07 | 08
annual accounts

Sunderland Royal Hospital
Kayll Road
Sunderland
Tyne & Wear
SR4 7TP

City Hospitals Sunderland NHS
NHS Foundation Trust

07 | 08
annual accounts

City Hospitals Sunderland NHS
NHS Foundation Trust

annual accounts
07 | 08

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTING OFFICER OF CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST

The National Health Service Act 2006 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the Accounting Officer Memorandum issued by the Independent Regulator of NHS Foundation Trusts ("Monitor").

Under the National Health Service Act 2006, Monitor has directed the City Hospitals Sunderland 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 affairs of City Hospitals Sunderland NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows 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/her 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities. To the best of my knowledge and belief, I have properly discharged the responsibilities set out in Monitor's NHS Foundation Trust Accounting Officer Memorandum.

Ken Bremner
Chief Executive

Date: 12 June 2008

STATEMENT ON INTERNAL CONTROL 2007/08

CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST

1. 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.

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 policies, aims and objectives of City Hospitals Sunderland NHS Foundation Trust, to 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 City Hospitals Sunderland NHS Foundation Trust for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

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.

3. Capacity to handle risk

The Board reviewed its Risk Management Strategy in November 2006 to take account of recent changes in legislation and the introduction of revised Risk Management Standards. The strategy brings together in one document the Trust's approach to risk management and how the strategy is to be implemented during the period 2006 to 2009.

It provides a clear statement of the Trust's commitment to delivering improved patient, staff and public safety through performance-driven risk management supported by an open, learning culture.

It includes in particular:

- A statement of principles, incorporating a clear accountability framework
- A single incident reporting process, which includes arrangements for disseminating good practice as well as learning from adverse events
- A common grading framework and risk register
- A comprehensive programme of multi-level risk management training for all new and existing staff
- Ongoing monitoring by the Board, risk sub committees, directorate and specialty governance groups
- A communication strategy, which ensures appropriate levels of communication and consultation with both internal and external stakeholders.

Implementation of the strategy is co-ordinated and monitored by the Corporate Governance Committee.

4. The risk and control framework

Key elements of the Trust's Risk Management Strategy are:

- A Trust-wide, multi-disciplinary and directorate based risk management process which systematically identifies, assesses and treats all risks which could endanger the Trust's ability to meet its objectives
- A single incident procedure for reporting and analysing adverse events and near misses of all kinds
- A system for identifying and analysing risks of all kinds, linked to a database of prioritised risks (the risk register) and improvements (the risk action plan)
- Ongoing monitoring and review of risk management performance indicators at all levels across the organisation.

Directorate governance groups are at the centre of risk management activity. These are multi-disciplinary teams with responsibility for driving the process, reviewing incident and risk information, re-designing systems to reduce risk and improve safety and, most importantly, making sure that changes are implemented and have the desired effect.

The use of a common grading structure for incidents and risks ensures that relative risks and priorities are assessed consistently across all directorates. No risk is treated as acceptable unless the existing situation complies with relevant guidance and legislation (e.g. Control of Infection, National Patient Safety Agency, Health & Safety, Standing Financial Instructions).

The establishment of a dedicated risk management team and programme of risk management training, including use of the intranet, ensures that the strategy is co-ordinated across the whole organisation and progress is reported effectively to the Board and its risk sub committees.

The Trust's assurance framework incorporates the requirements of the 'Standards for Better Health' and other changes arising from the ongoing review of strategic risks.

The assurance framework is based on the Trust's strategic objectives and an analysis of the principal risks to the Trust achieving those objectives. The key controls, which have been put in place to manage the risks, have been documented and the sources of assurance for individual controls have been identified. The main sources of assurance are those relating to internal management controls, the work of internal audit, clinical audit and external audit, and external assessments by outside bodies such as the Healthcare Commission, the NHS Litigation Authority and the Health and Safety Executive. The assurance framework is cross-referenced with the Board Risk Register.

The involvement of external stakeholders in the Trust's risk management programme is a key element of the Trust's Risk Management Strategy. This involves timely communication and consultation with external stakeholders in respect of all relevant issues as they arise.

This process applies in particular to the involvement of external stakeholders in patient safety and the need to co-ordinate how risks are managed across all agencies, including the National Patient Safety Agency, the Medicines and Healthcare Products Regulatory Agency, Social Services, the emergency services and representative patient groups.

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

The Trust's strategic planning and performance management arrangements ensure that all directorates are fully engaged in the continuous review of business objectives and performance.

Key elements of the Trust's arrangements for ensuring value for money in the delivery of its services are:

- A Service Development Strategy (SDS), which sets out the vision for the Trust over the five years 2003 to 2008 and is supported by health care and social care partners in Sunderland, the North East Strategic Health Authority and Primary Care Organisations in adjacent districts.

- An Annual Corporate Service Plan, which sets out priorities for the coming business year and reflects the requirements of the three-year Local Delivery Plan led by South of Tyne & Wear Teaching Primary Care Trust.
- Performance management through regular reporting against the key deliverables set out in the SDS and against national and local targets.
- The achievement of efficiency savings through the Trust's service improvement programmes.
- The implementation of cost improvement plans, which aim to eliminate waste and maximise economy and efficiency in the delivery of services to patients.

During 2007/08 the 'Fit for the Future – 20.08' programme, which aims to achieve a cost reduction of up to £20m by the end of 2008/09, has continued to be the major driving force within the Trust for improving on economy, efficiency and effectiveness in the use of resources. The overarching aims of the 12 key work streams within the project are to achieve the financial viability of services and the financial sustainability of the organisation as a whole.

The work of the Cost Driver Review Project during 2007/08 has enabled a more robust verification of reference costs and the ability for managers and clinicians to consider plans for addressing cost drivers. The project has also provided a basis for reviewing service configuration and strategy and has proved to be a good preparation for the Service Line Reporting Project that was launched in December 2007.

The Board of Directors and the Executive Board are actively involved in the business planning and performance management processes established by the Trust and in maintaining strong links with stakeholders.

During 2007/08 the Trust launched its new vision, which seeks to embed within the organisation a strong culture of performance, improvement, quality and commercialism. Linked to this, the Trust has:

- Commissioned an external review of capacity to support the embedding of efficiency and productivity into operational planning. The report highlights several areas for further work that will strengthen planning processes.
- Set out a new plan for the roll out of 'lean management' within the Trust. This builds on the work previously done with Nissan, and is a two-year plan, approved by the Board in February 2008. The purpose of the plan is to establish a culture of continuous improvement, giving staff greater ownership of financial and other performance indicators.

The key to the plan is to cascade skills, tools and techniques throughout the workforce to empower staff to drive efficiency and quality.

