, Chief Executive
6 June 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the *National Health Service Act 2006*, 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 Trust Financial Reporting Manual that is 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 Trust Financial Reporting Manual issued by Monitor;
- make judgements and estimates which are reasonable and prudent; and
- 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



N Patten, Chief Executive

Date: 6 June 2007



C A Hall, Finance Director

Date: 6 June 2007

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Foundation Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Foundation Trust is administered prudently and economically, and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Foundation Trust Accounting Officer Memorandum.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can only, therefore, 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 policies, aims and objectives of the Peterborough and Stamford Hospitals NHS Foundation Trust. The process involves the evaluation of the likelihood of these risks being realised, and their impact, should they be realised, and to manage these risks efficiently, effectively and economically. The system of internal control has been in place at the Peterborough and Stamford Hospitals NHS Foundation Trust for the year ended 31 March 2007, and up to the date of the approval of the annual report and accounts.

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 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 and Service Unit risk/governance groups to identify and manage risk 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 the necessary action is taken.

STATEMENT ON INTERNAL CONTROL

Capacity to handle risk (continued)

- investigating incidents where appropriate and facilitating or undertaking root cause analysis for more serious incidents to ensure that lessons are learned and changes implemented;
- liaising with statutory and other official bodies, for example the Health and Safety Executive, the NHS Litigation Authority and the Coroner;
- managing claims (clinical negligence, employer's and public liability, property losses) quickly, economically and effectively so as to minimise the financial and other potential negative consequences (for example, distress to the claimant, negative publicity and so on);
- ensuring the Trust has appropriate and adequate insurance arrangements for clinical negligence, employer's and public liability, property and other third party and professional liabilities;
- 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 statutory requirements and are audited formally where reasonably practicable.

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

The risk and control framework

The Trust has in place a committee of the Board of Directors known as the Healthcare Governance Committee to oversee all aspects of risk and clinical governance. The committee met every two months in 2006/07. The committee is chaired by a Non-Executive Director, with appropriate membership from the Board of Directors and other senior clinical and managerial staff. The committee has responsibility for:

- developing, maintaining and reporting on the Trust's Risk Strategy;
- ensuring the adequacy of systems for quality assurance, managing risk and the control environment in all areas not covered by the Audit Committee;
- providing a committee structure that supports the risk management accountability arrangements within the organisation and ensures that all significant risks are properly considered and reported to the Board;
- taking steps to ensure that the Trust meets all relevant statutory and regulatory obligations;
- approving the development plans for improvement in clinical quality and effectiveness;
- advising the Board on quality and risk considerations relevant to the agreement of strategic objectives and investment priorities;

STATEMENT ON INTERNAL CONTROL

The risk and control framework (continued)

- ensuring that integrated performance reports to the Board include an adequate range of risk indicators and that these form part of the Trust's systems for performance management;
- monitoring the Board Assurance Framework and escalating significant issues arising from it to the Board of Directors, 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; and
- promoting effective liaison between the Trust and providers of clinical education and research.

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

The Trust also has in place a committee of the Board of Directors 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 the Board of Directors and senior management staff. This committee has responsibility for:

- reviewing the Trust's annual and long-term business plans and budgets, and confirming that the Trust Executive team has produced them in line with the Board's strategic objectives, and has identified the resources required, and the source of those resources, to deliver the plans;
- receiving the income and expenditure, trading update, balance sheet, cash flow, balanced scorecard and service unit and directorate conformance reports on a monthly basis, ensuring that the Trust is conforming with its terms of authorisation and other regulatory requirements;
- receiving human resources and health and safety information on a quarterly basis to ensure that the Trust is conforming with national targets and statutory duties;
- reviewing and considering for approval by the Board of Directors business cases for services or capital investment with a value in excess of £100,000 (ie. where the value exceeds the limit of authority delegated by the Board to the Chief Executive);
- reviewing all proposed new major contracts (in excess of £100,000 or lasting more than a year) and making recommendations to the Board on 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 Board of Directors and / or the Audit Committee; and
- ensuring that 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.

STATEMENT ON INTERNAL CONTROL

The risk and control framework (continued)

The Board of Directors sets the strategic direction of the Trust, working with the Board of Governors and liaising with members, and monitors progress. During the year ended 31 March 2007, the Board has maintained a Board Assurance Framework which provides a high level of assessment of the tragic risks that could prevent the Trust achieving its objectives, together with a management action plan to deal with them.

The Trust works closely with the Peterborough Primary Care Trust and the Cambridgeshire and Peterborough Mental Health Partnership NHS Trust, especially through the Project Board directing the Greater Peterborough Health Investment Plan.

