

Annual Governance Report

University Hospitals Bristol NHS Foundation Trust
regarding United Bristol Healthcare NHS Trust

Audit 2008/09

January 2009

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director or officer in their individual capacity; or
- any third party.

Summary report

Purpose

- 1 This report summarises the findings from our audit of the accounts for the two month period ending 31 May 2008, which is now complete.
- 2 The report identifies the key issues that you should consider before we issue our opinion and certificate, and matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

Financial statements

- 3 A number of errors were identified during the course of audit and these are listed in Appendix 1. The most significant issue arising was the need to revalue the old dental hospital from cost to depreciated replacement cost as a result of significant enhancement expenditure. The District Valuer has undertaken a valuation of the hospital, which has resulted in a reduction in value of £3.3m.
- 4 As a result of a change in NHS accounting policy in relation to the valuation of assets, the Trust has disclosed a prior year adjustment, which removes negative balances from the revaluation reserve, where these have arisen as a result of bringing assets into use. The downward valuation of the old dental hospital has been reflected in the prior period adjustment and therefore has no significant impact on the reported results for accounts for the period ending 31 May 2008.

Next steps

- 5 We ask the Audit and Assurance Committee to:
 - consider the matters raised in the report before recommending the financial statements for approval;
 - consider adjusting the financial statements for the errors (actual and extrapolated) as set out in the summary of errors included as Appendix 1 to this report;
 - approve the representation letter on behalf of the Trust before we issue our opinion and certificate; and
 - agree the proposed action plan.

Financial statements and Statement on Internal Control

- 6 The Trust's financial statements and Statement on Internal Control are important means by which the Trust accounts for its stewardship of public funds. As directors you have final responsibility for the financial statements and Statement on Internal Control. It is therefore important that you consider our findings before you adopt the financial statements and the Statement on Internal Control.
- 7 In planning our audit, we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 8 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
 - our views about the Trust's accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 9 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit.

Table 1

Issue or risk	Finding
The manual for accounts set out changes to the valuation arrangements for the Trust's land and buildings.	The Trust has indexed its land and building assets by reference to the Department of Health indices used to calculate capital charges estimates. A full revaluation of all of the Trust's land and buildings will be undertaken in 2009, with an effective date of 1 April 2009 and, as the Trust will fully comply with Monitor's Financial Reporting Manual (FreM), we have accepted the use of the index on this occasion. The revised arrangements for valuations also included changes to accounting for

Financial statements and Statement on Internal Control

Issue or risk	Finding
	<p>losses on bringing new assets into use i.e. revaluing from cost to depreciated replacement cost. The Trust has included a prior period adjustment of £2.515 million in the accounts to account for this change by removing negative balances from the revaluation reserve. However, our audit identified a number of negative balances which had not arisen as a result of bringing an asset into use. These balances, totalling £272,000, have been removed from the revaluation reserve and debited to the income and expenditure account.</p> <p>As part of the revaluation process, the Trust has also revalued the old dental hospital as significant enhancement work was undertaken in 2007/08. This resulted in a reduced valuation or impairment. An element of the impairment (£1.477 million) has been included in the prior period adjustment. The balance of £1.768 million has been debited to the revaluation reserve.</p>
Agreement of intra NHS balances	<p>As a considerable period elapsed between the end of the accounting period (31 May 2008) and the production of the draft accounts (26 October 2008), the Trust was able to confirm the accuracy of its intra NHS debtors and creditors by reference to the subsequent payment. However, ordinarily the Trust will not be able to do this as there is little time between the end of the accounting period and submission of draft accounts. Given this, and although as a foundation trust the Trust is not required to take part in the year end balance agreement exercise, we recommend that the Trust continues its previous practice of agreeing balances with other NHS bodies. Not only does this provide confirmation to the Trust, it also provides good audit evidence.</p>

Recommendation

R1 Continue to take part in the NHS agreement of balances exercise.

Draft representation letter

- 10** Before we issue our opinion, auditing standards require us to obtain written representations from you and management, that:
- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
 - you have approved the financial statements;
 - you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
 - you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
 - you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
 - you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
 - you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
 - you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Trust where relevant to the fair value measurements or disclosures;
 - you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
 - you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
 - cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.
- 11** The draft letter of representation is included at appendix 3.

