

North Cumbria University Hospitals



NHS Trust

ANNUAL ACCOUNTS

2008/09

FOREWORD TO THE ACCOUNTS

The accounts for the year ended 31 March 2009 have been prepared by North Cumbria University Hospitals NHS Trust under section 98(2) of the National Health Service Act (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, with the approval of the Treasury, has directed.

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 of the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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.

7th JUNE 09 *Cazie Ackenby*
.....Date.....Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 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, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

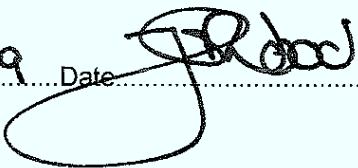
- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and 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

7th June 2009 Date  Chief Executive

9th June 2009 Date  Finance Director

STATEMENT ON INTERNAL CONTROL 2008/09

1. Scope of responsibility

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

In order to meet my responsibilities as Accountable Officer, I have in place a clear scheme of reserved and delegated powers from the Board and a robust committee structure. The executive officers within the Trust manage the business of the organisation within this framework.

In addition I have processes in place to ensure good working arrangements with partner organisations and external governance structures, including:

- Cumbria Health and Well-being Board membership along with the Chairs and Chief Officers of all health and social care agencies in Cumbria;
- North Cumbria University Hospitals NHS Trust Public and Patient Involvement (PPI) Forum, Local Involvement Networks (LINKs) and other patient representative groups;
- Local Strategic Partnership groups;
- NHS Cumbria Chief Executive and Senior Team meetings;
- Overview and Scrutiny Committee meetings;
- Strategic Health Authority Chief Executive meetings.

2. The purpose of the system of internal control

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

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

I can confirm that the system of internal control has been in place in North Cumbria University Hospitals NHS Trust for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

As Accountable Officer I have overall responsibility for risk management with the Director of Strategic Planning and the Director of Nursing, Quality and Governance.

Each Executive Director has a clearly defined objective to manage risk within their area of responsibility. Each Directorate has a clear responsibility for managing risk within the relevant operational area. The Directorates work in conjunction with the Trust Risk Managers to develop and oversee the risk management process throughout the organisation.

To support our strategy and associated management structure there are a number of clear mechanisms for handling issues of risk. These are:

- The development of annual business plan with key strategic objectives. These objectives are underpinned by the risk register and the assurance framework.

- Risk processes are overseen and approved by the Board with monitoring being the responsibility of the Trust's Risk Management Advisory Committee and Audit and Governance Committees.
- Review and monitoring of the governance systems and processes are undertaken by the Audit Committee supported by the internal audit department.

The Trust continually reviews the risk register. The register assists with the development of an organisation wide risk aware culture, and enables risk management decision making to occur as near to the risk source as possible. Those risks that cannot be dealt with locally are escalated to the appropriate level. The Trust uses the risk grading system as recommended by Monitor and the National Patient Safety Agency.

Risk Management, risk assessment and incident reporting are included in the core induction programme for all new employees. This is supplemented by additional training which supports the principles of the National Patient Safety Agency. Furthermore the Trust promotes an open and fair no-blame culture. Importantly training in risk management is also included in the Trust's annual mandatory training programme. Training on other aspects of risk management, such as root cause analysis, risk assessment for risk assessors, fire response and complaints is provided on an ongoing basis throughout the year.

Staff are trained in the operation of the Trust's risk management process. Divisional risk leads and the Trust's embedded risk managers are available to provide support and guidance to any member of staff.

The Trust aims to ensure that lessons are learned from the identification of weak controls. Action is taken based on quantification of the risks and support and feedback from the following:

- **Alerts** – examples include the review of the Department of Health's Safety Alert Broadcast System, estates planning issues and medical devices alerts.
- **Failure events** – examples include lessons from complaints and litigation processes, serious untoward incidents and near miss reviews, and natural disasters, including flooding and involvement in multi agency emergency planning processes.
- **Networks and groups** – for example the Trust's engagement in the NHS North West Lessons Learned Group and the North West Emergency Planning Group.
- **Reports** - examples include the Trust's review of the National Confidential Enquiry into Peri-operative Death, the review into failings at the Mid Staffordshire Hospitals Foundation Trust and the review into the death of baby P. Divisional reports to the Governance Committee cover all known aspects of governance and risk.
- **Reviews** – Examples include appraisals systems, clinical audit findings, medical post graduate reviews, clinical outcome reviews and morbidity, mortality / discrepancy meetings including supported by national benchmarking data and the Healthcare Core standards self assessment programme.
- **Stakeholder engagement and feedback** – examples include working with the Patient Advisory Liaison Service, patient panels and feedback from patient and staff surveys.

Good practice is disseminated through a range of methods such as newsletters, team briefings, corporate documents, minutes, committees and team meetings. Communications are provided via the intranet, the internet, email and hard copy.

4. The risk and control framework

The Trust has an embedded risk management culture, supported by a clear strategy with transparent policies and objectives.

Risk management strategy

The context of risk is described in the risk management strategy, which is approved by the Trust Board. The key elements of the strategy include:

- The scope of risk management
- The strategic aims and objectives of risk management, supported by a policy statement
- Responsibilities and the scheme of delegation
- An overview of the Risk Management Department and an outline of the risk management processes, including training, monitoring and communication
- An example of the risk register
- The annual risk development plan
- An overview of the Risk Management Committee, supported by their terms of reference
- A model ward/department risk management strategy
- A risk assessment model

The Trust's corporate risk register and assurance framework, links the Trust's principal aims to its primary strategic and operational objectives, and identifies the risks associated in the delivery of those objectives. Risks identified on the corporate risk register and assurance framework are monitored by all the committees specific to risk, with overall organisational progress being reviewed by the Risk Management Advisory Committee which reports regularly to the Governance Committee.

Policies

The Trust has a comprehensive list of policies, which support the risk management framework. Where appropriate, the policies are added to or updated to ensure that risks are minimised. All policies are reviewed periodically. These reviews and changes are approved by the Governance Committee together with the approval of any new policies. All policies are accessible via the Trust intranet. Key policies are:

- Accident incident and near-miss reporting
- Health and safety
- Emergency contingency and business continuity planning
- Fire
- Security
- Major clinical incident
- Handling of clinical negligence employers and public liability claims
- Complaints policy and procedure
- Zero tolerance towards violence and aggression

Objectives and controls

The strategic objectives for the Trust are reflected in each of the Executive Directors personal objectives and appraisals. These objectives are monitored by the Chief Executive using the Trust's appraisal process.

There are formal reviews of performance for each Directorate within the Trust. Through the Board cycle, the Trust Board also receives reports throughout the year on:

- Serious untoward incidents, litigation, admissions of liability and Coroners inquests
- Health and Safety
- Infection Control
- Child Protection
- Complaints
- Governance

Risk assessment

The Trust holds level 1 accreditation in the National Health Service Litigation Authority's Risk Management Standards for Trusts Assessment and is also at level 1 for its Clinical Negligence Scheme for Trust Maternity Assessment.

The Trust has also performed an extensive review of the Core Standards of the Standards for Better Health Annual Health Check. There is a formal system of performance monitoring and control, against the standards which is underpinned, by an extensive database of evidence. In its 2008/09 declaration the Board has declared full compliance with Standards for Better Health. In the submission to the Healthcare Commission, it was stated that all but one standard was met for the full year and compliance was achieved by the year end for the remaining standard.

The Trust has also been subject to a number of reviews of its risk management systems effectiveness by independent agencies, such as Cumbria Internal Audit and Counter Fraud Consortium and the Audit Commission, who have performed the Auditors Local Evaluation (ALE) Assessment.

The Trust's committee structure ensures the North Cumbria University Hospitals NHS Trust Patient and Public Involvement Forum is fully engaged. This ensures that public stakeholders are involved in the management of organisational risks which includes risks that specifically impact on them.

Risks to data security are actively managed by the Trust and monitoring is undertaken by the Information Governance Group that reports into the Risk Management Committee. The Caldicott Guardian and Senior Information Responsible Officer form part of the core membership. A range of policies are in place to support this, the key ones are:

- Confidentiality policy
- Data protection policy
- Electronic communications policy
- Information governance policy
- Information security policy
- Offsite use and security of computing devices policy

In addition operational guidance is available via the intranet. All staff receive awareness training at induction and annual mandatory training days.