Additional assurance in respect of the Trust's arrangements for ensuring economy, efficiency and effectiveness in the use of resources is provided to the Board of Directors through the conduct of regular reviews undertaken by Internal Audit and by external audit work undertaken in accordance with the Audit Code.

6. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their reports to CHS.

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, the Audit Sub Committee, the Corporate Governance Committee and the Clinical Governance Steering Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board and its sub committees have a key role in maintaining and reviewing the effectiveness of the system of internal control.

The Board of Directors and the Executive Board have received regular reports on the development of the Trust's risk management framework, in particular through the work of the Corporate Governance Committee and Clinical Governance Steering Group. The Corporate Governance Committee receives the minutes of the Clinical Governance Steering Group and coordinates the implementation of action plans through the Trust's risk register mechanism.

The outcome of internal audit reviews has been considered throughout the year through regular reports to the Audit Sub Committee. The Board of Directors receives and considers the minutes of the Audit Sub Committee.

The national Electronic Staff Records (ESR) system was implemented within the Trust in June 2007, and the significant control issues arising from the implementation of new working arrangements under the ESR system have been addressed through the work of the ESR Project Team and the ESR Operational Group. This work has served to establish the framework for a new control environment, which will be further developed during 2008/09 when options for devolving responsibility for the maintenance of staff records to local management are to be considered. A 'Manager Self Service' Group has been established to oversee this development.

By the 31st March 2008 the CHS Board approved the outputs from the national comprehensive Information Governance (IG) Assurance process.

Using the IG Toolkit, detailed person identifiable data mapping was used to support two risk assessment processes, being the IG process and the NHS Litigation Authority Approved Risk Matrix. Every identified process / type of transfer of person identifiable data was logged, risk assessed and any necessary additional safeguards put in place. As a result the Trust reported that all person identifiable data was secure or risks have been mitigated. The Trust completed and submitted a signed Statement of Compliance to NHS Connecting for Health by the 31 March 2008. All staff were briefed and provided with guidance regarding their IG responsibilities within the Trust. City Hospitals Sunderland completed and submitted the IG Toolkit for 2007/08. This demonstrated a high level of achievement for the Trust with a score of 85% (Green status), an improvement of 4% when compared to 2006/07. In an extremely complex and dynamic environment such as CHS, we are fully aware that this is not a time limited project, and on this basis, the Trust is committed to the ongoing IG agenda.

During 2007 the Trust was one of eleven Trusts required by Monitor to undertake an independent review of the self-certification process adopted by the Board with regard to the MRSA trajectory and the ultimate achievement of the annual MRSA target. Whilst the review made some recommendations, overall the Trust was found to have comprehensive and robust governance systems in place which have been acknowledged by several external agencies.

Overall the Trust has a robust performance and risk management framework, which has enabled the Trust to demonstrate that it is fully compliant against all of the core standards within 'Standards for Better Health'.

7. Conclusion

From the reviews undertaken, no significant control issues have been identified during 2007/08.

Ken Bremner
Chief Executive

Date: 12 June 2008

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF CITY HOSPITALS SUNDERLAND NHS FOUNDATION TRUST

We have examined the summary financial statements for the year ended 31 March 2008 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cashflow Statement, the related notes and the information in the Remuneration Report that is described as having been audited.

This statement, including the opinion, is made solely to the Board of Governors of City Hospitals Sunderland NHS Foundation Trust in accordance with paragraph 24 (5) of Schedule 7 of the National Health Service Act 2006 (the Act) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and summary financial statements, in accordance with directions issued by the Independent Regulator of Foundation Trusts ("Monitor").

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual Report with the statutory financial statements and the Remuneration Report and its compliance with the relevant requirements of the directions issued by Monitor.

We also read the other information contained in the Annual Report and consider the implications of our statement if we become aware of any apparent misstatements or material inconsistencies within the summary financial statements.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. Our report on the statutory financial statements describes the basis of our audit opinion on those financial statements and the Remuneration Report.

Opinion

In our opinion the summary financial statements are consistent with the statutory financial statements and the Remuneration Report of the Trust for the year ended 31 March 2008 and complies with the relevant requirements of the directions issued by Monitor.

We have not considered the effects of any events between the date on which we signed our report on the statutory financial statements and the date of this statement.

Date: 6 August 2008

PricewaterhouseCoopers LLP
89 Sandyford Road
Newcastle upon Tyne NE1 8HW

The maintenance and integrity of the City Hospitals Sunderland NHS Foundation Trust website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FOREWORD TO THE ACCOUNTS

City Hospitals Sunderland NHS Foundation Trust

These accounts for the year ended 31 March 2008 have been prepared, on a going concern basis, by City Hospitals Sunderland NHS Foundation Trust under Schedule 7 (paragraphs 24 and 25) National Health Service Act 2006 in a form which Monitor has, with the approval of the Treasury, directed.

Ken Bremner
Chief Executive

Date: 12 June 2008

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
Income from activities	3	225,938	215,575
Other operating income	4	28,581	25,648
Operating expenses	5-7	(243,912)	(234,298)
OPERATING SURPLUS		10,607	6,925
Cost of fundamental reorganisation/restructuring		(252)	(549)
Profit/(Loss) on disposal of fixed assets	8	14	(16)
SURPLUS BEFORE INTEREST		10,369	6,360
Finance income	9	1,041	228
Interest costs - interest expense	9	(293)	(349)
Other finance costs - unwinding of discount		(24)	(24)
SURPLUS BEFORE TAXATION		11,093	6,215
Taxation		0	(15)
SURPLUS AFTER TAXATION		11,093	6,200
Public Dividend Capital dividends payable		(5,415)	(6,016)
RETAINED SURPLUS FOR PERIOD		5,678	184

BALANCE SHEET AS AT
31 March 2008

	NOTE	31 March 2008 £000	31 March 2007 £000
FIXED ASSETS			
Intangible assets	10	**1,808**	182
Tangible assets	11	**194,492**	165,003
Investments	12	**0**	0
		196,300	165,185
CURRENT ASSETS			
Stocks and work in progress	13	**3,550**	3,260
Debtors; Amounts falling due:	14		
Within one year		**6,996**	9,407
After one year		**898**	1,251
Investments	15	**22,700**	2,712
Cash at bank and in hand	19.3	**443**	1,061
		34,587	17,691
CREDITORS: Amounts falling due within one year	16	**(32,017)**	(17,418)
NET CURRENT ASSETS		**2,570**	273
TOTAL ASSETS LESS CURRENT LIABILITIES		**198,870**	165,458
CREDITORS: Amounts falling due after more than one year	16	**(6,140)**	(6,570)
PROVISIONS FOR LIABILITIES AND CHARGES	17	**(1,661)**	(2,450)
TOTAL ASSETS EMPLOYED		**191,069**	156,438
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital	18.2	**98,906**	96,886
Revaluation reserve	18.3	**89,470**	62,510
Donated asset reserve	18.3	**2,272**	2,299
Income and expenditure reserve	18.3	**421**	(5,257)
TOTAL TAXPAYERS' EQUITY		**191,069**	156,438