The Trust engages with Monitor, the Independent Regulator for NHS Foundation Trusts, and other local organisations, including the East of England 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 confirming progress on improving its financial position, and over the past few months in explaining and taking action to remedy a significant failure in respect of waiting times in the orthopaedics specialty.

The Trust's strategy for managing its risks 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 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 and risks are recorded on the Trust's risk registers;
- use the risk registers to inform the Trust's business planning and investment decision-making so that informed decisions are made in the full knowledge of the level of risk;
- record the results of risk assessments in the Trust's risk registers and use them to ensure that any decision to accept risk is taken at the appropriate level in the Trust;
- use internal and external audit and other independent and regulatory and assessment bodies to provide assurance that risk is being managed appropriately; and
- the Trust will integrate the risk registers into a combined document.

STATEMENT ON INTERNAL CONTROL

The risk and control framework (continued)

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 risks 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 are reviewed to identify and 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 own 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 Trust policies and procedures and take reasonable care of their own safety and the safety of others.

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.

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 Health and Safety Executive and other independent regulatory bodies.

On major projects, such as the Greater Peterborough Health Investment Plan for the redevelopment of health facilities, the public have been directly involved in the evaluation criteria for the project.

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

STATEMENT ON INTERNAL CONTROL

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 and external audit on the use of the Trust's resources;
- Participation in benchmarking studies undertaken by the Audit Commission, the Healthcare Commission and other external bodies;
- Use of benchmarking and other comparative data 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 reduced costs whilst improving clinical and operational efficiency;
- Listening and responding to matters raised by staff, members, Governors and patients.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of its effectiveness is informed by the work of the internal auditors and the executive managers within the Trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Directors, the Audit Committee, the Healthcare Governance Committee and a process to address weaknesses and ensure continuous improvement of the system is in place.

My review is also informed by:

- the opinion of the Chief Internal Auditor;
- the Board Assurance Framework - which provides evidence of the effectiveness of the controls that manage the risks to the Trust;
- the regular accreditation visits from the NHS Litigation Authority in respect of the Clinical Negligence Scheme for Trusts and the Risk Pooling Scheme for Trusts. For both schemes, the level one accreditation was retained for all areas, but for maternity services the significantly higher level two accreditation was achieved.

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 of Directors, which has responsibility for setting the overall direction, agreeing the Trust's principal objectives, assessing and managing strategic risks to the development of those objectives and monitoring progress;
- Regular Board review of, and action on, the Board Assurance Framework;
- The work of the Audit Committee, Conformance Committee and Healthcare Governance Committee;
- The programme of work undertaken by internal audit.

STATEMENT ON INTERNAL CONTROL

Review of effectiveness (continued)

Given the financial deficits recorded for the Trust in its first two years of operations as an NHS Foundation Trust, there has been continued focus on improving the financial position of the Trust, as evidenced by:

- The formulation of a robust financial plan for 2006/07 and forward projections;
- The formulation and delivery on the Fit For The Future savings programme, with the first phase of cost reductions achieved in 2006/07 and the second phase to be achieved in 2007/08;
- Close monitoring of financial performance and delivery on savings plans through the Trust executive team, Conformance Committee, Audit Committee and Board of Directors;
- Maintaining cash flow and liquidity and confirming a working capital facility with our bankers, approved by Monitor, and judged by the Board to provide sufficient headroom going forward;
- The achievement of a financial risk rating of '3' (the average or normal standard), with a further improvement to a financial risk rating of '4' (above average) under Monitor's compliance framework in the year;
- The conclusion, by the Healthcare Commission, in the summer of 2006 that the Trust's use of resources was 'good'.

The Healthcare Commission also concluded, as part of its work in the summer of 2006 on the Trust's 'Annual Health Check', that the quality of the Trust's clinical services was also 'good'. This has also been corroborated by Monitor's assessment, on a quarter by quarter basis last year that the Trust has rated 'green' for its provision of mandatory services and 'green' for its governance arrangements. The latter moved to a 'red' rating for the third quarter of 2006/07 as a result of the Trust reporting substantial numbers of patients waiting in excess of six months for orthopaedic treatment (breaching the national waiting time standard) and the Trust identifying a significant failure in its waiting list management arrangements in orthopaedics. The Trust has conducted a lengthy investigation into this matter, with external and independent contribution from Deloitte LLP. In addition, there has been close co-operation with, and regular reporting to, Monitor. The matter was also reported to the Healthcare Commission, with the Trust declaring non-compliance on core standard C18. The investigation work has already led to a number of major management and governance changes being effected quickly, and it is anticipated that the work will also lead to a further series of recommendations which the Board will need to consider and act upon. The Trust's external auditors will undertake further review work and testing in 2007/08.

No other significant internal control issues have been identified for 2006/07. The Board Assurance Framework was in place for the whole of the year, and will be reviewed, maintained and developed.