Data security incidents are reported using the Trust's incident reporting procedure and monitored through the information governance group. The Trust works proactively to reduce 'information risk', for example the Trust has now encrypted all mobile computers and has reinforced its policy with regard to limiting access to patient identifiable data.

In the course of 2008/09 one serious untoward data security incident took place in which a member of agency staff was given inappropriate access to highly confidential patient information. Whilst no breach of confidentiality was found, additional processes have been introduced to reduce this risk.

Gaps in the Assurance Framework

In its submission to the Healthcare Commission, on its compliance with core standards, the Trust has declared that it is fully compliant with the core standards for better health. It confirmed compliance for all standards through the course of the year and that of C9 was achieved by the year end.

A business case was developed and actioned in 2008/09 for standard C9, to put in place the systems and processes required to ensure compliance with the requirements for corporate records. The Trust has achieved level 2 for Information Governance standards, has implemented guidelines for records management and a recent audit identified that key documents are being collated and retained appropriately. In 2008/09 the Trust invested in a software server to provide an effective system for the management of electronic records.

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.

Compliance with equality, diversity and human rights legislation

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

A former employee, brought a claim against North Cumbria University Hospitals NHS Trust based on incidents she alleged took place four years ago. The Employment Tribunal confirmed its findings on 23 March 2009 upholding 16 allegations and dismissing 11. The Tribunal agreed that the claimant had been unfairly dismissed and that racial discrimination against her had occurred. The Board and the Trust have taken this judgment very seriously and is working to ensure that it strengthens and progresses its work on equality and diversity.

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. Executive 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 me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by:

- Accreditation by external review agencies including the Healthcare Commission and the NHS Litigation Authority
- Audit Committee findings and processes
- Engagement with the Trust Board, requirements for subsequent action and evidence of action being taken
- Executive Directors' appraisals including the monitoring and completion of objectives
- External audit by the Audit Commission
- Governance Committee findings and processes
- Health & Safety Executive certification
- Liaison with the NHS Security Management Service
- Risk Management Committee
- Standards for Better Health Declaration – the Trust Board, in its General Statement of Compliance, has declared that it has reasonable assurance that there have been no significant lapses in meeting the core standards for the period 1 April 2008 to 31 March 2009. The Board has received comments from all relevant external bodies. These are consistent with the Trust's internal self assessment process for each of the core standards.

I have been advised, on the implications of the results of my review of the effectiveness of the system of internal control, by the above mentioned processes, committees and individuals. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Where internal control issues are identified the risk management process results in the establishment of a specific action plan to control as far as is practicable the risk involved. Management and implementation of the action plan is the responsibility of a designated Executive Director. Progress in implementing these action plans is monitored, by the Risk Management Department and through the Trust's assurance committee structure, to ensure that internal control issues are managed at the most appropriate level. Residual risk is recorded in the risk register, which is routinely monitored by the Risk Management Advisory Committee.

Strategically significant risks are highlighted and monitored through the Assurance Framework by the Trust Board.

Internal Audit provides quarterly reports to the Audit Committee with full reports to the Director of Finance and appropriate line managers. The Audit Committee also receives details of any actions

that remain outstanding following the follow up of previous audit work. The Director of Finance also meets with the Audit Manager on a regular basis.

Significant Internal Control Issues

As outlined above, a serious untoward incident occurred relating to data security and access to highly confidential records. This has led to changes in how information is shared and restrictions placed upon access by temporary members of staff.

As at 31 March 2009 the Trust had no outstanding significant internal control issues.

Signed:



Carole Heatly
CHIEF EXECUTIVE

Date: 7th June 09

HEAD OF INTERNAL AUDIT OPINION ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL AT NORTH CUMBRIA UNIVERSITY HOSPITALS NHS TRUST FOR THE YEAR ENDED 31 MARCH 2009

Roles and responsibilities

The whole Board is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Statement of Internal Control (SIC) is an annual statement by the Accountable Officer, on behalf of the Board, setting out:

- how the individual responsibilities of the Accountable Officer are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- the purpose of the system of internal control as evidenced by a description of the risk management and review processes, including the Assurance Framework process;
- the conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The organisation's Assurance Framework should bring together all of the evidence required to support the SIC requirements.

In accordance with NHS Internal Audit Standards, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led Assurance Framework. As such, it is one component that the Board takes into account in making its SIC.

The Head of Internal Audit Opinion

The purpose of my annual HoIA Opinion is to contribute to the assurances available to the Accountable Officer and the Board which underpin the Board's own assessment of the effectiveness of the organisation's system of internal control. This Opinion will in turn assist the Board in the completion of its SIC, and may also be taken into account by the Healthcare Commission in relation to the Standards for Better Health.

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;
3. Commentary.

My **overall opinion** is that

Significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk.

The **basis** for forming my opinion is as follows:

1. An assessment of the design and operation of the underpinning Assurance Framework and supporting processes; and

2. An assessment of the range of individual opinions arising from risk-based audit assignments, contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. An assessment of the process by which the organisation has arrived at its declaration in respect of the Standards for Better Health;

The **commentary** below provides the context for my opinion and together with the opinion should be read in its entirety.

The design and operation of the Assurance Framework and associated processes.

The underpinning systems for risk management are fundamentally sound and further work has been carried out this year on the structure of the Risk Register and Assurance Framework documents. There is some risk in separating responsibility for the two and the Trust must continue to ensure that the documents are fully cross referenced to prevent any potential mismatch arising and to maintain clarity at board level. Progress has been made at departmental level and in strengthening systems to ensure inclusion of identified issues in risk registers.

Board awareness and development training includes the assurance framework process and continued work in this area is planned going forward as several new members have joined the Trust over the year. Internal audit will be involved in facilitating this training.

The Trust has declared full compliance with Standards for Better Health. In its submission to the Healthcare Commission it is stated that all but one standard was met for the full year and compliance by the year end for this remaining standard was achieved.

The range of individual opinions arising from risk-based audit assignments, contained within risk-based plans that have been reported throughout the year.

A risk based internal audit plan is derived from both an audit needs assessment and use of the Trust's own Risk Register and Assurance framework. The plan is explicitly linked to these documents (and to Standards for Better Health) by relevant risk identification numbers and Healthcare Standards references. The internal audit plan ensures annual coverage of risk and governance management processes and work on fundamental financial and information systems. Operational audit work is carried out on other risk areas identified in the planning process and the scope of internal audit work is not restricted in any way.

Some planned areas of review were not completed to final report stage for inclusion in this review as follows:

Records Management – draft issued Feb 09, Trust management changes delayed exit meeting until 09/10.
18 weeks target achievement – draft issued April 09
Agency and bank staffing – draft issued April 09
Informatics service management review – work slipped to 09/10
Sterile Services efficiency review – work slipped to 09/10.

The table below details reviews completed and the associated level of assurance reported.

Key:

Full assurance - there is a sound system of internal control which is designed to meet the organisation's objectives and that controls are being consistently applied in all the areas reviewed;

Significant assurance - there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls, put the achievement of particular objectives at risk.

Limited assurance - weaknesses in the design, and/or inconsistent application of controls, put the achievement of the organisation's objectives at risk in a number of the areas reviewed.

No assurance - weaknesses in control, and/or consistent non-compliance with controls, could result/ has resulted in failure to achieve the organisation's objectives in the areas reviewed.

Audit Area	Level of Assurance
Governance Arrangements	Significant
Information Governance – system underpinning declaration	Significant
Standards for better health – systems in place to underpin declaration and sample assessment of evidence	Significant
Private Patients	Overall limited assurance due to lack of robust costing information to ensure costs plus are fully recovered and lack of Trust wide policies relating to private patients.
Choose and Book	Overall limited assurance – concerns over completeness of services listing on system and use of management information to improve delivery.
Complaints Management	Limited – progress and improvement noted by year end.
Medicines Management	Significant in relation to pharmacy department. Limited re: ward activity – inconsistent levels of compliance and procedures in place. (Note no actual impact on patient safety)
Emergency planning	Significant
Implementation of NICE guidelines	Limited – inconsistent application of system and ensuring follow up of replies re: compliance.
PFI contract payments	Significant overall – some limited assurance re best use of monitoring resources.
ESR Bureau management	Overall significant – limited assurance re: testing of business continuity procedures.
Financial Management and Budgetary Control	Limited – concerns re: CIP although systems in place to identify problems and manage the situation. Financial targets achieved by year end.
Accounts receivable	Significant
Accounts payable	Significant overall – limited re: Better Payment Practice Code
Payroll	Significant
Main Accounting System	Significant
Cash bank and treasury management	Significant overall though concerns re: EFT transfer limits and risk assessment.