Ken Bremner **Date: 12 June 2008**
Chief Executive

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 March 2008

	2007/08	2006/07
	£000	£000
Surplus for the financial year before dividend payments	11,093	6,200
Unrealised surplus on fixed asset revaluations/indexation	27,186	261
Increase in the donated asset reserve due to receipt of donated assets	106	135
Reductions in the donated asset due to the depreciation, impairment and disposal of donated assets	(359)	(363)
Total recognised gains and losses for the financial year	38,026	6,233
Prior period adjustment	0	1,081
Total gains and losses recognised in the financial year	38,026	7,314

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
OPERATING ACTIVITIES			
Net cash inflow from operating activities	19.1	30,702	11,121
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,018	228
Interest paid		(312)	(333)
Net cash inflow/(outflow) from returns on investments and servicing of finance		706	(105)
TAXATION PAID		(15)	0
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(4,512)	(6,022)
Receipts from sale of tangible fixed assets		95	14
Payments to acquire intangible assets		(1,855)	(105)
Net cash outflow from capital expenditure		(6,272)	(6,113)
DIVIDENDS PAID		(5,415)	(6,016)
Net cash inflow/(outflow) before management of liquid resources and financing		19,706	(1,113)
MANAGEMENT OF LIQUID RESOURCES			
Purchase of current asset investments		(22,700)	(2,700)
Sale of current asset investments		2,700	0
Net cash outflow from management of liquid resources		(20,000)	(2,700)
Net cash outflow before financing		(294)	(3,813)
FINANCING			
New public dividend capital received		0	4,556
Loans received from Foundation Trust Financing Facility		0	2,000
Other loans received		0	27,700
Loans repaid to Foundation Trust Financing Facility		(430)	0
Other loans repaid		0	(30,000)
Other capital receipts		106	244
Net cash (outflow)/inflow from financing		(324)	4,500
(Decrease)/increase in cash		(618)	687

NOTES TO THE ACCOUNTS

1. Accounting Policies

Monitor has directed that the financial statements of NHS Foundation Trusts shall meet the accounting requirements of the NHS Foundation Trust Financial Reporting Manual which shall be agreed with HM Treasury. Consequently, these financial statements have been prepared in accordance with the 2007/08 NHS Foundation Trust 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.

1.1 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.

1.2 Acquisitions and Discontinued Operations

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

a. The sale (this may be 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: and

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.

1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the NHS Foundation Trust is under contracts from commissioners in respect of healthcare services. 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.

The NHS Foundation Trust contracts with NHS commissioners on the basis of the Department of Health's Payment by Results methodology. The Trust received a final payment of transitional relief in 2007/08.

The NHS Foundation Trust records and accounts for Clinical Work in Progress. Clinical Work in Progress represents partially completed spells of patient treatment that remain uninvoiced at the end of the financial year. The value of Clinical Work in Progress for 2007/08 amounted to £971k compared to £1,081k in 2006/07.

1.4 Expenditure

Expenditure is accounted for applying the accruals convention.

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

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. 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. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

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.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Charted Surveyors (RICS) Appraisal and Valuation Manual. As per the FReM, an interim valuation of the NHS Foundation Trust's fixed assets was undertaken in 2008 and was applied to the closing 31st March 2008 valuation.

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.

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. Plant and Machinery, Furniture and Fittings and Transport Equipment are subject to annual indexation, including Equipment held within 'Assets Under Construction'.

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.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the NHS Foundation Trust's professional valuers.

Equipment is depreciated on current cost evenly over the estimated life, as follows:

Category	Years
Plant and Machinery	5-15
Transport Equipment	7
Mainframe Information Technology	8
Furniture and Fittings	10
Office and IT Equipment	5
Computer Software Licences	5

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.

1.6 Intangible Fixed Assets

Intangible assets are capitalised when they are capable of being used in the NHS Foundation 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 amortised over the estimated life of the asset on a straightline basis. 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 and amortised over the shorter of the term of the licence and their useful economic lives.

1.7 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.

1.8 Stocks and Work-in-Progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value.

1.9 Cash, Bank and Overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS Foundation Trust's Cash Book. These balances exclude monies held in the NHS Foundation 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" (interest payable also includes interest on the Foundation Trust Financing Facility loan) in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

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. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Where possible, NHS Foundation Trusts disclose the total amount of research and development expenditure charged in the income and expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.11 Provisions

The NHS Foundation 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 significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

1.12 Contingencies

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 entity's control) are not recognised as assets, but are disclosed in note 22 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 disclosed in note 22 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 events not wholly within the entity'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.

Clinical Negligence Costs

The NHS Litigation Authority (NHSLA) operates a risk pool 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 in note 17.

Non-clinical Risk Pooling

The NHS Foundation 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.

1.13 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. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. 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 FRS 17. The NHS Pension Scheme (England and Wales) Resource Account is published annually and can be found on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk

The Scheme is subject to a full actuarial investigation every four years. The last such investigation, published in December 2007, covered the period from 1 April 1999 to 31 March 2004. The conclusion of this investigation was that the scheme had accumulated a notional deficit of £3.3bn against notional assets at 31 March 2004. The basis for this conclusion is set out in the report by the government actuary, which can be found on http://www.nhspa.gov.uk/nhspa_site/foi /foi1/Scheme_Valuation_Report/N

HSPS_Valuation_report.pdf. Taking account of the changes to the benefit and contribution structure effective from 1 April 2008, the conclusion of the investigation was that employer contributions should continue at the existing rate of 14% of pensionable pay. From 1 April 2008, employees will pay contributions according to a tiered scale from 5% to 8.5% of their pensionable pay.

Employers pension cost contributions are charged to operating expenses as and when they become due.

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.

1.14 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.

1.15 Corporation Tax

Under Section 148 of the Finance Act 2004, which amended Section 519A of the Income and Corporation Taxes Act 1988, income generated from Commercial (non-core) activities of Foundation Trusts are subject to Corporation Tax.

The Commercial Trading Accounts of the NHS Foundation Trust have been reviewed to ascertain whether a Tax liability exists, using the following criteria: -

- There is no liability where an activity falls within Section 14(i) of the Health and Social Care Act 2003 i.e. they relate to the provision of core healthcare.
- There is a liability where the activity is entrepreneurial and in direct competition with the private sector.
- Liability exists where profits exceed £50,000 per annum on any activity.

No Corporation Tax liabilities were identified during 2007-08.

