

Annual Accounts

St George's

for the year ended
31 March 2008

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Directors' statements

Statement of the Chief Executive's responsibilities as the accountable officer of the Trust

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

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



David Astley

Chief Executive Date: 18th June 2008

Statement of directors' responsibilities in respect to the accounts

The directors are required under the National Health Service 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 they have complied with the above requirements in preparing the accounts.

By order of the Board



David Astley

Chief Executive Date 18/06/2008



Richard Eley

Director of Finance Date 18/06/2008

STATEMENT ON INTERNAL CONTROL 2007/08

1. Scope of responsibility

The Trust Board is accountable for the organisation's internal control systems. 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 am also personally responsible for safeguarding the public funds and the organisation's assets, as set out in the Accountable Officer Memorandum.

Accountability for Risk Management is set out in the Trust's Governance and Risk Management Strategy, where Executive responsibilities for specific areas of risk are identified.

Improving patient care and safety is a key objective that the Trust achieves by working closely with partner organisations and the Strategic Health Authority. (NHS London) A number of initiatives furthering partnership working include liaison with the Merton and Wandsworth Overview & Scrutiny Committees, Patient and Public Involvement activities, the Bolingbroke Steering Group, the Workforce Confederation and Service Level Agreement negotiations with local Primary Care Trust's (PCTs).

2. The purpose of the system of internal control

The system of internal control is designed to manage or mitigate risk and improve patient care and safety and is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives; and
- evaluate the probability and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in St George's Healthcare NHS Trust for the year ended 31 March 2008 and embedded up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust is committed to providing high quality services in a safe and secure environment for all patients and staff. As Chief Executive I have overall responsibility for all risk management and ensuring that the organisational structure and resource is in place to make sure this occurs. Senior leadership in this process is delegated through the Trust Executive Directors and operationalised through the Divisions, Directorates, Care Groups and Governance committee structures, which have been realigned to ensure more robust integrated governance and accountability arrangements. This system provides a central steer whilst supporting local ownership in managing and controlling risks to which the Trust may be exposed.

Through the Divisions, Directorates and Care Groups the Trust has systems in place to identify risks, assess their impact and devise strategies to manage and mitigate them. Risk management training and education are available for Trust staff, relevant to their authority and duties. Expert guidance and facilitation from the Corporate Risk

Management Team supports this function.

Actions taken to reduce risks are regularly monitored and reported, at Care Group, Directorate, Corporate Committee and Trust Board level. These actions also incorporate recommendations from external assurance assessments promoting both organisational and individual learning and the dissemination of good practice within the Trust.

4. The risk and control framework

The key elements of the Trust's Governance and Risk Management Strategy are to manage and control identified risks, whether clinical, non-clinical or financial, appropriately. This is achieved through a sound organisational framework, which promotes early identification of risk, the co-ordination of risk management activity, the provision of a safe environment for staff and patients, and the effective use of financial resources. It ensures staff are aware of their roles and responsibilities and outlines the structures and processes through which risk is assessed, controlled and managed.

Risks are identified through feedback from many sources, such as, proactive risk assessments, incident reporting and trends, clinical audit data, complaints, legal claims, patient and public feedback, stakeholder/partnership feedback and internal/external assurance assessments.

Risks are evaluated using a recognised risk assessment tool, which assesses the impact and likelihood of the risk occurring using a 5 x 5 matrix scoring system. This risk score feeds into the decision-making process about whether a risk is considered tolerable. When a risk is accepted as tolerable it is monitored, not disregarded. Higher level unaccepted risks require control measures to reduce them to a tolerable/acceptable level. The level of control required is informed by the risk score, the risk is then prioritised. A designated person is responsible for reviewing, reporting, reassessing and monitoring the effectiveness of the controls in place to manage and mitigate the risk.

Risk management is embedded within the organisation through the Corporate, Divisional, Directorate and Care Group structures and the reporting and feedback mechanisms in place. Systems are in place to ensure that the necessary risk assessments are carried out, risk registers are maintained, risk action plans approved, control measures implemented and monitored, and action plans are reported, reviewed and monitored. The Governance Directorate, which includes Risk & Safety Management, support staff and disseminate good practice across the organisation. Involvement in risk management activities is also included within the Trust's objective setting and individual performance review of staff and the organisation's business planning process.

The Trust's Assurance Framework, based on the Trust's corporate objectives, and ratified by the Trust Board, is a high-level document based on structured and on-going assessment of the principal risks to the Trust achieving its corporate objectives and the controls and assurances mechanisms in place to manage them. The Trust's 07/08 objectives were aligned to the 7 domains of the DH Standards for Better Health 2004 and covered all of the organisation's functions. Material risks, which form part of the Corporate Risk Register, have also been linked into the Assurance Framework, as have details of sources of available positive or negative assurances.

The Governance, Organisational Risk Committees and the Trust Board regularly reviewed Action Plans during 2007/08. From Q1 07/08 Divisional Risk Registers were reviewed by the Organisational Risk Committee and Corporate high-level risks by the Governance Committee. Exception reports were escalated to the Trust Board via the Governance Committee, with regular reports provided to the Audit Committee.

Key stakeholders are involved in the management of risks via patient and public involvement groups and activities, patient and staff surveys, public Board meetings, the Patient Forum and the local Overview and Scrutiny Committees.

Assessment of the Assurance Framework identified some weaknesses and gaps in control and assurances in relation to some of the potential risks identified. These have, or are, being addressed through the Trust's Assurance Framework/Standards for Better Health Action Plans, covering areas of compliance with the DH Core Standards for Better Health domains. The Assurance Framework has been internally audited during 07/08 and found to be fit for purpose. An extract from the draft HOIA opinion states:

The assurance framework "Meets Reasonable Achievement" for each of the 13 Key Components of the Department of Health's guidance.

This section reviews the Assurance Framework and particularly highlights significant gaps in control or assurance which align with our areas of non compliance with some Core Standards for Better Health. Key actions to address areas of non compliance are highlighted.

Safety Domain:

The Trust achieved a Level 2 accreditation in the new NHSLA Risk Management Standards for Acute Trusts in December 2007 which is a significant achievement and applicable for three years from the date of the assessment

The Trust declared 'Met' in their 07/08 Core Standards for Better Health submission for criteria 4a following a declaration of 'Not Met' in 06/07.. The National MRSA reduction target for 2007/8 was met. The local target of a 10% reduction in cases of *C difficile* compared with the previous year was met and slightly bettered. The lead Executive Director for Infection Control provides regular reports to the Trust Board on control of infection issues and invited a peer review visit with a neighbouring Trust to assess compliance with all the duties of the Health Act 2006. The Healthcare Commission made an unannounced inspection visit in March 2008 to assess the Trust's compliance against the Hygiene Code (Health Act 2006). The draft report of the inspection was received on the 18th April. The draft report does not identify any notable failings. The final report incorporating any recommendations is expected in May. An Infection Control taskforce chaired by the Director of Infection Prevention and Control and attended by the Chief Executive continues to meet fortnightly to progress strategies to continually reduce Hospital Acquired Infections and monitor outcomes.