Areas of concern

The Trust continues to face a challenging financial future with a continuing need to identify and meet a significant cost improvement programme. The impact of the demand management needs of the Closer to Home strategy adopted by the PCT continue to create tensions in the system. These (and other) risks are well documented within the Trust which continues to work together with the PCT towards a smooth transition of service delivery within Cumbria.

Cheryl McAdams
Head of Internal Audit
April 2009

Independent auditor's report to the Board of Directors of North Cumbria University Hospitals NHS Trust

Opinion on the financial statements

I have audited the financial statements of North Cumbria University Hospitals NHS Trust for the year ended 31 March 2009 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 North Cumbria University Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 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 Operational and Financial Review, 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 'Guidance on Completing the Statement on Internal Control 2008/09' issued 25 February 2009. 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 unaudited part of the Remuneration Report, the Chairman's Statement and the remaining elements of the Operating and Financial Review. 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 2009 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 Operational and Financial Review, 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, North Cumbria University Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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.

Jackie Bellard

Jackie Bellard
Engagement Lead

Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

11 June 2009

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 March 2009**

	NOTE	2008/09 £000	2007/08 £000
Income from activities	3	199,581	187,755
Other operating income	4	12,655	10,069
Operating expenses	5	<u>(208,058)</u>	<u>(195,571)</u>
OPERATING SURPLUS/(DEFICIT)		4,178	2,253
Cost of fundamental reorganisation/reconstruction		0	0
Profit/(loss) on disposal of fixed assets	8	<u>(336)</u>	<u>(50)</u>
SURPLUS/(DEFICIT) BEFORE INTEREST		3,842	2,203
Interest receivable	9	504	751
Interest payable	9	(608)	(612)
Other finance costs - unwinding of discount	17	<u>(50)</u>	<u>(51)</u>
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		3,688	2,291
Public dividend capital dividends payable		<u>(2,695)</u>	<u>(2,240)</u>
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>993</u></u>	<u><u>51</u></u>

The notes on pages 19 to 52 form part of these accounts.
All income and expenditure is derived from continuing operations.

**BALANCE SHEET AS AT
31 March 2009**

	NOTE	31 March 2009 £000	31 March 2008 £000
FIXED ASSETS			
Intangible assets	10	0	0
Tangible assets	11	87,523	88,751
Financial assets	14	0	0
TOTAL FIXED ASSETS		<u>87,523</u>	<u>88,751</u>
CURRENT ASSETS			
Stocks and work in progress	12	2,749	2,575
Debtors under one year	13	12,444	18,879
Investments		0	0
Other financial assets	14	0	0
Cash at bank and in hand	19.3	650	614
TOTAL CURRENT ASSETS		<u>15,843</u>	<u>22,068</u>
Debtors falling due after more than one year	13	4,169	4,796
CREDITORS: Amounts falling due within one year	15.1	(15,582)	(20,373)
Financial liabilities	16	0	0
NET CURRENT ASSETS/(LIABILITIES)		<u>4,430</u>	<u>6,491</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>91,953</u>	<u>95,242</u>
CREDITORS: Amounts falling due after more than one year	15.1	(13,322)	(14,899)
Financial liabilities	16	0	0
PROVISIONS FOR LIABILITIES AND CHARGES	17	(3,191)	(3,775)
TOTAL ASSETS EMPLOYED		<u><u>75,440</u></u>	<u><u>76,568</u></u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	23	47,018	47,018
Revaluation reserve	18	28,609	31,448
Donated asset reserve	18	1,440	1,762
Government grant reserve	18	0	0
Other reserves	18	0	0
Income and expenditure reserve	18	(1,627)	(3,660)
TOTAL TAXPAYERS' EQUITY		<u><u>75,440</u></u>	<u><u>76,568</u></u>

The financial statements on pages 1 to 52 were approved by the Board on 9 June 2009 and signed on its behalf by:

Signed:  (Chief Executive)

Date: 

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 March 2009**

	2008/09	2007/08
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	3,688	2,291
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	(1,791)	4,988
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	72	436
Additions/(reductions) in "other reserves"	0	<u>0</u>
Total recognised gains and losses for the financial year	1,969	7,715
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	<u>1,969</u>	<u>7,715</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED
31 March 2009

	NOTE	2008/09 £000	2007/08 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	19.1	11,402	6,468
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		504	751
Interest paid		(608)	(612)
Interest element of finance leases		0	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		(104)	139
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(7,711)	(9,410)
Receipts from sale of tangible fixed assets		0	0
(Payments) to acquire intangible assets		0	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
(Payments to acquire)/receipts from sale of financial instruments		0	0
Net cash inflow/(outflow) from capital expenditure		(7,711)	(9,410)
DIVIDENDS PAID			
Net cash inflow/(outflow) before management of liquid resources and financing		(2,695)	(2,240)
Net cash inflow/(outflow) before management of liquid resources and financing		892	(5,043)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of financial assets with the Department of Health		0	0
(Purchase) of other current financial assets		0	0
Sale of financial assets with the Department of Health		0	0
Sale of other current financial asset		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		892	(5,043)
FINANCING			
Public dividend capital received		0	4,651
Public dividend capital repaid		0	0
Loans received from the Department of Health		0	800
Other loans received		0	0
Loans repaid to the Department of Health		(856)	(814)
Other loans repaid		0	0
Other capital receipts		0	436
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		(856)	5,073
Increase/(decrease) in cash		36	30

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 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 reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

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

1.3 Income Recognition

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

1.4 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in 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 to approximate current cost by the use of a suitable index. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

1.5 Tangible fixed assets

1.5.1 Capitalisation

Borrowing costs associated with the construction of new assets are not capitalised.

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

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

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

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

Guidance to capitalise digital hearing aids was withdrawn in 2006/07 and treatment now follows FRS 15, the relevant accounting financial reporting standard. This requires organisations to treat expenditure on digital hearing aids as revenue and consequently no expenditure on digital hearing aids has been capitalised by NHS bodies from 31 March 2007. Any previously capitalised costs have remained as capital and have not been treated as a prior period expenditure adjustment under FRS3 as the amounts involved were not considered to be material.

1.5.2 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. Since the last revaluation of land and buildings which was carried out as at 1 April 2005 the Trust has used indices provided by the Department of Health. It became apparent during the current year that these were no longer appropriate because they were still revaluing upwards whilst all other indications showed values to be falling. The Trust has, therefore consulted the Valuation Office Agency to provide more realistic indices. Indexation since 2005 has now been recalculated to agree to the indices the Valuation Office has used over the same period.

The District Valuation office does not have an index for equipment and the Trust considers the Department of Health's index acceptable given that the replacement cost of equipment is not subject to the same market forces as land and buildings.

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.

Gains arising from indexation and revaluations are taken to the Revaluation Reserve. Losses arising from revaluation are recognised as impairments and are charged to the revaluation reserve to the extent that a balance exists in relation to the revalued asset. Losses in excess of that amount are charged to the current year's Income & Expenditure account, unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the impairment is taken to the revaluation reserve. Diminutions in value when newly constructed assets are brought into use are charged in full to the Income & Expenditure account. 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 indices 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 equals 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 is carried at current value, which is the lower of replacement cost or recoverable amount. Where assets are of low value, and/or have short useful economic lives, these are carried at depreciated historic cost as a proxy for current value. Equipment surplus to requirements is valued at net recoverable amount.

1.5.3 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 on 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 Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset ranging between 5-20 years.

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

1.6 Donated fixed assets

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

1.7 Government Grants

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. Gains and losses on 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. The Trust has no Government grants.

1.8 Private Finance Initiative (PFI) transactions

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

1.9 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.10 Research and development

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

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

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. 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.

1.11 Provisions

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

1.11.1 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 17.

1.11.2 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.

1.12 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.nhsbsa.nhs.uk/pensions. 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.

1.12.1 Scheme valuation

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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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.

1.12.2 Scheme Provisions as at 31 March 2009

The scheme is a 'final salary' scheme.

