

Annual accounts and audit letter

2013-14

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF IMPERIAL COLLEGE HEALTHCARE NHS TRUST

We have audited the financial statements of Imperial College Healthcare NHS Trust for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England.

We have also audited the information in the Remuneration Report that is subject to audit, being:

- the table of salaries and allowances of senior managers and related narrative notes on page 63;
- the table of pension benefits of senior managers and related narrative notes on page 64; and
- the disclosure of pay multiples and related narrative notes on page 69.

This report is made solely to the Board of Directors of Imperial College Healthcare NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2014. Our audit work has been undertaken so that we might state to the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Accounts, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately

disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Imperial College Healthcare NHS Trust as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly 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 in England.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report subject to audit has been prepared properly in accordance with the requirements directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the governance statement does not reflect compliance with the Trust Development Authority's Guidance;
- we refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because we have reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Trust and auditors

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Imperial College Healthcare NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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



Heather Bygrave FCA (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
St Albans, UK
3 June 2014

Data entered below will be used throughout the workbook:

Trust name	Imperial College Healthcare NHS Trust
This year	2013-14
Last year	2012-13
This year ended	31 March 2014
Last year ended	31 March 2013
This year commencing:	1 April 2013
Last year commencing:	1 April 2012

Accounts 2013-14

**Statement of Comprehensive Income for year ended
31 March 2014**

	NOTE	2013-14 £000	2012-13 £000
Gross employee benefits	9.1	(526,157)	(522,485)
Other operating costs	7	(536,127)	(466,159)
Revenue from patient care activities	4	774,430	752,725
Other Operating revenue	5	204,882	218,549
Operating deficit		(82,972)	(17,370)
Investment revenue	11	202	287
Other gains and (losses)	12	(171)	(13)
Finance costs	13	(857)	(1,791)
Deficit for the financial year		(83,798)	(18,887)
Public dividend capital dividends payable		(18,778)	(21,068)
Deficit for the year		(102,576)	(39,955)
Other Comprehensive Income			
		2013-14 £000	2012-13 £000
Impairments and reversals taken to the Revaluation Reserve		(3,545)	0
Net gain/(loss) on revaluation of property, plant & equipment	14.1	5,929	31,423
Net gain/(loss) on revaluation of intangibles		0	0
Total Comprehensive Income for the year*		(100,192)	(8,532)
Financial performance for the year			
Retained surplus/(deficit) for the year		(102,576)	(39,955)
Impairments (excluding IFRIC 12 impairments)		117,142	48,379
Adjustments in respect of donated and gov't grant asset reserve elimination		562	601
Adjusted retained surplus		15,128	9,025

* A trust's reported NHS financial performance position is derived from its retained surplus/(deficit), but is adjusted for impairments to property, plant, equipment and stock as impairments are not considered part of the organisation's operating position.

The notes on pages 5 to 35 form part of these accounts.

**Statement of Financial Position as at
31 March 2014**

		31 March 2014	31 March 2013
	NOTE	£000	£000
Non-current assets:			
Property, plant and equipment	14	595,639	715,616
Intangible assets	15	1,413	1,681
Trade and other receivables	20.1	0	0
Total non-current assets		<u>597,052</u>	<u>717,297</u>
Current assets:			
Inventories	19	14,214	17,652
Trade and other receivables	20.1	96,256	65,462
Cash and cash equivalents	21	50,449	55,326
Total current assets		<u>160,919</u>	<u>138,440</u>
Non-current assets held for sale		0	0
Total current assets		<u>160,919</u>	<u>138,440</u>
Total assets		<u>757,971</u>	<u>855,737</u>
Current liabilities			
Trade and other payables	22	(128,280)	(127,930)
Provisions	25	(25,091)	(37,353)
Borrowings	23	(1,475)	(1,833)
Capital loan from Department	23	(1,226)	(1,226)
Total current liabilities		<u>(156,072)</u>	<u>(168,342)</u>
Net current assets/(liabilities)		<u>4,847</u>	<u>(29,902)</u>
Non-current assets plus/less net current assets/liabilities		<u>601,899</u>	<u>687,395</u>
Non-current liabilities			
Trade and other payables	22	0	0
Provisions	25	(17,149)	0
Borrowings	23	(1,113)	(2,540)
Capital loan from Department	23	(19,596)	(20,822)
Total non-current liabilities		<u>(37,858)</u>	<u>(23,362)</u>
Total Assets Employed:		<u>564,041</u>	<u>664,033</u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		696,288	696,088
Retained earnings		(175,475)	(72,899)
Revaluation reserve		43,228	40,844
Total Taxpayers' Equity:		<u>564,041</u>	<u>664,033</u>

The notes on pages 5 to 35 form part of these accounts.