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 NHS Foundation Trust has no beneficial interest in them. However, they are disclosed in a separate note 25 to the accounts in accordance with the requirements of the HM Treasury Financial Reporting Manual.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Foundation 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

Public Dividend Capital (PDC) is a type of public sector equity finance based upon the excess of assets over liabilities i.e. the net assets of a public benefit corporation.

A charge, reflecting the forecast cost of capital utilised by the NHS Foundation 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 average relevant net assets of the 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 Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

Note 27 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 Financial Risk Management

Liquidity Risk

The NHS Foundation Trust's net operating costs are incurred under annual service contracts with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The NHS Foundation Trust receives such contract income in accordance with Payment by Results (PBR), which is intended to match the income received in year to the activity delivered in that year by reference to the National Tariff procedure cost. The NHS Foundation Trust receives cash each month based on the agreed level of contract activity and there are quarterly payments/deductions made to adjust for the actual income due under PBR. This means that in periods of significant variance against contracts there can be a significant cash-flow impact. To alleviate this issue the NHS Foundation Trust has maintained an £18,000,000 working capital facility with its current Bankers, this was not utilised in 2007/08.

The NHS Foundation Trust presently finances its capital expenditure from internally generated funds or funds made available from Government, in the form of additional Public Dividend Capital, under an agreed limit. In addition, the NHS Foundation Trust can borrow, both from the Department of Health Financing Facility and commercially to finance capital schemes. Financing is drawn down to match the capital spend profile of the scheme concerned and the NHS Foundation Trust is not, therefore, exposed to significant liquidity risks in this area.

Interest Rate Risk

All of the NHS Foundation Trust's financial assets and financial liabilities carry nil or fixed rates of interest. City Hospitals Sunderland NHS Foundation Trust is not, therefore, exposed to significant interest-rate risk. The only risk is therefore regarding the level of interest generated on the NHS Foundation Trust's investment which may be higher or lower than planned at the start of the year due to fluctuating interest rates. The value of interest generated in 2007/08 was £1,041k and the exposure is therefore limited.

Foreign Currency Exchange Rate Risk

The NHS Foundation Trust has negligible foreign currency income or expenditure.

Treasury Management Arrangements

The NHS Foundation Trust has a Treasury Management Committee that reviews the financial performance of the NHS Foundation Trust's cash investments. The NHS Foundation Trust operates within an agreed Treasury Management policy that governs the nature of cash investments.

1.20 Financial Instruments

Recognition

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the NHS Foundation Trust's normal purchase, sale or usage requirements, are recognised when, and to the extent to which, performance occurs e.g. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described above.

All other financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the NHS Foundation Trust has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

Financial assets are categorised as 'Loans and receivables'. Financial liabilities are classified as 'Other Financial liabilities'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments with are not quoted in an active market. They are included in current assets.

The NHS Foundation Trust's loans and receivables comprise: current investments, cash at bank and in hand, NHS debtors, accrued income and 'other debtors'.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

Impairment of financial assets

At the balance sheet date, the NHS Foundation Trust assesses whether any financial assets are to be impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account and the carrying amount of the asset is reduced through the use of a provision e.g. a bad debt provision.

2. Segmental Analysis

There is no segmental analysis as all activity relates to the provision of healthcare.

3. Income from Activities

	2007/08	2006/07
3.1 Income by activity:	**£000**	£000
Elective income	**58,742**	55,707
Non elective income	**74,508**	72,124
Outpatient income	**35,904**	33,743
NHS Injury Benefit Scheme	**909**	727
Other income	**46,343**	36,403
A & E income	**6,708**	7,007
PBR relief	**2,333**	9,331
Private patient income	**491**	533
TOTAL	**225,938**	215,575

The Terms of Authorisation set out the mandatory goods and services that the Trust is required to provide (Protected Services). All Income from Activities (excl. Private Patients) shown above is derived from the provision of protected services.

		Base year	
	2007/08	2002/03	2006/07
3.2 Private patient income:	**£000**	**£000**	£000
Private patient income	**491**	**501**	533
Total patient related income	**225,938**	**149,495**	215,575
Proportion (as percentage)	**0.22%**	**0.34%**	0.25%

Legislation requires that the proportion of private patient income to the total patient related income of NHS Foundation Trusts should not exceed its proportion whilst the body was an NHS Trust in 2002/03.

3.3 Income by source:

	2007/08	2006/07
	£000	£000
NHS Trusts	**144**	183
Primary Care Trusts	**212,972**	196,238
Department of Health - other	**11,422**	17,894
Non NHS:		
- Private Patients	**491**	533
- NHS injury scheme (was RTA)	**909**	727
	225,938	215,575

4. Other Operating Income

	2007/08	2006/07
	£000	£000
Research and Development	544	443
Education and training	9,185	8,915
Transfers from donated asset reserve in respect of depreciation, impairment and disposal of donated assets	359	363
Non-patient care services to other bodies	4,428	4,721
Other income	14,065	11,206
	28,581	25,648

The main components of "Other Income" include:

	2007/08	2006/07
	£000	£000
Theatre Decontamination	979	0
Prescription Pricing Authority	961	933
Car Parking	624	564
Catering Income	523	569
Digital Hearing Aids	500	325
HCAI Funding	449	0
Rental of Hospital Premises	286	369
Mortuary	206	350
Dental suite repairs	122	600
Early Implementer related income (Agenda for Change)	0	500

5. Operating Expenses

5.1 Operating expenses comprise:

	2007/08	2006/07
	£000	£000
Services from NHS Foundation Trusts	8,346	5,853
Services from NHS Trusts	2,292	2,433
Services from other NHS Bodies	1,954	2,797
Purchase of healthcare from non NHS bodies	113	382
Executive directors costs	961	894
Non-executive directors costs	112	100
Staff costs	159,808	159,124
Drug Costs	15,269	14,419
Supplies and services - clinical	24,506	21,489
Supplies and services - general	5,883	5,247
Establishment	2,948	2,876
Transport	774	638
Premises	9,701	8,716
Increase in bad debt provision	608	102
Other impairment of financial assets	0	0
Depreciation and amortisation	5,304	4,769
Fixed asset impairments	0	265
Audit fees		
audit services- statutory audit	63	65
Other auditors remuneration		
other services	21	293
Clinical negligence	2,536	2,663
Other	2,713	1,173
	243,912	234,298

5.2 Operating leases

5.2/1 Operating expenses include:

	2007/08	2006/07
	£000	£000
Hire of plant and machinery	731	798
Other operating lease rentals	533	525
	1,264	1,323

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2007/08	2006/07	2007/08	2006/07
	Total	Total	Total	Total
	£000	£000	£000	£000
Operating leases which expire:				
- Within 1 year	0	525	61	179
- Between 1 and 5 years	533	0	670	619
	533	525	731	798

5.3 Salary and Pension entitlements of senior managers

Name and Title	Salary (bands of £5000) £000	Other Remuneration (bands of £5000) £000	Golden hello/ compensation for loss of office £000	Benefits in kind £000
Mr K.W.Bremner - Chief Executive	(170 - 175)			
Miss K.Brown - Director of Finance	(105 - 110)			
Mrs C. Scholes - Director of Nursing	(105 - 110)			
Mr B Kilmurray - Director of Strategy and Service Development	(105 - 110)			
Mr L H Boobis - Medical Director	(90 - 95)	(95 - 100)		
Mr D.P.Graham - Chairman	(50 - 55)			
Mr B.Charlton - Non Executive Director	(10 - 15)			
Mr R N Neville - Non Executive Director	(10 - 15)			
Mr D Clifford - Non Executive Director	(10 - 15)			
Ms M. Harte - Non Executive Director(Commenced 01/09/2007)	(5 - 10)			
Mr M Davison - Non Executive Director	-			

Plus Lease Cars (Exc Chairman and Non Execs). Car allowances are between £6-8k per individual.