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. From 1 April 2008 a voluntary additional pension facility becomes available, under which members may purchase up to £5,000 per annum of additional pension at a cost determined by the actuary from time-to-time.

Early payment of a pension 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.

1.12.3 Existing members at 1 April 2008

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. From 1 April 2008 there is the opportunity of giving up some of the pension to increase the retirement lump sum. 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 or eligible unmarried partner.

1.12.4 New entrants from 1 April 2008

Annual pensions for new entrants from 1 April 2008 will be based on 1/60th of the best three-year average of pensionable earnings in the ten years before retirement. Members wishing to obtain a retirement lump sum may give up some of this pension to obtain a retirement lump of up to 25% of the total value of their retirement benefits. Survivor pensions will be available to married and unmarried partners and will be equal to 37.5% of the member's pension.

1.13 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 cash flow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.14 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.

1.15 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.

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 29 to the accounts.

1.17 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 lesser of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.18 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital 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.

1.19 Losses and Special Payments

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

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

1.20 Financial Instruments

1.20.1 Financial assets

Financial assets are recognised on the balance sheet when the Trust becomes party to the financial instrument contract or, in the case of trade debtors, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit and loss'; 'held to maturity investments'; 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques. In the case of loans received from the Department of Health, the fair value is calculated using their current interest rates available for new loans from the Department of Health.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the balance sheet date, the Trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Income and Expenditure Account and the carrying amount of the asset is reduced directly, or through a provision for impairment of debtors.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Income and Expenditure Account to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.20.2 Financial liabilities

Financial liabilities are recognised on the balance sheet when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade creditors, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

2 SEGMENTAL ANALYSIS

The Trust is not a lead body and therefore there is no disclosure requirement under this note.

3. Income from Activities

	2008/09 £000	2007/08 £000
Strategic Health Authorities	0	0
NHS Trusts	103	0
Primary Care Trusts (note a)	187,634	173,688
Foundation Trusts	38	73
Local Authorities	165	230
Department of Health (note b)	6,672	9,107
NHS Other	0	0
Non NHS:		
- Private patients	857	845
- Overseas patients (non-reciprocal)	20	27
- Injury cost recovery (note c)	1,159	822
- Other (note a)	2,933	2,963
	<u>199,581</u>	<u>187,755</u>

Note a: The primary source of income for patient related activities is from Primary Care Trusts in England. In addition it receives income from Health Boards in other parts of the UK, the main ones being Dumfries and Galloway £2,357k and Borders £250k, which are included in 'Non NHS Other'.

Note b: The income from the Department of Health reduced mainly as a result of the final withdrawal of Payment by Results transitional relief.

Note c: Injury cost recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

4. Other Operating Income

	2008/09 £000	2007/08 £000
Patient transport services	0	0
Education, training and research	6,552	5,838
Charitable and other contributions to expenditure	586	319
Transfers from Donated Asset Reserve	402	363
Transfers from Government Grant Reserve	0	0
Non-patient care services to other bodies	2,177	1,896
Rental income from finance leases	0	0
Rental income from operating leases	0	0

5. Operating Expenses

5.1 Operating expenses comprise:

	2008/09 £000	2007/08 £000
Services from other NHS Trusts	0	0
Services from PCTs	0	0
Services from other NHS bodies	0	0
Services from Foundation Trusts	0	0
Purchase of healthcare from non NHS bodies	188	466
Directors' costs (note a)	661	830
Staff costs	129,431	121,430
Supplies and services - clinical	36,928	34,346
Supplies and services - general	5,469	5,250
Consultancy and legal services (note b)	1,383	661
Establishment	2,852	2,770
Transport	1,884	1,856
Premises (note c)	18,953	16,907
Impairment of debtors (note d)	(22)	30
Depreciation	6,311	5,814
Amortisation	0	0
Tangible fixed asset impairments and reversals	0	0
Intangible fixed asset impairments and reversals	0	0
Impairments and reversals of financial assets (by class)	0	0
Change in the fair value of financial instruments	0	0
Audit fees	94	89
Other auditor's remuneration (note e)	84	92
Clinical negligence	1,991	2,026
Redundancy costs	5	0
Education and training	748	530
Other (note f)	1,098	2,474
	<u>208,058</u>	<u>195,571</u>

Note a: Directors' costs have reduced as costs shown are now limited to Board Directors only.

Note b: Consultancy and legal services have increased due to a number of legal matters and management consultancy support.

Note c: Premises costs have increased as a result of significantly higher utility prices, rates increases, higher waste disposal costs, PFI contract price increases, full year cost of Picture Archiving Communication System (PACS), and Reiver House recovery facility lease.

Note d: The negative figure for the impairment of debtors reflects a reduction in the provision made by the Trust for bad debts.

Note e: This expenditure is classified as 'All other services' and relates to value for money work.

Note f: Other costs include the costs of legal claims and provisions, insurance and internal audit services.

5.2 Operating leases

5.2.1 Operating expenses include:

	2008/09	2007/08
	£000	£000
Hire of plant and machinery	0	0
Other operating lease rentals	1,278	1,347
	<u>1,278</u>	<u>1,347</u>

5.2.2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2008/09	2007/08	2008/09	2007/08
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	0	0	187	277
Between 1 and 5 years	277	282	474	453
After 5 years	0	0	275	275
	<u>277</u>	<u>282</u>	<u>936</u>	<u>1,005</u>

2007/08 comparators have been amended to include the lease on Reiver House and the annual commitments for lease cars as at 31 March 2008.

6. Staff costs and numbers

6.1 Staff costs

	Total	2008/09 Permanently Employed	Other	2007/08
	£000	£000	£000	£000
Salaries and wages	109,373	101,283	8,090	100,747
Social Security Costs	7,873	7,272	601	8,416
Employer contributions to NHS BSA - Pensions Division	12,751	12,127	624	12,751
Other pension costs	41	41	0	295
	130,038	120,723	9,315	122,209

The increase in staff costs between 2007/08 and 2008/09 relates to pay awards, medical contract changes, incremental drift pressures, the costs of voluntary severance, the full year effect of 2007/08 developments and in year developments.

6.2 Average number of persons employed

	Total	2008/09 Permanently Employed	Other	2007/08
	Number	Number	Number	Number
Medical and dental	398	292	106	401
Ambulance staff	0	0	0	0
Administration and estates (note a)	711	672	39	683
Healthcare assistants and other support staff (note b)	690	690	0	703
Nursing, midwifery and health visiting staff (note b)	1,126	1,125	1	1,134
Nursing, midwifery and health visiting learners	16	16	0	18
Scientific, therapeutic and technical staff (note c)	320	317	3	308
Social care staff	1	0	1	0
Other	1	1	0	1
Total	3,263	3,113	150	3,248

Prior year comparators for this note have been changed to ensure consistency with the Workforce Information Management (WIMS) return completed by the Trust for DoH purposes. There have also been some minor amendments to 2007/08 figures, again to ensure consistency with 2008/09.

The number of persons employed is an average of contract hours across the 12 months of the financial year adjusted for agency and other staff not directly employed by the Trust. Consequently, developments or cost saving initiatives started during 2007/08 will have a full year impact in the 2008/09 numbers whilst developments and cost saving initiatives in 2008/09 will only be partially reflected, e.g. voluntary severance will only have one third impact in 2008/09.

Note a: The increase in administration and estates staff numbers relates to the developments in a number of Corporate functions including Business Management, Information, IT and Finance which were approved in 2007/08. These are designed to strengthen the Trust's operational management arrangements, improve systems for capturing activity and ensuring recovery of all income due, and to meet other DoH requirements including progress towards Foundation Trust status.

Note b: Reductions in healthcare assistants and other support staff and nursing and midwifery relate mainly to voluntary severance and the transfer of a ward at the Cumberland Infirmary to NHS Cumbria in the last quarter of the financial year and other bed reconfigurations

Note c: Increases in the scientific, therapeutic and technical staffing numbers are due to the full year impact of increasing radiographer numbers to meet 18 week pathways, converting nursing posts to technician posts in Theatres and developments in Cardiology.

6.3 Employee benefits

There were no employee benefits in 2008/09 (2007/08: £nil).

6.4 Management costs

	2008/09	2007/08
	£000	£000
Management costs	6,611	6,187
Income	212,200	197,824
Management costs as a percentage of income	3.1%	3.1%

Management costs have increased above inflation due to additional investment in clinical and corporate management but remain at 3.1% of income.