The financial statements on pages 1 to 35 were approved by the Board on 28th May 2014 and signed on its behalf by



Dr Tracey Batten, Chief Executive:

3/6/14
Date:

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2014**

	Public Dividend capital £000	Retained earnings £000	Revaluation reserve £000	Total reserves £000
Balance at 1 April 2013	696,088	(72,899)	40,844	664,033
Changes in taxpayers' equity for 2013-14				
Retained surplus/(deficit) for the year	0	(102,576)	0	(102,576)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	5,929	5,929
Impairments and reversals	0	0	(3,545)	(3,545)
New PDC Received - Cash	200	0	0	200
Net recognised revenue/(expense) for the year	200	(102,576)	2,384	(99,992)
Balance at 31 March 2014	696,288	(175,475)	43,228	564,041
Balance at 1 April 2012	694,918	(32,944)	9,421	671,395
Changes in taxpayers' equity for the year ended 31 March 2013				
Retained surplus/(deficit) for the year	0	(39,955)	0	(39,955)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	31,423	31,423
New PDC Received	1,170	0	0	1,170
Net recognised revenue/(expense) for the year	1,170	(39,955)	31,423	(7,362)
Balance at 31 March 2013	696,088	(72,899)	40,844	664,033

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2014**

	2013-14 £000	2012-13 £000
Cash Flows from Operating Activities		
Operating Surplus/(Deficit)	(82,972)	(17,370)
Depreciation and Amortisation	36,346	37,053
Impairments and Reversals	117,142	48,379
Donated Assets received credited to revenue but non-cash	(562)	(80)
Government Granted Assets received credited to revenue but non-cash	0	0
Interest Paid	(859)	(1,835)
Dividend (Paid)/Refunded	(18,317)	(21,472)
(Increase)/Decrease in Inventories	3,438	(1,385)
(Increase)/Decrease in Trade and Other Receivables	(31,258)	(10,125)
Increase/(Decrease) in Trade and Other Payables	(618)	17,854
Provisions Utilised	(3,271)	(1,223)
Increase/(Decrease) in Provisions	8,158	25,685
Net Cash Inflow/(Outflow) from Operating Activities	27,227	75,481
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	205	285
(Payments) for Property, Plant and Equipment	(30,381)	(20,705)
(Payments) for Intangible Assets	(123)	(1,494)
Proceeds of disposal of assets held for sale (PPE)	1,006	3
Proceeds of disposal of assets held for sale (Intangible)	0	0
Net Cash Inflow/(Outflow) from Investing Activities	(29,293)	(21,911)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	(2,066)	53,570
CASH FLOWS FROM FINANCING ACTIVITIES		
Public Dividend Capital Received	200	1,170
Other Loans Received	64	1,979
Loans repaid to DH - Capital Investment Loans Repayment of Principal	(1,226)	(22,826)
Other Loans Repaid	(1,849)	(1,541)
Capital grants and other capital receipts (excluding donated / government granted cash receipts)	0	0
Net Cash Inflow/(Outflow) from Financing Activities	(2,811)	(21,218)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,877)	32,352
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	55,326	22,974
Cash and Cash Equivalents (and Bank Overdraft) at year end	50,449	55,326

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 Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2013-14 NHS Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They 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 property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on 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 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

With the exception of the following, the critical accounting judgements that the Trust has used to estimate uncertainty have been explained within the relevant sections of the accounts:

Note 20.1 shows the trade and other receivables of the Trust. The bad debt provision is based on assumptions concerning the future and other sources of information about the age and recoverability of the debt.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

1.5 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of 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.

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 expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.6 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to the [NHS body];
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items 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
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.8 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it
- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.9 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

At each reporting period end, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.10 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

The Trust has no non-current assets held for sale at 31 March 2014.

1.13 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The Trust as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.14 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

In previous years, inventories other than pharmacy stocks were valued at the lower of cost and net realisable value using the last-in first-out formula. Due to the high turnover of stocks, this was considered to be a reasonable approximation to fair value.

1.15 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

1.16 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates of minus 1.9% for 0-5 years, minus 0.65% for 6-10 years and plus 2.2% for over 10 years in real terms (1.8% for employee early departure obligations).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.17 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. 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 25.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.18 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.

1.19 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.20 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, 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 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.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, 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 expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

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 expenditure 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.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.21 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, 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.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. 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.

1.22 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.

1.23 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

1.24 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 32 to the accounts.

1.25 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities (except for donated assets, net assets transferred from NHS bodies dissolved on 1 April 2013 and cash balances with the Government Banking Service). The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.26 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 that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure 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).

Notes to the Accounts - 1. Accounting Policies (Continued)

1.27 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust or where the subsidiary's accounting date is not co-terminus.

1.28 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

1.29 Joint ventures

Material entities over which the Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. Joint ventures are accounted for by proportional consolidation.

1.30 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

1.31 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SOCNE/SOCI on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.32 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts for 2013-14, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Operating Segments

The Trust Board is the Trust's Chief Operating Decision Maker. With reference to the information provided to the Trust Board for decision making purposes, the Trust has interpreted IFRS8 Operating Segments and concluded that it has one operating segment, the provision of healthcare.

3. Income generation activities

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The Trust has no income generation activities whose full cost exceeded £1m or was otherwise material.