No salary costs incurred during 2007-08 for Mr M Davison. Fees of £13k were paid to his employer, Port of Tyne Authority.

A sum of £41,000 for the Executive Directors has been provisionally approved by the Remuneration Committee but has yet to be notified to the Executive Directors.

5.3 Salary and Pension entitlements of senior managers

B) Pension Benefits

Name and title	Real increase in pension at age 60 (bands of £2500) £000	Total accrued pension and lump sum at age 60 at 31 March 2008 (bands of £2500) £000	Cash Equivalent Transfer Value at 31 March 2008 £000	Cash Equivalent Transfer Value at 31 March 2007 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension To nearest £100
Mr K.W.Bremner - Chief Executive	5.0 - 7.5	220.0 - 222.5	787	736	36	0
Mrs C. Scholes - Director of Nursing	12.5. - 15.0	177.5 - 178.0	730	648	57	0
Mr B. Kilmurray - Director of Strategy & Service Development	10.0 - 12.5	62.5 - 65.0	161	128	23	0
Miss K.Brown - Director of Finance	7.5 - 10.0	82.5 - 85.0	253	219	23	0
Mr L H Boobis - Medical Director	15.0 - 17.5	252.5 - 255.0	1140	1050	64	0

As Non-Executive Directors do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive Directors.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2005-06 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

6. Staff costs and numbers

6.1 Staff costs (Including Executive Directors Costs)

	2007/08 Total £000	Permanently Employed £000	Other £000	2006/07 £000
Salaries and wages	**132,838**	126,035	6,803	133,746
Social Security Costs	**10,333**	9,462	871	10,604
Employer contributions to NHSPA	**14,894**	13,942	952	15,009
Other pension costs	**48**	48	0	54
Agency/contract staff	**2,910**	0	2,910	712
	161,023	**149,487**	**11,536**	160,125

6.2 Average number of persons employed

(The figures shown represent the Whole Time Equivalent as opposed to the number of employees)

	2007/08 Total Number	Permanently Employed Number	Other Number	2006/07 Number
Medical and dental	**485**	365	120	476
Administration and estates	**1,103**	1,103	0	826
Healthcare assistants and other support staff	**812**	812	0	336
Nursing, midwifery and health visiting staff	**1,397**	1,397	0	1,990
Scientific, therapeutic and technical staff	**470**	470	0	802
Bank and agency staff	**37**	0	37	18
Total	**4,304**	**4,147**	**157**	4,448

The in year move from IPS to ESR has led to a reclassification of WTEs between staff groups. The data cleansing exercise undertaken during the transition to ESR has resulted in a more accurate reflection of the Trust workforce.

6.3 Employee benefits

There were no employee benefits authorised during 2007/08 (2006-07 £Nil)

6.4 Management costs

	2007/08	2006/07
	£000	£000
Management costs	9,221	8,870
Income	254,519	241,223

Management costs are defined as those on the management costs website at: www.dh.gov.uk/en/Managingyourorganisation/Financeandplanning/NHSmanagementcosts/index.htm

6.5 Retirements due to ill-health

During 2007/08 (prior year 2006/07) there were 7 (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 £380,506 (£273,687). The cost of these ill-health retirements will be borne by the NHS Pensions Agency.

	2007/08	2006/07
7. The Late Payment of Commercial Debts (Interest) Act 1998	£000	£000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

8. Profit/(Loss) on Disposal of Fixed Assets

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

	2007/08	2006/07
	£000	£000
Profit on disposal of land and buildings	14	0
Loss on disposal of other tangible fixed assets	0	(16)
	14	(16)

9.1 Finance Income

	2007/08	2006/07
	£000	£000
Interest on loans and receivables	1,041	228

9.2 Finance costs - interest expense

	2007/08	2006/07
	£000	£000
Loans from the Foundation Trust Financing Facility	(293)	(284)
Commercial loans	0	(65)
	(293)	(349)

10. Intangible Fixed Assets

10.1 Intangible Fixed Assets

	Software Licences
	£000
Gross cost at 1 April 2007	687
Additions purchased	1,855
Gross cost at 31 March 2008	**2,542**
Amortisation at 1 April 2007	505
Provided during the year	229
Amortisation at 31 March 2008	**734**
Net book value	
- Purchased at 1 April 2007	182
- Donated at 1 April 2007	0
- Total at 1 April 2007	**182**
- Purchased at 31 March 2008	1,808
- Donated at 31 March 2008	0
- Total at 31 March 2008	**1,808**

10.2 Analysis of intangible fixed assets

	£000
Net book value	
- Unprotected assets at 31 March 2008	1,808

11. Tangible Fixed Assets

11.1 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 and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2007	24,989	132,461	1,732	907	36,321	972	10,379	1,695	209,456
Additions purchased	0	0	0	7,352	0	0	0	0	7,352
Additions donated	0	0	0	0	98	0	0	8	106
Reclassifications	0	2,604	0	(7,062)	2,403	78	1,933	44	0
Other in year revaluation	1,906	16,400	184	0	966	19	0	45	19,520
Disposals	(34)	0	(49)	0	0	0	0	0	(83)
At 31 March 2008	**26,861**	**151,465**	**1,867**	**1,197**	**39,788**	**1,069**	**12,312**	**1,792**	**236,351**
Depreciation at 1 April 2007	0	6,483	71	0	27,106	835	8,518	1,440	44,453
Provided during the year	0	1,861	27	0	2,536	45	559	47	5,075
Other in year revaluation	0	(8,344)	(95)	0	720	15	0	38	(7,666)
Disposals	0	0	(3)	0	0	0	0	0	(3)
Depreciation at 31 March 2008	**0**	**0**	**0**	**0**	**30,362**	**895**	**9,077**	**1,525**	**41,859**
Net book value									
- Purchased at 1 April 2007	24,989	125,125	1,661	907	7,834	137	1,802	247	162,702
- Donated at 1 April 2007	0	853	0	0	1,381	0	59	8	2,301
Total at 1 April 2007	**24,989**	**125,978**	**1,661**	**907**	**9,215**	**137**	**1,861**	**255**	**165,003**
- Purchased at 31 March 2008	26,861	150,435	1,867	1,197	8,236	174	3,188	262	192,220
- Donated at 31 March 2008	0	1,030	0	0	1,190	0	47	5	2,272
Total at 31 March 2008	**26,861**	**151,465**	**1,867**	**1,197**	**9,426**	**174**	**3,235**	**267**	**194,492**