For further information on management costs:

<http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en>

6.5 Retirements due to ill-health

During 2008/09 there were 8 (2007/08, 9) early retirements from the North Cumbria University Hospitals NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £518k (2007/08: £301k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

6.6 Salary and Pension entitlements of Senior Managers

A) Remuneration

Name and Title	2008/09			2007/08		
	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Benefits in kind	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Benefits in kind
	£000	£000	Rounded to the nearest £100	£000	£000	Rounded to the nearest £100
Mr. Michael Bonner, Non Executive Director	5-10	0	0	0-5	0	0
Mr. Alexander Brown, Director of Nursing	85-90	0	2,400	20-25	0	1,700
Ms Marie Burnham, Chief Executive until 30th June 2008	40-45	0	1,200	150-155	0	4,500
Miss Shirley Chipperfield, Director of Human Resources	90-95	0	0	80-85	0	0
Prof. Suzanne Cholerton, Non Executive Director wef 15th December 2008	0-5	0	0	n/a	n/a	n/a
Mr Kevin Clarkson, Acting Chief Executive 17th June 2008 - 31st August 2008	25-30	0	300	n/a	n/a	n/a
Mr. Kevin Clarkson, Chief Operating Officer/ Deputy Chief Executive 1st April 2008 - 16th June 2008 and wef 1st September 2008	85-90	0	1,200	40-45	0	0
Ms Judith Cooke, Non Executive Director wef 1st December 2008	0-5	0	0	n/a	n/a	n/a
Mr Alan Davidson, Director of Estates & Facilities	75-80	0	4,500	70-75	0	4,300
Mr Philip Day, Non Executive Director wef 1st December 2008	0-5	0	0	n/a	n/a	n/a
Mr Mark Evens, Non Executive Director wef 14th July 2008	0-5	0	0	n/a	n/a	n/a
Mrs. Caroline Griffiths, Director of Strategic Planning	80-85	0	0	35-40	0	0
Ms Carole Heatly, Chief Executive wef 1st September 2008	95-100	0	0	n/a	n/a	n/a
Dr. Peter Inglis, Non Executive Director until 30th November 2008	0-5	0	0	5-10	0	0
Mr Mike Little, Chairman wef 6th May 2008	20-25	0	0	n/a	n/a	n/a
Mr Paul Mavin, Company Secretary until 29th March 2009	75-80	0	700	70-75	10-15	900
Mr. Simon Raimes, Medical Director	35-40	135-140	0	15-20	65-70	0
Mr Martin Shields, Non Executive Director until 30th November 2008	0-5	0	0	5-10	0	0
Mr Eric Urquhart, Chairman until 5th May 2008	0-5	0	0	20-25	0	0
Mr Ray Wager, Non Executive Director until 30th November 2008	0-5	0	0	5-10	0	0
Mr. Jonathan Wood, Director of Finance & Performance	105-110	0	0	35-40	0	0

The salary range quoted is pro rata to the annual salary and relates to the period that the individual was employed by the Trust in the stated post.

The benefits in kind relate to lease cars.

6.6 Salary and Pension entitlements of Senior Managers**B)Pension Benefits**

Name and Title	Real increase in pension at age 60 (bands of £2,500) £000	Lump sum at aged 60 related to real increase in pension (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2009 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31st March 2009 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2009 £000	Cash Equivalent Transfer Value at 31 March 2008 £000	Real Increase in Cash Equivalent Transfer Value £000	Employer's Contribution to stakeholder pension £00
Mr. Alexander Brown, Director of Nursing	2.5-5	12.5-15	20-25	65-70	361	225	91	0
Ms Marie Burnham, Chief Executive until 30th June 2008	0-2.5	0-2.5	45-50	135-140	703	538	27	0
Miss Shirley Chipperfield, Director of Human Resources	2.5-5	10-12.5	30-35	95-100	568	387	120	0
Mr. Kevin Clarkson, Chief Operating Officer/ Deputy Chief Executive 1st April 2008 - 16th June 2008 and wef 1st September 2008 and Chief Executive 17th June - 31st August 2008	10-12.5	32.5-35	35-40	110-115	587	311	188	0
Mr Alan Davidson, Director of Estates & Facilities	0-2.5	5-7.5	15-20	50-55	275	187	59	0
Mrs. Caroline Griffiths, Director of Strategic Planning	0-2.5	5-7.5	5-10	20-25	146	80	45	0
Ms Carole Heatly, Chief Executive wef 1st September 2008	2.5-5	7.5-10	35-40	110-115	696	453	94	0
Mr Paul Mavin, Company Secretary until 29th March 2009	(0-2.5)	(5-7.5)	20-25	70-75	441	366	46	0
Mr. Simon Raimes, Medical Director	(0-2.5)	(2.5-5)	55-60	165-170	1,163	904	165	0
Mr. Jonathan Wood, Director of Finance & Performance	2.5-5	10-12.5	20-25	60-65	303	196	71	0

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

The real increases noted above only reflect the increase for the proportion of the year that the member of staff has been in stated post.

Where reductions in pension figures are shown this is as a result of a reduction in the individual's pensionable pay between the two financial years concerned.

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

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

A change in the factors used to calculate CETVs as a result of both the Occupational Pension Scheme (Transfer Value Amendment) regulations and further regulations from the Department of Work and Pensions to determine CETVs from Public Sector Pension Schemes which came into force on 1 October 2008 and 13 October 2008 respectively has resulted in significant differences in the real increase in CETVs for 2008/09.

7. Better Payment Practice Code

7.1 Better Payment Practice Code - measure of compliance

	2008/09	
	Number	£000
Total Non-NHS trade invoices paid in the year	41,873	69,468
Total Non NHS trade invoices paid within target	35,554	67,385
Percentage of Non-NHS trade invoices paid within target	85%	97%
Total NHS trade invoices paid in the year	2,219	19,664
Total NHS trade invoices paid within target	1,860	19,509
Percentage of NHS trade invoices paid within target	84%	99%

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

There were no claims for interest payments in 2008/09 (2007/08 nil).

8. Other gains and losses

	2008/09	2007/08
	£000	£000
Gain on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Gain on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Gain on disposal of land and buildings	0	0
(Loss) on disposal of land and buildings	0	0
Gains on disposal of plant and equipment	0	0
(Loss) on disposal of plant and equipment	(336)	(50)
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through profit and loss	0	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
TOTAL	(336)	(50)

The loss on disposal of plant and equipment was due to an extensive validation exercise carried out to identify and locate all medical equipment recorded on the Trust's capital asset register. This ensured that the asset register was brought fully up to date and resulted in the write-off of all items that were no longer of use.

9. Finance Costs & Interest receivable

	£000	£000
Finance Costs		
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	608	612
Bank loans and overdrafts	0	0
Other interest and finance costs	0	0
TOTAL	608	612
Interest Receivable		
Bank accounts	504	751
Impaired financial assets	0	0
Other financial assets	0	0
TOTAL	504	751

10. Intangible Fixed Assets

The Trust has no intangible fixed assets (2007/08 nil).