4. Revenue from patient care activities	2013-14	2012-13
	£000	£000
NHS Trusts	651	723
NHS England	299,878	0
Clinical Commissioning Groups	418,367	0
Primary Care Trusts	0	700,202
Strategic Health Authorities	0	5,746
NHS Foundation Trusts	3,881	4,097
Department of Health	938	4,529
NHS Other (including Public Health England and Prop Co)	0	0
Non-NHS:		
Local Authorities	9,327	0
Private patients	34,331	30,477
Overseas patients (non-reciprocal)	2,282	1,802
Injury costs recovery	1,641	1,361
Other	3,134	3,788
Total Revenue from patient care activities	<u>774,430</u>	<u>752,725</u>

Injury costs recovery income reflects actual rates of collection.

5. Other operating revenue	2013-14	2012-13
	£000	£000
Recoveries in respect of employee benefits	6,240	6,439
Education, training and research	119,482	122,743
Charitable and other contributions to revenue expenditure -non- NHS	68	29
Receipt of donations for capital acquisitions - NHS Charity	809	747
Receipt of Government grants for capital acquisitions	26	42
Non-patient care services to other bodies	37,512	33,093
Income generation	4,427	6,011
Rental revenue from operating leases	6,096	5,593
Other revenue	30,222	43,852
Total Other Operating Revenue	<u>204,882</u>	<u>218,549</u>
Total operating revenue	<u>979,312</u>	<u>971,274</u>

6. Revenue	2013-14	2012-13
	£000	£000
From rendering of services	979,312	971,274
From sale of goods	0	0

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

7. Operating expenses	2013-14	2012-13
	£000	£000
Services from other NHS Trusts	8,872	8,601
Services from CCGs/NHS England	1,729	0
Services from other NHS bodies	313	872
Services from NHS Foundation Trusts	6,639	6,205
Services from Primary Care Trusts	0	2,707
Total Services from NHS bodies*	17,553	18,385
Purchase of healthcare from non-NHS bodies	3,497	2,980
Trust Chair and Non-executive Directors	66	64
Supplies and services - clinical	199,404	183,421
Supplies and services - general	37,905	37,035
Consultancy services	16,778	16,212
Establishment	7,208	8,042
Transport	11,692	9,628
Premises	39,518	40,193
Hospitality	46	0
Insurance	578	0
Legal Fees	188	0
Impairments and Reversals of Receivables	4,633	553
Inventories write down	771	874
Depreciation	35,955	36,641
Amortisation	391	412
Impairments and reversals of property, plant and equipment	117,142	47,505
Audit fees	261	231
Other auditor's remuneration	58	8
Clinical negligence	13,251	12,827
Research and development (excluding staff costs)	17,235	16,711
Education and Training	2,000	2,439
Other	9,997	31,998
Total Operating expenses (excluding employee benefits)	536,127	466,159
Employee Benefits		
Employee benefits excluding Board members	524,507	521,307
Board members	1,650	1,178
Total Employee Benefits	526,157	522,485
Total Operating Expenses	1,062,284	988,644

*Services from NHS bodies does not include expenditure which falls into a category below

Other auditor's remuneration includes £2k for property related non-audit services, £10k for Cerner implementation non-audit services and £46k for Board and quality governance support non-audit services.

8. Operating Leases

8.1 Trust as lessee

	Buildings £000	Other £000	2013-14 Total £000	2012-13 £000
Payments recognised as an expense				
Minimum lease payments			8,321	7,672
Contingent rents			0	0
Sub-lease payments			0	0
Total			<u>8,321</u>	<u>7,672</u>
Payable:				
No later than one year	7,233	874	8,107	7,882
Between one and five years	13,424	939	14,363	18,556
After five years	4,574	103	4,677	5,304
Total	<u>25,231</u>	<u>1,916</u>	<u>27,147</u>	<u>31,742</u>

None of the above leases are considered significant.

8.2 Trust as lessor

	2013-14 £000	2012-13 £000
Recognised as revenue		
Contingent rents	6,096	5,593
Total	<u>6,096</u>	<u>5,593</u>
Receivable:		
No later than one year	5,853	6,023
Between one and five years	12,155	16,320
After five years	2,118	2,303
Total	<u>20,126</u>	<u>24,646</u>

9. Employee benefits and staff numbers

9.1 Employee benefits

	2013-14		
	Total £000	Permanently employed £000	Other £000
Employee Benefits - Gross Expenditure			
Salaries and wages	445,055	415,360	29,695
Social security costs	34,586	34,586	0
Employer Contributions to NHS BSA - Pensions Division	45,458	45,458	0
Other pension costs	8	8	0
Termination benefits	1,756	1,756	0
Total employee benefits including capitalised costs	526,863	497,168	29,695
Employee costs capitalised	706	433	273
Gross Employee Benefits excluding capitalised costs	526,157	496,735	29,422

	2012-13		
	Total £000	Permanently employed £000	Other £000
Employee Benefits - Gross Expenditure 2012-13			
Salaries and wages	440,705	396,791	43,914
Social security costs	35,126	33,945	1,181
Employer Contributions to NHS BSA - Pensions Division	41,971	41,936	35
Other pension costs	0	0	0
Termination benefits	5,408	5,408	0
Total employee benefits including capitalised costs	523,210	478,080	45,130
Employee costs capitalised	725	229	496
Gross Employee Benefits excluding capitalised costs	522,485	477,851	44,634