Accounting policies and financial reporting

- 12** We considered the qualitative aspects of your financial reporting and have not identified any significant issues to raise with you.

Financial statements and Statement on Internal Control

Errors in the financial statements

- 13** We identified errors in the financial statements (other than those of a trivial nature) and reported these to management. These errors are set out in Appendix 1. Management has agreed to adjust the financial statements for some of the errors. Where management decides not to adjust the financial statements for the errors identified in Appendix 1, we ask you to consider whether or not to adjust for these errors. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. The overall impact of unadjusted errors, both actual and extrapolated is to understate the Trust's surplus by £582,000 (materiality £678,350). Debtors and income are understated by £198,000 and creditors and expenditure overstated by £384,000.

The audit report

- 14** We plan to issue a modified report, which will include an unqualified opinion on the financial statements. The report has been modified as the manual for accounts requires the Trust to produce an annual report, but at the time of writing, the Trust has not drafted an annual report for the two month period. It is the Trust's intention to produce one annual report covering both the two month period ending 31 May 2008 and the ten month period ending 31 March 2009. Appendix 2 contains a copy of our draft report.

Material weaknesses in internal control

- 15** We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.
- 16** We have not provided a comprehensive statement of all weaknesses which may exist in internal control, or of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

Other matters

- 17** There are no other matters that auditing standards require me to report to you.

Formal audit powers

18 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public; and
- a duty to make a referral to the Secretary of State where we believe the Trust:
 - has or is about to make a decision that would involve incurring unlawful expenditure; or
 - has or is about to make a decision that is unlawful and likely to lead to a loss.

19 We have not and do not propose to exercise these powers.

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Independence

- 20 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 21 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 22 We communicate to you:
 - any relationships between us and the Trust, its directors and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Trust

- 23 We have identified no relationships that might affect objectivity and independence.

Audit fees

- 24 We reported our fee proposals as part of the Audit Plan for the two month period ending 31 May 2008. The fee per the plan was £57,000 (+ VAT). However, we have had to undertake additional work in a number of areas, including accounting for the revaluation of the dental hospital and the impact on the prior period adjustment. As a result, we have agreed an additional fee of £4,976 (+ VAT) with the Director of Finance.
- 25 Under the Audit Commission's advice and assistance power it may provide non-audit services to the Trust. We have agreed with the Trust that we will undertake a benchmarking review of ward staffing at a cost in the range of £10,000 -£12,000 (+ VAT), depending on the Trust's reporting requirements, and also a review of consultant productivity at a cost of £25,000 (+ VAT).

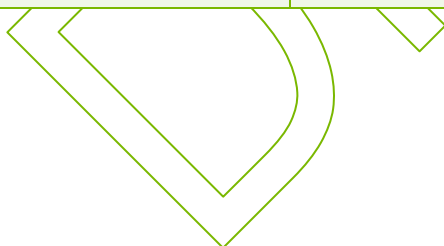
Our arrangements to ensure independence and objectivity

- 26 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 2.

Table 2 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	Our policies and procedures ensure that professional staff or an immediate family member:

Area	Arrangements
	<ul style="list-style-type: none"> ● do not hold a financial interest in any of our audit clients; ● may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and ● may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> ● the general requirement to carry out work independently and objectively; ● safeguarding against potential conflicts of interest; ● acceptance of additional (non-audit) work; ● rotation of key staff; ● other links with audited bodies; ● secondments; ● membership of audited bodies; ● employment by audited bodies; ● political activity; and ● gifts and hospitality.
Code of Conduct	The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff has to comply with ethical guidance issued by their relevant professional bodies.
Confidentiality	All staff are required to sign an annual undertaking of confidentiality as a condition of employment.



Appendix 1 – Errors

Table 3 outlines the errors in the accounts that were identified through our audit. The table also states whether or not the errors were amended by management.