Some decontamination issues were identified in year which were performance managed and regularly monitored leading to a sustained reduction in incidents.

Clinical and Cost effectiveness Domain

The Complaints & Improvements Department continues to monitor the implementation of recommendations arising from complaints within all Clinical Divisions.

Governance Domain

Financial Governance

The Trust had a financial recovery plan and a Programme Management office, to continue to monitor achievement of the financial targets and the key NHS performance targets during 2007/08. The Trust earned a revenue surplus of £5.9m in 2007/08 after four successive years of revenue deficits and was able to reduce its outstanding loans with the Department of Health by £2m. As at the end of 2007/08 the Trust has an underlying revenue position of break-even.

Significant control issue

Although the Trust greatly improved its financial performance in 2007/08 the accumulated revenue deficit from previous years is £32.1m as at the end of 2007/08 and the Trust has breached the statutory requirement to break-even over the five year period ending 31 March 2008. Accordingly the Trust has submitted proposals for discussion with NHS London for the recovery of the accumulated revenue deficit by 2012/13.

Recognising that controls over payroll and related processes could be strengthened, the Trust developed an action plan which was submitted to the Audit Committee on 6 June 2007 for full implementation by August 2007. Further systems improvements were implemented by the newly-created Pay Processes & ESR Project Board between January and March 2008 to provide further assurances over payroll and related processes.

Research Governance

Core Standard C12

The Trust declared 'Not Met' in their 07/08 Standards for Better Health submission for criteria C12 in relation to Research Governance compliance.

The Trust underwent inspection by the MHRA in October 2007 in respect of the management of clinical Trials. The MHRA report detailed some critical findings. A full response and a detailed action plan to meet compliance with the critical findings was completed at the end of March 2008 and was regularly reviewed by the Governance Committee and Trust Board.. The Trust is awaiting confirmation from the MHRA re any major findings which may require further action.

Education and training

Core Standard C8b

The Trust declared 'Not Met' in their 07/08 Standards for Better Health submission for criteria C8b in relation to staff appraisals.

The Trust has identified outstanding issues regarding the implementation of staff appraisal at all levels of the Trust. The appointment of a dedicated appraisal project manager in early 2008 is an important indicator of the trust's commitment to improve coverage during 08-09. This forms one action among a number set out in the 2006 staff attitude survey action plan received by the trust board, which will be updated to reflect the outcomes of the 2007 survey.

Core Standard C11b

The Trust declared 'Not Met' in their 07/08 Standards for Better Health submission for criteria C11b in relation to statutory and mandatory training.

Full implementation of training needs analysis and recording of training undertaken was due to be completed in 07/08. However the new Director of HR continues to assess these issues, following the NHSLA Risk Management Standards Assessment in December 2007 and other feedback. Mandatory training requires consistent dedicated attention across a range of areas including the confirmation of achievable minimum standards to ensuring full coverage across all key professional groups. A project to manage this is presently being mobilised.

Progress with the implementation of the appraisal system and mandatory training will be regularly reported via the appropriate committees and the Trust's performance management regime.

Information Governance

Information Governance self-assessment remedial action plans continue to be implemented. A new Information Governance Manager has been appointed to take this work forward. An overall score of 71% was achieved on the IG Toolkit assessment 07/08.

Information Governance Assurance Project

The Trust has signed off the four phases of the Information Governance Assurance Project.

Over 2000 personal information flows have been mapped across the Trust as per the CFH IG mapping tool. Risk analysis and mitigation has been initiated and will remain an ongoing process as part of the IG action plan.

Staff awareness of information Governance issues has been raised throughout the mapping project and a further communication campaign is being implemented, together with targeted training through the iCLIP Project.

IG Policies and procedures are being reviewed and amended in line with IGAP and DOH guidance and as part of the evolving IG landscape.

Full disk encryption of laptops, as a first step, is being addressed, to be followed by further implementation of the National Encryption Procurement solution in consultation with other London Trusts and the SHA.

The ICLIP Programme is underway and risks are managed utilising the Programme Management methodology.

Significant control issues

The Trust has declared two serious untoward incidents to the SHA NHS London related to breaches of confidentiality in line with DH Guidance Gateway Reference No 9912 May 2008 during 2007/08

The incidents related to the following:

Loss of PCs during refurbishment of offices

Loss of patient referral letters.

All of the incidents have or are being investigated under the Trusts Serious Untoward Incident policy processes and procedures. Full reports of the investigations, recommendations and action plans to ensure that lessons are learned to ensure statutory compliance have or will be sent to NHS London

Patient Focus Domain

Basic nutritional assessment takes place within the Trust. A more extensive nutritional assessment tool has been devised based on a national Standard. Training and implementation of the MUST Nutritional assessment Tool will be implemented during 08/09

Accessible and Responsive Care Domain

A dedicated Steering Group has overseen the actions necessary to delivery the 18-week referral to treatment target. This has been supplemented by weekly waiting list meetings, the establishment of a data quality team and the development of a specific performance report. The required reductions in waiting times and data completeness were delivered by March 2008.

Action to deliver the A&E 4-hour waiting time target was overseen through weekly meetings of the urgent care group with twice daily escalation and nightly escalation meetings. Although the end of year performance was just below the 98% target it is uncertain if this will be assessed as having achieved the target when the Healthcare Commission reports its Annual Health Check results for 2007/08.

Access targets also receive regular formal review and action planning through inclusion in the monthly corporate performance report and quarterly directorate performance review meetings.

Care Environment and Amenities Domain

Core Standard C20a

The Trust declared 'Not Met' in their 07/08 Standards for Better Health submission for criteria C20a in relation to aspects of fire safety management.

Actions planned during 2007/08 have now been completed and the

Trust achieved NHSLA Risk Management level 2 in December 2007. Further national guidance in respect of Fire Safety has been received in year and is being actioned. The Trust will therefore be compliant in this standard as of 31 March 2008.

The Organisational Risk Committee will oversee implementation of these actions through bi-monthly reports from the Health, Safety and Fire Committee.

Conclusion

The Trust recognise that this declaration acknowledges that 4 criteria (C8b, C11b, C12 and C20a) in the 07/08 Standards for Better Health submission were reported as 'Not Met', however the reasons for this were pertinent issues which we believe demonstrated a specific cause for concern within the wider criteria. These issues do not represent a serious business risk which would result in a critical failure within the organisation and as such are not deemed issues of "significant internal control".

Compliance with NHS Pension Scheme Regulations

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 Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Directors and managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides evidence of the effectiveness of the controls used to manage the risks to the organisation achieving its principal objectives and these are regularly reviewed.

