Ashford and St. Peter's Hospitals NHS
NHS Trust

ANNUAL ACCOUNTS

2006/07

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

DIRECTORS' STATEMENT

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

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

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

G Douglas
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
19 June 2007

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

DIRECTORS' STATEMENT

Statement of Directors' responsibilities in respect of the Accounts

The Directors are required under the National Health Services Act 1977 to prepare Accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these Accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those Accounts, the Directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury

- make judgements and estimates which are reasonable and prudent

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts.

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

The Directors confirm to the best of their knowledge and belief that they have complied with the above requirements in preparing the Accounts. The Annual Report had not been prepared at the time of approval of the Accounts and therefore neither the Annual Report nor Remuneration Report is published with these financial statements.

By order of the Board

G Douglas
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
19 June 2007

K Mansfield
Director of Finance
Ashford and St. Peter's Hospitals NHS Trust
19 June 2007

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

DIRECTORS' STATEMENT ON INTERNAL CONTROL 2006/07

Statement of Directors' responsibility in respect of internal control

1. Scope of responsibility

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

Scrutiny by the Non Executive Directors and Auditors in the Audit Committee and by the Non Executive Directors in the Remuneration Committee provides assurance of internal control including probity in the application of public funds and in the conduct of the organisation's responsibilities. Minutes and reports from these Committees are reviewed in the Board meetings in public.

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

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

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

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

- National CEO Conference
- Monthly SHA CEO meeting
- Monthly SHA Director of Commissioning and Delivery meeting
- Annual SHA CEO & Chair to CEO & Chair meeting
- Monthly Performance Monitoring meeting with SHA/PCT
- Joint meetings with the (PCT's)
- Regular Chief Executive to Chief Executive meetings with the PCT
- Regular meetings with the Ashford & St Peter's Patients' Panel
- My role in the Turnaround process

<u>Limitation of scope</u>

As Accountable Officer I am committed to ensuring the integrity of the system of internal control and I am fully supported by the Board and the Executive Team in this endeavour. As noted elsewhere in this statement, I believe that our controls are robust over those matters on which we enjoy powers of management decision-making.

However, although the Trust is a vital element in the health economy, it is by no means the only decision-making body in a health service in which power has been devolved and placed in the hands of patients and their general practitioners as a matter of public policy, so as to place patients and their representatives at the centre of events.

Also, the Trust operates in a service that is free at the point of need and in which demand is governed by the occurrences of patients presenting to their general practitioners and by the subsequent patterns of referrals and treatments initiated by the general practitioners.

In this business environment the Trust does not enjoy ultimate control over costs and it is apparent that at the inception of the legislation that founded the primary care trusts it was not intended that we should. We have to respond to demand that is created outside our span of control.

Although we cannot control demand we have sought to attain a proper degree of influence over it. When establishing our risk register we recognised the issue from the outset. We have established plans for demand management and have forecast, monitored and warned of patterns and escalation.

As our Board and Executive Team have kept this key risk under continuous review as part of risk management, our executive Board members have put in place measures to influence the other decision makers in the health economy, for example by reporting fully to PCTs the costs of the treatments that we have been asked to provide and by continuously challenging vigorously and constructively our costs, both of payroll and services that we provide and also of bought-in goods and services.

Our non-executive Board members have maintained a vigilant scrutiny over the patterns of referrals and treatments requested from us by the PCTs and have provided helpful advice and support to the executive. We monitor leading indicators of demand and although these are imprecise in money terms they are compelling in their implications; the acute hospitals have again suffered winter pressures to the end of March rather than to mid-February.

We are working with the other decision-makers in the health economy to improve the quality and speed of the reporting patterns and so of the reporting of costs of demand and are vitally dependent in this on their co-operation, as demand manifests first in surgeries and other clinical settings that are not managed by us.

The Trust has been part of the national Turnaround Programme, and is thereby subject to very close fortnightly scrutiny, both from the SHA and the DH. The internal controls within the Trust have been further strengthened, and the information available for management control has improved vastly during the year.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Ashford and St. Peter's Hospitals NHS Trust for the year ended 31 March 2007 and up to the date of the final accounts.