11.2 Analysis of tangible fixed assets

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and Machinery	Transport Equipment	Information Technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value									
- Protected assets at 31 March 2008	25,622	146,035	0	0	0	0	0	0	171,657
- Unprotected assets at 31 March 2008	1,239	5,430	1,867	1,197	9,426	174	3,235	267	22,835
Total at 31 March 2008	**26,861**	**151,465**	**1,867**	**1,197**	**9,426**	**174**	**3,235**	**267**	**194,492**

11.3 Tangible Fixed Assets

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

The Trust held no assets under finance leases and hire purchase agreements at the balance sheet date.

11.4 The net book value of land, buildings and dwellings at 31 March 2008 comprises:

	Total	Protected	Unprotected
	£000	£000	£000
Freehold	**180,193**	171,657	8,536

11.5 Impairment of assets

No assets were impaired during 2007-08

12 Fixed Asset Investments

The Trust does not hold any Fixed Asset Investments (2006-07 £Nil)

13. Stocks and Work in Progress

	31 March 2008 £000	31 March 2007 £000
Raw materials and consumables	**3,550**	3,260

14.1 Debtors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
NHS Debtors	4,812	5,931
Provision for irrecoverable debts	(198)	(232)
Other prepayments and accrued income	454	1,230
Other debtors	1,928	2,478
Sub Total	6,996	9,407
Amounts falling due after more than one year:		
NHS Debtors	442	437
Provision for irrecoverable debts	(703)	(68)
Other debtors	1,159	882
Sub Total	898	1,251
TOTAL	7,894	10,658

Note 14.2. Provision for impairment of Non NHS Debtors

	31 March 2008 £000	31 March 2007 £000
At 1 April 2007	300	218
Provision for debtors impairment	901	300
Unused amounts reversed	(300)	(218)
At 31 March 2008	901	300

Note 14.3. Analysis of impaired debtors

	31 March 2008 £000	31 March 2007 £000
Ageing of impaired debtors		
- Up to three months	215	144
- In three to six months	163	5
- Over six months	52	255
Total	430	404
Ageing of non-impaired debtors past their due date		
- Up to three months	800	3,111
- In three to six months	(1,610)	(55)
- Over six months	258	574
Total	(552)	3,630

15. Current asset investments:

	Total	EU Carbon Emissions Scheme	Short Term Investment
	£000	£000	£000
Cost as at 1 April 2007	2,712	12	2,700
Additions	22,700	0	22,700
Disposals	(2,712)	(12)	(2,700)
Cost as at 31 March 2008	**22,700**	0	22,700

16. Creditors

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

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Current instalments due on loans	430*	430
Interest payable	47	66
NHS creditors	6,774	2,892
Corporation tax payable	0	15
Other tax and social security costs	3,463	3,401
Superannuation costs	1,712	1,711
Non - NHS trade creditors - capital	4,204	1,258
Non - NHS trade creditors - revenue - other	6,653	3,102
Other creditors	3,122	1,170
Accruals and deferred income	5,612	3,373
Sub Total	32,017	17,418
Amounts falling due after more than one year:		
Long - term loans	6,140*	6,570
TOTAL	38,157	23,988

* Foundation Trust Financing Facility Loan

16.2 Prudential borrowing limit:

	31 March 2008 £000	31 March 2007 £000
Total long term borrowing limit set by Monitor	30,900	18,700
Working capital facility agreed by Monitor	18,000	18,000
Total Prudential borrowing limit	48,900	36,700
Long term borrowing at 1 April 2007	7,000	
Net actual repayment in year - long term	(430)	
Long term borrowing at 31 March 2008	6,570	
Working capital borrowing at 1 April 2007	0	
Net actual borrowing/(repayment) in year - working capital	0	
Working capital borrowing at 31 March 2008	0	

16.2 Prudential borrowing limit (Con't) :

The NHS Foundation Trust is required to comply and remain within the prudential borrowing limit. This is made up of two elements:

- the maximum cumulative amount of long term borrowing. This is set by reference to the five ratios set out in Monitor's Prudential Borrowing Code. The financial risk rating set under Monitor's Compliance Framework determines one of the ratios and therefore can impact on the long term borrowing limit
- the amount of any working capital facility approved by Monitor.

Further information on the NHS Foundation Trusts Prudential Borrowing Code and Compliance Framework can be found on the website of Monitor, the Independent Regulator of Foundation Trusts.

The Trust has a prudential borrowing limit of £30.9m in 2007/08 (£18.7m 2006/07). The Trust has previously borrowed £7m against this facility of which there is £6.57m outstanding (£7m 2006/07).

In addition to its prudential borrowing limit, the Trust has an approved working capital facility of £18m in 2007/08 (£18m 2006/07).

The Trust had an unutilised working capital facility at 31 March 2008 (£nil at 31 March 2007).

Financial Ratio	Actual Ratios 2007/08	Approved PBL Ratios 2007/08	Actual Ratios 2006/07	Approved PBL 2006/07
Maximum debt capital cover	3.0%	4.0%	4.0%	4.0%
Minimum dividend cover	3.1x	2.3x	1.9x	2.2x
Minimum interest cover	56.5x	41.8x	33.1x	29.5x
Minimum debt service cover	23.2x	17.3x	33.1x	29.5x
Maximum debt service to revenue	0.3%	0.3%	0.1%	0.2%

16. Creditors (Con't)

16.3 Loans - payment of loan principal falling due (Foundation Trust Financing Facility)

	31 March 2008	31 March 2007
Amounts falling due:	£000	£000
Within one year	430	430
Between one to two years	430	430
Between two to five years	1,290	1,290
After five years	4,420	4,850
TOTAL	6,570	7,000

	£000	£000
Repayable within five years	2,150	2,150
Repayable after five years, not by instalments	0	0
Repayable after five years, by instalments	4,420	4,850
	6,570	7,000

Foundation Trust Financing Facility Loan

	Interest rate %	£000
Tranche A : Repayable by instalments of £104,000 every 6 months commenced 31 July 2007	4.25	5,000
Tranche B : Repayable by instalments of £111,000 every 6 months commenced 31 July 2007	4.30	2,000