My review is also informed by a variety of other sources of information. These include: the Healthcare Commission's Annual Health-check final assessments, the views and comments of stakeholders, external and internal audit reports, clinical audit reports, reports from external assessments such as, NHSLA Risk Management Standards for Acute Trusts Level 2 accreditation, DH Infection Control Team Review of compliance with the Health Act 2006, Patient Environmental Action Team self assessments, patient surveys, Royal College reports, staff surveys, HCC Reviews Quality Assurance Agency Reports. These are documented on the Trust's Assurance Map.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by head of Governance, the Risk and Safety Management Department, the Director's Team, the Clinical Management Board, Governance,

Organisational Risk, Audit, Patient Safety and Patient Issues Committees and the Trust Board.

Actions to ensure the continuous improvement of the internal control system are in place. The Board has been engaged in the development and continuous review of the Assurance Framework. It has been scrutinised by the Audit Committee and I have taken into account the Head of Internal Audit Opinion on the system of internal control.



David Astley
Chief Executive

23rd June 2008

Auditor's Report

Independent auditor's report to the Board of Directors of St George's Healthcare NHS Trust

Opinion on the financial statements

I have audited the financial statements of St George's Healthcare NHS Trust for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of St George's Healthcare NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of Directors and auditor

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.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether 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. I report whether the financial statements and the part of the Remuneration Report to be audited have 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. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Foreword by Trust Chair and Chief Executive and Financial Summary, included in the Annual Report, is consistent with the financial statements.

I review whether the Directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'The Statement on Internal Control 2003/04' issued on 15 September 2003 and the further guidance relating to that Statement issued on 7 April 2006, 2 April 2007, 7 April 2008 and 20 May 2008. I 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 I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword by the Chair of the Trust and Chief Executive, the Financial Summary, the unaudited part of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my 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 2008 and of its income and expenditure for the year then ended;
- 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; and
- information which comprises the commentary on the financial performance included within the Foreword by the Trust Chair and Chief Executive and the Financial Summary, included within the Annual Report, is consistent with the financial statements.

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

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, St George's Healthcare NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

I have a duty under the Audit Commission Act 1998 to refer the matter to the Secretary of State if they have a reason to believe that the body, or an officer of the body, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency.

On 18 June 2008 I referred a matter to the Secretary of State under section 19 of the Audit Commission Act 1998 in relation to the failure of the Trust to meet its statutory cumulative break even duty by the 31 March 2008.

Certificate

I certify that I 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.

Susan M Exton
District Auditor
1st Floor, Millbank Tower, Millbank
London SW1P 4HQ
23 June 2008

Forward to the Accounts

St George's Healthcare 
NHS Trust

These accounts for the year ended 31 March 2008 have been prepared by the St George's Healthcare NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

Income and expenditure account

For the year ended 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
Income from activities	3	336,201	313,409
Other operating income	4	73,928	70,737
Operating expenses	5	(402,028)	(380,723)
OPERATING SURPLUS/(DEFICIT)		8,101	3,423
Cost of fundamental reorganisation/restructuring*		0	0
Profit/(loss) on disposal of fixed assets	8	5,210	(6)
SURPLUS/(DEFICIT) BEFORE INTEREST		13,311	3,417
Interest receivable		1,606	894
Interest payable	9	(1,837)	(46)
Other finance costs - unwinding of discount	16	(34)	(34)
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		13,046	4,231
Public Dividend Capital dividends payable		(7,074)	(7,132)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		5,972	(2,901)

The notes on pages 12 to 37 form part of these accounts.

All income and expenditure is derived from continuing operations.

	2008 £000	2007 £000
Retained surplus/(deficit) for the year	5,972	(2,901)
Financial Support included in retained surplus/(deficit) for the year - NHS Bank	0	0
Financial Support included in retained surplus/(deficit) for the year - Internally Generated	0	0
Retained surplus /(deficit) for the year excluding financial support	<u>5,972</u>	<u>(2,901)</u>

From 2006/07 onwards the provision of cash brokerage support was replaced by a regime of loans and deposits with the Department of Health.


Details of loans received or deposits placed with the Department of Health can be found in notes 14.2 and 15.1 to the accounts.

Balance Sheet

As at 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
FIXED ASSETS			
Intangible assets	10	1,948	1,021
Tangible assets	11	258,249	241,902
Investments	14.1	0	0
		<u>260,197</u>	<u>242,923</u>
CURRENT ASSETS			
Stocks and work in progress	12	5,257	5,275
Debtors	13	41,558	39,516
Investments	14.2	0	0
Cash at bank and in hand	18.3	3,938	111
		<u>50,753</u>	<u>44,902</u>
CREDITORS: Amounts falling due within one year	15	<u>(54,433)</u>	<u>(51,470)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(3,680)</u>	<u>(6,568)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>256,517</u>	<u>236,355</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(23,978)</u>	<u>(27,200)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(4,478)</u>	<u>(2,956)</u>
TOTAL ASSETS EMPLOYED		<u>228,061</u>	<u>206,199</u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	22	131,475	131,672
Revaluation reserve	17	121,652	106,970
Donated asset reserve	17	15,196	14,424
Government grant reserve	17	1,158	856
Other reserves*	17	1,150	1,150
Income and expenditure reserve	17	(42,570)	(48,873)
TOTAL TAXPAYERS' EQUITY		<u>228,061</u>	<u>206,199</u>

The financial statements on pages 9 to 37 were approved by the Board on (date) and signed on its behalf by:

Signed:  Chief Executive

Date: ...18/06/2008.....

Statement of total recognised gains and losses

For the year ended 31 March 2008

	2007/08	2006/07
	£000	£000
Surplus / (deficit) for the financial year before dividend payments	13,046	4,231
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	16,078	1,534
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	1,861	1,312
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	0	0
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	30,985	7,077
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	30,985	7,077
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Cash flow statement

For the year ended 31 March 2008

	NOTE	2007/08 £000	2006/07 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	18.1	23,192	20,166
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		1,606	894
Interest paid		(1,787)	0
Interest element of finance leases		0	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		(181)	894
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(17,924)	(13,958)
Receipts from sale of tangible fixed assets		8,677	1
(Payments) to acquire intangible assets		(1,000)	(623)
Receipts from sale of intangible assets		0	20
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
Net cash inflow/(outflow) from capital expenditure		(10,247)	(14,560)
DIVIDENDS PAID			
Net cash inflow/(outflow) before management of liquid resources and financing		5,690	(632)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of investments with DH		0	0
(Purchase) of other current asset investments		0	0
Sale of investments with DH		0	0
Sale of other current asset investments		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		5,690	(632)
FINANCING			
Public dividend capital received		0	0
Public dividend capital repaid (not previously accrued)		(197)	(34,653)
Loans received from DH		4,800	34,000
Other loans received		0	0
Loans repaid to DH		(6,828)	0
Other loans repaid		0	0
Other capital receipts		362	1,312
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies*		0	0
Net cash inflow/(outflow) from financing		(1,863)	659
Increase/(decrease) in cash		3,827	27

Notes to the Accounts

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

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

In accordance with Department of Health guidance, the Trust has recognised income in 2007/08 relating to in-patient spells which were partially complete at 31 March 2008.