3. Capacity to handle risk

The Trust's Risk Management Strategy has been approved by the Trust Board and distributed throughout the Trust. The strategy delegates the responsibility for risk management to the following:

<u>Director of Finance</u>

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

<u>Director of Nursing and Operations</u>

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

The Deputy Director of Nursing and Quality co-ordinates the various risk strands including:

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

- Standards for Better Health
- Risk Management Standards

Medical Director

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

Director of Performance & IM&T

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

Risk Manager

The role and responsibility of the Risk Manager is to promote risk management activity throughout the Trust with a key function of providing central support and advice in progressing risk management issues and introducing programmes to reduce risk.

The Risk Manager has an overarching responsibility for the incident reporting process and for managing all risk data and information. This includes managing and updating the Trust Risk Register, which is reviewed quarterly by Governance Committee and approved by the Board of Directors

The Risk Manager is also responsible for ensuring that all risks are assessed and graded using the Trust grading matrix and all serious risk incidents are reported to the Foundation Trust Monitor and the Strategic Health Authority in line with the Serious Incident Policy.

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

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

4. The risk and control framework

Trust Risk Management Strategy endorsed by the Board of Directors is reviewed annually setting out the organisation's approach to risk management and future objectives.

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

Managers at all levels of the organisation have a responsibility where possible to manage risks at a local level and to develop an environment where staff is encouraged to identify and report risk issues proactively.

All managers are expected to ensure that their staff report any near miss incidents, adverse incidents and serious incidents immediately using the Trust Incident Reporting Procedure.

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

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

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

As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

5. Review of effectiveness

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

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

The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the controls reviewed as part of the internal audit work and I can report that they have offered a 'Significant Assurance' opinion for the year ended 31 March 2007.

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

My review is also informed by:

- External Audit Annual letter
- Internal Audit reports
- Clinical Audit reports
- CHI follow up
- SHA follow up of CHI recommendations
- CNST

- RPST

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee, Finance Committee, Risk and Incident Advisory Board, Clinical Governance Committee. Control weaknesses that are identified continue to be addressed to ensure continuous improvement of the system is in place.

All internal audit reviews of the Assurance Framework are approved by the Audit Committee in accordance with the national NHS Audit Committee Handbook best practice guide.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

DIRECTORS' STATEMENT ON INTERNAL CONTROL 2006/07 (Continued)

6. Update on Actions to address Issues raised in SIC 2005/06

In the SIC for 2005/06 I reported the following two significant control issues

- An Assurance Framework document was not approved by the Trust Board by the 31st March 2006
- The Trust reported a deficit of £7.6m for the financial year ended 31st March 2006 resulting from an anticipated asset sale not being delivered within the financial year.

With regard to the Assurance Framework I can report that the Trust has now approved this key corporate assurance document and through the Governance Advisory Committee it is actively embedding this document throughout the organisation.

With the regard to the previous years' deficit, I can report that the Trust, with the support of a Turnaround Team, has turned this deficit situation around to a £1.1m surplus for the year ended 31 March 2007

7. Significant Control Issues

No Significant Control Issues have been identified during the 2006/07 accounting period.

By order of the Board.

G Douglas
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
19 June 2007

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD

We have audited the financial statements of Ashford and St. Peter's Hospitals NHS Trust for the year ended 31 March 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes (excluding the anticipated financial year of recovery in Note 21.1 on page 35). These financial statements have been prepared under the accounting policies relevant to the National Health Service set out therein.

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

Respective Responsibilities of Directors and the Auditors

The Directors responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities on page 3.

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

We review whether the directors' statement of internal control reflects compliance with the Department of Health's requirements 'The Statement on Internal Control 2003/2004' issued on 15 September 2003 and further guidance issued on 5 April 2005, 7 April 2006 and 2 April 2007. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the trust's circumstances, consistently applied and adequately disclosed.

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

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD (Continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2007 and of its income and expenditure for the year then ended; and

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

KPMG LLP
Chartered Accountants
London
20 June 2007

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

INDEPENDENT AUDITORS' REPORT TO DIRECTORS OF THE BOARD

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

Directors' responsibilities

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

Auditor's responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, in all significant respects, Ashford & St Peter's Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Certificate

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

KPMG LLP
Chartered Accountants
London
20 June 2007

FOREWORD TO THE ACCOUNTS

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

These Accounts for the year ended 31 March 2007 have been prepared by the Ashford and St. Peter's Hospitals NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), Schedule 2 of the National Health Service and Community Care Act 1990), in the form which the Secretary of State has, with the approval of the Treasury, directed.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED
31 MARCH 2007