Table 3 Errors and uncertainties

Description of error	Value £'000	Impact on accounts	Adjusted Yes/No?
Negative balances arising from valuations, other than on bringing an asset into use, not transferred from the revaluation reserve to the income and expenditure account.	272	Revaluation reserve understated Expenditure understated	Yes
Payment of junior doctors' rebanding assessed by the Trust as 100% likely and therefore should be an accrual, rather than a provision.	(622)	Provisions overstated Creditors (accruals) understated No impact on surplus	Yes
Comparatives for performance against the better payment practice code were not included in the draft accounts.	N/A	Disclosure only	Yes
Impairment of the dental hospital (revaluing from cost to depreciated replacement cost).	3,245	Prior period adjustment understated Fixed assets overstated Depreciation overstated and therefore expenditure overstated Impact on surplus	Yes
Bank balance incorrect as a BACS recall on 30 May 2008 was not reflected in the ledger.	8	Cash and bank understated Creditors understated No impact on surplus	Yes
A creditor relating to Internal Audit was incorrectly stated.	27	Income and creditors overstated Impact on surplus	Yes
Income for non-medical education and training under accrued.	33	Income and debtors understated Impact on surplus	Yes

Description of error	Value £'000	Impact on accounts	Adjusted Yes/No?
Pharmacy stock understated (extrapolated based on errors identified at stock take)	209	Stock understated Expenditure overstated Impact on surplus	Yes
Skills for Health income in relation to the joint investment framework understated	20	Income and debtors understated Impact on surplus	Yes
Research and development accrual double counted	303	Accruals and expenditure overstated Impact on surplus	Yes
Franking machine accrual overstated	20	Accruals and expenditure overstated Impact on surplus	Yes
Other accruals overstated	22	Accruals and expenditure overstated Impact on surplus	Yes
Partially completed spells over accrued	31	Income and debtors overstated Impact on surplus	No
Debtors relating to SLA income understated	9	Debtors and income understated Impact on surplus	No
Comparatives for intangible fixed assets misstated	N/A	Disclosure only	Yes
Narrative on provisions disclosures not updated	N/A	Disclosure only	Yes
Narrative on post balance sheet events not updated	N/A	Disclosure only	Yes
Capital commitments understated as lower value commitments not disclosed	N/A	Disclosure only (two further disclosures made)	Yes
Disclosure of amount held in provisions by the NHSLA in respect of clinical negligence liabilities of the Trust not updated	N/A	Disclosure only	Yes
Disclosure of value of EU emissions scheme provision is incorrect	40	Disclosure only	Yes

Appendix 1 – Errors

Description of error	Value £'000	Impact on accounts	Adjusted Yes/No?
EU emissions trading allowances and staff injury benefits incorrectly included in financial instruments notes (27.2 and 27.4)	555 & (347)	Disclosure only	Yes

As a result of the identified debtor and creditor errors, there are a number of extrapolated errors that we need to bring to your attention.

Description of error	Value £'000	Impact on accounts	Adjusted Yes/No?
Debtors (based on the WDC income under accrual)	168	Debtors and income understated Impact on surplus	No
Debtors (based on Skills for Health income under accrual)	52	Debtors and income understated Impact on surplus	No
Creditors (based on Skills for Health expenditure over accrual)	27	Creditors and expenditure overstated Impact on surplus	No
Creditors overstated (based on the overstatement of the franking machine and other accruals)	357	Creditors and expenditure overstated Impact on surplus	No

Appendix 2 – Draft auditor's report

Independent auditor's report to the Board of Directors of University Hospitals Bristol NHS Foundation Trust regarding United Bristol Healthcare NHS Trust

Opinion on the financial statements

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

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

Respective responsibilities of Directors and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

I review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'The Statement on Internal Control 2003/04' issued on 15 September 2003 and the further guidance relating to that Statement issued on 7 April 2006, 2 April 2007, 7 April 2008 and 20 May 2008. I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered,

Appendix 2 – Draft auditor's report

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.

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 May 2008 and of its income and expenditure for the year then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Richard Lott
Engagement Lead
(Officer of the Audit Commission)

Westward House
Stoke Gifford
Bristol
BS34 8SR

January 2009

Appendix 3 – Draft letter of representation

University Hospitals Bristol 
NHS Foundation Trust

Our Ref: PM/EJ/DP

12 January 2009

Richard Lott
Engagement Lead
Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR

Finance Department
Trust Headquarters
Marlborough Street
PO Box 1053
Bristol BS99 1YF
Fax: 0117 928 3643

Direct line number: 0117 928 3650
Email: paul.mapson@UHBristol.nhs.uk

Dear Richard,

Accounts for the two months ending 31st May 2008

LETTER OF REPRESENTATION (RELATING TO UBHT)

The Letter of Representation is provided in connection with your audit of the Financial Statements of the United Bristol Healthcare NHS Trust, for the two months ending 31 May 2008, for the purpose of expressing an opinion as to whether the Financial Statements give a true and fair view (presented fairly in all material respects) of the financial position of the Trust as of 31 May 2008 and of the results of its operations and its cash flows for the period then ended in accordance with the Department of Health NHS Trust Manual for Accounts, all applicable accounting principles, Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and other relevant guidance.