9.2 Staff Numbers

	2013-14			2012-13
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	1,717.9	1,694.3	23.6	1,686
Administration and estates	2,177.1	1,861.0	316.1	2,243
Healthcare assistants and other support staff	1,186.5	1,169.1	17.4	1,057
Nursing, midwifery and health visiting staff	3,540.1	3,469.6	70.5	3,439
Nursing, midwifery and health visiting learners	0.0	0.0	0.0	0
Scientific, therapeutic and technical staff	1,369.2	1,274.6	94.6	1,344
Other	0.0	0.0	0.0	0
TOTAL	9,990.8	9,468.6	522.2	9,770
Of the above - staff engaged on capital projects	9.7	6.9	2.8	10

9.3 Staff Sickness absence and ill health retirements

	2013-14 Number	2012-13 Number
Total Days Lost	55,958	62,691
Total Staff Years	8,657	8,943
Average working Days Lost	6.46	7.01
	2013-14 Number	2012-13 Number
Number of persons retired early on ill health grounds	9	7
	£000	£000
Total additional pensions liabilities accrued in the year	486	305

The staff sickness figures above are supplied by the Department of Health and are based on the 2013 calendar year. The Department of Health considers the resulting figures to be a reasonable proxy for financial year equivalents.

9.4 Exit Packages agreed in 2013-14

Exit package cost band (Including any special payment element)	2013-14			2012-13		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	3	8	11	4	12	16
£10,000-£25,000	7	8	15	8	28	36
£25,001-£50,000	9	4	13	12	24	36
£50,001-£100,000	6	6	12	7	6	13
£100,001 - £150,000	1	1	2	6	1	7
£150,001 - £200,000	0	1	1	1	0	1
>£200,000	0	0	0	1	0	1
Total number of exit packages by type (total cost)	26	28	54	39	71	110
Total resource cost (£000s)	1,050,871	1,056,184	2,107,055	2,234,524	1,942,292	4,176,816

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Pension Scheme and the local Mutually Agreed Redundancy Scheme (MARS). Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

This disclosure reports the number and value of exit packages agreed in the year. The expense associated with these departures may have been recognised in part or in full in a previous period.

9.5 Exit packages - Other Departures analysis

	2013-14	
	Agreements	Total value of agreements
	Number	£000
Voluntary redundancies including early retirement contractual costs	0	0
Mutually agreed resignations (MARS) contractual costs	19	538
Early retirements in the efficiency of the service contractual costs	0	0
Contractual payments in lieu of notice	3	254
Exit payments following Employment Tribunal/s or court orders	7	264
Non-contractual payments requiring HMT approval*	0	0
Total	29	1,056

This disclosure reports the number and value of exit packages agreed in the year. The expense associated with these departures may have been recognised in part or in full in a previous period.

As a single exit packages can be made up of several components each of which will be counted separately in this note, the total number above will not necessarily match the total numbers in note 9.4 which will be the number of individuals.

*includes any non-contractual severance payment made following judicial mediation.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

9.6 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, GP 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.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2014, is based on valuation data as 31 March 2013, updated to 31 March 2014 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

b) 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.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. From 2011-12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

10. Better Payment Practice Code

10.1 Measure of compliance

	2013-14 Number	2013-14 £000	2012-13 Number	2012-13 £000
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	138,068	326,576	141,159	305,986
Total Non-NHS Trade Invoices Paid Within Target	128,594	311,626	129,754	291,626
Percentage of Non-NHS Trade Invoices Paid Within Target	93.14%	95.42%	91.92%	95.31%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	3,450	24,779	3,745	40,881
Total NHS Trade Invoices Paid Within Target	2,923	24,393	3,408	40,205
Percentage of NHS Trade Invoices Paid Within Target	84.72%	98.44%	91.00%	98.35%

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

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

There were no amounts included in finance costs from claims made under this legislation.

11. Investment Revenue

	2013-14 £000	2012-13 £000
Interest revenue		
Bank interest	202	287
Other loans and receivables	0	0
Total investment revenue	202	287

12. Other Gains and Losses

	2013-14 £000	2012-13 £000
Gain/(Loss) on disposal of assets other than by sale (PPE)	(171)	(13)
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Total	(171)	(13)

13. Finance Costs

	2013-14 £000	2012-13 £000
Interest		
Interest on loans and overdrafts	857	1,791
Interest on late payment of commercial debt	0	0
Total interest expense	857	1,791
Other finance costs	0	0
Total	857	1,791