	Note	2006/07 £'000	2005/06 £'000
Income from activities	2	163,317	151,552
Other operating income	3	16,205	17,459
Operating expenses	4,5,6	(178,269)	(171,836)
OPERATING SURPLUS/(DEFICIT)		1,253	(2,825)
Profit on disposal of fixed assets	7	5,530	159
SURPLUS/(DEFICIT) BEFORE INTEREST		6,783	(2,666)
Interest receivable		268	238
Interest payable	8	(30)	(3)
Other finance costs – change in discount rate on provisions	14	-	(20)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		7,021	(2,451)
Public dividend capital dividends payable		(5,953)	(5,109)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR	21.1	1,068	(7,560)

NOTE TO THE INCOME AND EXPENDITURE ACCOUNT	**£'000**	**£'000**
Retained surplus/(deficit) for the year	1,068	(7,560)
Financial support included in retained surplus/(deficit) for the year – NHS Bank	-	-
Financial support included in retained surplus/(deficit) for the year – Internally Generated	-	(5,000)
Retained surplus/(deficit) for the year excluding financial support	1,068	(12,560)

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

The notes on pages 16 to 40 form part of these accounts.

All income and expenditure is derived from continuing operations.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

BALANCE SHEET
AS AT
31 MARCH 2007

	Note	31/3/07 £'000	31/3/07 £'000	31/3/06 £'000
FIXED ASSETS				
Intangible assets	9		2,652	2,781
Tangible assets	10		172,763	170,515
TOTAL FIXED ASSETS			175,415	173,296
CURRENT ASSETS				
Stocks and work-in-progress	11	2,307		2,293
Debtors	12	35,100		19,771
Cash at bank and in hand		534		400
TOTAL CURRENT ASSETS			37,941	22,464
CREDITORS: Amounts falling due within one year	13		(25,822)	(18,463)
NET CURRENT ASSETS/(LIABILITIES)			12,119	4,001
TOTAL ASSETS LESS CURRENT LIABILITIES			187,534	177,297
CREDITORS: Amounts falling due after more than one year	13		(12,250)	-
PROVISION FOR LIABILITIES AND CHARGES	14		(753)	(1,228)
TOTAL ASSETS EMPLOYED			174,531	176,069
FINANCED BY:				
TAXPAYERS' EQUITY				
Public dividend capital			99,028	114,290
Revaluation reserve	15		82,499	71,768
Donated asset reserve	15		966	807
Income and expenditure reserve	15		(7,962)	(10,796)
TOTAL TAXPAYERS' EQUITY			174,531	176,069

The financial statements on pages 12 to 40 were approved by the Board on 19 June 2007 and signed on its behalf by:

G Douglas
Chief Executive
Ashford and St. Peter's Hospitals NHS Trust
19 June 2007

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

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

	2006/07	2005/06
		£'000
Surplus/(deficit) for the financial year before dividend payments	7,021	(2,451)
Fixed asset impairment losses	-	(4,347)
Unrealised surplus on fixed asset revaluations / indexation	12,530	4,357
Increases in the donated asset reserve due to receipt of donated assets	325	279
Total recognised gains and losses for the financial year	19,876	(2,162)
Prior period adjustment	-	-
Total gains and losses recognised in the financial year	19,876	(2,162)

ASHFORD & ST. PETER'S HOSPITALS NHS TRUST

CASH FLOW STATEMENT
FOR THE YEAR ENDED
31 MARCH 2007

	Note	2006/07		2005/06
		£'000	£'000	£'000
OPERATING ACTIVITIES				
Net cash inflow/(outflow) from operating activities	16.1		10,750	(8,076)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		257		237
Interest paid		(10)		(3)
Net cash inflow/(outflow) from returns on investments and servicing of finance			247	234
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(3,316)		(13,875)
Receipts from sale of tangible fixed assets		-		1,701
Payments to acquire intangible assets		(1,032)		(1,978)
Net cash (outflow) from capital expenditure			(4,348)	(14,152)
DIVIDENDS PAID			(5,953)	(5,109)
Net cash (outflow) before management of liquid resources and financing			696	(27,103)
MANAGEMENT OF LIQUID RESOURCES				
Purchase/sale of investments		-		-
Net cash inflow / (outflow) from management of liquid resources			-	-
Net cash (outflow) before financing			696	(27,103)
FINANCING				
New public dividend capital received		-		27,095
Public dividend capital repaid (not previously accrued)		(15,262)		-
Loans received from Department of Health		14,700		-
Net cash inflow from financing			(562)	27,095
Increase/(decrease) in cash			134	(8)

NOTES TO THE ACCOUNTS
31 MARCH 2007

1. Accounting policies

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

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

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

1.4 Intangible fixed assets

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

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

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

1.5 Tangible fixed assets

Capitalisation

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

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

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

Valuation

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

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

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

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

Additional alternative Open Market Value figures have only been supplied for operational assets once they have been taken out of operational use and subsequently disposed of.