Nik Patten, Chief Executive
6 June 2007

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

We have audited the financial statements of Peterborough and Stamford Hospitals NHS Foundation Trust for the year ended 31 March 2007. These comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, the Cash Flow Statement and related notes. These financial statements have been prepared in accordance with directions issued by Monitor through the NHS Foundation Trust Financial Reporting Manual 2006/07.

This report is made solely to the Board of Governors of the Peterborough and Stamford Hospitals NHS Foundation Trust, as a body, in accordance with paragraph 24 (5) of Schedule 1 of the Health & Social Care (Community Health and Standards) 2003 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 the annual report may differ from legislation in other jurisdictions.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are prepared properly in accordance with Schedule 1 of the Health & Social Care (Community Health and Standards) 2003, and in accordance with the accounting policies directed by Monitor as being relevant to NHS Foundation Trusts. In addition, we report to you if, in our opinion, the Trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the directors' statement on internal control reflects compliance with Monitor's NHS Foundation Trust Financial Reporting Manual 2006/07. We report if the statement is misleading or inconsistent with other information of which we are aware 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. This other information comprises only the Chair's Statement, the Chief Executive's Statement, Background Information, the Operating and Financial Review, the Public Interest Disclosures and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies in 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 & 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 the Peterborough and Stamford Hospitals NHS Foundation Trust as at 31 March 2007, and of its income and expenditure for the year ended; paragraph 24 (5) of Schedule 1 of the Health & Social Care (Community Health and Standards) 2003
- the financial statements have been properly prepared in accordance with Schedule 1 of the Health & Social Care (Community Health and Standards) 2003 and the NHS Foundation Trust Financial Reporting Manual 2006/07 issued by Monitor;
- and the information given in the Annual Report is consistent with the financial statements.

Conclusion on arrangements for securing economy, efficiency and effectiveness in 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.

Auditors' responsibilities

We are required by the Health & 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 NHS 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 securing economy, efficiency and effectiveness in its use of 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 ended 31 March 2007.

Certificate

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

RSM Robson Rhodes LLP

6 June 2007

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 2007, 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 7 to the *National Health Service Act 2006*, and in accordance with directions made by Monitor, the Independent Regulator of NHS Foundation Trusts.



N Patten, Chief Executive.
6 June 2007

PLEASE NOTE, THESE ACCOUNTS ARE STILL SUBJECT TO AUDIT

Peterborough and Stamford Hospitals NHS Foundation Trust - Annual Accounts 2006/07

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

	NOTE	2006/07 £000	2005/06 £000
Income from activities:	2	143,593	135,027
Other operating income	3	18,194	18,296
Operating expenses	4-5	<u>(155,207)</u>	<u>(150,221)</u>
OPERATING SURPLUS (CONTINUING ACTIVITIES)		6,580	3,102
(Loss)/Profit on disposal of fixed assets	6	<u>(118)</u>	<u>30</u>
SURPLUS BEFORE INTEREST		6,462	3,132
Interest receivable		303	192
Interest payable	7	0	(169)
SURPLUS FOR THE FINANCIAL YEAR		<u>6,765</u>	<u>3,155</u>
Public Dividend Capital dividends payable	8	<u>(4,309)</u>	<u>(4,106)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>2,456</u></u>	<u><u>(951)</u></u>

Please note: all operations are continuing activities.

**BALANCE SHEET AS AT
31 March 2007**

	NOTE	31 March 2007 £000	31 March 2006 £000
FIXED ASSETS			
Tangible assets	9	<u>126,581</u>	<u>131,434</u>
		126,581	131,434
CURRENT ASSETS			
Stocks and work in progress	10	2,419	2,575
Debtors	11	21,444	11,498
Cash at bank and in hand	16.3	<u>9,971</u>	<u>464</u>
		33,834	14,537
CREDITORS: Amounts falling due within one year	12	<u>(29,840)</u>	<u>(18,942)</u>
NET CURRENT ASSETS/(LIABILITIES)		3,994	(4,405)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>130,575</u>	<u>127,029</u>
CREDITORS: Amounts falling due after more than one year	12	(138)	(86)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(2,210)	(1,811)
TOTAL ASSETS EMPLOYED		<u><u>128,227</u></u>	<u><u>125,132</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		70,540	69,634
Revaluation reserve	15	56,354	59,041
Donated Asset reserve	15	3,368	3,636
Income and expenditure reserve	15	(2,035)	(7,179)
TOTAL TAXPAYERS' EQUITY		<u><u>128,227</u></u>	<u><u>125,132</u></u>