14.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1 April 2013	207,278	439,635	2,200	1,807	117,639	29,082	792	798,433
Additions of Assets Under Construction	0	0	0	15,404	0	0	0	15,404
Additions Purchased	0	6,619	0	0	7,802	1,212	41	15,674
Additions Donated	0	0	0	0	562	0	0	562
Additions Government Granted	0	25	0	0	248	0	0	273
Reclassifications	0	1,113	0	(1,113)	0	0	0	0
Disposals other than for sale	0	0	0	0	(3,198)	(89)	0	(3,287)
Revaluation	3,617	(128,888)	730	0	0	0	0	(124,541)
Impairments charged to reserves	0	(3,545)	0	0	0	0	0	(3,545)
Reversal of impairments charged to reserves	0	0	0	0	0	0	0	0
At 31 March 2014	210,895	314,959	2,930	16,098	123,053	30,205	833	698,973
Depreciation								
At 1 April 2013	0	0	0	0	66,343	16,281	193	82,817
Reclassifications	0	0	0	0	0	0	0	0
Disposals other than for sale	0	0	0	0	(2,107)	(3)	0	(2,110)
Revaluation	479	(130,907)	(42)	0	0	0	0	(130,470)
Impairments charged to operating expenses	0	118,441	0	0	0	0	0	118,441
Reversal of impairments charged to operating expenses	(479)	(820)	0	0	0	0	0	(1,299)
Charged During the Year	0	17,392	55	0	15,164	3,266	78	35,955
At 31 March 2014	0	4,106	13	0	79,400	19,544	271	103,334
Net Book Value at 31 March 2014	210,895	310,853	2,917	16,098	43,653	10,661	562	595,639
Asset financing:								
Owned - Purchased	210,895	292,901	2,917	16,098	40,874	10,661	562	574,908
Owned - Donated	0	16,530	0	0	2,722	0	0	19,252
Owned - Government Granted	0	1,422	0	0	57	0	0	1,479
Total at 31 March 2014	210,895	310,853	2,917	16,098	43,653	10,661	562	595,639

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2013	34,370	4,286	1,367	0	821	0	0	40,844
Movements	3,138	(1,525)	771	0	0	0	0	2,384
At 31 March 2014	37,508	2,761	2,138	0	821	0	0	43,228

Buildings excl Dwellings	£000	8,781
Plant & Machinery	6,623	
Balance as at YTD	15,404	

14.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2012-13								
Cost or valuation:								
At 1 April 2012	179,707	481,913	1,800	9,478	113,310	23,136	667	810,011
Additions - Assets Under Construction	0	0	0	8,120	0	0	0	8,120
Additions - purchased	0	5,829	0	0	4,125	5,344	125	15,423
Additions - donated	0	0	0	0	747	0	0	747
Additions - government granted	0	0	0	0	42	0	0	42
Reclassifications	0	15,246	0	(15,791)	(57)	602	0	0
Disposals other than by sale	879	(67,639)	(45)	0	(528)	0	0	(67,333)
Revaluation	26,692	4,286	445	0	0	0	0	31,423
Impairments charged to reserves	0	0	0	0	0	0	0	0
Reversal of impairments charged to reserves	0	0	0	0	0	0	0	0
At 31 March 2013	207,278	439,635	2,200	1,807	117,639	29,082	792	798,433
Depreciation								
At 1 April 2012	0	0	0	0	52,060	13,807	121	65,988
Reclassifications	0	299	0	0	(299)	0	0	0
Disposals other than for sale	879	(67,639)	(45)	0	(512)	0	0	(67,317)
Revaluation	0	0	0	0	0	0	0	0
Impairments charged to operating expenses	0	50,161	0	0	0	0	0	50,161
Reversal of impairments charged to operating expenses	(879)	(1,777)	0	0	0	0	0	(2,656)
Charged During the Year	0	18,956	45	0	15,094	2,474	72	36,641
At 31 March 2013	0	439,635	2,200	0	66,343	16,281	193	82,817
Net book value at 31 March 2013	207,278	439,635	2,200	1,807	51,296	12,801	599	715,616
Purchased	207,278	414,774	2,200	1,807	48,748	12,801	599	688,207
Donated	0	23,067	0	0	2,509	0	0	25,576
Government Granted	0	1,794	0	0	39	0	0	1,833
Total at 31 March 2013	207,278	439,635	2,200	1,807	51,296	12,801	599	715,616
Asset financing:								
Owned	207,278	439,635	2,200	1,807	51,296	12,801	599	715,616
Total at 31 March 2013	207,278	439,635	2,200	1,807	51,296	12,801	599	715,616
Revaluation Reserve Balance for Property, Plant & Equipment								
Land	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012	7,678	0	922	0	821	0	0	9,421
Movements	26,692	4,286	445	0	0	0	0	31,423
At 31 March 2013	34,370	4,286	1,367	0	821	0	0	40,844
Additions to Assets Under Construction In 2012-13								
Buildings excl Dwellings								
Plant & Machinery								
Balance as at YTD								
		£000						
		7,901						
		219						
		8,120						

14.3 (cont). Property, plant and equipment

The Trust uses the following lives for each class of asset -

Property, plant and equipment	Minimum Life	Maximum Life
Building exc Dwellings	25	60
Dwellings	25	60
Plant & Machinery	5	15
Information Technology	5	8
Furniture and Fittings	10	10
Intangible non-current assets		
Computer Licences and software purchased	2	5

Freehold land, properties under construction, and assets held for sale are not depreciated.

The Trust had its estate valued by an independent RICS Chartered Surveyor, GVA Grimley Ltd, on a modern equivalent asset basis as at 31 December 2013.

The valuation was undertaken as at 31 December 2013 to assist in the planning process.