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

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

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

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

Depreciation, amortisation and impairments

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

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

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

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

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

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

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

1.6 Donated fixed assets

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

Gains and losses on revaluation are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure account is matched by a transfer from the Donated Asset Reserve. On the sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.7 Government grants

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

1.8 Private Finance Initiative (PFI) transactions

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

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

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

1.9 Stocks and work-in progress

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

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

1.10 Research and development

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

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

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

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

1.11 Provisions

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

Clinical negligence costs

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

Non-clinical risk pooling

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

1.12 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the Trust to identify its share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it was a defined contribution scheme; the cost of the Scheme is equal to the contributions payable to the Scheme for the accounting period.

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

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

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

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the members final years pensionable pay less their retirement lump sum for those who die after retirement, is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the Scheme. The full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

1.13 Liquid resources

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

1.14 Valued Added Tax

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

1.15 Foreign Exchange

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

1.16 Third Party Assets

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

1.17 Leases

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

1.18 Public Dividend Capital (PDC) and PDC Dividend

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

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

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

1.19 Losses and Special Payments

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

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

However Note 26 is compiled directly from the losses and compensations register which is prepared on a cash basis.

2. Income from Activities

		2006/07	**2005/06**
		£'000	£'000
Primary Care Trusts		148,048	143,505
Local Authorities		361	7
Department of Health		13,312	5,470
Non- NHS	- private patients	619	1,449
	- Overseas patients (non reciprocal)	69	117
	- Road Traffic Act	692	714
	- other	216	290
		163,317	151,552

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

Road Traffic Act income is subject to a provision for doubtful debts of 7.7% to reflect expected rates of collection.

3. Other operating income

	2006/07	**2005/06**

	£'000	£'000
Education, training and research	5,866	6,423
Transfer from the donated asset reserve	199	174
Non-patient care services to other bodies	4,505	4,254
Income generation	4,751	3,886
Other income	884	2,722
	16,205	17,459

4. Operating expenses

4.1 Operating expenses comprise:

	2006/07 £'000	**2005/06** £'000
Services from other NHS Trusts	1,783	2,276
Services from other NHS bodies	1,139	773
Services from Foundation Trusts	188	145
Purchase of healthcare from non NHS bodes	1,776	2,124
Directors' costs	1,016	991
Staff costs	113,305	112,386
Supplies and services – clinical	28,303	27,944
Supplies and services – general	3,865	5,627
Establishment	1,731	1,906
Transport	365	298
Premises	6,415	5,254
Bad debts	(22)	72
Depreciation	7,515	6,924
Amortisation	439	58
Fixed asset impairments and reversals	5,912	27
Audit fees	91	106
Other auditors remuneration	77	79
Clinical negligence	2,339	2,634
Redundancy	670	27
Other	1,362	2,185
	178,269	171,836

Operating expenses includes fixed asset impairments, £5,897,000 of which has been funded through PCT income.

4.2 Operating Leases

4.2.1 Operating expenses include:

	2006/07 £'000	**2005/06** £'000

Hire of plant and machinery	-	-
Other operating lease rentals	600	613
	600	613

4.2.2 Annual commitments under non-cancellable operating leases are:

	Land and buildings		Other leases	
	2006/07	**2005/06**	**2006/07**	**2005/06**
	£'000	£'000	**£'000**	£'000
Operating leases which expire:				
Within 1 year	-	-	290	52
Between 1 and 5 years	-	-	273	460
After 5 years	-	-	-	-
	-	-	563	512

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS
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5. Staff costs and numbers

5.1 Staff costs

	Permanently Employed	**Other**	**2006/07**	**2005/06**
	£'000	£'000	£'000	£'000
Salaries and wages	86,066	9,985	96,051	97,216
Social security costs	7,247	151	7,398	7,094
Employer contributions to NHS Business Services Authority – Pensions Division	9,459	101	9,560	9,014
Other pension costs	1,259	-	1,259	-
	104,031	10,237	114,268	113,324

5.2 Average number of persons employed:

	Permanently Employed	**Other**	**2006/07**	**2005/06**
	Number	Number	Number	Number
Medical and dental	388	19	407	400
Administration and estates	891	28	919	741
Healthcare assistants and other support staff	29	-	29	299
Nursing, midwifery and health visiting staff	1,070	163	1,233	1,047
Nursing, midwifery and health visiting learners	28	-	28	25
Scientific, therapeutic and technical staff	386	56	442	483
	2,792	266	3,058	2,995

There has been some reclassification in the analysis of staff groups between the financial years. In addition the Trust took its cleaning service back in-house on 1 June 2006 which has led to an overall increase in average numbers employed.