N Patten, Chief Executive.
6 June 2007

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

	2006/07	2005/06
	£000	£000
Surplus for the financial year before dividend payments	6,765	3,155
Unrealised surplus on fixed asset revaluations	0	3,430
Increases in the donated asset reserve due to receipt of donated assets	119	906
Reductions in the donated asset reserve due to the depreciation, impairment and disposal of donated assets	<u>(386)</u>	<u>(229)</u>
Total recognised gains for the financial year	6,498	7,262
	<u><u> </u></u>	<u><u> </u></u>

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

	NOTE	2006/07 £000	2005/06 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	16.1	14,740	10,600
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		293	196
Interest paid		<u>0</u>	<u>(173)</u>
Net cash inflow from returns on investments and servicing of finance		293	23
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(6,344)	(4,140)
Receipts from the sale of fixed assets		<u>4,221</u>	<u>636</u>
Net cash outflow from capital expenditure		(2,123)	(3,504)
DIVIDENDS PAID			
		(4,309)	(4,106)
Net cash inflow before financing		<u>8,601</u>	<u>3,013</u>
FINANCING			
Public Dividend Capital received		906	26
Public dividend capital repaid		0	0
Drawdown of working capital facility		0	3,000
Repayment of working capital facility		0	(6,000)
Net cash inflow/(outflow) from financing		<u>906</u>	<u>(2,974)</u>
Increase in cash		<u><u>9,507</u></u>	<u><u>39</u></u>

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 2006/2007 NHS Foundation Trusts Financial Reporting Manual issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Financial Reporting Manual to the extent that they are meaningful and appropriate to NHS Foundation Trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting convention

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

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.
- c. The sale or termination has a material effect on the nature and focus of the reporting NHS Foundation Trust's 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 under the Department of Health's "Payment By Results" system. This income included £15,380,000 (£13,690,000 for 2005/06) of additional income, being the difference between local costs/funding and national average costs/funding. Under the rules set down in 2006/07 by the Department of Health, 25% (50% for 2005/06) 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 have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial setting-up cost of a new building or refurbishment of a ward or unit, irrespective of their individual or collective cost.

Valuation

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

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 date of 1 April 2005. The only exception to this is in respect of the day Surgery Unit based at Edith Cavell Hospital where an independent valuation was sought following disagreement with the District Valuer's valuation. The 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.

Operational equipment is valued at net current replacement cost. 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 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.

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

Stocks

Stocks are valued at the lower of cost and net realisable value.

Cash, bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the 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, respectively, '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 misstate 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 2006/07 was £9,459,000 (2005/06 £9,273,000).

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 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 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 occurrence 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**

	2006/07	2005/06
	£000	£000
Elective Care	33,681	32,526
Non elective Care	55,136	54,895
Outpatient Care	28,747	28,426
Other types of activity and services	23,347	19,648
Accident and Emergency department services	5,400	5,403
	146,311	140,898
Funding Withdrawn By Department of Health #	(3,853)	(6,845)
	142,458	134,053
Private Patients	497	427
Overseas Patients (non-reciprocal)	60	55
Compensation Recovery Unit (Road Traffic Act)**	578	492
	143,593	135,027

The funding withdrawn from the Trust by the Department of Health in 2006/07 was £3,853,000 (£6,845,000 in 2005/06) being one quarter 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 "Payment By Results" system. This income included £15,414,000 (£13,690,000 in 2005/06) of additional income, being the difference between local costs/funding and national average costs/funding.

Under the rules set down in 2006/07 by the Department of Health, 25% (50% for 2005/06) 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 7.7% to reflect expected rates of actual collection.

2.2 Income from protected and non-protected services

	2006/07	2005/06
	£000	£000
Protected services	138,714	130,496
Non-protected services	4,900	4,531
	143,614	135,027

2.3 Private Patient Income Cap	2006/07	Base Year
	£000	£000
Private patient income	497	573
Total patient related income	143,593	97,779
Proportion (as percentage)	0.35 %	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

	2006/07	2005/06
	£000	£000
Patient transport services	41	45
Research and development	71	46
Education, training and research	6,034	6,155
Charitable and other contributions to expenditure	742	678
Transfers from the donated asset reserve	386	229
Non-patient care services to other bodies	175	191
Service Level Agreement with Cambridgeshire and Peterborough Mental Health Partnership NHS Trust	2,046	2,183
Other income	8,699	8,769
	<u>18,194</u>	<u>18,296</u>

4. OPERATING EXPENSES

4.1 Operating expenses comprise:

	2006/07	2005/06
	£000	£000
Directors' costs	850	835
Staff costs	101,193	99,072
Drug costs	9,056	7,645
Supplies and services		
- clinical	17,793	17,073
- general	4,912	4,761
Establishment	3,553	3,557
Transport	323	327
Premises	5,960	5,667
Increase in provision for credit notes and bad debts#	2,340	2,032
Depreciation and amortisation	6,048	5,599
Fixed asset impairments and reversals	42	0
Audit services:		
Statutory audit and on-going	92	53
Audit related regulatory reporting	0	0
Clinical negligence	2,327	2,566
Other	718	1,034
	<u>155,207</u>	<u>150,221</u>

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.