15.1 Intangible non-current assets

2013-14	Computer Licenses £000	Total £000
At 1 April 2013	3,638	3,638
Additions - purchased	123	123
At 31 March 2014	<u>3,761</u>	<u>3,761</u>
Amortisation		
At 1 April 2013	1,957	1,957
Charged during the year	391	391
At 31 March 2014	<u>2,348</u>	<u>2,348</u>
Net Book Value at 31 March 2014	<u>1,413</u>	<u>1,413</u>
Asset Financing: Net book value at 31 March 2014 comprises:		
Purchased	1,413	1,413
Total at 31 March 2014	<u>1,413</u>	<u>1,413</u>

Revaluation reserve balance for intangible non-current assets

	£000	£000
At 1 April 2013	0	0
Movements (specify)	0	0
At 31 March 2014	<u>0</u>	<u>0</u>

15.2 Intangible non-current assets prior year

2012-13	Computer Licenses £000	Total £000
Cost or valuation:		
At 1 April 2012	2,124	2,124
Additions - purchased	1,514	1,514
At 31 March 2013	<u>3,638</u>	<u>3,638</u>
Amortisation		
At 1 April 2012	1,545	1,545
Charged during the year	412	412
At 31 March 2013	<u>1,957</u>	<u>1,957</u>
Net book value at 31 March 2013	1,681	1,681
Net book value at 31 March 2013 comprises:		
Purchased	1,681	1,681
Total at 31 March 2013	<u>1,681</u>	<u>1,681</u>

16. Analysis of impairments and reversals recognised in 2013-14

	Total £000	Property Plant and Equipment £000
Impairments and reversals taken to SoCI		
Loss or damage resulting from normal operations	0	0
Total charged to Departmental Expenditure Limit	<u>0</u>	<u>0</u>
Changes in market price	117,142	117,142
Total charged to Annually Managed Expenditure	<u>117,142</u>	<u>117,142</u>
 Total Impairments of Property, Plant and Equipment changed to SoCI	 <u>117,142</u>	 <u>117,142</u>

The impairment above is as a result of the valuation of the Trust's property portfolio as at 31st December 2013 by an independent RICS Chartered Surveyor, GVA Grimley Ltd, on a modern equivalent asset value basis.

17. Commitments

17.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2014 £000	31 March 2013 £000
Property, plant and equipment	776	1,202
Intangible assets	0	0
Total	<u>776</u>	<u>1,202</u>

18. Intra-Government and other balances

	Current receivables £000	Non-current receivables £000	Current payables £000	Non-current payables £000
Balances with other Central Government Bodies	51,145	0	19,774	0
Balances with Local Authorities	4,954	0	61	0
Balances with NHS bodies outside the Departmental Group	48	0	0	0
Balances with NHS Trusts and Foundation Trusts	11,716	0	4,473	0
Balances with Public Corporations and Trading Funds	0	0	1	0
Balances with bodies external to government	28,393	0	103,971	0
At 31 March 2014	96,256	0	128,280	0
Prior period:				
Balances with other Central Government Bodies	21,471	0	19,900	0
Balances with Local Authorities	0	0	70	0
Balances with NHS bodies outside the Departmental Group	36	0	627	0
Balances with NHS Trusts and Foundation Trusts	7,575	0	5,258	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	36,380	0	102,075	0
At 31 March 2013	65,462	0	127,930	0

19. Inventories

	Drugs £000	Consumables £000	Energy £000	Total £000
Balance at 1 April 2013	4,998	11,753	901	17,652
Additions	102,424	40,985	276	143,685
Inventories recognised as an expense in the period	(102,659)	(43,156)	(537)	(146,352)
Write-down of inventories (including losses)	(279)	(492)	0	(771)
Balance at 31 March 2014	4,484	9,090	640	14,214

20.1 Trade and other receivables

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
NHS receivables - revenue	59,718	23,390	0	0
Non-NHS receivables - revenue	29,477	22,289	0	0
Non-NHS prepayments and accrued income	14,002	22,045	0	0
Provision for the impairment of receivables	(11,404)	(8,294)	0	0
VAT	3,191	4,403	0	0
Interest receivables	4	7	0	0
Other receivables	1,268	1,622	0	0
Total	96,256	65,462	0	0
Total current and non current	96,256	65,462		
Included in NHS receivables are prepaid pension contributions:	0	0		

The great majority of trade is with CCGs and NHS England, as commissioners for NHS patient care services. As CCGs and NHS England are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

20.2 Receivables past their due date but not impaired

	31 March 2014 £000	31 March 2013 £000
By up to three months	21,729	7,378
By three to six months	10,077	735
By more than six months	2,180	1,359
Total	33,986	9,472

20.3 Provision for impairment of receivables

	2013-14 £000	2012-13 £000
Balance at 1 April 2013	(8,294)	(9,760)
Amount written off during the year	1,523	2,019
Amount recovered during the year	0	0
(Increase)/decrease in receivables impaired	(4,633)	(553)
Balance at 31 March 2014	(11,404)	(8,294)

21. Cash and Cash Equivalents

	31 March 2014 £000	31 March 2013 £000
Opening balance	55,326	22,974
Net change in year	(4,877)	32,352
Closing balance	50,449	55,326
Made up of		
Cash with Government Banking Service	50,366	55,264
Commercial banks	54	30
Cash in hand	29	32
Cash and cash equivalents as in statement of financial position	50,449	55,326
Cash and cash equivalents as in statement of cash flows	50,449	55,326
Patients' money held by the Trust not included above	77	63