Other Loans

Revolving Loan Facility	Base Rate + 0.65%	Nil

17. Provisions for liabilities and charges

	Pensions relating to other staff	Legal claims	Other	Total
	£000	£000	£000	£000
At 1 April 2007	627	328	1,495	**2,450**
Prior period adjustments	0	0	0	**0**
At 1 April , as restated	627	328	1,495	**2,450**
Arising during the year	14	62	47	**123**
Utilised during the year	(62)	(116)	(641)	**(819)**
Reversed unused	0	(104)	(13)	**(117)**
Unwinding of discount	14	0	10	**24**
At 31 March 2008	**593**	**170**	**898**	**1,661**
Expected timing of cashflows:				
Within one year	69	170	456	**695**
Between one and five years	255	0	69	**324**
After five years	269	0	373	**642**
	593	**170**	**898**	**1,661**

'Pensions Relating to Other Staff' include;

The total of £593k includes £583k in respect of Pre March 1995 Early Retirement Pensions and £10k for post 1995 Early Retirements. The provision relates to the latest information as provided by the NHS Pensions Agency and applies to 42 ex-employees (43 2006-07)

'Legal' claims include;

Provisions amounting to £170k relating to Public Liability and Employer Liability claims. The information supporting each claim within this provision has been supplied by either the Trust's or NHSLA's solicitors.

'Other' claims include;

- A back to back provision with a number of Primary Care Trusts in respect of Permanent Injury Benefits. A £458k provision is included based upon the latest information as supplied by the NHS Pension Agency.
- A provision of £440k relating to expected payments in relation to Agenda for Change.

CNST Liabilities

£39,694,159 is included in the accounts of the NHS Litigation Authority at 31/3/2008 in respect of clinical negligence liabilities of the Trust (31/3/2007 £30,279,374)

18.1 Movement in taxpayers' equity:

	31 March 2008	31 March 2007
	£000	£000
Taxpayers' equity at start of period	156,438	150,584
Prior period adjustments	0	1,081
Taxpayers' equity at start of period, as restated	156,438	151,665
Surplus for the financial year	11,093	6,200
Public Dividend Capital dividends	(5,415)	(6,016)
Gains from revaluation of fixed assets and current asset investments	27,186	219
New Public Dividend Capital received	0	4,881
Public Dividend Capital repayable (creditor)	1,695	0
Other movements in Public Dividend Capital in year	325	(325)
Reductions in donated asset reserve	(253)	(186)
Taxpayers' equity at 31 March	191,069	156,438

18.2. Movement in Public Dividend Capital

	31 March 2008	31 March 2007
	£000	£000
Public Dividend Capital as at 1 April 2007	96,886	92,330
New Public Dividend Capital received	0	4,881
Public Dividend Capital repayable (creditor)	1,695	0
Other movements in Public Dividend Capital in year	325	(325)
Public Dividend Capital as at 31 March	98,906	96,886

18.3 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 2007	62,510	2,299	(5,257)	**59,552**
Transfer from the income and expenditure account	0	0	5,678	**5,678**
Surplus on other revaluations/indexation of fixed assets	26,960	226	0	**27,186**
Receipt of donated assets	0	106	0	**106**
Transfers to the Income and Expenditure Account for depreciation, impairment, and disposal of donated/government granted assets	0	(359)	0	**(359)**
At 31 March 2008	**89,470**	**2,272**	**421**	**92,163**

19. Notes to the Cash Flow Statement

19. 1 Reconciliation of operating surplus to net cash flow from operating activities:

	31 March 2008	31 March 2007
	£000	£000
Total operating surplus	10,607	6,925
Depreciation and amortisation charge	5,304	4,769
Fixed asset impairments	0	265
Transfer from donated asset reserve	(359)	(363)
Other movements	325	(15)
(Increase)/decrease in stocks	(290)	173
Decrease/(increase) in debtors	2,764	(1,159)
Increase in creditors	13,348	851
(Decrease)/increase in provisions	(745)	224
Net cash inflow from operating activities before restructuring costs	30,954	11,670
Payments in respect of fundamental reorganisation/restructuring	(252)	(549)
Net cash inflow from operating activities	30,702	11,121

19.2 Reconciliation of net cash flow to movement in net debt

	31 March 2008	31 March 2007
	£000	£000
(Decrease)/increase in cash in the period	(618)	687
Cash inflow from new debt	0	(29,700)
Cash outflow from debt repaid and finance lease capital payments	430	30,000
Cash outflow from increase in liquid resources	20,000	2,700
Change in net debt resulting from cashflows	19,812	3,687
Non - cash changes in debt	(12)	(199)
Change in net funds	19,800	3,488
Net funds / (debt) at 1 April 2007	(3,227)	(6,715)
Net funds at 31 March	16,573	(3,227)

19.3 Analysis of changes in net debt

	At 1 April 2007	Cash changes in year	Non-cash changes in year	**At 31 March 2008**
	£000	£000	£000	**£000**
OPG cash at bank	960	(718)	0	**242**
Commercial cash at bank and in hand	101	100	0	**201**
Debt due within one year	(430)	0	0	**(430)**
Debt due after one year	(6,570)	430	0	**(6,140)**
Current asset investments	2,712	20,000	(12)	**22,700**
	(3,227)	**19,812**	**(12)**	**16,573**

20. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £1,607,000 (£4,033,000 at 31st March 07) Capital commitments relate to the following schemes;

Demolition of Kayll Road Block - £124k
Decontamination Instruments - £79k
MERP - £322k
PACS - £770k
Control of Infection - £78k
Scanners - £76k
Combined Heat and Power - £158k

The above are on going schemes that have a contractual commitment as at 31st March 2008.

21. Post Balance Sheet Events

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

22. Contingencies

	31 March 2008 £000	31 March 2007 £000
Gross estimated value of Non-Clinical Liabilities	(170)	(276)
Expected recoverable amount	75	161
Net value contingent liabilities	(95)	(115)

A provision relating to claims in respect of the above contingencies is contained within Note 17 "Provisions for Liabilities and Charges" under the heading "Legal Claims". The sum disclosed above relates to that element of the claim for which the Trust has not made provision.

To date, the Trust has received a total of 444 Equal Pay claims. As there are no results of "Test" cases available at this stage the Trust is unable to calculate potential settlement costs payable to the claimants.

23.1 Related Party Transactions

	Income £000	Expenditure £000
Value of transactions with Board Members in 2007/08	0	0
Value of transactions with key staff members in 2007/08	0	0
Value of transactions with NHS bodies in 2007/08	249,387	21,618
Value of transactions with City Hospitals Sunderland Charitable Funds in 2007/08	399	466
Value of transactions with other related parties in 2007/08	855	60,653

23.2 Related Party Balances

	Debtor £000	Creditor £000
Value of balances (other than salary) with Board Members at 31 March 2008	0	0
Value of balances (other than salary) with key staff at 31 March 2008	0	0
Value of balances with NHS bodies at 31 March 2008	5,254	6,774
Value of balances with City Hospitals Sunderland Charitable Funds at 31 March 2008	0	17
Value of balances with other related parties at 31 March 2008	375	5,175

23. Related Party Transactions (Con't) :

City Hospitals Sunderland NHS Foundation Trust is a Public Benefit Corporation established by the Health and Social Care (Community Health and Standards)2003 Act.