4.2 Operating leases

4.2/1 Operating expenses include:

	2006/07	2005/06
	£000	£000
Hire of plant and machinery	<u>290</u>	<u>320</u>

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

	Other leases	
	2006/07	2005/06
	£000	£000
Operating leases which expire:		
Within 1 year	12	0
Between 1 and 5 years	263	111
After 5 years	0	139
	<u>275</u>	<u>250</u>

4.3 Salary and pension entitlements of the Board of Directors

Name and Title

		Remuneration		Pension Rights as at Age 60		Increase Arising in 2006/07 whilst employed by Peterborough & Stamford NHS Foundation Trust		Cash Equivalent Transfer Value as at 31/03/06	Cash Equivalent Transfer Value as at 31/03/07	Real Increase in CETV as funded by Peterborough & Stamford NHS Foundation Trust during 2006/07
		Salary £000 (bands of £5,000)	Other £000	Accrued £	Lump Sum £	Accrued £	Lump Sum £	£	£	£
2006/07										
St Clair Armitage	Project Director	100-105	## Nil	4,178	12,535	1,356	4,068	44,226	68,886	16,488
Christopher Banks	Chief Executive Officer (left 31/12/06)	95-100	Nil	14,933	44,798	1,057	3,170	199,544	232,746	14,879
Andy Burroughs	Non-executive Director (started 01/04/06)	10-15	Nil			Non executive directors do not have a pensionable position				
Geoffrey Clubbe	Non-executive Director Operations Director (started 24/04/06)	10-15	Nil			Non executive directors do not have a pensionable position				
Paula Gorst	Non-executive Director	70-75	Nil	27,246	81,738	270	808	355,361	368,625	2,873
Susan Grey	Finance Director	10-15	Nil			Non executive directors do not have a pensionable position				
Christopher Hall	Non-executive Director (left 31/12/06)	85-90	Nil	24,857	74,571	2,149	6,447	268,531	311,115	25,110
Martin Hindle	Chairman	5-10	Nil			Non executive directors do not have a pensionable position				
Clive Morton	Chief Executive Officer (started 26/02/07)	35-40	Nil			Non executive directors do not have a pensionable position				
Nicholas Patten	Non-executive Director	10-15		51,724	155,172	460	1,380	683,261	799,136	6,442
Jonathan Radway	Non-executive Director	10-15	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	70-75				Authority to disclose withheld				
Christine Tolond	Director of Human Resources Interim Chief Executive Officer (01/01/07-27/02/07)	80-85	Nil			Authority to disclose withheld				
Alan Turner	Director of Nursing	15-20	Nil			As this was a temporary arrangement, it was not pensionable				
Christine Wilkinson		80-85	Nil	23,523	70,570	2,143	6,429	286,811	334,073	28,064

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

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 written 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

	2006/07	2005/06
	£000	£000
Salaries and wages	84,575	81,940
Social Security Costs	6,528	6,318
Employer contributions to NHSPA	9,459	9,273
Other pension costs	61	71
Agency, contract and seconded-in staff	1,301	931
	<u>101,924</u>	<u>98,533</u>

5.2 Average number of persons employed

	Total	Permanently Employed Staff (including Bank staff)	Agency and Contract Staff	2005/06 Number
	Number	Number	Number	
Medical and dental	313	308	5	308
Clinical administration staff	356	356	0	380
Administration and estates	212	210	2	226
Healthcare assistants & other support staff	495	488	7	560
Nursing, midwifery & health visiting staff	887	885	2	888
Nursing, midwifery & health visiting learners	4	4	0	10
Scientific, therapeutic and technical staff	400	392	8	426
Other	120	120	0	126
Total	<u>2,787</u>	<u>2,763</u>	<u>24</u>	<u>2,924</u>

5.3 Employee benefits

The Trust had no expenditure in relation to employee benefits.

5.4 Retirements due to ill-health

During 2006/07 there were 5 early retirements from the Trust agreed on the grounds of ill-health (6 in 2005/06). The estimated additional pension liabilities of these ill-health retirements will be £207,195 (£117,346 for 2005/06). These retirements represented 1.27 per 1,000 active scheme members (1.35 per 1,000 for 2005/06). 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

Profit/(loss) on the disposal of fixed assets is made up as follows:

	2006/07	Protected	Unprotected	334
	£000	£000	£000	£000
Profit/(Loss) on disposal of land and buildings	(9)	0	(9)	55
(Loss) on disposal of plant and equipment	(109)	0	(109)	(25)
	<u>(118)</u>	<u>0</u>	<u>(118)</u>	<u>30</u>

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

No interest was payable in 2006/07 (£169,000 in 2005/06), and no interest had to be paid under the *Late Payment of Commercial Debts (Interest) Act 1998* for 2006/07 which was also the case in 2005/06.