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 p.o.a.	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 2008	14,680	44,918	3,900	5,427	33,230	60	11,945	1,562	115,722
Opening Balance Adjustments	(32)	0	(2)	35	82	3	(1,022)	16	(920)
Additions purchased	0	906	79	3,424	1,986	0	798	56	7,249
Additions donated	0	0	0	0	72	0	0	0	72
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	(32)	3,677	(2)	(3,642)	82	3	(1,022)	16	(920)
Indexation	(130)	(1,963)	(170)	101	870	1	0	41	(1,250)
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(6,457)	0	0	0	(6,457)
Cost or Valuation at 31 March 2009	14,486	47,538	3,805	5,345	29,865	67	10,699	1,691	113,496
Depreciation at 1 April 2008					19,910	53	6,383	625	26,971
Opening Balance Adjustments	0	0	0	0	83	3	(1,022)	16	(920)
Charged during the year	0	1,843	124	0	2,874	2	1,298	170	6,311
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	83	3	(1,022)	16	(920)
Indexation	0	0	0	0	523	1	0	17	541
Revaluation	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	(6,010)	0	0	0	(6,010)
Depreciation at 31 March 2009	0	1,843	124	0	17,463	62	5,637	844	25,973
Net book value									
- Purchased at 1 April 2008	14,680	44,372	3,900	5,427	12,128	7	5,559	916	86,989
- Donated at 1 April 2008	0	546	0	0	1,192	0	3	21	1,762
- Government granted at 1 April 2008	0	0	0	0	0	0	0	0	0
- Total at 1 April 2008	14,680	44,918	3,900	5,427	13,320	7	5,562	937	88,751
- Purchased at 31 March 2009	14,518	45,187	3,683	5,310	11,491	5	5,060	829	86,083
- Donated at 31 March 2009	0	508	0	0	912	0	2	18	1,440
- Government granted at 31 March 2009	0	0	0	0	0	0	0	0	0
- Total at 31 March 2009	14,518	45,695	3,683	5,310	12,403	5	5,062	847	87,523

The brought forward balances of cost and depreciation have both been reduced by £920k, as they were both previously overstated. There is no change in the opening net book value

During 2008/09 the Trust carried out a validation exercise on medical equipment and identified assets with a gross replacement cost of £6,457k that were no longer in use (Trust assets of £5,397k and donated assets of £1,060k). The accumulated depreciation on these assets was £6,010k (Trust assets £5,031k and donated assets £979k) giving a net book value write-off of £447k (Trust assets £366k and donated assets £81k).

The Dental Education Centre was completed during the year, and its cost of construction has been transferred from assets under construction to buildings (excluding dwellings).

As stated in note 1.5.2 of the accounts the Trust has applied an index to reflect the falling value of land and buildings in the current economic climate. This has resulted in a negative indexation reserve on land and buildings. All assets will be subject to a full revaluation in 2009/10.

11 Tangible Fixed Assets (contd)

11.2 Asset Financing

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value 31 March 2009									
Owned	14,518	45,695	3,683	0	12,403	5	5,062	847	82,213
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	5,310	0	0	0	0	5,310
Total 31 March 2009	14,518	45,695	3,683	5,310	12,403	5	5,062	847	87,523
Net book value 1 April 2008									
Owned	14,680	44,918	3,900	805	13,320	7	5,562	937	84,129
Finance Leased	0	0	0	0	0	0	0	0	0
On balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	4,622	0	0	0	0	4,622
Total 1 April 2008	14,680	44,918	3,900	5,427	13,320	7	5,562	937	88,751

11.3 The net book value of land, buildings and dwellings at 31 March 2009 comprises:

	2008/09 £000	2007/08 £000
Freehold	63,896	63,498
Long Leasehold	0	0
Short Leasehold	0	0
TOTAL	63,896	63,498

Of the totals at 31 March 2009, £1.5m related to land valued at open market value. None of the buildings or dwellings were valued at open market value.

Over the life of the PFI contract, part of the bi-annual unitary charge payments are capitalised in order to create a tangible fixed asset on the Trust's balance sheet. This residual interest element is based on the expected fair value of the asset at the end of the contract (break on 30 years) discounted over this period. Included in Assets under Construction and payments on account at 31 March 2009 is an amount of £5.3m, which represents the value of the residual asset at that date.

12. Stocks and Work in Progress

	31 March 2009	31 March 2008
	£000	£000
Raw materials and consumables	2,749	2,575
Work-in-progress	0	0
Finished goods	0	0
TOTAL	<u>2,749</u>	<u>2,575</u>

13. Debtors**13.1 Debtors at the balance sheet date are made up of:**

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
NHS debtors (note a)	5,041	10,379
Non NHS trade debtors (note b)	1,833	2,555
Provision for impairment of debtors	(35)	(101)
Other prepayments and accrued income	2,054	919
Current part of PFI payment (note c)	2,774	4,089
Other debtors (note d)	777	1,038
Sub Total: falling due within one year	<u>12,444</u>	<u>18,879</u>

Amounts falling due after more than one year:

NHS debtors (note a)	1,705	2,360
Non NHS trade debtors (note b)	550	388
Provision for impairment of debtors	(151)	(120)
Other prepayments and accrued income	2,065	2,168
Other debtors	0	0
Sub Total: falling due after more than one year	<u>4,169</u>	<u>4,796</u>
TOTAL	<u>16,613</u>	<u>23,675</u>

Note a: At 31 March 2009, NHS debtors falling due within one year includes nil in respect of back-to-back cover (with Cumbria PCT) for the Closer to Home initiative (at 31 March 2008: £4,502k). NHS debtors also includes back-to-back cover (with Cumbria PCT) for Equal Value claims of £1,350k falling due within one year (at 31 March 2008: £1,301k), and £1,705k falling due after more than one year (at 31 March 2008: £2,360).

Note b: At 31 March 2009, Non NHS trade debtors included £1,457k from the RTA Compensation Recovery Unit (at 31 March 2008: £1,226k) falling due within one year, and £550k (at 31 March 2008: £388k) falling due after more than one year.

Note c: The current part of PFI payment represents a payment made in advance for the first instalment of the following year's unitary charge due to Health Management Carlisle in respect of facilities management services at the Cumberland Infirmary.

Note d: At 31 March 2009, other debtors includes VAT recoverable of £682k (at 31 March 2008: £1,005k).

13.2 Provision for impairment of debtors

	£000
Balance at 1 April 2008	221
Amount written off during the year	(13)
Amount recovered during the year	0
(Increase)/decrease in debtors impaired	(22)

Balance at 31 March 2009	<u><u>186</u></u>
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31 March 2009	£000
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At the balance sheet date the following is an analysis of debtors past due but not impaired

By up to 3 months	968
By 3 to 6 months	233
By more than 6 months	273
Total	<u><u>1,474</u></u>

14 Other Financial Assets

The Trust held no other financial assets in 2008/09 (2007/08 nil).

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

	31 March 2009	31 March 2008
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	856	856
Interest payable	0	0
Payments received on account	0	0
NHS creditors	1,131	2,304
Non - NHS trade creditors - revenue	1,840	3,649
Non - NHS trade creditors - capital	1,017	1,590
Tax (note a)	1,398	3
VAT	0	0
Social security costs (note a)	1,143	5
Obligations under finance leases and hire purchase contracts	0	0
Other creditors (note b)	1,878	1,498
Accruals and deferred income (note c)	6,319	10,468
Current part of finance leases element of on balance sheet PFI contracts	0	0
Sub Total: amounts falling due within one year	<u><u>15,582</u></u>	<u><u>20,373</u></u>
Amounts falling due after more than one year:		
Long - term loans	10,274	11,130
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	1,343	1,410
Imputed finance leases element of on balance sheet PFI contracts	0	0
Other (note c)	1,705	2,359
Sub Total: amounts falling due in more than one year	<u><u>13,322</u></u>	<u><u>14,899</u></u>
TOTAL	<u><u>28,904</u></u>	<u><u>35,272</u></u>

Note a: In 2007/08 the Trust paid its March 2008 PAYE and National Insurance contributions before 31 March 2008 resulting in a lower creditor value at 31 March 2008. In March 2009, the March PAYE and National Insurance liability was still outstanding at 31 March 2009.

Note b: Other creditors include £1,552k outstanding pensions contributions at 31 March 2009 (at 31 March 2008 £1,466k).

Note c: Accruals and deferred income falling due within one year and other creditors falling due after more than one year include liabilities in respect of Equal Value claims which have reduced by £1,054k during 2008/09. The total amounts outstanding at 31 March 2009 amounted to £2,538k (at 31 March 2008: £3,265k). At 31 March 2009 the value of deferred income for restructuring costs was nil (2007/08: £4,502k).

15.2 Loans

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Amounts falling due:				
In one year or less	856	0	856	856
Between one and two years	856	0	856	856
Between two and five years	2,568	0	2,568	2,568
Over 5 years	6,850	0	6,850	7,706
TOTAL	11,130	0	11,130	11,986

	Department of Health £000	Other £000	31 March 2009 £000	31 March 2008 £000
Wholly repayable within five years	0	0	0	0
Wholly repayable after five years, not by instalments	0	0	0	0
Wholly or partially repayable after five years, by instalments	11,130	0	11,130	11,986
TOTAL	11,130	0	11,130	11,986
Total repayable after five years by instalments	6,850	0	6,850	0

Loans wholly or partially repayable after five years:

	Bi-annual repayments due Mar & Sep £000	Fixed Interest rate %	31 March 2009 Value outstanding £000	31 March 2008 Value outstanding £000
15 year Dept of Health loan, commenced 22 Mar 07	400	5.20	10,400	11,200
14.5 year Dept of Health loan, commenced 15 Sep 07	14	5.10	358	386
14 year Dept of Health loan, commenced 15 Mar 08	14	4.34	372	400
			11,130	11,986

15.3 Finance lease obligations

The Trust has no finance lease obligations (2007/08 nil).