22. Trade and other payables

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
NHS payables - revenue	10,973	9,439	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	6,509	3,700	0	0
Non-NHS payables - revenue	33,217	34,994	0	0
Non-NHS payables - capital	6,986	6,016	0	0
Non-NHS accruals and deferred income	61,870	64,819	0	0
Social security costs	80	54	0	0
Tax	87	65	0	0
Other	8,558	8,843	0	0
Total	128,280	127,930	0	0
Total payables (current and non-current)	128,280	127,930		

Included above:

to Buy Out the Liability for Early Retirements Over 5 Years	0	0
number of Cases Involved (number)	0	0
outstanding Pension Contributions at the year end	6,599	5,729

23. Borrowings

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Loans from Department of Health	1,226	1,226	19,596	20,822
Loans from other entities	1,475	1,833	1,113	2,540
Total	2,701	3,059	20,709	23,362
Total other liabilities (current and non-current)	23,410	26,421		

Loans - repayment of principal falling due in:

	31 March 2014		
	DH £000	Other £000	Total £000
0-1 Years	1,226	1,475	2,701
1 - 2 Years	1,226	806	2,032
2 - 5 Years	3,678	307	3,985
Over 5 Years	14,692	0	14,692
TOTAL	20,822	2,588	23,410

24. Deferred income

	Current		Non-current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Opening balance at 1 April 2013	25,442	32,083	0	0
Deferred income addition	15,427	57,463	0	0
Transfer of deferred income	(18,500)	(64,104)	0	0
Current deferred income at 31 March 2014	22,369	25,442	0	0
Total deferred income (current and non-current)	22,369	25,442		

25. Provisions

	Comprising:			
	Total £000	Legal Claims £000	Other £000	Redundancy £000
Balance at 1 April 2013	37,353	164	33,518	3,671
Arising During the Year	20,682	98	19,886	698
Utilised During the Year	(3,271)	(154)	(3,022)	(95)
Reversed Unused	(12,524)	(24)	(8,924)	(3,576)
Balance at 31 March 2014	42,240	84	41,458	698

Expected Timing of Cash Flows:

No Later than One Year	25,091	84	24,309	698
Later than One Year and not later than Five Years	17,149	0	17,149	0
Later than Five Years	0	0	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2014	103,759
As at 31 March 2013	93,710

Other provisions include contractual disputes £31,033k, invoice disputes £3,460k, potential VAT reclaim £5,825k, staff related issues £642k and £498k in respect of the Carbon Reduction Commitment Energy Efficiency Scheme.

26. Contingencies

	31 March 2014 £000	31 March 2013 £000
Contingent liabilities		
Other	(1,697)	(1,291)
Amounts Recoverable Against Contingent Liabilities	0	0
Net Value of Contingent Liabilities	(1,697)	(1,291)

27. Financial Instruments

27.1 Financial risk management

Financial reporting standard IFRS 7 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 commissioners and the way those commissioners 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 the financial reporting 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 great 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 Trust Development 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 the majority of the Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2014 are in receivables from customers, as disclosed in the trade and other receivables note

Liquidity risk

The Trust's operating costs are incurred under contracts with CCGs and NHS England, 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.

27.2 Financial Assets

	Loans and receivables £000	Total £000
Receivables - NHS	59,718	59,718
Receivables - non-NHS	33,940	33,940
Cash at bank and in hand	50,449	50,449
Total at 31 March 2014	144,107	144,107
Receivables - NHS	23,390	23,390
Receivables - non-NHS	28,321	28,321
Cash at bank and in hand	55,326	55,326
Total at 31 March 2013	107,037	107,037

27.3 Financial Liabilities

	Other £000	Total £000
NHS payables	10,973	10,973
Non-NHS payables	94,938	94,938
Other borrowings	23,410	23,410
Total at 31 March 2014	129,321	129,321
NHS payables	9,439	9,439
Non-NHS payables	93,049	93,049
Other borrowings	26,421	26,421
Total at 31 March 2013	128,909	128,909

28. Events after the end of the reporting period

There are no known events after the reporting period having a material effect on the accounts.

29. Related party transactions

During the year none of the Department of Health ministers, trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Imperial College Healthcare NHS Trust.

The Department of Health is regarded as a related party. During the year 2013/14 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 detailing income and expenditure for the year along with the debtor and creditor as at 31 March 2014.

	Expenditure £000	Income £000	Creditor £000	Debtor £000
<u>Department of Health</u>	20	45,063	0	0
<u>NHS England</u>	10	317,104	3,697	22,461
<u>NHS Foundation Trusts including:</u>				
Chelsea and Westminster	2,736	15,139	1,219	2,807
<u>CCGs including:</u>				
Brent	216	50,739	985	1,621
Camden	0	7,402	928	0
Central London (Westminster)	180	49,355	945	4,088
Ealing	284	61,742	1,183	390
Hammersmith and Fulham	783	76,351	1,263	4,344
Harrow	45	9,204	138	650
Hillingdon	55	9,590	122	215
Hounslow	156	29,272	351	657
Richmond	0	10,710	294	0
West London (Kensington & Chelsea & Qpp)	0	69,054	682	4,651
<u>NHS Trusts</u>	0	0	0	0
<u>Other NHS Bodies including:</u>				
Health Education England	0	66,241	0	1,563
NHS Litigation Authority	13,837	49	1	0
HM Revenue and Customs	34,586	0	167	3,191
NHS Pension Scheme	45,458	0	6,598	0
<u>NHS Bodies outside DH Group including:</u>				
NHS Blood & Transplant	6,852	401	0	48

The debtor balance with HMRC in respect of VAT recoverable at 31 March 2014 is £3,191k.