5.3 Employee benefits

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

5.4 Management costs

	2006/07 £'000	2005/06 £'000
Management costs	7,810	7,249
Income	176,847	165,330

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

5.5 Retirements due to ill-health

During 2006/07 there were 5 (2005/06 – 3) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £275,000 (2005/06 - £172,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority – Pensions Division.

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS
(Continued)
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6. Better Payment Practice Code

6.1 Better Payment Practice Code - measure of compliance

	Number	£'000
Total non-NHS trade invoices paid in the year	46,494	46,144
Total non-NHS trade invoices paid within target	30,071	29,564
Percentage of non-NHS trade invoices paid within target	64.68%	64.07%
Total NHS trade invoices paid in the year	2,397	20,108
Total NHS trade invoices paid within target	758	6,827
Percentage of NHS trade invoices paid within target	31.62%	33.95

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

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

An amount of £9,000 (2005/06 – nil) is included within Interest Payable (Note 8) arising from claims made under this legislation. No compensation was paid to cover debt recovery costs under this legislation.

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

	2006/07 £'000	2005/06 £'000
Profit on disposal of land and buildings	5,530	269
Loss on disposal of land and buildings	-	(99)
Profit on disposal of plant and equipment	-	1
Loss on disposal of plant and equipment	-	(12)

	5,530	159

The Trust sold land at Ashford Hospital in March 2007.

8. Interest payable

	2006/07	2005/06
	£'000	£'000
Late payment of commercial debt	9	-
Loans	20	-
Other	1	3
	30	3

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST

NOTES TO THE ACCOUNTS
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9. Intangible fixed assets

	Software Licences	Total
	£'000	£'000
Gross cost at 1 April 2006	2,882	2,882
Indexation	-	-
Reclassifications	244	244
Additions purchased	66	66
Gross cost at 31 March 2007	3,192	3,192
Amortisation at 1 April 2006	101	101
Indexation	-	-
Charged during the year	439	439
Amortisation at 31 March 2007	540	540
Net book value		
- Purchased at 1 April 2006	2,781	2,781
- Donated at 1 April 2006	-	-
Total at 1 April 2006	2,781	2,781
- Purchased at 31 March 2007	2,652	2,652
- Donated at 31 March 2007	-	-
Total at 31 March 2007	2,652	2,652

ASHFORD AND ST. PETER'S HOSPITALS NHS TRUST
NOTES TO THE ACCOUNTS
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10. Tangible fixed assets

10.1 Tangible fixed assets :

	Land	Buildings excluding dwellings	Assets under construction and payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2006	34,874	125,004	2,606	21,807	23	4,307	2,316	190,937
Additions								
- purchased	-	569	2,924	906	-	44	221	4,664
- donated	-	-	-	318	-	-	7	325
Reclassifications	-	3,992	(4,854)	152	-	305	161	(244)
Indexation	1,992	10,136	211	601	1	-	64	13,005
Disposals	(1,600)	-	-	(364)	-	(29)	-	(1,993)
At 31 March 2007	35,266	139,701	887	23,420	24	4,627	2,769	206,694
Depreciation at 1 April 2006	-	-	-	15,567	23	3,183	1,649	20,422
Charged during the year	-	5,404	-	1,591	-	375	145	7,515
Impairments	146	5,766	-	-	-	-	-	5,912
Indexation	-	-	-	429	1	-	45	475
Disposals	-	-	-	(364)	-	(29)	-	(393)
Depreciation at 31 March 2006	146	11,170	-	17,223	24	3,529	1,839	33,931
Net book value								
- Purchased at 1 April 2006	34,874	124,803	2,606	5,677	-	1,120	628	169,708
- Donated at 1 April 2006	-	201	-	563	-	4	39	807
Total at 1 April 2006	34,874	125,004	2,606	6,240	-	1,124	667	170,515
- Purchased at 31 March 2007	35,120	128,321	887	5,486	-	1,096	887	171,797
- Donated at 31 March 2007	-	210	-	711	-	2	43	966
Total at 31 March 2007	35,120	128,531	887	6,197	-	1,098	930	172,763

Of the totals at 31 March 2007 £2,380,000 related to land valued at open market value and £nil related to buildings and dwellings valued at open market value.