15.4 Finance Lease Commitments

There were no finance leases taken out during 2008/09 and the Trust had no commitments to finance leases at the balance sheet date.

16 Other Financial Liabilities

	Due within one year 31 March 2009 £000	Due after more than one year 31 March 2009 £000
Financial liabilities carried at fair value through profit and loss	<u>0</u>	<u>0</u>

17 Provisions for liabilities and charges

	Pensions relating to former directors £000	Pensions relating to other staff (a) £000	Legal claims (b) £000	Restructurings £000	Other £000	Total £000
At 1 April 2008	0	1,079	2,584	0	112	3,775
Arising during the year	0	37	925	0	0	962
Utilised during the year	0	(112)	(575)	0	(112)	(799)
Reversed unused	0	0	(797)	0	0	(797)
Unwinding of discount	0	24	26	0	0	50
At 31 March 2009	<u>0</u>	<u>1,028</u>	<u>2,163</u>	<u>0</u>	<u>0</u>	<u>3,191</u>

Expected timing of cash flows:

Within one year	0	0	977	0	0	977
Between one and five years	0	321	206	0	0	527
After five years	0	707	980	0	0	1,687
	<u>0</u>	<u>1,028</u>	<u>2,163</u>	<u>0</u>	<u>0</u>	<u>3,191</u>

NHS Litigation Authority

£30,832k is included in the provisions of the NHS Litigation Authority at 31 March 2009 in respect of clinical negligence liabilities of the NHS Trust (31 March 2008 £20,272k).

(a) Pensions relating to other staff

This figure is considered to be a realistic assessment of future pension costs. A cost of £112k has been calculated for 2009/10 and has been included within creditors

(b) Legal claims**Personal Injury Benefit**

The provision stands at £1,186k as at 31 March 2009. The cost calculated for 2009/10 is included within creditors.

Public and employers liability

The Trust participates in the pooling scheme administered by the NHS Litigation Authority. The provision as at 31 March 2009 is £147k.

Other legal claims

The Trust had an opening provision of £1,325k and a closing provision of £830k relating to outstanding issues.

18 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 2008 as previously stated	31,448	1,762	0	0	(3,660)	29,550
PPA:other	0	0	0	0	0	0
PPA: elimination of negative revaluation reserves in respect of change in policy on impairments	0	0	0	0	0	0
At 1 April 2008 as restated	<u>31,448</u>	<u>1,762</u>	<u>0</u>	<u>0</u>	<u>(3,660)</u>	<u>29,550</u>
Transfer from the income and expenditure account					993	993
Fixed asset impairments	0	0	0	0	0	0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	(1,799)	8	0	0	0	(1,791)
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	0	0	0
Receipt of donated/government granted assets	0	72	0	0	0	72
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	(402)	0	0	0	(402)
Other transfers between reserves *	(1,040)	0	0	0	1,040	0
Other movements on reserves	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2009	<u>28,609</u>	<u>1,440</u>	<u>0</u>	<u>0</u>	<u>(1,627)</u>	<u>28,422</u>

* Other transfers between reserves relates to the historic cost depreciation adjustment for 2008/09 and the transfer of any indexation balances relating to assets disposed of during 2008/09 from the Revaluation Reserve to the Income & Expenditure Reserve.

19 Notes to the cash flow statement

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

	2008/09 £000	2007/08 £000
Total operating surplus/(deficit)	4,178	2,253
Depreciation and amortisation charge	6,311	5,814
Asset impairments and reversals, and movement in financial instruments	0	0
Transfer from Donated Asset Reserve	(402)	(363)
Transfer from the Government Grant Reserve	0	0
(Increase)/decrease in stocks	(174)	59
(Increase)/decrease in debtors	7,062	(6,895)
Increase/(decrease) in creditors	(4,939)	4,353
Increase/(decrease) in provisions	(634)	1,247
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	11,402	6,468
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	<u><u>11,402</u></u>	<u><u>6,468</u></u>

19.2 Reconciliation of net cash flow to movement in net debt

	2008/09 £000	2007/08 £000
Increase/(decrease) in cash in the period	36	30
Cash (inflow) from new debt	0	(800)
Cash outflow from debt repaid and finance lease capital payments	856	814
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
	<hr/>	<hr/>
Change in net debt resulting from cash flows	892	44
Non - cash changes in debt	0	0
Net debt at 1 April 2008	(11,372)	(11,416)
Net debt at 31 March 2009	<u><u>(10,480)</u></u>	<u><u>(11,372)</u></u>

19.3 Analysis of changes in net debt

	At 1 April 2008	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2009
	£000	£000	£000	£000	£000
OPG cash at bank	572	0	55	0	627
Commercial cash at bank and in hand	42	0	(19)	0	23
Bank overdraft	0	0	0	0	0
Loan from the Department of Health due within one year	0	0	0	0	0
Other debt due within one year	0	0	0	0	0
Loan from the Department of Health due after one year	(11,986)	0	856	0	(11,130)
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
Current financial assets	0	0	0	0	0
	<u>(11,372)</u>	<u>0</u>	<u>892</u>	<u>0</u>	<u>(10,480)</u>

20 Capital Commitments

There were no commitments under capital expenditure contracts at 31 March 2009 (31 March 2008 £3,269k).

21 Post Balance Sheet Events

There were no post balance sheet events.

22 Contingencies

In addition to those claims for equal value subject to the commercial settlement entered into by the Trust, the Trust has received approximately 3,500 grievances from employees alleging a right to equal pay. Of these 1,713 have progressed to being claims . At this stage it is not possible to assess these claims or to quantify them in financial terms. The Trust is engaged in a legal process to understand the validity of these claims.

23 Movement in Public Dividend Capital

	2008/09	2007/08
	£000	£000
Public Dividend Capital as at 1 April 2008	47,018	42,367
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	0	4,651
Public Dividend Capital repaid in year	0	0
Public Dividend Capital written off	0	0
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2009	<u>47,018</u>	<u>47,018</u>

24 Financial Performance Targets

24.1 Breakeven Performance

The Trust's breakeven performance for 2008/09 is as follows:

	b/f 1997-2003	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000	£000	£000	£000
Turnover		139,446	211,983	172,640	182,406	197,824	212,236
Retained surplus/(deficit) for the year		(4,133)	13	56	97	51	993
Adjustment for:							
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]		0	0	0	0	0	0
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)		(10)	0	0	0	0	0
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)		0	0	0	0	0	0
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)		0	0	0	0	0	0
2007/08 Prior Period Adjustment (relating to 1997/98 to 2006/07)		0	0	0	0	0	0
2008/09 Prior Period Adjustment (relating to 1997/98 to 2007/08)		0	0	0	0	0	0
- Adjustments for Impairments							0
- Other agreed adjustments		0	0	0	0	0	
Break-even in-year position		(4,143)	13	56	97	51	993
Break-even cumulative position	(2,281)	(6,424)	(6,411)	(6,355)	(6,258)	(6,207)	(5,214)
The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2015/16.							2016
If anticipated financial year of recovery is more than two years state the period agreed with SHA							6
Materiality test (I.e. is it equal to or less than 0.5%):							
- Break-even in-year position as a percentage of turnover		(2.97%)	0.01%	0.03%	0.05%	0.03%	0.47%
- Break-even cumulative position as a percentage of turnover	(1.56%)	(4.61%)	(3.02%)	(3.68%)	(3.43%)	(3.14%)	(2.46%)

The Trust continues to work with both the Strategic Health Authority and Cumbria Primary Care Trust to determine the implications of the Primary Care Trust's Closer to Home proposals across the local health economy, this being a key element of the Trust's financial strategy.

Current planning assumptions work towards achieving statutory break-even by 2015/16, however this is subject to review.

24.2 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 within the Department of Health tolerance range of +/- 0.5%.