We acknowledge responsibility on behalf of the Trust's Board of Directors for the fair presentation of the Financial Statements in accordance with the Department of Health NHS Trust Manual for Accounts, all applicable accounting principles, Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and other relevant guidance. The Trust Board approved the Accounts at its meeting of the

Appendix 3 – Draft letter of representation

28 January 2009, following detailed scrutiny at the Audit and Assurance Committee on the 9 December 2008 and again on 28 January 2009.

We also acknowledge responsibility on behalf of the Trust's Board of Directors for the design and implementation of internal control to prevent and detect fraud in accordance with the Secretary of State for Health's requirements in respect of Counter Fraud.

We confirm, to the best of our knowledge and belief, the following representations:

1. General

- We have made available to you supporting documentation and all minutes of the Trust Board.
- The Financial Statements are free of uncorrected material misstatements (individually and in aggregate), including omissions.
- There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the Financial Statements.
- There are no known cases of fraud or suspected fraud, other than those already notified to you, involving.
 - Management and those charged with Governance
 - Employees who have a significant role in internal control
 - Others where the fraud could have a material effect on the Financial Statements.
- We have disclosed to you all known allegations of fraud or suspected fraud affecting the Financial Statements communicated by employees, analysts, regulators or others.
- The Trust has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance.
- There have been no known instances of any non-compliance with the requirements of regulatory authorities that could have a material effect on the Financial Statements in the event of non-compliance.
- There are no significant system control weaknesses which would affect the accuracy of the Trust's Accounts.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the Financial Statements.
- There are no instances where the Trust's assets have been pledged as collateral.
- All liabilities, both actual and contingent have been recorded or disclosed, as appropriate, in the Financial Statements.
- All amounts due to, and payable by, the Trusts have been completely accounted for by the Trust and there has been no change in accounting policy for accrued expenditure at the year end.

- All income relating to specific activities which are to be delivered in future years have been identified and deferred appropriately.
- Other than the Group Account arrangement operated by the Trust's Commercial Bankers, in respect of its current bank accounts, there are no formal or informal compensating balance arrangements with any of the Trust's cash or investment accounts.
- There have been no losses arising from Sale and Purchase commitments.
- There have been no agreements and options to buy back assets previously sold.
- The Trust has disclosed all known or suspected instances of non-compliance with the law or regulations and the actual or contingent consequences thereof.
- The Trust considers the assessment of significant fraud risk as low.
- We confirm the reasonableness of the significant assumptions within the financial statements. For all assumptions we confirm the appropriateness of the measurement methods used.
- We confirm that we believe that the effects of the uncorrected financial statements misstatements, relating to understatement of debtors (£9,000) and overstatement of partially completed spells (£31,000) are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Trust. The reasons for not correcting these items are that they do not materially affect the Trusts financial position, nor the understanding of the Accounts.
- Extrapolated errors, as identified in Appendix 1 to the auditor's governance report, have not been corrected as the errors underlying the extrapolation have been corrected and the extrapolated errors are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Trust. The reasons for not correcting these items are that they do not materially affect the Trusts financial position, nor the understanding of the Accounts.

2. Fixed Assets

The assets shown in the Balance Sheet at 31 May 2008 (£369.805m), with the exception of leased assets and the Bristol Dental Hospital (old building) were owned by the Trust.

The Trust has satisfactory title to all assets and there are no liens or encumbrances on any of the Trusts assets.

The Bristol Dental Hospital (old building) is owned by the University of Bristol, not UBHT. A Memorandum of Understanding has been obtained from the University of Bristol which recognises and confirms the Trust's ongoing access to the future economic benefits from its investment and the healthcare facilities provided by the Hospital in general. In view of this we believe that this investment is appropriately recorded as a Fixed Asset in the Trust's Accounts. This position has been accepted by the Trust's Auditors since 2000/01.