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

	31/3/07 £'000	31/3/06 £'000
Information technology	-	-

The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts was £nil (2005/06 - £nil).

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

	31/3/07 £'000	31/3/06 £'000
Freehold	163,130	159,374
Long leasehold	521	504
Short leasehold	-	-
	163,651	159,878

11. Stocks and work-in-progress

	31/3/07 £'000	31/3/06 £'000
Raw materials and consumables	1,466	1,379
Finished goods	841	914
	2,307	2,293

12. Debtors

	31/3/07 £'000	31/3/06 £'000
Amounts falling due within one year:		
NHS debtors	21,735	14,903
Provision for irrecoverable debts	(125)	(204)
Other prepayments and accrued income	4,346	3,008
Other debtors	9,144	2,064
	35,100	19,771
Amounts falling due after more than one year:		
NHS debtors	-	-
Total debtors	35,100	19,771

There are no prepaid pension contributions or prepayments from the buyout of early retirements at 31 March 2007 (31 March 2006 - £nil).

Included in debtors at 31 March 2007 is £7,300,000 in respect of an asset sale and £5,897,000 for fixed asset impairment funding. There is also an outstanding debtor of £3,000,000 with the Department of Health from 2005/06. The settlement of this debt is dependent upon a decision about an ISTC at Ashford Hospital, which is itself dependent upon the outcome of Fit For Future consultations.

13. Creditors

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

	31/3/07 £'000	31/3/06 £'000
Amounts falling due within one year:		
Current instalments due on loans	2,450	-
Interest Payable	20	-
NHS creditors	8,870	7,147
Non-NHS trade creditors – revenue	3,463	3,742
Non-NHS trade creditors – capital	1,322	940
Tax and social security costs	2,419	2,364
Other creditors	1,511	1,349
Accruals and deferred income	5,767	2,921
	25,822	18,463
Amounts falling due after more than one year:		
Long term loans	12,250	-
	12,250	-
Total creditors	38,072	18,463

Other creditors include £nil for payments due in future years under arrangements to buy out liabilities for early retirements over five years and £1,192,000 for outstanding pensions contributions at 31 March 2007 (31 March 2006 - £1,145,000).

The main increase in creditors between the years is a working capital loan of £14,700,000 (see note 13.2).

13.2 Loans

	31/3/07 £'000	31/3/06 £'000
Department of Health Loan		
Amounts falling due:		
In one year or less	2,450	-
Between one and two years	2,450	-
Between two and five years	7,350	-
Over five years	2,450	-
Total	14,700	-

	31/3/07 £'000	31/3/06 £'000
Wholly or partially repayable after five years, by instalments	14,700	-
Of which total repayable after five years	2,450	-

Loans (and long term financial liabilities) wholly or partially repayable after five years

	Interest rate %	Value outstanding £'000	Prior year £'000
Terms of payment	5.40%	14,700	-

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

13.3 Finance lease obligations

The Trust has no finance lease obligations at 31 March 2007 (31 March 2006 - £nil).

13.4 Finance lease commitments

The Trust has not entered into any finance lease whereby the asset will be made available for use and rental payments commence in 2006/07.

14. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Other	Total 31/3/07	Total 31/3/06
	£'000	£'000	£'000	£'000	
At 1 April 2006	586	54	588	1,228	1,598
Change in discount rate	-	-	-	-	20
Arising during the year	-	25	33	58	178
Utilised during the year	(8)	(32)	(450)	(490)	(556)
Reversed unused	(25)	(18)	-	(43)	(12)
Unwinding of discount	-	-	-	-	-
At 31 March 2007	553	29	171	753	1,228
Expected timing of cashflows:					
Within 1 year	52	29	12	93	542
Between1-5 years	208	-	44	252	292
After 5 years	293	-	115	408	394

Clinical negligence provisions

Included in the provisions of the NHS Litigation Authority at 31 March 2007 is £8,844,000 in respect of clinical negligence liabilities of the Trust (31 March 2006 - £12,974,000).

Legal claim provisions

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

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

Other provisions

Other provisions at 31 March 2007 include a provision for one injury benefit case of £171,000 as notified to the Trust by the NHS Business Services Authority - Pensions Division.

15. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve	Donated asset reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000	£'000
At 1 April 2006	71,768	807	(10,796)	61,779
Transfer from the income and expenditure account	-	-	1,068	1,068
Fixed asset impairments	-	-	-	-
Surplus on other revaluations/ indexation of fixed assets	12,497	33	-	12,530
Transfer of realised profits to the income and expenditure reserve	(1,157)	-	1,157	-
Receipt of donated assets	-	325	-	325
Transfers to the income and expenditure account for depreciation of donated assets	-	(199)	-	(199)
Other transfers between reserves	(609)	-	609	-
At 31 March 2007	82,499	966	(7,962)	75,503

16. Notes to the cash flow statement

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

	2006/07	2005/06
	£'000	£'000
Total operating surplus/(deficit)	1,253	(2,825)
Depreciation and amortisation charge	7,954	6,982
Fixed Asset impairments and reversals	5,912	27
Transfer from donated asset reserve	(199)	(174)
(Increase)/decrease in stocks	(14)	111
(Increase)/decrease in debtors	(8,188)	(8,740)
Increase/(decrease) in creditors	4,507	(3,067)
Increase/(decrease) in provisions	(475)	(390)
Net cash inflow/(outflow) from operating activities	10,750	(8,076)

16.2 Reconciliation of net cash flow to movement in net debt

	31/3/07		31/3/06
	£'000	£'000	£'000
Increase/(decrease) in cash in the period	134		(8)
Cash inflow from new debt	(14,700)		-
Change in net debt resulting from cash flows		(14,566)	(8)
Non-cash changes in debt		-	-
Net debt at 1 April 2006		400	408
Net debt at 31 March 2007		(14,166)	400

16.3 Analysis of changes in net debt:

	31/3/07	Cash Transferred (to)/from Other NHS Bodies	Cash Changes in year	1/4/06
	£'000	£'000	£'000	£'000
OPG cash at bank	138	-	(160)	298
Commercial cash at bank and in hand	396	-	294	102
Loan from Department of Health due within one year	(2,450)	-	(2,450)	-
Loan from Department of Health due after one year	(12,250)	-	(12,250)	-
	(14,166)	-	(14,566)	400

17. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £556,000 (2005/06 - £779,000).

18. Post balance sheet events

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

19. Contingent assets/(liabilities)

Other

Other Contingent Liabilities for non-clinical negligence incidents total £(16,000) (2005/06- £(31,000)).

20. Movements in Public Dividend Capital

	2006/07	2005/06
	£'000	£'000
Public Dividend Capital as at 1 April 2006	114,290	87,195
New public dividend capital (cash receipt)	-	27,095
Public dividend capital repaid in year	(15,262)	-
Public Dividend Capital as at 31 March 2007	99,028	114,290

The Trust is required to repay £5,897,000 of Public Dividend Capital in 2007/08 in respect of funding for impairments for which cash has not yet been received.

21. Financial performance targets

21.1 Breakeven performance

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

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	104,086	111,223	125,647	139,664	151,095	163,630	169,011	179,522
Retained surplus/(deficit) for the year	(1,613)	(4,846)	(1,409)	(1,328)	5	61	(7,560)	1,068
Other agreed adjustment – Reversal of RAB deduction	-	-	-	-	3,250	-	-	-
Breakeven in year position	(1,613)	(4,846)	(1,409)	(1,328)	3,255	61	(7,560)	1,068
Breakeven cumulative position	112	(4,734)	(6,143)	(7,471)	(4,216)	(4,155)	(11,715)	(10,647)
Anticipated financial year of recovery								2011/12
Period of financial recovery agreed with SHA								5
Materiality test:								
Breakeven in-year position	(1.55)%	(4.36%)	(1.12%)	(0.95%)	2.15%	0.04%	(4.47%)	0.59%
Breakeven cumulative position	0.11%	(4.26%)	(4.89%)	(5.35%)	(2.79%)	(2.54%)	(6.93%)	(5.93%)

The Trust was granted an extension from three to five years to achieve its cumulative breakeven duty. This was due to be met by 31 March 2006 however was not and the Trust failed this duty.