	2008/09	2007/08
	£000	£000
Dividends paid on Public Dividend Capital	2,695	2,240
Average relevant net assets	73,804	69,428
Capital cost absorption rate (%)	3.7%	3.2%

24.3 External financing

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

	2008/09	2007/08
£000	£000	£000
External financing limit	(857)	4,623
Cash flow financing	(892)	5,043
Finance leases taken out in the year	0	0
Other capital receipts	0	(436)
External financing requirement	<u>(892)</u>	<u>4,607</u>
Under/(Over) spend against external financing limit	<u>35</u>	<u>16</u>

24.4 Capital Resource Limit

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

	2008/09	2007/08
	£000	£000
Gross capital expenditure	7,321	10,088

25 Related Party Transactions

North Cumbria University Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with North Cumbria University Hospitals NHS Trust.

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

Cumbria Primary Care Trust
Cumbria Partnership NHS Trust
NHS Litigation Authority
NHS Purchasing and Supply Agency
Northumberland Care Trust
North West Ambulance Services NHS Trust
North West Strategic Health Authority
North East Strategic Health Authority

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Scottish Office in respect of Scottish Health Boards and the Department of Education and Employment in respect of University Hospitals.

During 2008/09, North Cumbria University Hospitals NHS Trust Charitable Fund spent £626k (2007/08 £771k) on medical and educational equipment, salaries and training courses which the Trust has benefited from and these transactions are included within the Trust's accounts. North Cumbria University Hospitals NHS Trust is the sole corporate trustee for the Charity.

Accounts for the North Cumbria University Hospitals NHS Trust Charitable Funds and a Trustees' report will be available separately.

26 Private Finance Transactions

26.1 PFI schemes deemed to be off-balance sheet

	2008/09	2007/08
	£000	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be off-balance sheet - gross	17,622	16,604
Amortisation of PFI deferred asset	(587)	(567)
Net charge to operating expenses	<u>17,035</u>	<u>16,037</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)	0	0
11th to 15th years (inclusive)	0	0
16th to 20th years (inclusive)	0	0
21st to 25th years (inclusive)	17,464	16,186
26th to 30th years (inclusive)	0	0
31st to 35th years (inclusive)	0	0

This assumes that the Trust initiates a break clause at year 30.

The estimated annual payments in future years are, in real terms, not expected to be materially different from those which the NHS Trust is committed to make during the next year, since the likely financial effect of this is an annual inflation adjustment.

	£000	£000
Estimated capital value of the PFI scheme	67,000	67,000
Contract Start date:		1 April 2000
Contract End date:		1 April 2045

The scheme is a design, build, finance and operate contract for a 444 bedded hospital which has enabled all services to be centralised on one site in Carlisle. The capital value of the scheme was approximately £67m. Payments made to the consortium in 2008/09 were £17.6m (2007/08 £16.0m) with a recurring annual commitment of £17.5m (at March 2009 prices) subject to changes in inflation, performance, availability deductions and volume changes, for the 45 years duration of the contract, which has a break clause at 30 years.

A residual interest in the Cumberland Infirmary will build up during the course of the contract to reflect those assets that will revert back to the Trust at the end of the contract. This is included in the balance sheet as a residual asset included within assets under construction and payments on account. The figure builds up annually over the 30 years contract period based on the District Valuer's valuation of the residual asset.

Based on the initial valuation of £34.9m for buildings (at April 2030 prices), with land remaining on the Trust balance sheet, and discounting at the notified rate, an amount of £5.3m has been included under Fixed Assets. This represents the element of the unitary charge that has been capitalised as at 31 March 2009.

The Trust is in discussion with its Private Finance Initiative (PFI) partner, Healthcare Management (Carlisle) Ltd, on the possible refinancing of the Cumberland Infirmary PFI. The current economic conditions are driving a low level of Retail Prices Index (RPI) which is impacting on the liabilities associated with the PFI. RPI is the main mechanism for funding inflationary pressures faced by the PFI.

27 Pooled Budget

The Trust did not participate in any Pooled Budget Projects during 2008/09 (2007/08 nil).

28 Financial Instruments

A Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Reporting Standard 29 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with 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 listed companies, to which these standards mainly apply. 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.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's Standing Financial Instructions and policies agreed by the Board of Directors. Trust treasury activity is subject to review by the Trust's internal auditors.

Currency risk

The Trust is principally a domestic organisation with the vast majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

Interest-rate risk

The Trust borrows from Government for capital expenditure subject to affordability as confirmed by the Strategic Health Authority. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because of the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposure as at 31 March 2009 are in receivables from customers, as disclosed in the debtors note.

Liquidity risk

The Trust's net operating costs are incurred under contract with Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its Prudential Borrowing Limit. The Trust is not, therefore, exposed to significant liquidity risks.

28.1 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	Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	4,819	0	2,332	2,487	3.3	1	18
Other	0	0	0	0	0	0	0
Gross financial assets	4,819	0	2,332	2,487			
At 31 March 2008							
Sterling	5,411	0	2,932	2,479	4.8	1	14
Other	0	0	0	0	0	0	0
Gross financial assets	5,411	0	2,932	2,479			

See also note 28.3

Financial assets consist of: cash; Road Traffic Act compensation income; back to back debtors with Cumbria PCT for equal value claims and PFI variation amounts receivable.

28.2 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	Weighted average term
	£000	£000	£000	£000	%	Years	Years
At 31 March 2009							
Sterling	(14,178)	0	(12,835)	(1,343)	4.8	13	21
Other	0	0	0	0	0	0	0
Gross financial liabilities	(14,178)	0	(12,835)	(1,343)			
At 31 March 2008							
Sterling	(15,756)	0	(14,346)	(1,410)	4.7	14	22
Other	0	0	0	0	0	0	0
Gross financial liabilities	(15,756)	0	(14,346)	(1,410)			

See also note 28.4

Financial liabilities consist of: Department of Health working capital loans; back to back creditors with Cumbria PCT for equal value claims and PFI variation payments.

28.3 Financial Assets

	At 'fair value through profit and loss £000	Loans and receivables £000	Available for sale £000	Total £000
Embedded derivatives	0	0	0	0
NHS debtors	0	1,705	0	1,705
Non NHS debtors	0	2,464	0	2,464
Cash at bank and in hand	0	650	0	650
Other financial assets	0	0	0	0
Total at 31 March 2009	0	4,819	0	4,819

28.4 Financial Liabilities

	At 'fair value through profit and loss £000	Other £000	Total £000
Embedded derivatives	0	0	0
NHS creditors	0	(12,473)	(12,473)
Non NHS creditors	0	(1,705)	(1,705)
Borrowings	0	0	0
Private Finance Initiative and finance lease obligations	0	0	0
Other financial liabilities	0	0	0
Total at 31 March 2009	0	(14,178)	(14,178)

At 31 March 2009 NHS creditors consist of three loans from the Department of Health with a book value of £11,130k carried at fixed interest rates. The fair value of these loans at 31 March 2009 is £19,480k

The fair values of these loans have been obtained with reference to the current fixed interest rates offered by the Department of Health for similar loans for periods matching the remaining life of the existing loans.

For all other financial assets and financial liabilities, fair values are not materially different to book values.

29 Third Party Assets

The Trust held no cash at bank and in hand at 31 March 2009 (at 31 March 2008 :nil) which relates to monies held by the NHS Trust on behalf of patients.

30 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	5,214	1,705	5,680	11,617
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	509	0	405	0
Balances with Public Corporations and Trading Funds	<u>0</u>	<u>0</u>	<u>43</u>	<u>0</u>
Intra Government balances	5,723	1,705	6,128	11,617
Balances with bodies external to Government	6,721	2,464	9,454	1,705
At 31 March 2009	<u>12,444</u>	<u>4,169</u>	<u>15,582</u>	<u>13,322</u>
Balances with other Central Government Bodies	9,980	2,360	3,346	12,540
Balances with Local Authorities	0	0	9	0
Balances with NHS Trusts and Foundation Trusts	399	0	1,215	0
Balances with Public Corporations and Trading Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Intra Government balances	10,379	2,360	4,570	12,540
Balances with bodies external to Government	8,500	2,436	15,803	2,359
At 31 March 2008	<u>18,879</u>	<u>4,796</u>	<u>20,373</u>	<u>14,899</u>

31 Losses and Special Payments

There were 145 cases of losses and special payments totalling £121k paid during 2008/09 (2007/08: 118 cases totalling £144k).