1.4 Care Trust designation

St George's Healthcare NHS Trust is not a designated Care Trust.

1.5 Pooled Budgets

St George's Healthcare NHS Trust does not have any pooled budget arrangements.

1.6 Intangible fixed assets

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

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development

which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

1.7 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.

Valuation

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

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

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

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

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

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual 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 Trust's estate.

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

Depreciation, amortisation and impairments

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

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

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

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

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

Where, 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.

1.8 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 value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.9 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also taken to the Government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government grant reserve to the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

1.10 Private Finance Initiative (PFI) transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides practical 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.

1.11 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.

1.12 Research and development

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

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

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

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

1.13 Provisions

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

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 16.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2007/08 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

Non-clinical risk pooling

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

1.14 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. 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. 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. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

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

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.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.15 Liquid resources

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

1.16 Value Added Tax

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

1.17 Foreign Exchange

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

1.18 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 28 to the accounts.

1.19 Leases

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

1.20 Public Dividend Capital (PDC) and PDC Dividend

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

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.21 Losses and Special Payments

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

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

1.22 EU Emissions Trading Scheme

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

2 Segmental Analysis

This note is not applicable for St George's Healthcare NHS Trust as the organisation does not have more than one business segment.

3. Income from Activities

	2007/08	2006/07
	£000	£000
Strategic Health Authorities	1,426	247
NHS Trusts	635	569
Primary Care Trusts*	279,656	260,930
Foundation Trusts	630	639
Local Authorities	0	0
Department of Health	48,253	45,990
NHS Other	331	319
Non NHS:		
- Private patients	3,117	3,155
- Overseas patients (non-reciprocal)	535	321
- Injury cost recovery	1,212	870
- Other	406	369
	<u>336,201</u>	<u>313,409</u>

Partially completed in-patient spells

In accordance with Department of Health guidance, the Trust has recognised income in 2007/08 relating to in-patient spells which were partially complete at 31 March 2008. Projected income of £1,656,000 for these in-patient spells is attributed to the financial year on the basis of the patients' length of stay in hospital. This income is included in the total for Primary Care Trusts.

Injury Cost Recovery

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

Market Forces Factor

The Department of Health income is inclusive of £49,398k in respect of the Market Forces Factor less an amount for PBR transitional support repayable to the Department of Health of £1,169k. The Market Forces Factor is a central allocation designed to address cost differentials relating to geographical location. The Market Force Factor represents the estimated difference between the cost the Trust incurs in providing NHS services and the income receivable for those services under the payment by results regime. In 2007/08 the Market Forces Factor increased from £45,612k to £49,398k.

4. Other Operating Income

	2007/08	2006/07
	£000	£000
Patient transport services	63	46
Education, training and research	52,333	51,502
Charitable and other contributions to expenditure	779	696
Transfers from donated asset reserve	1,788	1,673
Transfers from government grant reserve	64	57
Non-patient care services to other bodies	10,918	11,112
Income Generation	3,251	3,645
Other income	4,732	2,006
	<u>73,928</u>	<u>70,737</u>

5. Operating Expenses

5.1 Operating expenses comprise:

	2007/08	Restated 2006/07
	£000	£000
Services from other NHS Trusts	2,021	2,038
Services from PCTs	1,511	956
Services from other NHS bodies	11,117	11,302
Services from Foundation Trusts	558	757
Purchase of healthcare from non NHS bodies	179	37
Directors' costs	1,439	1,247
Staff costs	256,914	243,837
Supplies and services - clinical	66,787	61,986
Supplies and services - general	11,172	9,994
Consultancy services	2,053	3,485
Establishment	2,684	2,710
Transport	2,727	2,929
Premises	19,993	19,723
Bad debts	637	406
Depreciation	14,596	12,547
Amortisation	366	209
Fixed asset impairments and reversals	0	0
Audit fees	247	227
Other auditor's remuneration	0	0
Clinical negligence	4,277	4,371
Redundancy costs	448	984
Other	2,302	978
	402,028	380,723

Staff costs

In 2007/08 the Trust has included expenditure in staff costs for the following:

- 1) £873k in respect of annual leave entitlement which employees' are permitted to carry forward to the following financial year.
- 2) £1,225k in respect of staff costs paid in arrears in April 2008 which were incurred in 2007/08 eg overtime, emergency, on-call and locum payments.

5.2 Operating leases

5.2/1 Operating expenses include:

	2007/08	2006/07
	£000	£000
Hire of plant and machinery	2,054	2,021
Other operating lease rentals	9,432	9,063
	11,486	11,084

Other operating lease rentals includes £9,370k relating to the Trust's 2 PFI schemes which are also separately disclosed in Note 25.

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

	Land and buildings		Other leases	
	2007/08 £000	2006/07 £000	2007/08 £000	2006/07 £000
Operating leases which expire:				
Within 1 year	0	0	114	70
Between 1 and 5 years	0	0	2,001	2,072
After 5 years	8,884	8,566	726	692
	8,884	8,566	2,841	2,834

The annual commitment after 5 years includes £9,610k (Land and Buildings £8,884k; Other Leases £726k) relating to the Trust's 2 PFI schemes which are also separately disclosed in Note 25.

6. Staff costs and numbers**6.1 Staff costs**

	2007/08			2006/07
	Total £000	Permanently Employed £000	Other £000	£000
Salaries and wages	219,096	201,187	17,909	206,260
Social Security Costs	17,243	17,243	0	17,528
Employer contributions to NHS Pension Scheme	22,254	22,254	0	21,836
Other pension costs	142	142	0	106
	258,735	240,826	17,909	245,730

6.2 Average number of persons employed

	2007/08			2006/07
	Total Number	Permanently Employed Number	Other Number	Number
Medical and dental	824	824	0	775
Ambulance staff	0	0	0	0
Administration and estates	1,422	1,252	170	1,389
Healthcare assistants and other support staff	384	384	0	349
Nursing, midwifery and health visiting staff	1,971	1,653	318	1,897
Nursing, midwifery and health visiting learners	0	0	0	2
Scientific, therapeutic and technical staff	1,205	1,121	84	1,134
Social care staff	0	0	0	0
Other	0	0	0	0
	5,806	5,234	572	5,546

6.3 Employee benefits

2007/08	2006/07
£000	£000
0	0
0	0

6.4 Management costs

	2007/08	2006/07
	£000	£000
Management costs	16,169	15,587
Income	410,129	383,726
Management costs as % of income	3.94%	4.06%

Management costs are defined on the following NHS website: www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts

6.5 Retirements due to ill-health

During 2007/08 there were 9 (2006/07, 9) early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £205,504 (£519,187). The cost of these ill-health retirements will be borne by the NHS Business Services Authority-Pensions Division.