8. PUBLIC DIVIDEND CAPITAL DIVIDEND

The dividend paid to the Government in 2006/07 was £4,309,000 (£4,106,000 in 2005/06). This was based on a forecast rate of 3.5% on estimated average relevant net assets in 2006/07. The actual dividend rate is the dividend paid, £4,309,000, 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 3.65% (3.43% for 2005/06). 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	2005/06
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2006	34,089	105,176	5,681	3,285	26,457	112	4,020	1,663	180,483	173,194
Additions - purchased	443	1,272	0	3,928	912	0	51	0	6,606	3,491
Additions - donated	0	0	0	0	119	0	0	0	119	906
Impairments	0	(116)	0	0	0	0	0	0	(116)	0
Reclassification	0	601	0	(1,351)	222	0	528	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0	4,176
Disposals	(4,967)	(539)	0	0	(2,524)	0	(511)	(17)	(8,558)	(1,284)
At 31 March 2007	29,565	106,394	5,681	5,862	25,186	112	4,088	1,646	178,534	180,483
Accumulated depreciation at 1 April 2006	0	29,413	942		15,329	107	2,767	491	49,049	43,383
Provided during the year	0	2,958	145		2,396	5	498	46	6,048	5,599
Impairments	0	(74)	0		0	0	0	0	(74)	0
Revaluation	0	0	0		0	0	0	0	0	746
Disposals	0	(134)	0		(2,409)	0	(510)	(17)	(3,070)	(679)
Accumulated depreciation at 31 March 2007	0	32,163	1,087		15,316	112	2,755	520	51,953	49,049
Net book value										
- Purchased at 1 April 2006	34,089	73,710	4,739	3,285	9,546	5	1,253	1,172	127,799	126,905
- Donated at 1 April 2006	0	2,053	0	0	1,582	0	0	0	3,635	2,906
Total at 1 April 2006	34,089	75,763	4,739	3,285	11,128	5	1,253	1,172	131,434	129,811
- Purchased at 31 March 2007	29,565	72,230	4,594	5,862	8,504	0	1,333	1,126	123,214	127,799
- Donated at 31 March 2007	0	2,001	0	0	1,366	0	0	0	3,367	3,635
Total at 31 March 2007	29,565	74,231	4,594	5,862	9,870	0	1,333	1,126	126,581	131,434
9.2 Analysis of tangible fixed assets:										
Net book value										
- Protected assets at 31 March 2007	26,663 *	74,157 *	0	0	0	0	0	0	100,820	106,601
- Unprotected assets at 31 March 2007	2,902 *	74 *	4,594	5,862	9,870	0	1,333	1,126	25,761	24,833
Total at 31 March 2007	29,565	74,231	4,594	5,862	9,870	0	1,333	1,126	126,581	131,434

* There was a reclassification during 2006/07 for the premises known as Fenland Wing, which had been previously been disclosed as a protected asset. As this asset had always been planned for disposal during 2006/07 (which actually occurred 29 March 2007), it had in fact been listed as an unprotected asset in Peterborough & Stamford Hospitals NHS Foundation Trust Terms of Authorisation. The value of this reclassification was £4,214,000, being £3,817,675 and £396,325 in respect of land and buildings respectively.

10. STOCKS AND WORK IN PROGRESS

	31 March 2007 £000	31 March 2006 £000
Raw materials and consumables	<u>2,419</u>	<u>2,575</u>

11. DEBTORS

	31 March 2007 £000	31 March 2006 £000
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Amounts falling due within one year:

Government Department debtors	21,463	10,980
Provision for irrecoverable debts	(3,105)	(2,253)
Other prepayments and accrued income	1,546	922
Other debtors	1,050	1,057
	<u>20,954</u>	<u>10,706</u>

Amounts falling due after more than one year:

Government Department debtors	0	367
Other debtors	490	425
	<u>490</u>	<u>792</u>
	<u>21,444</u>	<u>11,498</u>

12. CREDITORS

	31 March 2007 £000	31 March 2006 £000
--	-----------------------	-----------------------

Amounts falling due within one year:

Revolving working capital facility	0	0
Payments received on account	123	135
Government Department creditors	25,151	14,456
Non - Government trade creditors	3,947	2,678
Accruals and deferred income	619	1,673
	<u>29,840</u>	<u>18,942</u>

Amounts falling due after more than one year:

Other	138	86
	<u>29,978</u>	<u>19,028</u>

Government Department creditors include;

- £1,180,000 outstanding pensions contributions at 31 March 2007 (£1,136,000 as at 31 March 2006.)