The Trust has a system in place which allows for the identification of all new Related Party Transactions

As NHS Foundation Trusts and NHS Trusts have common control through the Secretary of State, there is an assumption that Government departments and agencies of Government departments are related Parties.

The Department of Health is regarded as a related party. During the period April 07 - March 08 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. These entities are listed below:

North East Strategic Health Authority
Sunderland Teaching Primary Care Trust
County Durham Primary Care Trust
South Tyneside Primary Care Trust
Northumberland Tyne and Wear Mental Health Care Trust
County Durham and Darlington NHS Foundation Trust
The Newcastle Upon Tyne Hospitals NHS Foundation Trust
North East Ambulance Services NHS Trust
South Tyneside NHS Foundation Trust
Prescription Pricing Authority
National Blood Service
NHS Litigation Authority
NHS Supplies Chain
Other Primary Care, NHS Trusts and NHS Foundation Trusts
Sunderland City Metropolitan Borough Council

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 University of Newcastle in relation to the funding of medical education.

The following Non Executive Directors have interests in related parties: Mr Bryan Charlton - Labour Councillor.

The Trust has also received revenue and capital payments from a number of charitable funds, the Trustee of which is City Hospitals Sunderland NHS Foundation Trust, approved by members of its Trust Board.

24.1 Financial Assets

	Floating rate
	£000
Denominated in £ Sterling	29,373
In other currencies, restated in £ sterling	0
Gross financial assets at 31 March 2008	**29,373**
Denominated in £ Sterling	11,428
In other currencies, restated in £ sterling	0
Gross financial assets at 31 March 2007	**11,428**

24.2 Financial Liabilities

	Floating rate
	£000
Denominated in £ Sterling	33,263
In other currencies, restated in £ sterling	0
Gross financial liabilities at 31 March 2008	**33,263**
Denominated in £ Sterling	20,444
In other currencies, restated in £ sterling	0
Gross financial liabilities at 31 March 2007	**20,444**

Note 24.3a Financial assets by category

	Total	Loans and receivables
	£000	£000
Assets as per balance sheet		
NHS Debtors (net of provision for irrecoverable debts)	5,254	5,254
Other debtors	976	976
Current asset investments	22,700	22,700
Cash at bank and in hand	443	443
Total at 31 March 2008	29,373	29,373
NHS Debtors (net of provision for irrecoverable debts)	6,368	6,368
Other debtors	1,299	1,299
Current asset investments	2,700	2,700
Cash at bank and in hand	1,061	1,061
Total at 31 March 2007	11,428	11,428

Note 24.3b Financial liabilities by category

	Total	Other financial liabilities
	£000	£000
Liabilities as per balance sheet		
Loans	6,617	6,617
NHS Creditors	6,774	6,774
Other creditors	15,331	15,331
Accruals	4,541	4,541
Total at 31 March 2008	33,263	33,263
Loans	7,066	7,066
NHS Creditors	2,892	2,892
Other creditors	7,256	7,256
Accruals	3,230	3,230
Total at 31 March 2007	20,444	20,444

Note 24.4a Fair values of financial assets at 31 March 2008

	Book Value £000	Fair value £000
Debtors over 1 year - Agreements with commissioners to cover creditors and provisions	442	442
Investments	22,700	22,716*
Other	443	443
Total	**23,585**	**23,601**

* The fair value of the investment includes £16k interest.

Note 24.4b Fair values of financial liabilities at 31 March 2008

	Book Value £000	Fair value £000
Loans	9,998	9,528
Total	**9,998**	**9,528**

Note 24.5 Maturity of financial liabilities

	2007/08 £000	2006/07 £000
Less than one year	27,123	13,874
In more than one year but not more than two years	430	430
In more than two years but not more than five years	1,290	1,290
In more than five years	4,420	4,850
Total	**33,263**	**20,444**

The Trust does not deem the maturity of its financial liabilities to be subject to significant liquidity risk.

25 Third Party Assets

The Trust held £10,904 cash at bank and in hand at 31/03/08 (£391 – at 31/03/07) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

26 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	4,428	442	7,847	0
Balances with NHS Trusts and Foundation Trusts	759	0	4,102	0
Balances with bodies external to government	1,809	456	20,068	6,140
At 31 March 2008	6,996	898	32,017	6,140
Balances with other Central Government Bodies	4,855	437	6,177	0
Balances with Local Authorities	2	0	0	0
Balances with NHS Trusts and Foundation Trusts	1,248	0	1,723	0
Balances with Public Corporations and Trading Funds	0	0	119	0
Balances with bodies external to government	3,302	814	9,399	6,570
At 31 March 2007	9,407	1,251	17,418	6,570

27 Public Dividend Capital Dividend

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 £5,415,000, bears to the average relevant net assets of £138,927,000 that is 3.7%.

28 Losses and Special Payments

NHS Foundation Trusts are required to follow the guidance issued by the Department of Health in accounting for losses and special payments:

- These 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 divided into different categories, which govern the way each individual case is handled.

The number and value of losses and special payment cases:

		1 April 2007 to 31 March 2008		1 April 2006 to 31 March 2007	
Ref.	Category of loss / special payment	Number of cases	Value of cases (£)	Number of cases	Value of cases (£)
1a	Losses of cash due to theft, fraud etc	0	0	0	0
1b	Losses of cash due to overpayment of salaries etc.	9	2,991	8	2,959
1c	Losses of cash due to other causes	6	117	7	3,845
3a	Bad debts and claims abandoned – private patients	7	436	6	631
3b	Bad debts and claims abandoned – overseas visitors	2	425	2	3,224
3c	Bad debts and claims abandoned – other	362	3,734	407	8,177
4a	Damage to buildings, loss of equipment and property due to theft, fraud etc	10	3,410	14	2,625
4b	Damage to buildings, loss of equipment and property due to other causes	87	94,817	87	105,808
7a	Ex-gratia payments for loss of personal effects	32	5,293	38	3,768
7c	Ex-gratia payments for personal injury with advice	23	102,774	16	97,818
7e	Ex-gratia payments - other	48	288,101	79	548,676
7f	Ex-gratia payments - maladministration	0	0	1	3,243
	Total Losses and Special Payments	**586**	**502,098**	665	780,774

The above values have been calculated on a cash basis and do not include any accruals.
All payments are final.