Based on past performance, the Trust is normally only able to plan to breakeven on an annual basis however the Trust is planning for a surplus of £2,450,000 in 2007/08. The Trust continues to face challenges in achieving financial balance and meeting tighter service delivery targets for the year ending 31 March 2008. The Trust developed a Turnaround Plan in 2006/07 which aided the Trust in achieving its financial position for that year and will continue to assist in 2007/08. As part of the Trust obtaining a working capital loan it will have to generate a surplus of £2,450k each financial year for six years. On this basis the cumulative breakeven position will be eliminated in 2011/12.

21.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £5,953,000 bears to the average relevant net assets of £174,996,000, that is 3.40%. This rate falls within the permitted tolerance of +/- 0.5%.

21.3 External financing

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

	2006/07		2005/06
	£'000	£'000	£'000
External financing limit set by the Department of Health		(696)	27,095
Cash flow financing	(696)		27,103
External financing requirement		(696)	27,103
Undershoot / (overshoot)		-	(8)

21.4 Capital resource limit

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

	2006/07	2005/06
	£'000	£'000
Gross capital expenditure	5,055	16,043
Less: book value of assets disposed of	(1,600)	(1,542)
Plus: loss on disposal of donated assets	-	-
Less: donations towards the acquisition of fixed assets	(325)	(279)
Charge against the CRL	3,130	14,222
Capital resource limit	5,955	18,419
Underspend against the CRL	2,825	4,197

22. Related party transactions

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

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with Ashford and St Peter's Hospitals NHS Trust.

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

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

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with H M Revenue and Customs and Surrey County Council.

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

23. Financial Instruments

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

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

Liquidity risk

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

Interest-rate risk

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

23.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate: Weighted ave interest rate	Fixed rate: Weighted ave period for which fixed	Non-interest bearing: Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2007							
Sterling	534	534	-	-	-	-	-
Other	-	-	-	-	-	-	-
Gross financial assets	534	534	-	-			
At 31 March 2006 (prior year)							
Sterling	400	400	-	-			
Other	-	-	-	-			
Gross financial assets	400	400	-	-			

23.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate: Weighted ave interest rate	Fixed rate: Weighted ave period for which fixed	Non-interest bearing: Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2007							
Sterling	114,481	-	15,453	99,028	5.24	6	-
Other	-	-	-	-	-	-	-
Gross financial liabilities	114,481	-	15,453	99,028			
At 31 March 2006 (prior year)							
Sterling	115,518	-	1,228	114,290	2.20	2	-
Other	-	-	-	-	-	-	-
Gross financial liabilities	115,518	-	1,228	114,290			

Note: The public dividend capital is of unlimited term.

Foreign currency risk

The Trust has negligible foreign currency income and expenditure.

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23.3 Fair Values

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

	Book Value	Fair Value	Basis of fair valuation
	£000s	£000s	
Financial assets			
Cash	534	534	
Debtors over 1 year:			
Agreements with commissioners to cover creditors and provisions	-	-	a
Total	534	534	
Financial liabilities			
Overdraft	-	-	
Creditors over 1 year:			
- Early retirements	-	-	b
Provisions under contract	(753)	(753)	c
Loans	(14,700)	(14,700)	
Public dividend capital	(99,028)	(99,028)	d
Total	(114,481)	(114,481)	

a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge /unwinding of discount. In line with note d below, fair value is not significantly different from book value.

b Fair value is not significantly different from book value since interest at 9% is paid on early retirements.

c Fair value is not significantly different from book value since, in the calculation of book value, the expected cashflows have been discounted by the Treasury discount rate of 2.2% (2005/06 – 3.5%) in real terms.

d The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

24. Third Party Assets

The Trust held £9,000 cash at bank and in hand at 31 March 2007 (31 March 2006 - £8,000) which relates to monies held by the Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

25. Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	19,992	-	13,399	12,250
Balance with Local Authorities	11	-	-	-
Balances with NHS Trusts	1,846	-	620	-
Balances with Public Corporations and Trading Funds	95	-	912	-
Balance with bodies external to government	13,156	-	10,891	-
At 31 March 2007	35,100	-	25,822	12,250

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	13,741	-	6,749	-
Balance with Local Authorities	23	-	1	-
Balances with NHS Trusts and Foundation Trusts	1,133	-	393	-
Balances with Public Corporations and Trading Funds	-	-	-	-
Balance with bodies external to government	4,874	-	11,320	-
At 31 March 2006	19,771	-	18,463	-

26. Losses and Special Payments

There were 28 cases of losses and special payments (2005/06 - 100 cases) totalling £39,000 (2005/06 - £55,000) paid during 2006/07.

There were no cases where the net payment exceeded £250,000 (2005/06 – nil).

The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.