7. Better Payment Practice Code**7.1 Better Payment Practice Code - measure of compliance**

	2007/08	
	Number	£000
Total Non-NHS trade invoices paid in the year	85,853	170,886
Total Non-NHS trade invoices paid within target	67,927	139,335
Percentage of Non-NHS trade invoices paid within target	79%	82%
Total NHS trade invoices paid in the year	2,936	19,778
Total NHS trade invoices paid within target	1,665	16,164
Percentage of NHS trade invoices paid within target	57%	82%

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.

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

	2007/08	2006/07
	£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 £000	2006/07 £000
Profit on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	5,232	0
(Loss) on disposal of land and buildings	0	0
Profits on disposal of plant and equipment	0	11
(Loss) on disposal of plant and equipment	(22)	(17)
	<u>5,210</u>	<u>(6)</u>

In July 2007 the Trust entered a joint public private partnership agreement with Thames Valley Housing Association and Bellway Homes PLC for the sale and re-development of the residential accommodation site at St George's Grove in Wandsworth. The disposal of land and buildings takes place in two phases: July 2007 and June 2009.

Phase 1: July 2007

Under phase 1 of the agreement the Trust leased:

(1) approx 16% of the site to Thames Valley Housing Association on an operating lease for 35 years for the re-development of key worker accommodation to which the Trust's employees will have access. The land subject to this lease is retained on-balance sheet.

(2) approx 19% of the site to Bellway Homes PLC on a 125 year lease for the development of private housing. The land subject to this lease is off-balance sheet.

In 2007/08 the Trust made a profit on disposal of £5.2m in respect of the land and buildings leased/disposed under phase 1 of the agreement.

Phase 2: planned for June 2009

Under phase 2 of the agreement, which is scheduled for June 2009, the Trust will lease:

1) 19% of the site to Thames Valley Housing Association on an operating lease for 35 years for the re-development of key worker accommodation to which the Trust's employees will have access. The land subject to this lease will be retained on-balance sheet.

(2) approx 22% of the site to Thames Valley Housing Association on a 125 year lease for the development of shared equity housing. The land subject to this lease will be off-balance sheet.

(3) approx 24% of the site to Bellway Homes PLC on a 125 year lease for the development of private housing. The land subject to this lease will be off-balance sheet.

9. Interest Payable

	2007/08 £000	2006/07 £000
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	1,837	46
Other	0	0
	<u>1,837</u>	<u>46</u>

10. Intangible Fixed Assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2007	2,168	0	0	2,648	4,816
Indexation				53	53
Impairments	0	0	0	0	0
Reclassifications	292	0	0	0	292
Revaluation	0	0	0	0	0
Additions purchased	1,001	0	0	0	1,001
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2008	3,461	0	0	2,701	6,162
Amortisation at 1 April 2007	1,147	0	0	2,648	3,795
Indexation				53	53
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Revaluation	0	0	0	0	0
Charged during the year	366	0	0	0	366
Disposals	0	0	0	0	0
Amortisation at 31 March 2008	1,513	0	0	2,701	4,214
Net book value					
- Purchased at 1 April 2007	1,013	0	0	0	1,013
- Donated at 1 April 2007	8	0	0	0	8
- Government granted at 1 April 2007	0	0	0	0	0
- Total at 1 April 2007	1,021	0	0	0	1,021
- Purchased at 31 March 2008	1,944	0	0	0	1,944
- Donated at 31 March 2008	4	0	0	0	4
- Government granted at 31 March 2008	0	0	0	0	0
- Total at 31 March 2008	1,948	0	0	0	1,948

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	86,611	119,597	6,943	3,736	60,953	129	8,380	6,869	293,218
Additions purchased	1,788	5,736	49	3,843	4,307	6	575	460	16,764
Additions donated	0	867	0	282	276	0	70	76	1,571
Additions government granted	0	202	0	0	0	0	0	88	290
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	1,069	0	(1,456)	152	0	7	(64)	(292)
Indexation	4,682	14,427	759	248	1,781	3	0	180	22,080
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	(436)	(107)	(3,441)	(58)	(777)	0	(54)	(72)	(4,945)
Cost or Valuation at 31 March 2008	92,645	141,791	4,310	6,595	66,692	138	8,978	7,537	328,686
Depreciation at 1 April 2007					42,273	125	6,006	2,912	51,316
Charged during the year	0	9,123	186		3,991	1	852	443	14,596
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0		0	0	0	0	0
Indexation	0	4,462	179		1,278	4		79	6,002
Revaluation					0	0	0	0	0
Disposals	0	(12)	(656)		(753)	0	(54)	(2)	(1,477)
Depreciation at 31 March 2008	0	13,573	(291)	0	46,789	130	6,804	3,432	70,437
Net book value									
- Purchased at 1 April 2007	86,611	108,234	6,943	3,581	15,294	4	2,336	3,627	226,630
- Donated at 1 April 2007	0	10,530	0	155	3,386	0	38	307	14,416
- Government granted at 1 April 2007	0	833	0	0	0	0	0	23	856
- Total at 1 April 2007	86,611	119,597	6,943	3,736	18,680	4	2,374	3,957	241,902
- Purchased at 31 March 2008	92,645	115,719	4,601	6,146	17,052	8	2,080	3,648	241,899
- Donated at 31 March 2008	0	11,447	0	449	2,851	0	94	351	15,192
- Government granted at 31 March 2008	0	1,052	0	0	0	0	0	106	1,158
- Total at 31 March 2008	92,645	128,218	4,601	6,595	19,903	8	2,174	4,105	258,249

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

	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
At 31 March 2008	0	0	0	0	0	0	0	0	0
At 31 March 2007	0	0	0	0	0	0	0	0	0

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	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
At 31 March 2008	0	0	0	0	0	0	0	0	0
At 31 March 2007	0	0	0	0	0	0	0	0	0

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

	31 March 2008 £000	31 March 2007 £000
Freehold	223,676	213,151
Long leasehold	1,788	0
Short leasehold	0	0
TOTAL	<u>225,464</u>	<u>213,151</u>

12. Stocks and Work in Progress

	31 March 2008 £000	31 March 2007 £000
Raw materials and consumables	81	87
Work-in-progress	55	93
Finished goods	5,121	5,095
TOTAL	<u>5,257</u>	<u>5,275</u>

13. Debtors

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
NHS debtors	11,432	17,829
Other prepayments and accrued income	21,874	12,451
Other debtors	14,374	15,387
Provision for irrecoverable debts	(6,212)	(6,254)
Sub Total	<u>41,468</u>	<u>39,413</u>
Amounts falling due after more than one year:		
NHS debtors	90	103
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub Total	<u>90</u>	<u>103</u>
TOTAL	<u>41,558</u>	<u>39,516</u>

Other Debtors include £89,879 prepaid pension contributions at 31st March 2008 (£102,719 at 31st March 2007)

14. Investments

14.1 Fixed Asset Investments

	<i>Description</i> £000	<i>Description</i> £000	Other £000	Total £000
Balance at 1 April 2007	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2008	0	0	0	0

Please note: Any NHS Trust that holds a fixed asset investment should include the accounting policy on the fixed asset investment in Note 1 - Accounting Policies, and the final sentence of note 1.15 should be deleted.