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 Imperial College Faculty of Medicine and the London Borough of Hammersmith and Fulham.

The Trust has also received revenue and capital payments from a number of charitable funds, a Trustee for one of which is also a member of the NHS Trust Board.

The Trust works in partnership with Imperial College London as an Academic Health Science Centre. Trust balances with Imperial College London for the period were as follows:

Debtors at 31 March 2014 were £1,023k
 Creditors at 31 March 2014 were £15,159k
 Income for the 12 months to 31 March 2014 was £6,232
 Expenditure for the 12 months to 31 March 2014 was £37,587

30. Losses and special payments

The total number of losses cases in 2013-14 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	2,157,440	602
Special payments	490,680	75
Total losses and special payments	<u>2,648,120</u>	<u>677</u>

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	2,065,683	366
Special payments	222,276	48
Total losses and special payments	<u>2,287,959</u>	<u>414</u>

A loss of £439,001 was included in category 4b "Damage to Buildings, Property etc. - Other" in respect of the write off of stock purchased for the Flu Pandemic campaign, now expired.

31. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

31.1 Breakeven performance	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000
Turnover	838,148	839,328	900,234	920,256	941,690	971,274	979,312
Retained surplus/(deficit) for the year	12,750	12,025	9,102	(1,909)	(20,479)	(39,955)	(102,576)
Adjustment for:							
Timing/non-cash impacting distortions:	0	0	0	7,055	12,060	48,379	117,142
Adjustments for impairments*	0	0	0	0	0	601	562
Adjustments for impact of policy change re donated/government grants assets*	12,750	12,025	9,102	5,146	(8,419)	9,025	15,128
Break-even in-year position	12,750	24,775	33,877	39,023	30,604	39,629	54,757
Break-even cumulative position							

* Adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

Materiality test (i.e. is it equal to or less than 0.5%):

Break-even in-year position as a percentage of turnover

Break-even cumulative position as a percentage of turnover

	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Materiality test (i.e. is it equal to or less than 0.5%):	1.52	1.43	1.01	0.56	-0.89	0.93	1.54
Break-even in-year position as a percentage of turnover	1.52	2.95	3.76	4.24	3.25	4.08	5.59

The amounts in the above tables in respect of financial years 2007/08 to 2008/09 inclusive have not been restated to IFRS and remain on a UK GAAP basis.

The cumulative breakeven position at 31 March 2014 adjusted for all prior year restatements is as follows:

	2010-11 (Restated) £000	2011-12 £000	2012-13 £000	2013-14 £000
Turnover	918,878	941,690	971,274	979,312
Retained surplus/(deficit) for the year	1,700	(20,479)	(39,955)	(102,576)
Adjustment for:				
Timing/non-cash impacting distortions:	2,135	12,060	48,379	117,142
Adjustments for impairments	0	0	601	562
Adjustments for impact of policy change re donated/government grants assets*	3,835	(8,419)	9,025	15,128
Break-even in-year position	37,712	29,293	38,318	53,446
Break-even cumulative position				

Materiality test (i.e. is it equal to or less than 0.5%):

Break-even in-year position as a percentage of turnover

Break-even cumulative position as a percentage of turnover

	2010-11 %	2011-12 %	2012-13 %	2013-14 %
Materiality test (i.e. is it equal to or less than 0.5%):	0.42	-0.89	0.93	1.54
Break-even in-year position as a percentage of turnover	4.10	3.11	3.95	5.45

31.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

31.3 External financing

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

	2013-14 £000	2012-13 £000
External financing limit (EFL)	2,189	(51,948)
Cash flow financing	2,066	(53,570)
Other capital receipts	0	0
External financing requirement	<u>2,066</u>	<u>(53,570)</u>
Underspend against EFL	<u>123</u>	<u>1,622</u>

31.4 Capital resource limit

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

	2013-14 £000	2012-13 £000
Gross capital expenditure	32,036	25,845
Less: book value of assets disposed of	(1,006)	(15)
Less: capital grants	(26)	(42)
Less: donations towards the acquisition of non-current assets	<u>(809)</u>	<u>(747)</u>
Charge against the capital resource limit	<u>30,195</u>	<u>25,041</u>
Capital resource limit	<u>30,264</u>	<u>25,212</u>
Underspend against the capital resource limit	<u>69</u>	<u>171</u>

32. Third party assets

The Trust held cash and cash equivalents which relate to monies held by the NHS Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2014 £000	31 March 2013 £000
Third party assets held by the Trust	<u>77</u>	<u>63</u>