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 £37.5M. This comprises £25.5M 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 2007, having not drawn down anything to support operating costs.

13.1 Debt Cover Ratios

	2006/07		2005/06	
	Actual	Planned	Actual	Planned
Minimum dividend cover	2.90	2.40	2.10	1.80
Minimum interest cover	0.00	0.00	0.00	0.00
Minimum debt service cover	0.00	0.00	0.00	0.00
Minimum debt service to revenue	0.00	0.00	0.00	0.00
Maximum debt capital cover	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 2006/07, 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	2005/06
	£000	£000	£000	£000	£000
At 1 April 2006	387	573	851	1,811	2,396
Arising during the year	1	145	1,022	1,168	851
Utilised during the year	0	(33)	(652)	(685)	(816)
Reversed unused	(45)	(39)	0	(84)	(620)
At 31 March 2007	<u>343</u>	<u>646</u>	<u>1,221</u>	<u>2,210</u>	<u>1,811</u>
Expected timing of cashflows:					
Within 1 year	44	171	1,221	1,436	923
1 - 5 years	202	120	0	322	505
Over 5 years	97	355	0	452	383
	<u>343</u>	<u>646</u>	<u>1,221</u>	<u>2,210</u>	<u>1,811</u>

Aside from the provisions recorded in the Trust's Accounts, £9,160,000 is included as a provision in the Accounts of the NHS Litigation Authority at 31 March 2007 in respect of clinical negligence liabilities of the Trust (£5,153,000 at 31 March 2006).

The total 'other' provision of £1,221,000 as at 31 March 2007 (£851,000 as at 31st March 2006), is intended to cover the estimated payments expected to become due in 2007/08 in respect of various current Human Resources issues (including outstanding Agenda for Change assimilations and associated back pay to October 2004 and potential redundancies).

15. MOVEMENTS ON TAXPAYERS' EQUITY AND RESERVES

15.1 Taxpayers' Equity

	31 March 2007	31 March 2006
	£000	£000
Taxpayers' equity at 1 April 2006	125,132	121,950
Surplus for the financial year	6,765	3,155
Public dividend capital dividends	(4,309)	(4,106)
Gains from revaluation of fixed assets	0	3,430
New public dividend capital received	906	26
Transfers from donated asset reserve	(267)	677
Taxpayers' equity at 31 March 2007	128,227	125,132

15.2 Reserves

	Revaluation reserve	Donated Asset reserve	Income and Expenditure reserve	Total	2005/06
	£000	£000	£000	£000	£000
At 1 April 2006	59,041	3,636	(7,179)	55,498	52,342
Transfer from the income and expenditure account	0	0	2,456	2,456	(951)
Surplus on other revaluations/indexation of fixed assets	0	0	0	0	3,430
Receipt of donated assets	0	119	0	119	906
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated assets	0	(386)	0	(386)	(229)
Other transfers between reserves	(2,687)	(1)	2,688	0	0
At 31 March 2007	56,354	3,368	(2,035)	57,687	55,498

16. NOTES TO THE CASHFLOW STATEMENT**16.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	2006/07 £000	2005/06 £000
Total operating surplus	6,580	3,102
Depreciation and amortisation charge	6,048	5,599
Fixed asset impairment	42	0
Transfer from donated asset reserve	(386)	(229)
Decrease/(increase) in stocks	156	(108)
Increase in debtors	(8,780)	(3,510)
Increase in creditors	10,681	6,331
Increase/(decrease) in provisions	399	(585)
Net cash inflow from operating activities	14,740	10,600

16.2 Reconciliation of net cash flow to movement in net funds

	2006/07 £000	2005/06 £000
Increase in cash in the period	9,507	39
Net funds at 1 April 2006	464	425
Net funds at 31 March 2007	9,971	464

16.3 Analysis of changes in net funds

	At 31 March 2007 £000	Cash changes in year £000	At 1 April 2006 £000
Cash held at Office of the Paymaster General (OPG)	9,921	9,476	445
Commercial cash at bank and in hand	50	31	19
	9,971	9,507	464

16.4 Reconciliation of net cashflow to movement in net debt

	2006/07 £000	2005/06 £000
Increase in cash in the period	9,507	39
Cash inflow from new debt	(906)	(26)
Change in net debt resulting from cash flows	8,601	13
Net debt as at 1 April 2006*	(69,170)	(69,183)
Net debt as at 31 March 2007 **	(60,569)	(69,170)

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

** Net debt at 1 April 2007 comprises Public Dividend Capital of £70,540,000 less cash at bank of £9,971,000

17. CAPITAL COMMITMENTS

Commitments under capital expenditure contracts at the balance sheet date were £460,000 (£1,816,000 in 2005/06).