14.2 Current Asset Investments

	EU emissions trading scheme £000	Department of Health £000	Other £000	Total £000
Balance at 1 April 2007	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2008	0	0	0	0

15. Creditors

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

	31 March 2008 £000	31 March 2007 £000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	7,994	6,800
Interest payable	96	46
Payments received on account	818	999
NHS creditors	8,405	9,284
Non - NHS trade creditors - revenue	11,908	9,916
Non - NHS trade creditors - capital	3,166	2,514
Tax	0	216
Social security costs	0	205
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	6,678	8,565
Accruals and deferred income	15,368	12,925
Sub Total	54,433	51,470
Amounts falling due after more than one year:		
NHS debtors	23,978	27,200
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub Total	23,978	27,200
TOTAL	78,411	78,670

Other creditors include; - £2,785,260 outstanding pensions contributions at 31st March 2008 (£2,688,649 at 31st March 2007).

15.2 Loans

	31 March 2008 £000	31 March 2007 £000
Amounts falling due:		
In one year or less	7,994	6,800
Between one and two years	7,994	6,800
Between two and five years	15,984	20,400
Over 5 years	0	0
TOTAL	<u>31,972</u>	<u>34,000</u>
	31 March 2008 £000	31 March 2007 £000
Wholly repayable within five years	31,972	34,000
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years, by instalments	0	0
TOTAL	<u>31,972</u>	<u>34,000</u>

Total repayable within five years by instalments**Working capital loans**

On the 22 March 2007 the Trust received working capital loans from the Department of Health totalling £34,000,000 to replace cash brokerage support received in 2005/06 of £37,107,000. The Trust pays interest of 5.45% pa on the loans which are repayable in ten equal installments over 5 years. The first loan repayment of £3,400,000 was paid on the 17th September 2007 and the second repayment of £3,400,000 was paid on the 17th March 2008.

In 2007/08 the Trust received additional 'roll-over' working capital loans totalling £4,800,000 from the Department of Health to part finance the repayments of £6,800,000 above. The 'roll-over' working capital loans comprise:

(i) £250,000 received on the 17th September 2007 on which the Trust pays interest of 5.20% pa which is repayable in nine equal installments over 4.5 years. The first loan repayment of £28,000 was paid on the 17th March 2008.

(ii) £4,550,000 received on 17th March 2008, on which the Trust pays interest of 3.98% pa which is repayable in 8 equal installments over 4 years.

Loans wholly or partially repayable after five years:

	31 March 2008	31 March 2007
	Value outstanding	Value outstanding
Interest rate	£000	£000
%	0	0
Terms of payment	<u>0</u>	<u>0</u>

15.3 Finance lease obligations

	31 March 2008 £000	31 March 2007 £000
Payable:		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
	<u>0</u>	<u>0</u>
Less finance charges allocated to future periods	0	0
	<u>0</u>	<u>0</u>

15.4 Finance Lease Commitments

St George's Healthcare NHS Trust has not entered into any finance leases.

16. Provisions for liabilities and charges

	Pensions relating to former directors	Pensions relating to other staff	Legal claims	Restructurings	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2007	0	1,526	318	0	1,112	2,956
Arising during the year	0	74	577	0	2,344	2,995
Utilised during the year	0	(129)	(43)	0	(1,112)	(1,284)
Reversed unused	0	0	(223)	0	0	(223)
Unwinding of discount	0	34	0	0	0	34
At 31 March 2008	0	1,505	629	0	2,344	4,478

Expected timing of cashflows:

Within one year	0	129	374	0	2,344	2,847
Between one and five years	0	488	255	0	0	743
After five years	0	888	0	0	0	888

Provision for pension costs is calculated using information provided by the NHS Pensions Agency. Provision for legal claims has been calculated using figures and estimated probabilities supplied by the NHS Litigation Authority and the Trust solicitors. Other provisions relate to probable non-medical expenditure as at 31 March 2008 from outstanding liabilities arising from the Agenda For Change NHS pay reform. £23,578,664 is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the NHS Trust (£15,999,702 at 31st March 2007). Legal claims of £629k includes £nil relating to equal pay claims.

17. Movements on Reserves

Movements on reserves in the year comprised the following:

	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Other Reserves	Income and Expenditure Reserve	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2007 as previously stated	106,970	14,424	856	1,150	(48,873)	74,527
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2007 as restated	106,970	14,424	856	1,150	(48,873)	74,527
Transfer from the income and expenditure account					5,972	5,972
Fixed asset impairments	0	0	0			0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	15,013	989	76			16,078
Transfer of realised profits/(losses) to the income and expenditure reserve	(331)	0	0		331	0
Receipt of donated/government granted assets		1,571	290			1,861
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets		(1,788)	(64)			(1,852)
Other transfers between reserves	0	0	0	0	0	0
Other movements on reserves [specify]				0		0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2008	121,652	15,196	1,158	1,150	(42,570)	96,586

18. Notes to the cash flow Statement

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

	31 March 2008 £000	31 March 2007 £000
Total operating surplus/(deficit)	8,101	3,423
Depreciation and amortisation charge	14,962	12,756
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(1,788)	(1,673)
Transfer from the government grant reserve	(64)	(57)
(Increase)/decrease in stocks	18	(267)
(Increase)/decrease in debtors	(642)	9,621
Increase/(decrease) in creditors	1,117	(2,177)
Increase/(decrease) in provisions	1,488	(1,460)
	<u>23,192</u>	<u>20,166</u>
Net cash inflow/(outflow) from operating activities before restructuring costs	23,192	20,166
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	<u>23,192</u>	<u>20,166</u>

18.2 Reconciliation of net cash flow to movement in net debt

	31 March 2008 £000	31 March 2007 £000
Increase/(decrease) in cash in the period	3,827	27
Cash (inflow) from new debt	(4,800)	(34,000)
Cash outflow from debt repaid and finance lease capital payments	6,828	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	5,855	(33,973)
Non - cash changes in debt	0	0
Net debt at 1 April 2007	(33,889)	84
Net debt at 31 March 2008	<u>(28,034)</u>	<u>(33,889)</u>

18.3 Analysis of changes in net debt

	At 1 April 2007 £000	Cash Transferred (to)/from other NHS bodies £000	Other cash changes in year £000	Non-cash changes in year £000	At 31 March 2008 £000
OPG cash at bank	0	0	3,979		3,979
Commercial cash at bank and in hand	111	0	(152)		(41)
Bank overdraft	0	0	0		0
Loan from DH due within one year	(6,800)	0	(1,194)	0	(7,994)
Other debt due within one year	0	0	0	0	0
Loan from DH due after one year	(27,200)	0	3,222	0	(23,978)
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0	0	0
	<u>(33,889)</u>	<u>0</u>	<u>5,855</u>	<u>0</u>	<u>(28,034)</u>

19. Capital Commitments

Commitments under capital expenditure contracts at 31st March 2008 were £4,821,000 (£7,479,408 at 31st March 2007). This total includes £657,000 for the Integrated Clinical Information Programme (iCLIP) change management project, £385,000 for the centralisation and modernisation of pathology laboratories and £328,000 for the realignment and refurbishment of wards.