Appendix 3 – Draft letter of representation

The book values at which assets are stated in the Balance Sheet have been arrived at after taking account of all capital expenditure thereto and have been calculated in accordance with approved bases of valuation. In accordance with FRS11, an impairment review has been undertaken and in our opinion none of the Trust's assets have been impaired to a value below their current carrying value.

There has been a change in accounting policy to eliminate all negative balances in the revaluation reserves in respect of new builds. This has given rise to a prior period adjustment which has been recorded in the financial statements in accordance with the 2008/09 Manual for Accounts.

3. Stocks

Stocks shown in the Balance Sheet at 31 May 2008 (£5.463m) are valued at the lower of cost or net realisable value.

There are no plans to abandon lines of stock or other plans or intentions that will result in any excess or obsolete stock and no stock is stated at an amount in excess of its net realisable value.

The purchase of pharmacy drugs stocks has been completely and accurately accounted for.

4. Debtors

Debtors shown in the Balance Sheet at 31 May 2008 (£25.459m) are expected to realise at least the amount at which they have been stated.

In our opinion adequate provision has been made for doubtful non-NHS debts. This comprises all debts over six months old (adjusted for debts which are known to be recoverable) together with specific debts, under six months old which are known or may be expected to be irrecoverable. The only exception to this approach is for outstanding debts relating to Injury Costs Recovery Scheme income from the Compensation Recovery Unit (CRU), where, in accordance with Section 7.146 of the 2008/09 NHS Trust Manual for Accounts, a provision of 7.8% of notified claims has been made.

5. Provisions, Contingent Liabilities and Contingent Assets

The Trust's primary Financial Statements and/or Notes to the Accounts include any material liabilities or contingencies that are required to be accrued or disclosed by FRS 12 "Accounting for Provisions, Contingent Liabilities and Contingent Assets".

5.1 Provisions

5.1.1 Other Legal Claims

The provision for other Legal Claims comprises:

- Staff Injuries:

- Provision for Lump Sum and Injury Benefit payments has been made in accordance with information provided by the NHS Business Services Authority – Pensions Division.
- Liabilities to Third Parties:
 - Provision for liabilities to third parties under the Liabilities to Third Parties Scheme (LTPS) has been made in accordance with information provided by the NHS Litigation Authority (NHSLA).

5.1.2 Other Provisions

Other provisions at the Balance Sheet date comprise:

- Agenda for Change:

The provision provides for the expected, remaining 2008/09 costs of implementing Agenda for Change, comprising:

- Outstanding arrears payments for leavers.
- Costs of remaining reviews.
- Annex T payments to Scientific and Technical staff.

The amount of the provision has been calculated using actual information, where available, local knowledge and experience gained from the process to date.

All payments are expected to be made before 31 March 2009.

- Property Expenses Scheme:

Provision for liabilities payable under the Property Expenses Scheme (PES) has been made in accordance with information provided by the NHS Litigation Authority (NHSLA).

- EU Emissions Scheme:

Provision for outstanding obligations to surrender EU Emissions Allowances, issued to the Trust under the European Union Emissions Trading Scheme has been assessed based on information provided by the Trust's Estates Department as to the volume of carbon-dioxide emissions produced/number of Allowances to be surrendered and the market value of Allowances at the Balance Sheet date, as published by the European Energy Exchange (EEX).

All payments are expected to be made before 31 March 2009.

5.2 Contingencies

- Agenda for change:

In addition to the provision for the remaining 2008/09 costs of implementing agenda for change the Trust has contingent liabilities for arrears payable to leavers, where claims have yet to be made by employees. The number of employees and the value of the

Appendix 3 – Draft letter of representation

arrears cannot be assessed with any certainty and will only be determined once claims have been received and resolved.

- Equal Pay Claims:

The Trust has Contingent Liabilities for 4 Equal Pay Claims. The NHS Litigation Authority is co-ordinating a National approach to the Litigation of Equal Pay Claims and is providing advice to the Trust. The likely outcome of these claims and hence the Trusts financial liability, if any, cannot be determined at this time.

Based on discussions with the NHS Litigation Authority our estimate of the potential maximum liability is £0.054m.

6. Finance Leases and Hire Purchase Contracts

All obligations under Finance Leases and Hire Purchase Contracts have been disclosed in the Accounts.