18. POST BALANCE SHEET EVENTS

Greater Peterborough Health Investment Plan

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 £330M. The Trust appointed a preferred bidder, Progress Health, in March 2005. The scheme is subject to review and approval by the East of England Strategic Health Authority, the Department of Health and HM Treasury's Private Finance Unit. The Full Business Case for the scheme was approved by the East of England Strategic Health Authority in February 2007. The Trust plans to secure the remaining approvals in early June 2007, and to achieve financial close on the contract later on in June 2007. This would enable the new hospital on the Edith Cavell site to be open late in 2009/2010.

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.

The Department of Health is regarded as a related party. During the year the 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, namely:

Peterborough Primary Care Trust	National Blood Authority
Lincolnshire Primary Care Trust	NHS Supplies Agency
Cambridgeshire Primary Care Trust	NHS Litigation Authority
Northamptonshire Primary Care Trust	NHS Business Services Authority
Leicester City Primary Care Trust	East of England Strategic Health Authority
Leicestershire County & Rutland Primary Care Trust	Cambridgeshire & Peterborough Mental Health Partnership NHS Trust
Norfolk Primary Care Trust	

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 2006/07 was £3,918,000 (£4,015,000 for 2005/06), with a corresponding cost to the Trust in respect of Ministry of Defence staff of £2,136,000 (£2,886,000 for 2005/06). The net income received by the Trust for the year for hosting this arrangement was therefore £1,782,000 (£1,130,000 for 2005/06).

During the year none of the members of the Board of Directors, Board of Governors, 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:

One of the Trust's directors is also a director of Bluestone New Media Ltd with whom Peterborough & Stamford Hospitals NHS Foundation Trust commissioned web design work during 2006/07, resulting in a £26,190.75 payment (there were no corresponding transactions in 2005/06).

The interim Chief Executive Officer appointed for a short period during 2006/07 also has connections with the Healthcare Commission and the General Medical Council. Peterborough & Stamford Hospitals NHS Foundation Trust can confirm that he has not been involved in the regulation of the Trust in his work for either of these organisations.

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. During 2006/07, £742,000 (£678,000 during 2005/06) was taken to both the Trust's income and expenditure figures, (see notes 2 to 5 respectively), as this effectively represents a grant from the charitable funds to the Trust.

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

0% (44% for 2005/06) of the Trust's financial assets and 100% (100% for 2005/06) 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		Non-Weighted average term
					Weighted average interest rate	Weighted average period for rate which fixed	
	£000	£000	£000	£000	%	Years	Years
At 31 March 2007							
Sterling	9,971	9,971	0	0	0%	0	0
Other	0	0	0	0	0%	0	0
Gross financial assets	9,971	9,971	0	0			
At 31 March 2006					0%	0	0
Sterling	831	464	0	367	0%	0	0
Other	0	0	0	0			
Gross financial assets	831	464	0	367			

21.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-Weighted average term
					Weighted average interest rate	Weighted average period for rate which fixed	
	£000	£000	£000	£000	%	Years	Years
At 31 March 2007							
Sterling	(72,888)	0	0	(72,888)	0%	0	0
Other	0	0	0	0	0%	0	0
Gross financial liabilities	(72,888)	0	0	(72,888)			
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)			

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 2007.

	2006/07		2005/06	
	Book Value £000s	Fair Value £000s	Book Value £000s	Fair Value £000s
Financial assets				
Cash	9,971	9,971	464	464
Debtors over 1 year:				
Agreements with commissioners to				
- cover creditors and provisions	0	0	367	367
Total	9,971	9,971	831	831
Financial liabilities				
Overdraft/Working capital facility	0	0	0	0
Creditors over 1 year:				
- Early retirements	(138)	(138)	(86)	(86)
Provisions under contract	(2,210)	(2,210)	(1,811)	(1,811)
Public Dividend Capital	(70,540)	(70,540)	(69,634)	(69,634)
Total	(72,888)	(72,888)	(71,531)	(71,531)

22. THIRD PARTY ASSETS

The Trust held £1,649.72 cash at bank and in hand as at 31 March 2007 (£2,493.00 as at 31 March 2006) 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 216 payments under this category during 2006/07, amounting to £94,562 (200 during 2005/06 totalling £47,705). Within this total were 12 personal injury payments totalling £39,759 (10 payments totalling £41,969 for 2005/06) and 17 ex-gratia payments for loss of personal effects by patients which amounted to £2,190 (13 payment totalling £1,654 for 2005/06). Also included in the overall totals were the write-off of 184 debtor accounts which came to £48,541 (174 totalling £4,898 for 2005/06).