20. Post Balance Sheet Events

There are no Post Balance Sheet Events which require disclosure.

21. Contingencies

	31 March 2008 £000	31 March 2007 £000
Contingent liabilities	(23)	(43)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	<u>(23)</u>	<u>(43)</u>
Contingent Assets	<u>0</u>	<u>0</u>

The above reflects the member contingent liability arising under the Liabilities to Third Parties scheme as notified by the NHS Litigation Authority relating to claims received and logged at the NHSLA as at 31 March 2008.

22. Movement in Public Dividend Capital

	31 March 2008 £000	31 March 2007 £000
Public Dividend Capital as at 1 April 2007	131,672	166,325
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	0	0
Public Dividend Capital repaid in year	(197)	(34,653)
Public Dividend Capital written off	0	0
Public Dividend Capital issued as originating capital on new establishment	0	0
Public Dividend Capital transferred to Foundation Trust	0	-
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2008	<u>131,475</u>	<u>131,672</u>

23. Financial Performance Targets

23.1 Breakeven Performance

The trust's breakeven performance for 2007/08 is as follows:

	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000
Turnover	317,041	333,532	336,896	384,146	410,129
Retained surplus/(deficit) for the year	(650)	(21,656)	(33,569)	(2,901)	5,972
Adjustment for:					
- Timing/non-cash impacting distortions					
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0				
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0			
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	0		
- 2007/08 Prior Period Adjustment (relating to 197/98 to 2006/07)	0	0	0	0	
- Resource Accounting and Budgeting (RAB) adjustment (see below)	0	0	21,996	0	0
Break-even in-year position	(650)	(21,656)	(11,573)	(2,901)	5,972
Break-even cumulative position	(1,940)	(23,596)	(35,169)	(38,070)	(32,098)
The Trust has submitted a recovery plan to NHS London which aims to achieve break-even in 2012/13.					2013
The number of years to achieve cumulative break-even:					5
Materiality test (i.e. is it equal to or less than 0.5%):					
- Break-even in-year position as a percentage of turnover	(0.21%)	(6.49%)	(3.44%)	(0.76%)	1.46%
- Break-even cumulative position as a percentage of turnover	(0.61%)	(7.07%)	(10.44%)	(9.91%)	(7.83%)

Resource Accounting and Budgeting (RAB) adjustment

The retained deficit of £33,569k for 2005/06 includes the obligation to repay £21,996k to the Department of Health in respect of deficits incurred in previous financial years. The accounting practice - which is known as Resource Accounting and Budgeting (RAB) - of charging the repayment of previous years' deficits to the Income and Expenditure account was required by HM Treasury. There was no RAB adjustment in 2006/07 or 2007/08.

23.2 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 £7,074,000, bears to the average relevant net assets of £200,331,000 that is 3.5%.

23.3 External financing

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

	2007/08 £000	2006/07 £000
External financing limit	(5,993)	(653)
Cash flow financing	(5,690)	632
Finance leases taken out in the year	0	0
Other capital receipts	(362)	(1,312)
External financing requirement	(6,052)	(680)
Undershoot/(overshoot)	59	27

23.4 Capital Resource Limit

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

	2007/08 £000	2006/07 £000
Gross capital expenditure	19,626	14,661
Less: book value of assets disposed of	(3,468)	(27)
Plus: loss on disposal of donated assets	2	11
Less: capital grants	(290)	(22)
Less: donations towards the acquisition of fixed assets	(1,571)	(1,290)
Charge against the capital resource limit	14,299	13,333
Capital resource limit	20,427	19,050
(Over)/Underspend against the capital resource limit	<u>6,128</u>	<u>5,717</u>

24. Related Party Transactions

St. George's Healthcare NHS Trust is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as the ultimate controlling party. During the year St. George's Healthcare NHS Trust received monies amounting to £54,424,769 from the Department of Health. This relates to grants for training, teaching and research and also includes £49.398m in respect of Payment by Results Market Forces Factor (less £1.169m transitional support repayments). As at 31 March 2008 the Trust accounts included a debtor balance of £209,499 and a £73,094 creditor balance with the Department of Health.

The Trust also received £104,860,025 from its main commissioners Wandsworth Primary Care Trust; £60,803,132 from Sutton & Merton PCT and £24,489,177 from Croydon PCT. This related to contract income for patient services. As at 31 March 2008 the Trust accounts included debtor balances with Wandsworth Primary Care Trust £2,854,426; Sutton & Merton Primary Care Trust £2,723,600 and Croydon Primary Care Trust £789,088. The Trust accounts included creditor balances with Wandsworth Primary Care Trust £1,647,051; Sutton & Merton Primary Care Trust £90,812 and Croydon Primary Care Trust £243,649.

In addition, the Trust received £43,290,572 from NHS London primarily in respect of Teaching and Training.

As at 31 March 2008 the Trust accounts included a debtor balance of £1,263,540 and a creditor balance of £19,915.

During 2007/08 the Charitable Foundation raised no charges to the Trust, and the Trust incurred capital and revenue expenditure to be funded by the Charitable Foundation amounting to £1,725,174. As at 31 March 2008 the Trust accounts included a debtor balance of £742,152 and a creditor balance of nil with the Charitable Foundation.

During 2007/08 the Trust raised charges of £2,556,205 for costs incurred on behalf of St. George's Hospital Medical School, which is part of the University of London; and the Medical School raised charges of £6,913,942.50 for costs incurred on behalf of the Trust. These transactions related mainly to clinical staff and overhead costs. As at 31 March 2008 the Trust accounts included a debtor balance of £1,610,882 and a creditor balance of £3,228,041.07 in respect of the Medical School.

The Deputy Finance Director, Kevin Harbottle is the Treasurer of the George Cordiner Radiological Fund. During the year the Trust made payments to the fund amounting to £nil. As at 31 March 2008 the Trust accounts included a debtor balance of £23,347.

25. Private Finance Transactions

25.1 PFI schemes deemed to be off-balance sheet

	2007/08	2006/07
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	9,370	9,053
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	<u>9,370</u>	<u>9,053</u>

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

PFI scheme which expires;		
Within one year*	0	0
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	726	692
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	0	0
26th to 30th years (inclusive)*	8,884	0
31st to 35th years (inclusive)*	0	8,566
Etc*		

The Trust has three PFI projects.

1 Atkinson Morley Wing

On 20 March 2000 the Trust signed a contract for the exclusive use for 35 years of Atkinson Morley Wing. Blackshaw Healthcare Services Ltd, a special purpose vehicle company owned by a private consortium, constructed the building which the Trust uses to provide Cardiac and Neurosciences services. The estimated capital value of the facility is £50m.