7. Post Balance Sheet Events

The Trust has successfully progressed to becoming a NHS Foundation Trust status and became the University Hospitals Bristol NHS Foundation Trust from 1 June 2008. The Trust has decided that the remaining balance on the long term loan will now be repaid in full before 31 March 2009.

There have been no other events subsequent to the year end which require adjustment of or disclosure in the Financial Statements or notes thereto.

8. Related Party Transactions

We confirm the completeness of the information provided regarding the identification of Related Parties.

The identity of, and balances and transactions with, Related Parties have been properly recorded and, where appropriate, adequately disclosed in the Financial Statements.

Guidance has been issued by the Trust Board to make all key managers and staff aware of the requirement to declare all interests relevant to the Trust, including the interests of families, partners and entities controlled by them.

9. Financial Standing - Going Concern

In accordance with Financial Reporting Standard 18 (Accounting Policies) the Directors of UBHT have considered the disclosures in the Trust's 2008/09 Accounts, in respect of Financial Standing, and are satisfied that they are appropriate, complete and adequately explain the financial position of the Trust and the assumptions that underlie Going Concern. These are:

a) Income and Expenditure Position

UBHT has achieved a surplus of £3.706m in two months to 31 May 2008. No special financial assistance was received from the NHS Bank or the South West health economy to assist in achieving the financial outturn. The Trust has achieved the cumulative breakeven target of its statutory breakeven duty, under Section 10 of the NHS and Community Care Act 1990.

The Trust is planning to achieve a surplus of £12.987m for the 12 months to 31 March 2009. The risks associated with this have been assessed and are being managed by the Trust. Full details are set out in the Trust's Integrated Business Plan & Resources Book (approved by the Trust Board in April 2008).

The Trust achieved an income and expenditure surplus for the years 2003/04 to 2007/08 and considers that it is in a sound position to deliver the planned surplus of £12.987m in 2008/09 and continued recurring surplus.

b) Availability of Cash

During 2006/07 the Trust received a working capital loan of £20.3m from the Department of Health to support its underlying cash shortfall, primarily arising from income and expenditure deficits of £17.3m which accumulated before 31 March 2003.

The Trust plans to repay the remaining loan (£7.5 million) by the end of 2008/09. No penalty charge for the early repayment of loan principal was made by the Department of Health in 2007/08 and confirmation has been received from the Department of Health that no penalties will be applied in respect of future early repayments of loan principal.

Having reviewed its liquidity position for 2008/09, the Trust does not anticipate that it will require temporary borrowing to cover genuine short term cash-flow problems or fund capital schemes.

c) Cash Releasing Efficiency Savings

The Trust has consistently achieved income and expenditure surpluses since 2003/04 achieving significant recurring savings over this period. This process is continuing and the Trust has delivered savings in excess of £2m in 2008/09 to achieve the income and expenditure surplus of £3.706m.

d) Payment of Suppliers

Performance against the Better Payments Practice Code

The Trust has achieved creditable performance against the Better Payments Practice Code.

Performance for the payment of Non NHS Supplier invoices was 86% by volume and 90% by value and NHS Suppliers was 79% by volume and 80% by value.

There have been no claims made against the Trust under the Late Payment of Commercial Debts (Interest) Act 1998.

e) Settlement of Debtors

Appendix 3 – Draft letter of representation

The total invoiced debtors, excluding those relating to fixed asset flow of funds, have decreased from £15.5m in 2007/08 to £15.1m in 2008/09. This represents 20.6% of turnover, but this proportion will reduce significantly by 31 March 2009.

f) 2008/09 Local Development Plan Contracts

Local Development Plan 3 year contracts, commencing 2008/09, were agreed and signed by all South West health economy Commissioners by 31 March 2008. This secures the Trust's customer base and income streams for its prime business activities.

10. Statement on Internal Control

Sufficient work has been undertaken to enable the Directors of the Trust to satisfy themselves that they can approve the requisite disclosures in respect of the Statement of Internal Control in accordance with the Guidance issued by the Department of Health.

There are no other matters relating to the Accounts for the two months ending 31st May 2008 which have a material effect.

Yours sincerely

Paul Mapson
Director of Finance
On behalf of the Trust Board

Dr Graham Rich
Chief Executive
On behalf of the Trust Board

John Savage
Chairman
On behalf of the Trust Board

Cc: Paul Tanner, Head of Finance
Edley Jackson, Principal Assistant Director of Finance