	£000
Estimated capital value of the PFI scheme	50,000
Contract Start date:	20 March 2006
Contract End date:	8 August 2038

The Trust is committed to paying unitary charges totalling £8,884,000 per annum at 2007/08 prices to Blackshaw Healthcare the exclusive use of the building. The annual cost of the unitary charge is comprised as follows:

	£000
Availability Charge	6,959
Performance Charge	1,394
Volume Charge	531
	<u>8,884</u>

The Trust is committed to paying unitary charges totalling £8,884,000 per annum at 2007/08 prices to Blackshaw Healthcare the exclusive use of the building. The annual cost of the unitary charge is comprised as follows:

2 Picture Archiving and Communications System (PACS)

The Trust entered a managed service contract with Philips Medical Systems PLC on 1 July 2003 for the provision of a Picture Archiving and Communications System (PACS). The contract is for 12 years and the estimated capital value of the equipment provided under the contract is £3.04m.

The Trust is committed to paying the lease rentals equivalent to £726,000 per annum at 2007/08 prices to Philips Medical Systems.

The annual cost of the lease rentals is comprised as follows:

	£000
Provision of Picture Archiving and Communications System	669
Extension of imaging service	57
	<hr/>
	726

The first payment was payable by the Trust when the PACS system was brought into use in July 2003 and the last payment will be payable by the Trust in April 2015.

3 St George's Grove residential accommodation site

In July 2007 the Trust entered a joint public private partnership agreement with Thames Valley Housing Association and Bellway Homes PLC for the sale and re-development of the residential accommodation site at St George's Grove in Wandsworth. The disposal of land and buildings takes place in two phases: July 2007 and June 2009. Under the agreement the Trust :

(1) will lease approx 35% of the site to Thames Valley Housing Association on an operating lease for 35 years for the re-development of key-worker accommodation to which the Trust's employees will have priority access. The Trust has not entered into a void guarantee undertaking in respect of this priority access. The land leased by the Trust for 35 years is retained on-balance sheet. At the end of 35 years the key worker accommodation reverts to the Trust at no charge and accordingly the Trust accounts for the reversionary interest over the lease term.

(2) will lease approx 22% of the site to Thames Valley Housing Association on a 125 year lease for the development of shared equity housing. The land subject to this lease will be off-balance sheet.

(3) will lease approx 43% of the site to Bellway Homes PLC on a 125 year lease for the development of private housing. The land leased by the Trust for 125 years is off-balance sheet.

4) The risks and rewards of management of the site and buildings lie with TVHA/Bellway including the construction and maintenance of all buildings. The Trust makes no payments to either Thames Valley Housing Association or Bellway Homes PLC during the term of the contract.

5) The Trust will receive ground rent of approx £50k pa from 2009/10 onwards.

In 2007/08 the Trust made a profit on disposal of £5.3m in respect of the land and buildings leased under phase 1 of the agreement. The details of phase 1 of the agreement are disclosed in note 8.

The Trust accounts for all three PFI schemes as off-balance sheet.

25.2 'Service' element of PFI schemes deemed to be on-balance sheet

St. George's Healthcare NHS Trust does not have any PFI schemes deemed to be on-balance sheet.

	2007/08	2006/07
	£000	£000
Amounts included within operating expenses in respect of the 'service' element of PFI schemes deemed to be on-balance sheet	0	0
Amortisation of PFI deferred asset	0	0
Net charge to operating expenses	0	0

Imputed finance lease obligations comprise;

	2007/08	2006/07
	£000	£000
Rentals due within 1 year	0	0
Rentals due within 2 to 5 years	0	0
Rentals due after 5 years	0	0
Sub total	0	0
Less: interest element	0	0
TOTAL	0	0

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

	£000	£000
PFI scheme which expires;		
Within one year*	0	0
2nd to 5th years (inclusive)*	0	0
6th to 10th years (inclusive)*	0	0
11th to 15th years (inclusive)*	0	0
16th to 20th years (inclusive)*	0	0
21st to 25th years (inclusive)*	0	0
26th to 30th years (inclusive)*	0	0
31st to 35th years (inclusive)*	0	0

26 Pooled Budget

St. George's Healthcare NHS Trust has no pooled budget arrangements.

27 Financial Instruments

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

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

Liquidity risk

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

Interest-Rate Risk

0% of the Trust's financial assets and 15.3% of its financial liabilities carry nil or fixed rates of interest. St. George's Healthcare NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

27.1 Financial Assets

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate	Non-interest bearing	
					Weighted average interest rate		Weighted average period for which fixed
	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	51,430	3,938	90	47,402	2.20%	7	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	51,430	3,938	90	47,402			
At 31 March 2007							
Sterling	39,674	111	103	39,460	2.20%	8	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	39,674	111	103	39,460			

27.2 Financial Liabilities

Currency	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate	Non-interest bearing	
					Weighted average interest rate		Weighted average period for which fixed
	£000	£000	£000	£000	%	Years	Years
At 31 March 2008							
Sterling	215,820	0	31,972	183,848	5.20%	4	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	215,820	0	31,972	183,848			
At 31 March 2007							
Sterling	218,309	0	34,000	184,309	5.45%	5	0
Other	0	0	0	0	0.00%	0	0
Gross financial liabilities	218,309	0	34,000	184,309			

Note: The public dividend capital is of unlimited term.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

27.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2008.

	Book Value	Fair Value	Basis of fair valuation
	£000	£000	
Financial assets			
Cash	3,938	3,938	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	90	90	Note a
Investments	<u>0</u>	<u>0</u>	
Total	<u>4,028</u>	<u>4,028</u>	
Financial liabilities			
Overdraft	0	0	
Creditors over 1 year:			
- Finance leases	0	0	Note b
Provisions under contract	0	0	Note c
Loans	<u>(31,972)</u>	<u>(31,972)</u>	
Total	<u>(31,972)</u>	<u>(31,972)</u>	

Notes

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.

b To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.

c Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 2.2% in real terms.

28 Third Party Assets

The Trust held £17,349 cash at bank and in hand at 31st March 2008 (£21,908 at 31st March 2007) 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.

29 Intra-Government and Other Balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other Central Government Bodies	13,407	90	3,264	23,978
Balances with Local Authorities	35	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,901	0	2,734	0
Balances with Public Corporations and Trading Funds	67	0	552	0
Balances with bodies external to government	24,058	0	47,883	0
At 31 March 2008	<u>41,468</u>	<u>90</u>	<u>54,433</u>	<u>23,978</u>
Balances with other Central Government Bodies	0	0	7,267	27,200
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	17,409	103	9,284	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	22,004	0	34,919	0
At 31 March 2007	<u>39,413</u>	<u>103</u>	<u>51,470</u>	<u>27,200</u>

30 Losses and Special Payments

There were 56 cases of losses and special payments (2006/07: 338 cases) totalling £18,152 (2006/07: 49,951) paid during 2007/08.

Further copies of the Accounts are available on request from the Director of Finance, Bronte House St George's Healthcare NHS Trust.

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Electronic copies of the Accounts are available in PDF format by emailing the following address:

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